

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Three and nine months ended July 3, 2021 and June 27, 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 nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Revenues (note 18)	210,931	206,147	650,700	614,589
Cost of sales	180,867	176,274	550,572	526,280
Gross margin	30,064	29,873	100,128	88,309
Administration and selling expenses	10,726	11,818	28,280	28,548
Distribution expenses	4,276	5,683	14,303	14,580
	15,002	17,501	42,583	43,128
Results from operating activities	15,062	12,372	57,545	45,181
Finance income (note 5)	-	(66)	-	(197)
Finance costs (note 5)	5,345	4,213	14,424	13,729
Net finance costs (note 5)	5,345	4,147	14,424	13,532
Earnings before income taxes	9,717	8,225	43,121	31,649
Income tax expense (recovery):				
Current	2,458	541	10,713	8,845
Deferred	423	2,146	1,021	337
	2,881	2,687	11,734	9,182
Net earnings	6,836	5,538	31,387	22,467
Net earnings per share (note 13)				
Basic	0.07	0.05	0.30	0.22
Diluted	0.07	0.05	0.29	0.22

Condensed consolidated interim statements of comprehensive income	For the three months ended		For the nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net earnings	6,836	5,538	31,387	22,467
Other comprehensive (loss) income				
Items that may or may not be reclassified subsequently to net earnings:				
Cash flow hedges (note 7)	5,375	(979)	9,570	(7,426)
Income tax on other comprehensive (loss) income (note 7)	(1,377)	260	(2,452)	1,928
Foreign currency translation differences	(94)	(489)	(1,214)	579
	(3,910)	(1,208)	5,904	(4,919)
Net earnings and comprehensive (loss) income for the period	10,740	4,330	37,291	17,548

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)

	July 3, 2021	October 3, 2020	June 27, 2020
Assets			
Current assets:			
Cash	4,278	1,974	357
Trade and other receivables	74,722	94,262	83,289
Inventories (note 6)	224,717	180,792	195,033
Prepaid expenses	4,721	7,923	10,902
Income taxes receivable	-	2,042	-
Derivative financial instruments (note 7)	3,833	2,616	3,373
Total current assets	312,271	289,609	292,954
Non-current assets:			
Property, plant and equipment	239,806	230,385	225,677
Right-of-use assets	19,602	20,489	20,428
Intangible assets	28,914	31,666	32,688
Other assets	591	745	795
Deferred tax assets	27,339	31,085	24,059
Derivative financial instruments (note 7)	1,476	158	-
Goodwill	283,007	283,007	283,007
Total non-current assets	600,735	597,535	586,654
Total assets	913,006	887,144	879,608
Liabilities and Shareholder's Equity			
Current liabilities:			
Bank overdraft	-	2,797	449
Revolving credit facility (note 8)	20,000	29,000	25,000
Trade and other payables	123,522	131,089	138,756
Income taxes payable	2,407	-	3,452
Provisions	1,883	500	711
Lease obligations (note 9)	3,471	3,981	3,222
Derivative financial instruments (note 7)	1,649	1,458	3,161
Total current liabilities	152,932	168,325	174,751
Non-current liabilities:			
Revolving credit facility (note 8)	100,000	165,000	165,000
Senior guaranteed notes (note 10)	98,759	-	-
Employee benefits	60,228	59,212	53,085
Provisions	2,185	437	510
Derivative financial instruments (note 7)	1,373	6,933	9,712
Lease obligations (note 9)	16,010	16,423	17,003
Convertible unsecured subordinated debentures (note 11)	147,259	145,836	145,366
Deferred tax liabilities	53,989	54,287	45,421
Total non-current liabilities	479,803	448,128	436,097
Total liabilities	632,735	616,953	610,848
Shareholder's equity:			
Share capital (note 12)	100,139	99,452	99,452
Contributed surplus	300,864	300,794	300,753
Equity portion of convertible unsecured subordinated debentures (note 11)	5,085	5,085	5,085
Deficit	(113,412)	(116,831)	(120,464)
Accumulated other comprehensive (loss) income	(12,405)	(18,309)	(16,066)
Total shareholder's equity	280,271	270,191	268,760
Total liabilities and shareholder's equity	913,006	887,144	879,608

