A NATURAL ADDITION TO OUR FAMILY

2017 ANNUAL REPORT

TOTAL DIVIDEND (thousand of $)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2017	—	—	8,460	—	—	8,459	—	—	8,460	—	—	9,517	34,896
Fiscal 2016	—	—	8,458	—	—	8,449	—	—	8,443	—	—	8,446	33,796

PER SHARE DIVIDEND ($)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2017	—	—	0.09	—	—	0.09	—	—	0.09	—	—	0.09	0.36
Fiscal 2016	—	—	0.09	—	—	0.09	—	—	0.09	—	—	0.09	0.36

TABLE OF CONTENT

SWEETENERS REDEFINED

The Transformation of Rogers Sugar Inc.

Since its foundation in 1888, Rogers Sugar Inc. ("Rogers") was strictly a sugar company. Recognizing Canadians are looking for more choices when it comes to sugar and sweeteners, Rogers has been bringing to the market a line of innovative sweeteners. Now the time is ripe for the company to tap into a completely new source of sweetener: enter the strategic acquisition of L.B. Maple Treat Corporation ("LBMT"), which is a completely natural path for a sugar company.

2014

Rogers launches a line of products including Hot Chocolate, Iced Tea, agave and stevia.

2015

Stevia is among the finalists at the Canadian *Grand Prix New Product Award™*. The same year, we also added Food Service offering.

2016

Two new launches this year, Organic Coconut Sugar and Smart Sweetener Blend, further solidify Rogers' diversified line of sweeteners.

2017: The Acquisition of L.B. Maple Treat

In the summer of 2017, Rogers announced its acquisition of LBMT, one of the world's largest branded and private label maple syrup bottling and distribution companies. This acquisition is a definite game changer and fits perfectly with Rogers' long-term strategy to continue to build and invest in natural sweetener businesses and products.

More on page 6

TO MY FELLOW SHAREHOLDERS

Report from the Chairman

On behalf of the Board of Directors, I would first like to thank Mr. Stuart Belkin, my predecessor as Chairman, for his outstanding contribution and leadership over the last twenty years on the Board of Directors of Rogers Sugar Inc. ("Rogers" or the "Corporation") and Lantic Inc. ("Lantic"). I would also like to thank the Board and past Chair for their confidence and support in electing me on February 1, 2017 as the Chairman of Rogers. I am very pleased to have their confidence and support as we embark on this new path of adding new natural sweetener platforms and opportunities for future growth to our heritage business. This vision, which is shared by Rogers' executive leadership team, has resulted in significant work and the addition of material new businesses to our platform.

With this backdrop in mind, I am pleased to report that, excluding acquisition costs, the financial results for fiscal 2017 surpassed last year's results and delivered another year of volume growth and increased earnings for Rogers.

Fiscal 2017 will most definitely be remembered for the strategic acquisition of L.B. Maple Treat ("LBMT") in August 2017 which has given Rogers an immediate global leadership position in a complimentary natural sweetener category. We see the maple syrup business bringing sales growth, synergies, broader customer solutions and product innovation to Rogers. We believe that the maple syrup bottling industry will continue to consolidate around a handful of global players who will bring innovation, greater awareness and new usage opportunities for this truly unique Canadian sweetener. Aligned with this belief, we were excited to announce, in November 2017, the addition of another maple syrup business, Decacer, to our portfolio. This new acquisition brings a best in class operation as well as new and unique products to Rogers' portfolio which will allow us to truly fulfill our future vision for this new and exciting product platform.

Looking at the results of the sugar business, year-over-year volume was approximately 19,200 metric tonnes greater than in fiscal 2016. A significant portion of this improvement was attributable to the liquid and export segments, both of which benefited from the start of shipments with two customers with three-year contracts announced last year.

Excluding costs related to the acquisition of LBMT, the adjusted earnings before interest and taxes ("Adjusted EBIT") was $69.5 million, representing a $2.9 million improvement over last year. As LBMT was acquired very late in fiscal 2017, its contribution to the consolidated Adjusted EBIT only amounted to $0.8 million. In the 2018 fiscal year, it will contribute for a full 12 months.

Overall, results included some challenges mostly relating to the Taber operations. A large crop and challenging beet storage conditions in the January and February 2017 period, the latter part of the slicing campaign, led to operational inefficiencies and poorer than expected sugar extraction.

Rogers paid quarterly dividends of $0.09 per share for a yearly total of $0.36 per share. Rogers' free cash flow of $40.6 million represented a distribution ratio of 85% of the declared dividend for fiscal 2017 of $34.9 million. The Board of Directors will continue to assess the appropriateness of the level of the dividend based on performance and on the outlook for the business. The Board views sustainable returns to shareholders and maintenance of the dividend as a strategic priority.

With the Fourth series convertible unsecured subordinated debentures ("Fourth series debentures") coming due on April 30, 2017 and the acquisition of LBMT, Rogers has been very active on the financing front. Rogers, through its subsidiary Lantic, took advantage of lower interest rates to repay its Fourth series debentures at maturity and increased its financing under its revolving credit facility. In addition, on July 28, 2017, Rogers completed a public offering consisting of subscription receipts converted into 11,730,000 common shares for gross proceeds of $69.2 million. As part of the offering, the Corporation issued $57.5 million of sixth series 5.0% convertible unsecured subordinated debentures ("Sixth series debentures"), maturing December 31, 2024. Finally, the remainder of this $160.3 million acquisition, excluding closing adjustments, was funded by amending and increasing its credit availability under the revolving credit facility to $275 million.

Finally, I would also like to thank all of our employees for their efforts and commitment to strengthen the Corporation and all of our shareholders for their ongoing commitment to Rogers. We are always guided by our obligation to both ensure and enhance the value of your investment. We thank you for the trust and the continued support you have accorded us.

On behalf of the Board of Directors,

Dallas Ross
Chairman

November 22, 2017

A NATURAL ADDITION TO OUR FAMILY

Report from the President and CEO

The completion of our 2017 fiscal year provides a great opportunity to measure our performance, celebrate our successes, understand our weaknesses and establish new goals for improvement in fiscal 2018. Without a doubt, fiscal 2017 will be looked upon as a transformational year for Lantic Inc. ("Lantic") as we boldly stepped outside our traditional sugar refining and processing business and acquired L.B. Maple Treat Corporation ("LBMT"), a business with a global leadership position in maple syrup. This acquisition was aligned with our stated strategy of acquiring adjacent natural sweetener businesses that will add growth, diversity and scale to our core sugar business.

Before commenting on the past year, I wanted to briefly share some perspective on our plans and actions with respect to LBMT. Realizing the potential of the new acquisition will require that we maintain a balance of effort on running our core business, whilst working with the new LBMT management team to standardize and integrate common work streams, preserve core capabilities and leverage best practices within the maple syrup business and across the enterprise. From a business systems perspective, a key enabler to achieve our goals will be the use of an enterprise IT platform, an undertaking we will complete by the first quarter of calendar 2018. The integration of functional resources has already advanced and will be further developed with the completion of the IT integration. At this point, the Sales and Marketing team is the most advanced, while initial collaboration and coordination has also started in Finance, HR, and Supply Chain. Due to the uniqueness of the maple syrup operations and syrup procurement activities, these functions will not directly integrate in Lantic's functional equivalent. That being said, the sharing of best practices and the optimization of LBMT manufacturing and syrup procurement capabilities across the three newly amalgamated operations of our maple syrup bottling business will nonetheless remain an important work stream.

