

Third quarter of fiscal 2019

For the 13-week and 39-week periods
ended September 27, 2019 and
September 28, 2018

Interim Condensed Consolidated Financial Statements



Pinnacle.
RENEWABLE ENERGY INC.



PINNACLE RENEWABLE ENERGY INC.

Interim Condensed Consolidated Statements of Financial Position
 (Expressed in thousands of Canadian dollars unless otherwise stated)
 (Unaudited)

As at	Note	September 27, 2019	December 28, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 8,335	\$ 18,028
Accounts receivable	3	38,008	41,502
Receivable against NMTC debt	9	12,928	1,515
Inventory	4	41,695	24,531
Other current assets	5	9,132	5,846
		110,098	91,422
Property, plant and equipment	6	376,818	330,899
Investment in Houston Pellet Limited Partnership		7,863	9,374
Receivable against NMTC debt	9	-	84,877
Other long-term assets		756	2,500
Deferred income taxes		1,555	149
Goodwill and intangible assets	7	105,273	108,073
Total assets		\$ 602,363	\$ 627,294
Liabilities and Shareholders' Equity			
Current liabilities			
Revolver loan	8	\$ 12,000	\$ 18,450
Accounts payable and accrued liabilities	10	44,501	43,537
Current portion of long-term debt	8	2,800	9,500
Current portion of NMTC debt	9	12,928	1,515
Other current liabilities	11	5,734	3,642
		77,963	76,644
Long-term debt	8	273,736	232,425
NMTC debt	9	-	84,877
Other long-term liabilities	11	36,452	4,335
		388,151	398,281
Shareholders' Equity			
Common shares	12	277,509	273,966
Contributed surplus	13	3,989	3,556
Accumulated other comprehensive loss		(856)	-
Deficit		(106,349)	(86,437)
Total equity attributable to owners of the Company		174,293	191,085
Non-controlling interest		39,919	37,928
Total equity		214,212	229,013
Total liabilities and shareholders' equity		\$ 602,363	\$ 627,294

Contingencies (note 21)

See accompanying notes to the interim condensed consolidated financial statements

APPROVED BY THE BOARD

s/Gregory Baylin

Director, Gregory Baylin

s/Hugh MacDiarmid

Director, Hugh MacDiarmid



PINNACLE RENEWABLE ENERGY INC.

Interim Condensed Consolidated Statements of Profit (Loss)

(Expressed in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

	Note	13-week periods ended		39-week periods ended	
		September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Revenue	23	\$ 92,552	\$ 87,606	\$ 286,343	\$ 243,712
Costs and expenses					
Production	3	59,355	57,222	195,811	159,635
Distribution		14,457	12,360	40,228	33,528
Selling, general and administration		4,808	5,374	13,748	18,856
Amortization		9,943	6,719	29,327	17,458
		88,563	81,675	279,114	229,477
Operating income		3,989	5,931	7,229	14,235
Other income (expenses)					
Equity earnings in Houston Pellet Limited Partnership		181	233	888	906
Gain (loss) on disposal of property, plant and equipment		(188)	59	(285)	(213)
Gain on conversion of class B&D common shares		-	-	-	3,563
Loss on conversion of debentures into shares		-	-	-	(21,881)
Impairment of Entwistle plant	6	-	-	(9,417)	-
Insurance recovery for property loss at Entwistle plant	21	-	-	8,000	-
Impairment of intangible assets		-	-	(278)	-
Finance costs	14	(4,813)	(4,360)	(18,975)	(4,783)
Other income (loss)	24	(64)	154	6,818	516
Plant impairment loss and curtailment costs		-	(47)	-	(155)
		(4,884)	(3,961)	(13,249)	(22,047)
Net profit (loss) before income taxes		(895)	1,970	(6,020)	(7,812)
Income tax (expense) recovery					
Deferred	15	169	(454)	1,410	3,058
Net profit (loss)		\$ (726)	\$ 1,516	\$ (4,610)	\$ (4,754)
Net profit (loss) attributable to:					
Owners of the Company		\$ (935)	\$ 1,184	\$ (4,947)	\$ (5,231)
Non-controlling interests		209	332	337	477
		\$ (726)	\$ 1,516	\$ (4,610)	\$ (4,754)
Net profit (loss) per share attributable to owners (basic and diluted):	16	\$ (0.03)	\$ 0.04	\$ (0.15)	\$ (0.18)
Weighted average of number of shares outstanding (thousands):	16	33,307	32,974	33,220	29,318

See accompanying notes to the interim condensed consolidated financial statements



PINNACLE RENEWABLE ENERGY INC.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

	Note	13-week periods ended		39-week periods ended	
		September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Net income (loss)		\$ (726)	\$ 1,516	\$ (4,610)	\$ (4,754)
Other comprehensive loss net of taxes:					
Items that may be recycled through net income:					
Foreign exchange translation of foreign operations, net of tax		754	-	(493)	-
Comprehensive income (loss) for the period		\$ 28	\$ 1,516	\$ (5,103)	\$ (4,754)
Comprehensive income (loss) attributable to:					
Owners of the Company		\$ (409)	\$ 1,184	\$ (5,803)	\$ (5,231)
Non-controlling interests		437	332	700	477
		\$ 28	\$ 1,516	\$ (5,103)	\$ (4,754)

See accompanying notes to the interim condensed consolidated financial statements



PINNACLE RENEWABLE ENERGY INC.

