

Unaudited condensed consolidated interim financial statements of

**ROGERS SUGAR INC.**

Three and six months ended April 1, 2017 and April 2, 2016

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of earnings and comprehensive income

(In thousands of dollars except per share amounts)

<i>Condensed consolidated interim statements of earnings</i>	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Revenues (note 15)	\$ 163,566	\$ 133,988	\$ 323,170	\$ 264,078
Cost of sales	146,961	113,468	278,389	204,994
Gross margin	16,605	20,520	44,781	59,084
Administration and selling expenses	5,312	4,988	10,602	8,554
Distribution expenses	2,509	2,632	4,799	5,040
	7,821	7,620	15,401	13,594
Results from operating activities	8,784	12,900	29,380	45,490
Finance income (note 5)	(87)	-	(202)	-
Finance costs (note 5)	2,501	2,595	4,921	4,992
Net finance costs (note 5)	2,414	2,595	4,719	4,992
Earnings before income taxes	6,370	10,305	24,661	40,498
Income tax expense (recovery):				
Current	9,828	2,941	13,673	5,910
Deferred	(8,246)	(308)	(7,352)	4,845
	1,582	2,633	6,321	10,755
Net earnings	\$ 4,788	7,672	18,340	29,743
Net earnings per share (note 10)				
Basic	\$ 0.05	0.08	0.20	0.32
Diluted	\$ 0.05	0.08	0.19	0.29

<i>Condensed consolidated interim statements of comprehensive (loss) income</i>	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Net earnings	\$ 4,788	\$ 7,672	\$ 18,340	\$ 29,743
Other comprehensive (loss) income		-		-
Cash flow hedges (note 6)	(2,003)	-	(609)	-
Income tax on other comprehensive (loss) (note 6)	527	-	160	-
	(1,476)	-	(449)	-
Net earnings and comprehensive (loss) income for the period	3,312	7,672	17,891	29,743

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of financial position

(In thousands of dollars)

	April 1, 2017	October 1, 2016	April 2, 2016
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 908	\$ 1,246	\$ 97
Trade and other receivables	59,366	68,782	47,305
Income taxes recoverable	-	-	2
Inventories	115,221	81,121	95,306
Prepaid expenses	1,951	2,631	2,099
Derivative financial instruments (note 6)	98	501	2,978
<b>Total current assets</b>	<b>177,544</b>	<b>154,281</b>	<b>147,787</b>
Non-current assets:			
Property, plant and equipment	178,190	178,631	175,779
Intangible assets	1,776	1,883	1,609
Other assets	439	497	459
Deferred tax assets	22,359	18,422	19,640
Derivative financial instruments (note 6)	943	1,532	2,782
Goodwill	229,952	229,952	229,952
<b>Total non-current assets</b>	<b>433,659</b>	<b>430,917</b>	<b>430,221</b>
<b>Total assets</b>	<b>\$ 611,203</b>	<b>\$ 585,198</b>	<b>\$ 578,008</b>
<b>Liabilities and Shareholder's Equity</b>			
Current liabilities:			
Bank overdraft (note 7)	\$ -	\$ -	\$ 744
Revolving credit facility (note 7)	23,000	-	9,000
Trade and other payables	49,246	47,096	41,952
Income taxes payable	6,871	3,473	810
Provisions	742	1,133	372
Finance lease obligations	48	45	49
Derivative financial instruments (note 6)	3,616	3,408	7,890
Convertible unsecured subordinated debentures (note 8)	49,537	49,805	-
<b>Total current liabilities</b>	<b>133,060</b>	<b>104,960</b>	<b>60,817</b>
Non-current liabilities:			
Revolving credit facility (note 7)	60,000	60,000	70,000
Employee benefits	54,155	52,933	43,173
Provisions	1,744	1,861	2,218
Derivative financial instruments (note 6)	4,549	6,305	7,767
Finance lease obligations	137	162	201
Convertible unsecured subordinated debentures (note 8)	59,000	58,714	108,070
Deferred tax liabilities	31,135	34,710	33,573
<b>Total non-current liabilities</b>	<b>210,720</b>	<b>214,685</b>	<b>265,002</b>
<b>Total liabilities</b>	<b>\$ 343,780</b>	<b>\$ 319,645</b>	<b>\$ 325,819</b>
Shareholder's equity:			
Share capital (note 9)	34,414	133,528	133,528
Contributed surplus	300,213	200,201	200,190
Equity portion of convertible unsecured subordinated debentures (note 8)	1,188	1,188	1,188
Deficit	(57,449)	(58,870)	(77,817)
Accumulated other comprehensive loss	(10,943)	(10,494)	(4,900)
<b>Total shareholder's equity (note 9)</b>	<b>267,423</b>	<b>265,553</b>	<b>252,189</b>
<b>Total liabilities and shareholder's equity</b>	<b>611,203</b>	<b>585,198</b>	<b>578,008</b>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of changes in shareholders' equity

