

ROGERS SUGAR, INC.

ANNUAL INFORMATION FORM

For the year ended September 30, 2017

December 21, 2017

Rogers Sugar Inc.

ANNUAL INFORMATION FORM

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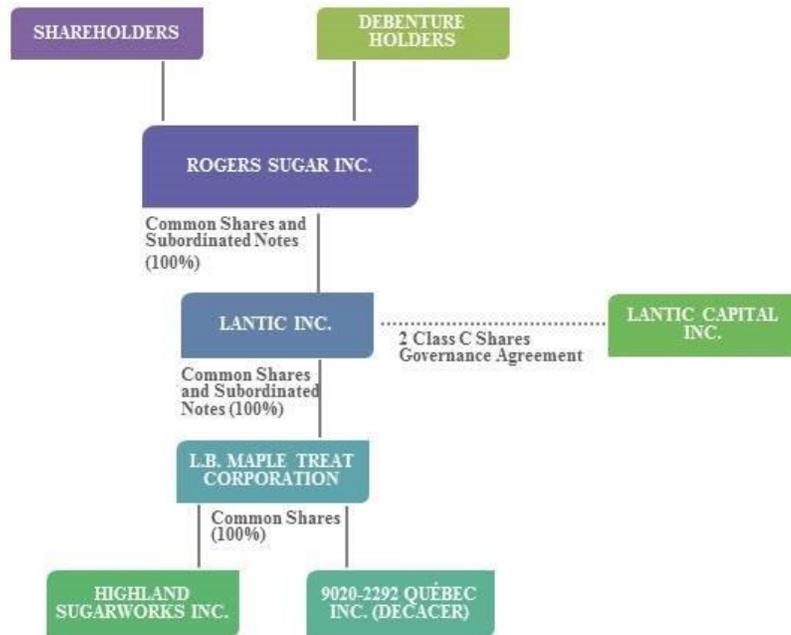
ROGERS SUGAR INC.

The principal and head office of Rogers Sugar Inc. (the “Corporation” or “Rogers”) is located at 123 Rogers Street, Vancouver, British Columbia V6B 3N2. The administrative offices of the Corporation are located at 4026 Notre-Dame Street East, Montréal, Québec H1W 2K3. The principal activities of Rogers are to hold all of the common shares of Lantic (the common shares of Lantic, collectively with any other equity securities held by or on behalf of the Corporation from time to time, are referred to as the “Common Shares”) and the subordinated unsecured notes of Lantic (collectively with any other debt securities held by or on behalf of the Corporation from time to time, the “Notes”). To the maximum extent possible, Rogers pays to holders (the “Shareholders”) of common shares of Rogers (the “Shares”) by way of dividends amounts representing the amounts received by Rogers by way of dividends or return of capital on the Common Shares, and interest and repayments of principal on the Notes after expenses, interest on the Debentures of the Corporation (see “Rogers Sugar Inc. — Debt Instruments”) and any cash redemptions of common shares or convertible debentures, amounts paid or required by the Corporation to purchase Shares (or other securities of Rogers which may be issued and outstanding from time to time), income taxes and amounts required for the operations of the Corporation.

On January 1, 2011, Rogers completed its conversion from an income trust to a corporation pursuant to a Plan of Arrangement (the “Arrangement”) under section 192 of the *Canada Business Corporations Act* (the “CBCA”). Rogers is governed by the CBCA. Pursuant to the Arrangement, unitholders (the “Unitholders”) of Rogers Sugar Income Fund (the “Fund”) exchanged each trust unit of the Fund for a Share on a one-for-one basis.

Corporate Structure

The following chart illustrates the current primary structural and contractual relations among the Shareholders, Rogers, Lantic, L.B. Maple Treat Corporation, Highland Sugarworks Inc. and 9020-2292 Québec Inc. (Decacer) (collectively, “LBMT”) and Lantic Capital Inc. (“Lantic Capital”).



For a detailed discussion of the structural and contractual relations among Rogers, Lantic and Lantic Capital, see “Rogers Sugar Inc. — Administration”.

Administration

Administration Agreement

Pursuant to the Arrangement, the then existing administration agreement (the “Former Administration Agreement”) was terminated and replaced by a new Administration Agreement dated January 1, 2011 (the “Administration Agreement”). The Administration Agreement was on the same terms and conditions as the Former Administration Agreement whereby Lantic acts as administrator of the Corporation. The administrator provides or arranges for the provision of services required in the administration of the Corporation. These services include arranging and paying for annual audit and regulatory public reporting services and costs, arranging for, and paying the costs of, legal counsel, monitoring and coordinating the activities of and paying the fees of the transfer agent and registrar for the Shares, arranging for distributions to the Shareholders, and providing reports to the Shareholders. In consideration for its services under the Administration Agreement, Lantic receives a fee of \$50,000 per annum, plus reimbursement of certain out-of-pocket costs and expenses. The Administration Agreement is terminable on 180 days’ notice, the insolvency or receivership of Lantic or default by Lantic in the performance of any material obligation which is not remedied within 30 days.

Governance Agreements

Under the terms of the Fund governance agreement (the “Fund Governance Agreement”) dated March 8, 2002 among the Fund, Onex Corporation and Belkin Enterprises Ltd. (now Belcorp Industries Inc.) (“Belcorp”), the Fund was required to nominate for election as trustees at each annual meeting of the Fund one nominee of Onex Corporation and one nominee of Belcorp, provided that they each beneficially own or exercise control or direction over at least five percent (5%) of the outstanding Units of the Fund, directly or indirectly. As a consequence of the closing of a secondary offering of Units as at July 4, 2003, Onex Corporation’s direct and indirect ownership of Units dropped below five percent (5%) of the outstanding Units on a fully-diluted basis. As a result, the Fund is no longer obligated to nominate for election as a trustee at each annual meeting of the Fund one nominee of Onex Corporation. However, Belcorp continued to hold more than five percent (5%) of the outstanding Units on a fully-diluted basis and, therefore, the Fund continued to be obligated to nominate for appointment as a trustee at each annual meeting of the Fund one nominee of Belcorp. In connection with the completion of the Arrangement and the subsequent termination of the Fund, the Fund Governance Agreement was replaced by an amended and restated governance agreement dated January 1, 2011 (the “Governance Agreement”), which includes substantially the same terms as the Fund Governance Agreement, with the necessary adaptations, as applicable. Therefore, Belcorp continues to have the right to nominate one director of the Corporation for election at the annual meetings of the Shareholders.

The Fund, Lantic and Lantic Capital entered into a corporate governance agreement (the “Former Lantic Governance Agreement”) on June 30, 2008. In connection with the completion of the Arrangement and the subsequent termination of the Fund, the Former Lantic Governance Agreement was replaced by an amended and restated corporate governance agreement dated January 1, 2011 (the “Lantic Governance Agreement”), which includes substantially the same terms as the Former Lantic Governance Agreement, with the necessary adaptations, as applicable. Lantic Capital, as holder of two Class C shares of Lantic, is entitled to elect five (5) of seven (7) members of the board of directors of Lantic. The Corporation has the right to terminate Lantic Capital’s right to elect a majority of the directors of Lantic if a take-over bid is made for all of the issued and outstanding Shares and, on completion thereof, the offeror thereunder holds more than sixty percent (60%) of the issued and outstanding Shares. The Lantic Governance Agreement also terminates upon the earliest to occur of (i) the date on which Lantic Capital and its affiliates collectively beneficially own, directly or indirectly, or exercise control or direction over less than five percent (5%) of the outstanding Shares (calculated on a fully-diluted basis), (ii) the date on which the agreement is terminated by agreement of the parties to that effect and (iii) the date on which all of the obligations of the Corporation thereunder relating to certain restrictions on the ability of the Corporation to make changes to the articles of Lantic and the election of Lantic Capital’s nominees to the board of directors of Lantic expire or terminate. The Lantic Governance Agreement provides that the Corporation will not vote for any amendment to Lantic’s articles or by-laws, including an amendment with respect to the number of directors of Lantic, without Lantic Capital’s approval.

The Lantic Governance Agreement also provides that, in the event that a *bona fide* take-over bid has been made for all of the issued and outstanding Shares and the Board of Directors of the Corporation has publicly recommended that holders of Shares accept such take-over bid, the boards of directors of Lantic, Lantic Capital and the Corporation will consent to a reorganization of the Corporation and Lantic in the manner determined by the Corporation, including an amalgamation of the Corporation and Lantic, provided that (i) such reorganization has been approved, if required by law, by the requisite number of Shareholders of the Corporation; (ii) such reorganization is necessary and advisable, in the sole discretion of the Board of Directors of the Corporation, in

order to avoid adverse tax consequences for the Corporation or the Shareholders; and (iii) such reorganization is effected in a manner in which it is certain that, immediately after the reorganization is effective, the offeror under the take-over bid will acquire more than 60% of the issued and outstanding Shares and any support agreement relating to the take-over bid contains a covenant to complete the reorganization and take-over bid in such a manner. Such reorganization will be made effective immediately prior to the taking-up and payment of Shares by the offeror under the take-over bid described above.

Capital Structure

The authorized capital of the Corporation consists of: (i) an unlimited number of Shares; and (ii) a number of preferred shares issuable in series, at all times limited to fifty percent (50%) of the Shares outstanding at the relevant time, provided that no such preferred shares shall be used to block any takeover. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of the Corporation which comprise the share capital of the Corporation, and its convertible debt instruments.

Shares

Holders of Shares will be entitled to one vote per Share at meetings of Shareholders of the Corporation, to receive dividends if, as and when declared by the Board of Directors of the Corporation and to receive on a *pro rata* basis the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to the rights of any other class of shares having priority over the Shares.

On July 28, 2017, Rogers completed the issuance and sale of an aggregate of 11,730,000 subscription receipts (the "Subscription Receipts") at a price of \$5.90 per Subscription Receipt, for gross proceeds of approximately \$69.2 million. The 11,730,000 Subscription Receipts were exchanged for 11,730,000 Shares upon the closing of the acquisition of all of the issued and outstanding shares of LBMT (the "LBMT Acquisition"). The gross proceeds of \$69.2 million were used to partly fund the LBMT Acquisition. See "Review of Operations and Business – LBMT".

As of the date hereof, 105,743,582 Shares are issued and outstanding. The Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "RSI".

Preferred Shares

Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of the Corporation prior to the issuance thereof. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of Shareholders of the Corporation. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the preferred shares are entitled to preference over the Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

The number of issuable preferred shares shall at all times be limited to fifty percent (50%) of the Shares outstanding at the relevant time. No such preferred shares shall be used to block any takeover.

As of the date hereof, no preferred shares of the Corporation are issued and outstanding.

Debt Instruments

Fifth Series Debentures

On December 16, 2011, Rogers completed the issuance and sale of \$60,000,000 principal amount of Fifth Series 5.75% Convertible Unsecured Subordinated Debentures (the "Fifth Series Debentures"). The Fifth Series Debentures were issued pursuant to a sixth supplemental indenture dated December 16, 2011 between the Corporation and Computershare Trust Company of Canada, supplementing the trust indenture dated as of March 8, 2002 between the Fund and Computershare Trust Company of Canada, as supplemented from time to time (the "Indenture"). The Fifth Series Debentures mature on December 31, 2018 and bear interest at an annual rate of 5.75%, payable semi-annually on June 30 and December 31 in each year, commencing on June 29, 2012.

The Fifth Series Debentures are convertible into fully paid and non-assessable Shares at the option of the holder at any time prior to the close of business on the earlier of December 31, 2018 and the business day immediately preceding the date specified by the Corporation for redemption of the Fifth Series Debentures, at a conversion price of \$7.20 per Share. The Fifth Series Debentures were not redeemable by the Corporation prior to December 31, 2014. On or after December 31, 2014, and prior to December 31, 2016, the Fifth Series Debentures were redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the Shares for the 20 consecutive trading days ending on the fifth trading day preceding the date upon which the notice of redemption is given, is at least 125% of the conversion price. On or after December 31, 2016, the Fifth Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

The Fifth Series Debentures are listed and posted for trading on the TSX under the symbol “RSI.DB.D”.

Sixth Series Debentures

On July 28, 2017, Rogers completed the issuance and sale of an aggregate of \$57,500,000 principal amount of Sixth Series 5.0% Convertible Unsecured Subordinated Debentures (the “Sixth Series Debentures”). The gross proceeds of \$57.5 million were used to partly fund the LBMT Acquisition.

The Sixth Series Debentures were issued pursuant to a seventh supplemental indenture dated July 28, 2017 between the Corporation and Computershare Trust Company of Canada, supplementing the Indenture. The Sixth Series Debentures mature on December 31, 2024 and bear interest at an annual rate of 5.0%, payable semi-annually on June 30 and December 31 in each year, commencing on December 31, 2017.

The Sixth Series Debentures are convertible into fully paid and non-assessable Shares at the option of the holder at any time prior to the close of business on the earlier of December 31, 2024 and the business day immediately preceding the date specified by the Corporation for redemption of the Sixth Series Debentures, at a conversion price of \$8.26 per Share (the “Sixth Series Conversion Price”). The Sixth Series Debentures are not redeemable by the Corporation prior to December 31, 2020. On or after December 31, 2020, and prior to December 31, 2022, the Sixth Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the Shares for the 20 consecutive trading days ending on the fifth trading day preceding the date upon which the notice of redemption is given, is at least 125% of the Sixth Series Conversion Price. On or after December 31, 2022, the Sixth Series Debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

The Sixth Series Debentures are listed and posted for trading on the TSX under the symbol “RSI.DB.E”.

Fourth Series Debentures

On May 1, 2017, Rogers repaid the \$50,000,000 principal amount of Fourth Series 5.7% Convertible Unsecured Subordinated Debentures of Rogers (the “Fourth Series Debentures”) upon maturity.

Debentures

The payment of the principal of, and interest on, the Fifth Series Debentures and the Sixth Series Debentures (collectively, the “Debentures”) will be senior to the payment of any dividends on the Shares, but subordinated to the prior payment of any indebtedness of the Corporation.

On redemption or at maturity, the Corporation will repay the indebtedness of the Debentures by paying an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, elect to satisfy its obligation to repay the principal amount of the Debentures, which are to be redeemed or which have matured, by issuing Shares to the holders of the Debentures. The number of Shares to be issued will be determined by dividing \$1,000 of principal amount of Debentures by 95% of the weighted average trading price of the Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

Upon the occurrence of a change of control of the Corporation involving the acquisition of voting control or direction over 66 2/3% or more of the outstanding Shares and the termination of the Governance Agreement, holders of the Debentures may require

the Corporation to purchase the Debentures at a price equal to 101% of the principal amount of the Fifth Series Debentures and 100% of the principal amount of the Sixth Series Debentures.

Pursuant to the Indenture, any of the following shall constitute an Event of Default (as such term is defined in the Indenture):

- (a) failure, for 15 days, to pay interest on the Debentures when due;
- (b) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; or
- (c) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy and insolvency laws.

The Sixth Series Debentures provide for the adjustment of the Sixth Series Conversion Price in certain events, including: (a) the subdivision or consolidation of the outstanding Shares; (b) the distribution of Shares to Shareholders by way of distribution or dividend, other than an issue of securities to Shareholders who have elected to receive distributions in securities of the Corporation in lieu of receiving cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to Shareholders entitling them to acquire Shares or other securities convertible into Shares at less than 95% of the then current market price of the Shares; (d) a distribution by the Corporation to all or substantially all the Shareholders of (i) shares of any class other than shares distributed to Shareholders who have elected to receive dividends or distributions in the form of such Shares in lieu of dividends or distributions paid in the ordinary course, (ii) rights, options, or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase Shares or securities convertible into Shares), (iii) evidences of its indebtedness, or (iv) assets (excluding dividends or distributions paid in the ordinary course); and (e) the payment of a cash dividend or distribution to all or substantially all the Shareholders in excess of \$0.10 per Share per calendar quarter (or the equivalent thereof if the Corporation changes the frequency of payment of its dividends) (or the issuance of securities of the Corporation in lieu thereof in certain circumstances). There will be no adjustment of the Sixth Series Conversion Price in respect of any event described in (a), (b), (c), (d) or (e) above if, subject to prior regulatory approval, holders of Sixth Series Debentures are allowed to participate as though they had converted their Sixth Series Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Sixth Series Conversion Price unless the cumulative effect of such adjustments would change the Sixth Series Conversion Price by at least 1%.