Interim Condensed Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian dollars unless otherwise stated)
(Unaudited)

	Number of Common Shares	Common Shares	Class A & B Common Shares	Class E, F & G Preferred Shares	Contributed Surplus	Convertible Debentures - Equity Component	Accumulated Other Comprehensive Loss	Deficit	Non- controlling Interest	Total Equity
Balance, December 29, 2017	57,600,000	\$ -	\$ 29,500	\$ 28,005	\$ 4,332	\$ 35,213	\$ -	\$ (75,419)	\$ 13,573	\$ 35,204
Net profit (loss) for the period	-	-	-	-	-	-	-	(5,231)	477	(4,754)
Share exchange at Initial Public Offering ("IPO")	(47,424,946)	57,505	(29,500)	(28,005)	-	-	-	-	-	-
Exchange of liability-classified shares at IPO	1,995,357	22,448	-	-	-	-	-	-	-	22,448
Stock options exercised and exchanged at IPO	432,853	1,597	-	-	(1,597)	-	-	-	-	-
Conversion of debentures at IPO	14,076,068	125,269	-	-	-	(35,213)	-	-	-	90,056
Share issuance at IPO	6,223,889	70,019	-	-	-	-	-	-	-	70,019
Share issuance costs	-	(3,987)	-	-	-	-	-	-	-	(3,987)
Stock options exercised during the period (note 13)	100,492	1,115	-	-	(464)	-	-	-	-	651
Stock-based compensation (note 13)	-	-	-	-	1,032	-	-	-	-	1,032
Dividends declared during the period	-	-	-	-	-	-	-	(7,913)	-	(7,913)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(625)	(625)
Investment by non-controlling interest	-	-	-	-	-	-	-	-	4,363	4,363
Balance, September 28, 2018	33,003,713	\$ 273,966	\$ -	\$ -	\$ 3,303	\$ -	\$ -	\$ (88,563)	\$ 17,788	\$ 206,494
Balance, December 28, 2018	33,003,713	\$ 273,966	\$ -	\$ -	\$ 3,556	\$ -	\$ -	\$ (86,437)	\$ 37,928	\$ 229,013
Net profit (loss) for the period	-	-	-	-	-	-	-	(4,947)	337	(4,610)
Stock options exercised during the period (note 13)	41,258	458	-	-	(190)	-	-	-	-	268
RSUs settled during the period (note 13)	263,545	3,085	-	-	-	-	-	-	-	3,085
Stock-based compensation (note 13)	-	-	-	-	623	-	-	-	-	623
Dividends declared during the period (note 12)	-	-	-	-	-	-	-	(14,942)	-	(14,942)
Reversal of excess dividend accrual	-	-	-	-	-	-	-	(23)	-	(23)
Foreign exchange translation of foreign operations, net of tax	-	-	-	-	-	-	(856)	-	363	(493)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(725)	(725)
Investment from non-controlling interests	-	-	-	-	-	-	-	-	2,016	2,016
Balance, September 27, 2019	33,308,516	\$ 277,509	\$ -	\$ -	\$ 3,989	\$ -	\$ (856)	\$ (106,349)	\$ 39,919	\$ 214,212

See accompanying notes to the interim condensed consolidated financial statements



PINNACLE RENEWABLE ENERGY INC.

Interim Condensed Consolidated Cash Flow Statements

(Expressed in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

	Note	13-week periods ended		39-week periods ended	
		September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Cash provided by (used in)					
Operating activities					
Net profit (loss)		\$ (726)	\$ 1,516	\$ (4,610)	\$ (4,754)
Financing costs, net	14	4,813	4,360	18,975	4,783
Items not involving cash:					
Amortization		9,943	6,719	29,327	17,458
Equity earnings in Houston Pellet Limited Partnership		(181)	(233)	(888)	(906)
Loss (gain) on disposal of equipment		188	(59)	285	213
Stock-based compensation	13	255	720	884	5,099
Inventory write down	4	677	302	1,267	202
Impairment of Entwistle plant	6	-	-	9,417	-
Impairment of intangible assets		-	-	278	-
Net change in Insurance recoverable for business interruption at Entwistle plant	3	500	-	(4,000)	-
Gain on Class B and D common shares		-	-	-	(3,563)
Loss on conversion of debentures into shares		-	-	-	21,881
Deferred income tax expense (recovery)	15	(169)	454	(1,410)	(3,058)
Realized gain on derivatives		499	282	1,496	37
Distributions from Houston Pellet Limited Partnership		-	150	2,400	300
		15,799	14,211	53,421	37,692
Net change in non-cash operating working capital	17	(7,050)	(11,923)	(29,342)	1,519
		8,749	2,288	24,079	39,211
Financing activities					
Issuance of revolver loan	8	12,000	3,500	12,000	3,500
Repayment of revolver loan	8	-	-	(18,450)	(22,000)
Payment of finance leases		(2,648)	(192)	(7,363)	(544)
Drawings on term debt	8	-	-	277,973	20,000
Repayment of term debt	8	-	(4,000)	(194,000)	(6,000)
Repayment of delayed draw loan	8	-	-	(49,760)	(20,000)
Repayment of \$15M debentures		-	-	-	(28,577)
Share issuance costs		-	-	-	(5,435)
Proceeds from Initial Public Offering		-	-	-	70,019
Proceeds from exercise of stock options	13	47	209	268	651
Dividends paid during the period		(4,996)	(4,946)	(14,942)	(7,913)
Investment from non-controlling interests		666	3,450	2,016	4,363
Distributions to non-controlling interests		(175)	(500)	(725)	(625)
Finance costs paid		(4,082)	(2,789)	(12,671)	(8,619)
		812	(5,268)	(5,654)	(1,180)
Investing activities					
Insurance recovery for property loss at Entwistle plant	21	5,000	-	8,000	-
Purchase of property, plant and equipment	17	(16,113)	(12,152)	(36,349)	(50,163)
Proceeds from sale of property, plant and equipment		70	59	156	174
		(11,043)	(12,093)	(28,193)	(49,989)
Foreign exchange gain (loss) on cash position held in foreign currency		(10)	4	75	326
Decrease in cash and cash equivalents		(1,492)	(15,069)	(9,693)	(11,632)
Cash and cash equivalents, beginning of period		9,827	22,345	18,028	18,908
Cash and cash equivalents, end of period		\$ 8,335	\$ 7,276	\$ 8,335	\$ 7,276

Supplemental cash flow information (Note 17)

See accompanying notes to the interim condensed consolidated financial statements



PINNACLE RENEWABLE ENERGY INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-week and 39-week periods ended September 27, 2019 and September 28, 2018

(Amounts in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

1. Nature of operations and basis of preparation

Pinnacle Renewable Energy Inc. (formerly Pinnacle Renewable Holdings Inc.) (the “Company” or “Pinnacle”) was incorporated on December 6, 2010 under the laws of the Province of British Columbia and maintains its head office at 350-3600 Lysander Lane, Richmond, British Columbia. Pursuant to an initial public offering (“IPO”) on February 6, 2018, the Company’s shares became publicly traded on the Toronto Stock Exchange under the symbol “PL”.