Looking at the results of the sugar business, we saw year-over-year volume growth of approximately 2.8% or approximately 19,200 metric tonnes greater than in fiscal 2016. When looking at the results by market segment, we saw the liquid business volume increase by approximately 17,800 metric tonnes, reflecting the start of a new three year contract. We also observed excellent growth in the export shipments of approximately 6,200 metric tonnes higher than the prior year. The consumer sales also realized a small increase of approximately 600 metric tonnes, year-on-year, mostly attributable to timing. Finally, the industrial sales ended the year with a slight decrease of approximately 5,400 metric tonnes, or approximately 1%, after an extended period of demand growth over the past two years.

As a result of the acquisition of LBMT, the Company will now report two operating segments, namely, Sugar and Maple products. The Sugar segment ended the year at $99.8 million in adjusted gross margins, an increase of $3.7 million when compared to last year. The increase in gross margin related to volume growth, was partially offset by higher per unit production cost from our operating plants. On a per metric tonne basis, the adjusted gross margin was $143.76 per metric tonnes, compared to $142.43 per metric tonne in fiscal 2017. LBMT contributed positively to the consolidated Adjusted EBIT by adding $2.4 million in Adjusted EBITDA since its acquisition by Lantic on August 5, 2017.

I want to use this opportunity to discuss and share our progress on our three core business strategies of Operational Excellence, Market Access and Acquisitions. The best way to appreciate the importance of our strategies is to understand how they impact some core issues that our business faces, including but not limited to, minimal volume growth, high energy costs exacerbated by new carbon tax levies and restricted export opportunities due to the presence of import tariffs in many countries. Together, these realities offer little opportunity for profit appreciation and when combined with inflation, can actually erode our profitability over time.

With this context in mind, it is easier to appreciate the importance of our focus on **OPERATIONAL EXCELLENCE** and why it is targeted at lowering costs and improving system reliability. Although capital investment is a large part of this effort, it is not the only response. Challenging current practices and paying greater attention to details will also lead to reduction in costs. Capital investment has also evolved to include a more significant proportion being directed towards projects that increase energy efficiency, reduce waste, increase automation and reduce safety risks in the workplace. Our overall objective is to generate earnings from our operational excellence efforts in order to offset flat market growth by delivering meaningful cost savings.

Our **MARKET ACCESS STRATEGY** takes several forms, the most dynamic one is our efforts to build strong relationships and new business in markets where trade agreements exist and where we have an established foothold. We actively monitor and leverage trusted relationships to participate opportunistically when a temporary change in market conditions provide a trading opportunity. Providing responsive, flexible and reliable execution when these conditions present themselves, has strengthened our position and led to more repeat business. The second component of this strategy relates to the negotiation of new or the modernization of existing trade agreements which require more patience and perseverance. These negotiations are complex and time consuming but when successful, can have a meaningful impact on our business.

Lastly, a good opportunity and a more targeted **ACQUISITION STRATEGY** have led to the successful purchase of LBMT. With a goal of diversifying our portfolio, the maple syrup industry quickly became a very attractive acquisition platform. With LBMT, we can now leverage our strong customer relationships and generate growth. Looking at some of the underlying facts surrounding the maple syrup category helps to underscore why we are so pleased with this addition to our product portfolio. Maple syrup will offer a sizeable growth opportunity and our strategy will be focused on building awareness and new distribution points for this unique natural sweetener. With more sophisticated users and food processors, the opportunity lies in expanding the use of maple syrup from a traditional breakfast topping into baking, cooking and food processing applications. Without a doubt, maple syrup has an abundance of potential for growth, having the majority of the world's supply of this unique natural sweetener harvested in our own backyard, which makes it a truly special opportunity for Lantic. Our vision for the business is to leverage our acquisition strategy to transform our business from a sugar refiner/producer to a more holistic natural sweetener provider with a product portfolio that delivers value to our customers as well as annual growth.

Pursuing our strategies and achieving success will require hard work, perseverance, team work, a common purpose and a continuous improvement mindset. Reaching our vision for the future will certainly not always follow a straight line but when difficult decisions will need to be made, we will turn to our values for guidance.

Finally I would like to take this opportunity to thank our Lantic and our new LBMT employees for all their contributions in fiscal 2017 as well as for their upcoming support for fiscal 2018 as we work together towards building an evolving and exciting business that delivers long-term growth and value for our shareholders.

John Holliday
President and Chief Executive Officer

November 22, 2017

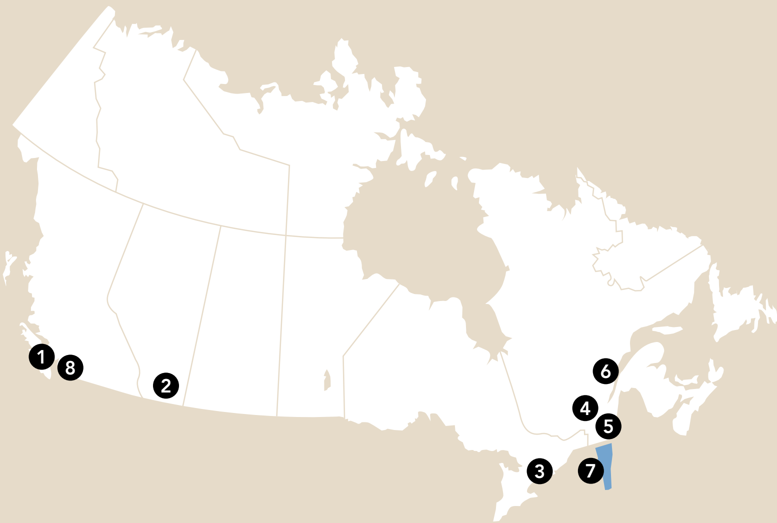
A NATURAL PATHWAY

The Acquisition of LBMT and Its Opportunities

The acquisition of LBMT for $160.3 million allows Rogers to diversify into the large and growing maple syrup market, a natural sweetener, with one of the leaders in the industry. This new platform will provide Rogers with opportunities to grow organically and leverage sales and operational gains.

For the trailing twelve month period ended March 31, 2017, LBMT generated $154 million in revenue and $18.4 million[1] in Adjusted Pro Forma EBITDA, which includes approximately $2.9 million of recent customer and operational gains.

Our Facilities



ROGERS

1. Head Office and Cane Refinery
   VANCOUVER, BC
2. Beet Plant
   TABER, AB
3. Distribution Centre and Blending Facility
   TORONTO, ON
4. Administrative Office and Cane Refinery
   MONTREAL, QC

LBMT

5. Head Office — Bottling Plant, Eastern Sales and Distribution
   GRANBY, QC
6. Bottling Plant, Warehousing and Shipping
   SAINT-HONORÉ-DE-SHENLEY, QC
7. Botting Plant, Warehousing and Shipping
   WEBSTERVILLE, VT
8. Warehousing, Distribution and Shipping
   BURNABY, BC

Strategic and Complementary Fit

- Market leadership with significant organic and acquisition growth opportunities.
- Favorable market growth trends in Canada and Internationally.
- Extensive supply chain and distribution network.
- Complement Rogers' retail, food service and industrial relationships.

