TEN PEAKS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three and Nine Months Ended September 30, 2016

TEN PEAKS COFFEE COMPANY INC.

Condensed Consolidated Interim Statements of Financial Position
(Tabular amounts in thousands of Canadian dollars, except per share and number of shares figures)
(Unaudited)

as at	Note	September 30, 2016	December 31, 2015
Assets			
Current assets			
Inventories	5	$ 15,612	$ 18,960
Accounts receivable	6	11,288	7,200
Prepaid expenses and other receivables		558	462
Derivative assets	7	649	354
Cash		6,667	9,065
Total current assets		34,774	36,041
Non-current assets			
Plant and equipment	8	15,796	12,756
Intangible assets	9	1,752	1,947
Deferred tax assets		820	944
Derivative assets	7	77	-
Total non-current assets		18,445	15,647
Total assets		$ 53,219	$ 51,688
Liabilities and shareholders' equity			
Current liabilities			
Bank indebtedness	12	$ 598	$ -
Accounts payable		2,302	1,722
Accrued liabilities		1,220	1,455
Dividend payable		565	563
Derivative liabilities	7	803	2,025
Current portion of other liabilities	10	513	869
Total current liabilities		6,001	6,634
Non-current liabilities			
Derivative liabilities	7	242	1,695
Deferred tax liabilities		1,728	604
Other liabilities	10	86	69
Asset retirement obligation		791	702
Total non-current liabilities		2,847	3,070
Total liabilities		8,848	9,704
Shareholders' equity			
Share capital	11	43,496	43,448
Share-based compensation reserve		72	72
Accumulated other comprehensive income		1,210	-
Deficit		(407)	(1,536)
Total equity		44,371	41,984
Total liabilities and shareholders' equity		$ 53,219	$ 51,688

Commitments (note 19)

Approved on behalf of the Board
(signed) *David Rowntree* , Director (signed) *Frank Dennis* , Director

See accompanying notes to these Condensed Consolidated Interim Financial Statements

TEN PEAKS COFFEE COMPANY INC.

Condensed Consolidated Interim Statements of Income

(Tabular amounts in thousands of Canadian dollars, except per share and number of shares figures)

(Unaudited)

for the	Note	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Revenue		$ 20,752	$ 20,454	$ 59,478	$ 62,241
Cost of sales		(17,533)	(16,892)	(50,643)	(54,094)
Gross profit		3,219	3,562	8,835	8,147
Operating expenses					
Sales and marketing expenses		(668)	(534)	(1,745)	(1,567)
Occupancy expenses		(34)	(34)	(103)	(103)
Administration expenses		(1,187)	(885)	(3,497)	(3,357)
Total operating expenses		(1,889)	(1,453)	(5,345)	(5,027)
Operating Income		1,330	2,109	3,490	3,120
Non-operating or other					
Finance income (expense)		50	15	188	(24)
Gain (loss) on risk management activities		227	-	363	-
Gain (loss) on derivative financial instruments		(130)	(833)	(243)	55
Gain (loss) on foreign exchange		(202)	(231)	24	(678)
Total non-operating		(55)	(1,049)	332	(647)
Income before tax		1,275	1,060	3,822	2,473
Income tax expense		(396)	(243)	(1,002)	(590)
Net income for the period		879	817	2,820	1,883
Earnings per share					
Basic and Diluted (per share)	17	$ 0.10	$ 0.10	$ 0.31	$ 0.26

TEN PEAKS COFFEE COMPANY INC.

(Tabular amounts in thousands of Canadian dollars, except per share and number of shares figures)
(Unaudited)

Condensed Consolidated Interim Statements of Comprehensive Income

	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Net income for the period	879	817	2,820	1,883
Other comprehensive income				
Items that may be subsequently reclassified subsequently to income (loss)				
Other comprehensive (loss) income for the period, net of tax	(538)	-	1,210	-
Net income and other comprehensive income for the period	**$ 341**	**$ 817**	**$ 4,030**	**$ 1,883**

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital		Share-based compensation reserve	Accumulated Other Comprehensive Income ("AOCI")	Deficit	Total equity
	Shares	Amount				
Balance at December 31, 2014	**6,735,099**	**$ 24,770**	**$ 75**	**$ -**	**$ (883)**	**$ 23,962**
Issue of share capital, net of share issuance costs	2,250,000	18,624				18,624
Share-based compensation	-	-	36	-	-	36
Dividends (Note 15)	-	-	-	-	(1,404)	(1,404)
Net income and comprehensive income	-	-	-	-	1,885	1,885
Balance at September 30, 2015	**8,985,099**	**$ 43,394**	**$ 111**	**$ -**	**$ (402)**	**$ 43,103**
Shares issued for restricted share units	26,467	54	(54)	-	-	-
Share-based compensation	-	-	15	-	-	15
Dividends (Note 15)	-	-	-	-	(560)	(560)
Net income and comprehensive income	-	-	-	-	(574)	(574)
Balance at December 31, 2015	**9,011,566**	**$ 43,448**	**$ 72**	**$ -**	**$ (1,536)**	**$ 41,984**
Shares issued for restricted share units	27,296	48	-	-	-	48
Dividends (Note 15)	-	-	-	-	(1,691)	(1,691)
Net income and comprehensive income	-	-	-	1,210	2,820	4,030
Balance at September 30, 2016	**9,038,862**	**$ 43,496**	**$ 72**	**$ 1,210**	**$ (407)**	**$ 44,371**

