Management's Discussion and Analysis

This Management's Discussion & Analysis ("MD&A") of Ten Peaks Coffee Company Inc. ("Ten Peaks" or the "Company"), dated as of May 12, 2015, provides a review of the financial results for the three months ended March 31, 2015 relative to the comparable period of 2014. The three-month period represents the first quarter ("Q1") of our 2015 fiscal year. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended March 31, 2015, as well as the audited consolidated financial statements for the year ended December 31, 2014, which are available at www.sedar.com.

All financial information is presented in Canadian dollars, unless otherwise specified.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements, including statements regarding the future success of our business and market opportunities. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "continue", "could", "indicates", "plans", "will", "intends", "may", "projects", "schedule", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) expectations regarding Ten Peaks' future success in various geographic markets; (ii) future financial results including anticipated future sales and processing volumes; (iii) future dividends; (iv) the expected actions of the third parties described herein; (v) factors affecting the coffee market including supplies and commodity pricing; and (vi) the business and financial outlook of Ten Peaks. In addition, this MD&A contains financial outlook information that is intended to provide general guidance for readers based on our current estimates, but which is based on numerous assumptions and may prove to be incorrect. Therefore, such financial outlook information should not be relied upon by readers. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties that may cause our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these statements. These risks include, but are not limited to, risks related to processing volumes and sales growth, operating results, supply of coffee, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, general economic conditions and those factors described herein under the heading 'Risks & Uncertainties'.

The forward-looking statements contained herein are also based on assumptions that we believe are current and reasonable, including but not limited to, assumptions regarding: (i) trends in certain market segments and the economic climate generally; (ii) the financial strength of our customers; (iii) the value of the Canadian dollar versus the US dollar; (iv) the expected financial and operating performance of Ten Peaks going forward; and (v) the expected level of dividends payable to shareholders. We cannot assure readers that actual results will be consistent with the statements contained in this MD&A. The forward-looking statements and financial outlook information contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Ten Peaks undertakes no obligation to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.

EXECUTIVE SUMMARY

The first quarter of 2015 continued to build off the momentum of a solid 2014, with substantial year-over-year growth in processing volumes, revenue and gross profit. First quarter processing volumes rose by 27% over Q1 2014, driving up our gross profit for the period by 23%. As a result, our net income and EBITDA were also up significantly. On a geographic basis, our year-over-year volumes were up moderately in Canada and significantly in both the US and internationally. We believe our quarterly gains reflect our multi-faceted growth strategy, which has consistently driven volume growth in each of the past four years.

Higher-margin specialty regional accounts continued to be a key growth factor during the first quarter of 2015, with volumes to this segment up by 28% over Q1 2014. Additionally, volumes from our national accounts grew by 26%. Notably, our volumes for the same period last year were somewhat lower than usual, due to a trucking strike at the Port Metro Vancouver. However, the significant increase in our processing volumes for the three months ended March 31, 2015 does reflect ongoing growth across all segments of our business.

Our strong quarterly sales volumes helped mitigate the effect of a downward trending coffee commodity price, or NY'C', which declined by 20% from US$1.66 per lb at the beginning of the period to US$1.33 per lb by the end. As we sell our coffee based on current market prices, a declining NY'C' will lead to a decrease in our revenues. The movement in the US dollar ("US$") also influences our revenues, as 77% of our sales were in US$. During the first quarter, the strong US$ had a favorable influence on our revenue, with the average US-Canadian dollar exchange rate up by 13% from the same period last year.

In accordance with our risk management practices, we hedge changes in coffee commodity prices and the US-Canadian dollar exchange rates. During Q1 2015, the declining NY'C' generated net gains of $1.5 million on our coffee futures contracts, compared to net losses of $1.2 million during the same period last year. The strengthening US$ however, caused an offsetting net loss on our forward foreign exchange contracts of $1.0 million, compared to a net loss of $0.3 million for the same quarter last year.

Revenues increased by 60% to $21.5 million in the quarter. All three of our revenue categories – process revenue, green coffee revenue and distribution revenue – recorded considerable year-over-year gains. The revenue increases were largely related to our growth in volumes, as well as a strengthening US$.

EBITDA increased to $3.0 million during the quarter, up significantly from $0.1 million for the same period last year. The gain was driven by our higher gross profit and net gains on commodity futures, partially offset by increased operating expenses. Net income rose to $0.8 million, from a loss of $0.7 million in Q1 2014.

We generated $2.8 million in cash from operations before changes in working capital accounts, and used $1.6 million to repay debt during the first quarter of this year. Our net debt declined by $2.3 million.

In order to meet the ongoing growth in demand for our premium, chemical free decaffeinated coffees, we also began engineering work during the first quarter to increase the production capacity of our decaffeination facility. We expect to move forward with the expansion later this year, utilizing our existing debt facilities.

Finally, in Q1 2015 we paid $0.4 million in eligible dividends to shareholders, which is unchanged from the same period last year. We have paid a quarterly dividend of $0.0625 per share for the past 17 quarters.

BUSINESS OVERVIEW

Ten Peaks is a leading specialty coffee company doing business through two wholly owned subsidiaries, Swiss Water Decaffeinated Coffee Company, Inc. ("SWDCC") and Seaforth Supply Chain Solutions Inc. ("Seaforth"). 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. We believe that the SWISS WATER® Process is the world's only 100% chemical free water process for third-party coffee decaffeination. It is certified organic by the Organic Crop Improvement Association, and is also the world's only consumer-branded decaffeination process. This is our primary business, and the financial results of Ten Peaks are dependent upon the results of SWDCC.