The Company is primarily involved in the manufacture and sale of wood pellets for both industrial electrical power generation and home heating consumption in North America, Asia and Europe. The Company operates facilities at various locations, including in the Provinces of British Columbia and Alberta in Canada, and in the State of Alabama in the United States (“US”). During 2018, the Company entered into the US market by acquiring a 70% interest in Pinnacle Westervelt Renewable Holdings, LLC (“PWRH LLC”) which holds 100% equity in the operating company Westervelt Pellet I, LLC (“WPI LLC”) with a facility located in Alabama. The Company’s newest facility in Smithers, British Columbia started commercial operations on December 29, 2018. On July 4, 2019, the Company entered into a limited partnership agreement with Tolko Industries Ltd. (“Tolko”) to build a new industrial wood pellet production facility in Alberta (the “High Level Facility”). Pinnacle and Tolko each own 50% in the High Level Facility. The Company also owns and operates the Westview port facility at Prince Rupert, British Columbia for the storage, handling and loading of the Company’s and third party’s wood pellets.

Seasonality of Operations

Pinnacle’s costs of production are impacted by seasonal weather variation. Costs of fuel for fibre drying in preparation for pelletization are higher in the winter months and can decrease production volumes. In summer, when less drying is required, costs decrease, and volumes are generally higher.

Statement of compliance

These interim condensed consolidated financial statements (“interim financial statements”) of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. These interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 12, 2019.

2. Significant accounting policies

The significant accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 28, 2018, except as noted below. These interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 28, 2018.



PINNACLE RENEWABLE ENERGY INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-week and 39-week periods ended September 27, 2019 and September 28, 2018

(Amounts in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

2. Significant accounting policies (continued)

Changes in accounting policies

IFRS 16 Leases

IFRS 16 *Leases* was issued in January 2016 by the International Accounting Standards Board (“IASB”) as a replacement for IAS 17 *Leases* (“IAS 17”) and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset (“ROU asset”) representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company has elected to apply the modified retrospective approach upon early adoption at December 29, 2018, measuring the ROU asset at an amount equal to the lease liability, which resulted in no change to deficit. Accordingly, the comparative information presented for 2018 has not been restated and is presented as previously reported under IAS 17 and related interpretations.

A. Significant accounting policy

The Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and instead accounts for the lease and non-lease components as a single lease component.

B. As a lessee

The Company leases many assets, including land, production equipment, Information Technology (“IT”) equipment, rail cars and vehicles.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises ROU assets and lease liabilities for most leases. The Company has elected not to recognise ROU assets and lease liabilities for some leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



PINNACLE RENEWABLE ENERGY INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-week and 39-week periods ended September 27, 2019 and September 28, 2018

(Amounts in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

2. Significant accounting policies (continued)

IFRS 16 Leases (continued)

B. As a lessee (continued)

The carrying amounts of ROU assets are as below:

Cost	Land & Building	Rail Cars	Vehicles & Equipment	Total
Adoption of IFRS 16	\$ 7,771	\$ 27,625	\$ 1,407	\$ 36,803
Additions	1,455	-	3,405	4,860
Reclassification from Machinery & other equipment to ROU assets	-	-	3,208	3,208
Balance, September 27, 2019	\$ 9,226	\$ 27,625	\$ 8,020	\$ 44,871
Amortization				
Balance, December 29, 2018	-	-	-	-
Amortization	(713)	(4,135)	(1,180)	(6,028)
Reclassification from Machinery & other equipment to ROU assets	-	-	(524)	(524)
Balance, September 27, 2019	\$ (713)	\$ (4,135)	\$ (1,704)	\$ (6,552)
Carrying Amounts				
At December 29, 2018	\$ 7,771	\$ 27,625	\$ 1,407	\$ 36,803
At September 27, 2019	\$ 8,513	\$ 23,490	\$ 6,316	\$ 38,319

C. Transition

Previously, the Company classified property leases, which include office and production facilities, and rail car leases as operating leases under IAS 17.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at December 29, 2018. ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

On adoption, the Company elected to apply the following practical expedients and elections:

- IFRS 16 was only applied to contracts previously identified as leases. Contracts not identified as leases under IAS 17 and IFRIC 4 *Determining Whether an Arrangement contains a Lease* were not reassessed.
- ROU assets and lease liabilities were not recognised for leases with less than 12 months of remaining lease term, nor for low value leases for items. Associated lease payments were recognised as an expense on a straight-line basis over the lease term.
- Initial direct costs were excluded from the measurement of the ROU asset at the date of initial application.
- Hindsight was used when determining the lease term if the contract contained options to extend or terminate the lease.

The Company leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the ROU asset and the lease liability at December 29, 2018 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.