TEN PEAKS COFFEE COMPANY INC.
Condensed Consolidated Interim Statements of Cash Flows
(Tabular amounts in thousands of Canadian dollars, except per share and number of shares figures)
(Unaudited)

for the	Note	9 months ended September 30, 2016	9 months ended September 30, 2015
Cash flows from operating activities			
Net income for the period		$ 2,820	$ 1,884
Items not affecting cash			
Depreciation and amortization		1,456	1,161
Unrealized (gain) loss on derivative financial instruments		1,147	1,932
Share-based compensation		(147)	542
Foreign exchange gain on cash held and on debt		(8)	940
Income taxes recognized in profit and loss		1,002	590
Interest (income) expense recognized in profit and loss		(188)	24
		6,082	7,073
Change in non-cash working capital relating to operating activities	20	(3,172)	(6,136)
Cash generated from operations		**2,910**	**937**
Interest received		218	105
Interest paid		(42)	(138)
Net cash generated from operating activities		**3,086**	**904**
Cash flows from investing activities			
Additions to plant and equipment		(4,253)	(824)
Net cash used in investing activities		**(4,253)**	**(824)**
Cash flows from financing activities			
Dividends paid	15	(1,691)	(1,263)
Payment of restricted share units settled in cash		(147)	18,253
Proceeds from bank indebtedness		598	-
Repayments of bank indebtedness		-	(8,753)
Net cash generated from (used in) financing activities		**(1,240)**	**8,237**
Effects of foreign exchange rate changes on cash held		9	40
Net (decrease) increase in cash		(2,398)	8,357
Cash, beginning of period		9,065	899
Cash, end of period		$ 6,667	$ 9,256

Supplemental Cash Flow Information (note 20)

1. NATURE OF BUSINESS

Ten Peaks Coffee Company Inc. ("Ten Peaks" or the "Company") is a company incorporated under the Canada Business Corporations Act. The common shares of the Company are listed on the Toronto Stock Exchange under the symbol 'TPK'. The Company's registered office is located at 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3.

Ten Peaks is a leading specialty coffee company that owns all of the interests of Swiss Water Decaffeinated Coffee Co. Inc ("SWDCC"), a British Columbia company, and Seaforth Supply Chain Solutions Inc. ("Seaforth"), a company incorporated under the Canada Business Corporations Act.

SWDCC is a premium green coffee decaffeinator located in Burnaby, BC. SWDCC employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals, leveraging science-based systems and controls to produce coffee that is 99.9% caffeine free. The SWISS WATER® Process is certified organic by the Organic Crop Improvement Association, and is the world's only branded decaffeination process. SWDCC purchases premium grade green coffee, which it decaffeinates and offers for sale to coffee importers, coffee roasters and other customers (classified as its "regular" or "non-toll" business). In addition, SWDCC decaffeinates green coffee that belongs to its customers (classified as "toll" business). Coffee decaffeinated under toll arrangements is not included in inventory, as SWDCC does not take title to these coffees. SWDCC is the primary operating entity of the Company, and Ten Peaks results of operations are dependent upon those of this subsidiary.

SWDCC has two subsidiaries, Swiss Water Decaffeinated Coffee Co. USA, Inc., a Washington State corporation, and Swiss Water Process Marketing Services Inc., a British Columbia company. These companies act as SWDCC's marketing and sales subsidiaries and do not have significant assets.

Seaforth provides a complete range of green coffee handling and storage services, including devanning coffee received from origin; inspecting, weighing and sampling coffees; and storing, handling and preparing green coffee for outbound shipments. Seaforth, which is certified organic by Ecocert Canada, serves SWDCC and other coffee importers and brokers.

2. BASIS OF PREPARATION

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS's") as issued by the IASB have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015 and the condensed consolidated interim financial statements for the period ended June 30, 2016.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2015, except for those policies disclosed below and in Note 3.

These condensed consolidated interim financial statements are presented in Canadian dollars, the Company's functional currency.

The following standards became effective for annual periods beginning on or after January 1, 2016:

- *IFRS 9 (2014): Financial Instruments:* The Company has early adopted all of the requirements of IFRS 9 as of January 1, 2016.
- *IFRSs (Amendment):* The Annual Improvements to IFRSs 2012-2014
- *Investment Entities (Amendments to IFRS 10: Consolidated Financial Instruments, IFRS 12: Disclosures of Interests in other entities, and IAS 28: Investments in Associates and Joint Ventures*): to address issues that have arisen in the context of applying the consolidation exception for investment entities.
- *IFRS 11: Joint Arrangement (Amendment):* amends the standard to require an acquirer of an interest in a joint operation in which the activity constitutes a business.
- *IAS 1: Presentation of Financial Statements (Amendments):* clarification to address perceived impediments to preparers exercising their judgment in presenting their financial reports.
- *IAS 16: Property, Plant and Equipment* and *IAS 38: Intangible Assets (Amendments):* clarification of Acceptable Methods of Depreciation and Amortization.

