

Unaudited condensed consolidated interim financial statements of

**ROGERS SUGAR INC.**

Three and nine months ended July 1, 2023, and July 2, 2022

(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 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Revenues (note 13)	<b>262,285</b>	254,632	<b>796,677</b>	738,728
Cost of sales	<b>220,600</b>	229,684	<b>672,143</b>	636,395
Gross margin	<b>41,685</b>	24,948	<b>124,534</b>	102,333
Administration and selling expenses	<b>10,486</b>	10,627	<b>33,749</b>	34,233
Distribution expenses	<b>7,191</b>	5,499	<b>18,637</b>	16,442
	<b>17,677</b>	16,126	<b>52,386</b>	50,675
Results from operating activities	<b>24,008</b>	8,822	<b>72,148</b>	51,658
Net finance costs (note 5)	<b>5,361</b>	4,385	<b>17,890</b>	12,509
Earnings before income taxes	<b>18,647</b>	4,437	<b>54,258</b>	39,149
Income tax expense (recovery):				
Current	<b>3,062</b>	2,522	<b>11,070</b>	12,680
Deferred	<b>1,408</b>	(1,223)	<b>3,275</b>	(2,465)
	<b>4,470</b>	1,299	<b>14,345</b>	10,215
Net earnings	<b>14,177</b>	3,138	<b>39,913</b>	28,934
Net earnings per share (note 10)				
Basic	<b>0.13</b>	0.03	<b>0.38</b>	0.28
Diluted	<b>0.12</b>	0.03	<b>0.35</b>	0.28

Condensed consolidated interim statements of comprehensive income	For the three months ended		For the nine months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings	<b>14,177</b>	3,138	<b>39,913</b>	28,934
Other comprehensive (loss) income Items that may or may not be reclassified subsequently to net earnings:				
Cash flow hedges (note 6)	<b>(2,171)</b>	3,191	<b>(17,005)</b>	15,137
Income tax on other comprehensive (loss) income (note 6)	<b>557</b>	(819)	<b>4,365</b>	(3,886)
Foreign currency translation differences	<b>(235)</b>	547	<b>(751)</b>	340
	<b>(1,849)</b>	2,919	<b>(13,391)</b>	11,591
Net earnings and comprehensive income for the period	<b>12,328</b>	6,057	<b>26,522</b>	40,525