PINNACLE RENEWABLE ENERGY INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-week and 39-week periods ended September 27, 2019 and September 28, 2018

(Amounts in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

2. Significant accounting policies (continued)

IFRS 16 Leases (continued)

C. Transition (continued)

On transition to IFRS 16, the Company recognised \$36,803 of ROU assets and \$36,803 of lease liabilities as at December 29, 2018. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at December 29, 2018. The rate applied ranged between 6.280% to 6.591%, based on different characteristics of each of the leased assets. The impact is as noted below:

	December 29, 2018
Operating lease commitment at December 28, 2018	\$ 65,748
Recognition exemptions for variable lease payments	(14,413)
Recognition exemptions for service fees	(1,781)
Recognition exemptions for short-term and low-value leases	(1,463)
Discount using incremental borrowing rate at December 29, 2018	(11,288)
Discounted operating lease commitment under IFRS 16 using incremental borrowing rate at December 29, 2018	\$ 36,803

During the 13-week and 39-week periods ended September 27, 2019, the Company recognised \$2,223 and \$6,028, respectively, of amortization charges and \$593 and \$1,743, respectively, of interest costs from these leases.

Accounting standards issued but not yet effective

A number of amendments to existing standards are effective from January 1, 2020, but they are not expected to have a material effect on the Company's financial statements.



PINNACLE RENEWABLE ENERGY INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-week and 39-week periods ended September 27, 2019 and September 28, 2018

(Amounts in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

3. Accounts Receivable

As at	September 27, 2019	December 28, 2018
Trade accounts receivable	\$ 26,391	\$ 34,359
Other receivables	10,942	6,453
Amounts receivable from related parties	675	690
	\$ 38,008	\$ 41,502

Included in trade accounts receivable is \$8,867 (December 28, 2018 - \$23,085) of accrued sales which were invoiced in the month subsequent to period end. Other receivables include an amount of \$4,000 (December 28, 2018 - \$nil) for business interruption insurance recoverable related to the Entwistle Incident (Note 21). The business interruption insurance recoverable has reduced production costs as a recovery for lost net profit.

4. Inventory

As at	September 27, 2019	December 28, 2018
Wood pellets	\$ 18,863	\$ 8,896
Fibre	12,962	7,575
Supplies and spare parts	9,870	8,060
	\$ 41,695	\$ 24,531

Inventory balances include adjustments to measurement estimates and to net realizable value which resulted in write-ups and write-downs. For the 39-week period ended September 27, 2019, fibre inventory reflects a write-down of \$247 (September 28, 2018 - \$314). The provision related to wood pellets as at September 27, 2019 was \$614 (September 28, 2018 - \$516). These adjustments are included in production costs in net profit (loss).

5. Other current assets

As at	September 27, 2019	December 28, 2018
Income tax recoverable	\$ 2	\$ 2
Derivatives - current portion	1,709	2,690
Prepaid expenses	7,421	3,154
	\$ 9,132	\$ 5,846



PINNACLE RENEWABLE ENERGY INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-week and 39-week periods ended September 27, 2019 and September 28, 2018

(Amounts in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

6. Property, plant and equipment ("PP&E")

	Land, buildings and leasehold improvements	Machinery and other equipment	Construction- in-progress	ROU Assets	Total
Cost					
Balance, December 28, 2018	\$ 95,609	\$ 332,065	\$ 30,792	\$ -	\$ 458,466
Adoption of IFRS 16	-	-	-	36,803	36,803
Additions	-	-	42,710	4,860	47,570
Reclassification between asset classes	(614)	612	2	-	-
Reclassification to ROU assets	-	(3,208)	-	3,208	-
Disposals and impairments	(56)	(12,242)	(150)	-	(12,448)
Exchange rate movement	(287)	(1,540)	(9)	-	(1,836)
Transfer from construction-in-progress	11,090	21,741	(32,831)	-	-
Balance, September 27, 2019	\$ 105,742	\$ 337,428	\$ 40,514	\$ 44,871	\$ 528,555
Amortization					
Balance, December 28, 2018	\$ (21,907)	\$ (105,660)	\$ -	\$ -	\$ (127,567)
Amortization	(3,314)	(18,039)	-	(6,028)	(27,381)
Reclassification between asset classes	115	(115)	-	-	-
Disposals and impairments	17	2,573	-	-	2,590
Reclassification to ROU assets	-	524	-	(524)	-
Exchange rate movement	74	547	-	-	621
Balance, September 27, 2019	\$ (25,015)	\$ (120,170)	\$ -	\$ (6,552)	\$ (151,737)
Carrying Amounts					
At December 28, 2018	\$ 73,702	\$ 226,405	\$ 30,792	\$ -	\$ 330,899
Balance, September 27, 2019	\$ 80,727	\$ 217,258	\$ 40,514	\$ 38,319	\$ 376,818

Disposals and impairments include \$9,417 of impairment to machinery and other equipment related to the impairment at the Entwistle plant. At September 27, 2019, PP&E includes \$8,945 (December 28, 2018 - \$nil) related to the construction-in-progress of rebuilding and repairing damaged machinery and other equipment at the Entwistle plant and includes \$3,535 (December 28, 2018 - \$nil) related to the construction-in-progress for the High Level Facility.

7. Goodwill and intangible assets

	Goodwill	Customer relationships	Supply agreements	Other	Total
Balance, December 28, 2018	\$ 101,876	\$ 2,239	\$ 2,277	\$ 1,681	\$ 108,073
Impairment of intangibles	-	-	-	(278)	(278)
Exchange rate movement	(113)	-	-	-	(113)
Amortization	-	(1,248)	(906)	(255)	(2,409)
Balance, September 27, 2019	\$ 101,763	\$ 991	\$ 1,371	\$ 1,148	\$ 105,273
At September 27, 2019					
Cost	\$ 101,763	\$ 15,000	\$ 11,551	\$ 1,441	\$ 129,755
Accumulated amortization	-	(14,009)	(10,180)	(293)	(24,482)
Net book value at September 27, 2019	\$ 101,763	\$ 991	\$ 1,371	\$ 1,148	\$ 105,273



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8. Long term debt

As at	September 27, 2019	December 28, 2018
Term loan	\$ 280,000	\$ 194,000
Revolver loan	12,000	18,450
Delayed draw	-	50,491
	\$ 292,000	\$ 262,941
Less:		
Term loan - current portion	(2,800)	(9,500)
Revolver loan - current portion	(12,000)	(18,450)
Deferred financing costs	(3,464)	(2,566)
	\$ 273,736	\$ 232,425

As at December 28, 2018, the Company's senior secured debt provided for up to a \$50,000 revolving operating line, a \$200,000 term loan and a \$130,000 delayed draw term loan. On June 14, 2019, the Company amended its senior secured debt, which now provides up to a \$65,000 revolving operating line, a \$280,000 term loan, and a \$185,000 delayed draw term loan (the "Amended Facility"). The Amended Facility has extended the maturity date from December 13, 2022 to June 14, 2024.