The adoption of the new and revised standards did not have an impact on the condensed consolidated interim financial statements apart from the adoption of IFRS 9 which is discussed in Note 3.1.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than as noted below, the principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the audited consolidated financial statements for the year ended December 31, 2015.

3.1 New Accounting Standard Adopted by the Company

The Company has early adopted IFRS 9 – financial instruments as issued in July 2014 with a date of initial application of January 1, 2016. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected credit loss impairment model.

All financial assets, other than accounts receivable, are included in the measurement category of fair value through profit and loss. There was no change to the measurement category for financial liabilities at amortized cost.

Recognition

Financial assets and financial liabilities, including derivatives, are recognized on the condensed consolidated statement of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

From January 1, 2016, the Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications for financial instruments other than derivatives:

- Cash is classified as assets at fair value and any period change in fair value is recorded through interest income in the condensed consolidated interim statement of income, as applicable.
- Accounts receivable is classified as assets at amortized cost. Interest income is recorded in the condensed consolidated interim statement of income, as applicable.
- Accounts payable, credit facilities, and other liabilities are classified as other financial liabilities and are measured at amortized cost. Interest expense is recorded in the condensed consolidated interim statement of income, as applicable.

<u>Measurement</u>

All financial instruments are required to be measured at fair value on initial recognition. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of the subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income. The requirements for classification and measurement of financial liabilities largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would, under IFRS 9, generally be recorded in other comprehensive income.

<u>Impairment</u>

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The Company's only financial asset at amortized cost is accounts receivable, for these the Company applies the simplified approach as permitted by IFRS 9 which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

<u>Derivatives and Hedge Accounting</u>

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The accounting for the ineffective portion of changes in fair value on hedging instruments will remain as determined under IAS 39.

The Company designates derivatives as hedges for the risk of changes in fair value of the purchase commitment due to changes in benchmark coffee commodity prices and foreign exchange as fair value hedges.

The Company also designates derivatives as hedges of foreign exchange risk associated with the cash flows of highly probable forecast transactions.

The Company documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedging relationship.

The Company applied hedge accounting prospectively to economic hedges entered into in accordance with its Foreign Exchange Risk Management Policy (FX Policy) and the Commodity Price Risk Management Policy (Commodity Policy). Economically, the specific hedging activities carried out under these policies by the Company are as follows:

Currency risk hedges on US$ purchases:

The Company enters into forward contracts to buy US dollars (US$) for significant purchase commitments, such as green coffee inventory which, once decaffeinated, is sold at a fixed Canadian dollar (C$) price. To mitigate the exposure to changing margin on these transactions arising from fluctuations in the US$/C$ exchange rate, the Company enters into US$ forward purchase contracts which economically lock in the US$/C$ exchange rate, and effectively locks in the C$ cost of inventory to be sold at the fixed C$ amount.

At each period end, currency risk hedges on US$ purchases are re-measured to their fair value. Under hedge accounting, the effective portion of the unrealized gains (losses) will be held on the consolidated statement of financial position until the inventory is received and subsequently sold, at which time the unrealized gains (losses) will flow to cost of sales on the consolidated statement of income.

Commodity price risk hedges on purchase commitments:

When the Company enters into a purchase commitment to purchase green coffee and fixes the New York ‘C’ (“NY’C”) price component (which it will later sell at a to-be-determined price based on the NY’C’), the Company enters into an offsetting short position on the Intercontinental Exchange. The Company monitors, on a macro basis, the amount of purchase commitments and amount of inventory on hand for which the ultimate sale price is variable and has not yet been fixed based on the NY’C’ and compares this to the amount of coffee covered by future net short positions to determine whether the net short position requires adjustment.

At each period end, commodity price risk hedges are re-measured to their fair value. Under hedge accounting, the effective portion of the unrealized gains (losses) for price fixed hedged coffee contracts and coffee inventory are reclassified so that the impact on the consolidated statement of financial position is deferred until inventory for such contracts is received and subsequently sold, at which time the unrealized gains (losses) will flow to cost of sales on the consolidated statement of income.

Currency risk hedges on US$ future revenue:

The Company enters into forward contracts to sell US$ at future dates to hedge the foreign exchange cash flow variability of expected US$ processing fee revenue. The hedged processing revenue includes both processing fee revenue from tolling arrangements (processing of customer owned coffee) as well as the US$ processing fee layer of inventory sales agreements.

