

Unaudited condensed consolidated interim financial statements of

## **ROGERS SUGAR INC.**

Three and six months ended April 1, 2023, and April 2, 2022

(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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Revenues (note 13)	272,949	253,341	534,392	484,096
Cost of sales	231,291	219,442	451,543	406,711
Gross margin	41,658	33,899	82,849	77,385
Administration and selling expenses	13,966	12,120	23,263	23,606
Distribution expenses	5,836	6,280	11,446	10,943
	19,802	18,400	34,709	34,549
Results from operating activities	21,856	15,499	48,140	42,836
Net finance costs (note 5)	6,346	3,707	12,529	8,124
Earnings before income taxes	15,510	11,792	35,611	34,712
Income tax expense (recovery):				
Current	3,246	3,439	8,008	10,158
Deferred	1,202	(217)	1,867	(1,242)
	4,448	3,222	9,875	8,916
Net earnings	11,062	8,570	25,736	25,796
Net earnings per share (note 10)				
Basic	0.11	0.08	0.25	0.25
Diluted	0.10	0.08	0.23	0.24

Condensed consolidated interim statements of comprehensive (loss) income	For the three months ended		For the six months ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Net earnings	11,062	8,570	25,736	25,796
Other comprehensive (loss) income Items that may or may not be reclassified subsequently to net earnings:				
Cash flow hedges (note 6)	(6,113)	15,963	(14,834)	11,946
Income tax on cash flow hedges (note 6)	1,569	(4,098)	3,808	(3,067)
Foreign currency translation differences	(81)	(224)	(516)	(207)
	(4,625)	11,641	(11,542)	8,672
Net earnings and comprehensive income for the period	6,437	20,211	14,194	34,468

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 1, 2023	October 1, 2022	April 2, 2022
<b>Assets</b>			
Current assets:			
Cash	1,947	151	10,286
Trade and other receivables	111,843	120,207	100,098
Income taxes receivable	2,023	3,096	-
Inventories	236,254	246,706	194,786
Prepaid expenses	6,216	8,868	3,587
Derivative financial instruments (note 6)	4,112	11,582	10,780
<b>Total current assets</b>	<b>362,395</b>	<b>390,610</b>	<b>319,537</b>
Non-current assets:			
Property, plant and equipment	254,447	247,969	240,243
Right-of-use assets	21,685	22,932	24,376
Intangible assets	22,361	24,264	26,199
Other assets	857	564	693
Derivative financial instruments (note 6)	11,137	18,610	13,321
Goodwill	233,007	233,007	283,007
<b>Total non-current assets</b>	<b>543,494</b>	<b>547,346</b>	<b>587,839</b>
<b>Total assets</b>	<b>905,889</b>	<b>937,956</b>	<b>907,376</b>
<b>Liabilities and Shareholder's Equity</b>			
Current liabilities:			
Revolving credit facility (note 7)	95,000	26,000	35,000
Trade and other payables	87,312	177,435	89,163
Income taxes payable	-	-	2,139
Provisions	1,094	1,503	1,220
Lease obligations	4,161	3,991	3,905
Derivative financial instruments (note 6)	2,929	7,643	74
<b>Total current liabilities</b>	<b>190,496</b>	<b>216,572</b>	<b>131,501</b>
Non-current liabilities:			
Revolving credit facility (note 7)	100,000	100,000	100,000
Employee benefits	18,241	18,529	29,531
Provisions	1,218	1,333	2,393
Derivative financial instruments (note 6)	-	76	14
Lease obligations	17,938	19,198	20,538
Convertible unsecured subordinated debentures (note 8)	150,698	149,699	148,714
Senior guaranteed notes	97,930	98,901	98,847
Deferred tax liabilities	40,279	42,229	38,620
<b>Total non-current liabilities</b>	<b>426,304</b>	<b>429,965</b>	<b>438,657</b>
<b>Total liabilities</b>	<b>616,800</b>	<b>646,537</b>	<b>570,158</b>
Shareholder's equity:			
Share capital (note 9)	105,840	103,550	102,724
Contributed surplus	300,943	300,922	300,807
Equity portion of convertible unsecured subordinated debentures (note 8)	5,085	5,085	5,085
Deficit	(153,771)	(160,672)	(99,521)
Accumulated other comprehensive income	30,992	42,534	28,123
<b>Total shareholder's equity</b>	<b>289,089</b>	<b>291,419</b>	<b>337,218</b>
<b>Total liabilities and shareholder's equity</b>	<b>905,889</b>	<b>937,956</b>	<b>907,376</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 six months ended April 1, 2023								
	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 1, 2022	104,372,045	103,550	300,922	5,085	20,873	20,116	1,545	(160,672)	291,419
Net earnings for the period	-	-	-	-	-	-	-	25,736	25,736
Dividends (note 9)	-	-	-	-	-	-	-	(18,835)	(18,835)
Issuance of shares (note 9)	476,629	2,290	(66)	-	-	-	-	-	2,224
Share-based compensation (note 11)	-	-	87	-	-	-	-	-	87
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	(11,026)	-	-	(11,026)
Translation of foreign operations	-	-	-	-	-	-	(516)	-	(516)
<b>Balance, April 1, 2023</b>	<b>104,848,674</b>	<b>105,840</b>	<b>300,943</b>	<b>5,085</b>	<b>20,873</b>	<b>9,090</b>	<b>1,029</b>	<b>(153,771)</b>	<b>289,089</b>