Seaforth provides a complete range of green coffee logistics services including devanning coffee received from origin; inspecting, weighing and sampling coffees; and storing, handling and preparing green coffee for outbound shipments. Seaforth provides all of SWDCC's local green coffee handling and storage services. In addition, Seaforth handles and stores coffees for several other coffee importers and brokers, and is the main green coffee handling and storage company in Metro Vancouver. Seaforth is organically certified by Ecocert Canada.

As at March 31, 2015, the condensed consolidated interim financial statements of Ten Peaks included the accounts of Ten Peaks; our wholly owned subsidiaries SWDCC and Seaforth; and two wholly owned subsidiaries of SWDCC, Swiss Water Decaffeinated Coffee Company USA, Inc., and Swiss Water Process Marketing Services Inc. Inter-company accounts and transactions have been eliminated on consolidation.

Ten Peaks' shares trade on the Toronto Stock Exchange under the symbol 'TPK'. As at the date of this report, 6,735,099 shares were issued and outstanding.

Swiss Water Decaffeinated Coffee Company's Business

We carry an inventory of premium-grade Arabica coffees that we purchase from the specialty green coffee trade, decaffeinate and then sell to our customers (our "regular" or "non-toll" business). Revenue from our regular business includes both processing revenue and green coffee cost recovery revenue.

We also decaffeinate coffee owned by our customers for a processing fee under toll arrangements (our "toll" business). The value of the coffee processed under toll arrangements does not form part of our inventory, our revenue or our cost of sales. Revenue from toll arrangements consists entirely of processing revenue. In Q1 2015, approximately 17% of the coffee we processed was under toll arrangements, with the balance being regular business.

Our cost of sales is comprised primarily of the cost of green coffee purchased for our regular business, and the plant labour and other processing costs directly associated with our production facility. This incorporates an allocation of fixed overhead costs, which includes depreciation of our production equipment and amortization of our proprietary process technology.

For our regular business, we work with coffee importers to source premium-grade green coffees from coffee-producing countries located in Central and South America, Africa and Asia. The purchase price is based on the New York 'C' ("NY'C'") coffee commodity price on the IntercontinentalExchange, plus a quality differential. The NY'C' component typically makes up more than 80% of the total cost of green coffee, while the quality differential typically accounts for less than 20%. Both the NY'C' price and the quality differential fluctuate in response to fundamental commodity factors that affect supply and demand.

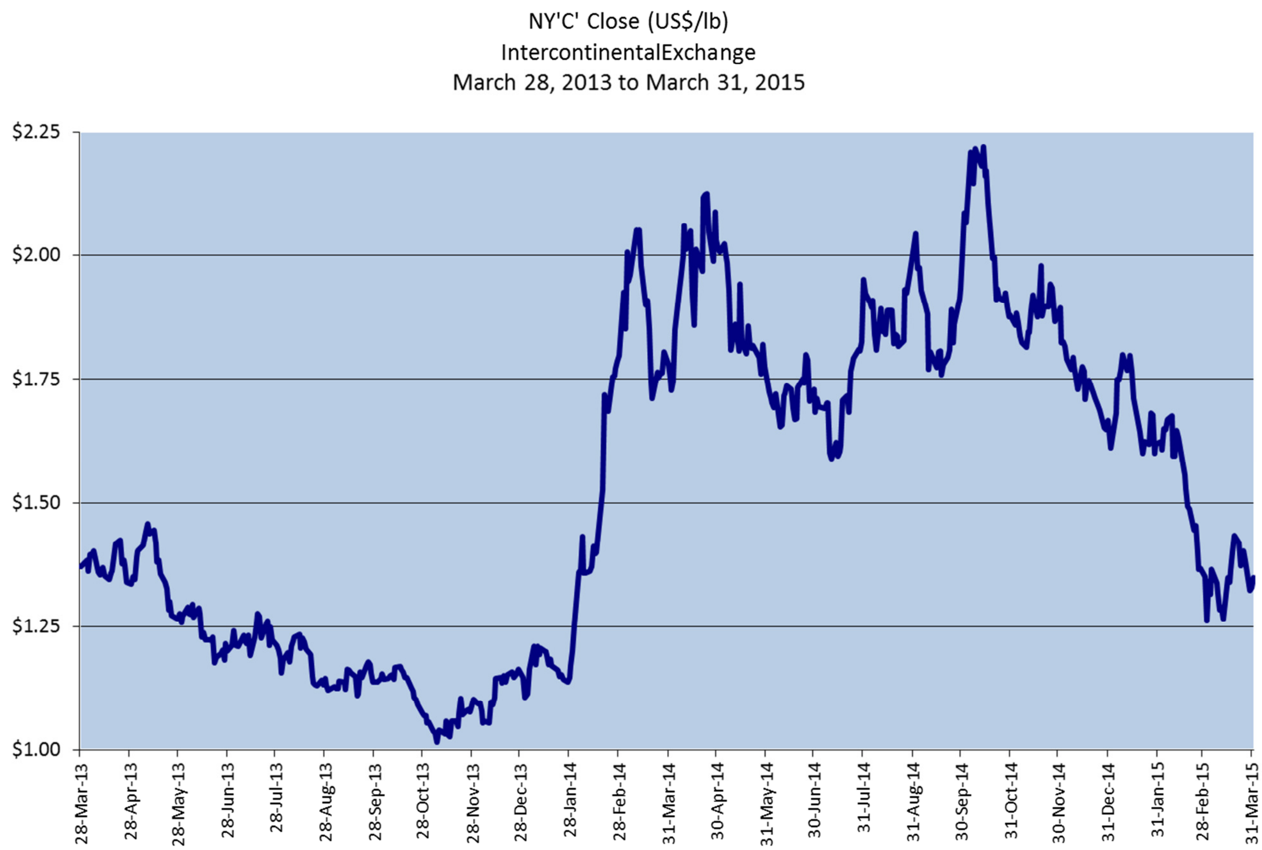
Commodity Futures

We use derivative instruments to help offset the effect of movements in the NY'C' component of coffee pricing between the time we purchase green coffee and the time we sell decaffeinated green coffee to our customers (approximately three months). Our commodity price risk mitigation strategy requires us to short sell a futures contract for one lot (37,500 lbs) of coffee on the IntercontinentalExchange whenever we agree to buy one lot of coffee from a supplier at a fixed price. The short sale protects us from changes in the price of coffee while we hold the coffee in inventory, as an increase (decrease) in the NY'C' price will generate an increase (decrease) in the value of the coffee we hold in inventory, and an equivalent decrease (increase) in the value of the derivative instrument. As coffee is sold, the short sales are covered by purchasing offsetting long contracts on the IntercontinentalExchange.