(In thousands of dollars except number of shares)

	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	For the six months ended April 1, 2017		
					Accumulated Other Comprehensive (Loss) Income	Deficit	Total
			\$	\$	\$	\$	\$
Balance, October 1, 2016	93,850,160	133,528	200,201	1,188	(10,494)	(58,870)	265,553
Dividends (note 9)	-	-	-	-	-	(16,919)	(16,919)
Reduction of stated capital (note 9)	-	(100,000)	100,000	-	-	-	-
Share-based compensation (note 11)	-	-	35	-	-	-	35
Stock options exercised (note 9 and 11)	80,000	451	(23)	-	-	-	428
Conversion of convertible debentures into common shares (note 9)	66,922	435	-	-	-	-	435
Cash flow hedges (note 6)	-	-	-	-	(449)	-	(449)
Net earnings for the period	-	-	-	-	-	18,340	18,340
<b>Balance, April 1, 2017</b>	<b>93,997,082</b>	<b>34,414</b>	<b>300,213</b>	<b>1,188</b>	<b>(10,943)</b>	<b>(57,449)</b>	<b>267,423</b>

	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	For the six months ended April 2, 2016		
					Accumulated Other Comprehensive (Loss) Income	Deficit	Total
			\$	\$	\$	\$	\$
Balance, October 3, 2015	94,028,760	133,782	200,167	1,188	(4,900)	(90,180)	240,057
Dividends (note 9)	-	-	-	-	-	(16,907)	(16,907)
Purchase and cancellation of shares (note 9)	(178,600)	(254)	-	-	-	(473)	(727)
Share-based compensation (note 11)	-	-	23	-	-	-	23
Net earnings for the period	-	-	-	-	-	29,743	29,743
<b>Balance, April 2, 2016</b>	<b>93,850,160</b>	<b>133,528</b>	<b>200,190</b>	<b>1,188</b>	<b>(4,900)</b>	<b>(77,817)</b>	<b>252,189</b>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of cash flows

(In thousands of dollars)

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Cash flows from operating activities:				
Net earnings	\$ 4,788	\$ 7,672	\$ 18,340	\$ 29,743
Adjustments for:				
Depreciation of property, plant and equipment (note 4)	3,218	2,948	6,430	6,129
Amortization of intangible assets (note 4)	54	47	107	94
Changes in fair value of derivative financial instruments included in cost of sales	293	2,548	(963)	4,362
Income tax expense	1,582	2,633	6,321	10,755
Pension contributions	(2,101)	(2,270)	(3,369)	(5,103)
Pension expense	2,614	2,415	4,591	3,141
Net finance costs (note 5)	2,414	2,595	4,719	4,992
Gain on disposal of property, plant and equipment	-	-	1	-
Share-based compensation (note 11)	24	11	35	23
	<b>12,886</b>	<b>18,599</b>	<b>36,212</b>	<b>54,136</b>
Changes in:				
Trade and other receivables	(8,697)	(6,028)	9,416	897
Inventories	19,142	2,130	(34,100)	(28,033)
Prepaid expenses	(356)	(646)	687	130
Trade and other payables	(1,402)	(5,086)	566	2,525
Provisions	(173)	(510)	(508)	(1,116)
	<b>8,514</b>	<b>(10,140)</b>	<b>(23,939)</b>	<b>(25,597)</b>
Cash flows from operating activities	<b>21,400</b>	<b>8,459</b>	<b>12,273</b>	<b>28,539</b>
Interest paid	(687)	(720)	(4,425)	(4,509)
Income taxes paid	(3,844)	(2,405)	(10,275)	(4,955)
Net cash from (used in) operating activities	<b>16,869</b>	<b>5,334</b>	<b>(2,427)</b>	<b>19,075</b>
Cash flows (used in) from financing activities:				
Dividends paid (note 9)	(8,459)	(8,455)	(16,906)	(16,920)
(Decrease) increase in revolving credit facility (note 7)	(7,000)	6,000	23,000	2,000
Increase in bank overdraft	-	744	-	744
Stock options exercised (note 11)	-	-	428	-
Purchase and cancellation of shares (notes 9)	-	(398)	-	(727)
Cash flow (used in) from financing activities	<b>(15,459)</b>	<b>(2,109)</b>	<b>6,522</b>	<b>(14,903)</b>
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(3,136)	(4,362)	(4,433)	(5,434)
Cash flow used in investing activities	<b>(3,136)</b>	<b>(4,362)</b>	<b>(4,433)</b>	<b>(5,434)</b>
Net decrease in cash and cash equivalents	<b>(1,726)</b>	<b>(1,137)</b>	<b>(338)</b>	<b>(1,262)</b>
Cash and cash equivalents, beginning of period	<b>2,634</b>	<b>1,234</b>	<b>1,246</b>	<b>1,359</b>
Cash and cash equivalents, end of period	\$ <b>908</b>	\$ <b>97</b>	\$ <b>908</b>	\$ <b>97</b>

