NOTICE TO READER

These interim consolidated condensed financial statements (the "Restated Interim Consolidated Condensed Financial Statements") for the thirteen week period ended March 27, 2020 are being refiled because the original interim consolidated condensed financial statements, which were filed on SEDAR on May 11, 2020, contained an error in recording two interest rate swaps. These Restated Interim Consolidated Condensed Financial Statements now include the corrected accounting (see Note 1 for details). The related Management's Discussion and Analysis for the thirteen week period ended March 27, 2020, which was filed on SEDAR on May 11, 2020, has been revised (the "Revised MD&A") to reflect the effects of the restatement and include the disclosure of a material weakness in the company's internal control over financial reporting that existed at the end of the interim period in light of the restatement, and is being refiled with the Restated Interim Consolidated Condensed Financial Statements.

First quarter of Fiscal 2020

For the 13-week periods ended
March 27, 2020 and March 29, 2019

Restated Interim Condensed Consolidated Financial Statements

Pinnacle®
RENEWABLE ENERGY

PINNACLE RENEWABLE ENERGY INC.
Interim Condensed Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars unless otherwise stated)
(Unaudited)

As at	Note	March 27, 2020 (note 1 restated)	December 27, 2019
ASSETS			
Current assets			
Cash and cash equivalents		**3,048**	11,267
Accounts receivable	3	**42,916**	36,764
Inventory	4	**46,047**	46,938
Receivable against NMTC debt		**-**	12,774
Other current assets		**11,620**	11,436
Total current assets		**103,631**	119,179
Property, plant and equipment	5	**420,185**	399,181
Goodwill and intangible assets	6	**99,300**	100,191
Restricted cash	20	**2,855**	-
Investment in Houston Pellet Limited Partnership	7	**7,259**	7,548
Other long-term assets		**346**	1,364
Deferred income taxes	13	**5,734**	2,448
Total assets		**639,310**	629,911
LIABILITIES AND EQUITY			
Current liabilities			
Revolver loan	8	**11,000**	19,200
Accounts payable and accrued liabilities		**50,966**	51,183
Current portion of long-term debt	8	**5,600**	4,200
Current portion of NMTC debt		**-**	12,774
Current portion of lease liabilities		**7,353**	7,424
Other current liabilities		**1,483**	1,786
Total current liabilities		**76,402**	96,567
Long-term debt	8	**325,578**	292,614
Other long-term liabilities	9	**6,031**	2,462
Lease liabilities		**29,090**	29,551
Total liabilities		**437,101**	421,194
Equity			
Shareholders' Equity			
Common shares	10	**278,053**	277,619
Contributed surplus		**4,119**	4,145
Accumulated Other Comprehensive Income/(loss)		**2,743**	(1,320)
Deficit		**(131,030)**	(117,191)
Total equity attributable to owners of the Company		**153,885**	163,253
Non-controlling interest		**48,324**	45,464
Total equity		**202,209**	208,717
Total liabilities and equity		**639,310**	629,911

Contingencies (note 18)
See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

s/Gregory Baylin — Director, Gregory Baylin

s/Rex McLennan — Director, Rex McLennan

PINNACLE RENEWABLE ENERGY INC

Interim Condensed Consolidated Statements of Income/(Loss)
(Expressed in thousands of Canadian dollars unless otherwise stated)
(Unaudited)

13-week periods ended	Note	**March 27, 2020** (note 1 restated)	**March 29, 2019**
Revenue	19	**109,675**	89,627
Costs and expenses			
Production		**86,129**	67,121
Distribution		**14,561**	12,766
Selling, general and administration	11	**4,657**	3,793
Amortization of equipment and intangible assets	5,6	**10,794**	9,602
		116,141	93,282
Operating loss		**(6,466)**	(3,655)
Other income/(expense)			
Equity earnings/(loss) in Houston Pellet Limited Partnership	7	**(288)**	312
Gain/(loss) on disposal of property, plant and equipment		**(21)**	(30)
Impairment of Entwistle plant		**-**	(9,417)
Impairment of Intangibles		**-**	(278)
Insurance recovery for property loss at Entwistle plant		**2,500**	3,000
Finance income/(costs)	12	**(8,346)**	(6,773)
Other income		**204**	7,293
		(5,951)	(5,893)
Net loss before income taxes		**(12,417)**	(9,548)
Income tax recovery			
Deferred	13	**3,285**	2,542
		3,285	2,542
Net loss		**(9,132)**	(7,006)
Net loss attributable to:			
Owners of the Company		**(8,835)**	(6,692)
Non-controlling interests		**(297)**	(314)
		(9,132)	(7,006)
Net loss per share attributable to owners (Basic and diluted):	14	**(0.26)**	(0.20)
Weighted average of number of shares outstanding (thousands):	14	**33,355**	33,039

See accompanying notes to the interim condensed consolidated financial statements

PINNACLE RENEWABLE ENERGY INC.

