

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Three months ended December 30, 2023 and December 31, 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	
	December 30, 2023	December 31, 2022
Revenues (note 13)	288,699	261,443
Cost of sales	244,055	220,252
Gross margin	44,644	41,191
Administration and selling expenses	12,140	9,297
Distribution expenses	6,394	5,610
	18,534	14,907
Results from operating activities	26,110	26,284
Net finance costs (note 5)	6,906	6,183
Earnings before income taxes	19,204	20,101
Income tax expense (recovery):		
Current	3,870	4,762
Deferred	1,482	665
	5,352	5,427
Net earnings	13,852	14,674
Net earnings per share (note 10)		
Basic	0.13	0.14
Diluted	0.11	0.13

Condensed consolidated interim statements of comprehensive (loss) income	For the three months ended	
	December 30, 2023	December 31, 2022
Net earnings	13,852	14,674
Other comprehensive (loss) income Items that may or may not be reclassified subsequently to net earnings:		
Cash flow hedges (note 6)	(6,768)	(8,721)
Income tax on cash flow hedges (note 6)	1,737	2,239
Foreign currency translation differences	(177)	(436)
	(5,208)	(6,918)
Net earnings and comprehensive income for the period	8,644	7,756

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)

	December 30, 2023	December 31, 2022	September 30, 2023
Assets			
Current assets:			
Cash	5,834	12,887	46
Trade and other receivables	92,657	97,969	118,252
Income taxes receivable	826	1,373	2,280
Inventories	239,350	247,293	267,268
Prepaid expenses	26,889	5,075	8,912
Derivative financial instruments (note 6)	6,255	5,982	5,019
Total current assets	371,811	370,579	401,777
Non-current assets:			
Property, plant and equipment	277,695	252,153	267,185
Right-of-use assets	28,704	21,879	29,973
Intangible assets	20,085	23,313	20,890
Other assets	1,306	597	783
Derivative financial instruments (note 6)	2,118	14,849	7,286
Goodwill	233,007	233,007	233,007
Total non-current assets	562,915	545,798	559,124
Total assets	934,726	916,377	960,901
Liabilities and Shareholders' Equity			
Current liabilities:			
Revolving credit facility (note 7)	65,000	65,000	58,000
Trade and other payables	132,745	125,328	164,404
Provisions	1,421	1,348	1,415
Lease obligations	4,254	3,292	4,364
Derivative financial instruments (note 6)	1,304	2,826	1,140
Total current liabilities	204,724	197,794	229,323
Non-current liabilities:			
Revolving credit facility (note 7)	100,000	100,000	100,000
Employee benefits	2,562	18,320	2,898
Provisions	287	1,333	287
Derivative financial instruments (note 6)	209	67	-
Lease obligations	25,119	19,015	26,086
Convertible unsecured subordinated debentures (note 8)	152,221	150,195	151,711
Senior guaranteed notes	98,263	98,928	98,212
Deferred tax liabilities	45,221	40,647	45,488
Total non-current liabilities	423,882	428,505	424,682
Total liabilities	628,606	626,299	654,005
Shareholders' equity:			
Share capital (note 9)	107,210	103,819	107,210
Contributed surplus	301,007	300,955	300,968
Equity portion of convertible unsecured subordinated debentures (note 8)	5,085	5,085	5,085
Deficit	(142,242)	(155,397)	(146,635)
Accumulated other comprehensive income	35,060	35,616	40,268
Total shareholders' equity	306,120	290,078	306,896
Total liabilities and shareholders' equity	934,726	916,377	960,901

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 December 30, 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, September 30, 2023	105,096,120	107,210	300,968	5,085	31,695	7,484	1,089	(146,635)	306,896
Net earnings for the period	-	-	-	-	-	-	-	13,852	13,852
Dividends (note 9)	-	-	-	-	-	-	-	(9,459)	(9,459)
Issuance of shares (note 9)	-	-	-	-	-	-	-	-	-
Share-based compensation (note 11)	-	-	39	-	-	-	-	-	39
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	(5,031)	-	-	(5,031)
Translation of foreign operations	-	-	-	-	-	-	(177)	-	(177)
Balance, December 30, 2023	105,096,120	107,210	301,007	5,085	31,695	2,453	912	(142,242)	306,120