Supplemental cash flow information (note 12)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# ROGERS SUGAR INC.

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Notes to unaudited condensed consolidated interim financial statements  
(In thousands of dollars except as noted and amounts per share)

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## 1. Reporting entity:

Rogers Sugar Inc. (“Rogers” or the “Company”) is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The unaudited condensed consolidated interim financial statements of Rogers for the three and six month periods ended April 1, 2017 and April 2, 2016 comprise Rogers and its subsidiary, Lantic Inc., (together referred to as the “Company”). The principal business activity of the Company is the refining, packaging and marketing of sugar products.

## 2. Basis of presentation and statement of compliance:

### (a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* on a basis consistent with those accounting policies followed by the Company in the most recent audited consolidated annual financial statements other than the adoption of the amendments of IAS 1, IFRS 5, IFRS 7, IAS 19, IAS 34 and IFRS 9 as described in note 3(c). Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended October 1, 2016.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 3, 2017.

### (b) Basis of measurement:

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the unaudited condensed consolidated statements of financial position:

- (i) financial instruments are measured at fair value; and
- (ii) the defined benefit liability is recognized as the net total of the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs.

### (c) Functional and presentation currency:

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars since it is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except as noted and per share amounts.

## 2. Basis of presentation and statement of compliance (continued):

### (d) Use of estimates and judgements:

The preparation of these unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Except as described below, in preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual consolidated financial statements for the year ended October 1, 2016.

### (i) Embedded Derivatives

As at October 2, 2016, embedded derivatives, which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, will no longer be separated from the host contract as it has been determined that the U.S. dollar is commonly used in Canada. This change in estimate will be applied prospectively, as such, any contracts for which it was determined there was an embedded derivative that needed to be separated from the host contract as of October 1, 2016 will continue to be treated as such as a transitional step to meet the new interpretation. These contracts will continue to be marked-to-market every quarter until all the volume on the contract has been delivered.

## 3. Significant accounting policies:

Except as described below, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 1, 2016 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

### (a) Financial Instruments:

#### (i) IFRS 9, *Financial Instruments*:

The Company early adopted all the requirements of IFRS 9 (2014), *Financial Instruments* with a date of initial application of October 2, 2016. The standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

### 3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(i) IFRS 9, *Financial Instruments* (continued):

This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial instruments – Recognition and Measurement*. The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	IFRS 9 (2014)
<b>Financial assets:</b>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Income taxes recoverable	Loans and receivables	Amortized cost
Non-hedged derivative assets	Fair value through profit and loss	Fair value through profit or loss
<b>Financial liabilities:</b>		
Revolving credit facility	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Income taxes payable	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Convertible unsecured subordinated debentures	Other financial liabilities	Amortized cost
Non-hedged derivative liabilities	Fair value through profit or loss	Fair value through profit or loss

With the adoption of IFRS 9 (2014), the Company's natural gas futures and interest rate swap agreements were designated as being effective hedging instrument.