LANTIC INC. AND ITS SUBSIDIARIES

Lantic is a corporation which amalgamated under the *Canada Business Corporations Act* on June 30, 2008. Lantic was formed from the amalgamation of Rogers Sugar Ltd. (“RSL”) and Lantic Sugar Limited (the “Amalgamation”). As at June 30, 2008, Lantic possessed all of the property, rights and assets of RSL and Lantic Sugar and assumed all of their obligations. The registered and principal office of Lantic is located at 4026 Notre-Dame East, Montréal, Québec H1W 2K3. Lantic is the administrator of Rogers. For a detailed discussion of the administrative relationship between Rogers and Lantic, see “Rogers Sugar Inc. — Administration”. On August 5, 2017, Lantic completed the LMBT Acquisition for approximately \$160.3 million, subject to closing adjustment. Lantic is the holder of 100% of the shares of LBMT.

Share Capital

The share capital of Lantic consists of 2,000 issued and outstanding Common Shares owned by Rogers, no issued and outstanding Class A shares, 44,500,000 issued and outstanding Class B shares owned by Belcorp and two issued and outstanding Class C shares owned by Lantic Capital.

Each Common Share entitles its holder to receive notice of and to attend all meetings of shareholders of Lantic, and to one vote at such meetings. Rogers, as the holder of all of the Common Shares is, at the discretion of the board of directors of Lantic and subject to applicable legal restrictions, entitled to receive out of any or all profits or surplus of Lantic properly available for the payment of dividends any dividends declared by the board of directors of Lantic on the Common Shares and payable in cash or by way of the issuance of additional Common Shares.

In the event of the liquidation, dissolution or winding-up of Lantic or other distribution of its assets among its shareholders, the holder of the Common Shares is entitled to receive, after payment of all of the liabilities of Lantic and subject to the prior rights of the holders of the Class B shares and Class C shares, all of the assets of Lantic.

The holder of the Class B shares is entitled to vote, on a *pro rata* basis to the number of Class B shares held, in all circumstances such that the total votes attaching to the Class B Share shall be equal to 10.01% of the aggregate votes of all classes of shares entitled to vote at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp and Rogers, Rogers is entitled to vote the Lantic Class B shares so long as they remain outstanding.

The two Class C shares are redeemable by Lantic for \$1 each upon the termination of the Lantic Governance Agreement. The Class C shares entitle their holder to elect five (5) of the seven (7) directors of Lantic, but do not confer any other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

Notes

Pursuant to a note indenture dated March 8, 2002, as amended and restated on June 3, 2003 and January 1, 2004, made between Lantic Sugar and Computershare Trust Company of Canada (now known as Computershare Investor Services Inc.), as note trustee (the "Lantic Note Indenture"), \$190,850,000 unsecured subordinated Series A notes (the "Lantic Series A Notes") and \$48,500,000 unsecured subordinated Series C notes (the "Lantic Series C Notes" and, collectively with the Lantic Series A, the "Lantic Notes") were issued on March 8, 2002, in the case of the Lantic Series A and February 20, 2003, in the case of the Lantic Series C Notes. Pursuant to a first supplemental indenture following the Amalgamation, dated June 30, 2008, Lantic assumed all obligations, indebtedness and liabilities of Lantic Sugar under the Lantic Note Indenture. Interest is payable quarterly on or about the 15th day of January, April, July and October in each year to holders of record. Notwithstanding the foregoing, Lantic may, in its sole discretion, pay interest on the Lantic Notes by way of monthly installments of the quarterly interest payment under such notes not yet due. Rogers is the holder of all of the issued and outstanding Lantic Notes. The Lantic Notes mature on October 15, 2027.

The Lantic Notes bear interest at a variable rate determined by Lantic and Rogers in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties may consider relevant, including but not limited to Lantic's earnings before taxes, depreciation, amortization and interest on the Lantic Notes, subject to a maximum rate of 13.25% per annum on the Lantic Series A Notes and a maximum rate of 10% per annum on the Lantic Series C Notes, with all such notes having a minimum rate of 6% per annum.

From time to time, the board of Directors of Lantic and, if Rogers holds, directly or indirectly, at least 25% of the aggregate principal amount of the Lantic Notes, the board of Directors of Rogers, shall jointly review the companies facilities and operations, the economic conditions relating to the sugar industry and the business prospects of Lantic with a view to determining whether it is likely that the indebtedness of Lantic evidenced by the Lantic Notes could be refinanced on the same terms and conditions upon maturity. If, in the opinion of either the board of directors of Lantic or Rogers, it is unlikely that Lantic could refinance the Lantic Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the Lantic Notes. The last review of Lantic was performed as at September 27, 2014, and on November 18, 2014, the boards of directors of Lantic and Rogers concluded that Lantic could refinance the Lantic Notes on the same terms and conditions upon maturity. As a result, the maturity date of the Lantic Notes will remain October 15, 2027.

The Lantic Notes are unsecured debt obligations of Lantic and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Lantic.

The Lantic Notes provide that any of the following shall constitute an Event of Default (as such term is defined in the Lantic Note Indenture):

- (i) default in payment of the principal of the Lantic Series A and Series C Notes when the same becomes due;
- (ii) the failure to pay interest obligations of the Lantic Series A and Series C Notes when the same become due, subject to Lantic's right to defer payment of interest for up to 18 months;
- (iii) material default upon indebtedness for borrowed money exceeding \$10 million;

- (iv) certain events of winding-up, liquidation, bankruptcy, and solvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or an arrangement under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA");
- (v) the taking of possession by an encumbrance of all or substantially all of the property of Lantic;
- (vi) ceasing to carry on business in the ordinary course;
- (vii) defaults in performing any material agreement whereby any material property or rights of Lantic may be forfeited or terminated; or
- (viii) default in the observance or performance in any material covenant or condition of the Lantic Note Indenture and contained in such default for a period of 30 days after a notice in writing has been given by the note trustee under the Lantic Note Indenture to Lantic specifying such default and requiring Lantic to rectify the same.

Pursuant to a note indenture (the "RSL Note Indenture") dated October 8, 1997, and amended and restated as of February 8, 2001 and January 1, 2004, between RSL and Montréal Trust Company of Canada (now Computershare Investor Services Inc.), as note trustee, RSL was authorized to issue an unlimited amount of notes (the "RSL Notes") which will mature on October 15, 2027, subject to prepayment from time to time, as considered advisable by the board of directors of RSL and subject to extension for an additional 10-year term in certain circumstances. Pursuant to a first supplemental indenture dated June 30, 2008 and following the Amalgamation, Lantic assumed all obligations, indebtedness and liquidities of RSL under the RSL Note Indenture. Rogers is the holder of \$278,260,870 principal amount of RSL Notes, being all of the issued and outstanding RSL Notes.

The RSL Notes bear interest at a variable rate determined by Lantic and Rogers in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties consider relevant, including but not limited to Lantic's earnings before taxes, depreciation, amortization and interest on the RSL Notes, subject to a maximum rate of 11 1/2% per annum and a minimum rate of 6% per annum. Interest is payable on the RSL Notes quarterly on or about the 15th day of January, April, July and October in each year to holders of record on the last day of each calendar quarter. Notwithstanding the foregoing, Lantic may, in its sole discretion, pay interest on the RSL Notes by way of monthly installments of the quarterly interest payment under such notes not yet due. Lantic may defer the payment of interest on the RSL Notes for up to 18 months to the extent that its earnings before interest, taxes, depreciation and amortization, less any interest and principal paid on the credit facilities provided under the Lantic Credit Agreement (see "Lantic Inc. — Credit Facility"), are inadequate to pay the interest on the RSL Notes.

In order to avoid substantial variations in distributions to Rogers under the method of calculation of the rate of interest on the RSL Notes, the directors of Rogers have the authority to declare and pay in any quarter and on such other date as they may determine from time to time, all or part of the interest paid on the RSL Notes in that quarter and for such other period as the directors of Rogers may determine from time to time.

From time to time, the board of directors of Lantic and, so long as Rogers holds at least 25% of the aggregate principal amount of the RSL Notes outstanding, the Board of Directors of Rogers, shall jointly review Lantic's facilities and operations, economic conditions relating to the sugar industry and the business prospects of Lantic with a view to determining whether it is likely that the indebtedness of Lantic evidenced by the RSL Notes could be refinanced on the same terms and conditions upon maturity. If, in the opinion of either the board of directors of Lantic or Rogers, it is unlikely that Lantic could refinance the RSL Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the RSL Notes. The last review of Lantic was performed as at September 27, 2014 and on November 18, 2014, the boards of directors of Lantic and Rogers concluded that Lantic could refinance the RSL Notes on the same terms and conditions upon maturity. As a result, the maturity date of the RSL Notes will remain October 15, 2027.

The RSL Notes are unsecured debt obligations of Lantic and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Lantic.

The RSL Note Indenture provides that any of the following shall constitute an Event of Default (as such term is defined in the RSL Note Indenture):

- (a) default in payment of the principal of the RSL Notes when the same becomes due;
- (b) the failure to pay interest obligations of the RSL Notes when the same becomes due, subject to an ability to defer payment of interest for up to 18 months;
- (c) material default upon any indebtedness for borrowed money exceeding \$10 million;
- (d) certain events of winding-up, liquidation, bankruptcy, insolvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or arrangement under the CCAA;
- (e) the taking of possession by an encumbrance of all or substantially all of the property of Lantic;
- (f) ceasing to carry on business in the ordinary course;
- (g) default in performing any material agreement whereby any material property or rights of Lantic may be forfeited or terminated; or
- (h) default in the observance or performance of any other material covenant or condition of the RSL Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the note trustee under the RSL Note Indenture to Lantic specifying such default and requiring Lantic to rectify the same.

Pursuant to a note indenture dated March 8, 2002, and amended and restated as of January 1, 2004, between RSL and Computershare Trust Company of Canada (now known as Computershare Investor Services Inc.), as note trustee (the “RSL Series A and Series B Note Indenture”), RSL was authorized to issue \$7.5 million aggregate principal amount of unsecured, subordinated Series A notes of RSL and \$25 million aggregate principal amount of unsecured, subordinated Series B Notes of RSL (collectively, the “RSL Series A and Series B Notes”). Pursuant to a first supplemental indenture dated June 30, 2008 and following the Amalgamation, Lantic assumed all obligations, indebtedness and liquidities of RSL under the RSL Note Indenture. The RSL Series A and Series B Notes will mature on October 15, 2027, subject to prepayment from time to time, as considered advisable by the board of directors of Lantic, and subject to extension for an additional 10 year term in certain circumstances. Rogers is the holder of all of the issued and outstanding RSL Series A and Series B Notes.

The RSL Series A and Series B Notes bear interest at a variable rate determined by Lantic and Rogers in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties consider relevant, including but not limited to Lantic’s earnings before taxes, depreciation, amortization and interest on the RSL Series A and Series B Notes, subject to a maximum rate of 10% per annum and a minimum rate of 6% per annum. Interest is payable quarterly on or about the 15th day of January, April, July and October in each year to holders of record. Notwithstanding the foregoing, Lantic may, in its sole discretion, pay interest on the RSL Notes by way of monthly installments of the quarterly interest payment under such notes not yet due.

From time to time, the board of directors of Lantic and, if Rogers holds, directly or indirectly, at least 25% of the aggregate principal amount of the RSL Series A and B Notes, the Board of Directors of Rogers, shall jointly review Lantic’s facilities and operations, economic conditions relating to the sugar industry and the business prospects of Lantic with a view to the determining whether it is likely that the indebtedness of Lantic evidenced by the RSL Series A and B Notes could be refinanced on the same terms and conditions upon maturity. If, in the opinion of either the board of directors of Lantic or Rogers, it is unlikely that Lantic could refinance the RSL Series A and Series B Notes on the same terms and conditions upon maturity, then Lantic shall commence principal repayments of the Series A and Series B Notes. The last review of Lantic was performed as at September 27, 2014, and on November 18, 2014, the boards of directors of Lantic and Rogers concluded that Lantic could refinance the RSL Series A and Series B Notes on the same terms and conditions upon maturity. As a result, the maturity date of the RSL Series A and Series B Notes will remain October 15, 2027.

The RSL Series A and Series B Notes are unsecured debt obligations of Lantic and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Lantic with the exception of the indebtedness of Lantic under the RSL Notes referred to above.

The RSL Series A and Series B Notes provide that any of the following shall constitute an Event of Default (as such term is defined in the RSL Series A and Series B Note Indenture):

- (a) default in payment of the principal of the RSL Series A and Series B Notes when the same becomes due;
- (b) the failure to pay interest obligations of the RSL Series A and Series B Notes when the same becomes due, subject to an ability to defer payment of interest for up to 18 months;
- (c) material default upon indebtedness for borrowed money exceeding \$10 million;
- (d) certain events of winding-up, liquidation, bankruptcy, and solvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or an arrangement under the CCAA;
- (e) the taking of possession by an encumbrance of all or substantially all of the property of Rogers;
- (f) ceasing to carry on business in the ordinary course;
- (g) defaults in performing any material agreement whereby any material property or rights of Rogers may be forfeited or terminated; or
- (h) default in the observance or performance in any material covenant or condition of the RSL Series A and Series B Notes Indenture and continuance of such default for a period of 30 days after a notice in writing has been given by the note trustee under the RSL Series A and Series B Note Indenture to Lantic specifying such default and requiring Lantic to rectify the same.

On August 4, 2017, Lantic issued a term note (the “Lantic Term Note”) to Rogers for \$71,000,000. Interest on the Lantic Term Note is payable quarterly on or about the 15th day of January, April, July and October in each year to holders of record. Notwithstanding the foregoing, Lantic may, in its sole discretion, pay interest on the Lantic Term Note by way of monthly installments of the quarterly interest payment under such note not yet due. As of the date hereof, Rogers is the holder of the Lantic Term Note. The Term Note matures on October 15, 2027.

The Lantic Term Note bears interest at a variable rate determined by Lantic and Rogers in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties may consider relevant, including but not limited to Lantic’s earnings before taxes, depreciation, amortization and interest on the Lantic Term Note, subject to a maximum rate of 13% per annum and a minimum rate of 6% per annum.

The Lantic Term Note is an unsecured debt obligation of Lantic and is subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of Lantic.

On August 4, 2017, LBMT issued a Term Note A for \$71,000,000 and a Term Note B for \$50,000,000 (together, the “LBMT Term Notes”) to Lantic. Interest on the LBMT Term Notes is payable quarterly on or about the 15th day of January, April, July and October in each year to holders of record. Notwithstanding the foregoing, LBMT may, in its sole discretion, pay interest on the LBMT Term Notes by way of monthly installments of the quarterly interest payment under such notes not yet due. As of the date hereof, Lantic is the holder of the LBMT Term Notes. The LBMT Term Notes mature on October 15, 2027.

The LBMT Term Notes bear interest at a variable rate determined by LBMT and Lantic in advance at such times as considered appropriate, but at least annually and no more frequently than quarterly, taking into account such circumstances as the parties may consider relevant, including but not limited to LBMT’s earnings before taxes, depreciation, amortization and interest on the LBMT Term Notes, subject to a maximum rate of 13.5% per annum and a minimum rate of 6% per annum.

The LBMT Term Notes are unsecured debt obligations of LBMT and are subordinate in the right of payment to all secured and unsecured indebtedness and liabilities of LBMT.