Interim Consolidated Statements of Comprehensive Income/(Loss)

(Expressed in thousands of Canadian dollars unless otherwise stated)

(Unaudited)

13-week periods ended	Note	**March 27, 2020** (note 1 restated)	**March 29, 2019**
Net loss		**(9,132)**	(6,931)
Other comprehensive income (loss) net of taxes:			
Items that may be recycled through net income:			
Foreign exchange translation of foreign operations, net of tax		**5,805**	(467)
Comprehensive loss for the period		**(3,327)**	(7,398)
Comprehensive income (loss) attributable to:			
Owners of the Company		**(4,772)**	(7,084)
Non-controlling interests		**1,445**	(314)
		(3,327)	(7,398)

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	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit (note 1 restated)	Non-controlling Interest	Total Equity
Balance, December 28, 2018	**33,003,713**	**273,966**	**3,556**	**-**	**(86,423)**	**39,699**	**230,798**
Net loss for the period	-	-	-	-	(6,617)	(314)	(6,931)
Stock options exercised during the period	34,036	3,297	(157)	-	-	-	3,140
Stock-based compensation	-	-	157	-	-	-	157
Dividends declared during the period	-	-	-	-	(4,951)	-	(4,951)
Distribution to non-controlling interests	-	-	-	-	-	(300)	(300)
Foreign exchange translation of foreign operations, net of tax	-	-	-	(467)	-	-	(467)
Investment by non-controlling interest	-	-	-	-	-	1,350	1,350
Balance, March 29, 2019	**33,037,749**	**277,263**	**3,556**	**(467)**	**(97,991)**	**40,435**	**222,796**
Balance, December 29, 2019	**33,318,352**	**277,619**	**4,145**	**(1,320)**	**(117,191)**	**45,464**	**208,717**
Net loss for the period	-	-	-	-	(8,835)	(297)	(9,132)
Stock options exercised during the period (note 10)	41,218	434	(190)	-	-	-	244
Stock-based compensation (note 10)	-	-	164	-	-	-	164
Dividends declared during the period (note 10)	-	-	-	-	(5,004)	-	(5,004)
Foreign exchange translation of foreign operations, net of tax	-	-	-	4,063	-	1,742	5,805
Distribution to non-controlling interests	-	-	-	-	-	(362)	(362)
Investment from non-controlling interests	-	-	-	-	-	1,777	1,777
Balance, March 27, 2020	**33,359,570**	**278,053**	**4,119**	**2,743**	**(131,030)**	**48,324**	**202,209**

See accompanying notes to the interim condensed consolidated financial statements

PINNACLE RENEWABLE ENERGY INC.

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

13-week periods ended	Note	March 27, 2020 (note 1 restated)	March 29, 2019
Cash provided by (used in)			
Operating activities			
Net loss		**(9,132)**	(6,931)
Cash Financing costs, net	12	**4,489**	4,119
Distributions from Houston Pellet Limited Partnership		**-**	2,400
Insurance received for business interruption at Entwistle plant	18	**2,900**	-
Items not involving cash:			
Amortization of equipment and intangible assets	5,6	**10,794**	9,602
Equity earnings/(loss) in Houston Pellet Limited Partnership	7	**288**	(312)
Loss on disposal of equipment		**21**	30
Stock-based compensation	10	**205**	168
Inventory write down	4	**3,126**	327
Impairment of Entwistle plant		**-**	9,417
Impairment of intangible assets		**-**	278
Insurance recoverable recorded in income for Entwistle plant	18	**(3,500)**	(3,000)
Interest on lease liabilities	12	**552**	572
Amortization of deferred finance costs	12	**270**	163
Deferred income tax recovery	13	**(3,285)**	(2,617)
Realized loss on derivatives and foreign exchange		**110**	485
Unrealized loss on derivatives	12, 17	**3,035**	1,919
		9,873	16,620
Net change in non-cash operating working capital	15	**1,926**	(6,366)
		11,799	10,254
Financing activities			
Drawings on revolver loan		**54,200**	-
Repayment of revolver loan		**(62,400)**	(1,950)
Payment of finance leases		**(2,461)**	(2,330)
Repayment of term debt		**-**	(2,000)
Drawings on delayed draw loan		**34,100**	-
Proceeds from exercise of stock options		**244**	221
Dividends paid during the period		**(5,004)**	(4,951)
Investment from non-controlling interest		**1,777**	1,350
Distributions to non-controlling interest		**(363)**	(300)
Finance costs paid		**(4,721)**	(3,644)
		15,372	(13,604)
Investing activities			
Insurance recovery for property loss at Entwistle plant	18	**1,000**	-
Increase in restricted cash	20	**(2,855)**	-
Purchase of property, plant and equipment	15	**(33,642)**	(6,294)
Proceeds from sale of property, plant and equipment		**24**	33
		(35,473)	(6,261)
Foreign exchange gain on cash position held in foreign currency		**83**	93
Increase (decrease) in cash and cash equivalents		**(8,219)**	(9,518)
Cash and cash equivalents, beginning of the period		**11,267**	18,028
Cash and cash equivalents, end of the period		**3,048**	8,510