In accordance with the transitional provisions of IFRS 9 (2014) the financial assets and financial liabilities held at October 2, 2016 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at October 2, 2016.



### 3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(i) IFRS 9, *Financial Instruments* (continued):

The accounting for these instruments and the line item in which they are included in the balance sheet were unaffected by the adoption of IFRS 9 (2014). The adoption of IFRS 9 (2014) did not result in any measurement adjustments to our financial assets and financial liabilities. We have reviewed our significant accounting policies for financial instruments, derivative financial instruments, and hedging relationships to align them with IFRS 9 (2014).

The Company initially recognizes financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. In the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to or deducted from the fair value.

(ii) Financial assets:

Financial assets are classified into the following categories:

a. Financial assets measured at amortized cost:

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principals and/or interest.

The Company currently classifies its cash and cash equivalents, trade accounts receivables, and certain other current assets as assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Company has a portfolio of trade receivables at the reporting date. The Company uses a provision matrix to determine the lifetime expected credit losses for the portfolio.

The Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

### 3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(ii) Financial assets (continued):

a. Financial assets measured at amortized cost (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

b. Financial assets measured at fair value:

These assets are measured at fair value and changes therein, including any interest are recognized in profit or loss. The Company currently has no significant financial assets measured at fair value.

(iii) Financial liabilities:

Financial liabilities are classified into the following categories:

a. Financial liabilities measured at amortized cost:

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies and measures short-term borrowings, trade payables and accrued liabilities, finance lease obligations, and convertible unsecured subordinated debentures, as financial liabilities measured at amortized cost.

b. Financial liabilities measured at fair value:

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings. The Company currently has no significant financial liabilities measured at fair value.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(iv) Fair value of financial instruments:

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

Level 1 - valuation based on observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3 - valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability).

a. Cash and cash equivalents:

The Company classifies its cash and cash equivalents as amortized cost assets. Cash and cash equivalents include cash on hand and bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

b. Derivative financial instruments and hedging relationships:

The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivatives are recognized initially at fair value.

i. Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity.

### 3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(iv) Fair value of financial instruments (continued):

b. Derivative financial instruments and hedging relationships (continued):

i. Cash flow hedges (continued):

The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss.

If forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to net earnings in the same period that the hedged item affects net earnings.

The Company has designated as hedging items its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas prices and interest rate fluctuations as cash flow hedges.

ii. Embedded derivatives:

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss, as described in note 2(d) (i).

iii. Other derivatives:

When a derivative financial instrument, for example, sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts and embedded derivatives, is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings (marked-to-market).

### 3. Significant accounting policies (continued):

(a) Financial Instruments (continued):

(iv) Fair value of financial instruments (continued):

c. Compound financial instruments:

The Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, gains and losses relating to the financial liability are recognized in profit or loss.

d. Financing charges:

Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized in finance costs using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

e. Trade date:

The Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

f. Share capital:

*Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Dividends to the equity holders are recorded in equity.

*Repurchase of share capital*

When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

### 3. Significant accounting policies (continued):

#### (b) Employee Benefits:

##### (i) Cash-settled share appreciation rights:

The Company's Share Option Plan allows for the issuance of Share Appreciation Rights ("SARs") that entitles certain senior personnel of the Company to a cash payment based on the increase in the share price of the Company's common shares from the grant date to the vesting date. The SARs are automatically exercised upon vesting dates if the share price of the Company's common shares is greater than the price on the grant date, if not, they are rolled to the next vesting date.

A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling and administration expenses over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model.

Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liabilities is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statement of earnings for the period.

#### (c) New standards and interpretations adopted:

##### (i) IAS 1, *Presentation of Financial Statements*:

On December 18, 2015 the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

The Company adopted the amendments in the first quarter of the year ending September 30, 2017. The adoption of IAS 1, *Presentation of Financial Statements*, did not have an impact on the unaudited condensed consolidated interim financial statements.

##### (ii) Annual improvements to IFRS (2012-2014) cycle:

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Amendments were made to clarify the following in their respective standards:

### 3. Significant accounting policies (continued):

(c) New standards and interpretations adopted:

(ii) Annual improvements to IFRS (2012-2014) cycle (continued):

- Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*;
- “Continuing involvement” for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
- Disclosure of information “elsewhere in the interim financial report” under IAS 34, *Interim Financial Reporting*.

