

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Three and six months ended March 30, 2024, and April 1, 2023

(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	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Revenues (note 13)	300,944	272,949	589,643	534,392
Cost of sales	256,083	231,291	500,138	451,543
Gross margin	44,861	41,658	89,505	82,849
Administration and selling expenses	13,731	13,966	25,871	23,263
Distribution expenses	6,426	5,836	12,820	11,446
	20,157	19,802	38,691	34,709
Results from operating activities	24,704	21,856	50,814	48,140
Net finance costs (note 5)	5,692	6,346	12,598	12,529
Earnings before income taxes	19,012	15,510	38,216	35,611
Income tax expense (recovery):				
Current	4,948	3,246	8,818	8,008
Deferred	128	1,202	1,610	1,867
	5,076	4,448	10,428	9,875
Net earnings	13,936	11,062	27,788	25,736
Net earnings per share (note 10)				
Basic	0.13	0.11	0.26	0.25
Diluted	0.11	0.10	0.22	0.23

Condensed consolidated interim statements of comprehensive (loss) income	For the three months ended		For the six months ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net earnings	13,936	11,062	27,788	25,736
Other comprehensive (loss) income Items that may or may not be reclassified subsequently to net earnings:				
Cash flow hedges (note 6)	(812)	(6,113)	(7,580)	(14,834)
Income tax on cash flow hedges (note 6)	209	1,569	1,946	3,808
Foreign currency translation differences	273	(81)	92	(516)
	(330)	(4,625)	(5,542)	(11,542)
Net earnings and comprehensive income for the period	13,606	6,437	22,246	14,194

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)

	March 30, 2024	September 30, 2023	April 1, 2023
Assets			
Current assets:			
Cash	3,452	46	1,947
Trade and other receivables	123,137	118,252	111,843
Income taxes receivable	-	2,280	2,023
Inventories	273,202	267,268	236,254
Prepaid expenses	5,417	8,912	6,216
Derivative financial instruments (note 6)	4,653	5,019	4,112
Total current assets	409,861	401,777	362,395
Non-current assets:			
Property, plant and equipment	287,777	267,185	254,447
Right-of-use assets	30,041	29,973	21,685
Intangible assets	19,175	20,890	22,361
Other assets	1,245	783	857
Derivative financial instruments (note 6)	873	7,286	11,137
Goodwill	233,007	233,007	233,007
Total non-current assets	572,118	559,124	543,494
Total assets	981,979	960,901	905,889
Liabilities and Shareholders' Equity			
Current liabilities:			
Revolving credit facility (note 7)	3,000	58,000	95,000
Trade and other payables	125,565	164,404	87,312
Income taxes payable	1,006	-	-
Provisions	1,112	1,415	1,094
Lease obligations	5,023	4,364	4,161
Convertible unsecured subordinated debentures (note 8)	57,021	-	-
Derivative financial instruments (note 6)	1,065	1,140	2,929
Total current liabilities	193,792	229,323	190,496
Non-current liabilities:			
Revolving credit facility (note 7)	100,000	100,000	100,000
Employee benefits	2,172	2,898	18,241
Provisions	136	287	1,218
Lease obligations	25,857	26,086	17,938
Convertible unsecured subordinated debentures (note 8)	95,718	151,711	150,698
Senior guaranteed notes	98,302	98,212	97,930
Deferred tax liabilities	43,647	45,488	40,279
Total non-current liabilities	365,832	424,682	426,304
Total liabilities	559,624	654,005	616,800
Shareholders' equity:			
Share capital (note 9)	221,340	107,210	105,840
Contributed surplus	301,022	300,968	300,943
Equity portion of convertible unsecured subordinated debentures (note 8)	5,085	5,085	5,085
Deficit	(139,818)	(146,635)	(153,771)
Accumulated other comprehensive income	34,726	40,268	30,992
Total shareholders' equity	422,355	306,896	289,089
Total liabilities and shareholder's equity	981,979	960,901	905,889