Credit Facility

On June 29, 2013, Lantic entered into a credit agreement (the “Lantic Credit Agreement”) with a syndicate of four Canadian chartered banks, as lenders, pursuant to which the lenders have made available to Lantic a revolving credit facility (the “Revolving Facility”) in the amount of \$150,000,000 maturing on June 28, 2018. Every year since then, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions as the Lantic Credit Agreement. In addition, on April 25, 2017, Lantic borrowed an additional amount of \$50,000,000 by drawing a portion of the funds available under an accordion feature embedded in the Revolving Facility (the “Accordion Borrowings”). The Accordion Borrowings carry the same terms and conditions as the Revolving Facility, except that it will mature on December 31, 2018. The funds from the Accordion Borrowings were used to repay the Fourth Series Debentures. Finally, on August 3, 2017, Lantic entered into an amendment to the Revolving Facility (the “Amended Credit Facility”) to partially fund the LBMT Acquisition. Under the Amended Revolving Facility, the available credit was increased by \$75.0 million by drawing additional funds under the accordion feature embedded in the Revolving Facility (the “Additional Accordion Borrowings”). As a result of the Amended Revolving Facility and the Additional Accordion Borrowings, Lantic has a total of \$275 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers’ acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. Certain assets of Lantic, including trade receivables, inventories and property, plant and equipment have been pledged as security under the Amended Revolving Facility, including some of the assets of LBMT. The maturity date of the Amended Revolving Facility is June 28, 2022, except for a \$50 million, which will mature on December 31, 2018. As at September 30, 2017, a total of \$170 million had been borrowed under the Amended Credit Facility

In order to fix the interest rate on a substantial portion of the expected drawdown of the Amended Revolving Facility, Lantic enters into interest rate swap agreements. Since June 28, 2013, a number of interest rate swap agreements were put in place. The following table provides the outstanding swap agreements as at September 30, 2017 as well as their respective value, interest rate and time period:

Fiscal year contracted	Date	Total value
		\$
Fiscal 2013	June 28, 2016 to June 28, 2018 – 2.09%	30,000,000
Fiscal 2014	June 30, 2014 to June 28, 2019 – 2.09%	10,000,000
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000,000

REVIEW OF OPERATIONS AND BUSINESS

The Corporation

The assets of the Corporation consist of the Common Shares as well as the Notes. To the maximum extent possible, the Corporation pays a quarterly dividend to Shareholders from amounts received by the Corporation by way of dividends or return of capital on the Common Shares and interest and repayments of principal on the Notes after expenses, interest on the Debentures of the Corporation (see “Rogers Sugar Inc. — Debt Instruments”), income taxes and any cash redemptions of Shares, amounts paid or required by the Corporation to purchase Shares (or other securities of the Corporation which may be issued and outstanding from time to time) and amounts required for the operations of the Corporation. Prior to the conversion to a corporation on January 1, 2011, the Fund was paying monthly distributions to Unitholders on or about the 29th day of the following month to the Unitholders of record as of the last day of the month for which such distributions were declared. Since January 1, 2011, Rogers has declared quarterly dividends for Shareholders of record as at the end of each calendar quarter, on or about the 20th day following the end of the calendar quarter.

Quarterly dividends per Shares declared by Rogers in fiscal 2015, 2016 and 2017 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
October.....	—	—	—
November.....	—	—	—
December.....	\$0.0900	\$0.0900	\$0.0900
January.....	—	—	—
February.....	—	—	—
March.....	\$0.0900	\$0.0900	\$0.0900
April.....	—	—	—
May.....	—	—	—
June.....	\$0.0900	\$0.0900	\$0.0900
July.....	—	—	—
August.....	—	—	—
September.....	\$0.0900	\$0.0900	\$0.0900

Lantic

Lantic has been in the sugar business for over 100 years and is the leading refiner, processor, distributor and marketer of sugar products in Canada. As the sole sugar processor in Western Canada, Lantic supplies approximately 90% of the demand for refined sugar in that region. In Eastern Canada, Lantic is one of the two major sugar refiners. Lantic has two cane sugar processing facilities, one in Montréal, Québec and one in Vancouver, British Columbia. Lantic also has a beet sugar processing facility in Taber, Alberta. Lantic’s sugar products are marketed primarily under the “Rogers” trade name in Western Canada, and under the “Lantic” trade name in Eastern Canada, and include granulated, icing, cube, yellow and brown sugars, liquid sugars and specialty syrups.

The Sugar Industry

Per capita consumption of refined sugar in Canada, being at approximately 30 kilograms per year, has been fairly stable over the last five years. Growth in total consumption is primarily linked to population increases.

Lantic purchases raw cane sugar (“raws”) on the basis of world prices established by the market for No. 11 sugar quoted on the New York Intercontinental Exchange (“ICE”). A refining margin is added to the raw sugar purchase price to set a base-selling price for refined sugar.

Raw sugar prices are not a major determinant of the profitability of Lantic’s cane sugar operations as the price at which sugar is both purchased and sold is related to the world price and all transactions are hedged, except if some sugar premiums are charged over the #11 raw sugar market, as a result of tightness in the marketplace. The profitability of Lantic’s cane sugar operations is affected primarily by competitive conditions in the marketplace. There is currently no shortage of raw cane sugar in the international market, and none is anticipated in the foreseeable future.

The world sugar price can, however, impact the profitability of Lantic’s beet operations, since the cost of beet sugar paid to the Alberta Sugar Beet Growers (the “Growers”) under the current contract is fixed plus a scale incentive if the price of world raw sugar increases over a pre-determined level, and the selling price of refined sugar rises or falls in relation to world raw sugar prices. High fructose corn syrup (“HFCS”) is a sweetener derived from the milling of corn. It is competitive with refined sugar in liquid applications in the industrial market. A relatively high world raw sugar price and/or relatively low price of corn will reduce the competitive position of refined cane sugar in Canada as compared to HFCS.

LBMT

On August 5, 2017, Lantic acquired all of the issued and outstanding shares of LBMT, for approximately \$160.3 million, in addition to closing adjustments of approximately \$9.2 million. LBMT is one of the world’s largest branded and private label maple syrup bottling and distribution companies. The LBMT Acquisition allowed Lantic to diversify into the large and growing market of maple syrup, a natural sweetener, with one of the leaders in the industry. This new platform provides Lantic with opportunities to grow organically, leverage sales and administrative gains, and investigate other potential acquisitions in that segment.

Overview of the Maple Syrup and Maple Products Industry

Maple syrup is fundamentally organic and gluten-free. Maple syrup is increasingly viewed as a healthy alternative to traditional sweeteners. Maple syrup is extracted mainly from two types of maple trees: sugar maple and red maple. The biggest concentration of maple trees is located in Québec, New Brunswick, Ontario, Vermont, Maine and New Hampshire.

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. The syrup takes its origin from the sap which is collected from the maple tree. Through photosynthesis, sugar maple and red maple convert the starch stored during the warmer seasons into sugar. This sugar then combines with the water absorbed by the tree's roots and in the spring, when temperatures rise, the sweet sap in the trunk and roots expands, creating pressure inside the tree to ultimately to push sap out of the maple tree.

The sap generally travels from the trees by gravity and pumping through a system of tubing attached to the trees by small nicks and connected to larger conveyance tubes that are themselves connected to the sugar shack, where it is ultimately boiled into maple syrup.

Global Supply and Demand

Canada remains the largest producer of maple syrup, with over 77% of the world's production. The U.S. is the only other major producing country in the world, producing approximately 22% of the global supply. Québec represented 71% of the world's production in 2016.

Regulatory Regime in Québec

There are approximately 7,300 commercial-scale maple syrup producers in Québec. The maple syrup producers in Québec are represented by the *Fédération des Producteurs Acéricoles du Québec* ("FPAQ"), a body created in 1966 to support the interests of maple syrup producers and to ensure a "level playing field". The FPAQ generally regulates the buying and selling of bulk maple syrup.

The FPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the *Conseil de l'industrie de l'érable* (the Maple Industry Council), entered into the marketing agreement for the years 2015-2016 (the "Marketing Agreement"). The Marketing Agreement is expected to be renewed on an annual basis.

Producers of maple syrup in Québec are required to operate within the framework provided for by the *Act respecting the Marketing of Agricultural, Food and Fish Products* (Québec) (the "Marketing Act"). Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the FPAQ in the case of maple syrup, with the functions and role otherwise granted to the *Régie des marchés agricoles et alimentaires du Québec*, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the FPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to offer security of supply and price stability of maple syrup.

Pursuant to the *Règlement sur l'agence de vente des producteurs acéricoles et sur le surplus du produit visé* (Québec), the regulation that governs the sale of maple products from Québec producers, the FPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the FPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the FPAQ or to "authorized buyers" accredited by the FPAQ. Maple syrup producers may sell unsold inventory to the FPAQ before July of each year. The FPAQ then arranges for the sale of such unsold inventory to industrial and authorized buyers. In Québec, 85% of the total production of maple syrup is sold to the FPAQ or the authorized buyers, leaving only approximately 15% of the total production being sold directly by the producers to consumers or grocery stores. The authorized buyer status is renewed on an annual basis.

Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the FPAQ for any maple syrup purchased from the producers. The price is fixed on an annual basis and depends on the grade of the maple syrup. In addition, a premium is added to the minimum price for any organic maple syrup. Pursuant to the Marketing Agreement, authorized buyers must buy maple

syrup from the FPAQ in barrels corresponding to the “anticipated volume”. The anticipated volume must be realistic and in line with volumes purchased in previous years.

Quality Control

In Québec, maple syrup delivered in barrels is systematically inspected by an independent company. Every year, ACER Division Inspection Inc. verifies, inspects and grades over 200,000 barrels of maple syrup. This inspection system ensures a high quality control on maple syrup that is produced and sold in Québec. Pursuant to the quality control process set up by the FPAQ, the verification, inspection and grading is performed at the FPAQ plant in Laurierville, Québec, or at authorized buyers’ facilities.

The quality control system established by the FPAQ also facilitates the certification of Québec maple syrup as “organic”, as it provides the ability to trace maple syrup back to the origin maple farm.

The Quota System

In 2004, the FPAQ adopted a policy with respect to production and marketing quotas which resulted in an annual production volume allocated to each maple syrup business. The main objective of the policy is to adjust the supply of maple syrup in response to consumer demand, and more specifically, to stabilize selling prices for producers and, ultimately, the buying price for consumers, foster investments in the maple industry and maintain a steady number of maple producing businesses in operation, regardless of their size.

The FPAQ Strategic Reserve

In 2002, the FPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the FPAQ may organize a sale of a portion of its accumulated reserve. This allows bottlers to respond to supply shortages in the event of a poor harvest or unplanned growth and demand. As at December 31, 2016, the FPAQ had over 77 million pounds of bulk maple syrup in its strategic reserve, which represents approximately half of the annual global consumption.

Regime Outside of Québec

Outside of Québec, the maple syrup industry is generally organized through producer-based organizations or associations, which promote maple syrup in general and its industry and serve as the official voice for maple syrup producers with the public.

Authorized Buyer Status and Relationship with the FPAQ

LBMT is an authorized buyer with the FPAQ. An authorized buyer is authorized to receive maple syrup in bulk (i.e. in barrels) directly from Québec maple syrup producers. LBMT is an active member of the *Conseil de l’industrie de l’érable* (the Maple Industry Council), which represents approximately 60 authorized buyers in negotiating the Marketing Agreement with the FPAQ.

LBMT has a relationship with more than 1,400 maple syrup producers, mainly in Québec and Vermont. Most of these producers sell 100% of their production to LBMT. Through its strong relationship with such producers, LBMT was able to develop a leading position in certified organic maple syrup.

Three-Year History

Lantic’s fiscal year ends on the Saturday closest to the end of September. It should be noted that fiscal 2015 had 53 weeks of operations, compared to 52 weeks in fiscal 2017 and 2016.

Fiscal 2017

Aligned with its strategic priorities, Rogers targeted acquisition of new businesses during fiscal 2017. The culmination of efforts resulted in the LBMT Acquisition, which was completed on August 5, 2017, for approximately \$160.3 million, subject to closing adjustments of approximately \$9.2 million. Results from the LBMT operations are included in the consolidated results of operations of the Corporation since the completion of the LBMT Acquisition. As a result of the LBMT Acquisition, Rogers now has the following two operating segments: Sugar and Maple products.

Sugar

The Corporation's total sugar deliveries significantly improved on a year-over-year basis by approximately 19,200 metric tonnes.

The industrial market segment decreased by approximately 5,400 metric tonnes for fiscal 2017. The industrial segment experienced an improvement in volume starting in the second quarter of fiscal 2016 but has tapered off during the second half of fiscal 2017.

Total consumer volume for fiscal 2017 resulted in an increase of approximately 600 metric tonnes versus fiscal 2016. The variation year-to-date is mainly due to timing in customers' retail promotions.

When compared to last fiscal year, liquid volume ended the year at approximately 17,800 metric tonnes higher than the last fiscal year. The increase is mainly explained by the start at the end of October 2016 of a new long-term contract with a HFCS substitutable customer in Western Canada. However, some of the positive variance was offset by modest temporary volume losses in Eastern Canada against HFCS and liquid sucrose competition.

For the full year, exports were approximately 6,200 metric tonnes higher than last year. Exports also benefited from additional volume driven by a three year agreement with a Mexican customer, which started at the beginning of the current fiscal year. The incremental volume to Mexico was somewhat offset by a small reduction in U.S. high tier sales when compared to the prior fiscal year.

For fiscal 2017, adjusted gross margin improved when compared to fiscal 2016 and amounted to \$99.8 million, an increase of \$3.7 million versus fiscal 2016. Adjusted gross margin for fiscal 2016 included a non-cash pension charge of \$1.8 million for committed future pension plan upgrades to one of Lantic's defined benefit pension plans following the agreement with the Montréal unionized employees. Without this adjustment, Lantic's adjusted gross margin would have been \$1.9 million higher than last year. The benefits from higher sales volume and higher by-product revenues were partially offset by the inefficiencies and additional costs incurred in the fourth quarter of the current year. Further reducing the positive variance is approximately \$0.8 million in additional costs incurred in fiscal 2016 relating to a six-day work stoppage at the Montréal refinery. On a per metric tonne basis, the current year's adjusted gross margin was \$143.76 per metric tonne as opposed to \$142.43 per metric tonne for the comparable period last year. Excluding the non-cash pension expense, the fiscal 2016 adjusted gross margin rate would have been \$145.10 per metric tonne, resulting in a decrease of \$1.34 per metric tonne in fiscal 2017.

Administration and selling expenses for fiscal 2017 increased by \$4.0 million compared to the prior year. In fiscal 2016, Lantic completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of \$1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 1, 2016. Excluding the impact of the settlement of the Salaried Plan, administration and selling expenses were \$2.8 million higher than the comparable period last year. The increase in administrative and selling expenses is explained by acquisition costs recorded in the current fiscal year amounting to \$2.5 million, additional employee benefits incurred in the first half of the current year, slightly offset by a reduction in costs related to the work stoppage of fiscal 2016.

Maple Products

Since the completion of the LBMT Acquisition on August 5, 2017, revenues and adjusted gross margin were \$26.7 million and \$3.4 million, respectively, representing an adjusted gross margin percentage of 12.8%. However, included in cost of sales, is an amount of \$0.7 million due to an increase in value of the finished goods inventory at the date of the LBMT Acquisition. Under IFRS, all inventory of finished goods upon acquisition is valued at the estimated selling price less the sum of the costs of disposal, and a

reasonable profit allowance for the selling effort of the acquirer which results in, lower selling margins when the acquired inventory is sold. As at September 30, 2017, there was no finished goods inventory remaining that existed as at the acquisition date. Without this adjustment, adjusted gross margin would have been \$4.1 million or 15.4% of revenues.

Administration and selling expenses of \$1.9 million include \$0.4 million in amortization of intangible assets, \$0.2 million in consulting fees, as a result of the acquisition, and \$0.2 million in one-time non-recurring costs.

Distribution expenses were \$0.7 million since the completion of the LBMT Acquisition.