	For the three months ended December 31, 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 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	-	-	-	-	-	-	-	14,674	14,674
Dividends (note 9)	-	-	-	-	-	-	-	(9,399)	(9,399)
Issuance of shares (note 9)	58,090	269	(8)	-	-	-	-	-	261
Share-based compensation (note 11)	-	-	41	-	-	-	-	-	41
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	(6,482)	-	-	(6,482)
Translation of foreign operations	-	-	-	-	-	-	(436)	-	(436)
Balance, December 31, 2022	104,430,135	103,819	300,955	5,085	20,873	13,634	1,109	(155,397)	290,078

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	
	December 30, 2023	December 31, 2022
Cash flows from operating activities:		
Net earnings	13,852	14,674
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (note 4)	5,981	5,478
Amortization of intangible assets (note 4)	954	951
Changes in fair value of derivative financial instruments included in cost of sales	(3,122)	(4,223)
Income tax expense	5,352	5,427
Pension contributions	(1,643)	(2,227)
Pension expense	1,307	2,018
Net finance costs (note 5)	6,906	6,183
Share-based compensation – equity settled (note 11)	39	41
Share-based compensation – cash settled (note 11)	413	(722)
Gain on disposal of property, plant and equipment	-	-
	30,039	27,600
Changes in:		
Trade and other receivables	25,537	22,206
Inventories	27,698	(849)
Prepaid expenses	(17,977)	3,793
Trade and other payables	(36,509)	(53,795)
Provisions	(4)	(155)
	(1,255)	(28,800)
Cash flows (used in) from operating activities	28,784	(1,200)
Interest paid	(3,117)	(4,657)
Income taxes paid	(2,400)	(3,037)
Net cash from operating activities	23,267	(8,894)
Cash flows (used in) from financing activities:		
Dividends paid (note 9)	(9,459)	(9,393)
Increase in revolving credit facility (note 7)	7,000	39,000
Payment of financing fees	(602)	(100)
Payment of lease obligations	(1,626)	(1,206)
Issuance of shares (note 9)	-	261
Cash flow (used in) from financing activities	(4,687)	28,562
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	(12,758)	(6,780)
Additions to intangible assets	(25)	-
Cash flow used in investing activities	(12,783)	(6,780)
Effect of changes in exchange rate on cash	(9)	(152)
Net (decrease) increase in cash	5,788	12,736
Cash, beginning of period	46	151
Cash, end of period	5,834	12,887

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 month periods ended December 30, 2023 and December 31, 2022 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. ("Lantic") and The Maple Treat Corporation ("TMTTC"), (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 September 30, 2023. The quarterly unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 7, 2024.

(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, 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 September 30, 2023.

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 September 30, 2023 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 1, 2023.

- 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)

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 December 30, 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:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease liability in a sale and leaseback (Amendments to IFRS 16 Leases)
- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

The Company does not intend to adopt any of these standards and interpretations in its consolidated financial statements before the annual period beginning on September 29, 2024. 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	
	December 30, 2023	December 31, 2022
Depreciation of property, plant and equipment:		
Cost of sales	4,470	4,214
Administration and selling expenses	126	148
	4,596	4,362
Depreciation of right-of-use assets:		
Cost of sales	482	749
Distribution expenses	903	367
	1,385	1,116
Amortization of intangible assets:		
Administration and selling expenses	954	951
Total depreciation and amortization expense	6,935	6,429

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	
	December 30, 2023	December 31, 2022
Interest expense on convertible unsecured subordinated debentures, including accretion expense ⁽¹⁾	2,140	2,126
Interest on revolving credit facility	1,760	1,371
Interest on senior guaranteed notes, including accretion of \$51 (December 31, 2022 - \$27)	921	897
Amortization of deferred financing fees	326	314
Interest on <i>Producteurs et Productrices Acéricoles du Québec</i> supplier balance	694	1,177
Other interest expense	1	10
Interest accretion on discounted lease obligations	406	242
Net change in fair value of interest rate swap (note 6)	658	46
Net finance costs recognized in net earnings	6,906	6,183

(1) Includes accretion expense of \$263 for the three months ended December 30, 2023 (December 31, 2022 - \$249)

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 September 30, 2023 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three months ended December 30, 2023.