1 Calculated as adjusted pro-forma EBITDA of $15.5 million for the last twelve months ended March 31, 2017 plus recent customer and operational gains of $2.9 million for a total of $18.4 million, excluding projected one-time costs

LBMT Product Categories

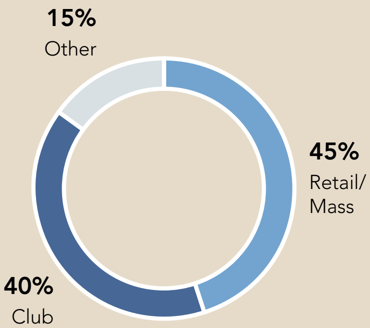
Syrups and Spreads

Candies and Cookies

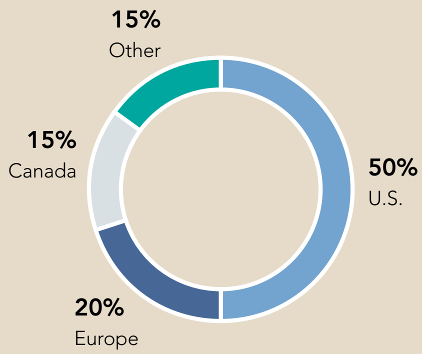
Gourmet Line

Coffees / Teas

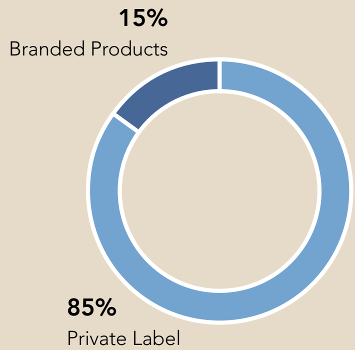
LBMT Split by Distribution Channel



LBMT Split by Geography



Private Labels vs. Branded Products



DECACER

pur et authentique

On November 20, 2017 – Rogers announced the acquisition by LBMT of Decacer Inc., a major bottler and distributor of branded and private label maple syrup and maple sugar based in Dégelis, Québec, for $40 million, from the Levasseur Family. Decacer will broaden our maple syrup operations and expand our product offering, including a unique maple sugar dehydration technology.

MISSION & VALUES

How They Positively Affect Our Community

Our values are the cornerstone for our non-financial priorities. They help guide our decision making and raise the bar for the expectations of our leadership. Over time, our goal is to continually reassess our delivery on these values and embrace the prioritized opportunities for continuous improvement.

In fiscal 2017, we want to highlight our value of Community and share some of the broad range of initiatives we have seen within our business. Our commitment to community is recognition of the valuable resources each community brings to us and a heartfelt desire to give back to those in our neighbourhoods that are less fortunate than us.

Our Community involvement takes the form of donations, volunteering and fundraising. In fiscal 2017 we donated in excess of $200,000 to local initiatives that met our established criteria.

Our volunteer initiatives were driven by local committees who worked with management and hourly employees to target initiatives that helped those less fortunate. These efforts included volunteer hours at food banks, the purchase, preparation and delivery of food baskets, the purchase and wrapping of Christmas toys for young children and lastly, time spent volunteering and sponsoring charity fundraisers such as ones organized by the Union Gospel Mission in Vancouver and the Chic Resto Pop in Montreal, which together, helped realize in excess of $70,000 in funding for these two important charitable organizations.

ROGERS

Lantic

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
September 30, 2017 and October 1, 2016

This Management's Discussion and Analysis ("MD&A") of Rogers Sugar Inc.'s ("Rogers" or the "Corporation") audited consolidated financial statements for the years ended September 30, 2017 and October 1, 2016 should be read in conjunction with the audited consolidated financial statements and related notes for the years ended September 30, 2017 and October 1, 2016. The Company's MD&A and consolidated financial statements are prepared using a fiscal year which typically consists of 52 weeks, however, every five years, a fiscal year consists of 53 weeks. The fiscal years ended September 30, 2017 and October 1, 2016 both consist of 52 weeks, while the fiscal year ended October 3, 2015 included 53 weeks.

All financial information contained in this MD&A and audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise noted, and the term "dollar", as well as the symbol "$", designate Canadian dollars unless otherwise indicated.

Rogers's audited consolidated financial statements have been approved by its Board of Directors upon the recommendation of its audit committee prior to release. This MD&A is dated November 22, 2017.

Additional information relating to Rogers, Lantic Inc. ("Lantic"), L.B. Maple Treat Corporation and Highland Sugarworks Inc. ("Highland") (together referred as "LBMT"), including the annual information form, quarterly and annual reports, management proxy circular, short form prospectus and various press releases issued by Rogers is available on the Rogers's website at www.rogerssugarinc.com or on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

NON-GAAP MEASURES

In analyzing results, we supplement the use of financial measures that are calculated and presented in accordance with IFRS with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with IFRS. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with the non-GAAP financial measures of other companies having the same or similar businesses. We strongly encourage investors to review the audited consolidated financial statements and publicly filed reports in their entirety, and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-GAAP financial measures reflect an additional way of viewing aspects of the operations that, when viewed with the IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

The following is a description of the non-GAAP measures used by the Company in the MD&A:

- Adjusted gross margin is defined as gross margin adjusted for:
  - "the adjustment to cost of sales", which comprises of the mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives (and natural gas futures contracts for prior years up to and including fiscal 2016) as shown in the notes to the consolidated financial statements and the cumulative timing differences as a result of mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives (and natural gas futures for prior years up to and including fiscal 2016) as described below; and
  - "the amortization of transitional balance to cost of sales for cash flow hedges", which is the transitional marked-to-market balance of the natural gas futures outstanding as of October 1, 2016 amortized over time based on their respective settlement date until all existing natural gas futures have expired, as shown in the notes to the consolidated financial statements.

- Adjusted EBIT is defined as EBIT adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges.

- Adjusted EBITDA is defined as adjusted EBIT adjusted to add back depreciation and amortization expenses.

- Adjusted net earnings is defined as net earnings adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges, the amortization of transitional balance to net finance costs and the income tax impact on these adjustments. Amortization of transitional balance to net finance costs is defined as the transitional marked-to-market balance of the interest rate swaps outstanding as of October 1, 2016, amortized over time based on their respective settlement date until all existing interest rate swaps agreements have expired, as shown in the notes to the consolidated financial statements.

- Adjusted gross margin rate per MT is defined as adjusted gross margin of the Sugar segment divided by the sales volume of the Sugar segment.

- Adjusted gross margin percentage is defined as the adjusted gross margin of the Maple segment divided by the revenues generated by the Maple product segment.

- Adjusted net earnings per share is defined as adjusted net earnings divided by the weighted average number of shares outstanding.

- LBMT adjusted EBITDA is defined as the earnings before interest expenses, taxes and depreciation and amortization expenses of the Maple product segment, adjusted for the total adjustment to cost of sales relating to its segment, non-recurring expenses and depreciation and amortization expenses.

- LBMT's EBITDA is defined as earnings before interest expenses, taxes, depreciation and amortization expenses, business combination related costs, gain on business acquisition and fair value adjustment to purchase price allocation on inventories.

- Adjusted *pro forma* EBITDA is defined as LBMT's EBITDA, adjusted to include the EBITDA of Highland and Great Northern from April 1, 2016 until their respective acquisition by LBMT and the expected EBITDA of Sucro-Bec for the twelve-month period ended March 31, 2017, as well as certain non-recurring operating expenses.

- Adjusted *pro forma* EBITDA assuming the LBMT Integration Gains is defined as the adjusted *pro forma* EBITDA, adjusted to include any recent customer gains, procurement efficiencies, redistribution of production lines, reduction of maple syrup losses and previous integration of acquired businesses.

