

Unaudited condensed consolidated interim financial statements of

## **ROGERS SUGAR INC.**

Three months ended January 2, 2021 and December 28, 2019

(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>	<b>For the three months ended</b>	
	<b>January 2, 2021</b>	December 28, 2019
Revenues (note 17)	\$ 223,840	\$ 209,316
Cost of sales	185,227	170,270
Gross margin	38,613	39,046
Administration and selling expenses	9,598	8,270
Distribution expenses	5,683	4,025
	15,281	12,295
Results from operating activities	23,332	26,751
Finance income (note 5)	-	(66)
Finance costs (note 5)	4,696	4,947
Net finance costs (note 5)	4,696	4,881
Earnings before income taxes	18,636	21,870
Income tax expense (recovery):		
Current	4,776	5,430
Deferred	87	476
	4,863	5,906
Net earnings	\$ 13,773	\$ 15,964
Net earnings per share (note 12)		
Basic	\$ 0.13	\$ 0.15
Diluted	\$ 0.13	\$ 0.14

<i>Condensed consolidated interim statements of comprehensive income</i>	<b>For the three months ended</b>	
	<b>January 2, 2021</b>	December 28, 2019
Net earnings	\$ 13,773	\$ 15,964
Other comprehensive income (loss)		
Items that may or may not be reclassified subsequently to net earnings:		
Cash flow hedges (note 7)	(38)	575
Income tax on other comprehensive gain (loss) (note 7)	10	(149)
Foreign currency translation differences	(901)	(247)
	(929)	179
Net earnings and comprehensive income for the period	\$ 12,844	\$ 16,143

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)

	January 2, 2021	October 3, 2020	December 28, 2019
<b>Assets</b>			
Current assets:			
Cash	\$ 9,808	\$ 1,974	\$ 2,607
Trade and other receivables	82,597	94,262	89,642
Inventories (note 6)	189,619	180,792	166,694
Prepaid expenses	6,696	7,923	4,091
Income taxes receivable	1,460	2,042	908
Derivative financial instruments (note 7)	5,250	2,616	1,301
<b>Total current assets</b>	<b>295,430</b>	<b>289,609</b>	<b>265,243</b>
Non-current assets:			
Property, plant and equipment	232,550	230,385	221,104
Right-of-use assets	19,507	20,489	20,537
Intangible assets	30,808	31,666	34,446
Other assets	695	745	895
Deferred tax assets	30,742	31,085	19,571
Derivative financial instruments (note 7)	1,047	158	-
Goodwill	283,007	283,007	283,007
<b>Total non-current assets</b>	<b>598,356</b>	<b>597,535</b>	<b>579,560</b>
<b>Total assets</b>	<b>\$ 893,786</b>	<b>\$ 887,144</b>	<b>\$ 844,803</b>
<b>Liabilities and Shareholder's Equity</b>			
Current liabilities:			
Bank overdraft	\$ -	\$ 2,797	\$ 1,554
Revolving credit facility (note 8)	60,000	29,000	33,000
Trade and other payables	106,797	131,089	98,066
Income taxes payable	-	-	-
Provisions	431	500	602
Lease obligations (note 9)	3,635	3,981	3,053
Derivative financial instruments (note 7)	1,961	1,458	1,102
<b>Total current liabilities</b>	<b>172,824</b>	<b>168,325</b>	<b>137,377</b>
Non-current liabilities:			
Revolving credit facility (note 8)	165,000	165,000	155,000
Employee benefits	59,512	59,212	52,073
Provisions	437	437	819
Derivative financial instruments (note 7)	6,377	6,933	3,413
Lease obligations (note 9)	15,567	16,423	17,162
Convertible unsecured subordinated debentures (note 10)	146,307	145,836	144,438
Deferred tax liabilities	54,009	54,287	43,138
<b>Total non-current liabilities</b>	<b>447,209</b>	<b>448,128</b>	<b>416,043</b>
<b>Total liabilities</b>	<b>\$ 620,033</b>	<b>\$ 616,953</b>	<b>\$ 553,420</b>
Shareholder's equity:			
Share capital (note 11)	99,452	99,452	100,567
Contributed surplus	300,830	300,794	300,670
Equity portion of convertible unsecured subordinated debentures (note 10)	5,085	5,085	5,085
Deficit	(112,376)	(116,831)	(103,971)
Accumulated other comprehensive (loss) income	(19,238)	(18,309)	(10,968)
<b>Total shareholder's equity</b>	<b>273,753</b>	<b>270,191</b>	<b>291,383</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 893,786</b>	<b>\$ 887,144</b>	<b>\$ 844,803</b>

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

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of changes in shareholders' equity

(In thousands of dollars except number of shares)