See accompanying notes to the consolidated financial statements

1. Nature of operations and basis of preparation

Pinnacle Renewable Energy 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. On December 31, 2019, PWRH LLC changed its name to Alabama Pellets, LLC (“AP LLC”). AP LLC further merged with WPI LLC on March 1, 2020. 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. On December 29, 2019, the Company entered into an amended and restated limited liability company agreement with the Westervelt Company and Two Rivers Lumber Company to build a new industrial wood pellet production facility in the southeast United States (the “Demopolis Facility”). Pinnacle holds a 70% interest in AP LLC (which owns Aliceville and Demopolis Facility), while the Westervelt Company and Two Rivers Lumber Company each hold 20% and 10% respectively. 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 June 11, 2020.

Certain prior period balances have been reclassified to conform to current period presentation.

(Expressed in thousands of Canadian dollars unless otherwise stated)

1. Nature of operations and basis of preparation (continued)

Restatement

In June 2020, the Company identified that it had incorrectly recorded the fair value of its interest rate swaps for the 13-week period ended March 27, 2020. For the 13-week period ended March 27, 2020, the effect of this error is an understatement of finance costs of $6,846 and an understatement of deferred tax recoveries of $1,848. As at 27 March 2020, Other long-term assets were overstated by $3,423, deferred tax assets were understated by $1,848 and other long-term liabilities were understated by $3,423. To correct the error, the Company has restated its interim condensed consolidated financial statements with this filing.

The impact of the restatement on the interim condensed consolidated financial statements as at and for the 13- week period ended March 27, 2020 is as follows:

	As previously reported	Adjustment	Restated
STATEMENT OF FINANCIAL POSITION - MARCH 27, 2020			
Other long-term assets	3,769	(3,423)	**346**
Deferred income taxes	3,886	1,848	**5,734**
Other long-term liabilities	2,608	3,423	**6,031**
Deficit	(126,032)	(4,998)	**(131,030)**
STATEMENT OF LOSS AND COMPREHENSIVE INCOME(LOSS)			
Finance costs	(1,500)	(6,846)	**(8,346)**
Deferred income tax recovery	1,437	1,848	**3,285**
Net loss	(4,134)	(4,998)	**(9,132)**
Net loss attributable to:			
Owners of the Company	(3,837)	(4,998)	**(8,835)**
Net loss per share attributable to owners (Basic and diluted):	(0.12)	(0.14)	**(0.26)**
Comprehensive income (loss) for the period	1,671	(4,998)	**(3,327)**
Comprehensive income (loss) attributable to:			
Owners of the Company	226	(4,998)	**(4,772)**
STATEMENT OF CASH FLOWS			
Net loss	(4,134)	(4,998)	**(9,132)**
Financing costs, net	1,500	6,846	**8,346**
Deferred income tax recovery	(1,437)	(1,848)	**(3,285)**

(Expressed in thousands of Canadian dollars unless otherwise stated)

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 27, 2019. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 27, 2019.

Adoption of new accounting standards and accounting standards issued but not yet effective

There were no new significant accounting standards adopted in the three months ended March 27, 2020. 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.