Fiscal 2016

In fiscal 2016, Lantic's total sugar deliveries improved compared to fiscal 2015 and ended at approximately 16,400 metric tonnes higher than in fiscal 2015, despite the fact that fiscal 2015 included an additional shipping week. Eliminating the impact of the fifty-third week of fiscal 2015, total volume would have been approximately 29,400 metric tonnes higher than the previous year. Furthermore, all segments ended fiscal 2016 with positive growth, when adjusted for the additional week in fiscal 2015, with the industrial segment being the clear leader in volume improvement.

The industrial segment increased by approximately 10,600 metric tonnes or approximately 19,300 metric tonnes when the fifty-third shipping week of fiscal 2015 is removed, mostly due to strong demand from existing customers. The volume growth was experienced throughout fiscal 2016 but more significantly in the last nine months of the year.

Total consumer volume was slightly higher than in fiscal 2015 by approximately 1,300 metric tonnes and approximately 3,100 metric tonnes when the additional shipping week is excluded. The increase is mainly explained by additional demand from existing customers due to an increase in promotional activities.

When compared to fiscal 2015, the liquid segment ended approximately 400 metric tonnes lower than fiscal 2015. However, when removing the impact of the fifty-third week of fiscal 2015, the liquid segment was higher by approximately 1,700 metric tonnes due to continued strong demand from existing customers, which started in the second half of last year, and due to timing in deliveries.

The export segment was approximately 4,900 metric tonnes higher than in fiscal 2015 or approximately 5,300 metric tonnes higher than fiscal 2015, without the fifty-third shipping week of fiscal 2015. The increase is mostly explained by opportunistic sales due to favourable export conditions and an increase in sales to Mexico.

Adjusted gross margin for fiscal 2016 improved significantly when compared to fiscal 2015 and amounted to \$96.2 million, an increase of \$10.3 million versus fiscal 2015. Adjusted gross margin for fiscal 2016 included a non-cash pension charge of \$1.8 million for committed future pension plan upgrades to one of Lantic's defined benefit pension plans following the agreement with the Montréal unionized employees. Without this adjustment, Lantic's adjusted gross margin would have been \$12.1 million higher than in fiscal 2015. The favourable variance in adjusted gross margin is mostly due to higher sales volume, higher by-product revenues, lower beet costs and better operating costs in its three operating facilities. It should be noted that the Taber beet factory incurred additional operating costs in fiscal 2015 as a result of severe beet deterioration at the end of the slicing campaign from its 2014 crop. Furthermore, a weaker Canadian dollar was also beneficial to Lantic on export sales contracted in fiscal 2016. However, Lantic experienced a six-day work stoppage in June 2016 at the Montréal refinery, which added approximately \$0.8 million in additional costs and slightly reduced the year-over-year positive variance.

Administration and selling expenses in fiscal were \$2.8 million lower than in fiscal 2015. In fiscal 2014, the only remaining salaried defined benefit pension plan ("Salaried Plan") was terminated, for which years of service had been frozen since 2008. In fiscal 2016, Lantic completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of \$1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 3, 2015. In fiscal 2015, a non-cash expense of \$0.8 million was recorded, resulting in a year-over-year positive variation of \$2.0 million. Excluding the impact of the settlement of the Salaried Plan, administration and selling expenses were \$0.8 million lower than the comparable period last year. The reduction in administrative and selling expenses is explained by lower consulting fees and allowance for doubtful accounts. However, somewhat offsetting the positive variation are additional administrative and selling expenses incurred as a result of the Montréal refinery work stoppage as well as higher employee benefits.

Distribution expenses for fiscal 2016 were approximately \$0.6 million higher than in fiscal 2015 due to additional transfer costs between Lantic's various locations as a result of an increase in sales volume and as a contingency plan for the Montréal refinery work stoppage.

During fiscal 2016, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions as the Lantic Credit Agreement. The maturity date of the Revolving Facility was therefore extended to expire on June 28, 2021.

Compared to fiscal 2014, Lantic's total sugar deliveries for fiscal 2015 were higher by approximately 12,400 metric tonnes. Eliminating the impact of the fifty-third week of fiscal 2015, total volume would have been comparable to the previous year. The industrial segment increased by approximately 8,100 metric tonnes, mostly due to the additional week of shipments in fiscal 2015, as compared to fiscal 2014. Total consumer volume was lower in fiscal 2016 than in fiscal 2015 by approximately 3,600 metric tonnes. The decrease year-over-year is mostly attributable to the timing of agreements with major accounts. The decrease was somewhat offset by the additional week of deliveries in fiscal 2015. The liquid segment increased by approximately 1,500 metric tonnes. The second half of fiscal 2015 resulted in solid liquid demand, which almost totally offset the loss of volume in the first half of the year as a result of the completion of a one-year contract with a HFCS substitutable account in Western Canada which ended in March 2014. On balance, Lantic enjoyed strong growth with its core customers which, when compared to fiscal 2014, without the additional week in fiscal 2015, resulted in liquid volume slightly lower than the comparable period in fiscal 2014. The export segment was higher by approximately 6,400 metric tonnes when compared to fiscal 2014. The increase is due to a combination of additional volume to Mexico as well as U.S. export sales at high tier duties.

Adjusted gross margin was \$85.9 million, \$3.9 million higher in fiscal 2015 than in fiscal 2014. The favourable variance in adjusted gross margin versus last year is mainly explained by a reduction in labour and energy costs. Following the 2014 workforce reduction at the Montréal refinery, Lantic was able to reduce its labour costs by approximately \$4.5 million. In addition, Lantic benefitted from energy cost savings of approximately \$2.6 million as a result of a decline in natural gas prices as well as the conversion from an interruptible gas contract in fiscal 2014 to a firm gas contract in fiscal 2015 at the Montréal refinery. Somewhat offsetting the above positive variances was an increase in operating costs at the Taber beet factory as a result of severe beet deterioration at the end of the slicing campaign as well as operating inefficiencies at the Montréal refinery in the last quarter of the current year, following a refining equipment breakdown. Finally, in the fourth quarter of fiscal 2014, Lantic recorded a \$1.9 million one-time profit triggered by the receipt of a raw sugar vessel in advance of its needs, in order to capitalize from favourable spreads in the #11 world raw sugar futures. This profit did not re-occur in fiscal 2015 and therefore reduced the above positive variances.

Administration and selling expenses were \$1.9 million lower than in fiscal 2014. In fiscal 2014, Lantic incurred \$2.8 million in consulting fees and severance costs following the process improvement review of the Montréal refinery. As a direct result of the decision to terminate the Salaried Plan, Lantic recorded a non-cash expense of \$0.8 million in fiscal 2015 compared to an expense of \$2.2 million in fiscal 2014, a reduction of \$1.4 million. The termination of the Salaried Plan occurred as at December 31, 2014 and, as mentioned above, Lantic completed such termination in fiscal 2016. These above reductions in administrative and selling expenses were somewhat offset by an increase in consulting fees, marketing expenses, allowance for doubtful accounts and employee benefit costs.

Distribution expenses for fiscal 2015 were approximately \$0.6 million higher than fiscal 2014 due to incremental transfer costs between Lantic's various locations as a result of low inventory levels at the Taber factory at the end of fiscal 2015 and production inefficiencies at the Montréal refinery, compounded by strong sales demand in the last quarter of fiscal 2015.

In fiscal 2015, Lantic exercised its option to extend the Revolving Facility with the same terms and conditions as the Lantic Credit Agreement. At such time, the maturity date of the Revolving Facility was therefore extended to expire on June 29, 2020.

With an effective start date of June 28, 2018, Lantic entered into a swap agreement for a value of \$30,000,000 (the "Swap Agreement"). The Swap Agreement was entered into with a Canadian chartered bank, at a rate of 1.959%. The Swap Agreement terminates on June 29, 2020.

A new four-year agreement was signed with the Growers in fiscal 2015. This new agreement aligns the long-term goals of Lantic and the Growers, which should provide stability in planted acres in the future.

Subsequent Event

On November 18, 2017, LBMT acquired all of the issued and outstanding shares of 9020-2292 Québec Inc. (“Decacer”), a company operated under the “Decacer” trade name, for \$40.0 million, subject to post-closing adjustments. Decacer has one bottling plant in Dégelis, Québec. This acquisition, combined with the LBMT Acquisition, allows the Corporation to create a solid platform and to broaden the Corporation’s maple syrup operations and expand its product offering, including a unique maple sugar dehydration technology as well as enhancing the potential for additional synergies. The acquisition of Decacer was funded by a drawdown under the Amended Revolving Facility.

Sugar Facilities

Cane Sugar Operations, Montréal, Québec

Lantic owns and operates a cane sugar refinery located on a 12-acre site in the east end of Montréal. The original facility was built in the late 1880s. Numerous improvements have been made to the building and processing areas of the plant over the years and, in 1998, a major expansion of the facility was undertaken.

Historically, the Montréal refinery, which was acquired in 1984 from St-Lawrence Sugar, had a straight-time melt capacity (*i.e.* the total amount of cane sugar that could be melted in a year (based on 250 work days) based on operation of the refinery for 24 hours per day) of approximately 210,000 metric tonnes per year. As a result of the successful completion of Lantic’s expansion project in December of 2000, the straight-time annual melt capacity of the refinery was increased to 440,000 metric tonnes per year and could be increased to over 600,000 metric tonnes per year with overtime.

Cane Sugar Operations, Vancouver, British Columbia

Lantic owns and operates a cane sugar refinery located on a 15-acre site in Vancouver. The original facility was built in 1891. Numerous improvements have been done over the years.

The Vancouver refinery has the nominal capacity to produce approximately 230,000 tonnes of refined sugar per year. A full line of cane sugar products is produced, including over 40 different stock keeping units.

Beet Sugar Operations, Taber, Alberta

Lantic owns a beet sugar manufacturing facility situated on a 49-hectare site in Taber, Alberta, approximately 50 kilometers east of Lethbridge. Production is dependent upon the quantity of sugar beets processed. The facility is able to process 6,000 tonnes of beets per day.

Annually, Lantic estimates the quantity of sugar required to meet the demand of the prairie market and enters into contracts with individual farmers to supply sugar beets from a specific acreage. The sugar beets are harvested and delivered to the factory in September and October. The factory operates without interruption for a three to six month period, until all sugar beets have been processed. The beet sugar factory produces granulated, liquid and icing sugars. Sales of by-products, consisting of dried beet pulp sold as animal feed and molasses, make an important contribution to the economics of the beet sugar operation.

Blending Operations, Toronto, Ontario

Since October 2007, Lantic has been operating a bulk blending operation in a 65,000 square feet leased facility in Toronto, Ontario. The facility includes six blenders, each physically isolated for safe processing and elimination of any risk of ingredient cross-contamination.

Cane Sugar Distribution Centre, Toronto, Ontario

Lantic also owns and operates a distribution centre located on a one-acre site in Toronto, Ontario. This distribution centre allows Lantic to better serve customers located in Ontario. Shipments of refined sugar are made mainly by railcar from the Montréal facility to the Toronto distribution centre, where it is warehoused and later distributed to customers.

Sugar Refining Costs

There are three components to Lantic's refining costs: processing, packaging and maintenance.

Processing costs are generally variable and consist mainly of labour, material and energy costs. All production employees are full-time unionized employees. The Taber beet factory will operate continually until all sugar beets have been sliced and processed into refined sugar or beet thick juice. The Vancouver refinery acts as a swing refinery and its production level is largely influenced by the Taber beet operations. Processing materials consist mainly of agents used in the refining process. Energy costs are affected by the fluctuations in natural gas and oil prices. The Montréal refinery operates on a continuous basis in order to maximize production and reduce employee downtime associated with plant shutdowns and start-ups.

Packaging costs relate to all products except bulk and liquid sugar. Such costs consist mainly of labour and packaging materials.

Maintenance costs are generally fixed. Preventive maintenance programs are in place to ensure maximum efficiency in the processing stage and to reduce costs related to mechanical breakdown.

Maple Product Facilities

Bottling Facilities

LBMT currently operates two plants in Québec, namely, in Granby and in St-Honoré-de-Shenley, and one in Websterville, Vermont, and nine operating lines allocated amongst the three plants, and including one can-filling line in St-Ferdinand, Québec, which is outsourced by LBMT to a third party. LBMT is the owner of the St-Honoré facilities.

The Granby and Websterville facilities are both subject to a lease which will expire on October 31, 2019 and August 25, 2021, respectively.

Storage Facilities and Distribution Centres

LBMT uses a distribution centre in Burnaby, British Columbia and owns a bulk maple syrup storage facility in St-Robert-Bellarmin, Québec.

Maple Product Costs

The single most important costs to the operation of LBMT is related to the syrup, representing more than 80% of its cost of sales.

Use of Financial Derivatives for Hedging

Sugar

In order to protect itself against fluctuations of the world raw sugar market, Lantic follows a rigorous hedging program for all purchases of raw cane sugar and sales of sugar.

The world raw sugar market (# 11) is only traded on the ICE. Sugar futures can be traded forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to Lantic's customers. The ICE rules are strict and are

governed by the New York Board of Trade. Any amount owed, due to the movement of the commodity being traded, has to be settled by cash the following day (margin calls/payments).

For the purchasing of raw sugar, Lantic enters into long-term supply contracts with reputable raw sugar suppliers. These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced. As an example, a vessel to be shipped in January would be priced against the next terminal being March of that year (each terminal expires on the last day of the previous month). Therefore, the seller has the ability to price throughout the duration of the contract any volume to be shipped against a specific terminal. When the seller wants to price a certain quantity he must immediately secure a futures position for Lantic on the ICE (selling a future in this case) for the same volume and price. The futures contract value taken will become the price Lantic will pay the seller for the raw sugar upon delivery. As an example, the seller may want to price on September 30, 2017 1,000 metric tonnes for delivery in January 2018 against the March 2018 terminal. The price as at October 1 is US\$20.00 cents per pound, or US\$440.92 per metric tonne. This is called “firming” the price of raw sugar. A vessel of 40,000 metric tonnes may have been priced on many different dates, but for each transaction, Lantic would have sold a futures position for the same price and volume on the Intercontinental Exchange.

The selling of refined sugar by Lantic is also done under the world raw sugar market (# 11). When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable, against the sugar terminal as per the anticipated delivery period.

As an example, customer “A” negotiates a contract with Lantic from July 2017 to June 2018, for delivery of 1,000 metric tonnes of sugar per month, for a total of 12,000 metric tonnes. In August 2017, customer “A” decides to firm the price of the sugar to be delivered in January 2018 (against the March terminal). That day in August, the price of sugar for March 2017 terminal is US\$19.00 cents per pound or US\$418.87 per metric tonne. As customer “A” prices this sugar with the Lantic trading desk, Lantic will at the same time buy a futures position for the same volume and price on the futures market to hedge Lantic and protect itself from any fluctuations in the sugar market.

The following describes how, from the above examples, Lantic protected itself against fluctuations in the market. Lantic sold 1,000 metric tonnes to customer “A” for January 2018, which had been priced at US\$19.00 cents per pound or US\$418.87 per metric tonne. Lantic had also purchased 1,000 metric tonnes of sugar, which had been priced at US\$20.00 cents per pound or US\$440.92 per metric tonne. Both of these transactions were hedged against the March 2018 terminal. Upon receipt and delivery of the sugar, these transactions would be recorded at their cost.

On the physical transaction, Lantic sold 1,000 metric tonnes of sugar at US\$19.00 cents per pound (before refining margin), which it had bought from the seller at US\$20.00 cents per pound. On the physical transaction, Lantic would incur a loss of US\$1.00 cents per pound or US\$22.05 per metric tonne for 1,000 tonnes, for a total loss of US\$22,050.00.