There is no open market to hedge the quality differential component of our green coffee cost. Therefore, in periods of rising differential markets, we may experience a differential cost recovery gain, and in periods of falling differential markets, we may experience a differential cost recovery loss.

Volatility in the NY'C' generates gains or losses on the derivative financial instruments that we hold. Although these gains and losses offset corresponding losses or gains in the value of the inventory we hold, International Financial Reporting Standards ("IFRS") do not allow us to mark our inventory to market. As such, gains in the value of our inventory that result from increases in the NY'C' are not reflected on our statement of financial position, nor in our profitability through our statement of operations, until sold. Conversely, under IFRS the fair value of the commodity futures contracts must be recorded on our statement of financial position, and changes in fair value from one period to the next are recorded as unrealized gains and losses on derivative instruments on our statement of operations. As a result, even though holding derivative financial instruments in respect of our commodity purchases is a prudent risk management strategy, it can result in significant swings in our reported income in any period, since a substantial portion of our current assets are invested in coffee commodities.

The chart below shows the movement in the NY'C' since March 28, 2013:



As shown in the chart above, the NY'C' rose sharply at the beginning of 2014 and remained relatively high through most of the year, before falling steadily through the first quarter of 2015. The sharp rise in the NY'C' was related to a severe drought in Brazil, which created market uncertainty about the overall quality and quantity of Brazilian coffee that would be available in both 2014 and 2015 (due to drought damage to the coffee trees). However, these concerns were largely alleviated through January and February 2015, as significant seasonal rains arrived as expected. In addition, rising coffee exports from Brazil and upward revisions to the crop estimates for 2014 and 2015 have eased market concerns. As a result, prices declined steadily through the quarter to more historical levels.

The NY'C' averaged US$1.52 in the first quarter of 2015, down by 1% from Q1 2014. By the end of the quarter, however, the NY'C' had declined by 20% from US$1.66 to US$1.33. The price of the NY'C' will increase or decrease the value of green coffee included in both our sales and our cost of sales. Green coffee revenues and costs of sales are also affected by the proportionate mix of our business segments, the quality differentials for the specified coffees, and the US-Canadian dollar exchange rate.