3. Accounts Receivable

As at	**March 27, 2020**	December 27, 2019
Trade accounts receivable	**28,074**	24,072
Other receivables	**14,382**	11,671
Amounts receivable from related parties (note 16)	**460**	1,021
	42,916	36,764

Included in trade accounts receivable is $15,201 (December 27, 2019 - $13,224) of accrued sales for partially loaded vessels which were invoiced in the month subsequent to period end. Other receivables include an amount of $1,000 (December 27, 2019 - $1,000) for business interruption insurance recoverable and $5,500 for property loss (December 27, 2019 - $5,900) related to the Entwistle incident (note 18).

4. Inventory

As at	**March 27, 2020**	December 27, 2019
Wood pellets	**16,371**	23,068
Fibre	**19,308**	14,159
Supplies and spare parts	**10,368**	9,711
	46,047	46,938

The provision related to wood pellets as at March 27, 2020 was $62 (December 27, 2019 - $376). Changes to the provision are included in production costs in the statement of profit or loss.

Included in the above fibre inventory amounts were provisions of $33 (December 27, 2019- provisions of $181). Changes to the provision are included in production costs in the statement of profit or loss.

(Expressed in thousands of Canadian dollars unless otherwise stated)

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

	Land, buildings and leasehold improvements	Machinery and other equipment	Construction-in-progress	ROU Assets	Total
Balance, December 27, 2019	**76,839**	**256,449**	**29,442**	**36,451**	**399,181**
Additions	-	-	24,511	1,945	26,456
Amortization	(1,310)	(6,671)	-	(2,056)	(10,037)
Disposals and retirements	-	(36)	-	(493)	(529)
Exchange rate movement	327	4,162	625	-	5,114
Transfer from construction-in-progress	458	503	(961)	-	-
Balance, March 27, 2020	**76,314**	**254,407**	**53,617**	**35,847**	**420,185**
Cost	104,140	388,038	53,617	46,306	592,101
Accumulated amortization	(27,826)	(133,631)	-	(10,459)	(171,916)
Balance, March 27, 2020	**76,314**	**254,407**	**53,617**	**35,847**	**420,185**

Disposals and retirements include $493 of ROU rail car assets that were written off due to damages caused by a derailment during the period ended March 27, 2020. These leased rail cars have not been replaced and future minimum lease payments have been reduced. At March 27, 2020, PP&E includes $21,080 (December 27, 2019 - $9,449) related to the construction-in-progress for the High-Level Facility.

Right-of-use Assets

The following table represents the Company's right-of-use assets by asset class:

	Land and buildings	Rail cars	Vehicles and Equipment	Total
Balance, December 27, 2019	**8,459**	**22,112**	**5,880**	**36,451**
Disposals	-	(493)	-	(493)
Additions	420	1,457	68	1,945
Amortization	(260)	(1,313)	(483)	(2,056)
Balance, March 27, 2020	**8,619**	**21,763**	**5,465**	**35,847**

Amortization expense includes amortization recharged to Houston Pellet Limited Partnership and included as a reduction of equity earnings in the statement of profit/(loss).

(Expressed in thousands of Canadian dollars unless otherwise stated)

6. Goodwill and intangible assets

	Goodwill	Customer relationships	Supply agreements	Other	Total
Balance, December 29, 2019	**97,482**	**576**	**1,068**	**1,065**	**100,191**
Amortization	-	(416)	(393)	(82)	(891)
Balance, March 27, 2020	**97,482**	**160**	**675**	**983**	**99,300**
At March 27, 2020					
Cost	97,482	15,000	11,551	1,441	125,474
Accumulated amortization	-	(14,840)	(10,876)	(458)	(26,174)
Net book value at March 27, 2020	**97,482**	**160**	**675**	**983**	**99,300**

7. Investment in Houston Pellet Limited Partnership ("HPLP")

HPLP manufactures wood pellets for sale to an external customer and to the Company. The investment in HPLP has been accounted for under the equity basis. The following table summarizes the financial information of HPLP and reconciles the Company's carrying value and its share of net loss:

Investment in HPLP	**30%**	30%
As at	**March 27, 2020**	December 27, 2019
Current assets	**16,017**	17,727
Non-current assets	**6,987**	7,300
Current liabilities	**(4,407)**	(5,466)
Non-current liabilities	**(477)**	(477)
Net assets	**18,120**	19,084
Company's share of net assets	**5,436**	5,725
Goodwill	**1,823**	1,823
Investment in HPLP	**7,259**	7,548