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 nine months ended July 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	-	-	-	-	-	-	-	31,387	31,387
Dividends (note 12)	-	-	-	-	-	-	-	(27,968)	(27,968)
Issuance of shares (note 12)	150,000	687	(14)	-	-	-	-	-	673
Share-based compensation (note 14)	-	-	84	-	-	-	-	-	84
Conversion of convertible debentures into common shares, (notes 11 and 12)	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	7,118	-	-	7,118
Translation of foreign operations	-	-	-	-	-	-	(1,214)	-	(1,214)
Balance, July 3, 2021	103,686,923	100,139	300,864	5,085	(12,983)	999	(421)	(113,412)	280,271

	For the nine months ended June 27, 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	-	-	-	-	-	-	-	22,467	22,467
Dividends (note 12)	-	-	-	-	-	-	-	(28,061)	(28,061)
Purchase and cancellation of shares (note 12)	(1,377,394)	(1,320)	-	-	-	-	-	(5,216)	(6,536)
Share-based compensation (note 14)	-	-	127	-	-	-	-	-	127
Conversion of convertible debentures into common shares, (notes 11 and 12)	28,853	250	-	-	-	-	-	-	250
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	(5,498)	-	-	(5,498)
Translation of foreign operations	-	-	-	-	-	-	579	-	579
Balance, June 27, 2020	103,536,923	99,452	300,753	5,085	(8,638)	(8,746)	1,318	(120,464)	268,760

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 nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cash flows from operating activities:				
Net earnings	6,836	5,538	31,387	22,467
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets (note 4)	5,329	4,764	15,911	14,452
Amortization of intangible assets (note 4)	955	956	2,870	2,862
Changes in fair value of derivative financial instruments included in cost of sales	1,726	(4,891)	1,029	(2,069)
Income tax expense	2,881	2,687	11,734	9,182
Pension contributions	(2,903)	(2,695)	(7,975)	(7,154)
Pension expense	3,169	3,118	8,992	8,429
Net finance costs (note 5)	5,345	4,147	14,424	13,532
Share-based compensation – equity settled (note 14)	24	42	84	127
Share-based compensation – cash settled (note 14)	63	26	229	17
Gain on disposal of property, plant and equipment	-	(7)	(86)	(13)
Other	-	-	-	-
	23,425	13,685	78,599	61,832
Changes in:				
Trade and other receivables	4,090	6,559	19,465	2,578
Inventories	(52,182)	(60,967)	(44,203)	(12,436)
Prepaid expenses	2,810	(2,928)	3,202	(6,735)
Trade and other payables	52,234	69,978	(8,045)	17,457
Provisions	39	(2)	-	(576)
	6,991	12,640	(29,581)	288
Cash flows from operating activities	30,416	26,325	49,018	62,120
Interest paid	(5,448)	(1,349)	(13,013)	(9,601)
Income taxes paid	(216)	3,433	(6,290)	(3,401)
Net cash from operating activities	24,752	28,409	29,715	49,118
Cash flows (used in) from financing activities:				
Dividends paid (note 12)	(9,332)	(9,320)	(27,968)	(28,183)
Increase (decrease) in bank overdraft	-	(1,661)	(2,797)	(7,876)
Increase (decrease) in revolving credit facility (note 8)	(105,000)	(11,000)	(74,000)	13,000
Payment of financing fees	-	-	-	(16)
Payment of lease obligations (note 9)	(1,344)	(1,025)	(4,256)	(3,088)
Net proceeds from senior guaranteed notes (note 10)	98,740	-	98,740	-
Issuance of shares (notes 12 and 14)	673	-	673	-
Purchase and cancellation of shares (note 12)	-	(80)	-	(6,536)
Cash flow (used in) from financing activities	(16,263)	(23,086)	(9,608)	(32,699)
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(5,689)	(6,110)	(17,513)	(16,521)
Additions to intangible assets	-	-	(272)	-
Cash flow used in investing activities	(5,689)	(6,110)	(17,785)	(16,521)
Effect of changes in exchange rate on cash	1	(258)	(18)	175
Net (decrease) increase in cash	2,801	(1,045)	2,304	73
Cash, beginning of period	1,477	1,402	1,974	284
Cash, end of period	4,278	357	4,278	357