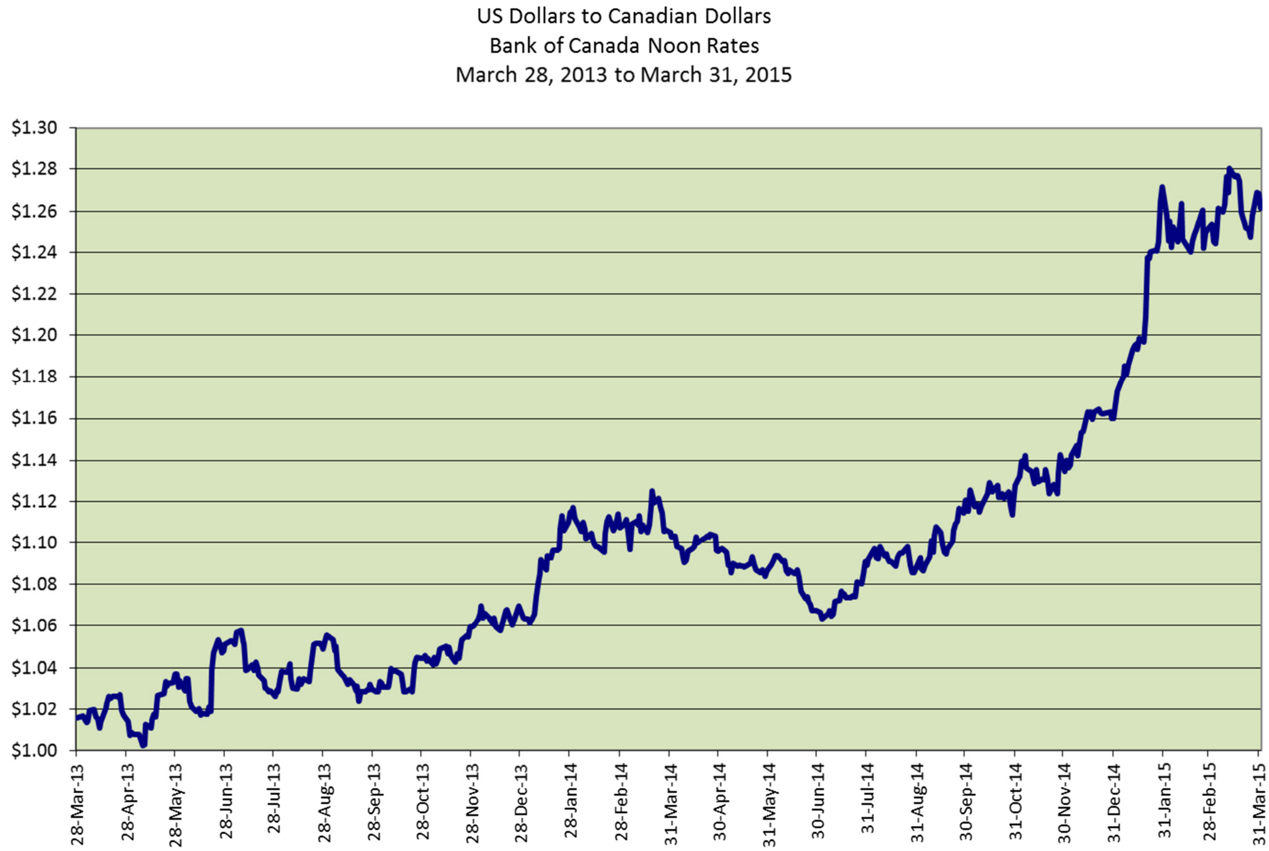
Currency Forwards

Coffee is traded in US dollars ("US$"), as buyers and sellers reference the NY'C' coffee price when entering into contracts. As a result, the majority of our revenues are denominated in US$, while a significant portion of our expenses and cash outflows occur in Canadian dollars. Therefore, our financial results are affected by any significant fluctuation in US-Canadian dollar exchange rates. In accordance with our foreign exchange risk management policy, we use financial instruments to manage our currency risk based on estimates of our net US$ cash flows up to 24 months in advance. We purchase forward contracts to sell US$ at fixed future dates and exchange rates. This enables us to more reliably predict how much Canadian currency we will receive for our US$ sales. Cash flows in the immediate 12-month period are hedged at a higher percentage of expected future cash flows than those farther out, reflecting greater uncertainty in the 13 to 24-month period. As our assumptions about the timing and amount of US$ cash flows change over time, we enter into offsetting forward contracts to buy US$ as required to eliminate any over-hedged positions in accordance with our risk management policy.

In addition, our risk management policies require us to enter into forward contracts to purchase US$ when we have large, predictable outlays of US$ for upcoming expenses or purchase commitments. This allows us to fix the exchange rate for purchases or expenses, as applicable, at the time the commitment is entered into.

With cash flows hedged in this manner, we can make informed decisions about capital and operating expenditures. However, as we do not use hedge accounting, our currency hedging practices can result in significant volatility in our reported net income. This is because our US$ revenues and expenses are recognized at the exchange rates in effect at the time sales are made or expenses incurred (rather than at the exchange rate implied by the derivative instrument). At the same time, IFRS requires us to mark our derivative instruments to market at each financial statement date, with changes in the value of these instruments being recognized in income during the period. This means that in an environment where the US$ has appreciated relative to the Canadian dollar, our revenue would increase. Concurrently, we would recognize offsetting losses on our currency hedges, which appear on our statement of income and comprehensive income under ‘Gain/(Loss) on derivative financial instruments’. Realized gains or losses on derivative financial instruments relate to contracts that have been settled in the period, while unrealized gains or losses relate to contracts which mature in future periods.

The chart below illustrates the US–Canadian dollar exchange rates since March 28, 2013:



The US$ averaged $1.24 in Q1 2015, up by 13% from an average of $1.10 in Q1 2014. The stronger US$ increased our quarterly revenues, as 77% of our sales were generated in US dollars.

OPERATING RESULTS

Sales and Processing Volumes

As noted above, our sales volumes have been steadily increasing over the past four years, as we gain more market share in Canada, the US and internationally. This growth trend continued during the first quarter of 2015, with processing volumes up by 27% over Q1 2014. Notably, our steady gains have occurred despite the relatively stagnant growth of the coffee market worldwide. During Q1 2015, volumes to specialty regional accounts increased by 28% and volumes to national accounts increased by 26%, compared to the first quarter of 2014. It should be noted that the increase was exceptional, as a trucking strike at the Port Metro Vancouver in March 2014 limited our volume growth in Q1 2014.

As our total revenues can be influenced considerably by changes in the NY'C', we monitor and report our sales in three categories. Process revenue represents the amount we charge our customers for decaffeinating green coffee, and it generally increases as processing volumes increase. Green coffee cost recovery revenue (or "green revenue") is the amount we charge our customers for the green coffee we purchase for decaffeination. It rises and falls with the NY'C'. Distribution revenue consists of shipping, handling and warehousing charges billed to our customers. It typically rises with processing volumes and with the growth of Seaforth's business.

Our revenue by category was as follows:

(In $000s)
(unaudited)

		3 months ended March 31, 2015		3 months ended March 31, 2014
Process revenue	$	4,716	$	3,497
Green revenue	$	15,891	$	9,391
Distribution revenue	$	940	$	594
Total	$	21,547	$	13,482

Our first quarter sales totaled $21.5 million, an increase of $8 million, or 60%, over the same quarter in 2014. Process revenue increased by $1.2 million, or 35%, driven by higher processing volumes, a stronger US$, and continued volume growth to our higher-margin specialty customers. Green revenue increased by $6.5 million, or 69%, due to a rising US$ and higher sales volumes. Distribution revenue was up by $0.3 million, or 58%, reflecting growth of Seaforth's business and our increased volumes.

Cost of Sales

Cost of sales includes the cost of green coffee purchased for our regular business, and the plant labour and other processing costs directly associated with our production facility. This incorporates an allocation of fixed overhead costs, which includes depreciation of our production equipment and amortization of our proprietary process technology. In addition, cost of sales includes the costs of operating Seaforth's warehouses.

For Q1 2015, our cost of sales totaled $18.9 million, up by 67% over the same period in 2014. The increase was mainly related to higher green coffee costs, which were driven by the growth in our volumes and the higher NY'C' in prior periods (when the inventory was purchased). It also includes higher freight charges which increased with the growth in our shipments to the United States and outside of North America.

Gross Profit

Gross profit increased 23% in the quarter to $2.6 million. The year-over-year growth was driven by higher sales revenue, which more than offset the increases in our cost of sales.