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 March 30, 2024								
	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	-	-	-	-	-	-	-	27,788	27,788
Dividends (note 9)	-	-	-	-	-	-	-	(20,971)	(20,971)
Issuance of shares (note 9)	22,820,714	114,130	(10)	-	-	-	-	-	114,120
Share-based compensation (note 11)	-	-	64	-	-	-	-	-	64
Cash flow hedges, net of tax (note 6)	-	-	-	-	-	(5,634)	-	-	(5,634)
Translation of foreign operations	-	-	-	-	-	-	92	-	92
Balance, March 30, 2024	127,916,834	221,340	301,022	5,085	31,695	1,850	1,181	(139,818)	422,355

	For the six months ended April 1, 2023								
	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 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)
Balance, April 1, 2023	104,848,674	105,840	300,943	5,085	20,873	9,090	1,029	(153,771)	289,089

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	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Cash flows from operating activities:				
Net earnings	13,936	11,062	27,788	25,736
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets (note 4)	6,007	5,637	11,988	11,115
Amortization of intangible assets (note 4)	953	952	1,907	1,903
Changes in fair value of derivative financial instruments included in cost of sales	1,351	(959)	(1,771)	(5,182)
Income tax expense	5,076	4,448	10,428	9,875
Pension contributions	(3,249)	(3,283)	(4,892)	(5,510)
Pension expense	2,922	3,204	4,229	5,222
Net finance costs (note 5)	5,692	6,346	12,598	12,529
Share-based compensation – equity settled (note 11)	25	46	64	87
Share-based compensation – cash settled (note 11)	642	2,759	1,055	2,037
Loss on disposal of property, plant and equipment	-	29	-	29
	33,355	30,241	63,394	57,841
Changes in:				
Trade and other receivables	(30,426)	(13,902)	(4,889)	8,304
Inventories	(33,760)	11,037	(6,062)	10,188
Prepaid expenses	21,472	(1,141)	3,495	2,652
Trade and other payables	(10,343)	(40,218)	(46,852)	(94,013)
Provisions	(450)	(369)	(454)	(524)
	(53,507)	(44,593)	(54,762)	(73,393)
Cash flows (used in) from operating activities	(20,152)	(14,352)	8,632	(15,552)
Interest paid	(5,552)	(6,374)	(8,669)	(11,031)
Income taxes paid	(3,134)	(3,895)	(5,534)	(6,932)
Net cash (used in) from operating activities	(28,838)	(24,621)	(5,571)	(33,515)
Cash flows (used in) from financing activities:				
Dividends paid (note 9)	(9,458)	(9,399)	(18,917)	(18,792)
(Decrease) increase in revolving credit facility (note 7)	(62,000)	30,000	(55,000)	69,000
Payment of financing fees	63	(1,343)	(539)	(1,443)
Payment of lease obligations	(1,655)	(1,423)	(3,281)	(2,629)
Issuance of shares, net of finance costs (note 9)	112,652	1,963	112,652	2,224
Cash flow (used in) from financing activities	39,602	19,798	34,915	48,360
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(13,154)	(6,114)	(25,912)	(12,894)
Additions to intangible assets	-	-	(25)	-
Cash flow used in investing activities	(13,154)	(6,114)	(25,937)	(12,894)
Effect of changes in exchange rate on cash	8	(3)	(1)	(155)
Net increase (decrease) in cash	(2,382)	(10,940)	3,406	1,796
Cash, beginning of period	5,834	12,887	46	151
Cash, end of period	3,452	1,947	3,452	1,947

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 March 30, 2024 and April 1, 2023 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. ("Lantic") and The Maple Treat Corporation ("TMT"), (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 IFRS Accounting 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 neither reviewed nor audited by our external auditors and were authorized for issue by the Board of Directors on May 9, 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.

Notes to unaudited condensed consolidated interim financial statements

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

2. Basis of presentation and statement of compliance (continued):

(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.

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 March 30, 2024 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)
- Presentation and disclosure in financial statements (IFRS 18)

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.