Advances under the Amended Facility are available as Canadian dollar Prime-Based Loans, Banker's Acceptances ("BA") from the BA Lenders in Canadian dollars, BA Equivalent Loans from the Non-BA Lenders in Canadian dollars, US dollar Base Rate Loans, and LIBOR Loans in US dollars. Interest accrues daily at the applicable Bank Prime, BA, US Base or LIBOR rate plus a margin. The margin varies based on the ratio of Senior Debt to Adjusted EBITDA with a minimum margin of 1.50% and 2.50% from Prime/US Base and BA/LIBOR loans, respectively, and maximum margin of 3.00% and 4.00%, respectively.

At September 27, 2019, the \$280,000 term loan was in a CAD BA loan at 5.45% and the \$12,000 revolver loan was a CAD Prime loan at 6.45%.

At December 28, 2018, the \$194,000 term loan was in a CAD BA loan at 5.03% and the \$18,450 revolver loan was in a CAD Prime loan at 5.70% and the \$50,491 (USD \$37,100) delayed draw was in in a USD BA loan at 8.00%.

At September 27, 2019, the Company had issued letters of credit totaling \$2,223 (December 28, 2018 - \$1,438).

EBITDA and Adjusted EBITDA are defined in the Amended Facility agreement and used in the calculation of debt covenants and interest rate margins. The primary debt covenants are the Total Funded Debt to Adjusted EBITDA and Fixed Charge Coverage Ratio. The Amended Facility agreement provides for calculation of the debt covenants prior to the application of IFRS 16. The NMTC Debt is not included in the calculation of Total Funded Debt (as defined in the Amended Facility agreement), as it is indemnified by Westervelt and the Company records a NMTC Receivable from Westervelt of an equal amount. As at September 27, 2019 and December 28, 2018, the Company was in compliance with all debt covenants.

The debt is secured by a first-ranking security interest on all present and after-acquired assets of the Company.



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9. NMTC debt

As at	September 27, 2019	December 28, 2018
NMTC loan	\$ 12,928	\$ 86,392
Less:		
Current portion	(12,928)	(1,515)
	\$ -	\$ 84,877

In 2012 and 2013, WPI LLC received approximately USD \$53,000 in net proceeds from financing agreements related to capital expenditures for the Aliceville Facility. This financing arrangement was designed to qualify under the U.S. federal New Markets Tax Credit (“NMTC”) program, and was structured with third party financial institutions associated with a U.S. Bank, an investment fund, community development entities majority owned by the investment fund, and a U.S. municipal agency (the “NMTC Investors”). Through this transaction, WPI LLC secured low interest financing from the investment fund.

This transaction also includes the potential for future debt forgiveness, as it contains a put/call feature whereby, at the end of a seven-year compliance period, WPI LLC and its beneficial owners are entitled to repurchase the NMTC Investors’ interest in the investment fund. The value attributable to the put price is nominal. Consequently, if exercised, the put could result in the forgiveness of the NMTC Investors’ interest in the investment fund.

The NMTC Investors are subject to 100% recapture of the credits they receive under the NMTC program for a period of seven years as provided in the U.S. Internal Revenue Code and applicable U.S. Treasury regulations. WPI LLC is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Noncompliance with applicable requirements could result in the NMTC Investors’ projected tax benefits not being realised and, therefore, require WPI LLC to indemnify the NMTC Investor for any loss or recapture of credit under the NMTC program related to the financing until such time as the recapture provisions have expired under the applicable statute of limitations. The Company does not anticipate any credit recapture will be required in connection with this financing arrangement.

Pursuant to an indemnity agreement entered into as part of the Company’s acquisition of interest in the Aliceville Facility, Westervelt has guaranteed WPI LLC’s NMTC debt by providing a capital contribution to PWRH LLC of an equal and offsetting amount to the NMTC debt and associated interest payments accrued at the time of the Company’s acquisition of interest in PWRH LLC. The NMTC debt is not included in the calculation of Total Funded Debt for bank covenant calculations as it is indemnified by The Westervelt Company (“TWC”) and the Company carries the NMTC receivable from TWC of an equal amount. During the 13-week and 39-week periods ended September 27, 2019, USD \$53,730 of this receivable and corresponding NMTC debt was settled through a non-cash capital contribution to WPI. This represents all of the federal portion of the NMTC debt and reduces each of the amounts payable and receivable against the NMTC debt. As at September 27, 2019, WPI LLC has outstanding NMTC debt of approximately USD \$9,750 (December 28, 2018 – USD \$63,000).

Pursuant to the put/call feature of the NMTC arrangement, WPI LLC intends to purchase the NMTC Investors’ interest in the investment fund at the end of the seven-year compliance period, resulting in the forgiveness of the NMTC debt. This unwinding of all NMTC debt is anticipated to be completed by January 31, 2020.



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10. Accounts payable and accrued liabilities

	September 27, 2019	December 28, 2018
Trade and other payables	\$ 18,005	\$ 15,115
Accrued liabilities	26,496	28,422
	\$ 44,501	\$ 43,537

11. Other long-term liabilities

	September 27, 2019	December 28, 2018
Decommissioning liabilities	\$ 2,378	\$ 2,101
Restricted share units liabilities	52	-
Derivatives - long term portion	173	-
Lease liabilities	33,849	2,234
	\$ 36,452	\$ 4,335

As at September 27, 2019, other long-term liabilities include \$33,849 for long-term lease liabilities under IFRS 16. The current obligation for lease liabilities of \$4,840 is included in other current liabilities.