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 1, 2023	October 1, 2022	July 2, 2022
<b>Assets</b>			
Current assets:			
Cash	295	151	2,744
Trade and other receivables	98,124	120,207	105,396
Income taxes receivable	1,095	3,096	-
Inventories	305,656	246,706	268,634
Prepaid expenses	9,590	8,868	8,542
Derivative financial instruments (note 6)	5,704	11,582	10,552
<b>Total current assets</b>	<b>420,464</b>	<b>390,610</b>	<b>395,868</b>
Non-current assets:			
Property, plant and equipment	262,382	247,969	239,949
Right-of-use assets	21,165	22,932	23,905
Intangible assets	21,642	24,264	25,227
Other assets	844	564	628
Derivative financial instruments (note 6)	7,670	18,610	16,582
Goodwill	233,007	233,007	283,007
<b>Total non-current assets</b>	<b>546,710</b>	<b>547,346</b>	<b>589,298</b>
<b>Total assets</b>	<b>967,174</b>	<b>937,956</b>	<b>985,166</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Revolving credit facility (note 7)	76,000	26,000	41,000
Trade and other payables	165,184	177,435	164,001
Income taxes payable	-	-	1,282
Provisions	1,013	1,503	100
Lease obligations	4,097	3,991	4,017
Derivative financial instruments (note 6)	813	7,643	287
<b>Total current liabilities</b>	<b>247,107</b>	<b>216,572</b>	<b>210,687</b>
Non-current liabilities:			
Revolving credit facility (note 7)	100,000	100,000	100,000
Employee benefits	17,964	18,529	29,540
Provisions	923	1,333	3,131
Derivative financial instruments (note 6)	-	76	696
Lease obligations	17,564	19,198	20,023
Convertible unsecured subordinated debentures (note 8)	151,201	149,699	149,203
Senior guaranteed notes	97,986	98,901	98,874
Deferred tax liabilities	41,121	42,229	38,228
<b>Total non-current liabilities</b>	<b>426,759</b>	<b>429,965</b>	<b>439,695</b>
<b>Total liabilities</b>	<b>673,866</b>	<b>646,537</b>	<b>650,382</b>
Shareholders' equity:			
Share capital (note 9)	107,210	103,550	103,550
Contributed surplus	300,923	300,922	300,884
Equity portion of convertible unsecured subordinated debentures (note 8)	5,085	5,085	5,085
Deficit	(149,053)	(160,672)	(105,777)
Accumulated other comprehensive income (loss)	29,143	42,534	31,042
<b>Total shareholders' equity</b>	<b>293,308</b>	<b>291,419</b>	<b>334,784</b>
<b>Total liabilities and shareholders' equity</b>	<b>967,174</b>	<b>937,956</b>	<b>985,166</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 nine months ended July 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	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	-	-	-	-	-	-	-	39,913	39,913
Dividends (note 9)	-	-	-	-	-	-	-	(28,294)	(28,294)
Issuance of shares (note 9)	724,075	3,660	(132)	-	-	-	-	-	3,528
Share-based compensation (note 11)	-	-	133	-	-	-	-	-	133
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	(12,640)	-	-	(12,640)
Translation of foreign operations	-	-	-	-	-	-	(751)	-	(751)
<b>Balance, July 1, 2023</b>	<b>105,096,120</b>	<b>107,210</b>	<b>300,923</b>	<b>5,085</b>	<b>20,873</b>	<b>7,476</b>	<b>794</b>	<b>(149,053)</b>	<b>293,308</b>

	For the nine months ended July 2, 2022								
	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 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	-	-	-	-	-	-	-	28,934	28,934
Dividends (note 9)	-	-	-	-	-	-	-	(28,107)	(28,107)
Issuance of shares (note 9)	685,122	3,411	(108)	-	-	-	-	-	3,303
Share-based compensation (note 11)	-	-	105	-	-	-	-	-	105
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	11,251	-	-	11,251
Translation of foreign operations	-	-	-	-	-	-	340	-	340
<b>Balance, July 2, 2022</b>	<b>104,372,045</b>	<b>103,550</b>	<b>300,884</b>	<b>5,085</b>	<b>12,450</b>	<b>18,491</b>	<b>101</b>	<b>(105,777)</b>	<b>334,784</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 nine months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Cash flows from operating activities:				
Net earnings	14,177	3,138	39,913	28,934
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets (note 4)	5,563	5,608	16,678	16,619
Amortization of intangible assets (note 4)	952	972	2,855	2,902
Changes in fair value of derivative financial instruments included in cost of sales	(2,222)	1,708	(7,404)	623
Income tax expense	4,470	1,299	14,345	10,215
Pension contributions	(3,352)	(3,051)	(8,863)	(8,094)
Pension expense	3,075	3,061	8,298	8,335
Net finance costs (note 5)	5,361	4,385	17,890	12,509
Share-based compensation – equity settled (note 11)	46	94	133	105
Share-based compensation – cash settled (note 11)	(286)	579	1,751	4,860
Loss (gain) on disposal of property, plant and equipment	(25)	44	4	44
	27,759	17,837	85,600	77,052
Changes in:				
Trade and other receivables	13,703	(5,298)	22,007	(9,850)
Inventories	(69,678)	(73,848)	(59,490)	(88,343)
Prepaid expenses	(3,374)	(4,955)	(722)	(3,972)
Trade and other payables	76,869	76,523	(17,144)	40,447
Provisions	(376)	(382)	(900)	(594)
	17,144	(7,960)	(56,249)	(62,312)
Cash flows from operating activities	44,903	9,877	29,351	14,740
Interest paid	(7,355)	(6,852)	(18,386)	(15,475)
Income taxes paid	(2,121)	(3,431)	(9,053)	(14,573)
Net cash (used in) from operating activities	35,427	(406)	1,912	(15,308)
Cash flows (used in) from financing activities:				
Dividends paid (note 9)	(9,436)	(9,378)	(28,229)	(28,045)
Increase (decrease) in revolving credit facility (note 7)	(19,000)	6,000	50,000	41,000
Payment of financing fees	(45)	-	(1,488)	(268)
Payment of lease obligations	(1,295)	(1,309)	(3,924)	(3,867)
Issuance of shares (note 9)	1,304	809	3,528	3,303
Cash flow (used in) from financing activities	(28,472)	(3,878)	19,887	12,123
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(8,375)	(3,387)	(21,269)	(9,689)
Additions to intangible assets	(233)	-	(233)	(95)
Cash flow used in investing activities	(8,608)	(3,387)	(21,502)	(9,784)
Effect of changes in exchange rate on cash	1	129	(153)	70
Net increase (decrease) in cash	(1,652)	(7,542)	144	(12,899)
Cash, beginning of period	1,947	10,286	151	15,643
Cash, end of period	295	2,744	295	2,744

