

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Three months ended December 28, 2019 and December 29, 2018

(Unaudited and not reviewed by the Company's external independent auditors)

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of earnings and comprehensive income

(In thousands of dollars except per share amounts)

<i>Condensed consolidated interim statements of earnings</i>	For the three months ended	
	December 28, 2019	December 29, 2018
Revenues (note 17)	\$ 209,316	\$ 206,022
Cost of sales	170,270	171,473
Gross margin	39,046	34,549
Administration and selling expenses	8,270	7,795
Distribution expenses	4,025	3,772
	12,295	11,567
Results from operating activities	26,751	22,982
Finance income (note 5)	(66)	(98)
Finance costs (note 5)	4,947	4,740
Net finance costs (note 5)	4,881	4,642
Earnings before income taxes	21,870	18,340
Income tax expense (recovery):		
Current	5,430	6,260
Deferred	476	(1,331)
	5,906	4,929
Net earnings	\$ 15,964	\$ 13,411
Net earnings per share (note 12)		
Basic	\$ 0.15	\$ 0.13
Diluted	\$ 0.14	\$ 0.12

<i>Condensed consolidated interim statements of comprehensive income</i>	For the three months ended	
	December 28, 2019	December 29, 2018
Net earnings	\$ 15,964	\$ 13,411
Other comprehensive income (loss)		
Items that may or may not be reclassified subsequently to net earnings:		
Cash flow hedges (note 7)	575	(2,349)
Income tax on other comprehensive gain (loss) (note 7)	(149)	622
Foreign currency translation differences	(247)	976
	179	(751)
Net earnings and comprehensive income for the period	\$ 16,143	\$ 12,660

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

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of financial position

(In thousands of dollars)

	December 28, 2019	September 28, 2019	December 29, 2018
Assets			
Current assets:			
Cash	\$ 2,607	\$ 284	\$ 7,494
Trade and other receivables	89,642	85,823	80,330
Inventories (note 6)	166,694	182,359	173,312
Prepaid expenses	4,091	4,162	3,436
Income taxes receivable	908	1,977	-
Derivative financial instruments (note 7)	1,301	931	706
Total current assets	265,243	275,536	265,278
Non-current assets:			
Property, plant and equipment	221,104	220,408	211,373
Right-of-use assets (note 3)	20,537	-	-
Intangible assets	34,446	35,444	38,221
Other assets	895	928	934
Deferred tax assets	19,571	19,684	13,644
Derivative financial instruments (note 7)	-	21	713
Goodwill	283,007	283,007	333,007
Total non-current assets	579,560	559,492	597,892
Total assets	\$ 844,803	\$ 835,028	\$ 863,170
Liabilities and Shareholder's Equity			
Current liabilities:			
Bank overdraft	\$ 1,554	\$ 8,325	\$ 229
Revolving credit facility (note 8)	33,000	17,000	34,000
Trade and other payables	98,066	117,735	84,841
Income taxes payable	-	-	2,875
Provisions	602	878	1,005
Lease obligations (note 9)	3,053	139	50
Derivative financial instruments (note 7)	1,102	615	3,955
Total current liabilities	137,377	144,692	126,955
Non-current liabilities:			
Revolving credit facility (note 8)	155,000	160,000	160,000
Employee benefits	52,073	51,810	31,671
Provisions	819	819	1,174
Derivative financial instruments (note 7)	3,413	4,677	3,717
Lease obligations (note 9)	17,162	742	917
Convertible unsecured subordinated debentures (note 10)	144,438	144,230	142,868
Deferred tax liabilities	43,138	42,626	42,963
Total non-current liabilities	416,043	404,904	383,310
Total liabilities	\$ 553,420	\$ 549,596	\$ 510,265
Shareholder's equity:			
Share capital (note 11)	100,567	100,522	100,639
Contributed surplus	300,670	300,626	300,487
Equity portion of convertible unsecured subordinated debentures (note 10)	5,085	5,085	5,085
Deficit	(103,971)	(109,654)	(59,211)
Accumulated other comprehensive (loss) income	(10,968)	(11,147)	5,905
Total shareholder's equity	291,383	285,432	352,905
Total liabilities and shareholder's equity	\$ 844,803	\$ 835,028	\$ 863,170