	March 27, 2020	March 29, 2019
Revenue	**6,768**	8,013
Expense	**(7,348)**	(6,582)
Amortization	**(379)**	(390)
Net profit/(loss)	**(959)**	1,041
Company's share of net profit/(loss)	**(288)**	312

(Expressed in thousands of Canadian dollars unless otherwise stated)

8. Long-term debt

As at	**March 27, 2020**	December 27, 2019
Revolver loan	**11,000**	19,200
Term loan	**280,000**	280,000
Delayed draw	**54,100**	20,000
	345,100	319,200
Less:		
Revolver loan - current portion	**(11,000)**	(19,200)
Term loan - current portion	**(5,600)**	(4,200)
Deferred financing costs	**(2,922)**	(3,186)
	325,578	292,614

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 March 27, 2020, the $280,000 term loan was in a CAD BA loan at 5.70% (December 27, 2019: CAD BA loan at 5.45%) and the $11,000 revolver loan was a CAD Prime loan at 5.95% (December 27, 2019: CAD Prime loan at 6.95%). At March 27, 2020 the $54,100 delayed draw was in a CAD Prime loan at 5.95% (December 27, 2019: CAD Prime loan at 6.95%).

At March 27, 2020, the Company had issued letters of credit totaling $562 (December 27, 2019- $970).

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 March 27, 2020 and December 27, 2019, 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.

(Expressed in thousands of Canadian dollars unless otherwise stated)

9. Other long-term liabilities

	March 27, 2020 (note 1 restated)	December 27, 2019
Restricted share unit liability	**33**	26
Derivatives	**3,423**	-
Decommissioning liabilities	**2,575**	2,436
	6,031	2,462

10. Shareholders' equity

As at March 27, 2020, the Company's authorized share capital consisted of the following:

- Unlimited common participating, voting shares, without par value; and,
- Unlimited preferred participating, voting shares, without par value.

On March 26, 2020, the Company paid a cash dividend of $0.15 per common share to the shareholders of record as at March 12, 2020.

Stock-based compensation

The Company has a legacy stock option plan (the "Legacy Plan") pursuant to which it has granted stock options to directors and employees of the Company. Concurrent with the Company's reorganization of its share capital and the closing of the IPO, the Company amended and restated the 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.

a) 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 recognized $9 in stock-based compensation expense for the 13-week period ended March 27, 2020 (March 29, 2019 - $16), 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.

(Expressed in thousands of Canadian dollars unless otherwise stated)

10. Shareholders' equity (continued)

a) Legacy Plan (continued)

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

	March 27, 2020		March 29, 2019	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Outstanding, beginning of period	**1,543,397**	**8.18**	1,594,491	8.13
Granted	**-**	**-**	-	-
Exercised	**(41,218)**	**6.48**	(34,036)	6.48
Forfeited / cancelled / expired	**-**	**-**	-	-
Outstanding, end of period	**1,502,179**	**8.23**	1,560,455	8.16

For the 13-week period ended March 27, 2020, a total of $45 (March 29, 2019- $118) in stock-based compensation was recognized in relation to the Legacy Plan. Contributed surplus on the consolidated statement of financial position relates to accrued stock-based compensation.

b) Long-term Incentive Plan ("LTIP")

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 period ended March 27, 2020, the Company granted 3,000 options 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.

For the 13-week period ended March 29, 2019, the Company granted 422,000 options vesting over a period of three years. These options expire 10 years from the grant date.

The fair value of the options on grant date is estimated using a Black-Scholes option pricing model with the following assumptions:

	2020	2019
Dividend yield	**5.33%**	5.33%
Expected volatility	**31.82%**	31.82%
Risk-free interest rate	**0.95%**	1.55% to 1.87%
Expected life	**10 years from grant date**	10 years from grant date
Exercise price	**$8.58**	$ 9.56 to $ 11.78

(Expressed in thousands of Canadian dollars unless otherwise stated)

10. Shareholders' equity – (continued)

b) Long-term Incentive Plan ("LTIP") (continued)

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

	March 27, 2020		March 29, 2019	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Outstanding, beginning of period	**602,500**	**10.83**	**150,000**	**14.53**
Granted	**3,000**	**9.21**	422,000	9.60
Exercised	**-**	**-**	-	-
Forfeited / cancelled / expired	**-**	**-**	-	-
Outstanding, end of period	**605,500**	**10.83**	572,000	10,89

For the 13-week period ended March 27, 2020, a total of $119 of stock-based compensation expense (March 29, 2019 - $39) in relation to options granted under the LTIP was included in selling, general and administration expenses.

ii. Restricted share units

During the 13-week period ended March 27, 2020, the Company granted 4,026 RSUs (During the 13-week period ended March 29, 2019 – 1,593 RSU's), 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.