On the futures side (paper transaction), Lantic will liquidate all of its position prior to March 1, 2018. For the above transactions, Lantic sold a future position of 1,000 metric tonnes for US\$20.00 cents per pound and bought a future position of 1,000 metric tonnes for US\$19.00 cents per pound. On the liquidation date, the March terminal trades at US\$24.00 cents per pound. Therefore Lantic will buy back the US\$20.00 cents (original sell position) for US\$24.00 cents, losing US\$4.00 cents per pound. On the other hand, Lantic will sell the original buy position of US\$19.00 cents for US\$24.00 cents, making US\$5.00 cents per pound on this transaction. In total, Lantic will make US\$1.00 cents per pound or US\$22.05 per metric tonne for a total, on 1,000 metric tonnes, of US\$22,050.00 on the liquidation of the futures transaction. The loss incurred on the physical transaction is therefore totally offset by the gain earned on the liquidation of the futures position, due to the hedging of the transaction.

Inefficiencies could occur and a small gain or loss could be incurred on hedged transactions. Every year, Lantic estimates sales patterns against the receipt of sugar deliveries. Any discrepancies in these estimates may result in a small gain or loss on hedged transactions. A customer may be taking more or less sugar than determined under its contract, and a small gain or loss may be incurred on the hedged transaction.

Lantic mitigates the impact of the above by reviewing on a daily basis the total hedged position to ensure that in total, all sugar transactions are hedged. Lantic will also prepare a hedged transaction report by terminal periods to ensure there is no straddle within each terminal period. In the event that a straddle position exists due to circumstances discussed above, Lantic will immediately convert the straddle and record immediately any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its “priced” sugar, and if Lantic needs to roll forward the un-drawn quantity to the following terminal period, Lantic can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

Beet Sugar

Lantic purchases sugar beets from the Growers under a fixed price formula plus a scale incentive if the price of world raw sugar increases over a pre-determined amount. Except for sales to the U.S. under the export quota, to HFCS substitutable accounts and for beet thick juice, all other sales are made under the same formula as cane sugar, following the world raw sugar price.

Lantic’s Board of Directors has authorized management to hedge forward up to 70% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow Lantic to benefit from a sudden rise in the raw sugar market. Any gains (if a sales contract is entered at a lower raw value) or losses (if a sales contract is entered at a higher raw value) incurred when those positions are unwound, will be recognized in the period when that quantity of beet sugar is delivered.

Lantic does not have any volume under the pre-hedge program for fiscal 2018.

Natural Gas

The board of directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

On average, Lantic will purchase between 3.0 million gigajoules and 3.5 million gigajoules of natural gas per year to be used in its refining operations. To protect itself against large and unforeseen fluctuations, Lantic can hedge forward up to 90% of its estimated usage over the next 12 months, and lower percentages of its estimated usage on a longer term basis. Lantic will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of last year’s average price and therefore lock-in year-over-year savings.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized.

In August 2015, the Montréal refinery received confirmation from its natural gas provider that a long-term firm gas contract has been accepted by the *Régie de l’énergie du Québec* and will expire in November 2019. This will eliminate incremental energy costs relating to service interruptions as a result of cold winter conditions.

Variation Margins (margin calls)

For all hedged sugar on the futures market, Lantic must settle with their commodity broker on the following day any gains or losses incurred on the net hedged position of these commodities, based on the trading values at closing of the day. These daily requirements are called “margin calls”.

When sugar prices are on the rise, Lantic’s sugar suppliers will typically price in advance large quantities of sugar in order to benefit from these higher prices. On the other hand, Lantic’s customers will typically only price forward small quantities, hoping for a downward correction in the marketplace. This will result in Lantic having a “short” paper position. As the price of sugar continues to rise, Lantic has to pay margin calls on a regular basis. These margin calls are paid back to Lantic when the price of sugar declines or upon receipt or delivery of sugar.

Foreign Exchange

Sugar

Raw sugar transactions are based on the U.S. dollar. Lantic also buys natural gas in U.S. dollars, and will have some sales to the U.S. or in Canada, to customers transacting in U.S. dollars.

In order to protect itself against the movement of the Canadian dollar versus the U.S. dollar, Lantic, on a daily basis, reconciles all of its exposure to the U.S. dollar and will hedge (against various forward months estimated from the date of the various transactions) the net position.

Maple Products

Certain export sales of maple syrup are denominated in U.S. dollars. In order to mitigate against the movement of the Canadian dollar versus the U.S. dollars, LBMT enters into foreign exchange hedging contracts with certain customers. These foreign exchange hedging contracts are unwound when the money is received from the customer, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings. Foreign exchange gains or losses on any unhedged sales contracts are recorded when realized.

Accounting for Financial Instruments

In the normal course of business, Lantic uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. For fiscal 2016, all derivative financial instruments were marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated statement of earnings. As of October 2, 2016, the Corporation adopted all the requirements of IFRS 9 (2014) Financial Instruments. As a result, Lantic has designated as effective hedging instruments 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. Derivative financial instruments pertaining to sugar futures and foreign exchange forward contracts continue to be marked-to-market at each reporting date and are charged to the consolidated statement of earnings. In addition, the derivative financial instruments pertaining to foreign exchange forward contracts on maple syrup sales were marked-to-market as at September 30, 2017 and also charged to the consolidated statement of earnings. The unrealized gains/losses related to natural gas futures and interest rate swaps are accounted for in other comprehensive income. 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, reducing earnings volatility related to the movements of the valuation of these derivative hedging instruments. The transitional marked-to-market balances outstanding as of October 1, 2016 will be amortized over time based on their settlements until all existing natural gas futures and all existing interest rate swaps agreements have expired.

Even though Lantic is rigorously hedging all its sugar transactions, the accounting standards can cause large fluctuations in the financial results for each reporting period. None of these adjustments impacts cash, as they are non-cash transactions.

The above description on financial derivatives shows how financial derivatives are used to provide adjusted income results.

Distribution and Marketing

Sugar

Lantic's sugar products are marketed in Eastern Canada under the "Lantic" trade name and in Western Canada under the "Rogers" trade name. These products include granulated, icing, cube, yellow and brown sugars, liquid sugars, and specialty syrups. Of sugar products sold by Lantic during the last two fiscal years approximately 80.7% in fiscal 2017 and 81.2% in fiscal 2016 were to the industrial market, 13.1% in fiscal 2017 and 13.4% in fiscal 2016 were to the consumer market, and 6.2% in fiscal 2017 and 5.4% in fiscal 2016 were for export. No single customer accounted for 15% or more of Lantic's revenues in fiscal 2017 and fiscal 2016.

Lantic's marketing efforts continue to focus on building volume through market share growth and expansion of the Corporation's brand with the development of new specialty products and alternate sweetener solutions. In fiscal 2017, Lantic has been able to reap

the rewards of the two new products that were launched in the year prior. Coconut sugar has won the Product of the Year™ award – the world’s largest consumer-voted award for product innovation, which currently operates in 40 countries and is recognized globally. Equally, the Smart Sweetener Blend has also been honoured as one of the finalists in the recent Canadian Grand Prix New Product Awards™. Beside the prestige associated with the awards, the external accolades also affirm Lantic’s aspirational goal to broaden its market and product offering and become recognized as a market leader in natural sweetener solutions. What started out as small new product initiatives have now translated into additional sales volume and is fueling our resolve to continue to innovate and launch new product offerings for our customers. To further enhance the website users’ experience, we will also be integrating the corporate website with the consumer website giving a single point of portal entry for all our customers and consumers.

Maple Products

LBMT’s products are comprised of the following: bottled maple syrup, bulk maple syrup and ancillary or derived maple products.

Bottled maple syrup is packaged in a variety of ways and sizes, including bottles, plastic jugs and the traditional cans. Bottled maple syrup is available in all commercial grades and in organic and non-organic varieties. The majority of the maple syrup is purchased from Québec producers and is bottled at LBMT’s plants in Granby or in St-Honoré-de-Shenley, Québec or in Websterville, Vermont.

Bulk maple syrup is mainly sold in containers of 4L or 17L, barrels and totes in size to foodservice retailers as well as other wholesalers. Bulk maple syrup is also sold for industrial use for bottling or for use in food production, and privately under the L.B. Maple Treat™ brand.

Maple derived products include maple butter, maple sugar and flakes, maple cookies, maple taffy and other maple candies. Maple products are mainly sold under the L.B. Maple Treat™ and Highland Sugarworks™ brands.

Trademarks and Trade Names

Lantic uses the “Lantic” and “Rogers” trade names on its products. These trademarks have been registered and Lantic is the only entity that can use it with respect to sugar, syrup, beet pulp and molasses products. Lantic has also registered the trademarks for “Plantation Raw” and “Rogers Golden Syrup”. Lantic does not have any material patents or licenses.

LBMT’s bottled maple syrup is sold under a variety of brands, including Uncle Luke’s™, L.B. Maple Treat™, Great Northern™, Sucro-Bec™ and Highland Sugarworks™.

Competition

In Eastern Canada, Lantic is one of two major sugar refiners. Redpath Sugar Ltd. is based in Toronto, Ontario and operates a single refinery with a straight-time melt capacity that management estimates to be of approximately 600,000 tonnes per year.

The market shares by volume of Eastern Canada shipments of domestic cane refiners since 2013 are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Lantic	47.6	48.2	47.3	46.4	45.5
Redpath Sugar Ltd.	52.4	51.8	52.7	53.6	54.5

SOURCE: STATISTICS CANADA

In addition to Redpath Sugar Ltd., in Eastern Canada, Lantic’s competition includes smaller regional distributors, which source their refined sugar from either domestic or foreign suppliers. Over the last five years, the aggregate market share held by these distributors has varied from approximately three to five percent of Eastern sugar consumption.

Competition in Western Canada comes mainly from imports in the industrial and consumer segments and from HFCS for liquid substitutable products. Competition from Eastern Canada refiners is somewhat mitigated by the cost of transportation from Eastern Canada to the Prairies and Vancouver.

A sugar processor's competitiveness is dependent on a number of factors, including reliability of supplies, cost-effective distribution channels and consistent quality of products.

For the Maple products segment, LBMT is among the largest branded and private label maple syrup bottling and distributing companies in the world. LBMT has two major competitors in the market and also competes against a multitude of smaller bottlers and distributing companies.

Legislative Issues

As part of a regulated sugar program, the United States restricts imports of refined sugar. In October 1995, the United States assigned a specific sugar quota of 10,300 tonnes to Canada which was temporarily increased to 12,000 tonnes in fiscal 2012 and 2013, in addition to a global quota of 7,090 tonnes which was temporarily increased to 8,300 tonnes in fiscal 2012 and 2013. The Canadian government has ruled that Canada's participation in its refined sugar quota must be with domestically grown sugar, i.e. beet sugar. As Lantic is the only beet sugar producer in Canada, it has filled the available Canada specific quota to the U.S. every year.

In July 1995, Revenue Canada made a preliminary determination, followed by a final determination in October 1995, that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the European Union ("EU"). The Canadian International Trade Tribunal ("CITT") conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes have not materially changed the factors that originally led to the original CITT decision and the importance of continuing these duties. However, there is no assurance that in 2020 these duties will be continued for a further five years. It is also possible that an interim review could be conducted prior to 2020 if there is a material change in circumstances related to the CITT finding.

In April 2017, the U.S. President announced the White House intention to renegotiate and modernize the North American Free Trade Agreement ("NAFTA") following earlier threats to terminate the agreement. Negotiations towards a new NAFTA agreement were launched in August 2017 in Washington D.C. with successive rounds in each NAFTA country. The Canadian Sugar Institute ("CSI") is advancing Canada's sugar industry interest in securing improved U.S. market access for Canadian sugar and SCPs and addressing outdated quota rules. U.S. quotas and administrative rules are impacting Canada's ability to supply the U.S. market and are having a more significant negative impact today in the context of liberalized U.S.-Mexico sugar trade. Improved export access to the U.S. is essential for our industry to improve capacity utilization and efficiencies and to continue to support a vibrant food processing industry in Canada.

The Canada-European Union Comprehensive Economic and Trade Agreement ("CETA") entered into force provisionally on September 21, 2017. Over 90% of CETA, including tariff reductions and new quotas, went into effect upon provisional implementation.

Provisional implementation of the CETA is expected to have material financial benefits from exports of SCPs which should contribute to the long term prosperity of Canada's sugar industry. The SCP volume is set at 30,000 metric tonnes annually from 2018 through 2021 and is increasing in 5 year increments to reach 51,840 metric tonnes over 15 years. The quota is allocated 90% to

Canadian refiners on an equal share basis. Access to the EU will be challenging in the early years of implementation given the October 1, 2017 reform of the EU sugar regime which has generated substantial surplus sugar supplies. Regardless, Lantic is committed to ensure maximum utilization of this new export opportunity in a well-developed market which will be beneficial to it in the future.

On February 4, 2016, Canada was among the 12 participating countries of the Trans-Pacific Partnership (“TPP”) to sign an agreement to liberalize trade in the region. The other TPP countries included Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. On January 23, 2017 the U.S. President signed an executive order to withdraw the U.S. from the 12 nation TPP trade deal.

Ministers from the TPP countries have continued to meet to work towards a TPP11 agreement without the U.S. in an effort to build on the TPP negotiated outcomes and advance trade liberalization and economic integration in the Asia Pacific region. On November 11, 2017, Canada along with the Ministers for the other TPP countries announced that they had reached an agreement on “core elements” for a Comprehensive and Progressive Agreement for TPP (“CPTPP”) while acknowledging that certain issues remained unresolved. The Government of Canada welcomed the progress made and will continue to engage on the proposals but has also stated that there still are a number of issues that remain outstanding for Canada and that it will not be rushed into an agreement.

The CPTPP countries are diverse in terms of sugar policies and trade but collectively may provide an opportunity to advance trade in refined sugar and SCPs. Lantic and the other Canadian sugar refiner may benefit from new access for SCPs in Japan, Malaysia and Vietnam and may have a more competitive opportunity to supply these markets in the absence of the United States. Given the uncertainties regarding conclusion of a CPTPP, Lantic does not expect any financial benefits from the TPP in fiscal 2018.

Canada now has free trade agreements in force with more than 13 countries, however, few beyond the NAFTA and CETA offer significant market potential for Canadian sugar and sugar-containing products (“SCPs”). There are a number of reasons why these free trade agreements (“FTAs”) have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. “Rules of origin” in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available for both refined beet and cane sugar.

The CSI will continue to monitor Canada’s exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada’s sugar industry while also monitoring potential threats. Lantic continues to remain concerned that the inclusion of refined sugar in Canada’s various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization (“WTO”). However, the WTO Doha round negotiations have been on hold since July 2008 with no specific date for conclusion. A modernized NAFTA and CETA provide the best near to medium term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

Human Resources

Lantic, at the Montréal refinery’s Eastern operation has 300 employees, 200 of whom are unionized and separated into four locals. The CSN, a confederation of Québec union locals represents three locals, the main local of the production employees and the smaller locals of the sugar boilers and of the laboratory technicians. The Bakery, Confectionery and Tobacco Workers International Union represents the other smaller local comprised of powerhouse employees. During fiscal 2016, five-year labour agreements were reached with the main local and with two of the other three smaller locals. In fiscal 2017, a five-year labour agreement was reached with the remaining local. The new agreements were all agreed upon at competitive rates.

There are 10 unionized employees at the Toronto distribution center and all warehouse employees are represented by Local union 419 of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America. The existing collective agreement was concluded in June 2012, for a six-year term expiring in June 2018.

Lantic has 131 permanent employees at the Vancouver refinery’s Western operation, whom are represented by the Retail Wholesale Union. The existing collective agreement was concluded in July 2013, for a five-year term expiring in February 2018. At the Taber beet processing facility, 88 of the 135 permanent employees are represented by the United Food and Commercial Workers Union (“UFCW”). In fiscal 2017, a five-year labour agreement was concluded with the UFCW and will expire in 2022. In addition, the Taber beet processing facility hires approximately 240 seasonal employees for the beet processing campaign.

Besides a six-day work stoppage at the Montréal refinery in June 2016, there have been no work stoppages at the Montréal, Vancouver or Taber facilities in the past 25 years.

LBMT employs a total of approximately 160 employees in its facilities in Québec and Vermont and in its distribution centre in British Columbia. Approximately 60 of LBMT’s employees, namely in the LBMT division in Granby, Québec, are under a collective bargaining agreement, which is scheduled to expire in 2023.