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

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of changes in shareholders' equity

(In thousands of dollars except number of shares)

	For the three months ended December 28, 2019								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain on employee benefit plans	Accumulated cash flow hedge gain (loss)	Accumulated foreign currency translation differences	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, September 28, 2019	104,885,464	100,522	300,626	5,085	(8,638)	(3,248)	739	(109,654)	285,432
Net earnings for the period	-	-	-	-	-	-	-	15,964	15,964
Dividends (note 11)	-	-	-	-	-	-	-	(9,423)	(9,423)
Purchase and cancellation of shares (note 11)	(213,294)	(205)	-	-	-	-	-	(858)	(1,063)
Share-based compensation (note 13)	-	-	44	-	-	-	-	-	44
Conversion of convertible debentures into common shares, (notes 10 and 11)	28,853	250	-	-	-	-	-	-	250
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	426	-	-	426
Translation of foreign operations	-	-	-	-	-	-	(247)	-	(247)
Balance, December 28, 2019	104,701,023	100,567	300,670	5,085	(8,638)	(2,822)	492	(103,971)	291,383

	For the three months ended December 29, 2018								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain on employee benefit plans	Accumulated cash flow hedge gain (loss)	Accumulated foreign currency translation differences	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, September 29, 2018	105,008,070	100,639	300,436	5,085	6,070	272	314	(63,171)	349,645
Net earnings for the period	-	-	-	-	-	-	-	13,411	13,411
Dividends (note 11)	-	-	-	-	-	-	-	(9,451)	(9,451)
Share-based compensation (note 13)	-	-	51	-	-	-	-	-	51
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	(1,727)	-	-	(1,727)
Translation of foreign operations	-	-	-	-	-	-	976	-	976
Balance, December 29, 2018	105,008,070	100,639	300,487	5,085	6,070	(1,455)	1,290	(59,211)	352,905

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

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of cash flows

(In thousands of dollars)

	For the three months ended	
	December 28, 2019	December 29, 2018
Cash flows from operating activities:		
Net earnings	\$ 15,964	\$ 13,411
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (note 4)	4,770	3,839
Amortization of intangible assets (note 4)	952	942
Changes in fair value of derivative financial instruments included in cost of sales	(486)	5,519
Income tax expense	5,906	4,929
Pension contributions	(1,988)	(1,713)
Pension expense	2,251	1,890
Net finance costs (note 5)	4,881	4,642
Share-based compensation – equity settled (note 13)	44	51
Share-based compensation – cash settled (note 13)	(3)	49
Gain on disposal of property, plant and equipment	(6)	(16)
Other	-	4
	32,285	33,547
Changes in:		
Trade and other receivables	(3,841)	1,436
Inventories	15,590	6,402
Prepaid expenses	71	1,877
Trade and other payables	(22,923)	(29,377)
Provisions	(276)	(26)
	(11,379)	(19,688)
Cash flows from operating activities	20,906	13,859
Cash flows from investing activities:		
Interest paid	(2,450)	(5,947)
Income taxes paid	(4,346)	(6,919)
Net cash from operating activities	14,110	993
Cash flows (used in) from financing activities:		
Dividends paid (note 11)	(9,440)	(9,451)
Decrease in bank overdraft	(6,771)	(5,240)
Increase in revolving credit facility (note 8)	11,000	22,000
Payment of financing fees	(16)	-
Payment of lease obligations (note 9)	(1,029)	-
Purchase and cancellation of shares (note 11)	(1,063)	-
Cash flow (used in) from financing activities	(7,319)	7,309
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	(4,349)	(3,226)
Additions to intangible assets	-	(2)
Cash flow used in investing activities	(4,349)	(3,228)
Effect of changes in exchange rate on cash	(119)	319
Net decrease in cash	2,323	5,393
Cash, beginning of period	284	2,101
Cash, end of period	\$ 2,607	\$ 7,494

Supplemental cash flow information (note 14)

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

ROGERS SUGAR INC.

