

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Three and six months ended April 3, 2021 and March 28, 2020

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

(Unaudited)

Condensed consolidated interim statements of earnings and comprehensive income

(In thousands of dollars except per share amounts)

Condensed consolidated interim statements of earnings	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Revenues (note 17)	215,929	199,126	439,769	408,442
Cost of sales	184,478	179,736	369,705	350,006
Gross margin	31,451	19,390	70,064	58,436
Administration and selling expenses	7,956	8,460	17,554	16,730
Distribution expenses	4,344	4,872	10,027	8,897
	12,300	13,332	27,581	25,627
Results from operating activities	19,151	6,058	42,483	32,809
Finance income (note 5)	-	(65)	-	(131)
Finance costs (note 5)	4,383	4,569	9,079	9,516
Net finance costs (note 5)	4,383	4,504	9,079	9,385
Earnings before income taxes	14,768	1,554	33,404	23,424
Income tax expense (recovery):				
Current	3,479	2,874	8,255	8,304
Deferred	511	(2,285)	598	(1,809)
	3,990	589	8,853	6,495
Net earnings	10,778	965	24,551	16,929
Net earnings per share (note 12)				
Basic	0.10	0.01	0.24	0.16
Diluted	0.10	0.01	0.23	0.16

Condensed consolidated interim statements of comprehensive income	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Net earnings	10,778	965	24,551	16,929
Other comprehensive (loss) income				
Items that may or may not be reclassified subsequently to net earnings:				
Cash flow hedges (note 7)	4,233	(7,022)	4,195	(6,447)
Income tax on other comprehensive loss (note 7)	(1,085)	1,817	(1,075)	1,668
Foreign currency translation differences	(219)	1,315	(1,120)	1,068
	2,929	(3,890)	2,000	(3,711)
Net earnings and comprehensive (loss) income for the period	13,707	(2,925)	26,551	13,218

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

(Unaudited)
Condensed consolidated interim statements of financial position
(In thousands of dollars)

	April 3, 2021	October 3, 2020	March 28, 2020
Assets			
Current assets:			
Cash	1,477	1,974	1,402
Trade and other receivables	78,812	94,262	89,889
Inventories (note 6)	172,535	180,792	134,133
Prepaid expenses	7,531	7,923	7,970
Income taxes receivable	-	2,042	522
Derivative financial instruments (note 7)	3,005	2,616	-
Total current assets	263,360	289,609	233,916
Non-current assets:			
Property, plant and equipment	235,478	230,385	223,606
Right-of-use assets	18,540	20,489	19,700
Intangible assets	29,851	31,666	33,727
Other assets	646	745	845
Deferred tax assets	28,791	31,085	22,584
Derivative financial instruments (note 7)	632	158	-
Goodwill	283,007	283,007	283,007
Total non-current assets	596,945	597,535	583,469
Total assets	860,305	887,144	817,385
Liabilities and Shareholder's Equity			
Current liabilities:			
Bank overdraft	-	2,797	2,110
Revolving credit facility (note 8)	60,000	29,000	36,000
Trade and other payables	72,939	131,089	66,832
Income taxes payable	139	-	-
Provisions	461	500	304
Lease obligations (note 9)	3,145	3,981	3,020
Derivative financial instruments (note 7)	1,584	1,458	3,758
Total current liabilities	138,268	168,325	112,024
Non-current liabilities:			
Revolving credit facility (note 8)	165,000	165,000	165,000
Employee benefits	59,963	59,212	52,662
Provisions	437	437	819
Derivative financial instruments (note 7)	2,805	6,933	9,721
Lease obligations (note 9)	15,216	16,423	16,403
Convertible unsecured subordinated debentures (note 10)	146,783	145,836	144,902
Deferred tax liabilities	53,667	54,287	42,068
Total non-current liabilities	443,871	448,128	431,575
Total liabilities	582,139	616,953	543,599
Shareholder's equity:			
Share capital (note 11)	99,452	99,452	99,469
Contributed surplus	300,854	300,794	300,711
Equity portion of convertible unsecured subordinated debentures (note 10)	5,085	5,085	5,085
Deficit	(110,916)	(116,831)	(116,621)
Accumulated other comprehensive (loss) income	(16,309)	(18,309)	(14,858)
Total shareholder's equity	278,166	270,191	273,786
Total liabilities and shareholder's equity	860,305	887,144	817,385