- Adjusted *pro forma* EBITDA assuming the LBMT Integration Gains and the RSI Integration Gains is defined as the adjusted *pro forma* EBITDA assuming the LBMT Integration Gains, adjusted to include business efficiencies, including procurement cost reductions and Operational Excellence, and customer gains, as a result of the Rogers integration.

- Decacer's *pro forma* adjusted EBITDA is defined as earnings before interest expenses, taxes, depreciation and amortization expense for the twelve-month period ended March 31, 2017, adjusted to take into account non-recurring items identified by the Decacer Management, non-recurring items identified by the Company during the course of its due diligence and estimated adjustments required to reflect the going-forward EBITDA run-rate.

- Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, amortization of transitional balances, financial instruments non-cash amount, and includes funds received or paid from the issue or purchase of shares and capital expenditures, net of operational excellence capital expenditures. Free cash flow for fiscal 2017 excludes any funds received or paid as part of the short form prospectus offering for subscription receipts and convertible unsecured subordinated debentures issued in July 2017.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons why we believe these measures provide useful information regarding the financial condition, results of operations, cash flows and financial position, as applicable. We also discuss, to the extent material, the additional purposes, if any, for which these measures are used. These non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of the Company's results as reported under GAAP. Reconciliations of non-GAAP financial measures to the most directly comparable IFRS financial measures are also contained in this MD&A.

FORWARD-LOOKING STATEMENTS

This report contains Statements or information that are or may be "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements may include, without limitation, statements and information which reflect the current expectations of Rogers, Lantic and LBMT (together all referred to as "the Company") with respect to future events and performance. Wherever used, the words "may," "will," "should," "anticipate," "intend," "assume," "expect," "plan," "believe," "estimate," and similar expressions and the negative of such expressions, identify forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States ("U.S."), beet production forecasts, growth of the maple syrup industry, anticipated benefit of the LBMT acquisition (including expected adjusted EBITDA), the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Actual performance or results could differ materially from those reflected in the forward-looking statements, historical results or current expectations. These risks are referred to in the Company's Annual Information Form in the "Risk Factors" section and include, without limitation: the risks related to the Corporation's dependence on the operations and assets of Lantic, the risks related to government regulations and foreign trade policies, the risks related to competition faced by Lantic, the risks related to fluctuations in margins, foreign exchange and raw sugar prices, the risks related to security of raw sugar supply, the risk related to weather conditions affecting sugar beets, the risks relating to fluctuation in energy costs, the risks that LBMT's historical financial information may not be representative of future performance, the risk that following the acquisition of LBMT on August 5, 2017 (the "Acquisition"), Rogers and Lantic may not be able to successfully integrate LBMT's business with their current business and achieve the anticipated benefits of the Acquisition, the risks of unexpected costs or liabilities related to the Acquisition, including that the Representation and Warranty Insurance ("RWI") Policy may not be sufficient to cover such costs or liabilities or that the Corporation may not be able to recover such costs or liabilities from the shareholders of LBMT, the risks related to the regulatory regime governing the purchase and sale of maple syrup in Québec, including the risk that LBMT may not be able to maintain its authorized buyer status with the Fédération des Producteurs Acéricoles du Québec ("FPAQ") and the risk that it may not be able to purchase maple syrup in sufficient quantities, the risk related to the production of maple syrup being seasonal and subject to climate change, the risk related to customer concentration and LBMT's reliance on private label customers, the risks related to consumer habits and the risk related to LBMT's business growth, substantially relying on exports.

Although the Corporation believes that the expectations and assumptions on which forward-looking information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this forward-looking information as no assurance can be given that it will prove to be correct. Forward-looking information contained herein is made as at the date of this MD&A and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law. As of the date of this MD&A, Management does not anticipate any significant change in the expected adjusted EBITDA for LBMT than as presented in the short form prospectus dated July 21, 2017.

FORWARD-LOOKING INFORMATION IN THIS MD&A

The following table outlines the forward-looking information contained in this MD&A, which the Corporation considers important to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

EXPECTED ADJUSTED EBITDA FOR LBMT

Principal Assumptions

The expected adjusted EBITDA is the expected earnings before interest expenses, taxes, depreciation and amortization expense for a twelve-month period, adjusted for one-time costs and including the integration gains. The Corporation estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, from which it subtracts budgeted general and administrative expenses. The integration gains include LBMT for fiscal 2018 and RSI integration gains for fiscal 2019. LBMT integration gains are estimated gains resulting from the three acquisitions completed by LBMT since February 2, 2016 and which include customer gains, procurement efficiencies, redistribution of production lines, reduction of maple syrup losses and previous integration of acquired businesses. RSI integration gains are estimated operational gains resulting from the combination of the Corporation and LBMT which include business efficiencies and customer gains.

Principal Risks and Uncertainties

- Historical financial information used to estimate budgeted amounts may not be representative of future results.
- Variability in LBMT's performance.
- Unexpected administration, selling or distribution expenditures.
- Uncertainty of successful integration and operational gains.
- Other risks relating to the business of LBMT (refer to the "Risk Factors" section).

EXPECTED ADJUSTED *PRO FORMA* EBITDA FOR DECACER [1]

Principal Assumptions

The Decacer's adjusted *pro forma* EBITDA is the expected earnings before interest expenses, taxes, depreciation and amortization expense for a twelve-month period, adjusted to take into account non-recurring items identified by the Decacer Management, non-recurring items identified by the Company during the course of its due diligence and estimated adjustments required to reflect the going-forward EBITDA run-rate.

Principal Risks and Uncertainties

- Historical financial information used may not be representative of future results.
- Variability in Decacer's performance.
- Unexpected administration, selling or distribution expenditures.
- Uncertainty of successful integration and operational gains.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, the Corporation has filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Vice President Finance, in the capacity of an officer performing the function of a Chief Financial Officer ("VP Finance") that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company; and
- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the VP Finance, have designed the disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and VP Finance by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at September 30, 2017, an evaluation was carried out, under the supervision of the CEO and the VP Finance, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and the VP Finance concluded that the Company's DC&P were appropriately designed and were operating effectively as at September 30, 2017.

[1] See "Subsequent event" section

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and VP Finance have also designed internal controls over financial reporting ("ICFR"), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS using the framework established in "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)". As at September 30, 2017, an evaluation was carried out, under the supervision of the CEO and the VP Finance, of the design and operating effectiveness of the Company's ICFR. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at September 30, 2017.

In designing and evaluating such controls, it should be recognized that, due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is obliged to use judgement in evaluating controls and procedures.

LIMITATION ON SCOPE OF DESIGN

The Company has limited the scope of its DC&P and ICFR to exclude controls, policies and procedures of LBMT and its subsidiary acquired not more than 365 days before the last day of the period covered by the annual filing. The Company elected to exclude it from the scope of certification as allowed by NI 52-109. The Company intends to perform such testing within one year of acquisition.