2

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

1. Reporting entity:

Rogers Sugar Inc. (“Rogers” or the “Company”) is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The unaudited condensed consolidated interim financial statements of Rogers for the three month periods ended December 28, 2019 and December 29, 2018 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. (“Lantic”) and The Maple Treat Corporation (“TMTC”), (together referred to as the “Company”). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* on a basis consistent with those accounting policies followed by the Company in the most recent audited consolidated annual financial statements other than the adoption of IFRS 16, IFRIC 23 and Annual Improvements to IFRS Standards (2015-2017) Cycle as described in note 3(b). Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended September 28, 2019. The quarterly unaudited condensed consolidated interim financial statements were neither reviewed nor audited by our external auditors and were authorized for issue by the Board of Directors on February 11, 2020.

(b) Basis of measurement:

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

- (i) derivative financial instruments are measured at fair value,
- (ii) equity-settled share-based compensation, cash-settled share appreciation rights and cash-settled performance share units are measured at fair value,
- (iii) the defined benefit liability is recognized as the net total of the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs; and
- (iv) assets and liabilities acquired in business combinations are measured at fair value at acquisition date, less any subsequent impairment, if applicable.

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual consolidated financial statements for the year ended September 28, 2019.

3. Significant accounting policies:

(a) Basis of consolidation:

(i) Subsidiaries:

The consolidated financial statements include the Company and the subsidiary it controls, Lantic Inc. ("Lantic") and its subsidiaries, TMTC and Highland Sugarworks Inc. ("Highland") (the latter two companies together referred to as "TMTC"). Control exists where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued):

(b) New standards and interpretations adopted:

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 28, 2019 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements, except as noted below:

(i) IFRS 16, *Leases*:

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019.

Effective September 29, 2019 (date of initial application), the Company adopted IFRS 16 using the modified retrospective transition approach. Accordingly, comparative figures as at and for the year-ended September 28, 2019 and the three months ended December 29, 2018 have not been restated and continue to be reported under IAS 17 and IFRIC 4.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or modified on or after September 29, 2019.

At transition, the Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating lease under IAS 17;

- the Company relied on the assessment of the onerous lease provisions under IAS 37, *Provisions, contingent liabilities and contingent assets*, instead of performing an impairment review. The Company adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognized in the consolidated balance sheet immediately before the date of initial application;
- the Company accounted for leases for which the lease term ends within twelve months of the date of initial application as short-term leases; and
- the Company used hindsight in determining the lease term at the date of initial application.

The Company applied the modified retrospective transition approach measuring the right-of-use asset ("ROU asset") to be equal to the lease liability with no restatement of the comparative period. As such, as at September 29, 2019, the Company recorded ROU assets of \$11.0 million and lease obligations of \$11.0 million. When measuring the lease liabilities, the Company discounted future lease payments using its incremental borrowing rate as at September 29, 2019 being 4.40%. During the three months ended December 28, 2019, an additional \$9.2 million was recorded as ROU assets and lease obligations, \$0.7 million was recorded as depreciation of ROU assets, and \$0.2 million of interest accretion on discounted lease obligations as a result of the adoption of IFRS 16.

ROGERS SUGAR INC.

5

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

3. Significant accounting policies (continued):

(b) New standards and interpretations adopted (continued):

(i) IFRS 16, *Leases* (continued):

The following table summarizes the impact of the adoption on certain items on the Company's consolidated balance sheet as at September 29, 2019:

	September 28, 2019	Transition adjustments	September 29, 2019
	\$	\$	\$
Property, plant and equipment	220,408	(1,059)	219,349
Right-of-use assets	-	12,094	12,094
Finance lease obligations - current	139	(139)	-
Lease obligations - current	-	2,596	2,596
Finance lease obligations – non -current	742	(742)	-
Lease obligations – non-current	-	9,320	9,320

The following table reconciles the Company's operating lease obligations as at September 28, 2019 as previously disclosed in the Company's audited annual consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 as at September 29, 2019:

	\$
Operating lease commitment as at September 28, 2019	20,930
Finance lease liability as at September 28, 2019	881
Lease commitments of leases commencing after the initial application date	(9,349)
Recognition exemption for short-term leases	(263)
Discounted using the incremental borrowing rate as at September 29, 2019	(2,214)
Extension option reasonably certain to be exercised	3,240
Other	(1,309)
Lease obligations as at September 29, 2019	11,916