Sales and Marketing Expenses

Sales and marketing expenses include compensation and other personnel-related expenses for sales and marketing staff, consumer and trade advertising and promotion costs, and related travel expenses.

Sales and marketing expenses were $0.6 million for the three months ended March 31, 2015, which is up by $0.3 million compared to the same period in 2014. The increase is related to additional market research and advertising which began in Q4 2014 in support of the SWISS WATER® brand. We also added sales resources part way through 2014, which are included in the first quarter numbers for this year.

Occupancy Expenses

Occupancy expenses include the cost of renting administration offices. Occupancy costs are up somewhat for the first quarter, as we opened a new sales office in Seattle, WA in Q2 2014. Our Seattle location gives us greater presence in the US market, where we experienced double-digit volume growth in 2014.

Administration Expenses

Administration includes general management, inbound and outbound logistics, finance and accounting, quality control and assurance, engineering, research and development, and other administrative or support functions. Administration expenses include compensation expenses, travel and other personnel-related expenses for administrative staff, directors' fees, investor relations expenses, professional fees, depreciation of office-related equipment, and amortization of the brand asset.

Administration expenses rose by 28% to $1.1 million for the first quarter compared to $0.9 million for the same period in 2014. The increase reflects higher stock-based compensation expenses, increased staffing and staff related expenditures, as well as higher professional fees and ongoing consulting costs related to the adoption of a new enterprise resource planning system last year.

Finance Income / Expenses

Finance income reflects the charges we bill to customers for financing coffee inventories. Finance expenses include interest costs on bank debt and other borrowings, and the accretion expense on our asset retirement obligation.

Finance expenses for the first quarter rose somewhat compared to the same period in 2014, reflecting higher debt levels. This was offset by higher financing income in the current period.

Gains and Losses on Derivative Financial Instruments

We enter into commodity futures and foreign exchange forward contracts to manage the effect of changes in the NY'C' and US dollar exchange rates on our business. We record both realized and unrealized gains and losses on foreign currency forward contracts and coffee futures contracts as gains and losses on derivative financial instruments on our statement of income. These are based on marked-to-market calculations at the end of the relevant reporting period. Realized gains (losses) on derivative financial instruments are incurred when the instruments mature during the period. In contrast, unrealized gains and losses represent the change in the fair value of the derivative financial instruments that mature in future periods. The amount of any unrealized gain or loss may change before the underlying financial instrument is actually liquidated.

Realized gains (losses) on foreign exchange forward contracts increase (decrease) both our reported net income and our cash from operations in the relevant period. Unrealized gains and losses on foreign exchange derivative instruments are non-cash charges, and only affect our reported net income in the relevant period.

For coffee futures, it is the overall value of our derivative contracts on the IntercontinentalExchange that drives cash inflows and outflows for the period. Unlike foreign exchange forward contracts, decreases in the fair value of outstanding futures contracts generate unrealized losses which must be funded on a daily basis. These mark-to-market losses take the form of margin calls, which we fund through increased bank indebtedness. If a change in the NY'C' results in gains on these contracts, we can recoup the cash on account for the excess over the current margin requirements. Thus, realized and unrealized gains and losses on coffee futures contracts affect both our cash flows and our earnings in any reporting period.

For the first quarter, we recorded $1.0 million in realized gains on our futures contracts, compared with realized losses of $0.5 million in the same quarter in 2014. We also recorded $0.6 million in unrealized gains on coffee futures in Q1, compared to $0.8 million in unrealized losses in the first quarter of 2014. The net effect was that we recognized $1.5 million in net gains on futures contracts during the first quarter of 2015, compared to a net loss of $1.3 million in Q1 2014.

We recorded realized gains of $0.2 million on our foreign currency derivatives in the first quarter of 2015, compared to no gains or losses in the same quarter of 2014. We recorded unrealized losses of $1.1 million on foreign exchange forward contracts in Q1 2015, compared to $0.3 million in unrealized losses in Q1 last year. The net effect was a loss on foreign exchange contracts of $1.0 million, compared losses of $0.3 million for the same period last year.

Gains and Losses on Foreign Exchange

We realize gains and losses on transactions denominated in foreign currencies when they occur, and on assets and liabilities denominated in foreign currencies when they are translated into Canadian dollars as at the financial statement date. This is separate from foreign exchange forward contracts, which are reported under 'Gains and Losses on Derivative Financial Instruments' above.

We recorded foreign exchange losses of $0.3 million for the first three months of 2015, compared with losses of $0.2 million in Q1 2014.

Income Before Taxes and Net Income

In the first quarter, we recorded income before taxes of $1.0 million, compared to a loss of $0.9 million for the same period in 2014. Deferred income taxes reduced our net income by $0.2 million for the quarter. Deferred income taxes arise mainly from temporary differences between the depreciation and amortization expenses deducted for accounting purposes, and the capital cost allowances deducted for tax purposes, as well as changes in corporate income tax rates as adjusted for substantively enacted higher future tax rates. The latter are offset by the tax benefit of loss carry forwards recognized. Overall, we recorded net income of $0.8 million for the quarter, compared to a loss of $0.7 million for the same period in 2014.

Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing net income by the basic weighted average number of shares outstanding during the period. Similarly, diluted earnings per share is calculated by dividing net income adjusted for the effects of all dilutive potential common shares, by the diluted weighted average number of shares outstanding. As our potential common shares are anti-dilutive, there is no difference between basic and diluted earnings under IFRS.

For the quarter ended March 31, 2015, basic and diluted earnings per share were both $0.11, compared to a loss of $0.10 per share in Q1 2014. In the first quarter of 2015, the basic and diluted weighted average number of shares outstanding were 6,735,099 and 6,852,135, compared to 6,675,254 and 6,873,542 respectively in Q1 2014.