	For the three months ended January 2, 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	-	-	-	-	-	-	-	13,773	13,773
Dividends (note 11)	-	-	-	-	-	-	-	(9,318)	(9,318)
Purchase and cancellation of shares (note 11)	-	-	-	-	-	-	-	-	-
Share-based compensation (note 13)	-	-	36	-	-	-	-	-	36
Conversion of convertible debentures into common shares, (notes 10 and 11)	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of tax (note 7)	-	-	-	-	-	(28)	-	-	(28)
Translation of foreign operations	-	-	-	-	-	-	(901)	-	(901)
Balance, January 2, 2021	103,536,923	99,452	300,830	5,085	(12,983)	(6,147)	(108)	(112,376)	273,753

  

	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

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	
	January 2, 2021	December 28, 2019
Cash flows from operating activities:		
Net earnings	\$ 13,773	\$ 15,964
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (note 4)	5,273	4,770
Amortization of intangible assets (note 4)	956	952
Changes in fair value of derivative financial instruments included in cost of sales	(3,576)	(486)
Income tax expense	4,863	5,906
Pension contributions	(2,090)	(1,988)
Pension expense	2,390	2,251
Net finance costs (note 5)	4,696	4,881
Share-based compensation – equity settled (note 13)	36	44
Share-based compensation – cash settled (note 13)	-	(3)
Gain on disposal of property, plant and equipment	(55)	(6)
	<b>26,266</b>	32,285
Changes in:		
Trade and other receivables	11,590	(3,841)
Inventories	(9,105)	15,590
Prepaid expenses	1,226	71
Trade and other payables	(24,637)	(22,923)
Provisions	(69)	(276)
	<b>(20,995)</b>	(11,379)
Cash flows from operating activities	<b>5,271</b>	20,906
Interest paid	(5,810)	(2,450)
Income taxes paid	(4,185)	(4,346)
Net cash from operating activities	<b>(4,724)</b>	14,110
Cash flows (used in) from financing activities:		
Dividends paid (note 11)	(9,318)	(9,440)
Decrease in bank overdraft	(2,797)	(6,771)
Increase in revolving credit facility (note 8)	31,000	11,000
Payment of financing fees	-	(16)
Payment of lease obligations (note 9)	(1,902)	(1,029)
Purchase and cancellation of shares (note 11)	-	(1,063)
Cash flow (used in) from financing activities	<b>16,983</b>	(7,319)
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	(4,147)	(4,349)
Additions to intangible assets	(234)	-
Cash flow used in investing activities	<b>(4,381)</b>	(4,349)
Effect of changes in exchange rate on cash	(44)	(119)
Net increase in cash	<b>7,834</b>	2,323
Cash, beginning of period	1,974	284
Cash, end of period	<b>\$ 9,808</b>	\$ 2,607

Supplemental cash flow information (note 14)

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

# ROGERS SUGAR INC.

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

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## 1. Reporting entity:

Rogers Sugar Inc. (“Rogers” or the “Company”) is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The unaudited condensed consolidated interim financial statements of Rogers for the three month periods ended January 2, 2021 and December 28, 2019 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 February 2, 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.

## 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.

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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 not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the period ended January 2, 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:

- (i) Annual Improvements to IFRS Standards 2018-2020
- (ii) Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
- (iii) Reference to the Conceptual Framework (Amendments to IFRS 3)
- (iv) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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.

### 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	
	January 2, 2021	December 28, 2019
	\$	\$
Depreciation of property, plant and equipment:		
Cost of sales	3,796	3,930
Administration and selling expenses	141	132
	3,937	4,062
Depreciation of right-of-use assets:		
Cost of sales	962	451
Distribution expenses	374	257
	1,336	708
Amortization of intangible assets:		
Administration and selling expenses	956	952
Total depreciation and amortization expense	6,229	5,722



# ROGERS SUGAR INC.

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

## 5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended	
	January 2, 2021	December 28, 2019
	\$	\$
Net change in fair value of interest rate swap (note 7)	-	66
Finance income	-	66
Interest expense on convertible unsecured subordinated debentures, including accretion expense <sup>(1)</sup>	2,038	2,098
Interest on revolving credit facility	1,712	1,700
Other interest expense	418	676
Amortization of deferred financing fees	296	296
Interest accretion on discounted lease obligations	232	177
Finance costs	4,696	4,947
Net finance costs recognized in net earnings	4,696	4,881

(1) Includes accretion expense of \$223 for the three months ended January 2, 2021 (December 28, 2019 - \$211)

## 6. Inventories:

During the three months ended January 2, 2021, inventories recognized as cost of goods sold amounted to \$187.4 million (\$172.8 million for the three months ended December 28, 2019).