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 six months ended April 3, 2021								
	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, October 3, 2020	103,536,923	99,452	300,794	5,085	(12,983)	(6,119)	793	(116,831)	270,191
Net earnings for the period	-	-	-	-	-	-	-	24,551	24,551
Dividends (note 11)	-	-	-	-	-	-	-	(18,636)	(18,636)
Purchase and cancellation of shares (note 11)	-	-	-	-	-	-	-	-	-
Share-based compensation (note 13)	-	-	60	-	-	-	-	-	60
Conversion of convertible debentures into common shares, (notes 10 and 11)	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	3,120	-	-	3,120
Translation of foreign operations	-	-	-	-	-	-	(1,120)	-	(1,120)
Balance, April 3, 2021	103,536,923	99,452	300,854	5,085	(12,983)	(2,999)	(327)	(110,916)	278,166

	For the six months ended March 28, 2020								
	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	-	-	-	-	-	-	-	16,929	16,929
Dividends (note 11)	-	-	-	-	-	-	-	(18,743)	(18,743)
Purchase and cancellation of shares (note 11)	(1,389,324)	(1,303)	-	-	-	-	-	(5,153)	(6,456)
Share-based compensation (note 13)	-	-	85	-	-	-	-	-	85
Conversion of convertible debentures into common shares, (notes 10 and 11)	28,853	250	-	-	-	-	-	-	250
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	(4,779)	-	-	(4,779)
Translation of foreign operations	-	-	-	-	-	-	1,068	-	1,068
Balance, March 28, 2020	103,554,993	99,469	300,711	5,085	(8,638)	(8,027)	1,807	(116,621)	273,786

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

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of cash flows

(In thousands of dollars)

	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Cash flows from operating activities:				
Net earnings	10,778	965	24,551	16,929
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets (note 4)	5,309	4,918	10,582	9,688
Amortization of intangible assets (note 4)	959	954	1,915	1,906
Changes in fair value of derivative financial instruments included in cost of sales	2,879	3,308	(697)	2,822
Income tax expense	3,990	589	8,853	6,495
Pension contributions	(2,982)	(2,471)	(5,072)	(4,459)
Pension expense	3,433	3,060	5,823	5,311
Net finance costs (note 5)	4,383	4,504	9,079	9,385
Share-based compensation – equity settled (note 13)	24	41	60	85
Share-based compensation – cash settled (note 13)	33	(6)	166	(9)
Gain on disposal of property, plant and equipment	(31)	-	(86)	(6)
Other	-	-	-	-
	28,775	15,862	55,174	48,147
Changes in:				
Trade and other receivables	3,785	(140)	15,375	(3,981)
Inventories	17,084	32,941	7,979	48,531
Prepaid expenses	(834)	(3,878)	392	(3,807)
Trade and other payables	(35,509)	(29,598)	(60,279)	(52,521)
Provisions	30	(298)	(39)	(574)
	(15,444)	(973)	(36,572)	(12,352)
Cash flows from operating activities	13,331	14,889	18,602	35,795
Interest paid	(1,755)	(5,802)	(7,547)	(8,252)
Income taxes paid	(1,889)	(2,488)	(6,074)	(6,834)
Net cash from operating activities	9,687	6,599	4,981	20,709
Cash flows (used in) from financing activities:				
Dividends paid (note 11)	(9,318)	(9,423)	(18,636)	(18,863)
Increase (decrease) in bank overdraft	-	556	(2,797)	(6,215)
Increase in revolving credit facility (note 8)	-	13,000	31,000	24,000
Payment of financing fees	-	-	-	(16)
Payment of lease obligations (note 9)	(1,010)	(1,034)	(2,930)	(2,063)
Purchase and cancellation of shares (note 11)	-	(5,393)	-	(6,456)
Cash flow (used in) from financing activities	(10,328)	(2,294)	6,637	(9,613)
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(7,677)	(6,062)	(11,824)	(10,411)
Additions to intangible assets	(38)	-	(272)	-
Cash flow used in investing activities	(7,715)	(6,062)	(12,096)	(10,411)
Effect of changes in exchange rate on cash	25	552	(19)	433
Net (decrease) increase in cash	(8,331)	(1,205)	(497)	1,118
Cash, beginning of period	9,808	2,607	1,974	284
Cash, end of period	1,477	1,402	1,477	1,402

Supplemental cash flow information (note 14)

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

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 and six month periods ended April 3, 2021 and March 28, 2020 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 Amendments to References to the Conceptual Framework in IFRS Standards as described in note 3(a). Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended October 3, 2020. 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 May 5, 2021.