At each period end, currency risk hedges on US$ future revenues are re-measured to their fair value. Under hedge accounting, unrealized gains (losses) for US$ forward contracts are reclassified so that the impact on the consolidated statement of income is deferred through other comprehensive income, until the hedge instrument matures, at which time the unrealized gain (loss) is reflected in revenue on the consolidated statement of income.

On all hedges entered into, if the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedged instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

Accounting Policy Prior to January 1, 2016

The Company has applied IFRS 9 retrospectively, however cannot restate comparatives under the provisions of IFRS 9 – hedge accounting. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy. There were no material adjustments recognized to the carrying amounts of financial assets or liabilities at the date of adoption, thus no difference was recognized in the opening retained earnings.

3.2 Application of revised IFRSs

The following new standards, amendments to accounting standards and interpretations have been issued and will be effective in future periods:

- IAS 7: Statement of Cash Flows*:* amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017.
- IAS 12: Income Taxes*:* amended to clarify the accounting from deferred tax assets for unrealized losses on debt instruments measured at fair value. It is effective for annual periods beginning on or after January 1, 2017.
- IFRS 15: Revenue from Contracts with Customers: provides a single, principles based five-step model to be applied to all contracts with customers. New disclosures about revenue are also introduced. This standard's effective date has been deferred to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2018. In April 2016, the IASB issued amendments in the Clarifications to IFRS 15 which addresses three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts.

(Tabular amounts in thousands of Canadian dollars)

The amendments do not change the underlying principles of the standard and have the same effective date as the standard itself.

- IFRS 16: Leases*:* specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. It is effective for annual periods beginning on or after January 1, 2019.

The Company has not yet adopted any of these new and amended standards or interpretations, and is currently assessing the impact of adoption.

4. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and indebtedness. In order to maintain or adjust the capital structure, the Company may from time to time issue common shares, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

The Company manages its capital in order to meet its growth objectives while continuing to pay quarterly dividends to its shareholders. The dividend policy of Ten Peaks is subject to the discretion of the Board of Directors, which reviews the level of dividends periodically on the basis of a number of factors including Ten Peaks' financial performance, future prospects, and the capital requirements of the business. Quarterly dividends are paid on a level basis in order to smooth out normal seasonal fluctuations that occur over the course of a year.

5. INVENTORIES

	September 30, 2016	December 31, 2015
Raw materials	$ 7,282	$ 11,853
Finished goods	6,749	6,656
Carbon	435	341
Packaging	217	110
Hedge accounting component	928	-
	$ 15,612	$ 18,960

During the three and nine months ended September 30, 2016, the cost of inventories recognized as an expense was $16.1 million (2015: $15.6 million) and $47.5 million (2015: $50.8 million) respectively. There was no inventory provision as at September 30, 2016 (2015: nil). The hedge accounting component adjustment represents the derivative gain (loss) on designated hedges for inventory on hand as at September 30, 2016.

(Tabular amounts in thousands of Canadian dollars)

6. ACCOUNTS RECEIVABLE

	September 30, 2016	December 31, 2015
Accounts receivable	$ 11,288	$ 7,200

The Company's accounts receivable has been reviewed for indicators of impairment. No accounts were found to be impaired and therefore no allowance for credit losses was provided as at September 30, 2016 (December 31, 2015: nil).

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments carried at fair value through profit and loss were as follows:

	September 30, 2016	December 31, 2015
Coffee futures contracts	$ 583	$ 354
US Dollar forward contracts, current	(738)	(2,025)
US Dollar forward contracts, long-term	(165)	(1,695)
Fair value of derivatives liabilities	$ (320)	$ (3,366)

The significant year-over-year change in the net fair value of derivative liabilities is due to the designation of US$ revenue hedges as hedging instruments upon adoption of hedge accounting effective January 1, 2016. US$ forward contracts, current, includes derivative assets designated as swap instruments.

8. PLANT AND EQUIPMENT

	Machinery and equipment	Leasehold improvements	Computer	Furniture and fixtures	Construction in progress	Total
Cost						
Balance January 1, 2016	$ 28,284	$ 4,952	$ 998	$ 304	$ 2,127	$ 36,665
Additions	-	64	-	-	4,189	4,253
Transfers	5,152	27	18	7	(5,188)	16
Balance September 30, 2016	$ 33,436	$ 5,043	$ 1,016	$ 311	$ 1,128	$ 40,934
Depreciation						
Balance January 1, 2016	$ (20,229)	$ (2,882)	$ (641)	$ (157)	$ -	$ (23,909)
Depreciation	(916)	(228)	(80)	(6)	-	(1,230)
Balance September 30, 2016	$ (21,145)	$ (3,110)	$ (721)	$ (163)	$ -	$ (25,139)
Carrying amount September 30, 2016	$ 12,291	$ 1,933	$ 295	$ 148	$ 1,128	$ 15,796
Cost						
Balance January 1, 2015	$ 28,208	$ 5,007	$ 873	$ 270	$ 175	$ 34,533
Additions	54	-	-	33	2,100	2,187
Write-downs	-	(55)	-	-	-	(55)
Transfers	22		125	1	(148)	-
Balance December 31, 2015	$ 28,284	$ 4,952	$ 998	$ 304	$ 2,127	$ 36,665
Depreciation						
Balance January 1, 2015	$ (19,372)	$ (2,611)	$ (563)	$ (148)	$ -	$ (22,694)
Depreciation	(857)	(271)	(78)	(9)	-	(1,215)
Balance December 31, 2015	$ (20,229)	$ (2,882)	$ (641)	$ (157)	$ -	$ (23,909)
Carrying amount December 31, 2015	$ 8,055	$ 2,070	$ 357	$ 147	$ 2,127	$ 12,756