## 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 months ended January 2, 2021.

For its financial assets and liabilities measured at amortized cost as at January 2, 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.

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

## 7. Financial instruments (continued):

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 January 2, 2021, October 3, 2020 and December 28, 2019, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	January 2, 2021		January 2, 2021	
	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	11	410	-	-
Foreign exchange forward contracts	5,239	637	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	-	-	392	1,619
Interest rate swap	-	-	1,569	4,758
	<b>5,250</b>	<b>1,047</b>	<b>1,961</b>	<b>6,377</b>

	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	October 3, 2020				December 28, 2019			
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>								
Sugar futures contracts	8	95	-	-	75	-	-	30
Foreign exchange forward Contracts	2,521	63	-	-	849	-	-	108
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>								
Natural gas futures contracts	87	-	-	1,662	377	-	1,102	3,273
Interest rate swap	-	-	1,458	5,271	-	-	-	2
	<b>2,616</b>	<b>158</b>	<b>1,458</b>	<b>6,933</b>	<b>1,301</b>	<b>-</b>	<b>1,102</b>	<b>3,413</b>

# ROGERS SUGAR INC.

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

## 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)	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	(421)	2,488	-	-	-	-
Foreign exchange forward contracts	4,394	(276)	-	-	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	-	7	-	-	(435)	(825)
Interest rate swap	-	-	-	66	397	1,400
	<b>3,973</b>	<b>2,219</b>	<b>-</b>	<b>66</b>	<b>(38)</b>	<b>575</b>

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at January 2, 2021 and December 28, 2019:

	January 2, 2021			December 28, 2019		
	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	(435)	397	(38)	(818)	1,466	648
Amounts reclassified to net earnings	-	-	-	(7)	(66)	(73)
Income taxes	112	(102)	10	214	(363)	(149)
Ending OCI – net of income taxes	(1,477)	(4,670)	(6,147)	(3,158)	336	(2,822)

For the three months ended January 2, 2021, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately \$1.5 million of net losses presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

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

## 7. Financial instruments (continued):

The aggregate notional amount of the all 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 January 2, 2021, a total of \$485.7 million of assets are pledged as security (October 3, 2020 - \$482.9 million; December 28, 2019 - \$423.2 million).

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

The following amounts were outstanding as of:

	January 2, 2021	October 3, 2020	December 28, 2019
	\$	\$	\$
Outstanding amount on revolving credit facility:			
Current	60,000	29,000	33,000
Non-current	165,000	165,000	155,000
	225,000	194,000	188,000

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

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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 follows:

	January 2, 2021	October 3, 2020	December 28, 2019
	\$	\$	\$
Current	3,635	3,981	3,053
Non-current	15,567	16,423	17,162
	19,202	20,404	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 January 2, 2021.

The total cash outflow for leases (including interest) for the three months ended January 2, 2021 was \$1.9 million, which was included as part of cash outflows from financing activities.

## 10. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	January 2, 2021	October 3, 2020	December 28, 2019
	\$	\$	\$
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	(4,265)	(4,512)	(5,253)
Less equity component	(6,930)	(6,930)	(6,930)
Accretion expense on equity component	2,502	2,278	1,621
Total carrying value – non current	146,307	145,836	144,438

The fair value of the Sixth and Seventh series debentures as at January 2, 2021 were approximately \$157.6 million based on market quotes.

# ROGERS SUGAR INC.

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

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

As of January 2, 2021, a total of 103,536,923 common shares (October 3, 2020 – 103,536,923; December 28, 2019 – 104,701,023) were outstanding.

The Company declared a quarterly dividend of \$0.09 per share amounting to the following for the three month period ending January 2, 2021 and December 28, 2019:

	January 2, 2021	December 28, 2019
	\$	\$
Dividends	9,318	9,423

## 12. Earnings per share:

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

	For the three months ended	
	January 2, 2021	December 28, 2019
Basic earnings per share:		
Net earnings	13,773	15,964
Weighted average number of shares outstanding	103,536,923	104,822,645
Basic earnings per share	0.13	0.15
Diluted earnings per share:		
Net earnings	13,773	15,964
Plus impact of convertible unsecured subordinated debentures and share options	1,488	1,531
	15,261	17,495
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	103,536,923	104,822,645
Plus impact of convertible unsecured subordinated debentures and share options	17,977,603	17,977,603
	121,514,526	122,800,248
Diluted earnings per share	0.13	0.14

For the three months ended January 2, 2021 and December 28, 2019, the share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

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## 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 (October 3, 2020 and December 28, 2019 – 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 months ended January 2, 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.

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 \$36 was recorded for the three months period ended January 2, 2021 (an expense of \$44 for the three months ended December 28, 2019).