Supplemental cash flow information (note 15)

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 nine month periods ended July 3, 2021 and June 27, 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 August 4, 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,
- (iv) assets and liabilities acquired in business combinations are measured at fair value at acquisition date, less any subsequent impairment, if applicable; and,
- (v) lease obligations which are measured at the present value of minimum lease liabilities in accordance with IFRS 16 *Leases*.

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 July 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 nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Depreciation of property, plant and equipment:				
Cost of sales	4,129	3,751	11,921	11,597
Administration and selling expenses	(36)	135	422	398
	4,093	3,886	12,343	11,995
Depreciation of right-of-use assets:				
Cost of sales	582	611	2,133	1,676
Distribution expenses	654	267	1,435	781
	1,236	878	3,568	2,457
Amortization of intangible assets:				
Administration and selling expenses	955	956	2,870	2,862
Total depreciation and amortization expense	6,284	5,720	18,781	17,314

5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended		For the nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net change in fair value of interest rate swap (note 7)	-	66	-	197
Finance income	-	66	-	197
Interest expense on convertible unsecured subordinated debentures, including accretion expense ⁽¹⁾	2,101	2,114	6,241	6,285
Interest on revolving credit facility	1,314	1,461	4,670	4,990
Interest on senior guaranteed notes	612	-	612	-
Amortization of deferred financing fees	316	297	909	890
Other interest expense	150	121	727	953
Interest accretion on discounted lease obligations	241	220	654	611
Net change in fair value of interest rate swap (note 7)	611	-	611	-
Finance costs	5,345	4,147	14,424	13,532
Net finance costs recognized in net earnings	5,345	4,147	14,424	13,532

(1) Includes accretion expense of \$229 and \$681 for the three and nine months ended July 3, 2021 (June 27, 2020 - \$217 and \$645, respectively)

6. Inventories:

During the three and nine months ended July 3, 2021, inventories recognized as cost of goods sold amounted to \$185.0 million and \$560.9 million respectively (\$180.2 million and \$528.5 million respectively for the three and nine months ended June 27, 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 nine months ended July 3, 2021.

For its financial assets and liabilities measured at amortized cost as at July 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 July 3, 2021, October 3, 2020 and June 27, 2020, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	July 3, 2021		July 3, 2021	
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	186	-	-	165
Foreign exchange forward contracts	1,187	424	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	2,460	1,052	-	-
Interest rate swap	-	-	1,649	1,208
	3,833	1,476	1,649	1,373

	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	October 3, 2020				June 27, 2020			
Derivative financial instruments measured at fair value through profit or loss:								
Sugar futures contracts	8	95	-	-	-	-	45	218
Foreign exchange forward Contracts	2,521	63	-	-	3,373	-	-	579
Derivative financial instruments designated as effective cash flow hedging instruments:								
Natural gas futures contracts	87	-	-	1,662	-	-	1,590	3,283
Interest rate swap	-	-	1,458	5,271	-	-	1,526	5,632
	2,616	158	1,458	6,933	3,373	-	3,161	9,712

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 (costs)		For the three months ended Other comprehensive gain / (loss)	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	(489)	1,302	-	-	-	-
Foreign exchange forward contracts	(75)	3,079	-	-	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	49	-	-	4,306	608
Interest rate swap	-	-	(611)	66	1,069	(1,587)
	(564)	4,430	(611)	66	5,375	(979)