Contractual, undiscounted cash flows associated with the Company's lease obligations are as follows:

	September 27, 2019
As at	
Within one year	\$ 9,659
Between one and five years	24,713
Beyond five years	13,479
Total undiscounted lease obligations	\$ 47,851

12. Share capital

On March 14, 2019, the Company paid a cash dividend of \$0.15 per common share to the shareholders of record as at March 5, 2019.

On May 28, 2019, the Company paid a cash dividend of \$0.15 per common share to the shareholders of record as at May 17, 2019.

On September 5, 2019, the Company paid a cash dividend of \$0.15 per common share to the shareholders of record as at August 23, 2019.



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13. Stock-based compensation

Concurrent with the Company's reorganization of its share capital and the closing of the IPO, the Company amended and restated its legacy stock option plan ("Legacy Plan") in its entirety to comply with public company provisions as required by the Toronto Stock Exchange. In addition, in connection with the IPO, the Company adopted an Omnibus Long-term Incentive Plan (the "LTIP") to facilitate the granting of options and restricted share units ("RSUs") to certain of the Company's directors, executive officers, employees and consultants.

Legacy Plan

Prior to the IPO, the Company had granted options to acquire Class D common shares at a price not less than the market value of the shares on the day of the grant and for a term not exceeding 10 years. Options granted vest at a rate of 20% per year from the date of grant.

Concurrent with the IPO and as a result of the amendment of the Legacy Plan, options to acquire Class D common shares were exchanged on an approximately one-to-0.3404 basis for options exercisable to acquire common shares at a post-amendment exercise price such that the in-the-money value of such options remain unchanged (the "Amended Options").

The Amended Options are designated as replacement awards. As a result of the amendment, the Company recognised \$17 and \$49, respectively, in stock-based compensation expense for the 13-week and 39-week periods ended September 27, 2019 (13-week and 39-week periods ended September 28, 2018 - \$30 and \$469, respectively), which represents the incremental fair value of the vested portion of the replacement awards.

Following completion of the IPO, no additional awards are granted under the Legacy Plan.

Details of options granted under the Legacy Plan and outstanding are as follows:

	13-week periods ended				39-week periods ended			
	September 27, 2019 ⁽¹⁾		September 28, 2018 ⁽¹⁾		September 27, 2019 ⁽¹⁾		September 28, 2018 ⁽¹⁾	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,560,455	\$ 8.16	1,626,911	\$ 8.09	1,594,491	\$ 8.13	2,715,376	\$ 6.63
Exercised	(7,222)	6.48	(32,420)	6.48	(41,258)	6.48	(1,120,885)	6.48
Outstanding, end of period	1,553,233	\$ 8.17	1,594,491	\$ 8.13	1,553,233	\$ 8.17	1,594,491	\$ 8.13

⁽¹⁾ This table reflects the options and exercise prices after the option amendment which took effect immediately prior to the closing of the IPO.

For the 13-week and 39-week periods ended September 27, 2019, a total of \$73 and \$275, respectively, was recognised in stock-based compensation in relation to the Legacy Plan (13-week and 39-week periods ended September 28, 2018 - \$209 and \$1,007, respectively).



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13. Stock-based compensation (continued)

Long-term Incentive Plan

In connection with the IPO, the Company adopted the LTIP pursuant to which it can grant awards to directors, executive officers, employees and consultants. Awards are granted in the form of options, which represent the right to acquire common shares at certain exercise prices, and RSUs, which represent the right to receive common shares or cash.

i. Options

For the 13-week and 39-week periods ended September 27, 2019, the Company granted 23,500 and 445,500 options, respectively (13-week and 39-week periods ended September 28, 2018 - 45,000 and 140,000, respectively), which vest annually on the anniversary of the grant date over a period of three years. These options expire 10 years from the grant date.

Details of options granted under the Long-term incentive plan and outstanding are as follows:

	13-week periods ended				39-week periods ended			
	September 27, 2019		September 28, 2018		September 27, 2019		September 28, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	572,000	\$ 10.89	95,000	\$ 14.59	150,000	\$ 14.53	-	\$ -
Granted	23,500	10.35	45,000	15.16	445,500	9.64	140,000	14.77
Outstanding, end of period	595,500	\$ 10.87	140,000	\$ 14.77	595,500	\$ 10.87	140,000	\$ 14.77

For the 13-week and 39-week periods ended September 27, 2019, a total of \$129 and \$349, respectively, of stock-based compensation expense (13-week and 39-week periods ended September 28, 2018 - \$38 and \$62, respectively) in relation to options granted under the LTIP was included in selling, general and administration expenses.

ii. Restricted share units

During the 13-week and 39-week periods ended September 27, 2019, the Company granted 1,929 and 5,214 RSUs, respectively (13-week and 39-week periods ended September 28, 2018 – 3,609 and 271,921, respectively), which vest annually on the anniversary of the grant date over a period of three years. These RSUs are to be settled no later than December 31 of the calendar year which is three years from the vesting date.

As the RSUs can be settled in either common shares or cash at the option of the RSU holder, the RSUs represent a compound award with liability and equity components. The fair value of the liability component was determined to approximate the fair value of the whole RSU, with no residual value to be assigned to the equity component.



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13. Stock-based compensation (continued)

Long-term Incentive Plan (continued)

ii. Restricted share units (continued)

Details of RSUs granted under the Long-term Incentive Plan and outstanding are as follows:

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
	Number of RSUs	Number of RSUs	Number of RSUs	Number of RSUs
Outstanding, beginning of period	12,864	268,312	271,921	-
Granted	1,929	3,609	5,214	271,921
Settled	(1,203)	-	(263,545)	-
Outstanding, end of period	13,590	271,921	13,590	271,921

For the 13-week and 39-week periods ended September 27, 2019, a total of \$53 and \$260, respectively, of stock-based compensation expense (13-week and 39-week periods ended September 28, 2018 - \$473 and \$4,030, respectively) was included in selling, general and administration expenses, in relation to RSUs granted under the LTIP.