The following tables summarize information about the Share Option Plan as of January 2, 2021:

Exercise price per option	Outstanding number of options at October 3, 2020	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 January 2, 2021	Weighted average remaining life	Number of options exercisable
\$4.28	250,000	-	-	-	250,000	9.22	-
\$4.59	830,000	-	-	-	830,000	4.39	830,000
\$4.68	563,500	-	-	-	563,500	8.92	112,700
\$5.58	447,175	-	-	-	447,175	7.92	178,870
\$5.61	80,000	-	-	-	80,000	1.21	80,000
\$6.23	1,005,322	-	-	-	1,005,322	6.92	603,193
\$6.51	360,000	-	-	-	360,000	5.93	288,000
	3,535,997	-	-	-	3,535,997	n/a	2,092,763

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

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

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

#### 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. 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 and January 2, 2021 was \$664. An expense of \$38 was recorded for the three months period ending January 2, 2021 in administration and selling expenses. The liabilities arising from the PSUs as at January 2, 2021 were \$38.

##### 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 24,728 PSUs at a weighted-average share price of \$4.87 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 January 2, 2021, an aggregate of 349,660 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.



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

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

#### i) Performance Share Units (“PSU”) (continued):

##### Fiscal 2020 grant (continued):

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$64 and \$356 as at January 2, 2021 (October 3, 2020 - \$89). An expense of \$82 was recorded for the three months period ending January 2, 2021 (December 28, 2019 - \$4) in administration and selling expenses. The liabilities arising from the PSUs as at January 2, 2021 were \$101 (October 3, 2020 - \$19).

##### Fiscal 2019 grant:

On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company. In addition, an aggregate of 42,423 PSUs at a weighted-average share price of \$5.28 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 January 2, 2021, an aggregate of 332,871 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 \$56 as at January 2, 2021 (October 3, 2020 - \$43). An expense of \$13 was recorded for the three months period ending January 2, 2021 (December 28, 2019 – gain of \$3) in administration and selling expenses. The liabilities arising from the PSUs as at January 2, 2021 were \$35 (October 3, 2020 - \$22).

## 14. Supplementary cash flow information:

	January 2, 2021	December 28, 2019	October 3, 2020	September 28, 2019
Non-cash transactions:	\$	\$	\$	\$
Additions of property, plant and equipment and intangibles included in trade and other payables	3,058	1,768	1,239	294
Additions to right-of-use assets	354	9,151	11,818	-

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## 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	
	January 2, 2021	December 28, 2019
	\$	\$
Salaries and short-term benefits	751	750
Fees for members of the Board of Directors	304	252
Post-retirement benefits	41	36
Share-based compensation	170	42
	<b>1,266</b>	<b>1,080</b>

## 16. Personnel expenses:

	For the three months ended	
	January 2, 2021	December 28, 2019
	\$	\$
Wages, salaries and employee benefits	26,800	25,013
Expenses related to defined benefit plans	1,475	1,355
Expenses related to defined contributions plans	915	898
Share-based compensation	170	41
	<b>29,360</b>	<b>27,307</b>

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	
	January 2, 2021	December 28, 2019
	\$	\$
Cost of sales	24,339	22,692
Administration and selling expenses	4,550	4,182
Distribution expenses	387	384
	<b>29,276</b>	<b>27,258</b>
Property, plant and equipment	83	49
	<b>29,360</b>	<b>27,307</b>

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Notes to unaudited condensed consolidated interim financial statements  
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## 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 January 2, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	159,459	64,381	-	223,840
Cost of sales	127,117	58,110	-	185,227
Gross margin	32,342	6,271	-	38,613
Depreciation and amortization	4,372	1,857	-	6,229
Results from operating activities	20,434	3,328	(430)	23,332
Additions to property, plant and equipment and intangible assets, net of disposals	6,089	111	-	6,200
Additions to right-of-use assets	354	-	-	354

	For the three months ended January 2, 2021			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	827,292	232,213	(165,719)	893,786
Total liabilities	(994,265)	(247,743)	621,975	(620,033)

	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
Additions to right-of-use assets	1,338	7,813	-	9,151

	For the three months ended December 28, 2019			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	774,596	235,710	(165,503)	844,803
Total liabilities	(931,626)	(247,028)	625,234	(553,420)

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Notes to unaudited condensed consolidated interim financial statements  
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## 17. Segmented information (continued):

Revenues were derived from customers in the following geographic areas:

	For the three months ended	
	January 2, 2021	December 28, 2019
	\$	\$
Canada	163,088	161,168
United States	39,430	30,355
Europe	10,149	9,454
Other	11,173	8,339
	223,840	209,316