	Charged to cost of sales Unrealized gain / (loss)		Charged to finance income (costs)		For the nine months ended Other comprehensive gain / (loss)	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	552	965	-	-	-	-
Foreign exchange forward contracts	5,639	554	-	-	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	71	-	-	5,087	(1,387)
Interest rate swap	-	-	(611)	197	4,483	(6,039)
	6,191	1,590	(611)	197	9,570	(7,426)

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at July 3, 2021 and June 27, 2020:

	July 3, 2021			June 27, 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	5,087	5,296	10,383	(1,316)	(5,842)	(7,158)
Amounts reclassified to net earnings	-	(813)	(813)	(71)	(197)	(268)
Income taxes	(1,303)	(1,149)	(2,452)	360	1,568	1,928
Ending OCI – net of income taxes	2,630	(1,631)	999	(3,574)	(5,172)	(8,746)

For the three and nine months ended July 3, 2021, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings, except for \$60,000 of interest rate swap agreements that became ineffective following the issuance of senior guaranteed notes which caused \$813 to be derecognized from OCI and the recognition of \$611 of expense in finance costs.

Notes to unaudited condensed consolidated interim financial statements

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

7. Financial instruments (continued):

Approximately \$0.6 million of net gains 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	June 28, 2021 to June 28, 2023 – 1.08%	20,000
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 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 July 3, 2021, a total of \$519.7 million of assets are pledged as security (October 3, 2020 - \$482.9 million; June 27, 2020 - \$481.0 million).

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

The following amounts were outstanding as of:

	July 3, 2021	October 3, 2020	June 27, 2020
Outstanding amount on revolving credit facility:			
Current	20,000	29,000	25,000
Non-current	100,000	165,000	165,000
	120,000	194,000	190,000

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:

	July 3, 2021	October 3, 2020	June 27, 2020
Current	3,471	3,981	3,222
Non-current	16,010	16,423	17,003
	19,481	20,404	20,225

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 nine months ended July 3, 2021.

The total cash outflow for leases (including interest) for the three and nine months ended July 3, 2021 was \$1.3 million and \$4.3 million respectively, which was included as part of cash outflows from financing activities.

10. Senior guaranteed notes:

During the third quarter, the Company issued a private placement of \$100 million in the form of senior guaranteed notes ("Notes") under a note purchase agreement entered into with certain institutional investors. The Company has incurred \$1,260 of financing fees which have been deducted from net proceeds. The Notes are guaranteed and rank pari passu 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 net proceeds from the private placement was used to refinance existing credit facility indebtedness.

The Notes are classified and measured at amortized cost, using the effective interest method. The Company must comply with certain financial covenants related to these Notes on a quarterly basis. The Company was in compliance with the financial covenants at quarter end.

11. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	July 3, 2021	October 3, 2020	June 27, 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	(3,770)	(4,512)	(4,759)
Less equity component	(6,930)	(6,930)	(6,930)
Accretion expense on equity component	2,959	2,278	2,055
Total carrying value – non current	147,259	145,836	145,366

The fair value of the Sixth and Seventh series debentures as at July 3, 2021 were approximately \$160.5 million based on market quotes.

Notes to unaudited condensed consolidated interim financial statements

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

12. Share capital and other components of equity:

As of July 3, 2021, a total of 103,686,923 common shares (October 3, 2020 and June 27, 2020 – 103,536,923) were outstanding.

During the third quarter, 150,000 stock options have been exercised for a net proceeds of \$673 and reversal of previously recognized share-based compensation recorded in contributed surplus of \$14 (note 14).