	For the six months ended April 2, 2022								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain (loss)	Accumulated foreign currency translation differences	Deficit	Total
Balance, October 2, 2021	103,686,923	100,139	300,887	5,085	12,450	7,240	(239)	(106,604)	318,958
Net earnings for the period	-	-	-	-	-	-	-	25,796	25,796
Dividends (note 9)	-	-	-	-	-	-	-	(18,713)	(18,713)
Issuance of shares (note 9)	508,922	2,585	(91)	-	-	-	-	-	2,494
Share-based compensation (note 11)	-	-	11	-	-	-	-	-	11
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	8,879	-	-	8,879
Translation of foreign operations	-	-	-	-	-	-	(207)	-	(207)
<b>Balance, April 2, 2022</b>	<b>104,195,845</b>	<b>102,724</b>	<b>300,807</b>	<b>5,085</b>	<b>12,450</b>	<b>16,119</b>	<b>(446)</b>	<b>(99,521)</b>	<b>337,218</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 cash flows

(In thousands of dollars)

	For the three months ended		For the six months ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Cash flows from operating activities:				
Net earnings	11,062	8,570	25,736	25,796
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets (note 4)	5,637	5,564	11,115	11,011
Amortization of intangible assets (note 4)	952	966	1,903	1,930
Changes in fair value of derivative financial instruments included in cost of sales	(959)	(391)	(5,182)	(1,085)
Income tax expense	4,448	3,222	9,875	8,916
Pension contributions	(3,283)	(3,052)	(5,510)	(5,043)
Pension expense	3,204	3,172	5,222	5,274
Net finance costs (note 5)	6,346	3,707	12,529	8,124
Share-based compensation – equity settled (note 11)	46	(9)	87	11
Share-based compensation – cash settled (note 11)	2,759	2,117	2,037	4,281
Loss on disposal of property, plant and equipment	29	-	29	-
	30,241	23,866	57,841	59,215
Changes in:				
Trade and other receivables	(13,902)	(27,787)	8,304	(4,552)
Inventories	11,037	32,994	10,188	(14,495)
Prepaid expenses	(1,141)	(412)	2,652	983
Trade and other payables	(40,218)	(3,565)	(94,013)	(36,076)
Provisions	(369)	(38)	(524)	(212)
	(44,593)	1,192	(73,393)	(54,352)
Cash flows (used in) from operating activities	(14,352)	25,058	(15,552)	4,863
Interest paid	(6,374)	(1,561)	(11,031)	(8,623)
Income taxes paid	(3,895)	(3,037)	(6,932)	(11,142)
Net cash (used in) from operating activities	(24,621)	20,460	(33,515)	(14,902)
Cash flows (used in) from financing activities:				
Dividends paid (note 9)	(9,399)	(9,336)	(18,792)	(18,668)
Decrease in bank overdraft	-	-	-	-
(Decrease) increase in revolving credit facility (note 7)	30,000	(1,000)	69,000	35,000
Payment of financing fees	(1,343)	-	(1,443)	(268)
Payment of lease obligations	(1,423)	(1,312)	(2,629)	(2,558)
Issuance of shares (note 9)	1,963	2,241	2,224	2,494
Cash flow (used in) from financing activities	19,798	(9,407)	48,360	16,000
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(6,114)	(3,464)	(12,894)	(6,302)
Additions to intangible assets	-	(95)	-	(95)
Cash flow used in investing activities	(6,114)	(3,559)	(12,894)	(6,397)
Effect of changes in exchange rate on cash	(3)	(75)	(155)	(58)
Net increase (decrease) in cash	(10,940)	7,419	1,796	(5,357)
Cash, beginning of period	12,887	2,867	151	15,643
Cash, end of period	1,947	10,286	1,947	10,286