For the vested portion of RSUs, the fair value of the liability component at period-end is estimated based on the market price of the Company's common shares. For the fair value of the options and unvested portion of RSUs liability component Black-Scholes option pricing model is used with the following assumptions:

	Options	RSUs
Dividend yield	5.33%	5.46%
Expected volatility	31.82%	36.89%
Risk-free interest rate	1.17% to 1.87%	1.38% to 1.49%
Expected life	10 years	3.26 to 6.26 years
Exercise price	\$9.45 to \$11.78	\$ nil

14. Finance cost

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Interest on revolver loan, term debt and delayed draw loan	\$ 4,225	\$ 2,365	\$ 12,394	\$ 5,845
Fair value (gain) loss on derivatives	(282)	1,505	3,176	(2,043)
Realized gain on derivatives	(419)	(353)	(1,486)	(295)
Unrealized (gain) loss on foreign exchange	(393)	354	535	(263)
Realized gain on foreign exchange	(71)	(182)	(86)	(86)
Amortization of deferred financing fees	874	162	1,210	491
Interest on lease liabilities	593	-	1,743	-
Other	286	509	1,489	1,134
	\$ 4,813	\$ 4,360	\$ 18,975	\$ 4,783



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15. Income taxes

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The reconciliation of statutory income tax rates to the Company's effective tax rate is as follows:

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Income tax (expense) recovery at statutory rate - 27% (2018 - 27%)	\$ 241	\$ (532)	\$ 1,625	\$ 2,109
Increase (decrease) related to:				
Permanent differences and other	(64)	78	(198)	949
Entities with different tax rates and foreign rate adjustments	(8)	-	(17)	-
	\$ 169	\$ (454)	\$ 1,410	\$ 3,058
Classified as Deferred Income tax (expense) recovery	\$ 169	\$ (454)	\$ 1,410	\$ 3,058

16. Earnings per share

Net profit (loss) per share has been calculated as follows:

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Net profit (loss) for the period attributable to owners	\$ (935)	\$ 1,184	\$ (4,947)	\$ (5,231)
Cumulative preferred dividends	-	-	-	(104)
	\$ (935)	\$ 1,184	\$ (4,947)	\$ (5,335)
Net profit (loss) per share (basic and diluted)	\$ (0.03)	\$ 0.04	\$ (0.15)	\$ (0.18)
Weighted average of number of shares outstanding (thousands)	33,307	32,974	33,220	29,318

For 13-week and 39-week periods ended September 27, 2019 and September 28, 2018, the Company incurred net losses attributable to owners, such that the potential impacts of dilutive instruments were anti-dilutive.



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17. Supplemental cash flow information

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Accounts receivable	\$ 7,720	\$ (5,253)	\$ (43)	\$ 10,546
Inventory	(13,400)	(3,598)	(18,431)	(1,501)
Other current assets	(35)	(1,453)	(4,545)	(152)
Accounts payable and accrued liabilities	(1,696)	(852)	(6,841)	4,770
Other current liabilities	361	(767)	518	(12,144)
Net change in non-cash operating working capital	\$ (7,050)	\$ (11,923)	\$ (29,342)	\$ 1,519

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
PP&E additions during the period	\$ 19,002	\$ 8,826	\$ 42,710	\$ 46,813
PP&E additions from prior period paid during the period	5,826	11,581	2,354	11,605
PP&E additions in accounts payable & other liabilities	(8,715)	(8,255)	(8,715)	(8,255)
Purchase of PP&E	\$ 16,113	\$ 12,152	\$ 36,349	\$ 50,163

18. Joint operations

On July 4, 2019, the Company entered into a limited partnership agreement with Tolko Industries Ltd. (“Tolko”) to build a new industrial wood pellet production facility in Alberta (the “High Level Facility”) through a separate legal entity Northern Pellet Inc (“NPLP”). Pinnacle and Tolko each own 50% of NPLP. Construction on the High Level Facility began during the current quarter on land owned by Tolko. Initial wood pellet production at the High Level Facility is expected to commence in the fourth quarter of 2020. The capital cost of the High Level Facility is expected to be approximately \$54,000, with 50% funded by the Company and 50% by Tolko.

NPLP been classified as a joint operation for accounting purposes. This is on the basis that the Company will be purchasing substantially all of the output produced by the facility over the life of the arrangement and the only source of cash flows contributing to the continuity of the operations of NPLP will be originating from the partners. Therefore the Company’s share of NPLP’s assets and liabilities have been consolidated into these interim financial statements.

19. Related parties

Significant shareholder

Based on information provided by ONCAP, as at September 27, 2019, ONCAP beneficially owned, or controlled or directed, directly or indirectly, approximately 31.3% (as at December 28, 2018 – 31.3%) of the issued and outstanding common shares of the Company. ONCAP is ultimately controlled by Onex Corporation.



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20. Financial instruments

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, revolver loan and long-term debt are classified as measured at amortised cost. The carrying amounts of these instruments, excluding the revolver loan and long-term debt, approximate their fair values due to their short term to maturity. The carrying amounts of the revolver loan and long term-debt approximate their carrying values, as they bear interest at variable rates based on current market rates.

The Company is exposed to interest rate risk on long-term debt. The Company entered into two interest rate contracts which effectively swap floating interest rates to fixed rates on a notional amount of \$50,000 each, totaling \$100,000, effective June 28, 2019, in order to hedge the variability in cash flows attributable to movements in interest rates. The interest rate swaps mature on March 31, 2024.

The Company's derivative instruments are classified as measured at fair value through profit and loss ("FVTPL"). IFRS 13, *Fair Value Measurement*, requires classification of financial instruments within a hierarchy that prioritises the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly; and,
- Level 3 - Inputs that are not based on observable market data.