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 unvested portion of RSUs, the fair value of the liability component at period-end is estimated using a Black-Scholes option pricing model with the following assumptions:

	2020	2019
Dividend yield	**10.60%**	5.33%
Expected volatility	**51.00%**	31.82%
Risk-free interest rate	**0.52%**	1.53% to 1.58%
Expected life	**2.99 years**	3.76 to 5.76 years
Exercise price	**$nil**	$nil

(Expressed in thousands of Canadian dollars unless otherwise stated)

10. Shareholders' equity – continued

b) Long-term Incentive Plan ("LTIP") (continued)

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

	March 27, 2020	March 29, 2019
	Number of RSUs	Number of RSUs
Outstanding, beginning of period	**17,457**	271,921
Granted	**4,026**	1,593
Settled	**-**	(262,342)
Outstanding, end of period	**21,483**	11,172

For the 13-week period ended March 27, 2020, stock-based compensation expense in relation to RSU's granted under the LTIP was $41 (March 29, 2019- $11) and was included in selling, general and administration expenses.

11. Selling, general and administrative costs

The components of selling, general and administrative costs are as follows:

For the 13- week period ended	**March 27, 2020**	March 29, 2019
Salaries and employee costs	**2,827**	2,592
Professional fees	**593**	(138)
Travel and related expenses	**367**	508
Communications and IT expenses	**327**	200
Stock based compensation	**205**	168
Other expenses	**151**	184
Legal and insurance fees	**148**	238
Occupancy costs	**39**	41
Total	**4,657**	3,793

(Expressed in thousands of Canadian dollars unless otherwise stated)

12. Finance costs/(income)

For the 13- week period ended	March 27, 2020 (note 1 restated)	March 29, 2019
Interest on revolver loan, term debt and delayed draw loan	**4,643**	4,037
Fair value (gain)/loss on derivatives	**3,035**	1,919
Realized (gain)/loss on derivatives	**(412)**	(494)
Unrealized (gain)/loss on foreign exchange	**(494)**	452
Realized loss (gain) on foreign exchange	**219**	(83)
Amortization of deferred financing fees	**270**	163
Interest on lease liabilities	**552**	572
Other	**533**	207
	8,346	6,773

13. Income taxes

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

Period ended	March 27, 2020 (note 1 restated)	March 29, 2019
Income tax recovery at statutory rate of 27.00% (2019 – 27.00%)	**(3,352)**	2,494
(Increase) decrease related to		
Permanent differences and other	**64**	53
Entities with different tax rates and foreign rate adjustments	**3**	(5)
	(3,285)	2,542
Classified as		
Deferred	**(3,285)**	2,542
Income tax recovery	**(3,285)**	2,542

14. Earnings per share

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

For the 13- week period ended	March 27, 2020 (note 1 restated)	March 29, 2019
Net loss for the period attributable to owners	**(8,835)**	(6,692)
	(8,835)	(6,692)
Net loss per share (basic and diluted)	**(0.26)**	(0.20)
Weighted average of number of shares outstanding (thousands)	**33,355**	33,039

For the 13-week period ended March 27, 2020 and March 29, 2019, the Company incurred a net loss attributable to owners, such that the potential impacts of dilutive instruments were anti-dilutive.

(Expressed in thousands of Canadian dollars unless otherwise stated)

15. Supplemental cash flow information

For the 13- week period ended	March 27, 2020	March 29, 2019
Accounts receivable	**(6,420)**	11,154
Inventory	**(2,235)**	(5,801)
Other current assets	**1,590**	(4,140)
Accounts payable and accrued liabilities	**9,294**	(7,433)
Other current liabilities	**(303)**	(146)
Net change in non-cash operating working capital	**1,926**	(6,366)

	March 27, 2020	March 29, 2019
PP&E additions during the period	**24,511**	9,388
PP&E additions from prior period paid during the current period	**11,579**	2,354
PP&E additions in accounts payable & other liabilities	**(2,448)**	(5,448)
Purchase of PP&E	**33,642**	6,294

16. Related parties

Significant shareholder

Prior to the IPO, the Company was controlled by ONCAP, who effectively owned 60% of the Company. ONCAP is ultimately controlled by Onex Corporation. Based on information provided by ONCAP, as at March 27, 2020, ONCAP beneficially owned, or controlled or directed, directly or indirectly, approximately 31.2% (as at March 29, 2019 – 31.3%) of the issued and outstanding common shares of the Company.