The Company declared a quarterly dividend of \$0.09 per share during the nine-month period ending July 3, 2021 and June 27, 2020:

	July 3, 2021	June 27, 2020
Dividends	27,968	28,061

13. Earnings per share:

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

	For the three months ended		For the nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Basic earnings per share:				
Net earnings	6,836	5,538	31,387	22,467
Weighted average number of shares outstanding	103,558,545	103,537,320	103,545,114	104,131,116
Basic earnings per share	0.07	0.05	0.30	0.22
Diluted earnings per share:				
Net earnings	6,836	5,538	31,387	22,467
Plus impact of convertible unsecured subordinated debentures	-	-	3,712	-
	6,836	5,538	35,099	22,467
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	103,558,545	103,537,320	103,545,114	104,131,116
Plus impact of convertible unsecured subordinated debentures	-	-	17,977,603	-
	103,558,545	103,537,320	121,522,717	104,131,116
Diluted earnings per share	0.07	0.05	0.29	0.22

For the three and nine months ended July 3, 2021 and June 27, 2020, the share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. For the three and nine months ended June 27, 2020 and for the three months ended July 3, 2021, 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)

14. 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 June 27, 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 nine months ended July 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.

Total share-based compensation expense is amortized over the service period and included in administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$24 and \$84 was recorded for the three and nine month periods ended July 3, 2021 (an expense of \$42 and \$127 for the three and nine month periods ended June 27, 2020).

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

Exercise price per option	Outstanding number of options at October 3, 2020	Options granted during the nine month period	Options exercised during the nine month period	Options forfeited during the nine month period	Outstanding number of options at July 3, 2021	Weighted average remaining life	Number of options exercisable
\$4.28	250,000	-	(50,000)	-	200,000	8.71	-
\$4.59	830,000	-	(100,000)	-	730,000	3.89	730,000
\$4.68	563,500	-	-	-	563,500	8.41	112,700
\$5.58	447,175	-	-	-	447,175	7.42	178,870
\$5.61	80,000	-	-	-	80,000	0.71	80,000
\$6.23	1,005,322	-	-	(180,000)	825,322	6.42	495,193
\$6.51	360,000	-	-	-	360,000	5.42	288,000
	3,535,997	-	(150,000)	(180,000)	3,205,997	n/a	1,884,763

Options outstanding held by key management personnel amounted to 2,765,997 options as at July 3, 2021 and 2,915,997 options as at October 3, 2020 (see note 16, Key management personnel).

Notes to unaudited condensed consolidated interim financial statements

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

14. Share-based compensation (continued):

(B) CASH-SETTLED SHARE-BASED COMPENSATION-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 15,938 PSUs at a weighted-average share price of \$5.60 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 July 3, 2021, an aggregate of 507,350 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 \$819 as at July 3, 2021. An expense of \$28 and an expense of \$95 was recorded for the three and nine months period ending July 3, 2021 in administration and selling expenses. The liabilities arising from the PSUs as at July 3, 2021 were \$95.

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 36,069 PSUs at a weighted-average share price of \$5.11 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 July 3, 2021, an aggregate of 361,001 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 \$484 as at July 3, 2021. An expense of \$42 and an expense of \$156 was recorded for the three and nine month periods ending July 3, 2021 (June 27, 2020 – an expense of \$12 and an expense of \$14 respectively) in administration and selling expenses. The liabilities arising from the PSUs as at July 3, 2021 were \$175 (October 3, 2020 - \$19, June 27, 2020 - \$14).

Fiscal 2019 grant:

On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company. In addition, an aggregate of 53,220 PSUs at a weighted-average share price of \$5.34 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 July 3, 2021, an aggregate of 343,668 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 \$nil as at July 3, 2021 (October 3, 2020 - \$43, June 27, 2020 - \$37). A gain of \$7 and a gain of \$22 was recorded for the three and nine month periods ending July 3, 2021 respectively (June 27, 2020 – an expense of \$13 and \$9 respectively) in administration and selling expenses. The liabilities arising from the PSUs as at July 3, 2021 were \$nil (October 3, 2020 – \$22, June 27, 2020 - \$16).