The following table summarizes the reconciliation of the right-of-use assets from the date of initial application until December 28, 2019:

	\$
Right-of-use assets as at September 28, 2019	-
Reclassification from property, plant and equipment	1,059
Additions as at September 29, 2019 (date of initial application)	11,035
Additions during the period	9,151
Depreciation	(708)
Right-of-use assets as at December 28, 2019	20,537

3. Significant accounting policies (continued):

(b) New standards and interpretations adopted (continued):

(i) IFRS 16, *Leases* (continued):

The following table summarizes the reconciliation of the lease obligations from the date of initial application until December 28, 2019:

	\$
Lease obligations as at September 28, 2019	-
Reclassification from finance lease obligations	881
Additions as at September 29, 2019 (date of initial application)	11,035
Additions during the period	9,151
Payment of lease obligations	(1,029)
Interest accretion	177
Lease obligations as at December 28, 2019	20,215

As a result of the adoption of IFRS 16, the Company updated its accounting policy for leases as follows:

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company's uses the lessee's incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statement of earnings.

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in administration and selling expenses or distribution expenses as incurred.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

3. Significant accounting policies (continued):

(b) New standards and interpretations adopted (continued):

(ii) IFRIC 23, *Uncertainty over Income Tax Treatments*:

On June 7, 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*.

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires an entity to:

- Contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- Measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company adopted the Interpretation in its consolidated interim financial statements for the annual period beginning on September 29, 2019. The adoption of the Interpretation did not have an impact on the consolidated interim financial statements.

3. Significant accounting policies (continued):

(b) New standards and interpretations adopted (continued):

(iii) Annual Improvements to IFRS Standards (2015-2017) Cycle:

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process.

The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements* – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12, *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits - in profit or loss, OCI, or equity; and
- IAS 23, *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company adopted the amendments in its consolidated interim financial statements for the annual period beginning on September 29, 2019. The adoption of the amendments did not have an impact on the consolidated interim financial statements.

(c) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the period ended December 28, 2019 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

(i) Amendments to References to the Conceptual Framework in IFRS Standards:

On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* (the Framework), that underpins IFRS Standards. The IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards* (the Amendments) to update references in IFRS Standards to previous versions of the Conceptual Framework.

Both documents are effective from January 1, 2020 with earlier application permitted.

The Company does not intend to adopt the Amendments in its consolidated financial statements before the annual period beginning on October 4, 2020. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

ROGERS SUGAR INC.

9

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

4. Depreciation and amortization expense:

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

	For the three months ended	
	December 28, 2019	December 29, 2018
	\$	\$
Depreciation of property, plant and equipment:		
Cost of sales	3,930	3,707
Administration and selling expenses	132	132
	4,062	3,839
Depreciation of right-of-use assets:		
Cost of sales	451	-
Distribution expenses	257	-
	708	-
Amortization of intangible assets:		
Administration and selling expenses	952	942
Total depreciation and amortization expense	5,722	4,781

5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended	
	December 28, 2019	December 29, 2018
	\$	\$
Net change in fair value of interest rate swap (note 7)	66	98
Finance income	66	98
Interest expense on convertible unsecured subordinated debentures, including accretion expense ⁽¹⁾	2,098	2,087
Interest on revolving credit facility	1,700	1,735
Other interest expense	676	624
Amortization of deferred financing fees	296	294
Interest accretion on discounted lease obligations	177	-
Finance costs	4,947	4,740
Net finance costs recognized in net earnings	4,881	4,642

(1) Includes accretion expense of \$211 for the three months ended December 28, 2019 (December 29, 2018 - \$200)

6. Inventories:

During the three months ended December 28, 2019, inventories recognized as cost of goods sold amounted to \$172.8 million (\$169.0 million for the three months ended December 29, 2018).

7. Financial instruments:

Disclosures relating to risks exposures, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity risk were provided in the September 28, 2019 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three months ended December 28, 2019.

For its financial assets and liabilities measured at amortized cost as at December 28, 2019, the Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value because of the relatively short periods to maturity of these instruments.

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

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

ROGERS SUGAR INC.