HPLP

HPLP is owned 30% by the Company and 70% by non-related third parties. The Company purchases industrial wood pellets from HPLP and earns revenue from sales of fibre and distribution fees. The Company manages and administers the business affairs of HPLP and charges a management fee. These transactions are at negotiated amounts between the Company and the non-related third parties.

	March 27, 2020	March 29, 2019
Purchases	**6,768**	8,033
Revenue	**970**	930
Management fee	**137**	220

As at	March 27, 2020	December 27, 2019
Amounts receivable	**460**	1,021
Amounts payable	**2,464**	5,281

The amounts receivable and payable to the Company are unsecured and non-interest bearing.

(Expressed in thousands of Canadian dollars unless otherwise stated)

16. Related parties- (continued)

LPLP

LPLP is owned 75% by the Company and 25% by a non-related third party. The Company purchases industrial wood pellets from LPLP and earns revenue from sales of fibre at negotiated prices between the Company and the non-related third party. The Company manages and administers the business affairs of LPLP.

	March 27, 2020	March 29, 2019
Purchases	**11,172**	10,356
Revenue	**10**	1

As at	**March 27, 2020**	December 27, 2019
Amounts receivable	**1,135**	153
Amounts payable	**9,888**	6,575

The amounts receivable and payable to the Company are unsecured and non-interest bearing.

SPLP

On October 4, 2017, the Company entered into a limited partnership with a non-related third party for the acquisition and development of a wood pellet facility. SPLP is owned 70% by the Company and 30% by a non-related third party.

	March 27, 2020	March 29, 2019
Purchases	**4,331**	4,308
As at	**March 27, 2020**	December 27, 2019
Amounts receivable	**889**	254
Amounts payable	**2,739**	2,409

The amounts receivable and payable to the Company are unsecured and non-interest bearing.

Alabama Pellets LLC

On October 15, 2018, the Company entered into a partnership with a non-related third party for the operation of a wood pellet facility. In Q1 2020, WPI LLC and PWRH LLC merged and changed its name to become Alabama Pellets LLC which is owned 70% by the Company and 30% by two non-related third parties.

Amounts in USD	**March 27, 2020**	March 29, 2019
Management fee	**488**	375

As at (amounts in USD)	**March 27, 2020**		December 27, 2019
Amounts receivable	**177**	$	61

The amounts receivable and payable to the Company are unsecured and non-interest bearing.

(Expressed in thousands of Canadian dollars unless otherwise stated)

16. Related parties- (continued)

NPLP

On July 4, 2019, the Company entered into a limited partnership with a non-related third party to build a new industrial wood pellet production facility in Alberta. NPLP is owned 50% by the Company and 50% by a non-related third party.

As at	**March 27, 2020**	December 27, 2019
Amounts receivable	**23**	66

The amounts receivable and payable to the Company are unsecured and non-interest bearing.

17. Financial instruments

17.1 Classification and measurement:

The following table summarizes information regarding the classification and carrying values of the Company's financial instruments:

	Financial assets at amortized cost	**Financial liabilities at amortized cost**	**Fair value through profit or loss** (note 1 restated)	**March 27, 2020**
Financial Assets				
Cash and cash equivalents	5,903	-	-	5,903
Accounts receivable	42,916	-	-	42,916
Derivative financial instruments included in other current assets	-	-	2,758	2,758
Financial Liabilities				
Accounts payable and accrued liabilities	-	(50,966)	-	(50,966)
Derivative financial instruments included in other long-term liabilities	-	-	(3,423)	(3,423)
Loan facilities	-	(345,100)	-	(345,100)
Lease liabilities	-	(36,443)	-	(36,443)
Other long-term liabilities	-	(2,608)	-	(2,608)

(Expressed in thousands of Canadian dollars unless otherwise stated)

17. Financial instruments - (continued)

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair value through profit or loss	December 27, 2019
Financial Assets				
Cash and cash equivalents	11,267	-	-	11,267
Accounts receivable	36,764	-	-	36,764
Receivable against NMTC	12,774	-	-	12,774
Derivative financial instruments included in other current assets	-	-	1,332	1,332
Derivative financial instruments included in other long-term assets	-	-	1,038	1,038
Financial Liabilities				
Accounts payable and accrued liabilities	-	(51,183)	-	(51,183)
Loan facilities	-	(319,200)	-	(319,200)
Lease liabilities	-	(36,975)	-	(36,975)
NMTC debt	-	(12,774)	-	(12,774)
Other long-term liabilities	-	(2,462)	-	(2,462)

17.2 Fair value

The following fair value measurement hierarchy is used for financial instruments that are measured in the Consolidated Statement of Financial Position at fair value:

- Level 1 - quoted process (unadjusted) in active markets for identical assets and liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, observable inputs).