Supplemental cash flow information (note 12)

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 1, 2023 and April 2, 2022 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 the packaging, marketing and distribution of 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. 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 1, 2022. 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 10, 2023.

#### (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*.

#### (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 1, 2022.

## Notes to unaudited condensed consolidated interim financial statements

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

## 3. Significant accounting policies:

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 1, 2022 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

## (A) NEW STANDARDS AND INTERPRETATIONS ADOPTED:

The Company adopted the following standards and interpretations in its consolidated interim financial statements for the annual period beginning on October 2, 2022.

- 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)

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 1, 2023 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:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- Lease liability in a sale and leaseback (Amendments to IFRS 16 Leases)

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 1, 2023. 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		For the six months ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Depreciation of property, plant and equipment:				
Cost of sales	4,251	4,310	8,465	8,587
Administration and selling expenses	244	118	392	236
	<b>4,495</b>	4,428	<b>8,857</b>	8,823
Depreciation of right-of-use assets:				
Cost of sales	(46)	719	703	1,353
Distribution expenses	1,188	417	1,555	835
	<b>1,142</b>	1,136	<b>2,258</b>	2,188
Amortization of intangible assets:				
Administration and selling expenses	952	966	1,903	1,930
Total depreciation and amortization expense	<b>6,589</b>	6,530	<b>13,018</b>	12,941

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		For the six months ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Interest expense on convertible unsecured subordinated debentures, including accretion expense <sup>(1)</sup>	2,131	2,119	4,258	4,169
Interest on revolving credit facility	2,158	1,357	3,529	2,643
Interest on senior guaranteed notes	899	905	1,796	1,802
Amortization of deferred financing fees	303	311	617	617
Interest on <i>Producteurs et Productrices Acéricoles du Québec</i> supplier balance	130	12	1,305	272
Other interest expense	1	1	11	2
Interest accretion on discounted lease obligations	245	248	488	459
Net change in fair value of interest rate swap (note 6)	479	(1,246)	525	(1,840)
<b>Net finance costs recognized in net earnings</b>	<b>6,346</b>	<b>3,707</b>	<b>12,529</b>	<b>8,124</b>

(1) Includes accretion expense of \$256 and \$505 for the three and six months ended April 1, 2023 (April 2, 2022 - \$242 and \$478, respectively)

## 6. 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 1, 2022 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 1, 2023.

For its financial assets and liabilities measured at amortized cost as at April 1, 2023, 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.

As at April 1, 2023, October 1, 2022 and April 2, 2022, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	April 1, 2023		April 1, 2023	
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	80	-	-	-
Foreign exchange forward contracts	-	164	1,984	-
Interest rate swap	1,364	512	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	-	8,532	945	-
Interest rate swap	2,668	1,929	-	-
	<b>4,112</b>	<b>11,137</b>	<b>2,929</b>	<b>-</b>