For its financial assets and liabilities measured at amortized cost as at December 30, 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. 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.

As at December 30, 2023, September 30, 2023 and December 31, 2022, the Company's financial derivatives carrying values were as follows:

Notes to unaudited condensed consolidated interim financial statements

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

6. Financial instruments: (continued)

	Fair value hierarchy level	Financial Assets		Financial Liabilities	
		Current	Non-Current	Current	Non-Current
		December 30, 2023		December 30, 2023	
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	560	-	-	-
Foreign exchange forward contracts	Level 2	1,687	371	-	209
Interest rate swap	Level 2	1,047	149	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	-	781	1,304	-
Interest rate swap	Level 2	2,961	817	-	-
		6,255	2,118	1,304	209

	Fair value hierarchy level	Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities	
		Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
		September 30, 2023				December 31, 2022			
Derivative financial instruments measured at fair value through profit or loss:									
Sugar futures contracts	Level 1	331	-	-	-	174	-	-	-
Foreign exchange forward contracts	Level 2	-	69	1,112	-	-	20	2,826	67
Interest rate swap	Level 2	1,373	481	-	-	799	1,541	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:									
Natural gas futures contracts	Level 2	-	4,445	28	-	2,158	10,658	-	-
Interest rate swap	Level 2	3,315	2,291	-	-	2,851	2,630	-	-
		5,019	7,286	1,140	-	5,982	14,849	2,826	67

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		Charged to finance income (costs)		For the three months ended	
	Unrealized gain / (loss)				Other comprehensive	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	(2,690)	(1,208)	-	-	-	-
Foreign exchange forward contracts	1,732	76	-	-	-	-
Interest rate swap	-	-	(658)	(46)	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	-	-	-	(4,940)	(8,818)
Interest rate swap	-	-	-	-	(1,828)	97
	(958)	(1,132)	(658)	(46)	(6,768)	(8,721)

The following table summarizes the Company's hedging components of accumulated other comprehensive income (loss) ("AOCI") as at December 30, 2023 and December 31, 2022:

	December 30, 2023			December 31, 2022		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
Opening AOCI	5,127	4,797	9,924	22,344	4,574	26,918
Income taxes	(1,828)	(612)	(2,440)	(6,247)	(555)	(6,802)
Opening AOCI – net of income taxes	3,299	4,185	7,484	16,097	4,019	20,116
Change in fair value of derivatives designated as cash flow hedges	(4,940)	(1,828)	(6,768)	(8,818)	97	(8,721)
Income taxes	1,268	469	1,737	2,264	(25)	2,239
Ending AOCI – net of income taxes	(373)	2,826	2,453	9,543	4,091	13,634

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, 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:

On December 30, 2023, the Company had a total of \$340.0 million of available working capital under the revolving credit facility, which matures on October 31, 2027, from which it can borrow at prime rate, SOFR rate or under Adjusted Term CORRA loan (which is Term CORRA plus an adjustment varying between 30 to 32 basis points), 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 December 30, 2023, a total of \$589.6 million of assets are pledged as security (September 30, 2023 - \$630.0 million; December 31, 2022 - \$576.7 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 at quarter end.

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

	December 30, 2023	September 30, 2023	December 31, 2022
Current	65,000	58,000	65,000
Non-current	100,000	100,000	100,000
	165,000	158,000	165,000

The carrying value of the revolving credit facility approximates fair value. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

8. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	December 30, 2023	September 30, 2023	December 31, 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	(1,300)	(1,547)	(2,288)
Less equity component	(6,930)	(6,930)	(6,930)
Accretion expense on equity component	5,451	5,188	4,413
Total carrying value – non current	152,221	151,711	150,195

The fair value of the Sixth and Seventh series debentures as at December 30, 2023 were approximately \$152.0 million based on market quotes for identical instruments (September 30, 2023 - \$150.7 million; December 31, 2022 - \$153.4 million).