11

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

7. Financial instruments (continued):

As at December 28, 2019, September 28, 2019 and December 29, 2018, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	December 28, 2019		December 28, 2019	
	\$	\$	\$	\$
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	75	-	-	30
Foreign exchange forward contracts	849	-	-	108
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	-	-	1,102	3,273
Interest rate swap	377	-	-	2
	1,301	-	1,102	3,413

	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	September 28, 2019				December 29, 2018			
	\$	\$	\$	\$	\$	\$	\$	\$
Derivative financial instruments measured at fair value through profit or loss:								
Sugar futures contracts	27	-	-	59	150	-	-	113
Foreign exchange forward Contracts	673	21	13	328	-	-	1,545	926
Derivative financial instruments designated as effective cash flow hedging instruments:								
Natural gas futures contracts	-	-	602	2,956	-	-	2,410	2,678
Interest rate swap	231	-	-	1,334	556	713	-	-
	931	21	615	4,677	706	713	3,955	3,717

ROGERS SUGAR INC.

12

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

7. Financial instruments (continued):

	For the three months ended					
	Charged to cost of sales Unrealized gain / (loss)		Charged to finance income		Other comprehensive gain / (loss)	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
	\$	\$	\$	\$	\$	\$
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	2,488	333	-	-	-	-
Foreign exchange forward contracts	(276)	(3,484)	-	-	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	7	389	-	-	(825)	(1,045)
Interest rate swap	-	-	66	98	1,400	(1,304)
	2,219	(2,762)	66	98	575	(2,349)

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at December 28, 2019 and December 29, 2018:

	December 28, 2019			December 29, 2018		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
	\$	\$	\$	\$	\$	\$
Opening OCI	(2,751)	(1,740)	(4,491)	(2,679)	3,049	370
Income taxes	204	1,039	1,243	712	(810)	(98)
Opening OCI – net of income taxes	(2,547)	(701)	(3,248)	(1,967)	2,239	272
Change in fair value of derivatives designated as cash flow hedges	(818)	1,466	648	(657)	(1,205)	(1,862)
Amounts reclassified to net earnings	(7)	(66)	(73)	(389)	(98)	(487)
Income taxes	214	(363)	(149)	277	345	622
Ending OCI – net of income taxes	(3,158)	336	(2,822)	(2,736)	1,281	(1,455)

For the three months ended December 28, 2019, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately \$0.5 million of net losses presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

ROGERS SUGAR INC.

13

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

7. Financial instruments (continued):

The Company entered into a five-year interest rate swap agreement during the quarter with an effective date of October 3, 2019 at a rate of 1.68% for a notional amount of \$20.0 million.

The aggregate notional amount of the all interest rate swap agreements is as follows:

Fiscal year contracted	Date	Total value \$
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000
Fiscal 2019	March 12, 2019 to June 28, 2024 – 2.08%	20,000
Fiscal 2019	June 28, 2022 to June 28, 2024 – 2.17%	80,000
Fiscal 2020	October 3, 2019 to June 28, 2024 – 1.68%	20,000

8. Revolving credit facility:

As a result of the amended revolving credit facility, the Additional Accordion Borrowings and the Additional TMTC Accordion Borrowings, the Company has a total of \$265.0 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 the Company, including trade receivables, inventories and property, plant and equipment, have been pledged as security for the revolving credit facility. As at December 28, 2019, a total of \$423.2 million of assets are pledged as security (September 28, 2019 - \$422.2 million; December 29, 2018 - \$393.1 million).

The maturity date of the amended revolving credit facility is June 28, 2024.

The following amounts were outstanding as of:

	December 28, 2019	September 28, 2019	December 29, 2018
	\$	\$	\$
Outstanding amount on revolving credit facility:			
Current	33,000	17,000	34,000
Non-current	155,000	160,000	160,000
	188,000	177,000	194,000

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

ROGERS SUGAR INC.

14

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

9. Lease obligations:

The Company's leases are primarily for warehouses, operating properties, railcars and production equipment.