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 nine month periods ended July 1, 2023 and July 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 authorized for issue by the Board of Directors on August 11, 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) liabilities for cash-settled share-based compensation arrangements which are measured at fair value, and equity-settled share-based compensation arrangements which are measured at fair value at grant date pursuant to IFRS 2, Share-based payment;
- (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, 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 unaudited condensed 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 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)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- 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 nine months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Depreciation of property, plant and equipment:				
Cost of sales	4,277	4,324	12,742	12,911
Administration and selling expenses	121	122	513	358
	4,398	4,446	13,255	13,269
Depreciation of right-of-use assets:				
Cost of sales	376	742	1,079	2,095
Distribution expenses	789	420	2,344	1,255
	1,165	1,162	3,423	3,350
Amortization of intangible assets:				
Administration and selling expenses	952	972	2,855	2,902
Total depreciation and amortization expense	6,515	6,580	19,533	19,521

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 nine months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Interest expense on convertible unsecured subordinated debentures, including accretion expense <sup>(1)</sup>	2,132	2,119	6,390	6,288
Interest on revolving credit facility	1,817	1,308	5,347	3,950
Interest on senior guaranteed notes	926	897	2,722	2,699
Amortization of deferred financing fees	306	311	923	928
Interest on Producteurs et Productrices Acéricoles du Québec supplier balance	120	131	1,425	403
Other interest expense	10	12	21	15
Interest accretion on discounted lease obligations	253	240	740	699
Net change in fair value of interest rate swap (note 6)	(203)	(633)	322	(2,473)
<b>Net finance costs recognized in net earnings</b>	<b>5,361</b>	<b>4,385</b>	<b>17,890</b>	<b>12,509</b>

(1) Includes accretion expense of \$256 and \$761 for the three and nine months ended July 1, 2023 (July 2, 2022 - \$242 and \$720, respectively)

## 6. Financial instruments:

Disclosures relating to risks exposures, in particular credit risk, liquidity risk, foreign currency risk and interest rate 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 nine months ended July 1, 2023.

For its financial assets and liabilities measured at amortized cost as at July 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 period 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. The fair value of foreign exchange forward contracts is calculated as the present value of the estimated future cash flows, representing the differential between the value of the contract at maturity and the value determined using the exchange rate the financial institution would use if the same contract was renegotiated at the statement of financial position date. The fair value estimate of foreign exchange forward contracts is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty, considering the offsetting agreements, as applicable. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value of interest rate swaps is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty.