(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.

Notes to unaudited condensed consolidated interim financial statements

(In thousands of dollars except as noted and amounts per share)

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 October 3, 2020.

3. Significant accounting policies:

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 3, 2020 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

(A) NEW STANDARDS AND INTERPRETATIONS ADOPTED:

(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.

The Company adopted the Amendments in its consolidated interim financial statements for the annual period beginning on October 4, 2020. The adoption of the amendments did not have an impact on the consolidated interim financial statements.

(B) 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 April 3, 2021 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:

- Annual Improvements to IFRS Standards 2018-2020
- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The Company does not intend to adopt any of these standards and interpretations in its consolidated financial statements before the annual period beginning on October 3, 2021. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

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		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Depreciation of property, plant and equipment:				
Cost of sales	3,996	3,917	7,792	7,846
Administration and selling expenses	317	131	458	263
	4,313	4,048	8,250	8,109
Depreciation of right-of-use assets:				
Cost of sales	589	613	1,551	1,065
Distribution expenses	407	257	781	514
	996	870	2,332	1,579
Amortization of intangible assets:				
Administration and selling expenses	959	954	1,915	1,906
Total depreciation and amortization expense	6,268	5,872	12,497	11,594

5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Net change in fair value of interest rate swap (note 7)	-	65	-	131
Finance income	-	65	-	131
Interest expense on convertible unsecured subordinated debentures, including accretion expense ⁽¹⁾	2,102	2,073	4,140	4,171
Interest on revolving credit facility	1,644	1,829	3,356	3,529
Amortization of deferred financing fees	297	297	593	593
Other interest expense	159	156	577	832
Interest accretion on discounted lease obligations	181	214	413	391
Finance costs	4,383	4,569	9,079	9,516
Net finance costs recognized in net earnings	4,383	4,504	9,079	9,385

(1) Includes accretion expense of \$229 and \$452 for the three and six months ended April 3, 2021 (March 28, 2020 - \$217 and \$428, respectively)

6. Inventories:

During the three and six months ended April 3, 2021, inventories recognized as cost of goods sold amounted to \$188.5 million and \$375.9 million respectively (\$175.5 million and \$348.3 million respectively for the three and six months ended March 28, 2020).

Notes to unaudited condensed consolidated interim financial statements

(In thousands of dollars except as noted and amounts per share)

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 October 3, 2020 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three and six months ended April 3, 2021.

For its financial assets and liabilities measured at amortized cost as at April 3, 2021, 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.

As at April 3, 2021, October 3, 2020 and March 28, 2020, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	April 3, 2021		April 3, 2021	
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	33	-	-	140
Foreign exchange forward contracts	2,834	632	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	138	-	-	932
Interest rate swap	-	-	1,584	1,733
	3,005	632	1,584	2,805

	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	October 3, 2020				March 28, 2020			
Derivative financial instruments measured at fair value through profit or loss:								
Sugar futures contracts	8	95	-	-	-	-	86	40
Foreign exchange forward Contracts	2,521	63	-	-	-	-	940	1,499
Derivative financial instruments designated as effective cash flow hedging instruments:								
Natural gas futures contracts	87	-	-	1,662	-	-	2,013	3,517
Interest rate swap	-	-	1,458	5,271	-	-	719	4,665
	2,616	158	1,458	6,933	-	-	3,758	9,721

Notes to unaudited condensed consolidated interim financial statements

(In thousands of dollars except as noted and amounts per share)

7. Financial instruments (continued):

	Charged to cost of sales Unrealized gain / (loss)		Charged to finance income		For the three months ended Other comprehensive gain / (loss)	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
	Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	1,462	(2,825)	-	-	-	-
Foreign exchange forward contracts	1,320	(2,249)	-	-	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	15	-	-	1,216	(1,170)
Interest rate swap	-	-	-	65	3,017	(5,852)
	2,782	(5,059)	-	65	4,233	(7,022)