(A) SIXTH SERIES:

On July 28, 2017, the Company issued \$57.5 million Sixth series, 5.00% convertible unsecured subordinated debentures ("Sixth series debentures"), maturing on December 31, 2024, with interest payable semi-annually in arrears on June 30 and December 31 of each year. The debentures may be converted at the option of the holder at any time prior to maturity, at a conversion price of \$8.26 per share.

The debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing the indebtedness related to the convertible debenture by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

Notes to unaudited condensed consolidated interim financial statements

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

8. Convertible unsecured subordinated debentures (Continued)

(B) SEVENTH SERIES:

On March 28, 2018, and on April 3, 2020, the Company issued \$85.0 million and \$12.8 million for a total of \$97.8 million, Seventh series, 4.75% convertible unsecured subordinated debentures ("Seventh series debentures"), maturing on June 30, 2025, with interest payable semi-annually in arrears on June 30 and December 31 of each year. The debentures may be converted at the option of the holder at any time prior to maturity at a conversion price of \$8.85 per share.

The debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or on the maturity date, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing the indebtedness related to the convertible debenture by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

9. Share capital and other components of equity:

As of December 30, 2023, a total of 105,096,120 common shares (September 30, 2023 – 105,096,120; December 31, 2022 – 104,430,135) were outstanding.

During the first quarter ended December 30, 2023, no stock options were exercised. During the quarter ended December 31, 2022, 58,090 stock options were exercised for proceeds of \$261,000, and reversal of previously recognized share-based compensation recorded in contributed surplus of \$8,000 (note 11).

The Company declared a quarterly dividend of \$0.09 per share during the three-month period ended December 30, 2023 and December 31, 2022. On February 7, 2024, the Board of Directors declared a quarterly dividend of \$0.09 per share, payable on or before April 17, 2024.

	December 30, 2023	December 31, 2022
Dividends	9,459	9,399

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	
	December 30, 2023	December 31, 2022
Basic earnings per share:		
Net earnings	13,852	14,674
Weighted average number of shares outstanding	105,096,120	104,380,645
Basic earnings per share	0.13	0.14
Diluted earnings per share:		
Net earnings	13,852	14,674
Plus impact of convertible unsecured subordinated debentures	1,584	1,573
	15,436	16,247
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	105,096,120	104,380,645
Plus impact of convertible unsecured subordinated debentures	30,245,230	17,977,603
Plus impact of share options	61,863	221,583
	135,403,213	122,579,831
Diluted earnings per share	0.11	0.13

11. Share-based compensation:

(A) EQUITY-SETTLED SHARE-BASED COMPENSATION:

The Company ceased to issue share options effective for Fiscal 2024. 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 in the first quarter 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 \$39,000 was recorded for the three months period ended December 30, 2023 (an expense of \$41,000 for the three months period ended December 31, 2022).

The following tables summarize information about the Share option Plan as of December 30, 2023:

Notes to unaudited condensed consolidated interim financial statements

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

11. Share-based compensation:(Continued)

(A) Equity-Settled Share-Based Compensation: (Continued)

Exercise price per option	Outstanding number of options at September 30, 2023	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 December 30, 2023	Weighted average remaining life	Number of options exercisable
\$ 4.28	164,000	-	-	-	164,000	6,22	64,000
\$ 4.68	263,412	-	-	-	263,412	5,92	150,712
\$ 5.58	200,733	-	-	-	200,733	4,93	200,733
\$ 5.85	666,347	-	-	-	666,347	8,95	133,269
\$ 5.85	785,897	-	-	-	785,897	7,93	304,359
\$ 6.23	585,322	-	-	-	585,322	3,93	585,322
\$ 6.51	360,000	-	-	-	360,000	2,93	360,000
\$ 5.80	3,025,711	-	-	-	3,025,711	6,32	1,798,395

Options outstanding held by key management personnel amounted to 2,325,487 options as at December 30, 2023 and as at September 30, 2023.