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

15. Supplementary cash flow information:

	For the nine months ended		For the year ended	
	July 3, 2021	June 27, 2020	October 3, 2020	September 28, 2019
Non-cash transactions:				
Additions of property, plant and equipment and intangibles included in trade and other payables	2,273	1,969	1,239	294
Increase in asset retirement obligation provision included in property, plant and equipment	3,131	100	100	70
Additions to right-of-use assets	2,681	10,766	11,818	-

16. 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 nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Salaries and short-term benefits	1,137	1,607	2,475	3,144
Attendance fees for members of the Board of Directors	92	242	757	734
Post-retirement benefits	35	46	117	117
Share-based compensation	86	68	313	144
	1,350	1,963	3,662	4,139

17. Personnel expenses:

	For the three months ended		For the nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Wages, salaries and employee benefits	25,552	25,276	77,601	76,024
Expenses related to defined benefit plans	1,300	1,298	4,250	4,003
Expenses related to defined contributions plans	1,870	1,820	4,742	4,426
Share-based compensation	86	68	313	144
	28,808	28,462	86,906	84,597

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 nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of sales	22,556	22,212	70,859	68,736
Administration and selling expenses	5,718	5,727	14,543	14,458
Distribution expenses	448	418	1,218	1,178
	28,722	28,357	86,620	84,372
Property, plant and equipment	86	105	286	225
	28,808	28,462	86,906	84,597

Notes to unaudited condensed consolidated interim financial statements

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

18. 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 July 3, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	161,237	49,694	-	210,931
Cost of sales	134,643	46,224	-	180,867
Gross margin	26,594	3,470	-	30,064
Depreciation and amortization	4,461	1,823	-	6,284
Results from operating activities	15,040	378	(356)	15,062
Additions to property, plant and equipment and intangible assets, net of disposals	5,215	247	-	5,462
Increase in asset retirement obligation provision included in property, plant and equipment	3,131	-	-	3,131
Additions to right-of-use assets	1,475	823	-	2,298

	For the nine months ended July 3, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	476,656	174,044	-	650,700
Cost of sales	391,298	159,274	-	550,572
Gross margin	85,358	14,770	-	100,128
Depreciation and amortization	13,444	5,337	-	18,781
Results from operating activities	53,058	5,828	(1,341)	57,545
Additions to property, plant and equipment and intangible assets, net of disposals	18,180	725	-	18,905
Increase in asset retirement obligation provision included in property, plant and equipment	3,131	-	-	3,131
Additions to right-of-use assets	1,858	823	-	2,681

	As at July 3, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	819,040	259,687	(165,721)	913,006
Total liabilities	(977,359)	(278,374)	622,998	(632,735)

Notes to unaudited condensed consolidated interim financial statements

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

18. Segmented information (continued):

	For the three months ended June 27, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	144,173	61,974	-	206,147
Cost of sales	121,176	55,098	-	176,274
Gross margin	22,997	6,876	-	29,873
Depreciation and amortization	4,056	1,664	-	5,720
Results from operating activities	9,533	3,227	(388)	12,372
Additions to property, plant and equipment and intangible assets, net of disposals	4,986	882	-	5,868
Increase in asset retirement obligation provision included in property, plant and equipment	100	-	-	100
Additions to right-of-use assets	1,615	-	-	1,615

	For the nine months ended June 27, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	442,597	171,992	-	614,589
Cost of sales	369,707	156,573	-	526,280
Gross margin	72,890	15,419	-	88,309
Depreciation and amortization	12,411	4,903	-	17,314
Results from operating activities	41,791	4,516	(1,126)	45,181
Additions to property, plant and equipment and intangible assets, net of disposals	12,217	5,991	-	18,208
Increase in asset retirement obligation provision included in property, plant and equipment	100	-	-	100
Additions to right-of-use assets	2,953	7,813	-	10,766

	As at June 27, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	778,963	266,291	(165,646)	879,608
Total liabilities	(951,535)	(279,675)	620,362	(610,848)

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the nine months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Canada	158,721	143,888	477,349	454,495
United States	38,332	39,008	120,405	100,412
Europe	7,030	12,924	23,347	32,245
Other	6,848	10,327	29,599	27,437
	210,931	206,147	650,700	614,589