The following table presents lease obligations recorded in the consolidated statement of financial position as at December 28, 2019:

	December 28, 2019	September 28, 2019	December 29, 2018
	\$	\$	\$
Current	3,053	-	-
Non-current	17,162	-	-
	20,215	-	-

Certain leases contain extension or termination options exercisable by the Company before the end of the non-cancellable contract period. The Company has applied judgement to determine the lease term for the contracts with renewal and termination options and has included renewal and termination options in the measurement of lease obligations when it is reasonably certain to exercise the options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or a significant change in circumstances which impacts the original assessments made.

Expenses relating to short-term leases, and for leases of low-value assets were not significant for the three months ended December 28, 2019.

The total cash outflow for leases (including interest) for the three months ended December 28, 2019 was \$1.0 million, which was included as part of cash outflows from financing activities.

10. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	December 28, 2019	September 28, 2019	December 29, 2018
	\$	\$	\$
Sixth series	57,425	57,500	57,500
Seventh series	97,575	97,750	97,750
Total face value	155,000	155,250	155,250
Less deferred financing fees	(5,253)	(5,500)	(6,241)
Less equity component	(6,930)	(6,930)	(6,930)
Accretion expense on equity component	1,621	1,410	789
Total carrying value – non current	144,438	144,230	142,868

The fair value of the Sixth and Seventh series debentures as at December 28, 2019 were approximately \$157.3 million based on market quotes.

ROGERS SUGAR INC.

15

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

11. Share capital and other components of equity:

As of December 28, 2019, a total of 104,701,023 common shares (September 28, 2019 – 104,885,464; December 29, 2018 – 105,008,070) were outstanding.

During the period, a total of \$75 of the sixth series debentures and \$175 of the seventh series debentures was converted by holders of the securities for a total of 9,079 and 19,774 common shares, respectively. These conversions are non-cash transactions and therefore not reflected in the unaudited condensed consolidated interim statement of cash flow.

On May 22, 2019, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2019 NCIB"), the Company may purchase up to 1,500,000 common shares. The 2019 NCIB commenced on May 24, 2019 and may continue to May 23, 2020. During the period, the Company purchased 213,294 common shares having a book value of \$205 for a total cash consideration of \$1,063. The excess of the purchase price over the book value of the shares in the amount of \$858 was charged to deficit. All shares purchased were cancelled. In addition, the Company entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2019 NCIB. Under the agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares.

The Company declared a quarterly dividend of \$0.09 per share amounting to the following for the three month period ending December 28, 2019 and December 29, 2018:

	December 28, 2019	December 29, 2018
	\$	\$
Dividends	9,423	9,451

ROGERS SUGAR INC.

16

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

12. Earnings per share:

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

	For the three months ended	
	December 28, 2019	December 29, 2018
Basic earnings per share:		
Net earnings	15,964	13,411
Weighted average number of shares outstanding	104,822,645	105,008,070
Basic earnings per share	0.15	0.13
Diluted earnings per share:		
Net earnings	15,964	13,411
Plus impact of convertible unsecured subordinated debentures and share options	1,531	1,524
	17,495	14,935
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	104,822,645	105,008,070
Plus impact of convertible unsecured subordinated debentures and share options	17,977,603	18,006,457
	122,800,248	123,014,527
Diluted earnings per share	0.14	0.12

For the three months ended December 28, 2019 and December 29, 2018, the share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

13. Share-based compensation:

(a) Equity-Settled Share-Based Compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (September 28, 2019 – 4,000,000 common shares, December 29, 2018 – 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

ROGERS SUGAR INC.

17

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

13. Share-based compensation (continued):

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

On December 2, 2019, a total of 563,500 share options were granted at a price of \$4.68 per common share to certain executives.

On December 3, 2018, a total of 447,175 share options were granted at a price of \$5.58 per common share to certain executives.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$44 was recorded for the three month period ended December 28, 2019 (an expense of \$51 for the three months ended December 29, 2018).

The following tables summarize information about the Share Option Plan as of December 28, 2019:

Exercise price per option	Outstanding number of options at September 28, 2019	Options granted during the three month period	Options exercised during the three month period	Options forfeited during the three month period	Outstanding number of options at December 28, 2019	Weighted average remaining life	Number of options exercisable
\$4.59	830,000	-	-	-	830,000	5.40	660,000
\$4.68	-	563,500	-	-	563,500	9.93	-
\$5.58	447,175	-	-	-	447,175	8.93	89,435
\$5.61	80,000	-	-	-	80,000	2.23	80,000
\$6.23	1,005,322	-	-	-	1,005,322	7.93	402,129
\$6.51	360,000	-	-	-	360,000	6.94	216,000
	2,722,497	563,500	-	-	3,285,997	n/a	1,447,564

Options outstanding held by key management personnel amounted to 2,665,997 options as at December 28, 2019 and 2,102,497 options as at September 28, 2019 (see note 15, Key management personnel).