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

6. Financial instruments (continued):

	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	October 1, 2022				April 2, 2022			
<b>Derivative financial instruments measured at fair value through profit or loss:</b>								
Sugar futures contracts	561	-	-	-	-	-	74	14
Foreign exchange contracts	-	237	7,643	76	1,029	55	-	-
Interest rate swaps	965	1,412	-	-	380	998	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>								
Natural gas futures contracts	7,858	13,776	-	-	9,142	9,822	-	-
Interest rate swap	2,198	3,185	-	-	229	2,446	-	-
	11,582	18,610	7,643	76	10,780	13,321	74	14

	Charged to cost of sales		Charged to finance income (costs)		For the three months ended	
	Unrealized gain				Other comprehensive gain (loss)	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	4,925	2,187	-	-	-	-
Foreign exchange contracts	136	686	-	-	-	-
Interest rate swap	-	-	(479)	1,246	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	-	-	-	-	(5,230)	12,898
Interest rate swap	-	-	-	-	(883)	3,065
	5,061	2,873	(479)	1,246	(6,113)	15,963

	Charged to cost of sales		Charged to finance income		For the six months ended	
	Unrealized gain				Other comprehensive gain (loss)	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	3,717	2,310	-	-	-	-
Foreign exchange contracts	212	480	-	-	-	-
Interest rate swap	-	-	(525)	1,840	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	-	-	-	-	(14,048)	7,463
Interest rate swap	-	-	-	-	(786)	4,483
	3,929	2,790	(525)	1,840	(14,834)	11,946

## Notes to unaudited condensed consolidated interim financial statements

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

## 6. Financial instruments (continued):

The following table summarizes the Company's hedging components of accumulated other comprehensive income ("AOCI") as at April 1, 2023 and April 2, 2022:

	April 1, 2023			April 2, 2022		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
Opening AOCI	22,344	4,574	26,918	12,212	(2,617)	9,595
Income taxes	(6,247)	(555)	(6,802)	(3,646)	1,291	(2,355)
Opening AOCI – net of income taxes	16,097	4,019	20,116	8,566	(1,326)	7,240
Change in fair value of derivatives designated as cash flow hedges	(14,048)	(786)	(14,834)	7,463	4,483	11,946
Income taxes	3,606	202	3,808	(1,916)	(1,151)	(3,067)
Ending AOCI – net of income taxes	5,655	3,435	9,090	14,113	2,006	16,119

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

Fiscal year contracted	Date	Total value \$
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%	10,000
Fiscal 2020	June 28, 2024 to June 28, 2025 – 1.18%	80,000

## 7. Revolving credit facility:

On December 31, 2022, the Company had a total of \$200.0 million of available working capital under the revolving credit facility, which matures on November 23, 2026, 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. On January 20, 2023, the revolving credit facility was amended. The most significant change is the increase of the balance available for working capital from 200.0 million to \$265.0 million, under the approved accordion feature of \$400 million.

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 1, 2023, a total of \$581.9 million of assets are pledged as security (October 1, 2022 - \$590.6 million; April 2, 2022 - \$513.1 million). The Company must comply with certain financial covenants related to the revolving credit facility on a quarterly basis. The Company was in compliance with the financial covenants as at April 1, 2023.

The following amounts were outstanding under the revolving credit facility as of:

	April 1, 2023	October 1, 2022	April 2, 2022
Current	95,000	26,000	35,000
Non-current	100,000	100,000	100,000
	195,000	126,000	135,000

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)

## 8. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	April 1, 2023	October 1, 2022	April 2, 2022
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	(2,041)	(2,535)	(3,029)
Less equity component	(6,930)	(6,930)	(6,930)
Accumulated accretion expense	4,669	4,164	3,673
Total carrying value – non current	150,698	149,699	148,714

The fair value of the Sixth and Seventh series debentures as at April 1, 2023 were approximately \$151.7 million based on market quotes.

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

As of April 1, 2023, a total of 104,848,674 common shares (October 1, 2022 – 104,372,045; April 2, 2022 – 104,195,845) were outstanding.

During the first semester, 476,629 stock options have been exercised for proceeds of \$2,224,000 and reversal of previously recognized share-based compensation recorded in contributed surplus of \$66,000 (note 11).