Notes to unaudited condensed consolidated interim financial statements

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

4. Depreciation and amortization expense:

Depreciation and amortization expense were charged to the unaudited condensed consolidated interim statements of earnings as follows:

	For the three months ended		For the six months ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Depreciation of property, plant and equipment:				
Cost of sales	4,471	4,251	8,941	8,465
Administration and selling expenses	126	244	252	392
	4,597	4,495	9,193	8,857
Depreciation of right-of-use assets:				
Cost of sales	466	(46)	948	703
Distribution expenses	944	1,188	1,847	1,555
	1,410	1,142	2,795	2,258
Amortization of intangible assets:				
Administration and selling expenses	953	952	1,907	1,903
Total depreciation and amortization expense	6,960	6,589	13,895	13,018

5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended		For the six months ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Interest expense on convertible unsecured subordinated debentures, including accretion expense ⁽¹⁾	2,146	2,131	4,286	4,258
Interest on revolving credit facility	1,510	2,158	3,270	3,529
Interest on senior guaranteed notes ⁽²⁾	926	899	1,847	1,796
Amortization of deferred financing fees	335	303	662	617
Interest on <i>Producteurs et Productrices Acéricoles du Québec</i> supplier balance	46	130	740	1,305
Other interest expense	54	1	54	11
Interest accretion on discounted lease obligations	439	245	845	488
Net change in fair value of interest rate swap (note 6)	236	479	894	525
Net finance costs recognized in net earnings	5,692	6,346	12,598	12,529

(1) Includes accretion expense of \$271 and \$534 for the three and six months ended March 30, 2024 (April 1, 2023 - \$256 and \$505, respectively)

(2) Includes accretion expense of \$56 and \$107 for the three and six months ended March 30, 2024 (April 1, 2023 - \$29 and \$56, 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 September 30, 2023 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three and six months ended March 30, 2024.

For its financial assets and liabilities measured at amortized cost as at March 30, 2024, 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.

Notes to unaudited condensed consolidated interim financial statements

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

6. Financial instruments (continued):

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 March 30, 2024, September 30, 2023 and April 1, 2023, the Company's financial derivatives carrying values were as follows:

	Fair value hierarchy level	Financial Assets		Financial Liabilities	
		Current	Non-Current	Current	Non-Current
		March 30, 2024		March 30, 2024	
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	66	-	-	-
Foreign exchange forward contracts	Level 2	858	136	-	-
Interest rate swap	Level 2	958	-	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	-	21	1,065	-
Interest rate swap	Level 2	2,771	716	-	-
		4,653	873	1,065	-

	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				April 1, 2023			
Derivative financial instruments measured at fair value through profit or loss:									
Sugar futures contracts	Level 1	331	-	-	-	80	-	-	-
Foreign exchange forward contracts	Level 2	-	69	1,112	-	-	164	1,984	-
Interest rate swap	Level 2	1,373	481	-	-	1,364	512	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:									
Natural gas futures contracts	Level 2	-	4,445	28	-	-	8,532	945	-
Interest rate swap	Level 2	3,315	2,291	-	-	2,668	1,929	-	-
		5,019	7,286	1,140	-	4,112	11,137	2,929	-

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				Other comprehensive gain (loss)	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	1,155	4,925	-	-	-	-
Foreign exchange contracts	196	136	-	-	-	-
Interest rate swap	-	-	(236)	(479)	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	-	-	-	(521)	(5,230)
Interest rate swap	-	-	-	-	(291)	(883)
	1,351	5,061	(236)	(479)	(812)	(6,113)

	Charged to cost of sales		Charged to finance income		For the six months ended	
	Unrealized gain				Other comprehensive gain (loss)	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	(1,536)	3,717	-	-	-	-
Foreign exchange contracts	1,928	212	-	-	-	-
Interest rate swap	-	-	(894)	(525)	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	-	-	-	(5,461)	(14,048)
Interest rate swap	-	-	-	-	(2,119)	(786)
	392	3,929	(894)	(525)	(7,580)	(14,834)

The following table summarizes the Company's hedging components of accumulated other comprehensive income ("AOCI") as at March 30, 2024 and April 1, 2023:

	March 30, 2024			April 1, 2023		
	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	(5,461)	(2,119)	(7,580)	(14,048)	(786)	(14,834)
Income taxes	1,402	544	1,946	3,606	202	3,808
Ending AOCI – net of income taxes	(760)	2,610	1,850	5,655	3,435	9,090

6. Financial instruments (continued):

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

Notes to unaudited condensed consolidated interim financial statements

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

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

7. Revolving credit facility:

On March 30, 2024, 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 March 30, 2024, a total of \$661.2 million of assets are pledged as security (September 30, 2023 - \$630.0 million; April 1, 2023 - \$581.9 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:

	March 30, 2024	September 30, 2023	April 1, 2023
Current	3,000	58,000	95,000
Non-current	100,000	100,000	100,000
	103,000	158,000	195,000

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:

	March 30, 2024	September 30, 2023	April 1, 2023
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	(1,053)	(1,547)	(2,041)
Less equity component	(6,930)	(6,930)	(6,930)
Accumulated accretion expense	5,722	5,188	4,669
Total carrying value	152,739	151,711	150,698
Presented as:			
Current	57,021	-	-
Non current	95,718	151,711	150,698
	152,739	151,711	150,698

8. Convertible unsecured subordinated debentures (continued):

The fair value of the Sixth and Seventh series debentures as at March 30, 2024 were approximately \$152.5 million based on market quotes for identical instruments (September 30, 2023 - \$150.7 million; April 1, 2023 - \$151.7 million).

Notes to unaudited condensed consolidated interim financial statements

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

(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.

(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 March 30, 2024, a total of 127,916,834 common shares (September 30, 2023 – 105,096,120; April 1, 2023 – 104,848,674) were outstanding.

On March 4, 2024, the Company issued 22,769,232 common shares at a price of \$5.18 per common share for gross proceeds of \$117.9 million pursuant to a bought deal public offering in Canada, and private offerings to Fonds de Solidarité des Travailleurs du Québec and an existing shareholder, Belcorp Industries Inc.

Share issuance costs of \$5.4 million (\$4.0 million after tax) were accounted for as a reduction in common shares on the consolidated statements of financial position.

Net proceeds from the issuance of common shares amounted to \$112.5 million and will be used to finance the recently announced expansion of production and logistic capacity of the eastern operations in Montreal and Toronto, in accordance with the use of proceeds stated in the prospectus supplement file on February 28, 2024, in connection with this common share offering.

During the first six months of fiscal year 2024, 51,482 stock options have been exercised for proceeds of \$0.2 million. During the first six months of fiscal year 2023, 476,629 stock options were exercised for proceeds of \$2.2 million, and reversal of previously recognized share-based compensation recorded in contributed surplus of \$0.1 million (note 11).

9. Share capital and other components of equity (continued):

The Company declared a quarterly dividend of \$0.09 per share during the six-month period ended March 30, 2024 and April 1, 2023. On May 9, 2024, the Board of Directors declared a quarterly dividend of \$0.09 per share, payable on or before July 11, 2024

	March 30, 2024	April 1, 2023
Dividends	20,971	18,835

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	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Basic earnings per share:				
Net earnings	13,936	11,062	27,788	25,736
Weighted average number of shares outstanding	108,159,475	104,546,903	107,184,771	104,450,674
Basic earnings per share	0.13	0.11	0.26	0.25
Diluted earnings per share:				
Net earnings	13,936	11,062	27,788	25,736
Plus impact of convertible unsecured subordinated debentures	1,590	1,578	3,173	3,152
	15,526	12,640	30,961	28,888
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	108,159,475	104,546,903	107,184,771	104,450,674
Plus impact of convertible unsecured subordinated debentures	30,801,943	20,899,218	30,801,943	20,899,218
Plus impact of share options	64,475	137,987	60,502	137,987
	139,025,893	125,584,108	138,047,216	125,487,879
Diluted earnings per share	0.11	0.10	0.22	0.23

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:

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 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 \$25,000 and of \$64,000 were recorded for the three and six months periods ended March 30, 2024 (an expense of \$46,000 and of \$87,000 for the three and six months periods ended April 1, 2023).