The Company adopted the amendments in the first quarter of the year ending September 30, 2017. The adoption of Annual improvements to IFRS (2012-2014) cycle, did not have an impact on the unaudited condensed consolidated interim financial statements.

(d) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the six months ended April 1, 2017 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

(i) IFRS 2, *Classification and Measurement of Share-based Payment Transactions*:

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

### 3. Significant accounting policies (continued):

(d) New standards and interpretations not yet adopted (continued):

(ii) IFRS 15, *Revenue from Contracts with Customers*:

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

(iii) IFRS 16, *Leases*:

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.



### 3. Significant accounting policies (continued):

(d) New standards and interpretations not yet adopted (continued):

(iv) IAS 7, *Disclosure Initiative*:

On January 7, 2016 the IASB issued *Disclosure Initiative* (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, includes both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(v) IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*:

On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on October 1, 2017. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(vi) Annual Improvements to IFRS Standards (2014-2016) Cycle:

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standards:

- Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;

### 3. Significant accounting policies (continued):

(d) New standards and interpretations not yet adopted (continued):

(vi) Annual Improvements to IFRS Standards (2014-2016) Cycle (continued):

- Removal of out-dated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning October 1, 2017 or October 1, 2018, as applicable. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(vii) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*:

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Interpretation may be applied either:

- retrospectively; or
- prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:
  - the beginning of the reporting period in which the entity first applies the Interpretation; or
  - the beginning of a prior reporting period presented as comparative information in the financial statements.

The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on October 1, 2018, as applicable. The extent of the impact of adoption of the Interpretation has not yet been determined.

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Notes to unaudited condensed consolidated interim financial statements  
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## 4. Depreciation and amortization expense:

Depreciation and amortization expense were charged to the unaudited condensed consolidated interim statements of earnings as follows:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Depreciation of property, plant and equipment:				
Cost of sales	3,111	2,847	6,219	5,928
Administration and selling expenses	107	101	211	201
	3,218	2,948	6,430	6,129
Amortization of intangible assets:				
Administration and selling expenses	54	47	107	94
Total depreciation and amortization expense	3,272	2,995	6,537	6,223

## 5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Net change in fair value of interest rate swap (note 6)	87	-	202	-
Finance income	87	-	202	-
Interest expense on convertible unsecured subordinated debentures	1,615	1,620	3,201	3,207
Interest on revolving credit facility	680	671	1,308	1,362
Amortization of deferred financing fees	206	207	412	413
Net change in fair value of interest rate swap	-	97	-	10
Finance costs	2,501	2,595	4,921	4,992
Net finance costs recognized in net earnings	2,414	2,595	4,719	4,992

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## 6. Financial instruments:

Disclosures relating to risks exposures, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity risk were provided in the October 1, 2016 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three and six months ended April 1, 2017.

For its financial assets and liabilities measured at amortized cost as at October 2, 2016, the Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value because of the relatively short periods to maturity of these instruments.

As at October 2, 2016, the Company's natural gas futures and interest rate swap agreements were designated as cash flow hedges and qualified for hedge accounting.

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at quarter end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution which is counterparty to these contracts.

The fair value of natural gas contracts, foreign exchange forward contracts and interest rate swap calculations include a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

As at April 1, 2017, October 1, 2016 and April 2, 2016, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	April 1, 2017		April 1, 2017	
	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	-	49	132	-
Foreign exchange forward contracts	98	894	-	-
Embedded derivatives	-	-	130	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	-	-	3,004	4,000
Interest rate swap	-	-	350	549
	<b>98</b>	<b>943</b>	<b>3,616</b>	<b>4,549</b>

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## 6. Financial instruments (continued):

	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	October 1, 2016				April 2, 2016			
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>								
Sugar futures contracts	-	-	186	231	-	382	665	-
Foreign exchange forward contracts	501	1,532	-	-	2,978	2,400	-	-
Embedded derivatives	-	-	216	112	-	-	2,345	459
Natural gas futures contracts	-	-	2,617	4,869	-	-	4,448	6,047
Interest rate swap	-	-	389	1,093	-	-	432	1,261
	501	1,532	3,408	6,305	2,978	2,782	7,890	7,767