Notes to unaudited condensed consolidated interim financial statements

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

6. Financial instruments (continued):

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

	Fair value hierarchy level	Financial Assets		Financial Liabilities	
		Current	Non-Current	Current	Non-Current
		July 1, 2023		July 1, 2023	
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts	Level 1	-	-	654	-
Foreign exchange forward contracts	Level 2	987	150	-	-
Interest rate swap	Level 2	1,497	569	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Natural gas futures contracts	Level 2	-	4,322	159	-
Interest rate swap	Level 2	3,220	2,629	-	-
		<b>5,704</b>	<b>7,670</b>	<b>813</b>	<b>-</b>

	Fair value hierarchy level	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
		Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
		October 1, 2022				July 2, 2022			
<b>Derivative financial instruments measured at fair value through profit or loss:</b>									
Sugar futures contracts	Level 1	561	-	-	-	270	-	-	615
Foreign exchange forward contracts	Level 2	-	237	7,643	76	-	-	287	81
Interest rate swap	Level 2	965	1,412	-	-	1,598	929	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>									
Natural gas futures contracts	Level 2	7,858	13,776	-	-	7,580	12,992	-	-
Interest rate swap	Level 2	2,198	3,185	-	-	1,104	2,661	-	-
		<b>11,582</b>	<b>18,610</b>	<b>7,643</b>	<b>76</b>	<b>10,552</b>	<b>16,582</b>	<b>287</b>	<b>696</b>

	Charged to cost of sales		Charged to finance income (costs)		For the three months ended	
	Unrealized gain (loss)				Other comprehensive gain (loss)	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	3,857	(794)	-	-	-	-
Foreign exchange forward contracts	1,583	(289)	-	-	-	-
Interest rate swap	-	-	203	633	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	-	-	-	-	(3,423)	1,608
Interest rate swap	-	-	-	-	1,251	1,583
	<b>5,440</b>	<b>(1,083)</b>	<b>203</b>	<b>633</b>	<b>(2,172)</b>	<b>3,191</b>

## Notes to unaudited condensed consolidated interim financial statements

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

## 6. Financial instruments (continued):

	Charged to cost of sales Unrealized gain (loss)		Charged to finance income (costs)		For the nine months ended Other comprehensive gain (loss)	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts	7,574	1,515	-	-	-	-
Foreign exchange forward contracts	1,796	191	-	-	-	-
Interest rate swap	-	-	(322)	2,473	-	-
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	-	-	-	-	(17,471)	6,067
Interest rate swap	-	-	-	-	466	9,070
	<b>9,370</b>	<b>1,706</b>	<b>(322)</b>	<b>2,473</b>	<b>(17,005)</b>	<b>15,137</b>

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

	July 1, 2023			July 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	(17,471)	466	(17,005)	6,067	9,070	15,137
Amounts reclassified to net earnings	-	-	-	-	-	-
Income taxes	4,485	(120)	4,365	(1,558)	(2,328)	(3,886)
Ending AOCI – net of income taxes	3,111	4,365	7,476	13,075	5,416	18,491

The aggregate notional amount as at the reporting date 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, 2024 to June 28, 2025 – 1.18%	80,000

## Notes to unaudited condensed consolidated interim financial statements

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

## 7. Revolving credit facility:

The Company has a total of \$265.0 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.

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 1, 2023, a total of \$643.0 million of assets are pledged as security (October 1, 2022 - \$590.6 million; July 2, 2022 - \$588.3 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 July 1, 2023.

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

	July 1, 2023	October 1, 2022	July 2, 2022
Current	76,000	26,000	41,000
Non-current	100,000	100,000	100,000
	<b>176,000</b>	126,000	141,000

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

## 8. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	July 1, 2023	October 1, 2022	July 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	(1,794)	(2,535)	(2,782)
Less equity component	(6,930)	(6,930)	(6,930)
Accretion expense on equity component	4,925	4,164	3,915
Total carrying value – non current	<b>151,201</b>	149,699	149,203

The fair value of the Sixth and Seventh series debentures as at July 1, 2023 were approximately \$150.7 million based on market quotes for identical instruments (October 1, 2022 - \$152.1 million; July 2, 2022 - \$155.0 million).

## Notes to unaudited condensed consolidated interim financial statements

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

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

As of July 1, 2023, a total of 105,096,120 common shares (October 1, 2022 and July 2, 2022 – 104,372,045) were outstanding.

For the nine-month period ended July 1, 2023, 724,075 stock options have been exercised for proceeds of \$3,528,000 (July 2, 2022 - \$3,303,000) and reversal of previously recognized share-based compensation recorded in contributed surplus of \$133,000 (July 2, 2022 - \$108,000) (note 11).