(Tabular amounts in thousands of Canadian dollars)

For the three months ended September 30, 2016, depreciation expense of $413,000 (2015: $284,000) has been charged to cost of sales and $32,000 (2015: $32,000) was included in administrative expenses.

For the nine months ended September 30, 2016, depreciation expense of $1,166,000 (2015: $903,000) has been charged to cost of sales and $64,000 (2015: $64,000) was included in administrative expenses.

There was no impairment loss recognized for the three and nine month period ended September 30, 2016 (2015: nil).

9. INTANGIBLE ASSETS

		PPT		Brand		Total
Cost						
Balance January 1, 2016	$	3,246	$	1,000	$	4,246
Balance September 30, 2016	$	3,246	$	1,000	$	4,246
Amortization						
Balance January 1, 2016	$	(1,440)	$	(859)	$	(2,299)
Amortization		(180)		(14)		(194)
Balance September 30, 2016	$	(1,620)	$	(873)	$	(2,493)
Carrying amount September 30, 2016	$	1,626	$	127	$	1,752
Cost						
Balance January 1, 2015	$	3,246	$	1,000	$	4,246
Balance December 31, 2015	$	3,246	$	1,000	$	4,246
Amortization						
Balance January 1, 2015	$	(1,200)	$	(840)	$	(2,040)
Amortization		(240)		(19)		(259)
Balance December 31, 2015	$	(1,440)	$	(859)	$	(2,299)
Carrying amount December 31, 2015	$	1,806	$	141	$	1,947

For the three months ended September 30, 2016, amortization expense of $60,000 (2015: $60,000) relating to PPT has been charged to cost of sales and $4,000 (2015: $4,000) relating to Brand was included in administrative expenses.

For the nine months ended September 30, 2016, amortization expense of $180,000 (2015: $180,000) relating to PPT has been charged to cost of sales and $14,000 (2015: $14,000) relating to Brand was included in administrative expenses.

There was no impairment loss recognized for the three and nine month period ended September 30, 2016 (2015: nil).

10. OTHER ASSETS AND LIABILITIES

The balance in other liabilities represents the fair value of the deferred share units (“DSUs”) and of the cash-settled portion of the restricted share units (“RSUs”) outstanding as follow:

		September 30, 2016		December 31, 2015
Current portion	$	513	$	869
Long term		86		69
Total other liabilities	$	599	$	938

(Tabular amounts in thousands of Canadian dollars)

11. SHARE CAPITAL

Ten Peaks is authorized to issue an unlimited number of common shares. Each share is equally eligible to receive dividends when declared, and represents one vote at meetings of shareholders.

As of September 30, 2016, there were 9,038,962 common shares, and 51,019 restricted share units outstanding, respectively.

Restricted share units

The movement in RSUs for the nine month period ended September 30, 2016, and the year ended December 31, 2015, is as follows:

	Number of RSUs at		Volume based weighted average share price	Remaining vesting period (years)	Performance based
Balance at January 1, 2015	**94,042**	**$**	**4.39**	**1.29**	
RSUs granted	48,800	$	4.67	2.14	No
RSUs issued for dividends	4,642	$	7.13	1.87	No
RSUs cash-settled	(23,712)	$	10.71	-	No
RSUs exercised	(26,467)	$	10.71	-	No
Balance at December 31, 2015	**97,305**	**$**	**12.01**	**1.45**	
RSUs issued for dividends	2,074	$	8.85	1.83	No
RSUs cash-settled	(21,064)	$	6.96	-	No
RSUs exercised	(27,296)	$	6.96	-	No
Balance at September 30, 2016	**51,019**	**$**	**7.86**	**1.39**	

Deferred share units

The movement in DSUs for the nine month period ended September 30, 2016, and the year ended December 31, 2015, is as follows:

	Number of DSUs at		Weighted average share price	Performance based
Balance at January 1, 2015	43,572	$	4.68	
DSUs issued	13,819	$	6.48	No
Balance at December 31, 2015	57,391	$	12.06	
DSUs issued	8,312	$	9.63	No
Balance at September 30, 2016	**65,703**	**$**	**7.81**	

(Tabular amounts in thousands of Canadian dollars)

12. BANK INDEBTEDNESS

The Company had no outstanding debt as at September 30, 2016 or December 31, 2015, other than temporary overdraft accounts in the amount of $0.6 million (2015: Nil).