Non-IFRS Measures

EBITDA is often used by publicly traded companies as a measure of cash from operations, as it excludes financing costs, taxation and non-cash items. The reporting of EBITDA is intended to assist readers in the performance of their own financial analysis. However, since this measure does not have a standardized meaning prescribed by IFRS, it is unlikely to be comparable to similar measures presented by other entities.

EBITDA

We define EBITDA as net income before interest, depreciation, amortization, impairments, share-based compensation, gains/losses on foreign exchange, gains/losses on disposal of capital equipment, unrealized gains/losses on foreign exchange forward contracts and provision for income taxes. Our definition of EBITDA reflects realized gains and losses on foreign exchange forward contracts which offset the currency risk of our US$ denominated revenues. It also includes gains and losses on coffee as it is sold, together with the offsetting gains and losses on the commodity futures trading account.

We use EBITDA as one measure of our financial performance. It is a calculation of cash from operations independent of changes in working capital balances, and thus complements cash flows from operations as reported on the statement of changes in financial position. As we do not use hedge accounting, our reported results under IFRS are heavily influenced by changes in the closing market values of the NY'C' and the US-Canadian dollar exchange rate, and thus can be difficult to interpret quarter by quarter. Our measure of EBITDA takes the cash flow impact of our currency and commodity hedges into account, and it represents cash flows that we can reasonably forecast and affect through growth initiatives and operational cost controls.

The reconciliation of net income to EBITDA is as follows:

(In $000s)
(unaudited)

	3 months ended March 31, 2015	3 months ended March 31, 2014
Income for the period	$ 758	$ (673)
Income taxes	242	(252)
Income before tax	1,000	(925)
Finance income	(45)	(14)
Finance expenses	58	33
Depreciation & amortization	384	358
Unrealized loss on foreign exchange forward contracts	1,135	345
Loss on foreign exchange	349	194
Share-based compensation	162	132
EBITDA	**$ 3,043**	**$ 123**

EBITDA for the first quarter of 2015 was $3.0 million, compared to $0.1 million for the same period in 2014. The increase reflects higher gross profit in Q1 2015, as well as gains on commodity futures contracts, partially offset by increased operating costs.

Quarterly Information / Seasonality

The following table summarizes results for each of the eight most recently completed fiscal quarters:

(In $000s except per share amounts)
(unaudited)

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Sales	21,547	19,456	17,244	15,997	13,482	15,794	13,217	12,819
Gross profit	2,602	3,221	2,588	3,437	2,116	1,949	1,354	1,739
EBITDA(1)	3,043	3,109	1,342	2,496	123	1,201	1,067	1,365
Net income	758	1,672	199	1,819	(673)	343	561	644
Per share (2)								
EBITDA(1) - basic and diluted	0.45	0.47	0.20	0.37	0.02	0.18	0.16	0.20
Net income - basic and diluted	0.11	0.25	0.03	0.27	(0.10)	0.05	0.08	0.10

(1) EBITDA is defined in the section on ‘Non-IFRS Measures’ along with details of its calculation.
(2) Per-share calculations are based on the weighted average number of shares outstanding during the period.

There is a seasonality factor in the specialty coffee industry, with fourth quarter sales volumes typically being the strongest.

Liquidity and Capital Resources

Cash Flow from Operations

In Q1 2015, we generated $2.8 million in cash from operations before changes in non-cash working capital, compared to $1.0 million in 2014.

Changes in non-cash working capital accounts generated $1.0 million during the quarter, compared to cash used of $3.4 million in Q1 2014. Decreases in inventory generated $0.7 million for working capital during the quarter, while unrealized gains on derivative instruments during Q1 2015 increased cash from operations.

Investing Activities

Capital expenditures during the first quarter were $0.3 million, compared to $0.1 million in the same period last year. Purchases of capital equipment vary from year to year, based on the needs of the business. Capital costs in the current year reflect investments in preliminary engineering in support of our expansion plans (see the “Outlook” section below for more information), as well as increased investment in information technology.

Financing Activities

In the three months ended March 31, 2015, we paid $0.4 million in dividends to shareholders, which was unchanged from the same period last year.

Our bank debt decreased in 2015, reflecting the decline in the NY’C’ over the quarter. As at March 31, 2015, our net debt (bank indebtedness less cash on hand) was $4.6 million. This represents a decrease of $2.3 million since January 1, 2015.

Credit Facilities and Liquidity

Our current credit facilities include a $14.5 million revolving operating line of credit and a $1.5 million revolving swing line, each of which bears an interest rate of prime plus 0.75%. Any US dollar 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, we have a US$4.0 million foreign exchange and commodity futures contract facility, which allows us to enter into spot, forward and other foreign exchange rate transactions and commodity futures transactions with our bank with a maximum term of up to 24 months.

Our facilities are collateralized by a general security agreement over all of the assets of Ten Peaks and a floating hypothecation agreement over cash balances.

We have certain bank covenants which relate to the maintenance of specified financial ratios and we were in compliance with all covenants as at March 31, 2015.

Contractual Obligations

The following table sets forth our contractual obligations and commitments as at March 31, 2015:

(In $000s)
(unaudited)

		Total		Less than 1 year		1-3 Years		4-5 Years		Over 5 Years
Operating leases (1)	$	3,959	$	1,060	$	2,546	$	353	$	-
Purchase obligations (2)		35,665		35,665		-		-		-
Total contractual obligations	$	39,624	$	36,725	$	2,546	$	353	$	-

(1) Minimum obligations for our facilities for the current lease terms.
(2) Represents outstanding coffee and natural gas purchase 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 holds two leases for its warehouse facilities. The first warehouse lease expires on May 31, 2015 and the second on June 30, 2019.