The following tables summarize information about the Share option Plan as of March 30, 2024:

Exercise price per option	Outstanding number of options at September 30, 2023	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 March 30, 2024	Weighted average remaining life	Number of options exercisable
\$ 4.28	164,000	-	-	-	164,000	5.97	114,000
\$ 4.68	263,412	-	(51,482)	-	211,930	5.67	99,230
\$ 5.58	200,733	-	-	-	200,733	4.68	200,733
\$ 5.85	666,347	-	-	-	666,347	8.70	133,269
\$ 5.85	785,897	-	-	-	785,897	7.68	304,359
\$ 6.23	585,322	-	-	-	585,322	3.38	585,322
\$ 6.51	360,000	-	-	-	360,000	2.68	360,000
\$ 5.82	3,025,711	-	(51,482)	-	2,974,229	6.08	1,796,913

Options outstanding held by key management personnel amounted to 2,325,487 options as at March 30, 2024 and as at September 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):

(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 Company believes it is probable that the non market performance conditions will be achieved. The fair value on March 30, 2024, was estimated at \$3,179,000. An expense of \$323,000 and \$530,000 related to this specific grant was recorded for the three months and six months period ended March 30, 2024, in administration and selling expenses.

For grants related to fiscal years 2021, 2022 and 2023, an expense of \$319,000 and \$525,000 was recorded for the three months and six months periods ended March 30, 2024, 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 March 30, 2024, \$2,497,000 is included under trade and other payables in relation with the estimated liability associated with the PSU program (September 30, 2023 - \$5,197,000 and April 1, 2023 - \$7,231,000).

12. Supplementary cash flow information:

	For the six months ended		September 30, 2023	For the year ended October 1, 2022
	March 30, 2024	April 1, 2023		
Non-cash transactions:				
Additions of property, plant and equipment and intangibles assets included in trade and other payables	7,823	4,438	3,951	1,958
Increase in asset retirement obligation provision included in property, plant and equipment	-	-	350	100
Additions to right-of-use assets	2,865	1,011	12,093	8,842

The Company has capitalized costs of \$9.2 million and \$19.7 million for the three and six months periods ended March 30, 2024 for a cumulated construction in progress of \$30.9 million (September 30, 2023 - \$11.2 million incurred during fiscal 2023 and \$11.2 million in cumulated construction in progress; and, April 1, 2023 - \$0.6 million and \$7.0 million incurred for the three and six months periods then ended and \$7.0 million in cumulated construction in progress), associated with the expansion of the production and logistic facilities of its eastern sugar refining operations in Montreal and Toronto. Included in these amounts are capitalized borrowing costs of \$0.4 million and \$0.7 million for the three and

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

12. Supplementary cash flow information (continued):

six month periods, respectively (September 30, 2023 - \$0.4 million and April 1, 2023 - \$Nil), calculated using a capitalization rate of 6.75% (September 30, 2023 – 6.3% and December 31, 2022 – Nil%). On March 30, 2024, the Company entered into capital commitments to complete its expansion project for a total value of \$135.9 million to be incurred to fiscal 2026.

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 March 30, 2024			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	242,957	57,987	-	300,944
Cost of sales	203,041	53,042	-	256,083
Gross margin	39,916	4,945	-	44,861
Depreciation and amortization	5,285	1,675	-	6,960
Results from operating activities	23,515	1,795	(606)	24,704
Additions to property, plant and equipment and intangible assets, net of disposals	14,252	421	-	14,673
Additions to right-of-use assets	2,674	58	-	2,732

	For the six months ended March 30, 2024			
	Sugar	Maple products	Corporate and eliminations	Total
Revenues	472,765	116,878	-	589,643
Cost of sales	396,359	103,779	-	500,138
Gross margin	76,406	13,099	-	89,505
Depreciation and amortization	10,560	3,335	-	13,895
Results from operating activities	45,487	6,880	(1,553)	50,814
Additions to property, plant and equipment and intangible assets, net of disposals	29,200	609	-	29,809
Additions to right-of-use assets	2,756	109	-	2,865

	As at March 30, 2024			
	Sugar	Maple products	Corporate and eliminations	Total
Total assets	977,265	170,268	(165,554)	981,979
Total liabilities	(1,065,107)	(115,190)	620,673	(559,624)

13. Segmented information (continued):

Notes to unaudited condensed consolidated interim financial statements

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

	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)

	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)

Notes to unaudited condensed consolidated interim financial statements

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

13. Segmented information (continued):

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the six months ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Canada	242,196	216,802	480,694	421,705
United States	44,988	40,127	80,743	76,654
Europe	7,371	9,741	15,290	23,823
Other	6,389	6,279	12,916	12,210
	300,944	272,949	589,643	534,392