	Charged to cost of sales Unrealized gain / (loss)		Charged to finance income		For the six months ended Other comprehensive gain / (loss)	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
	Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	1,041	(337)	-	-	-	-
Foreign exchange forward contracts	5,714	(2,525)	-	-	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	22	-	-	781	(1,995)
Interest rate swap	-	-	-	131	3,414	(4,452)
	6,755	2,840	-	131	4,195	(6,447)

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at April 3, 2021 and March 28, 2020:

	April 3, 2021			March 28, 2020		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
Opening OCI	(865)	(7,513)	(8,378)	(2,751)	(1,740)	(4,491)
Income taxes	(289)	2,548	2,259	204	1,039	1,243
Opening OCI – net of income taxes	(1,154)	(4,965)	(6,119)	(2,547)	(701)	(3,248)
Change in fair value of derivatives designated as cash flow hedges	781	3,414	4,195	(1,973)	(4,321)	(6,294)
Amounts reclassified to net earnings	-	-	-	(22)	(131)	(153)
Income taxes	(200)	(875)	(1,075)	516	1,152	1,668
Ending OCI – net of income taxes	(573)	(2,426)	(2,999)	(4,026)	(4,001)	(8,027)

For the three and six months ended April 3, 2021, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Notes to unaudited condensed consolidated interim financial statements

(In thousands of dollars except as noted and amounts per share)

7. Financial instruments (continued):

Approximately \$1.1 million of net losses presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

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

Fiscal year contracted	Date	Total value \$
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
Fiscal 2020	February 24, 2020 to June 28, 2025 – 1.60%	20,000
Fiscal 2020	March 6, 2020 to June 28, 2021 – 1.08%	20,000
Fiscal 2020	June 28, 2021 to June 28, 2023 – 1.08%	10,000
Fiscal 2020	June 28, 2024 to June 28, 2025 – 1.18%	80,000

8. Revolving credit facility:

As a result of the amended revolving credit facility, the Additional Accordion Borrowings and the Additional TMTCC 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 April 3, 2021, a total of \$470.3 million of assets are pledged as security (October 3, 2020 - \$482.9 million; March 28, 2020 - \$426.6 million).

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

The following amounts were outstanding as of:

	April 3, 2021	October 3, 2020	March 28, 2020
Outstanding amount on revolving credit facility:			
Current	60,000	29,000	36,000
Non-current	165,000	165,000	165,000
	225,000	194,000	201,000

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

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:

	April 3, 2021	October 3, 2020	March 28, 2020
Current	3,145	3,981	3,020
Non-current	15,216	16,423	16,403
	18,361	20,404	19,423

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 and six months ended April 3, 2021.

The total cash outflow for leases (including interest) for the three and six months ended April 3, 2021 was \$1.0 million and \$2.9 million respectively, which was included as part of cash outflows from financing activities.

10. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	April 3, 2021	October 3, 2020	March 28, 2020
Sixth series	57,425	57,425	57,425
Seventh series	97,575	97,575	97,575
Total face value	155,000	155,000	155,000
Less deferred financing fees	(4,017)	(4,512)	(5,006)
Less equity component	(6,930)	(6,930)	(6,930)
Accretion expense on equity component	2,730	2,278	1,838
Total carrying value – non current	146,783	145,836	144,902

The fair value of the Sixth and Seventh series debentures as at April 3, 2021 were approximately \$159.5 million based on market quotes.

11. Share capital and other components of equity:

As of April 3, 2021, a total of 103,536,923 common shares (October 3, 2020 – 103,536,923; March 28, 2020 – 103,554,993) were outstanding.

The Company declared a quarterly dividend of \$0.09 per share amounting to the following for the six month period ending April 3, 2021 and March 28, 2020:

	April 3, 2021	March 28, 2020
Dividends	18,636	18,743

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		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Basic earnings per share:				
Net earnings	\$10,778	\$965	\$24,551	\$16,929
Weighted average number of shares outstanding	103,536,923	104,026,150	103,536,923	104,429,654
Basic earnings per share	\$0.10	\$0.01	\$0.24	\$0.16
Diluted earnings per share:				
Net earnings	\$10,778	\$965	\$24,551	\$16,929
Plus impact of convertible unsecured subordinated debentures	\$1,534	-	\$3,022	-
	\$12,312	\$965	\$27,573	\$16,929
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	103,536,923	104,026,150	103,536,923	104,429,654
Plus impact of convertible unsecured subordinated debentures	17,977,603	-	17,977,603	-
	121,514,526	104,026,150	121,514,526	104,429,654
Diluted earnings per share	\$0.10	\$0.01	\$0.23	\$0.16