The chart below presents the summary financial information included in the Corporation's consolidated financial statements for the excluded business:

(In thousands of dollars, unaudited)	LBMT
	$
Statement of Financial Position	
Total assets	254,056
Statement of Comprehensive Income	
Total revenue	26,666
Results from operating activities	948

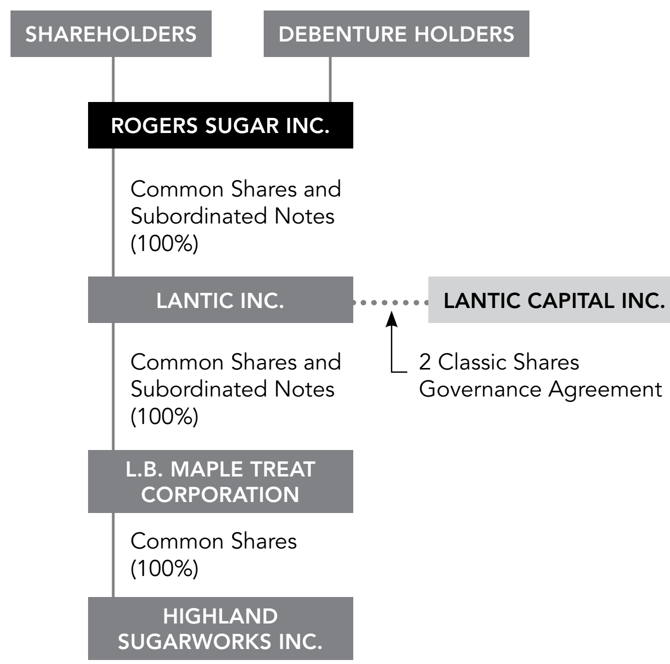
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OVERVIEW

Rogers is a corporation incorporated under the *Canada Business Corporations Act*, which holds all of the common shares and subordinated notes of Lantic Inc. ("Lantic").

The following chart illustrates the structural relations between shareholders, debenture holders, Rogers, Lantic Capital Inc., Rogers's operating company, Lantic and its subsidiaries, namely LBMT and Highland.



Rogers is governed by not less than three, nor more than seven directors who are appointed annually at the annual general meeting of the shareholders of Rogers. As of the date of this MD&A, there were six directors.

The directors are responsible for, among other things: acting for, voting on behalf of and representing Rogers as a shareholder and noteholder of Lantic; maintaining records and providing reports to the shareholders; supervising the activities and managing the investments and affairs of Rogers; and effecting payments of dividends to shareholders.

Communication with shareholders on matters relating to the Company is primarily the responsibility of the Administrator, Lantic, through its Chief Executive Officer and Vice-President Finance. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

An Audit Committee of Rogers exists and is composed of three directors, all of whom are independent and unrelated.

LANTIC

Production Facilities

Lantic is the largest refined sugar producer in Canada, with annual nominal production capacity of approximately 1,000,000 metric tonnes. Lantic operates cane refineries in Montréal, Québec and Vancouver, British Columbia, and a sugar beet factory in Taber, Alberta.

With total sales volume of approximately 600,000 to 700,000 metric tonnes per year, Lantic has ample capacity to meet all current volume requirements. None of the production facilities currently operate at full capacity. Lantic is the only sugar producer with operating facilities across Canada. The strategic location of these facilities confers operating flexibility and the ability to service all customers across the country efficiently and on a timely basis.

Lantic also operates a custom blending operation in Toronto which blends high sugar containing products, as well as non-sugar products, for manufacturing and food processing companies. Blends can be sold in retail format, aimed directly at consumers, as well as totes, geared to the industrial market. The total capacity of this plant is approximately 30,000 metric tonnes per year.

Lantic also operates a full service rail truck transfer and distribution centre in Toronto.

Our Products

All Lantic operations supply high quality white sugar as well as a broad portfolio of specialty products which are differentiated by colour, granulation, and raw material source. We are also committed to responding to the evolving needs of our customers through innovative packaging and supply chain solutions, as well as customized product specifications.

Sales are focused in three specific market segments: industrial, consumer, and liquid products. The domestic market represents more than 90% of the Company's total volume.

In fiscal 2017, the domestic refined sugar market was comparable to last fiscal year.

The industrial segment is the largest segment accounting for approximately 60% of all shipments. The industrial segment is comprised of a broad range of food processing companies that serve both the Canadian and American markets. These processors are able to take the relative advantage of a weaker Canadian dollar and lower value of the #11 world raw sugar prices, compared to #16 raw sugar prices used as the basis for pricing in the U.S. market, to expand sales into export markets. These sales are not subject to duty tariffs that apply to sugar.

In the consumer market segment, a wide variety of products are offered under the Lantic and Rogers brand names. This segment has remained stable during the last several years. Our marketing efforts continue to focus on building volume through market share growth and expansion of our brand with the development of new specialty products and alternate sweetener solutions. In fiscal 2017, Lantic has been able to reap the rewards of the two new products that were launched in the year prior. Coconut sugar has won the Product of the Year™ award – the world's largest consumer-voted award for product innovation, which currently operates in 40 countries and is recognized globally. Equally, the Smart Sweetener Blend has also been honoured as one of the finalists in the recent Canadian Grand Prix New Product Awards™. Beside the prestige associated with the awards, the external accolades also affirm Lantic's aspirational goal to broaden its market and product offering and become recognized as a market leader in natural sweetener solutions. What started out as small new product initiatives have now translated into additional sales volume and is fueling our resolve to continue to innovate and launch new product offerings for our customers. To further enhance the website users' experience, we will also be integrating the corporate website with the consumer website giving a single point of portal entry for all our customers and consumers.

The liquid market segment is comprised of core users whose process or products require liquid sucrose and another customer group that can substitute liquid sucrose with high fructose corn syrup ("HFCS"). The purchasing patterns of substitutable users are largely influenced by the absolute price spread between HFCS and liquid sugar. Increasingly, other considerations, such as ingredient labeling could also bear some influence on the purchasing decision. The liquid segment grew during the current fiscal year as a result of a large bottler substituting HFCS for sucrose, which benefited Lantic.

Lantic's Taber plant is the only beet sugar factory in Canada and is therefore the only producer of Canadian origin sugar. As such, this plant is the sole participant in an annual Canadian-specific quota to the U.S. of 10,300 metric tonnes. In addition, there is a 7,090 metric tonne U.S. global refined sugar quota, which opens and is usually filled on a first-come first-served pro-rata basis on October 1st of every year. The Montréal and Vancouver cane operations and the Taber beet factory can all participate in this global quota. Sales to the U.S. under both the Canadian-specific and the U.S. global quotas are typically made at above average margins as U.S. pricing reflects agricultural and price support and typically exceeds Canadian pricing, which is derived from #11 world raw sugar pricing. In fiscal 2017, favourable market conditions also allowed the Company to complete some additional volume of sales of specialty sugars over and above these two quotas, on a high tier (duty paid) basis. These favourable conditions occur when the spread between #11 world raw sugar prices and U.S. refined sugar prices widens combined with the devaluation of the Canadian dollar more than fully offset the U.S. import duties. With its broad and diversified production platform, the Company is well positioned to take advantage of such opportunistic sales. The Company pays close attention to these market spreads and when appropriate, leverages a well-developed customer network to commercialize these opportunities.

By-products relating to beet processing and cane refining activities are sold in the form of beet pulp, beet and cane molasses. Beet pulp is sold domestically and to export customers for livestock feed. The production of beet molasses and cane molasses is dependent on the volume of sugar processed through the Taber, Montréal and Vancouver plants.

Our Supply

The global supply of raw sugar is ample. Over the last several years, Lantic has purchased most of its raw sugar from Central and South America for its Montréal and Vancouver cane refineries. All raw cane sugar purchases are hedged on the Intercontinental Exchange ("ICE") #11 world raw sugar market. This hedging eliminates gains or losses from raw sugar price fluctuations, and thus helps Lantic avoid the effects of volatility in the world raw sugar market.

In fiscal 2015, the Company entered into a four-year agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply of sugar beets to the Taber beet plant. The 2017 crop, which will be harvested in the fall and processed in fiscal 2018, is the third one under this contract. Any shortfall in beet sugar production related to crop problems is replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery.