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

Off-Balance Sheet Arrangements

Ten Peaks has no off-balance sheet arrangements.

Related Party Transactions

We provide toll decaffeination services and/or sell finished goods to, and purchase raw material inventory from, companies that are related to two Ten Peaks Directors. For Q1 2015, $0.6 million of our total sales (March 31, 2014 – $0.5 million) were to those companies and $1.1 million (March 31, 2014 – $0.7 million) of our green coffee purchases were from those companies.

All 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. As at March 31, 2015, our accounts receivable balances with these companies were $0.3 million (December 31, 2014 – $0.2 million) and our accounts payable balances with these companies were $0.1 million (December 31, 2014 - $0.2 million).

OUTLOOK

As we have noted before, our commitment to 100% chemical free processing, and to preserving the unique quality of fine coffees through the decaffeination process, are already recognized, valued and respected by the coffee trade and our customers. Accordingly, we believe our reputation for excellence will continue to drive incremental growth in SWDCC's decaffeination business in the coming quarters, but at a rate that is more consistent with historical levels than seen in 2014.

The rapid growth we have experienced over the past several quarters has highlighted the need to invest strategically in customer service, logistics, business intelligence, and human resources. Accordingly, we added staff positions in the first quarter of 2015 to ensure that we can continue to provide the knowledgeable, timely service that our customers value and appreciate.

We also began engineering work during the first quarter to increase the production capacity of our decaffeination facility. When we added our second production line in 2004-2005, we made the design modular so that we could increase its capacity without the added cost of building an entirely new decaffeination line. We expect to move forward with the expansion later this year, in order to meet the ongoing growth in demand for our premium, chemical free decaffeinated coffees. Our existing debt facilities are more than sufficient to cover the cost.

Our coffee handling and warehousing subsidiary, Seaforth Supply Chain Solutions, saw its handling and storage volumes increase substantially during the first quarter of 2015 compared to Q1 2014. The growth is due in part to the significant increase in volumes at SWDCC. We believe that Seaforth will continue to make a modest contribution to our results in 2015 and beyond.

RISKS AND UNCERTAINTIES

Ten Peaks' ability to pay dividends is dependent upon the earnings and cash flow generated from SWDCC's operations, as well as our current and planned future investments in capital equipment. Cash from operations may fluctuate with the performance of the business, which can be susceptible to a number of risks. These risks may include, but are not limited to, foreign exchange fluctuations, labour relations, coffee prices (notwithstanding hedging programs, as exact hedging correlation is not attainable), the availability of coffee, competition from existing chemical and other natural or chemical free coffee decaffeinators, competition from new entrants with alternate processing methods or agricultural technologies, environmental and regulatory risks, terms of credit agreements, commodity futures losses, ability to maintain organic certification, adequacy of insurance, dependence on key personnel, product liability, uncollectable debts, and general economic downturns. The future effect of these risks and uncertainties cannot be quantified or predicted. In addition, SWDCC leases the building that houses its decaffeination lines. The lease is renewable at its option under an additional term which, if exercised, would expire in 2023. The lease also provides for an additional 5-year renewal term (to 2028), subject to the express approval of the landlord. Any plans to relocate the production equipment would result in significant capital expenditures and the payment of the asset retirement obligation (currently recorded as a long-term liability on our financial statements).

FINANCIAL INSTRUMENTS

All financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at fair value or at amortized cost. Cash and accounts receivable are designated as "loans and receivables" and measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, and dividends payable to shareholders are designated as "other financial liabilities" and measured at amortized cost.

Derivative financial instruments are included on the consolidated statement of financial position and measured at fair value. For derivatives that qualify as hedging instruments, unrealized gains or losses are included either in other comprehensive income or on the statement of financial position, depending on whether it is a 'cash flow hedge' or a 'fair value hedge'. Derivatives that do not qualify as hedging instruments are designated as held-for-trading and unrealized gains and losses are reported in earnings. We do not have any derivatives that qualify as hedging instruments.

We measure our coffee futures contracts at fair value based on their quoted market prices on the IntercontinentalExchange. Similarly, we measure our outstanding foreign exchange forward contracts at fair value based on quoted market prices for comparable contracts. The fair values represent the amounts we would have received from a counterparty to settle the contracts at the market rates in effect at the financial statement date. Any related unrealized gains or losses are reported in the statement of income and comprehensive income in the period.

We had neither available-for-sale nor held-to-maturity instruments during the three-month period ended March 31, 2015.

Foreign Exchange and Coffee Hedging

We use derivative financial instruments to manage price risks associated with our coffee inventories, as well as foreign currency futures to manage risks associated with changes in the value of the US dollar (the primary currency for coffee sales) relative to the Canadian dollar. These instruments are used as economic hedges. We choose not to account for these derivative financial instruments under hedge accounting as the requirements are onerous and provide no incremental economic benefit. As a consequence, our derivative financial instruments are measured at fair value and marked-to-market at the end of each period. Consequently, we are unable to defer unrealized gains and losses on these instruments related to future transactions, even though the NY'C' and currency exchange rates underlying the marked-to-market calculations may change before the hedge instruments are actually liquidated.

Commodity Price Risk

We utilize futures contracts to manage our commodity price exposure. We buy and sell coffee futures contracts on the IntercontinentalExchange in order to offset our inventory position and fix the input cost of green coffee.

As at March 31, 2015, we had futures contracts to buy 3.3 million lbs of green coffee with a notional value of US$4.4 million, and contracts to sell 6.1 million lbs of green coffee with a notional value of US$8.1 million (December 31, 2014 – buy 2.0 million lbs with a notional value of US$3.3 million, and sell 4.2 million lbs with a notional value of US$6.9 million), with the furthest contract maturing in December 2015. The net notional value of the contracts outstanding at March 31, 2015 was approximately US$3.7 million.