The Company declared a quarterly dividend of \$0.09 per share amounting to the following for the nine-month period ended July 1, 2023 and July 2, 2022:

	July 1, 2023	July 2, 2022
Dividends	<b>28,294</b>	28,107

On August 11, 2023, the Board of Directors declared a quarterly dividend of \$0.09 per share, payable on or before October 12, 2023.

## 10. 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 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Basic earnings per share:				
Net earnings	<b>\$14,177</b>	\$3,138	<b>\$39,913</b>	\$28,934
Weighted average number of shares outstanding	<b>104,946,997</b>	104,241,686	<b>104,530,809</b>	103,867,069
Basic earnings per share	<b>\$0.13</b>	\$0.03	<b>\$0.38</b>	\$0.28
Diluted earnings per share:				
Net earnings	<b>\$14,177</b>	\$3,138	<b>\$39,913</b>	\$28,934
Plus impact of convertible unsecured subordinated debentures <sup>(1)</sup>	<b>\$1,578</b>	\$-	<b>\$4,730</b>	\$4,653
	<b>\$15,755</b>	\$3,138	<b>\$44,643</b>	\$33,587
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	<b>104,946,997</b>	104,241,686	<b>104,530,809</b>	103,867,069
Plus impact of convertible unsecured subordinated debentures <sup>(1)</sup>	<b>21,344,196</b>	-	<b>21,344,196</b>	17,977,603
Plus impact of share options	<b>127,823</b>	299,764	<b>113,373</b>	248,850
	<b>126,419,016</b>	104,541,450	<b>125,988,378</b>	122,093,522
Diluted earnings per share	<b>\$0.12</b>	\$0.03	<b>\$0.35</b>	\$0.28

(1) For the three months ended July 2, 2022, 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)

## 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 for the nine months ended July 1, 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%

On December 6, 2021, a total of 802,564 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 for the nine months ended July 2, 2022 are the following:

Total fair value of options	\$227,000
Share price	\$5.94
Exercise price	\$5.85
Expected volatility (weighted average volatility)	15.057% to 16.877%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	6.06%
Weighted average risk-free interest rate (based on government bonds)	1.323% to 1.415%

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 \$133,000 was recorded for the three and nine month periods ended July 1, 2023 (an expense of \$94,000 and \$105,000 for the three and nine month periods ended July 2, 2022).

The following tables summarize information about the share option plan as of July 1, 2023:

Exercise price per option	Outstanding number of options at October 1, 2022	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 1, 2023	Weighted average remaining life	Number of options exercisable
\$4.28	200,000	-	(36,000)	-	164,000	6.72	64,000
\$4.59	263,200	-	(263,200)	-	-	-	-
\$4.68	496,448	-	(233,036)	-	263,412	6.42	38,012
\$5.58	375,905	-	(175,172)	-	200,733	5.42	111,298
\$5.85	-	666,347	-	-	666,347	9.45	-
\$5.85	802,564	-	(16,667)	-	785,897	8.43	143,846
\$6.23	625,322	-	-	(40,000)	585,322	4.43	585,322
\$6.51	360,000	-	-	-	360,000	3.43	360,000
	3,123,439	666,347	(724,075)	(40,000)	3,025,711	n/a	1,302,478

Options outstanding held by key management personnel amounted to 2,325,487 options as at July 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 since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at July 1, 2023, an aggregate of 320,500 PSUs were 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 were established using a Monte Carlo simulation model. The fair value on July 1, 2023 was \$942,000. An expense of \$15,000 and \$236,000 related to this specific grant was recorded for the three and nine months period ended July 1, 2023 in administration and selling expenses.

For grants related to fiscal years 2020, 2021 and 2022, a gain of \$340,000 and an expense \$1,398,000 was recorded for the three and nine months period ended July 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. As at July 1, 2023, \$3,424,000 is included under trade and other payables (October 1, 2022 – \$5,834,000 and July 2, 2022 – \$4,914,000).

