



Ten Peaks Coffee Company Inc.

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FREQUENTLY ASKED QUESTIONS ABOUT TEN PEAK'S ADOPTION OF HEDGE ACCOUNTING

1) Has our hedge strategy changed?

No. Our hedge strategy is still driven by our Commodity Price Risk Management Policy (Commodity Policy), and our Foreign Exchange Risk Management Policy (FX Policy). There is no economic impact of this adoption. This is strictly a change in how we account for hedges.

2) What is hedge accounting under IFRS 9?

Simply put, it is a standard that allows for the alignment of accounting with how our business is run. Unrealized gains and losses associated with the revaluation of derivatives can create unnecessary volatility in our reported results. Now, using hedge accounting, unrealized gains and losses can be held on the balance sheet or in other comprehensive income until the transaction that we are hedging is realized. This in turn will reduce our earnings volatility, and our margin will now reflect the costs/benefits of our commodity and FX risk management activities.

3) Why did we decide to apply hedge accounting in 2016?

IFRS 9 became effective for annual periods beginning on or after January 1, 2015, and replaces IAS 39. Our hedging strategy did not qualify for hedge accounting under IAS 39, but it does qualify under IFRS 9. We early adopted IFRS 9 at the beginning of 2016 to have it take effect in a new fiscal year. The adoption of hedge accounting will allow for more consistency in our reported financial results through reduced earnings volatility.

4) How will hedge accounting impact Ten Peaks' financial metrics?

Going forward, you can expect a significant reduction in volatility in our gross profit, operating income, EBITDA, and net income. We now expect gross profit, net income, cash flows from operating activities before changes in working capital, as well as earnings per share, to be key financial performance metrics for our Company.

5) Will hedge accounting impact return on equity ("ROE")?

Hedge accounting will reduce earnings volatility, and as a result, our ROE is expected to be more stable.

6) Will hedge accounting impact cash flows?

Hedge accounting will have no impact on our cash flows.



7) How do I compare prior year's results to current year under hedge accounting?

IFRS 9 does not allow us to retrospectively apply hedge accounting. Comparative results included in our quarterly financial statements will not be restated. Accordingly, it will be more difficult to make direct comparisons with prior periods throughout 2016.

Though we expect this year to be challenging for the readers of our financial statements and MD&A, the benefit going forward of having less volatile, consistent reported results far outweighs some of the 'headaches' we and you will experience during this transition period.

8) How can I get more information on the adoption of hedge accounting?

We encourage you to read our Q1 2016 Management Discussion and Analysis, located on SEDAR and our website (www.tenpeakscoffee.ca). The concepts above are discussed in more detail throughout the MD&A.

For those interested in the technical aspects of hedge accounting, we have prepared a document that explains some of the more complex components of our adoption of hedge accounting. Please contact our CFO, Sherry Tryssenaar, or our Controller, David Whitney should you require this document, or if you have any more detailed questions about hedge accounting.

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