The contract with the Growers stipulates a fixed price for all beet sugar derived from the beets processed in addition to a scaled incentive as the price of raw sugar increases. As a consequence, the Company is exposed to fluctuations in the #11 world raw sugar price for all domestic beet sugar volume sold against the #11 world raw sugar prices, which is approximately 70,000 metric tonnes. The Company can use a pre-hedge strategy to mitigate the fluctuation risks, which is explained below in the section "Use of Financial Derivatives for Hedging".

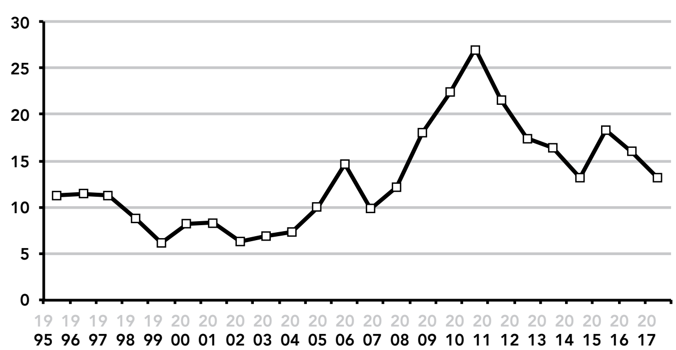
Pricing

In fiscal 2017, the price of raw sugar fluctuated between U.S. 12.74 cents per pound and U.S. 23.90 cents per pound and closed at U.S. 14.10 cents per pound at the end of the fiscal year, which was 8.90 cents lower than the closing value at October 1, 2016. Price variation during the year was similar to fiscal 2016 when raw sugar prices fluctuated between U.S. 12.61 and U.S. 24.10 cents per pound. After two consecutive deficit years, the global sugar market returned to a surplus in 2017 driven by increased output in India, the European Union, Thailand and Centre-South Brazil.

The price of refined sugar deliveries from the Montréal and Vancouver raw cane facilities is directly linked to the price of the #11 world raw sugar market on the ICE. All sugar transactions are economically hedged, thus eliminating the impact of volatility in world raw sugar prices. This applies to all refined sugar sales made by these plants. Liquid sales to HFCS substitutable customers are normally priced against competing HFCS prices and are historically the lowest margin sales for the Company.

Whereas higher #11 world raw sugar values may have the effect of reducing the competitiveness of the liquid business versus HFCS, the opposite holds true for our beet operation. In Taber, the raw material used to produce sugar is sugar beets, for which a fixed price, plus a scaled incentive on higher raw sugar values, is paid by Lantic to the Growers. As a result, Lantic benefits from, or alternatively, absorbs some of the changes associated with fluctuations in world raw sugar prices for all volume sold, excluding non U.S. export volume.

World raw sugar cane prices
Cents per pound — yearly averages
(September 1995 to September 2017)



Source: #11 ICE

Operations

Employees are key to our success and employee safety is continuously at the forefront of our priorities. Each of the Company's manufacturing operations incorporates occupational health and safety components in its annual planning which are reviewed weekly by senior management and quarterly by the Board of Directors.

For our refinery operations, labour remains the largest cost item. Our operating plants' labour agreements have staggered expiry dates. The Vancouver and Toronto bargaining agreements will expire at the end of February 2018 and June 2018, respectively, and negotiations will start in the new calendar year.

Energy is our second largest operating expense. We use large amounts of natural gas in our refineries. We have a hedging strategy in place with futures contracts to mitigate the impact of large fluctuations in natural gas prices. With a continued weakness in natural gas prices, Lantic added some hedged positions for fiscal 2018 through 2022 at prices equal to or lower than fiscal 2017's average price. We will continue to closely monitor the natural gas market in order to reduce volatility and maintain an overall market competitiveness. Lantic's forward hedging policy mitigates but does not fully eliminate the impact of year-over-year trends in natural gas prices.

Provincial application of some form of carbon tax has been increasingly important across Canada. The Company's two cane refineries and its beet factory are subject to an additional levy pertaining to gas emissions, the latter having started on January 1, 2017. This new trend could increase the overall energy costs for the Company.

Since fiscal 2015, the Montréal refinery has operated under a firm gas contract as opposed to an interruptible gas contract as was the case previously. Fiscal 2017's firm gas contract was the third year of a five-year contract, terminating in November 2019. This firm gas contract eliminates incremental energy costs relating to service interruptions as a result of cold winter conditions.

Natural gas price continuation chart
(January 2003 to September 2017)

Source: NYMEX

Production reliability is also critical to the success of our operations. Every year, each plant makes considerable investments in preventive maintenance and repairs, thus maintaining their efficient working order and competitiveness.

Lantic invested $14.0 million in "Stay in Business and Safety" capital projects for plant reliability, product security, information systems and environmental requirements. The amount spent in the current year is slightly lower than last year due to a higher spending level in operational excellence projects. However, the Company is spending an increased amount on stay in business and safety capital projects when compared to recent fiscal years due to the start of more significant projects being undertaken, more specifically, in Montréal and in Vancouver.

"Operational Excellence", or return on investment capital projects, forms the balance of the fiscal year spend. In fiscal 2017, operational excellence capital expenditures amounted to $3.3 million, of which, $2.1 million was spent on an energy saving project at the Montréal refinery that started in fiscal 2016 and will be completed in the first half of fiscal 2018. In addition, $0.7 million was spent on the installation of a palletizing station in Taber, which will also be completed in fiscal 2018. The remaining spending was invested in various smaller projects. These investments are undertaken because of operational savings to be realized when such projects are completed.

The Taber beet sugar processing facility was established in 1950. Over the past few years, the Company has been actively working on solutions to reduce the air emissions footprint of the Taber facility and in 2015 embarked on a more comprehensive solution. However, the implementation of the new carbon tax starting in 2017 by the Government of Alberta, together with further changes in emission standards, required a complete overhaul of the planned solution. For the 2017 beet harvesting season, the Taber facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. The Company is currently evaluating various scenarios which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. To achieve this objective, the Company will need to commit significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between $15 million and $25 million. The investment required for this project would be considered as one-time and incremental to the ongoing capital expenditure program.

The Company is fully committed to continuous improvement and to the competitive supply of quality and safe products that meet or surpass customer and legislative requirements. Customer satisfaction is achieved and maintained by a qualified and motivated workforce that is accountable and responsible for all aspects of quality and food safety. By understanding and responding to evolving needs and expectations, we are well positioned with respect to ever changing requirements such as the Global Food Safety Initiative, currently the universal benchmark for food safety and consumer protection.

As a result of this commitment and focus, we are pleased to report that the Food Safety System Certification 22000 ("FSSC 22000") is in place at each of our three production facilities.

Furthermore, our blending facility is also certified under the FSSC 22000 standard, thereby demonstrating our commitment to provide quality and safe products for our customers. The plant is already registered as a Canadian Food Inspection Agency ("CFIA") dairy establishment, which allows Lantic to pursue dry dairy blends for both the domestic and export markets. We are committed to increasing blending volume in both the industrial and retail sectors, including non-sugar containing blends.

LBMT

On August 5, 2017, the Company acquired from Champlain Financial Corporation Inc. 100% of LBMT, for approximately $160.3 million, in addition to closing adjustments of approximately $9.2 million. LBMT is one of the world's largest branded and private label maple syrup bottling and distribution companies. The acquisition of LBMT will allow the Company to diversify into the large and growing market of maple syrup, a natural sweetener, with one of the leaders in the industry. This new platform will provide the Company with opportunities to grow organically, leverage sales and administrative gains, and investigate other potential acquisitions in that segment.