For the three and six months ended April 3, 2021 and March 28, 2020, the share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. For the three and six months ended March 28, 2020, the unsecured subordinated debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

Notes to unaudited condensed consolidated interim financial statements

(In thousands of dollars except as noted and amounts per share)

13. Share-based compensation:

(A) EQUITY-SETTLED SHARE-BASED COMPENSATION:

The Company has reserved and set aside for issuance an aggregate of 6,000,000 common shares (October 3, 2020 and March 28, 2020 – 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 twenty percent 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.

For the three and six months ended April 3, 2021, no options were granted.

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 March 20, 2020, a total of 250,000 share options were granted at a price of \$4.28 per common share to an executive.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$24 and \$60 was recorded for the three and six month periods ended April 3, 2021 (an expense of \$41 and \$85 for the three and six month periods ended March 28, 2020).

The following tables summarize information about the Share Option Plan as of April 3, 2021:

Exercise price per option	Outstanding number of options at October 3, 2020	Options granted during the six month period	Options exercised during the six month period	Options forfeited during the six month period	Outstanding number of options at April 3, 2021	Weighted average remaining life	Number of options exercisable
\$4.28	250,000	-	-	-	250,000	8.96	50,000
\$4.59	830,000	-	-	-	830,000	4.14	830,000
\$4.68	563,500	-	-	-	563,500	8.66	112,700
\$5.58	447,175	-	-	-	447,175	7.67	178,870
\$5.61	80,000	-	-	-	80,000	0.96	80,000
\$6.23	1,005,322	-	-	(180,000)	825,322	6.67	495,193
\$6.51	360,000	-	-	-	360,000	5.67	288,000
\$4.28	3,535,997	-	-	(180,000)	3,355,997	n/a	2,034,763

Options outstanding held by key management personnel amounted to 2,915,997 options as at April 3, 2021 and 2,915,997 options as at October 3, 2020 (see note 15, Key management personnel).

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):

i) Performance Share Units ("PSU"):

Fiscal 2021 grant:

On December 7, 2020, a total of 491,412 PSUs were granted to certain executives and other members of the management team at a price of \$5.59. In addition, an aggregate of 7,842 PSUs at a weighted-average share price of \$5.64 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 PSUs. As at April 3, 2021, an aggregate of 499,254 PSUs was outstanding. These PSUs will vest at the end of the 2021-2023 performance cycle based on the achievement of total shareholder returns set by 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 \$664 and \$588 as at April 3, 2021. An expense of \$29 and an expense of \$67 was recorded for the three and six months period ending April 3, 2021 in administration and selling expenses. The liabilities arising from the PSUs as at April 3, 2021 were \$67.

Fiscal 2020 grant:

On December 2, 2019, a total of 324,932 PSUs were granted to certain executives and other members of the management team. In addition, an aggregate of 30,827 PSUs at a weighted-average share price of \$5.02 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 PSUs. As at April 3, 2021, an aggregate of 355,759 PSUs was outstanding. These PSUs will vest at the end of the 2020-2022 performance cycle based on the achievement of total shareholder returns set by the Board of Directors of the Company

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$64 and \$366 as at April 3, 2021. An expense of \$32 and an expense of \$114 was recorded for the three and six month periods ending April 3, 2021 (March 28, 2020 - a gain of \$2 and an expense of \$2) in administration and selling expenses. The liabilities arising from the PSUs as at April 3, 2021 were \$133. (October 3, 2020 - \$19, March 28, 2020 - \$2).

Fiscal 2019 grant:

On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company. In addition, an aggregate of 47,736 PSUs at a weighted-average share price of \$5.27 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 PSUs. As at April 3, 2021, an aggregate of 338,184 PSUs was outstanding. These PSUs will vest at the end of the 2019-2021 performance cycle.

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$308 and \$9 as at April 3, 2021 (October 3, 2020 - \$43, March 28, 2020 - \$7). A gain of \$28 and a gain of \$15 was recorded for the three and six month periods ending April 3, 2021 respectively (March 28, 2020 - a gain of \$1 and \$4 respectively) in administration and selling expenses. The liabilities arising from the PSUs as at April 3, 2021 were \$7 (October 3, 2020 - \$22, March 28, 2020 - \$3).