The following credit facilities were available to the Company as at September 30, 2016:

a. a $14.5 million revolving operating line of credit which bears interest at the bank's prime lending rate plus 75 basis points; and

b. a $1.5 million swing operating line of credit which bears interest at the bank's prime lending rate plus 75 basis points.

Any US dollar ("US$") denominated debt under the revolving operating line of credit or swing line can be financed using LIBOR loans at the LIBOR rate plus 2.35% per annum.

In addition, the Company has a US$6.0 million foreign exchange and commodity futures contract facility, which allows the Company to enter into spot, forward and other foreign exchange rate transactions and commodity futures transactions with the bank with a maximum term of up to 36 months.

These facilities are collateralized by a general security agreement over all of the assets of the Company and a floating hypothecation agreement over cash balances.

As at September 30, 2016, the Company was in compliance with its debt covenants.

13. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Short-term benefits	$ 1,691	$ 1,657	$ 5,104	$ 4,805
Long-term benefits	81	28	(147)	542
Post-employment benefits	216	119	557	471
Total employee benefits expenses	$ 1,988	$ 1,804	$ 5,514	5,818

Short-term benefits are comprised of salaries, accrued bonuses, benefits and director fees. Long-term benefits comprise share-based compensation under the RSU Plan and the DSU Plan.

Post-employment benefits are contributions to employee retirement accounts, as well as statutory remittances related to post-employment benefits. These are recognized as an expense when employees have rendered service entitling them to the contributions. For the three and nine months ended September 30, 2016, the total expense recognized in the condensed consolidated interim statement of income of $0.2 million (2015: $0.1 million) and $0.6 million (2015: $0.5 million) respectively, represented contributions paid to RRSPs, IRAs, CPP and EI by the Company at rates specified in the rules of the plans.

(Tabular amounts in thousands of Canadian dollars)

14. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, key management personnel and companies related to directors.

Details of transactions between the Company and related parties (other than its subsidiaries) are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Compensation of Key Management Personnel

The remuneration of directors and key management personnel for the periods was as follows:

	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Short-term benefits	$ 265	$ 307	$ 848	$ 1,020
Long-term benefits	72	23	(156)	511
Post-employment benefits	46	23	72	82
Total	$ 383	$ 353	$ 764	$ 1,613

Trading transactions

During the periods, the Company entered into the following transactions with companies that are related to directors:

	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Sales	$ 215	$ 297	$ 374	$ 1,882
Purchase of raw materials	$ 901	$ 1,158	$ 3,243	$ 3,371

	September 30, 2016	December 31, 2015
Accounts receivable	$ 57	$ 178
Accounts payable	$ 68	$ 599

These transactions were in the normal course of operations and were measured at the fair value of the consideration received or receivable, which was established and agreed to by the related parties.

15. DIVIDENDS

For the nine months ended September 30, 2016, the Company declared and paid quarterly eligible dividends to shareholders totaling $1.7 million or $0.1875 per share (2015: $1.4 million).

(Tabular amounts in thousands of Canadian dollars)

16. SEGMENT REPORTING

The Company's sales are primarily generated in a single segment (decaffeination of green coffee) and in three geographic areas – Canada, United States and other international markets.

The Company's revenue from external customers and its non-current assets by location are detailed below:

Revenue from External Customers

	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Canada	$ 8,169	$ 8,195	$ 22,863	$ 24,390
United States	$ 10,742	9,743	28,386	30,110
Other	$ 1,841	2,516	8,229	7,741
	$ 20,752	$ 20,454	$ 59,478	$ 62,241

Non-Current Assets (not including deferred tax assets)

	September 30, 2016	December 31, 2015
Canada	$ 17,573	$ 14,651
United States	52	52
	$ 17,625	$ 14,044

17. BASIC AND DILUTED EARNINGS PER SHARE

	3 months ended September 30, 2016	3 months ended September 30, 2015	9 months ended September 30, 2016	9 months ended September 30, 2015
Net Income attributable to shareholders (basic)	$ 879	$ 818	$ 2,820	$ 1,884
Weighted average number of shares (basic)	9,016,313	8,264,990	9,013,160	7,250,667
Basic and diluted EPS	$ 0.10	$ 0.10	$ 0.31	$ 0.26

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of calculating the diluted earnings per share:

	September 30, 2016	September 30, 2015
Weighted average number of RSUs granted	51,019	146,418

18. FINANCIAL RISK MANAGEMENT

The Company's risk management program focuses on the unpredictability of commodity prices and foreign exchange rates, and seeks to minimize potential adverse effects on the Company's financial performance and cash flows. The Company uses derivative financial instruments to hedge these risk exposures. In addition, the Company monitors other financial risks on a regular basis.

Risk management is carried out under policies approved by the Board of Directors. The Company's exposure to and management of financial risks is discussed in more detail below.