The Company declared a quarterly dividend of \$0.09 per share amounting to the following for the six month period ending April 1, 2023 and April 2, 2022:

	April 1, 2023	April 2, 2022
Dividends	18,835	18,713

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

## 10. 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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Basic earnings per share:				
Net earnings	\$11,062	\$8,570	\$25,736	\$25,796
Weighted average number of shares outstanding	104,546,903	103,820,980	104,450,674	103,759,137
Basic earnings per share	\$0.11	\$0.08	\$0.25	\$0.25
Diluted earnings per share:				
Net earnings	\$11,062	\$8,570	\$25,736	\$25,796
Plus impact of convertible unsecured subordinated debentures	\$1,578	\$1,568	\$3,152	\$3,085
	\$12,640	\$10,138	\$28,888	\$28,881
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	104,546,903	103,820,980	104,450,674	103,759,137
Plus impact of convertible unsecured subordinated debentures	20,899,218	17,977,603	20,899,218	17,977,603
Plus impact of share options	137,987	296,320	137,987	269,214
	125,584,108	122,094,903	125,487,879	122,005,954
Diluted earnings per share	\$0.10	\$0.08	\$0.23	\$0.24

## Notes to unaudited condensed consolidated interim financial statements

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

## 11. Share-based compensation:

## (A) EQUITY-SETTLED SHARE-BASED COMPENSATION:

On December 12, 2022, a total of 666,347 share options were granted at a price of \$5.85 per common share to certain executives.

The measurement date fair values were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted during the first semester of fiscal 2023 are the following:

Total fair value of options	\$233,000
Share price	\$5.83
Exercise price	\$5.85
Expected volatility (weighted average volatility)	14.926% to 16.208%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	6.17%
Weighted average risk-free interest rate (based on government bonds)	2.930% to 3.339%

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 \$46,000 and of \$87,000 were recorded for the three and six months periods ended April 1, 2023 (a gain of \$9,000 and an expense of \$11,000 for the three and six months periods ended April 2, 2022).

The following tables summarize information about the Share option Plan as of April 1, 2023:

Exercise price per option	Outstanding number of options at October 1, 2022	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 1, 2023	Weighted average remaining life	Number of options exercisable
\$4.28	200,000	-	(36,000)	-	164,000	6.97	64,000
\$4.59	263,200	-	(263,200)	-	-	-	-
\$4.68	496,448	-	(147,590)	-	348,858	6.67	123,458
\$5.58	375,905	-	(13,172)	-	362,733	5.67	273,298
\$5.85	-	666,347	-	-	666,347	9.70	-
\$5.85	802,564	-	(16,667)	-	785,897	8.68	143,876
\$6.23	625,322	-	-	-	625,322	4.68	625,322
\$6.51	360,000	-	-	-	360,000	3.68	360,000
	3,123,439	666,347	(476,629)	-	3,313,157	n/a	1,589,924

Options outstanding held by key management personnel amounted to 3,073,157 options as at April 1, 2023 and 2,883,439 options as at October 1, 2022.

## Notes to unaudited condensed consolidated interim financial statements

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

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

## (B) CASH-SETTLED SHARE-BASED COMPENSATION-PERFORMANCE SHARE UNITS ("PSU"):

## Fiscal 2023 grant:

On December 12, 2022, a total of 310,964 PSUs were granted to executives of the Company at a price of \$5.85 per units. In addition, an aggregate of 4,936 PSUs at a weighted-average share price of \$5.67 were allocated as a result of the dividend paid during the quarter since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at April 1, 2023, an aggregate of 315,900 PSUs was outstanding in relation with this grant. These PSUs will vest at the end of the 2023-2025 performance cycle based on the achievement of total shareholder returns, as set by the Board of Directors. Following the end of a performance cycle, the Board of Directors will determine, concurrently with the release of the Company's financial 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 of the PSUs at the date of the financial statements were established using a Monte Carlo simulation model. The fair value on April 1, 2023 was estimated at \$1,324,000. An expense of \$139,000 and \$221,000 related to this specific grant was recorded for the three and six months period ending April 1, 2023 in administration and selling expenses.