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

14. Supplementary cash flow information:

	April 3, 2021	March 28, 2020	October 3, 2020	September 28, 2019
Non-cash transactions:				
Additions of property, plant and equipment and intangibles included in trade and other payables	2,672	2,217	1,239	294
Additions to right-of-use assets	383	9,151	11,818	-

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		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Salaries and short-term benefits	587	787	1,338	1,537
Attendance fees for members of the Board of Directors	361	240	665	492
Post-retirement benefits	41	36	83	71
Share-based compensation	56	35	227	76
	1,045	1,098	2,313	2,176

16. Personnel expenses:

	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Wages, salaries and employee benefits	25,247	25,732	52,048	50,745
Expenses related to defined benefit plans	1,475	1,353	2,950	2,708
Expenses related to defined contributions plans	1,958	1,708	2,873	2,606
Share-based compensation	56	35	227	76
	28,736	28,828	58,098	56,135

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

	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Cost of sales	23,962	23,833	48,304	46,524
Administration and selling expenses	4,274	4,548	8,825	8,731
Distribution expenses	383	376	769	760
	28,619	28,757	57,898	56,015
Property, plant and equipment	117	71	200	120
	28,736	28,828	58,098	56,135

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 April 3, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	155,961	59,968	-	215,929
Cost of sales	129,538	54,940	-	184,478
Gross margin	26,423	5,028	-	31,451
Depreciation and amortization	4,611	1,657	-	6,268
Results from operating activities	17,584	2,122	(555)	19,151
Additions to property, plant and equipment and intangible assets, net of disposals	6,876	367	-	7,243
Additions to right-of-use assets	29	-	-	29

	For the six months ended April 3, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	315,419	124,350	-	439,769
Cost of sales	256,655	113,050	-	369,705
Gross margin	58,764	11,300	-	70,064
Depreciation and amortization	8,983	3,514	-	12,497
Results from operating activities	38,018	5,450	(985)	42,483
Additions to property, plant and equipment and intangible assets, net of disposals	12,965	478	-	13,443
Additions to right-of-use assets	383	-	-	383

	As at April 3, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	805,722	220,343	(165,760)	860,305
Total liabilities	(967,345)	(236,920)	622,126	(582,139)

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 months ended March 28, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	143,609	55,517	-	199,126
Cost of sales	126,945	52,791	-	179,736
Gross margin	16,664	2,726	-	19,390
Depreciation and amortization	4,211	1,661	-	5,872
Results from operating activities	7,470	(1,032)	(380)	6,058
Additions to property, plant and equipment and intangible assets, net of disposals	4,267	2,250	-	6,517
Additions to right-of-use assets	-	-	-	-

	For the six months ended March 28, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	298,424	110,018	-	408,442
Cost of sales	248,531	101,475	-	350,006
Gross margin	49,893	8,543	-	58,436
Depreciation and amortization	8,355	3,239	-	11,594
Results from operating activities	32,258	1,289	(738)	32,809
Additions to property, plant and equipment and intangible assets, net of disposals	7,231	5,109	-	12,340
Additions to right-of-use assets	1,338	7,813	-	9,151

	As at March 28, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	775,118	208,955	(166,688)	817,385
Total liabilities	(942,556)	(222,092)	621,049	(543,599)

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the six months ended	
	April 3, 2021	March 28, 2020	April 3, 2021	March 28, 2020
Canada	155,540	149,439	318,627	310,607
United States	42,643	31,049	82,074	61,404
Europe	6,168	9,867	16,317	19,321
Other	11,578	8,771	22,751	17,110
	215,929	199,126	439,769	408,442

Notes to unaudited condensed consolidated interim financial statements

(In thousands of dollars except as noted and amounts per share)

18. Subsequent event:

On April 30, 2021, Lantic issued a private placement of \$100 million in the form of senior guaranteed Notes under a note purchase agreement entered into with certain institutional investors. The Notes are guaranteed and rank pari pasu with our existing revolving credit facility. The Notes are due on April 30, 2031, bear interest at 3.49%, and interest will be payable semi-annually in arrears in equal installments on April 30th and October 30th of each year, commencing on October 30th, 2021 and will represent interest accrued from and including the date of issue of the Notes. The proceeds from the Private Placement was used to refinance existing credit facility indebtedness.