18.1 Commodity price risk

Commodity price risk is the risk that the fair value of inventory or future cash flows will fluctuate as a result of changes in commodity prices. The Company utilizes futures contracts to manage its commodity price exposure. The Company buys and sells futures contracts for coffee on the IntercontinentalExchange in order to offset its inventory position and fix the input cost of green coffee. As at September 30, 2016, the Company had futures contracts to buy 1.2 million lbs of green coffee with a notional value of US$1.8 million, and contracts to sell 4.2 million lbs of green coffee with a notional value of US$6.4 million (December 31, 2015 – buy 1.2 million lbs with a notional value of US$1.5 million, and sell 5.1 million lbs with a notional value of US$6.4 million), with the furthest contract maturing in December 2016. The net notional value of the contracts outstanding at September 30, 2016 was approximately US$4.6 million.

The following tables provide a summary of amounts related to future contacts designated as hedging instruments as at September 30, 2016:

		Carrying amount of the hedging instruments			
	Nominal amount of the hedging instruments (In US$000s)	Assets	Liablities	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for Q3, 2016
Fair Value hedges					
Commodity price risk					
-Coffee futures	4,587	$ 583	$ -	Derivative Assets	$ -

		Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged items				
	Nominal amount of the Hedged item (In 000s lbs)	Assets	Liablities	Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness for Q3, 2016	Cashflow hedge reserve
Fair Value hedges						
Purchase commitments and coffee inventory	3,044	$ 886	$ -	Other assets and inventories	$ -	N/A

As at September 30, 2016 the Company has entered into contracts to hedge purchase commitments, coffee inventory as well as sales agreements for net notional volumes of 3.0 million pounds of coffee. The fair value of the derivatives portfolio at September 30, 2016 is in favour of the Company and is recorded within Derivative assets.

18.2 Foreign currency risk

The Company realizes a significant portion of its sales in US$, and purchases green coffee in US$ which is, in some cases, sold to customers in Canadian dollars. The Company enters into forward foreign currency contracts to manage its exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions. These contracts relate to the Company's future net cash flows in US$ from sales. In addition, the Company enters into forward contracts to buy US$ for coffee that it resells in Canadian dollars. At September 30, 2016, the Company had forward currency contracts to buy US$5.5 million and sell US$44.5 million (December 31, 2015: buy US$5.6 million and sell US$39.5 million) from October 2016 through to September 2019 at various Canadian exchange rates ranging from $1.1412 to $1.4287. The net notional value of the contracts outstanding at September 30, 2016 was approximately US$39.1 million.

The following tables provide a summary of amounts related to foreign currency forward contacts designated as hedging instruments as at September 30, 2016:

		Carrying amount of the hedging instruments			
	Nominal amount of the Hedging instruments (In US$000s)	Assets	Liablities	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for Q3, 2016
Fair Value hedges					
Foreign Exchange Risk - Designated Foreign Currency Purchase forwards	5,452	$ 49	$ 70	Derivative Assets and Inventories	$ (32)
Cashflow Hedges					
Foreign Exchange Risk - Foreign Currency Forwards	32,512	$ 77	$ 975	Derivative Liabilities	-

		Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged items				
	Nominal amount of the Hedged item (In US$000s)	Assets	Liablities	Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness for Q3, 2016	Cashflow hedge reserve
Foreign Exchange Risk - Purchase commitments and coffee inventory	5,452	$ 45	$ -	Other assets and Inventories	$ (32)	N/A
Cashflow Hedges						
Foreign Exchange Risk - Foreign Currency Forwards	N/A N/A	N/A	N/A	N/A	$ -	$ 1,635

As at September 30, 2016 the Company has entered into forward contracts with a nominal value of US$5.5 million to hedge purchase commitments and coffee inventory for sale in Canadian dollars. The fair value of the derivatives portfolio for fair value hedges at September 30, 2016 is $0.05 million in favour of the Company and is recorded within Other assets and Inventories. In addition, the Company has entered into forward contracts with a nominal value of US$32.5 million to hedge future forecasted sales revenue. The fair value of the derivatives portfolio for cash flow hedges at September 30, 2016 is $0.9 million not in favour of the Company and is recorded within derivative liabilities. The cash flow hedge reserve of $1.6 million is before any adjustment for future income taxes.

Not included in the table above are fair value changes for swap contracts, as these are not designated hedge instruments.

18.3 Credit risk

The Company is exposed to credit risk with respect to its cash, accounts receivable and derivative financial instruments.

(Tabular amounts in thousands of Canadian dollars)

The Company does not have significant credit risk related to cash as amounts are held with a major Canadian bank.

The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. For the period ended September 30, 2016, revenues from three major customers of $16.6 million (2015: $21.5 million) represented 28% (2015: 35%) of total revenues for the period. These customers represented 42% of total accounts receivable as at September 30, 2016 (December 31, 2015: 28%).

The Company had 16% of its accounts receivable past due but not impaired as at September 30, 2016 (December 31, 2015: 16%). Of the accounts receivable past due, 74% are 1-30 days past due, and 26% are 31-60 days past due.