For grants related to fiscal years 2020, 2021 and 2022, an expense of \$2,581,000 and \$1,737,000 was recorded for the three and six months period ending April 1, 2023, in administration and selling expenses.

During the first quarter of fiscal 2023, the grant related to fiscal 2020 was cash settled for an amount of \$640,000.

During the first quarter of 2023, the Board of Directors established a new PSU program for specific members of the management team of the Company, excluding executives. In connection with this new program, 95,283 PSUs were granted to specific members of the management team at a price of \$5.85 per units. Under the approved program, these PSUs vest in equal tranches over a three-year period (one-third per year) based on certain performance measures, and are payable in cash three years after the grant date.

On April 1, 2023, none of the PSUs granted under this new program had vested. The value of the payout is determined by multiplying the number of PSUs expected to vest at the payout date by the volume weighted average closing price of the Common Shares on the TSX for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the new 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 value of the PSUs under this new plan is recognized over the vesting period and is adjusted based of the applicable terms for the performance-based components. An expense of \$39,000 and \$79,000 was recorded for the three and six months period ending April 1, 2023, in administration and selling expenses in connection with these PSUs.

## 12. Supplementary cash flow information:

	For the six months ended			For the year ended
	April 1, 2023	April 2, 2022	October 1, 2022	October 2, 2021
Non-cash transactions:				
Additions of property, plant and equipment and intangibles assets included in trade and other payables	4,438	2,689	1,958	1,638
Increase in asset retirement obligation provision included in property, plant and equipment	-	-	100	3,231
Additions to right-of-use assets	1,011	8,038	8,842	2,724

## Notes to unaudited condensed consolidated interim financial statements

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

## 13. 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 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 1, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	216,135	56,814	-	272,949
Cost of sales	179,060	52,231	-	231,291
Gross margin	37,075	4,583	-	41,658
Depreciation and amortization	4,878	1,711	-	6,589
Results from operating activities	21,180	1,222	(546)	21,856
Additions to property, plant and equipment and intangible assets, net of disposals	6,514	275	-	6,789
Additions to right-of-use assets	948	-	-	948

	For the six months ended April 1, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	421,422	112,970	-	534,392
Cost of sales	348,309	103,234	-	451,543
Gross margin	73,113	9,736	-	82,849
Depreciation and amortization	9,590	3,428	-	13,018
Results from operating activities	46,013	3,165	(1,038)	48,140
Additions to property, plant and equipment and intangible assets, net of disposals	14,966	369	-	15,335
Additions to right-of-use assets	966	45	-	1,011

	As at April 1, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	909,808	162,913	(166,832)	905,889
Total liabilities	(1,014,523)	(111,610)	509,333	(616,800)

## Notes to unaudited condensed consolidated interim financial statements

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

## 13. Segmented information (continued):

	For the three months ended April 2, 2022			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	195,875	57,466	-	253,341
Cost of sales	166,845	52,597	-	219,442
Gross margin	29,030	4,869	-	33,899
Depreciation and amortization	4,830	1,700	-	6,530
Results from operating activities	14,783	1,212	(496)	15,499
Additions to property, plant and equipment and intangible assets, net of disposals	3,100	136	-	3,236
Additions to right-of-use assets	(129)	-	-	(129)

	For the six months ended April 2, 2022			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	371,782	112,314	-	484,096
Cost of sales	303,946	102,765	-	406,711
Gross margin	67,836	9,549	-	77,385
Depreciation and amortization	9,531	3,410	-	12,941
Results from operating activities	40,668	3,199	(1,031)	42,836
Additions to property, plant and equipment and intangible assets, net of disposals	7,093	355	-	7,448
Additions to right-of-use assets	8,038	-	-	8,038

	As at April 2, 2022			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	853,229	219,808	(165,661)	907,376
Total liabilities	(958,290)	(116,743)	504,875	(570,158)

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the six months ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Canada	216,802	191,618	421,705	368,496
United States	40,127	43,154	76,654	79,365
Europe	9,741	9,619	23,823	17,004
Other	6,279	8,950	12,210	19,231
	272,949	253,341	534,392	484,096