Overview of the Maple Syrup and Maple Products Industry

Maple syrup is fundamentally organic and gluten-free. Maple syrup is increasingly viewed as a healthy alternative to traditional sweeteners. Maple syrup is extracted mainly from two types of maple trees: sugar maple and red maple. The biggest concentration of maple trees is located in Québec, New Brunswick, Ontario, Vermont, Maine and New Hampshire.

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. The syrup takes its origin from the sap which is collected from the maple tree. Through photosynthesis, sugar maple and red maple convert the starch stored during the warmer seasons into sugar. This sugar then combines with the water absorbed by the tree's roots and in the spring, when temperatures rise, the sweet sap in the trunk and roots expands, creating pressure inside the tree to ultimately to push sap out of the maple tree.

The sap generally travels from the trees by gravity and pumping through a system of tubing attached to the trees by small nicks and connected to larger conveyance tubes that are themselves connected to the sugar shack, where it is ultimately boiled into maple syrup.

Global Supply and Demand

Canada remains the largest producer of maple syrup, with over 77% of the world's production. The U.S. is the only other major producing country in the world, producing approximately 22% of the global supply. Québec represented 71% of the world's production in 2016.

Regulatory Regime in Québec

There are approximately 7,300 commercial-scale maple syrup producers in Québec. The maple syrup producers in Québec are represented by the FPAQ, a body created in 1966 to support the interests of maple syrup producers and to ensure a "level playing field". The FPAQ generally regulates the buying and selling of bulk maple syrup.

The FPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the Conseil de l'industrie de l'érable (the Maple Industry Council) entered into the Marketing Agreement, which is expected to be renewed on an annual basis.

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the FPAQ in the case of maple syrup, with the functions and role otherwise granted to the Régie des marchés agricoles et alimentaires du Québec, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the FPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to offer security of supply and price stability of maple syrup.

Pursuant to the Sales Agency Regulation, the FPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the FPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the FPAQ or to "authorized buyers" accredited by the FPAQ. Maple syrup producers may sell unsold inventory to the FPAQ before July of each year. The FPAQ then arranges for the sale of such unsold inventory to industrial and authorized buyers. In Québec, 85% of the total production of maple syrup is sold to the FPAQ or the authorized buyers, leaving only approximately 15% of the total production being sold directly by the producers to consumers or grocery stores. The authorized buyer status is renewed on an annual basis.

Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the FPAQ for any maple syrup purchased from the producers. The price is fixed on an annual basis and depends on the grade of the maple syrup. In addition, a premium is added to the minimum price for any organic maple syrup. Pursuant to the Marketing Agreement, authorized buyers must buy maple syrup from the FPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years.

Quality Control

In Québec, maple syrup delivered in barrels is systematically inspected by an independent company. Every year, ACER Division Inspection Inc. verifies, inspects and grades over 200,000 barrels of maple syrup. This inspection system ensures a high quality control on maple syrup that is produced and sold in Québec. Pursuant to the quality control process set up by the FPAQ, the verification, inspection and grading is performed at the FPAQ plant in Laurierville, Québec, or at authorized buyers' facilities.

The quality control system established by the FPAQ also facilitates the certification of Québec maple syrup as "organic", as it provides the ability to trace maple syrup back to the origin maple farm.

The Quota System

In 2004, the FPAQ adopted a policy with respect to production and marketing quotas which resulted in an annual production volume allocated to each maple syrup business. The main objective of the policy is to adjust the supply of maple syrup in response to consumer demand, and more specifically, to stabilize selling prices for producers and, ultimately, the buying price for consumers, foster investments in the maple industry and maintain a steady number of maple producing businesses in operation, regardless of their size.

The FPAQ Strategic Reserve

In 2002, the FPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the FPAQ may organize a sale of a portion of its accumulated reserve. This allows bottlers to respond to supply shortages in the event of a poor harvest or unplanned growth and demand. As at December 31, 2016, the FPAQ had over 77 million pounds of bulk maple syrup in its strategic reserve, which represents approximately half of the annual global consumption.

Regime Outside of Québec

Outside of Québec, the maple syrup industry is generally organized through producer-based organizations or associations, which promote maple syrup in general and its industry and serve as the official voice for maple syrup producers with the public.

Authorized Buyer Status and Relationship with the FPAQ

LBMT is an authorized buyer with the FPAQ. An authorized buyer is authorized to receive maple syrup in bulk (i.e. in barrels) directly from Québec maple syrup producers. LBMT is an active member of the Conseil de l'industrie de l'érable (the Maple Industry Council), which represents approximately 60 authorized buyers in negotiating the Marketing Agreement with the FPAQ.

LBMT has a relationship with more than 1,400 maple syrup producers, mainly in Québec and Vermont. Most of these producers sell 100% of their production to LBMT. Through its strong relationship with such producers, LBMT was able to develop a leading position in certified organic maple syrup.

Operating Facilities

LBMT currently operates two plants in Québec, namely, in Granby and in St-Honoré-de-Shenley, and one in Websterville, Vermont, and nine operating lines allocated amongst the three plants, and including one can-filling line in St-Ferdinand, Québec, which is outsourced by LBMT to a third party. LBMT is the owner of the St-Honoré facilities.

The Granby and Websterville facilities are both subject to a lease which will expire on October 31, 2019 and August 25, 2021, respectively.

Storage Facilities and Distribution Centres

LBMT uses a distribution centre in Burnaby, British Columbia and owns a bulk maple syrup storage facility in St-Robert-Bellarmin, Québec.

Products

LBMT's products are comprised of the following: bottled maple syrup, bulk maple syrup and ancillary or derived maple products.

Bottled maple syrup is packaged in a variety of ways and sizes, including bottles, plastic jugs and the traditional cans. Bottled maple syrup is available in all commercial grades and in organic and non-organic varieties. The majority of the maple syrup is purchased from Québec producers and is bottled at LBMT's plants in Granby or in St-Honoré-de-Shenley, Québec or in Websterville, Vermont. LBMT's bottled maple syrup is sold under a variety of brands, including Uncle Luke's™, L.B. Maple Treat™, Great Northern™, Sucro-Bec™ and Highland Sugarworks™.

Bulk maple syrup is mainly sold in containers of 4L or 17L, barrels and totes in size to foodservice retailers as well as other wholesalers. Bulk maple syrup is also sold for industrial use for bottling or for use in food production, and privately under the L.B. Maple Treat™ brand.

Maple derived products include maple butter, maple sugar and flakes, maple cookies, maple taffy and other maple candies. Maple products are mainly sold under the L.B. Maple Treat™ and Highland Sugarworks™ brands.

Operations

LBMT employs a total of approximately 160 employees in its facilities in Québec and Vermont and in its distribution centre in British Columbia. Approximately 60 of LBMT's employees, namely in the LBMT division in Granby, Québec, are under a collective bargaining agreement, which is currently scheduled to expire in 2023.

The single most important costs to the operation of LBMT is related to the syrup, representing more than 80% of its cost of sales.

Maple syrup production and bottling is a low-risk process from the standpoint of food safety and quality assurance processes. This being said, world food standards are extremely important to us.

LBMT's bottling plants are HACCP certified, CFIA inspected, BRC certified, Kosher certified, Halal certified, QAI and Ecocert Canada certified organic. LBMT is subject to numerous audits and certification bodies where it continues to exceed performance requirements.