The Company manages the credit risk related to its derivative financial instruments by entering into such contracts only with high credit quality institutions.

18.4 Liquidity risk

The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis and its future plans. The Company ensures that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its existing bank indebtedness and additional borrowing capacity. The Company has maintained compliance with its banking covenants and remains able to satisfy its liabilities as they become due.

18.5 Fair value of financial instruments

Financial instruments that are measured at FVTPL are categorized as follows:

	September 30 2016	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative assets	$ 724	$ 583	$ 141	$ -
	$ 724	$ 583	$ 141	$ -
Financial liabilities at FVTPL				
Derivative liabilities	$ 1,045	$ -	$ 1,045	$ -
Other liabilities	$ 599	$ -	$ 599	$ -
	$ 1,644	$ -	$ 1,644	$ -

	December 31 2015	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative assets	$ 354	$ 354	$ -	$ -
	$ 354	$ 354	$ -	$ -
Financial liabilities at FVTPL				
Derivative iabilities	$ 3,720	$ -	$ 3,720	$ -
Other liabilities	$ 938	$ -	$ 938	$ -
	$ 4,658	$ -	$ 4,658	$ -

During the period, there were no transfers between level 1 and 2 instruments.

(Tabular amounts in thousands of Canadian dollars)

19. COMMITMENTS

19.1 Operating lease commitments

SWDCC leases a facility which houses its decaffeination plant and offices. The current lease term expires in 2018. After 2018, the lease on the decaffeination facility can be renewed at SWDCC's option for one additional 5-year term.

Seaforth leases a warehouse for its primary operations that expires on June 30, 2019. In addition, Seaforth has a short-term lease on a small facility that expires October 31, 2016.

Swiss Water Decaffeinated Coffee Company USA, Inc. holds a lease for its Seattle sales office, which expires on March 31, 2017.

A summary of future minimum payments under these operating leases as at September 30, 2016 is as follows:

Minimum lease payments due:		
No later than 1 year	$	1,033
Later than 1 year and no later than 5 years		1,428
Later than 5 years		-
	$	2,461

19.2 Other lease commitments

In Q3, 2016, SWDCC signed a lease agreement for a build-to-suit production facility. The lease has an initial term of 5 years, and can be renewed at SWDCC's option in five-year increments up to a total of 30 years. The lease will commence the earlier of the date of opening of the SWDCC business in any part of the premises, and the date of expiry of the fixturing period, which is estimated to be December 1, 2017. Under the lease, SWDCC has multiple options to buy-out the lease starting at the end of the second five-year term. The buy-out value will be equal to the fair market value of the property as determined by an appraisal process, subject to specified maximum and minimum values.

The lease also includes a construction management agreement for the construction of the highly specialized building to house the production plant. The landlord will finance this portion of the building, with loan payments commencing on the earlier of substantial completion of construction and January 1, 2019. The loan is repayable in equal monthly installments over 15 years, and can be prepaid without penalty at any time.

A summary of future minimum payments under this lease as at September 30, 2016 is as follows:

Minimum lease payments due:		
No later than 1 year	$	-
Later than 1 year and no later than 5 years		5,529
Later than 5 years		6,419
	$	11,948

(Tabular amounts in thousands of Canadian dollars)

19.3 Other commitments

The Company has provided a standby letter of credit in the amount of \$0.3 million as security to the landlord.

The Company has, in the normal course of business, entered into various contracts. As at September 30, 2016, these contracts related to the purchase of green coffee in the amount of \$28.2 million, and natural gas purchase commitments in the amount of \$0.3 million. \$28.4 million of these contracts will become payable within 12 months from September 30, 2016.

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	9 months ended	
	September 30, 2016	**September 30, 2015**
Accounts receivable	(4,088)	(526)
Inventory	3,346	(5,539)
Prepaid expenses	(100)	(156)
Other assets	(1)	-
Accounts payable and accrued liabilities	228	(531)
Derivative assets at fair value through profit or loss	(370)	377
Derivative liabilities at fair value through profit or loss	(2,187)	239
	(3,172)	(6,136)

21. SUBSEQUENT EVENT

The condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 were approved for issuance on November 7, 2016. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization other than as noted below.

Payment of Dividend

On October 15, 2016, the Company paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on September 30, 2016.

Convertible Debt Issuance

In October 2016, The Company raised gross proceeds of \$15 million by way of private placement of an unsecured convertible debenture. The convertible debenture bears interest at a rate of 6.85% over its 7-year term and is convertible into Common Shares of the Company at a conversion price of \$8.25 per Common Share. Under the terms of the agreement, the Company will have the option to pay interest-in-kind for the first two years. If elected, this option will increase the principal sum by the interest owing. The convertible debenture also contains a net share settlement feature that allows the Company, upon conversion, to elect to pay cash equal to the face value of the convertible debenture and to issue Common Shares equal to the excess value of the underlying equity above the face value of the convertible debenture. If the net share settlement option is elected, it will result in fewer Common Shares being issued by the Company.