The following table describes the realized and unrealized gain and loss on coffee futures contracts recognized in the consolidated statements of operations:

(In $000s)
(unaudited)

	3 months ended March 31, 2015	3 months ended March 31, 2014
Realized (gain) loss	$ (953)	$ 466
Unrealized (gain) loss	(557)	806
	$ (1,510)	$ 1,272

At March 31, 2015, the net derivative assets related to these contracts was $1.0 million (December 31, 2014: $0.9 million) and was comprised of derivatives on account, including margin. We estimated a one percent change in the mark-to-market rate applied to the futures contracts would have resulted in an estimated $47,000 change in income before taxes.

Foreign Currency Risk

We realize a significant portion of our sales in US dollars. We enter into forward exchange contracts to manage our exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions in the current operating year. These contracts relate to our future net cash flows in US$ from sales. In addition, we enter into forward contracts to purchase US$ for coffee that we resell in Canadian dollars.

At March 31, 2015, Ten Peaks had forward currency contracts to buy US$9.9 million and sell US$18.7 million (December 31, 2014: buy US$4.5 million and sell US$18.3 million) from April 2015 through to March 2017 at various Canadian exchange rates ranging from $1.0372 to $1.2812. The net notional value of the contracts outstanding at March 31, 2015 was approximately US$8.8 million.

The following table describes the realized and unrealized gain and loss on foreign currency forward contracts in the consolidated statement of operations:

(In $000s)
(unaudited)

	3 months ended March 31, 2015	3 months ended March 31, 2014
Realized (gain)	$ (173)	$ (44)
Unrealized loss	1,135	345
	$ 962	$ 301

At March 31, 2015, the net derivative liabilities related to these contracts was $1.9 million (December 31, 2014: liabilities of $0.8 million). We estimated a 100 basis point change in the US$ exchange rate relative to the Canadian dollar under forward foreign exchange contracts would have resulted in an estimated $88,000 change in income before taxes.

CRITICAL ACCOUNTING ESTIMATES

Measurement Uncertainty

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for provisions for uncollectible accounts receivable, the estimated useful life of long-lived assets and their amortization rates, provisions for inventory obsolescence, the net realizable value of inventories, asset retirement obligations, impairment assessments for long-lived assets, share-based compensation and income taxes. Actual results may be different from these estimates.

An accounting estimate is deemed critical only if it requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates that we could have used in the current period would have a material impact on our financial condition or results of operations. Following is a discussion of certain estimates that were critical accounting estimates in the current or prior period.

Inventories

In estimating the net realizable value of inventories, we take into account the most reliable evidence available at the times the estimates are made. Ten Peaks' core business is subject to volatility in the coffee commodity price which fluctuates in response to fundamental commodity factors that affect supply, such as weather and political policies in major coffee-producing countries, and demand, such as the economic growth of major coffee-consuming countries.

In Q1 2015, we increased our provision for inventory by $40,000, reflecting the decline in the coffee commodity price. In any given year, the estimated provision reflects the current value of the NY'C' even though we have offsetting coffee hedges that would mitigate the cash flow impact of having to sell coffee at the current market price. The replacement differential is also taken into account by origin and quality of coffee for each type of coffee in our inventory, as are costs to convert raw goods to finished goods. The provision is based on the downside risk for each type and quality of coffee, and does not take into account the fact that we may be able to sell certain coffees in our inventory at a higher market price than book value.

CHANGES IN ACCOUNTING STANDARDS

The following amendments to accounting standards and interpretations have been issued and became effective on January 1, 2015:

- *IFRS 7 (Amendment):* Outlines the disclosures when applying IFRS 9, the new financial instruments standard, which will become effective for annual periods beginning on or after January 1, 2015.
- *IFRSs (Amendment):* The Annual Improvements to IFRSs 2010-2012 and 2011-2013 become effective for annual periods beginning on or after July 1, 2014.

We have adopted these amended standards and interpretations, and we assessed that there was no impact on our condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As management, we maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our annual filings, interim filings and other reports filed or submitted under securities legislation are recorded, processed, summarized, and reported within the required time periods. The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), after evaluating the effectiveness of our disclosure controls and procedures as of March 31, 2015, have concluded that disclosure controls and procedures, as of such date, were effective to provide reasonable assurance that information required to be disclosed by us that we file or submit, is (i) recorded, processed, summarized and reported within the time periods as required, and (ii) accumulated and made known to management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision and with the participation of management, including the CEO and CFO, we conducted an evaluation of the design and effectiveness of our ICFR as of March 31, 2015, based on the original framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 1992"). Based on this evaluation, we have concluded that, as of March 31, 2015, Ten Peaks maintained effective ICFR.

While we believe that the current disclosure controls and procedures and ICFR provide a reasonable level of assurance of achieving their objectives, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human error and circumvention or overriding of the controls and procedures. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in our ICFR that occurred during the period beginning on January 1, 2015 and ended on March 31, 2015 that have materially affected, or are reasonably likely to materially affect, Ten Peaks' ICFR.

In 2013, the Committee of Sponsoring Organizations of the Treadway Commission released an updated framework of internal control ("COSO 2013"). The new framework lists 17 principles (previously listed as fundamental concepts under the original framework) which are organized into five components. COSO 2013 provides additional guidance with respect to risk assessment, requires consideration of how outsourced service providers are monitored, and includes IT considerations in 14 of the 17 principles. We are currently updating our control framework to COSO 2013, with a view to having this completed by the end of 2015.

SUBSEQUENT EVENTS

Payment of Dividend

Ten Peaks paid an eligible dividend of $0.0625 per share on April 15, 2015 to shareholders of record on March 31, 2015.