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 July 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 \$117,000 was recorded for the three and nine months period ending July 1, 2023, in administration and selling expenses in connection with these PSUs.

## Notes to unaudited condensed consolidated interim financial statements

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

## 12. Supplementary cash flow information:

	For the nine months ended			For the year ended
	July 1, 2023	July 2, 2022	October 1, 2022	October 2, 2021
Non-cash transactions:				
Additions of property, plant and equipment and intangibles included in trade and other payables	8,376	3,498	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	1,656	8,729	8,842	2,724

As at July 1, 2023, the Company had \$10,343 (periods in fiscals 2022 and 2021: nil) of engineering design costs included under construction in progress, which is part of property, plant and equipment, related to the expansion of the production capacity and logistic of Lantic's sugar refining operation. As at July 1, 2023, \$3,417 of these expansion costs were included under trade and other payables.

## 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 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 1, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	215,831	46,454	-	262,285
Cost of sales	180,059	40,541	-	220,600
Gross margin	35,772	5,913	-	41,685
Depreciation and amortization	4,862	1,653	-	6,515
Results from operating activities	21,640	2,868	(500)	24,008
Additions to property, plant and equipment and intangible assets, net of disposals	12,236	330	-	12,566
Additions to right-of-use assets	645	-	-	645

	For the nine months ended July 1, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	637,253	159,424	-	796,677
Cost of sales	528,368	143,775	-	672,143
Gross margin	108,885	15,649	-	124,534
Depreciation and amortization	14,452	5,081	-	19,533
Results from operating activities	67,653	6,033	(1,538)	72,148
Additions to property, plant and equipment and intangible assets, net of disposals	27,202	699	-	27,901
Additions to right-of-use assets	1,611	45	-	1,656

## Notes to unaudited condensed consolidated interim financial statements

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

## 13. Segmented information: (continued)

				As at July 1, 2023
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	911,743	222,338	(166,907)	967,174
Total liabilities	(1,014,242)	(170,321)	510,697	(673,866)

				For the three months ended July 2, 2022
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	200,276	54,356	-	254,632
Cost of sales	178,998	50,686	-	229,684
Gross margin	21,278	3,670	-	24,948
Depreciation and amortization	4,903	1,677	-	6,580
Results from operating activities	8,653	663	(494)	8,822
Additions to property, plant and equipment and intangible assets, net of disposals	4,089	63	-	4,152
Additions to right-of-use assets	691	-	-	691

				For the nine months ended July 2, 2022
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	572,058	166,670	-	738,728
Cost of sales	482,944	153,451	-	636,395
Gross margin	89,114	13,219	-	102,333
Depreciation and amortization	14,434	5,087	-	19,521
Results from operating activities	49,321	3,862	(1,525)	51,658
Additions to property, plant and equipment and intangible assets, net of disposals	11,182	418	-	11,600
Additions to right-of-use assets	8,729	-	-	8,729

				As at October 1, 2022
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	871,332	232,402	(165,778)	937,956
Total liabilities	(972,962)	(179,598)	506,023	(646,537)

				As at July 2, 2022
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	859,580	291,414	(165,828)	985,166
Total liabilities	(968,348)	(187,950)	505,916	(650,382)

Revenues were derived from customers in the following geographic areas:

## 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		For the nine months ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Canada	217,776	194,299	639,481	562,795
United States	28,934	39,980	105,588	119,345
Europe	6,701	10,763	30,524	27,767
Other	8,874	9,590	21,084	28,821
	<b>262,285</b>	254,632	<b>796,677</b>	738,728

## 14. Subsequent event:

On August 11, 2023, the Board of Directors of Lantic approved the expansion of the production and logistic capacity of the Company's Eastern sugar refining operations in Montreal and Toronto. This investment is expected to provide 100,000 metric tones of incremental refined sugar capacity to the Canadian market, at an estimated construction cost of approximately \$200 million. Lantic expects the incremental production and logistic capacity to be in-service in approximately two years. In connection with the planned expansion project, Lantic negotiated financing in the form of secured loans with Investissement Quebec, up to a maximum of \$65 millions.