Specific valuation techniques used to value financial instruments include:

- For interest rate swaps – the present value of the estimated future cash flows based on observable yield curves
- For foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date

There were no transfers between levels of the fair value hierarchy in the 39-week period ended September 27, 2019. The following table summarizes the Company's financial instruments measured at fair value at September 27, 2019 and December 28, 2018, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair value hierarchy level	September 27, 2019	December 28, 2018
Derivative financial instruments assets (liability)			
USD forward contracts	Level 1	\$ 2,136	\$ 5,139
Interest rate swaps	Level 1	(173)	-
		\$ 1,963	\$ 5,139

For the 13-week and 39-week periods ended September 27, 2019, the Company recognised a gain of \$701 and a loss of \$1,690, respectively (13-week and 39-week periods ended September 27, 2018 – loss of \$1,152 and a gain of \$2,338, respectively), on derivative financial instruments in net profit (loss).



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20. Financial instruments (continued)

The outstanding notional amounts of the derivative contracts, their contractual maturities and fair values are as follows:

Particulars	Notional amount	Average forward rate	Less than 1 year	Greater than 1 year	Fair value asset
As at September 27, 2019					
USD Forward Contracts	\$ 32,425	1.2557	\$ 25,800	\$ 6,625	\$ 2,136
As at December 28, 2018					
USD Forward Contracts	\$ 51,775	1.2556	\$ 25,800	\$ 25,975	\$ 5,139

The Company does not designate its foreign exchange contracts or interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore, a change in foreign exchange rates and interest rates at the reporting date will affect profit or loss.

The outstanding notional amounts of the interest rate swap contracts, their contractual maturities and fair values are as follows:

Particulars	Notional amount	Average swap fix rate	Less than 1 year	Greater than 1 year	Fair value liability
As at September 27, 2019					
Interest rate swaps used for hedging	\$ 100,000	1.748% ⁽¹⁾	\$ -	\$ 100,000	\$ 173

⁽¹⁾ Prime rate of the variable interest rate has been fixed with the swap. Under the terms of the Company's Amended Facility, the Company is still required to pay the agreed margin.

The following table summarizes the fair value of the derivative financial instruments included in the statement of financial position:

As at	Type of derivatives	September 27, 2019	December 28, 2018
Other current assets	USD forward contracts	\$ 1,709	\$ 2,690
Other long-term assets	USD forward contracts	427	2,449
Other long-term liabilities	Interest rate swaps	(173)	-
		\$ 1,963	\$ 5,139



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21. Contingencies

The Company is involved in various claims associated with its operations. While the outcomes of the proceedings are not determinable, management is of the opinion that the resulting settlements, if any, would not materially affect the financial position of the Company. Should a material loss occur, it would be accounted for when it became likely and reasonably estimable. Otherwise, any losses would be accounted for as a charge to earnings in the period in which the settlement occurred.

Pinnacle maintains several insurance policies, each of which are subject to separate deductibles, sub-limits, and specified criteria that must be met for coverage to be applicable. When the coverage provided by a policy is applicable and recovery of all or a portion of incurred expenses is probable, a receivable will be recorded and the loss or expense reduced accordingly.

For the 13-week and 39-week periods ended September 27, 2019, an insurance recovery of \$nil and \$8,000, respectively (13-week and 39-week periods ended September 28, 2018 - \$nil) was recorded for the property damage claim in other income for the Entwistle Incident. As at September 27, 2019, \$8,000 has been received in cash for the property damage claim.

For the 13-week and 39-week periods ended September 27, 2019, an insurance recovery of \$4,000 and \$8,500, respectively (13-week and 39-week periods ended September 28, 2018 - \$nil) was recorded for business interruption as a reduction of production costs for the Entwistle Incident. As at September 27, 2019, \$4,500 has been received in cash for business interruption.

The insurance recovery receivable related to business interruption as at September 27, 2019, of \$4,000 (September 28, 2018 - \$nil) is included in other receivables (note 3).

The Company is in discussions with its insurers on further recoveries which will be recorded when determined.

22. Economic dependence

The Company has certain European and Asian customers whose individual revenue represents 10% or greater of the Company's total revenue. For the 39-week period ended September 27, 2019, three of these customers represented 83.01% of the Company's total revenue. For the 39-week period ended September 28, 2018, three of these customers represented 83.43% of the Company's total revenue.

The Company's inbound fibre and outbound bulk pellet exports are transported using an integrated logistics supply chain which includes trucking, rail, terminal, and shipping service providers. If alternative sources for these services were required, the Company's ability to service existing bulk off-take contracts and/or the Company's costs could be impacted.



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23. Revenue from contracts

The Company's revenue derived from the sale of finished wood pellets and the provision of port services was as follows:

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Finished wood pellets	\$ 90,651	\$ 85,783	\$ 281,111	\$ 238,210
Port services	1,901	1,823	5,232	5,502
	\$ 92,552	\$ 87,606	\$ 286,343	\$ 243,712

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Europe	\$ 77,904	\$ 55,650	\$ 237,690	\$ 175,647
Asia	11,971	28,314	37,177	57,627
North America	2,677	3,642	11,476	10,438
	\$ 92,552	\$ 87,606	\$ 286,343	\$ 243,712

24. Other income

	13-week periods ended		39-week periods ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Settlement of damage claims	\$ -	\$ -	\$ 6,461	\$ -
Other Income	(64)	154	357	516
	\$ (64)	\$ 154	\$ 6,818	\$ 516

On January 18, 2019, the Company reached a settlement on a damage claim it was pursuing against certain of its equipment suppliers for net proceeds of \$6,461 in the Company's favour. For the 13-week and 39-week periods ended September 27, 2019, net proceeds from the settlement of \$nil and \$6,461, respectively (13-week and 39-week periods ended September 28, 2018 - \$nil) was included in other income.