Capital Expenditures

Lantic’s capital expenditures are comprised of maintenance and investment requirements. Maintenance capital expenditures are additions or replacements to fixed assets required to maintain the facilities at current operating levels. Investment capital represents capital investments which offer substantial operational savings or enhanced revenue opportunities.

Over the past five years, Lantic’s capital expenditures have been as follows:

	<u>For the fiscal years</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Maintenance capital.....	\$ 13,959	\$ 14,321	\$ 10,667	\$ 8,700	\$ 7,687
Operational excellence capital	<u>3,344</u>	<u>835</u>	<u>772</u>	<u>2,869</u>	<u>1,430</u>
Total	<u>\$17,303</u>	<u>\$15,156</u>	<u>\$11,439</u>	<u>\$11,569</u>	<u>\$ 9,117</u>

Environment

The Corporation’s policy is to meet all applicable government requirements with respect to environmental matters. Except for the non-compliance of air emission standards in Taber, management believes that Lantic is in compliance in all material respects with environmental laws and regulations and maintains an open dialogue with regulators and the Government with respect to awareness and adoption of new standards.

Lantic has been actively working on solutions to reduce the air emissions footprint of the Taber facility. The facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. Lantic is currently evaluating various scenarios which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. To achieve this objective, Lantic expects to undertake significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between \$15 million and \$25 million.

The Vancouver facility has a lengthy history of industrial use, and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials for the potential environmental remediation of our properties, which could occur in the event of a building demolition or a sale.

Similarly, the Montréal facility has a lengthy history of industrial use. Contamination has been identified on a vacant property acquired in 2001, and Lantic has been advised that additional soil and ground water contamination is likely to be present. Given the industrial use of the property, and the fact that Lantic does not intend to change the use of that property in the future, Lantic does not anticipate any material expenditures being required in the short term to deal with this contamination, unless off-property impacts are discovered.

In fiscal 2013, Lantic spent \$0.7 million to remove an unused oil tank. In fiscal 2016, Lantic spent \$0.6 million to remove contaminated soil under the tank. In fiscal 2017, Lantic demolished a building structure on the Montréal refinery property. Some contaminated soils were then detected on a portion of the now vacant section of this removed structure. Soil remediation of this section is anticipated to occur in fiscal 2018. Lantic has recorded a sufficient provision under asset retirement obligations for this purpose.

Although Lantic is not aware of any specific problems at its Toronto distribution centre, its Taber plant and any of the LBMT properties, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

RISK FACTORS

The Corporation's business and operation is substantially affected by many factors, including prevailing margins on refined sugar, weather conditions, its ability to market sugar and maple products competitively, operating costs and government programs and regulations. Investors should carefully consider the risk factors and other investment considerations described below.

Dependence upon Lantic

Rogers is entirely dependent upon the operations and assets of Lantic through its ownership of securities of this company. Accordingly, interest payments to debenture holders and dividends to shareholders will be dependent upon the ability of Lantic and/or LBMT to pay its interest obligations under the subordinated notes and to declare and pay dividends on or return capital in respect of the common shares. The terms of Lantic's bank and other indebtedness may restrict its ability to pay dividends and make other distributions on its shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by Rogers, in certain circumstances. In addition, Lantic may defer payment of interest on the subordinated notes at any given time for a period of up to 18 months.

Integration Related Risks and Operational Gains

The LBMT Acquisition and the acquisition of Decacer are the only acquisitions the Corporation has concluded in recent history. To effectively integrate LBMT and Decacer into its own business and operations, Lantic must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to such business and operations. This will require substantial attention from management. This diversion of management attention, as well as any other difficulties which Lantic may encounter in completing the transition and integration process, including difficulties in retaining key employees of LBMT and Decacer, could have a material adverse impact on Lantic. There can be no assurance that Lantic will be successful in integrating the business and operations of LBMT and Decacer.

There can be no assurance that management of the Corporation and Lantic will be able to fully realize some or all of the expected benefits of the LBMT Acquisition and the acquisition of Decacer. The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Rogers' and Lantic's ability to realize growth opportunities and potential operational gains from integrating LBMT and Decacer with the Corporation's and Lantic's existing business. Even if Rogers and Lantic are able to integrate these businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities the Corporation and Lantic currently expect within the anticipated time frame or at all. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, such as, but not limited to, weather impact on supply, access to markets, consumer attitudes towards natural sweeteners, many of which are beyond the control of the Corporation. All of these factors could cause dilution to the Corporation's earnings per share, decrease or delay the anticipated accretive effect of the LBMT Acquisition and the acquisition of Decacer or cause a decrease in the market price of the Shares.

Unexpected Costs or Liabilities Related to the LBMT Acquisition and the Acquisition of Decacer

Although the Corporation has conducted due diligence in connection with the LBMT Acquisition and the acquisition of Decacer, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, LBMT, Decacer and their business. Following such acquisitions, the Corporation may discover that it has acquired substantial undisclosed liabilities. Lantic will not be able to fully claim indemnification from the shareholders of LBMT or Decacer, as the share purchase agreement related to the LBMT Acquisition (the “LBMT Purchase Agreement”) and the share purchase agreement related to the acquisition of Decacer contain indemnification limitations applicable to them. Alternatively, Lantic sought insurance to cover any potential liability under the LBMT Purchase Agreement and subscribed to a representation and warranties insurance policy (the “RWI Policy”). Although Lantic has subscribed to the RWI Policy which provides for a \$16 million coverage, the RWI Policy is subject to certain exclusions. In addition, there may be circumstances for which the insurer may elect to limit such coverage or refuse to indemnify Lantic or situations for which the coverage provided under the RWI Policy may not be sufficient or applicable and Lantic may have to seek indemnifications from the previous shareholders of LBMT. The existence of any undisclosed liabilities and Lantic’s inability to claim indemnification from the previous shareholders of LBMT and Decacer or the provider of the RWI Policy could have a material adverse effect on the Corporation.

No Assurance of Future Performance

Historic and current performance of the business of the Corporation, Lantic, LBMT and Decacer may not be indicative of success in future periods. The future performance of the business may be influenced by economic downturns and other factors beyond the control of the Corporation. As a result of these factors, the operations and financial performance of the Corporation, including Lantic, LBMT and Decacer, may be negatively affected, which may adversely affect the Corporation’s financial results.

Government regulations and foreign trade policies

In July 1995, Revenue Canada made a preliminary determination, followed by a final determination in October 1995, that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the European Union (“EU”). The Canadian International Trade Tribunal (“CITT”) conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes have not materially changed the factors that originally led to the original CITT decision and the importance of continuing these duties. However, there is no assurance that in 2020 these duties will be continued for a further five years. It is also possible that an interim review could be conducted prior to 2020 if there is a material change in circumstances related to the CITT finding.

In April 2017, the U.S. President announced the White House intention to renegotiate and modernize the North American Free Trade Agreement (“NAFTA”) following earlier threats to terminate the agreement. Negotiations towards a new NAFTA agreement were launched in August 2017 in Washington D.C. with successive rounds in each NAFTA country. The Canadian Sugar Institute (“CSI”) is advancing Canada’s sugar industry interest in securing improved U.S. market access for Canadian sugar and SCPs and addressing outdated quota rules. U.S. quotas and administrative rules are impacting Canada’s ability to supply the U.S. market and are having a more significant negative impact today in the context of liberalized U.S.-Mexico sugar trade. Improved export access to the U.S. is essential for our industry to improve capacity utilization and efficiencies and to continue to support a vibrant food processing industry in Canada.

The Canada-European Union Comprehensive Economic and Trade Agreement (“CETA”) entered into force provisionally on September 21, 2017. Over 90% of CETA, including tariff reductions and new quotas, went into effect upon provisional implementation.

Provisional implementation of the CETA is expected to have material financial benefits from exports of SCPs which should contribute to the long term prosperity of Canada’s sugar industry. The SCP volume is set at 30,000 metric tonnes annually from 2018 through 2021 and is increasing in 5 year increments to reach 51,840 metric tonnes over 15 years. The quota is allocated 90% to Canadian refiners on an equal share basis. Access to the EU will be challenging in the early years of implementation given the October 1, 2017 reform of the EU sugar regime which has generated substantial surplus sugar supplies. Regardless, Lantic is committed to ensure maximum utilization of this new export opportunity in a well-developed market which will be beneficial to Lantic in the future.

On February 4, 2016, Canada was among the 12 participating countries of the Trans-Pacific Partnership (“TPP”) to sign an agreement to liberalize trade in the region. The other TPP countries included Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. On January 23, 2017 the U.S. President signed an executive order to withdraw the U.S. from the 12 nation TPP trade deal.

Ministers from the TPP countries have continued to meet to work towards a TPP11 agreement without the U.S. in an effort to build on the TPP negotiated outcomes and advance trade liberalization and economic integration in the Asia Pacific region. On November 11, 2017, Canada along with the Ministers for the other TPP countries announced that they had reached an agreement on “core elements” for a Comprehensive and Progressive Agreement for TPP (“CPTPP”) while acknowledging that certain issues remained unresolved. The Government of Canada welcomed the progress made and will continue to engage on the proposals but has also stated that there still are a number of issues that remain outstanding for Canada and that it will not be rushed into an agreement.

The CPTPP countries are diverse in terms of sugar policies and trade but collectively may provide an opportunity to advance trade in refined sugar and SCPs. Lantic and the other Canadian sugar refiner may benefit from new access for SCPs in Japan, Malaysia and Vietnam and may have a more competitive opportunity to supply these markets in the absence of the United States. Given the uncertainties regarding conclusion of a CPTPP, Lantic does not expect any financial benefits from the TPP in fiscal 2018.

Canada now has free trade agreements in force with more than 13 countries, however, few beyond the NAFTA and CETA offer significant market potential for Canadian sugar and sugar-containing products (“SCPs”). There are a number of reasons why these free trade agreements (“FTAs”) have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. “Rules of origin” in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available for both refined beet and cane sugar.

The CSI will continue to monitor Canada’s exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada’s sugar industry while also monitoring potential threats. Lantic continues to remain concerned that the inclusion of refined sugar in Canada’s various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization (“WTO”). However, the WTO Doha round negotiations have been on hold since July 2008 with no specific date for conclusion. A modernized NAFTA and CETA provide the best near to medium term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

Foreign Trade Policies with regards to Maple products

LBMT’s international operations are also subject to inherent risks, including change in the free flow of food products between countries, fluctuations in currency values, discriminatory fiscal policies, unexpected changes in local regulations and laws and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, foreign jurisdictions, including the United States, LBMT’s current and expected largest market, could impose tariffs, quotas, trade barriers and other similar restrictions on LBMT’s international

sales and subsidize competing agricultural products. All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on LBMT's financial condition and results of operations. The implementation of CETA removes the duties on imported maple syrup which could benefit Lantic in additional export volume to the EU.

Competition

For the Sugar segment, Lantic faces domestic competition from Redpath Sugar Ltd. and smaller regional distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes: corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications; and non-nutritive, high intensity sweeteners such as aspartame, sucralose and stevia. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of Lantic.

For the Maple products segment, LBMT is among the largest branded and private label maple syrup bottling and distributing companies in the world. LBMT has two major competitors in the market and also compete against a multitude of smaller bottlers and distributing companies.

A large majority of LBMT's revenues are made under the private label line. The Corporation anticipates that for a foreseeable future, LBMT's relationship with its top private label customers will continue to be key and will continue to have a material impact on its sales. Although the Corporation considers that the relationship with its top private label customers is excellent, the loss of, or a decrease in the amount of business from, such customers, or any default in payment on their part could significantly reduce LBMT's sales and harm the Corporation's operating and financial results.

Consumer Habits may Change

The maple products market, both national and international, has experienced some important changes over the last few years as maple products are becoming better known and consumer preferences and consumption patterns have shifted to more natural products. Maple syrup has typically been used, principally in North America, as a natural alternative to traditional sweeteners and has been served on morning meals, such as pancakes, waffles and other breakfast bakeries for decades. The offer of maple products has recently expanded to include, among others, maple butter and maple sugar, flakes and taffy. As a result of evolving customer trends and the development of new maple products continues, LBMT will need to anticipate and meet these trends and developments in a competitive environment on a timely basis. The failure of LBMT to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced production capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of the Corporation. There is also no guarantee that the current favourable market trends will continue in the future.

Growth of LBMT's Business Relying Substantially on Exports

The size of the global wholesale market for maple syrup is currently estimated at \$750 million, the United States being by far the world's largest importer, followed by Japan and Germany. Despite the increase of sales of maple products that the Canadian market has experienced in recent years, the potential for growth of this industry largely relies on the international market. Moreover, over the last few years, Vermont and Maine have increased their production of maple syrup and have now become competitors of Québec, which however remains the largest producer and exporter of maple syrup in the world. While LBMT continues to develop its selling efforts outside of Canada, including through forming new partnerships in countries where the maple syrup market is undeveloped, it will likely face high competition from other bottlers and distributors, including from other Canadian and U.S. companies, for its share of the international market. Such growing competition and the incapacity for LBMT to further develop its selling efforts outside of Canada could adversely affect the Corporation's capacity to grow LBMT's business and its future results. Furthermore, an incapacity

to attract increased attention on maple products or a sudden lack of interest for such products from customers outside of North America may affect the Corporation's future results.

Fluctuations in Margins and Foreign Exchange

Lantic's profitability is principally affected by its margins on domestic refined sugar sales. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. Lantic, through the Canadian-specific quota, normally sells approximately 10,300 metric tonnes of refined sugar per year in the U.S. and also sells beet pulp to export customers in U.S. dollars. Lantic's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the value of the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by Lantic's Taber beet plant, and sales to the U.S. under other announced specific quotas, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuations in Raw Sugar Prices

Raw sugar prices are not a major determinant of the profitability of Lantic's cane sugar operations, as the price at which sugar is both purchased and sold is related to the #11 world raw sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations. The #11 world raw sugar price can, however, impact the profitability of Lantic's beet operations. Sugar derived from beets is purchased at a fixed price, plus an incentive when sugar prices rise over a certain level, and the selling price of domestic refined sugar rises or falls in relation to the #11 world raw sugar prices.

A relatively high world raw sugar price and/or low price of corn will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS substitutable business for Lantic.

Security of Raw Sugar Supply

There are over 185 million metric tonnes of sugar produced worldwide. Of this, more than 55 million metric tonnes of raw cane sugar is traded on the world market. Lantic, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than Lantic's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, Lantic normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that Lantic and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products from Lantic's cane refineries to the Prairie market, normally supplied by Taber. This would increase Lantic's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

Weather and Other Factors Related to Production

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect Lantic's sugar extraction from beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. Maple syrup production is intimately tied to the weather as sap only flows when temperatures rise above freezing level during the day and drop below it during the night, such temperature difference creating enough pressure to push sap out of the maple tree. Given the

sensitivity of temperature in the process of harvesting maple sap, climate change and global warming may have a material impact on such process as the maple syrup production season may become shorter. Reducing the production season for maple syrup may also have an impact on the level of production. Such phenomenon may be witnessed in Québec as well as in the New England states, such as Vermont and Maine, where substantially all of the world maple syrup is produced.

In 2002, the FPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the FPAQ may organize a sale of a portion of its accumulated reserve. There can be no assurance that LBMT will have access to some of such reserve to offset decreases in production due to weather conditions or that such reserve will be sufficient to cover a gap in the production in any given year. Any decrease in production or incapacity to purchase additional reserves from the FPAQ may affect LBMT's supply of its sales of maple syrup and other Maple products and, ultimately, its financial results.

Regulatory Regime Governing the Purchase and Sale of Maple Syrup in Québec

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the FPAQ in the case of maple syrup, with the functions and role otherwise granted to the *Régie des marchés agricoles et alimentaires du Québec*, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the FPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to stabilize the pricing of maple syrup.