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

Fiscal 2024 grant:

On December 11, 2023, a total of 559,963 PSUs were granted to executives of the Company at a price of \$5.42 per units. These PSUs will vest at the end of the 2024-2026 performance cycle based on the achievement of total shareholder returns and other non market performance conditions, 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 for the portion subject to market performance conditions and the remaining portion which is based on certain non market measures will vest in equal tranches over a three-year period (one-third per year). The fair value on December 30, 2023 was estimated at \$2,484,000. An expense of \$207,000 related to this specific grant was recorded for the three months period ending December 30, 2023 in administration and selling expenses.

For grants related to fiscal years 2021, 2022 and 2023, an expense of \$206,000 was recorded for the three-month period ending December 30, 2023, in administration and selling expenses.

During the first quarter of fiscal 2024, the grant related to fiscal 2021 was cash settled for an amount of \$3,755,000 (\$640,000 for grant related to fiscal 2020 during the first quarter of 2023).

As at December 30, 2023, \$1,855,000 is included under trade and other payables (September 30, 2023 - \$5,197,000 and December 31, 2022 - \$4,472,000).

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 three months ended		For the year ended	
	December 30, 2023	December 31, 2022	September 30, 2023	October 1, 2022
Non-cash transactions:				
Additions of property, plant and equipment and intangibles assets included in trade and other payables	6,304	3,724	3,951	1,958
Increase in asset retirement obligation provision included in property, plant and equipment	-	-	350	100
Additions to right-of-use assets	133	63	12,093	8,842

The Company has capitalized costs of \$10.5 million for the quarter ended December 30, 2023 for a cumulated construction in progress of \$21.7 million (September 30, 2023 - \$11.2 million incurred during fiscal 2023 and \$11.2 million in cumulated construction in progress; and, December 31, 2022 - \$6.4 million incurred during the quarter ended December 31, 2022 and \$6.4 million in cumulated construction in progress), associated with the expansion of the production and logistic facility of its eastern sugar refining operations in Montreal and Toronto. Included in this amount are capitalized borrowing costs of \$0.3 million (September 30, 2023 - \$0.4 million and December 31, 2022 - \$Nil), calculated using a capitalization rate of 6.75% (September 30, 2023 – 6.3% and December 31, 2022 – Nil%). During the first quarter ended December 30, 2023, the Company entered into capital commitments to complete its expansion project for a total value of \$129.0 million to be incurred to fiscal 2026.

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 senior executives, 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 December 30, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	229,808	58,891	-	288,699
Cost of sales	193,318	50,737	-	244,055
Gross margin	36,490	8,154	-	44,644
Depreciation and amortization	5,275	1,660	-	6,935
Results from operating activities	21,972	5,085	(947)	26,110
Additions to property, plant and equipment and intangible assets, net of disposals	14,948	188	-	15,136
Additions to right-of-use assets	82	51	-	133

	As at December 30, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	929,774	171,242	(166,290)	934,726
Total liabilities	(1,021,383)	(116,668)	509,445	(628,606)

	For the three months ended December 31, 2022			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	205,287	56,156	-	261,443
Cost of sales	169,249	51,003	-	220,252
Gross margin	36,038	5,153	-	41,191
Depreciation and amortization	4,712	1,717	-	6,429
Results from operating activities	24,833	1,943	(492)	26,284
Additions to property, plant and equipment and intangible assets, net of disposals	8,452	94	-	8,546
Additions to right-of-use assets	18	45	-	63

	As at December 31, 2022			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	881,373	202,013	(167,009)	916,377
Total liabilities	(983,757)	(150,115)	507,573	(626,299)

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 September 30, 2023			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	925,990	199,866	(164,955)	960,901
Total liabilities	(1,014,984)	(147,478)	508,457	(654,005)

Revenues were derived from customers in the following geographic areas:

	For the three months ended	
	December 30, 2023	December 31, 2022
Canada	238,498	204,903
United States	35,755	36,527
Europe	7,919	14,082
Other	6,527	5,931
	288,699	261,443