The measurement date fair values were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in the first quarter of fiscal 2020 are the following:

Total fair value of options	\$106
Share price	\$4.81
Exercise price	\$4.68
Expected volatility (weighted average volatility)	15.984% to 16.870%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	7.48%
Weighted average risk-free interest rate (based on government bonds)	1.641% to 1.660%

ROGERS SUGAR INC.

18

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

13. Share-based compensation (continued):

(b) Cash-Settled Share-Based Compensation:

i) Share Appreciation Rights ("SAR"):

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to liability. A gain of \$4 was recorded for the three month period ended December 28, 2019 (a gain on fair value change of \$1 was recorded for the three months ended December 29, 2018). The liabilities arising from the SARs as at December 28, 2019 were \$4 (September 28, 2019 – \$8; December 29, 2018 – \$9).

The following table summarizes information about the SARs as of December 28, 2019:

Share price per unit	Outstanding number of SARs at September 28, 2019	SARs granted during the three month period	SARs exercised during the three month period	SARs forfeited during the three month period	Outstanding number of SARs at December 28, 2019	Number of SARs exercisable
\$6.51	125,000	-	-	-	125,000	75,000

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

	Grant date	Measurement date as at December 28, 2019
SARs granted December 5, 2016		
Total fair value of SARs	\$53	\$4
Share price	\$6.63	\$4.90
Exercise price	\$6.51	\$6.51
Expected volatility (weighted average volatility)	16.520% to 18.670%	15.049% to 16.408%
Option life (expected weighted average life)	2 to 6 years	6 to 10 years
Expected dividends	5.43%	7.35%
Weighted average risk-free interest rate (based on government bonds)	0.740% to 1.160%	1.607% to 1.621%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

13. Share-based compensation (continued):

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

ii) Performance Share Units ("PSU"):

Fiscal 2020 grant:

On December 2, 2019, a total of 324,932 PSUs were granted to certain executives. These PSUs will vest at the end of the 2020-2022 Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. Following the end of a Performance Cycle, the Board of Directors of the Company will determine, and to the extent only that the Vesting Conditions include financial conditions, concurrently with the release of the Company's financial and/or operational results for the fiscal year ended at the end of the Performance Cycle, whether the Vesting Conditions for the PSUs granted to a participant relating to such Performance Cycle have been achieved. Depending on the achievement of the Vesting Conditions, between 0% and 200% of the PSUs will become vested.

The Board of Directors of the Company has the discretion to determine that all or a portion of the PSUs granted to a participant for which the Vesting Conditions have not been achieved shall vest to such participant.

The value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU Plan, and such date will in no event occur after December 31 of the third calendar year following the calendar year in which the PSUs are granted.

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$64 and \$51 as at December 28, 2019. An expense of \$4 was recorded for the three month period ending December 28, 2019 in administration and selling expenses. The liabilities arising from the PSUs as at December 28, 2019 were \$4.

Fiscal 2019 grant:

On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company. In addition, an aggregate of 5,025 PSUs (September 28, 2019 - 13,858 PSUs) at a weighted-average share price of \$5.45 (September 28, 2019 - \$5.76) were allocated as a result of the dividend paid during the quarter, as the participants also receive dividend equivalents paid in the form of PSU's. As at December 28, 2019, an aggregate of 309,331 PSUs are outstanding. These PSUs will vest at the end of the 2019-2021 Performance Cycle.

ROGERS SUGAR INC.

20

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

13. Share-based compensation (continued):

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

ii) Performance Share Units (“PSU”) (continued):

Fiscal 2019 grant (continued):

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$308 and \$13 as at December 28, 2019 (September 28, 2019 - \$35). A gain of \$3 was recorded for the three month period ending December 28, 2019 (December 29, 2018 – an expense of \$50) in administration and selling expenses. The liabilities arising from the PSUs as at December 28, 2019 were \$4 (September 28, 2019 – 7; December 29, 2018 - \$50).