	Charged to cost of sales		Charged to finance		Other comprehensive	
	Unrealized gain / (loss)		income (costs)		gain / (loss)	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	(1,732)	(1,332)	-	-	-	-
Natural gas futures contracts	-	(1,016)	-	-	-	-
Foreign exchange forward contracts	(823)	4,478	-	-	-	-
Embedded derivatives	(524)	(8,324)	-	-	-	-
Interest rate swap	-	-	-	(97)	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	625	-	-	-	(1,953)	-
Interest rate swap	-	-	87	-	(50)	-
	(2,454)	(6,194)	87	(97)	(2,003)	-

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## 6. Financial instruments (continued):

	Charged to cost of sales		Charged to finance		For the six months ended	
	Unrealized gain / (loss)		income (costs)		Other comprehensive	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	(6,326)	3,127	-	-	-	-
Natural gas futures contracts	-	(3,036)	-	-	-	-
Foreign exchange forward contracts	(1,936)	3,270	-	-	-	-
Embedded derivatives	198	(4,798)	-	-	-	-
Interest rate swap	-	-	-	(10)	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	1,473	-	-	-	(990)	-
Interest rate swap	-	-	202	-	381	-
	(6,591)	(1,437)	202	(10)	(609)	-

The following table summarizes the Company's hedging components of other comprehensive income as at April 1, 2017 and April 2, 2016:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Net (loss) gain on derivative designated as cash flow hedges:				
Natural gas futures contracts	(1,953)	-	(990)	-
Interest rate swap	(50)	-	381	-
Income taxes	527	-	160	-
Hedging loss	(1,476)	-	(449)	-

For the three and six months ended April 1, 2017, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately \$0.1 million of net losses presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

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## 7. Bank overdraft and revolving credit facility:

The Company has a revolving credit facility of \$150.0 million of available working capital from which it can borrow at prime rate, Libor rate or under Bankers' Acceptances, plus 20 to 200 basis points, based on achieving certain financial ratios. Certain assets of the Company, including trade receivables, inventories and property, plant and equipment have been pledged as security for the credit facility. The following amounts were outstanding as of:

	April 1, 2017	October 1, 2016	April 2, 2016
	\$	\$	\$
Outstanding amount on revolving credit facility:			
Current	23,000	-	9,000
Non-current	60,000	60,000	70,000
	<b>83,000</b>	60,000	79,000

The revolving credit facility expires on June 28, 2021. As at April 1, 2017, an amount of \$60.0 million is shown as non-current as we don't expect it to be repaid within the next 12 months.

The carrying value of the bank overdraft and the revolving credit facility approximates fair value as the borrowings bear interest at variable rates.

## 8. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	April 1, 2017	October 1, 2016	April 2, 2016
	\$	\$	\$
<b>Current:</b>			
Fourth series	50,000	50,000	-
Conversion of convertible debentures	(435)	-	-
Total face value (note 16)	49,565	50,000	-
Less deferred financing fees	(28)	(195)	-
Carrying value – current	49,537	49,805	-
<b>Non-current:</b>			
Fourth series	-	-	50,000
Fifth series	60,000	60,000	60,000
Total face value	60,000	60,000	110,000
Less deferred financing fees	(662)	(856)	(1,412)
Less equity component	(1,188)	(1,188)	(1,188)
Accretion expense on equity component	850	758	670
Carrying value – non current	59,000	58,714	108,070
Total carrying value	108,537	108,519	108,070

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## 8. Convertible unsecured subordinated debentures (continued):

During the six month period of fiscal 2017, holders of the Fourth series convertible debentures converted a total of \$0.4 million into 66,922 common shares.

The fair value of the Fourth and Fifth series debentures as at April 1, 2017 were approximately \$110.6 million based on market quotes.

## 9. Share capital and other components of equity:

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB"). Under the NCIB, the Company could purchase up to 500,000 common shares. The NCIB commenced on December 1, 2015 and ended on November 30, 2016. No common shares were purchased in fiscal 2017 (October 1, 2016 – 178,600; April 2, 2016 – 178,600).