Pursuant to the Sales Agency Regulation, the FPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the FPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the FPAQ or to "authorized buyers" accredited by the FPAQ. In Québec, 85% of the total production of maple syrup is sold to the FPAQ or the authorized buyers, leaving only approximately 15% of the total production being sold directly by the producers to consumers or grocery stores. LBMT is an authorized buyer with the FPAQ. The authorized buyer status is renewed on an annual basis. There is no certainty that LBMT will be able to maintain its status as an authorized buyer with the FPAQ. Failure by LBMT, the Corporation or Lantic to remain an authorized buyer with the FPAQ will likely affect the capacity to fully supply the resale of maple syrup or Maple products and therefore the financial results of the Corporation.

The FPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the Conseil de l'industrie de l'érable (the Maple Industry Council) entered into the Marketing Agreement, which is expected to be renewed on an annual basis. Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the FPAQ for any maple syrup purchased from the producers. As a result, LBMT's ability to negotiate the purchase price of maple syrup is limited. Moreover, the minimum purchase price that is applicable to the authorized buyers with the FPAQ also restricts LBMT's ability to adjust its resale pricing to take into account market fluctuations due to supply and demand. LBMT's incapacity to adjust its resale prices upward to take into account any increase in consumer demand may affect the financial outlook of the Corporation.

Pursuant to the Marketing Agreement, authorized buyers must buy Maple products from the FPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years. The refusal from the FPAQ to accept the anticipated volume set forth by LBMT or the failure by LBMT to properly estimate the anticipated volume for a given year may affect the ability for LBMT to increase its reselling capacity and may have an adverse effect on the Corporation's future consolidated revenues.

Operating Costs

Natural gas represents an important cost in the refining operations. The Taber beet factory includes primary agricultural processing and refining. As a result, Taber uses more energy in its operations than the cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (sliced sugar beets) to evaporate water from juices containing sugar, and to dry wet beet pulp.

Changes in the costs and sources of energy may affect the financial results of Lantic's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. Lantic hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas. Provincial application of some form of carbon tax has been increasingly important across Canada. This new trend could increase the overall energy costs for the Corporation.

In August 2014, the Montréal refinery received confirmation from its natural gas provider that a long-term firm gas contract was accepted by the *Régie de l'énergie du Québec*, which will expire in November 2019. This will eliminate incremental energy costs relating to service interruptions as a result of cold winter conditions.

Employee Relations

The majority of Lantic's and some of LBMT's operations are unionized.

Strikes or lockouts could restrict the ability of Lantic and/or LBMT to service its customers in the affected regions, consequently affecting their revenues.

Food Safety and Consumer Health

The Corporation is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Corporation actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

The Corporation's facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada. The Corporation also performs its own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Environmental Matters

The operations of the Corporation are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Except for the non-compliance of air emission standards discussed above, management believes that the Corporation is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and the Corporation anticipates this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance.

As mentioned above, Lantic has been actively working on solutions to reduce the air emissions footprint of the Taber facility. The facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. Lantic is currently evaluating various scenarios which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. There could not be any assurance that the Alberta Environment and Parks will extend the non-compliance variance beyond May 2018, which may result in significant production disruption, an increase in production and/or fines and other penalties. To achieve this objective, Lantic expects to undertake significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between \$15 million and \$25 million. There could be no assurance that the investment of a solution to reduce air emission may not differ materially from the early estimates.

Violation of these regulations can result in fines or other penalties, which in certain circumstances can include clean-up costs. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by Lantic currently or in the past can be imposed by environmental regulators or other third parties. No assurance can be given that any such liabilities will not be material.

Income Tax Matters

The income of the Corporation must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of dividends. There can be no assurance that taxation authorities will accept the tax positions adopted by the Corporation including the determination of the amounts of federal and provincial income which could materially adversely affect dividends.

The current corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic's level. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash transferred to Rogers for dividend payment. Management believes that the interest expense inherent in the structure is supportable and reasonable in light of the terms of the debt owed by Lantic to Rogers and LBMT to Lantic.

Management and Operation of Lantic

The board of directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belcorp. As a result, the Shareholders have limited say in matters affecting the operations of Lantic; if the Shareholders are in disagreement with the decisions of the board of directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the board of directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of the Corporation, Lantic and LBMT.

DIVIDENDS

For a detailed table of the dividends per Share for each of the three most recently completed financial years, see "Review of Operations and Business" on page 13.

Since the Arrangement, the Corporation has been paying a quarterly dividend between \$0.085 and \$0.09 per Share; however, the Board of Directors of the Corporation can modify its dividend practice from time to time in its discretion, see "Review of Operations and Business — The Corporation".

MARKET FOR SECURITIES

The Shares, the Fifth Series Debentures and the Sixth Series Debentures are listed and posted for trading on the TSX under the symbols RSI, RSI.DB.D and RSI.DB.E, respectively. The Fourth Series Debentures ceased trading on May 1, 2017, upon the repayment by the Corporation to the holders of Fourth Series Debentures of the outstanding principal amount thereof and accrued interest thereon.

The monthly trading volume and price ranges of the securities of the Corporation traded on the TSX over the last financial year are as follows:

<u>Month</u>	<u>Shares</u>			<u>Fourth Series Debentures</u>		
	<u>High</u>	<u>Low</u>	<u>Volume</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
October 2016.....	6.74	5.75	2,958,980	102.510	100.350	4,830
November 2016.....	6.62	5.90	3,054,338	101.000	100.050	5,570
December 2016.....	6.84	6.50	4,164,479	104.760	101.000	4,580
January 2017.....	6.92	6.63	2,622,897	106.090	102.610	16,910
February 2017.....	6.82	6.30	3,142,756	104.500	100.000	6,210
March 2017.....	6.39	6.09	2,963,223	100.860	100.290	7,350
April 2017 ⁽¹⁾	6.32	6.02	2,378,313	100.180	100.000	830
May 2017.....	6.60	6.18	1,807,323	—	—	—
June 2017.....	6.58	6.21	2,230,705	—	—	—
July 2017.....	6.43	5.90	4,933,210	—	—	—
August 2017.....	6.94	6.21	5,067,570	—	—	—
September 2017.....	6.48	6.24	3,522,980	—	—	—
<u>Month</u>	<u>Fifth Series Debentures</u>			<u>Sixth Series Debentures</u>		
	<u>High</u>	<u>Low</u>	<u>Volume</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
October 2016.....	107.010	104.120	2,480	—	—	—
November 2016.....	106.500	105.600	3,530	—	—	—
December 2016.....	106.950	102.320	2,680	—	—	—
January 2017.....	104.900	102.510	5,520	—	—	—
February 2017.....	105.500	102.500	4,360	—	—	—
March 2017.....	104.250	100.620	5,930	—	—	—
April 2017.....	103.000	100.550	4,820	—	—	—
May 2017.....	105.490	103.000	3,870	—	—	—
June 2017.....	106.000	104.490	5,500	—	—	—
July 2017 ⁽²⁾	104.000	102.000	3,960	102.040	101.500	120,800
August 2017.....	103.010	101.500	2,690	104.010	102.240	53,230
September 2017.....	103.500	101.510	4,750	103.900	103.000	26,420

Note

- (1) The Fourth Series Debentures ceased trading on the TSX on April 30, 2017.
(2) The Sixth Series Debentures commenced trading on the TSX on July 28, 2017.

PRIOR SALES

On December 5, 2016, the Corporation granted a total of 360,000 share options to certain executives at an exercise price of \$6.51 under the share option plan of the Corporation (the “Share Option Plan”). On December 5, 2016, a total of 125,000 stock appreciation rights (“SARs”) were issued under the Share Option Plan to an executive officer of Lantic at an exercise price of \$6.51. The 125,000 SARs are exercisable at a level of 20% per year, starting on the first anniversary date of the granting of the SARs, and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all SARs granted under the Share Option Plan which have not vested will be forfeited.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

To the knowledge of the Corporation, no Shares are held in escrow or subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

Directors of Rogers

The names, provinces and country of residence and principal occupation for the five preceding years of the directors of the Corporation are shown below. Mr. Ross has held office since the inception of the Fund on September 15, 1997. Mr. Desbiens has held office since November 4, 2003. Mr. Maslechko has held office since May 3, 2006. Mr. Bergame has held office since April 27, 2009. Messrs. Lafrance and Collins have held office since February 2, 2017.

<u>Director and Province and Country of Residence</u>	<u>Principal Occupation</u>
Dean Bergame ⁽¹⁾⁽²⁾ Québec, Canada	Corporate Director
Gary M. Collins ⁽³⁾ British Columbia, Canada	Senior Advisor, Lazard Group
Michel P. Desbiens ⁽¹⁾⁽²⁾⁽⁴⁾ Québec, Canada	Corporate Director
Daniel Lafrance ⁽¹⁾ Québec, Canada	Corporate Director
William Maslechko ⁽²⁾ Alberta, Canada	Partner Burnett, Duckworth & Palmer LLP, a law firm
M. Dallas H. Ross..... British Columbia, Canada	Partner Kinetic Capital Limited Partnership, a private investment partnership

- (1) Member of the Audit Committee of the Board of Directors of the Corporation.
 (2) Member of the Nominating and Governance Committee of the Board of Directors of the Corporation.
 (3) Mr. Collins will join the Audit Committee of the Board of Directors of the Corporation as of February 2, 2018, following the retirement of Mr. Desbiens.
 (4) Mr. Desbiens will be retiring from the Board of Directors of the Corporation on February 1, 2018.

Each of the foregoing persons has held the same principal occupation, business or employment for the previous five years, except for Mr. Daniel Lafrance who was Chief Financial Officer and Senior Vice-President, Finance and Procurement & Secretary of Lantic and the Corporation until his retirement on August 3, 2013, and Mr. Collins who prior to May 2014 was President of Coastal Contacts Inc. from July 2012 to May 2014.

The above mentioned directors will serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed.

Directors and Officers of Lantic

Lantic Capital holds the two Class C Shares of Lantic which entitles Lantic Capital to elect five (5) of the seven (7) directors of Lantic. Therefore, Belkorp is indirectly entitled to nominate five (5) of the seven (7) directors for election to the board of directors of Lantic.

The board of directors of Lantic currently consists of six (6) directors. The members of the board of directors of Lantic are Gary M. Collins, who was appointed on February 2, 2017, Michael A. Heskin, Donald G. Jewell and John Holliday, each of whom are nominees of Belkorp, and Daniel Lafrance and M. Dallas H. Ross, each of whom are nominees of Rogers. The above mentioned directors will serve until the next annual meeting of shareholders of Lantic or until their successors are duly elected or appointed.

The names, provinces and countries of residence and principal occupation for the five preceding years of the current directors and officers of Lantic are set forth below.

<u>Directors and Officers and Municipality of Residence</u>	<u>Office (Held Since)</u>	<u>Principal Occupation</u>
Gary M. Collins ⁽¹⁾⁽²⁾ British Columbia, Canada	Director, 2017	Senior Advisor, Lazard Group
Patrick Dionne Québec, Canada	Officer, 2017	Vice-President, Operations and Supply chain, Lantic Inc.
Diana R. Discepola Québec, Canada	Officer, 2013	Director of Finance, Lantic Inc.
Michael A. Heskin ⁽¹⁾⁽²⁾ British Columbia, Canada	Director, 2003	Senior Vice-President of Finance and Chief Financial Officer, Belkorp Industries Inc., an investment holding company
John Holliday Québec, Canada	Director and Officer, 2015	President and Chief Executive Officer, Lantic Inc. and Rogers Sugar Inc.
Donald G. Jewell ⁽²⁾ British Columbia, Canada	Director, 2003	Managing Partner, RIO Industrial, a financial management services partnership
Jean-François Khalil Québec, Québec	Officer, 2015	Vice-President, Human Resources, Lantic Inc.

Manon Lacroix Québec, Canada	Officer, 2009	Vice-President, Finance, Chief Financial Officer and Secretary, Lantic Inc. and Rogers Sugar Inc.
Daniel Lafrance ⁽¹⁾⁽²⁾ Québec, Canada	Director, 2013	Director
M. Dallas H. Ross ⁽²⁾ British Columbia, Canada	Director, 1997	Partner, Kinetic Capital Limited Partnership, a private investment partnership
Michael Walton..... New Brunswick, Canada	Officer, 2011	Vice-President, Sales and Marketing, Lantic Inc.

⁽¹⁾ Member of the Audit Committee of the board of directors of Lantic.

⁽²⁾ Member of the Human Resources and Compensation Committee of the board of directors of Lantic.

Each of the foregoing persons has held the same principal occupation, business or employment for the previous five years, except for Mr. Dionne who prior to April 2017, was Vice-President of Supply Chain Services with Canada Bread from January 2015 to April 2017 and Vice-President of Quebec Operations for Canada Bread from February 2012 to January 2015, Mr. Holliday who prior to May 1, 2015, was North American President of Operations for Canada Malting and Great Western Malting from July 2011 to April 2015, Mr. Daniel Lafrance who was Chief Financial Officer and Senior Vice-President, Finance and Procurement & Secretary of Lantic and the Corporation until his retirement on August 3, 2013, Mr. Collins who prior to May 2014 was President of Coastal Contacts Inc. from July 2012 to May 2014, Ms. Lacroix who, prior to November 2017, was Vice-President, Finance and Secretary for Lantic and the Corporation, and prior to August 2013, was Director of Finance of Lantic, Ms. Discepolo who, prior to August 2013, was Controller of Lantic, and Mr. Khalil, who prior to August 2017, was Corporate Director, Human Resources of Lantic, and prior to November 2015, was Director of Human Resources of Lantic.

Shareholdings of Directors and Executive Officers

To the knowledge of the Corporation, the directors of the Corporation, the directors of Lantic and the executive officers of Lantic together as a group, beneficially own or exercise control or direction over, directly or indirectly, 690,985 Shares, representing 0.65% of the issued and outstanding Shares, and no director of Rogers or Lantic beneficially owns or exercises control or direction over, directly or indirectly, voting securities of Lantic, other than Messrs. Collins, Heskin, Holliday and Jewell, who are deemed to exercise control or direction over, directly or indirectly, the Class C shares of Lantic beneficially owned by Lantic Capital.

Audit Committee

The Corporation has an audit committee (the “Audit Committee”) which is responsible to (i) oversee the integrity of the Corporation’s financial statements and financial reporting process, including the audit process and the Corporation’s internal accounting controls and procedures and compliance with related legal and regulatory requirements; (ii) oversee the qualifications and independence of the Corporation’s external auditors who shall report directly to the Audit Committee; (iii) oversee the work of the Corporation’s (and to the extent possible under the Administration Agreement, Lantic’s (as administrator, the “Administrator”)) financial management and external auditors in these areas; and (iv) provide an open avenue of communication between the external auditors, the Board of Directors of the Corporation, the Administrator and the Administrator’s financial management.

Composition and Education

As at September 30, 2017, the Audit Committee was composed of Dean Bergmame, Michel P. Desbiens and M. Daniel Lafrance. The education and experience of each Audit Committee member that is relevant to the performance of such members’ responsibilities as a member of the Audit Committee are set forth below:

- *Dean Bergmame*: From 1998 to 2008, Mr. Bergmame was Senior Vice-President Finance and Chief Financial Officer of St. Lawrence Cement Inc. and prior to 1998, Mr. Bergmame held various senior finance positions with Redpath Industries Ltd., including Vice-President Finance and Secretary. Mr. Bergmame is a director and chief financial officer of a private corporation. Mr. Bergmame is a Chartered Professional Accountant and a Certified General Accountant.
- *Michel P. Desbiens*: From October 2002 to March 2003, Mr. Desbiens was President and Chief Executive Officer of Quebecor World Inc. From 1994 to 2000, Mr. Desbiens was President and Chief Executive Officer of Donohue Inc., and was responsible for the supervision of the financing activities of Donohue Inc.'s operations. In addition to serving on the boards of directors of Rogers and Lantic, Mr. Desbiens was on the board of directors of Resolute Forest Products Inc. from May 2013 to May 2017 and currently sits on the Audit Committee of Rogers.
- *Daniel Lafrance*: Mr. Lafrance is the Chairman of the Audit Committee of Lantic and Rogers. Mr. Lafrance was Chief Financial Officer and Senior Vice-President, Finance and Procurement & Secretary of Lantic and the Corporation from February 1992 until his retirement on August 3, 2013. Mr. Lafrance holds a bachelor's degree in accounting (1977) from the University of Ottawa and is a member of the Institute of Chartered Professional Accountants of Ontario since 1980. In addition to currently serving on the boards of directors of Rogers and Lantic, Mr. Lafrance is on the board of directors and acts as the Chair of the Audit Committee of Innergex Renewable Energy Inc.