Fiscal 2018 grant:

On December 4, 2017, an aggregate of 224,761 PSUs was granted by the Company. In addition, an aggregate of 29,700 PSUs at a weighted-average share price of \$5.78 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSU's. As at December 28, 2019, an aggregate of 254,461 PSUs are outstanding. These PSUs will vest at the end of the 2018-2020 Performance Cycle.

The fair value as at December 28, 2019 was nil (September 28, 2019 – nil, December 29, 2018 - nil). An expense of nil was recorded for the three month period ending December 28, 2019 (December 29, 2018 – nil) in administration and selling expenses. The liabilities arising from the PSUs as at December 28, 2019 were nil (September 28, 2019 – nil; December 29, 2018 - nil).

14. Supplementary cash flow information:

	December 28, 2019	December 29, 2018	September 28, 2019	September 29, 2018
Non-cash transactions:	\$	\$	\$	\$
Additions of property, plant and equipment and intangibles included in trade and other payables	1,768	3,223	294	1,041

ROGERS SUGAR INC.

21

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

15. Key management personnel:

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

	For the three months ended	
	December 28, 2019	December 29, 2018
	\$	\$
Salaries and short-term benefits	750	685
Fees for members of the Board of Directors	252	193
Post-retirement benefits	36	37
Share-based compensation	42	100
	1,080	1,015

16. Personnel expenses:

	For the three months ended	
	December 28, 2019	December 29, 2018
	\$	\$
Wages, salaries and employee benefits	25,013	22,770
Expenses related to defined benefit plans	1,355	1,136
Expenses related to defined contributions plans	898	754
Share-based compensation	41	100
	27,307	24,760

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

	For the three months ended	
	December 28, 2019	December 29, 2018
	\$	\$
Cost of sales	22,692	20,425
Administration and selling expenses	4,182	3,855
Distribution expenses	384	382
	27,258	24,662
Property, plant and equipment	49	98
	27,307	24,760

ROGERS SUGAR INC.

22

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

17. Segmented information:

The Company has two operating and reportable segments, sugar and maple products. The principal business activity of the sugar segment is the refining, packaging and marketing of sugar products. The Maple products segment processes pure maple syrup and related maple products. The reportable segments are managed independently as they require different technology and capital resources. Performance is measured based on the segments' gross margins and results from operating activities. These measures are included in the internal management reports that are reviewed by the Company's President and CEO, and management believes that such information is the most relevant in the evaluation of the results of the segments.

Transactions between reportable segments are interest receivable (payable), which are eliminated upon consolidation.

	For the three months ended December 28, 2019			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	154,815	54,501	-	209,316
Cost of sales	121,586	48,684	-	170,270
Gross margin	33,229	5,817	-	39,046
Depreciation and amortization	4,144	1,578	-	5,722
Results from operating activities	24,788	2,321	(358)	26,751
Additions to property, plant and equipment and intangible assets	2,964	2,859	-	5,823

	For the three months ended December 28, 2019			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	774,596	235,710	(165,490)	844,816
Total liabilities	(931,626)	(247,028)	625,221	(553,433)

	For the three months ended December 29, 2018			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	151,139	54,883	-	206,022
Cost of sales	121,787	49,686	-	171,473
Gross margin	29,352	5,197	-	34,549
Depreciation and amortization	3,491	1,290	-	4,781
Results from operating activities	21,406	1,892	(316)	22,982
Additions to property, plant and equipment and intangible assets	4,533	1,745	-	6,278

ROGERS SUGAR INC.

23

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

17. Segmented information (continued):

	For the three month period ended December 29, 2018			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	\$ 765,327	\$ 262,947	\$ (165,104)	\$ 863,170
Total liabilities	(917,447)	(220,021)	627,203	(510,265)

Revenues were derived from customers in the following geographic areas:

	For the three months ended	
	December 28, 2019	December 29, 2018
	\$	\$
Canada	161,168	152,948
United States	30,355	29,501
Europe	9,454	12,559
Other	8,339	11,014
	209,316	206,022