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

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and other liabilities approximates their fair value due to the relatively short-term maturity of these financial instruments. The carrying value of bank debt is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

(Expressed in thousands of Canadian dollars unless otherwise stated)

17. Financial instruments - (continued)

There were no transfers between levels of the fair value hierarchy in the 13-week period ended March 27, 2020. The following table summarizes the Company's financial instruments measured at fair value at March 27, 2020 and December 27, 2019, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair value hierarchy level	**March 27, 2020** (note 1 restated)	December 27, 2019
Derivative financial instruments assets (liability)			
USD forward contracts	Level 1	**$ 2,758**	$ 1,333
Interest rate swaps	Level 1	**(3,423)**	1,037
		$ (665)	$ 2,370

For the 13- week period ended March 27, 2020, the Company recognized a gain of $412 (March 29, 2019 - $494) and an unrealized loss of $3,035 (March 29, 2019 - $1,919) on its derivative financial instruments in its net profit (loss).

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 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 outstanding notional amounts of the USD forward contracts and their contractual maturities are as follows:

Particulars	**Notional amount**	**Average forward rate**	**Less than 1 year**	**Greater than 1 year**	**Fair value asset (liability)**
As at March 27, 2020					
USD Forward Contracts	**19,525**	**1.2635**	**19,525**	**-**	**2,758**
As at December 27, 2019					
USD Forward Contracts	25,975	1.2556	25,800	175	1,333

(Expressed in thousands of Canadian dollars unless otherwise stated)

17. Financial instruments - (continued)

The contractual maturities of non-derivative financial assets and liabilities are as follows:

At March 27, 2020	Carrying amount	Contractual cash flows	Current	Between 2 and 5 years	More than 5 years
Revolver loan *	11,000	11,000	11,000	-	-
Accounts payable and accrued liabilities	50,966	50,966	50,966	-	-
Accounts receivable	42,916	42,916	42,916	-	-
Cash	5,903	5,903	5,903	-	-
Term loan	280,000	280,000	5,600	274,400	-
Delayed draw loan	54,100	54,100	-	54,100	-
Lease liabilities	36,443	47,125	9,595	21,602	15,928

*Classified as less than 1 year as due on demand; however, maturity of the Revolver loan is December 13, 2022.

18. 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 period ended March 27, 2020, an insurance recovery receivable of $2,500 (year ended December 27, 2019- $1,000) has been recorded in other receivables (note 3) relating to property damage for the Entwistle Incident.

For the 13-week period ended March 27, 2020, an insurance recovery receivable of $4,000 (year ended December 27, 2019- $5,900) has been recorded in other receivables (note 3) relating to business interruption for the Entwistle Incident. The Company is in discussions with its insurers on further recoveries which will be recorded when determined.

COVID-19 was declared a pandemic in the period and to date has not had a significant impact on the Company's financial position, results of operations and cash flows. Given the significant uncertainties with this pandemic, there can be no guarantee that the Company won't be materially impacted in the future.

(Expressed in thousands of Canadian dollars unless otherwise stated)

19. Revenue from contracts with customers

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

	March 27, 2020	March 29, 2019
Finished wood pellets	**107,986**	88,222
Port Services	**1,689**	1,405
	109,675	89,627

Revenue attributed to geographic regions based on the location of the customers was as follows:

	March 27, 2020	March 29, 2019
Europe	**95,581**	69,389
Asia	**10,943**	14,929
North America	**3,151**	5,309
	109,675	89,627

20. Restricted cash

Restricted cash comprises cash held in Escrow relating to capital projects to be completed within the next 12 months.

21. Economic dependence

The Company has certain European customers whose individual revenue represents 10% or greater of the Company's total revenue. For the 13-week period ended March 27, 2020, four customers represented 70% (March 29, 2019: 77%) 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.