The directors of the Corporation have determined that each member of the Audit Committee is independent and financially literate. Independent means free from any direct or indirect material relationship with Rogers or its subsidiaries which could, in the view of the directors of the Corporation, reasonably interfere with the exercise of a member's independent judgment as more particularly described in National Instrument 52-110 — *Audit Committees* ("NI 52-110"). Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's or its subsidiaries' financial statements, as more particularly described in NI 52-110.

Audit Committee Charter

The full text of the Charter of the Audit Committee of the Corporation is set forth as Schedule A to this annual information form.

Pre-approval Policies and Procedures

The Audit Committee has established a policy which requires pre-approval of all audit and non-audit services provided to the Corporation and its subsidiaries by the Corporation's external auditors, KPMG LLP.

External Auditors Service Fees (By category)

The fees paid or payable by the Corporation to KPMG LLP, the Corporation's external auditors, for the periods noted below for audit and non-audit services were as follows:

	<u>Fiscal Year Ended September 30, 2017</u>	<u>Fiscal Year Ended October 1, 2016</u>
	(In thousands of dollars)	
KPMG LLP		
Audit Fees.....	\$364.0	\$286.0
Audit Related Fees ⁽¹⁾	\$ 90.3	\$ 81.9
Tax Fees ⁽²⁾	\$117.4	\$ 13.7
All Other Fees ⁽³⁾	<u>\$389.5</u>	<u>\$ 92.7</u>
Total	<u>\$961.2</u>	<u>\$474.3</u>

-
- (1) This item represents fees for services relating to the audit of pension plans, translation and accounting consultations for new accounting standards.
- (2) This item represents fees for services for tax compliance, tax advice and tax planning.
- (3) This item represents fees for services relating to the short form prospectus, quarterly review, accounting consultation and translation services related to the prospectus.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, none of the directors of the Corporation, the directors of Lantic or the executive officers of Lantic is, as at the date of this annual information form or has been, within the 10 years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company, that while that person was acting in that capacity:

- (a) was the subject of a cease trade, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (each, an “order”); or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

Other than as set forth below, to the knowledge of the Corporation, none of the directors of the Corporation, the directors of Lantic or the executive officers of Lantic, and no shareholder holding a sufficient number of Shares so as to materially affect the control of the Corporation:

- (a) is, as at the date of this annual information form or has been within the 10 years before the date of this annual information form, a director or executive officer of any company, that while that person was working in that capacity, or within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Ross was asked to join the board of directors of Catalyst Paper Corporation in May 2010 to assist in the possible restructuring of that organization. Catalyst Paper Corporation subsequently filed for CCAA protection in January 2012, reorganized its financial affairs significantly over a number of months and then successfully emerged from CCAA in September 2012 at which time a new Board representing the post recapitalization stakeholders was appointed.

To the knowledge of the Corporation, none of the directors of the Corporation, the directors of Lantic or the executive officers of Lantic, and no shareholder holding a sufficient number of Shares so as to materially affect the control of the Corporation has been subject to (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Corporation, except as may be described elsewhere in this annual information form, no director of the Corporation or director or executive officer of Lantic has an existing or potential material conflict of interest with the Corporation or any of its subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Corporation, except as may be described elsewhere in this annual information form, there are no material legal proceedings to which Rogers or Lantic is a party or to which their property is subject, and no such proceedings are contemplated.

To the knowledge of the Corporation, except as may be described elsewhere in this annual information form, there have been no material penalties or sanctions imposed by a court or regulatory body against the Corporation or settlement agreements entered into by the Corporation with a court or a securities regulatory authority relating to securities legislation during the financial year ended September 30, 2017.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, no director of the Corporation or director or executive officer of Lantic, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Shares and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is expected to materially affect Rogers or Lantic.

MATERIAL CONTRACTS

The following contracts were entered into other than in the ordinary course of business, are material to Rogers and/or Lantic, and were entered into in the most recent financial year or prior to the most recently completed financial year but on or after January 1, 2002 and remain in effect:

- The Administration Agreement (described under the heading, “Rogers Sugar Inc. — Administration — Administration Agreement”);
- The Governance Agreement and the Lantic Governance Agreement (described under the heading, “Rogers Sugar Inc. — Administration — Governance Agreements”);
- The Indenture, as supplemented (described under the heading, “Rogers Sugar Inc. — Capital Structure — Debt Instruments”);
- The Lantic Credit Agreement (described under the heading, “Lantic Inc. — Credit Facility”); and
- The LBMT Purchase Agreement.

INTERESTS OF EXPERTS

KPMG LLP, Chartered Professional Accountants, are the external auditors of the Corporation who prepared the Auditors’ Report to the Shareholders dated November 22, 2017, with respect to the consolidated financial statements of the Corporation for the year ended September 30, 2017 consisting of the consolidated balance sheets and consolidated statements of operations and comprehensive income, shareholders’ equity and cash flows for the year then ended. KPMG LLP, Chartered Professional Accountants, are independent with respect to Rogers within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc., in Toronto, Ontario, is the transfer agent and registrar for the Shares, and Computershare Trust Company of Canada, in Toronto, Ontario, is the trustee for the Debentures.

DATE OF INFORMATION

Unless otherwise indicated, the information contained in this annual information form is given as of September 30, 2017. Moreover, the use of the present tense and of the words “current”, “currently”, “presently”, “now” and similar expressions in this annual information form is to be construed as referring to information given as of September 30, 2017, unless the context otherwise requires or unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This annual information form contains statements or information that are or may be “forward-looking statements” or “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking statements may include, without limitation, statements and information which reflect the current expectations of Rogers, Lantic and LBMT with respect to future events and performance. Wherever used, the words “may,” “will,” “should,” “anticipate,” “intend,” “assume,” “expect,” “plan,” “believe,” “estimate,” and similar expressions and the negative of such expressions, identify forward-looking statements. Although this is not an exhaustive list, the Corporation cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States (“U.S.”), beet production forecasts, growth of the maple syrup industry, anticipated benefit of the LBMT Acquisition (including expected adjusted EBITDA), the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Corporation believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Actual performance or results could differ materially from those reflected in the forward-looking statements, historical results or current expectations. These risks are referred to in the “Risk Factors” section of this annual information form and include, without limitation: the risks related to the Corporation’s dependence on the operations and assets of Lantic, the risks related to government regulations and foreign trade policies, the risks related to competition faced by Lantic, the risks related to fluctuations in margins, foreign exchange and raw sugar prices, the risks related to security of raw sugar supply, the risk related to weather conditions affecting sugar beets, the risks relating to fluctuation in energy costs, the risks that LBMT’s historical financial information may not be representative of future performance, the risk that following the LBMT Acquisition, Rogers and Lantic may not be able to successfully integrate LBMT’s business with their current business and achieve the anticipated benefits of the LBMT Acquisition, the risks of unexpected costs or liabilities related to the LBMT Acquisition, the risks related to the regulatory regime governing the purchase and sale of maple syrup in Québec, including the risk that LBMT may not be able to maintain its authorized buyer status with the FPAQ and the risk that it may not be able to purchase maple syrup in sufficient quantities, the risk related to the production of maple syrup being seasonal and subject to climate change, the risk related to customer concentration and LBMT’s reliance on private label customers, the risks related to consumer habits and the risk related to LBMT’s business growth, substantially relying on exports.

Although the Corporation believes that the expectations and assumptions on which forward-looking information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this forward-looking information as no assurance can be given that it will prove to be correct. Forward-looking information contained herein is made as at the date of this annual information form and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

ADDITIONAL INFORMATION

Copies of the following documents may be obtained upon request from the Corporate Secretary of Lantic at its administrative office at 4026 Notre-Dame Street East, Montréal, Québec H1W 2K3:

- (i) this annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this annual information form;
- (ii) the Corporation’s comparative financial statements for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and a copy of the most recent interim

financial statements of the Corporation that have been filed, if any, for any period after the end of its most recently completed financial year; and

- (iii) the Corporation's management information circular in respect of its most recent annual meeting of Shareholders that involved the election of directors (the "Information Circular").

A person who is not a security holder of the Corporation may be required to pay a reasonable charge for such copies.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Information Circular.

Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the financial year ended September 30, 2017.

Additional information relating to the Corporation can also be found under the Corporation's profile on SEDAR at www.sedar.com.

SCHEDULE “A”

ROGERS SUGAR INC.

AUDIT COMMITTEE CHARTER

The term “**Corporation**” refers to Rogers Sugar Inc., the term “**Board**” refers to the board of Directors of the Corporation and the term “**Administrator**” refers to Lantic Inc. in its capacity as administrator of the Corporation pursuant to the **Administration Agreement**.

PURPOSE

The Audit Committee (the “**Committee**”) is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Corporation’s financial reporting including responsibility to:

- oversee the integrity of the Corporation’s financial statements and financial reporting process, including the audit process and the Corporation’s internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Corporation’s external auditors who shall report directly to the Committee;
- oversee the work of the Corporation’s (and to the extent possible under the Administration Agreement, the Administrator’s) financial management and external auditors in these areas;
- provide an open avenue of communication between the external auditors, the Board, the Administrator and the Administrator’s financial management;
- recommend to the Board the external auditors to be nominated and review and approve the compensation of the external auditors;
- pre-approve all non-audit services to be provided to the Corporation;
- oversee the work of the external auditors, including the resolution of any disagreement between management and the external auditors; and
- be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements and periodically assess the adequacy of such procedures.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Corporation, Lantic Inc. or any of their respective subsidiaries and each member of the Committee shall be a director who is an “**Independent Nominee**” (as defined in the **Governance Agreement**) and shall be an “independent” director (in accordance with the definition of “independent” director from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Corporation’s shares are listed for trading); provided that the fact that a director is also a director of Lantic Inc. will not disqualify the director from being a member of the

Committee provided that the director would otherwise be eligible to be a member of the Committee. The Chair of the Board shall be an *ex officio* member of the Committee.

The quorum for meeting shall be a majority of the members (two) of the Committee present, in person or by telephone.

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from among its number. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.

3. Financial literacy

All members of the Committee must be “financially literate” (as that term is interpreted by the Board in its business judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Corporation’s shares are listed for trading) or, if permitted by applicable securities laws or stock exchange rules, must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee shall endeavour to meet at least once annually and more often as warranted, with the Chief Financial Officer, the Vice-President, Finance and Secretary or any other individual performing similar functions (“CFO”) of the Administrator and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Corporation’s expense and may set and pay compensation for any advisors employed by the Committee.

6. Reliance

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by the Administrator, Lantic Inc. or their respective senior managements and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.

7. Review of Charter

The Committee shall periodically review and reassess the adequacy of this Charter in conjunction with the Nominating and Governance Committee as it deems appropriate and recommend changes to the Board. The Committee shall evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Corporation.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee’s responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee shall report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee shall:

I. In Respect of the Corporation's External Auditors

- (a) review the performance of the external auditors of the Corporation who shall report directly to the Committee and who are accountable to the Committee and the Board, as the representatives of the shareholders, including the lead partner of the independent auditor team and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Corporation to be proposed in the Corporation's proxy circular for shareholders' approval and shall have authority to terminate the external auditors;
- (b) review the reasons for any proposed change in the external auditors of the Corporation which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendation to the Board;
- (c) approve the terms of engagement and the compensation to be paid by the Corporation to the Corporation's external auditors;
- (d) review the independence of the Corporation's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (e) approve in advance all permitted non-audit services to be provided to the Corporation or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection, provided that each pre-approval granted by such designated members of the Committee must be presented to the committee at its first scheduled meeting following each such pre-approval;

if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this subsection;

- (f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Corporation's external auditors;
- (g) approve any hiring by the Corporation of partners, employees and former partners and employees of the Corporation's present or former external auditors;
- (h) review a written or oral report describing:
 - (i) all critical accounting policies and practices to be used in the Corporation's annual audit,
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Administrator that significantly effect the Corporation's financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and
 - (iii) other material written communication between the Corporation's external auditors and the Administrator, such as any management letter or schedule of unadjusted differences;
- (i) review with the external auditors and the Administrator the general audit approach and scope of proposed audits of the financial statements of the Corporation, the objectives, staffing, locations, co-ordination and reliance upon the Administrator in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits; and

- (j) discuss with the external auditors any difficulties or disputes that arose with the Administrator or the internal auditors during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of the Administrator's responses in correcting audit-related deficiencies.

II. In Respect of the Corporation's Financial Disclosure

- (a) review with the external auditors and/or the Administrator, as appropriate:
 - (i) the Corporation's audited financial statements and the notes and Managements' Discussion and Analysis relating to such financial statements, the annual report, the financial information of the Corporation contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Corporation and make recommendations to the Board for their approval;
 - (ii) the Corporation's interim financial statements and the notes and Managements' Discussion and Analysis relating to such financial statements and recommend to the Board the release of the financial statements to the public;
 - (iii) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices and the application of particular accounting principles and disclosure practices by the Administrator to new transactions or events;
 - (iv) all significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditors within generally accepted accounting principles on the financial statements and any "second opinions" sought by the Administrator from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;
 - (v) the effect of regulatory and accounting initiatives on the Corporation's financial statements and other financial disclosures;
 - (vi) any reserves, accruals, provisions or estimates that may have a significant effect upon the financial statements of the Corporation;
 - (vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the Corporation;
 - (viii) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Corporation's financial statements;
 - (ix) review the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's operations; and
 - (x) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.
- (b) review and resolve disagreements between the Administrator and the Corporation's external auditors regarding financial reporting or the application of any accounting principles or practices;
- (c) review earnings press releases and press releases containing financial information extracted from the financial statements of the Corporation, as well as financial information and earnings guidance, if any, provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Corporation gives earning guidance;

(d) review Corporation disclosure containing “financial outlooks” or “future oriented financial information”, each as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each such disclosure;

(e) establish and monitor procedures for (i) the review of public disclosure of financial information extracted from the financial statements of the Corporation, and periodically assess the adequacy of these procedures, (ii) the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters, and (iii) the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Administrator these procedures and any significant complaints received;

(f) if requested by the Board, receive from the Chief Executive Officer and the CFO of the Administrator a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws and receive and review disclosures made by such officers about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving the Administrator or its senior officers or persons who have a significant role in the Corporation’s internal controls; and

(g) review and discuss the Corporation’s major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

III. In Respect of Insurance

(a) review periodically insurance programs relating to the Corporation and its investments.

IV. In Respect of Internal Controls

(a) review the adequacy and effectiveness of the Corporation’s internal accounting and financial controls based on recommendations from the Administrator and the external auditors for the improvement of accounting practices and internal controls;

(b) oversee compliance with internal controls and the Code of Business Conduct;

(c) maintain on-going communication with the Director of Corporate Accounting and Controls with regards to the Corporation’s internal controls.; and

(d) the Director of Corporate Accounting and Controls will attend all quarterly audit committee meetings to discuss:

(i) any internal audit performed during the quarter;

(ii) any work to be performed in future quarters;

(iii) any internal control review, including results and effectiveness of the Corporation’s internal control over financial reporting;

(iv) any ad-hoc work requested by the audit committee and performed during the quarter; and

(v) in an in-camera session, any issues and/or concerns that should be raised to the audit committee.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation’s financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of the Administrator and its senior management and the Corporation’s external auditors. The Committee, its Chair and any Committee members identified as having accounting or related

financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

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