During the first quarter of fiscal 2017, a total of 80,000 common shares (October 1, 2016 – nil; April 2, 2016 – nil) were issued pursuant to the exercise of share options under the Share Option Plan (October 1, 2016 – nil; April 2, 2016 – nil). See note 11.

As at April 1, 2017, a total of \$0.4 million (October 1, 2016 – nil; April 2, 2016 – nil) of the Fourth series debentures were converted during the period by holders of the securities for a total of 66,922 common shares (October 1, 2016 – nil; April 2, 2016 – nil). This conversion is a non-cash transaction and therefore not reflected in the unaudited condensed consolidated interim statement of cash flows.

As of April 1, 2017, a total of 93,997,082 common shares (October 1, 2016 - 93,850,160; April 2, 2016 – 93,850,160) were outstanding.

During the second quarter, further to a Special Resolution approved at the shareholders' meeting of February 1, 2017, the Company reduced the stated capital by \$100.0 million to \$34.4 thousand and the contributed surplus was increased by the same amount of \$100.0 million.

The Company declared a quarterly dividend of \$0.09 per share for the six month period ending April 1, 2017 and April 2, 2016 amounting to the following:

	April 1, 2017	April 2, 2016
	\$	\$
Dividends	16,919	16,907
	16,919	16,907



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## 10. Earnings per share:

Reconciliation between basic and diluted earnings per share is as follows:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Basic earnings per share:				
Net earnings	\$4,788	\$ 7,672	\$18,340	\$ 29,743
Weighted average number of shares outstanding	93,996,659	93,867,712	93,932,400	93,921,299
Basic earnings per share	\$0.05	\$ 0.08	\$0.20	\$ 0.32
Diluted earnings per share:				
Net earnings	\$4,788	\$ 7,672	\$18,340	\$ 29,743
Plus impact of convertible unsecured subordinated debentures and share options	-	589	2,662	2,639
	\$4,788	\$ 8,261	\$21,002	\$ 32,382
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	93,996,659	93,867,712	93,932,400	93,921,299
Plus impact of convertible unsecured subordinated debentures and share options	-	7,692,308	16,201,821	16,025,641
	93,996,659	101,560,020	110,134,221	109,946,940
Diluted earnings per share	\$0.05	\$ 0.08	\$0.19	\$ 0.29

For the three months ended April 1, 2017, the share options and the Fourth and Fifth series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. For the three months ended April 2, 2016, the Fifth series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

## 11. Share-based compensation:

(a) Equity-Settled Share-Based Compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (October 1, 2016 – 4,000,000 common shares; April 2, 2016 – 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

## 11. Share-based compensation (continued):

### (a) Equity-Settled Share-Based Compensation (continued):

On December 5, 2016, a total of 360,000 shares options were granted at a price of \$6.51 per common share to certain executives. In addition, during the first quarter of 2017, a total of 80,000 common shares (October 1, 2016 – nil; April 2, 2016 - nil) were issued pursuant to the exercise of share options under the Share Option Plan for total cash proceeds of \$428 (October 1, 2016 – nil; April 2, 2016 - nil), which was recorded to share capital as well as an ascribed value from contributed surplus of \$23 (October 1, 2016 - nil; April 2, 2016 - nil).

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$24 and \$35 was recorded for the three and six months ended April 1, 2017 (an expense of \$11 and \$23 for the three and six months ended April 2, 2016).

The following tables summarize information about the Share Option Plan as of April 1, 2017:

Exercise price per option	Outstanding number of options at October 1, 2016	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at April 1, 2017	Weighted average remaining life	Number of options exercisable
\$4.59	850,000	-	(20,000)	-	830,000	8.15	150,000
\$5.61	156,500	-	(60,000)	-	96,500	4.95	96,500
\$6.51	-	360,000	-	-	360,000	9.67	-

As at April 1, 2017 and October 1, 2016, all of the options outstanding are held by key management personnel (see note 13).

The grant date fair value was measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in the first quarter of fiscal 2017 are the following:

Total fair value of options at grant date	\$152
Share price at grant date	\$6.63
Exercise price	\$6.51
Expected volatility (weighted average volatility)	16.520% to 18.490%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	5.43%
Weighted average risk-free interest rate (based on government bonds)	0.923% to 1.156%

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## 11. Share-based compensation (continued):

### (b) Cash-Settled Share-Based Compensation:

During the first quarter of fiscal 2017, a Share Appreciation Right (“SARs”) was created under the existing Share Option Plan. On December 5, 2016, a total of 125,000 SARs were granted at a price of \$6.51 to an executive.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to liability. An expense of \$2 and \$6 was recorded for the three and six months ended April 1, 2017 (an expense of \$nil for the three and six months ended April 2, 2016). The liabilities arising from the SARs as at April 1, 2017 were \$6 (October 1, 2016 – nil; January 2, 2016 – nil)

The measurement date fair values were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. As at April 1, 2017, the inputs used in the measurement of the fair values of the SARs granted are the following:

	Grant date	Measurement date as at April 1, 2017
Total fair value of options	\$53	\$39
Share price	\$6.63	\$6.25
Exercise price	\$6.51	\$6.51
Expected volatility (weighted average volatility)	16.520% to 18.670%	16.704% to 19.224%
Option life (expected weighted average life)	2 to 6 years	2 to 6 years
Expected dividends	5.43%	5.76%
Weighted average risk-free interest rate (based on government bonds)	0.740% to 1.160%	0.747% to 1.167%

## 12. Supplementary cash flow information:

	April 1, 2017	April 2, 2016	October 1, 2016	October 3, 2015
	\$	\$	\$	\$
Non-cash transactions:				
Additions of property, plant and equipment and intangibles included in trade and other payables	1,714	662	135	579
Investment tax credit included in income taxes payable	-	-	220	-

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## 13. Key management personnel:

The Board of Directors as well as the President and all the Vice-Presidents are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Salaries and short-term benefits	1,075	672	2,056	1,170
Attendance fees for members of the Board of Directors	123	102	254	216
Post-retirement benefits	37	31	72	62
Share-based compensation	24	11	35	23
	1,259	816	2,417	1,471

Further information about the remuneration of individual directors is provided in the annual Management Proxy Circular.

## 14. Personnel expenses:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Wages, salaries and employee benefits	18,036	16,435	37,006	34,310
Expenses related to defined benefit plans <sup>(1)</sup>	1,236	1,130	2,460	1,084
Expenses related to defined contributions plans	1,378	1,285	2,131	2,057
Share-based compensation	24	11	35	23
	20,674	18,861	41,632	37,474

(1) During the first quarter of fiscal 2016, the Company completed the settlement of the Salaried Plan and as a result, recorded a \$1.2 million profit in administration and selling expenses.

The personnel expenses were charged and capitalized to the unaudited condensed consolidated interim statements of earnings and statements of financial position, respectively, as follows:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Cost of sales	17,007	15,362	34,512	32,089
Administration and selling expenses	3,251	3,080	6,306	4,547
Distribution expenses	346	298	692	595
	20,604	18,740	41,510	37,231
Property, plant and equipment	70	121	122	243
	20,674	18,861	41,632	37,474

# ROGERS SUGAR INC.

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Notes to unaudited condensed consolidated interim financial statements  
(In thousands of dollars except as noted and amounts per share)

## 15. Segmented information:

The Company has one operating segment and therefore one reportable segment.

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the six months ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
	\$	\$	\$	\$
Canada	151,299	126,909	301,206	250,005
United States	12,267	7,079	21,964	14,073
	163,566	133,988	323,170	264,078

## 16. Subsequent events:

### (a) Revolving credit facility:

On April 25, 2017, the Company exercised its option to extend the maturity date of its revolving credit facility of \$150.0 million to June 28, 2022 under the same terms and conditions of the credit agreement entered into on June 28, 2013. In addition, on April 28, 2017, the Company borrowed an additional amount of \$50.0 million by drawing a portion of the funds available under an accordion feature embedded in its revolving credit facility ("Accordion borrowings"). The Accordion borrowings carry the same terms and conditions as the \$150.0 million revolving credit facility described in note 7, except that it will mature on December 31, 2018. The funds from the Accordion borrowings were used to repay the Fourth series convertible unsecured subordinated debentures ("Fourth series debentures").

### (b) Convertible unsecured subordinated debentures:

On May 1, 2017, the Company used the Accordion borrowings to repay its Fourth series debentures for a total cash outflow of \$51.0 million, consisting of its principal amount of \$49.6 million plus accrued and unpaid interest up to, but excluding the maturity date.