USE OF FINANCIAL DERIVATIVES FOR HEDGING

Accounting Measurement

The following description of how financial derivatives are used to provide the Company's adjusted earnings, is inconsistent with the Company's IFRS financial information. The following reflects the determination of adjusted results of the Company.

Sugar

In order to protect itself against fluctuations in the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar.

The #11 world raw sugar market is only traded on the ICE, which trades in U.S. dollars. One can trade sugar futures forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to the Company's customers. The ICE rules are strict and are governed by the New York Board of Trade. Any amount owed, due to the movement of the commodity being traded, has to be settled in cash the following day (margin call payments/receipts).

For the purchasing of raw sugar, the Company enters into long-term supply contracts with reputable raw sugar suppliers (the "Seller"). These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the Seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced.

The selling of refined sugar by the Company is also done under the #11 world raw sugar market. When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable against the sugar terminal, as per the anticipated delivery period.

Inefficiencies could occur and small gains or losses could be incurred on hedged transactions. Every year, the Company estimates sales patterns against the receipt of sugar deliveries. Any discrepancies in these estimates may result in small gains or losses on hedged transactions. As an example, a customer may be taking more or less sugar than determined under its contract and small gains or losses may be incurred as a result on the hedged transactions.

The Company mitigates the impact of the above by reviewing on a daily basis the total hedged position to determine that, in total, all sugar transactions are hedged. The Company also prepares a hedged transaction report by terminal periods to determine that there are no straddles within each terminal period. In the event that a straddle position exists due to circumstances discussed above, the Company will immediately correct the straddle and record any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its "priced" sugar, and if the Company needs to roll forward the un-drawn quantity to the following terminal period, the Company can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

The Board of Directors authorized the Company to have a trading book to trade outright sugar futures, options, spreads and white-raw differentials to a limit of 25,000 metric tonnes. It was also agreed that a report on all activities would be reviewed quarterly at each Board meeting and that all trading book activities would be discontinued if trading losses of $250,000 were accumulated in any given year. Any mark-to-market gains or losses on any open positions of the trading book at year end, as well as gains or losses on any liquidated positions of the trading book are recognized in the Company's adjusted earnings.

Beet Sugar

As noted, the Company purchases sugar beets from the Growers under a fixed price formula plus a scale incentive when raw sugar values exceed a certain price level. Except for sales to the U.S., under the export quota, to HFCS-substitutable accounts, and for other export opportunities, all other sales are made using the same formula as cane sugar, following the #11 world raw sugar price.

The Board of Directors authorized the Company to hedge forward up to 70% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow the Company to benefit from a sudden rise in the raw sugar market. Any gains earned (if a sales contract is entered at a lower raw value) or losses incurred (if a sales contract is entered at a higher raw value) when those positions are unwound, are recognized in the period when that quantity of beet sugar is delivered. This is referred to as the Taber pre-hedge.

The Company does not have any volume under the pre-hedge program for fiscal 2018.

Natural Gas

The Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

The Company purchases between 3.0 million gigajoules and 3.5 million gigajoules of natural gas per year for use in its refining operations. To protect against large and unforeseen fluctuations, the Company can hedge forward up to 90% of its estimated usage over the next 12 months and lower percentages of its estimated usage on a longer term basis. The Company will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of the prior year's average price and therefore lock in year-over-year savings.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings.

Variation Margins (Margin Calls)

For all hedged sugar positions on the futures market, the Company must settle with the commodity broker on the following day any gains or losses incurred on the net hedged position, based on the trading values at closing of the day. These daily requirements are called "margin calls."

When sugar prices are on the rise, the Company's raw sugar suppliers will normally price in advance large quantities of sugar to benefit from these higher prices. On the other hand, the Company's customers will only price forward small quantities, hoping for a downward correction in the marketplace. This will result in the Company having a "short" paper position. As the price of sugar continues to rise, the Company has to pay margin calls on a regular basis. These margin calls are paid back to the Company when the price of sugar declines or upon receipt or delivery of sugar.

Foreign Exchange

LANTIC

Raw sugar costs for all sales contracts are based on the U.S. dollar. The Company also buys natural gas in U.S. dollars. In addition, sugar export sales and some Canadian sugar sales are denominated in U.S. dollars.

In order to protect itself against the movement of the Canadian dollar versus the U.S. dollar, the Company, on a daily basis, reconciles all of its exposure to the U.S. dollar and will hedge the net position against various forward months, estimated from the date of the various transactions.

LBMT

Certain export sales of maple syrup are denominated in U.S. dollars. In order to mitigate against the movement of the Canadian dollar versus the U.S. dollars, LBMT enters into foreign exchange hedging contracts with certain customers. These foreign exchange hedging contracts are unwound when the money is received from the customer, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings. Foreign exchange gains or losses on any unhedged sales contracts are recorded when realized.

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information of Rogers' consolidated results for the 2017, 2016 and 2015 fiscal years. The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2017, 2016 and 2015 represent the fiscal years and fourth quarter ended September 30, 2017, October 1, 2016 and October 3, 2015. The financial results for fiscal 2017 include those of LBMT since its acquisition on August 5, 2017. It should be noted that fiscal 2015 had 53 weeks of operations, compared to 52 weeks in fiscal 2017 and 2016. The additional week had a positive impact of approximately 2% of total sales volume, revenues, adjusted gross margin and adjusted net earnings. See "Non-GAAP measures" section. The Company's audited consolidated financial statements were prepared under IFRS and the Company's functional and reporting currency is the Canadian dollar.

	Fourth Quarter		Fiscal Year		
(In thousands of dollars, except volume and per share information)	**2017**	2016	**2017**	2016	2015
Total volume					
Sugar (metric tonnes)	**183,397**	187,179	**694,465**	675,224	658,812
Maple syrup (pounds)	**5,764,000**	n/a	**5,764,000**	n/a	n/a
	$	$	**$**	$	$
Total revenues	**192,984**	161,733	**682,517**	564,411	541,545
Gross margin	**22,631**	32,418	**77,298**	128,223	76,295
Results from operating activities ("EBIT")	**10,138**	24,472	**41,031**	98,598	44,470
Net finance costs	**3,360**	2,227	**10,218**	9,612	11,931
Income tax expense	**2,764**	5,792	**8,907**	23,407	8,506
Net earnings	**4,014**	16,453	**21,906**	65,579	24,033
Net earnings per share:					
Basic	**0.04**	0.18	**0.23**	0.70	0.26
Diluted	**0.04**	0.16	**0.22**	0.64	0.26
Dividends per share	**0.09**	0.09	**0.36**	0.36	0.36

CONSOLIDATED RESULTS OF OPERATIONS

Aligned with our strategic priorities, Rogers targeted acquisition of new businesses during fiscal 2017. The culmination of efforts resulted in the acquisition of LBMT on August 5, 2017 for approximately $160.3 million, subject to closing adjustments of approximately $9.2 million. This new platform will provide the Company with opportunities to grow organically, leverage sales and administrative gains, and investigate other potential acquisitions in that segment. Results from the LBMT operations are included in the consolidated results of operations since its acquisition date. As a result of the acquisition, Rogers now has the following two operating segments: Sugar and Maple products.

Total revenues

Revenues for the current quarter amounted to $193.0 million, an increase of $31.3 million versus the comparable quarter last year. The improvement is mainly attributable to $26.7 million of revenues generated by LBMT since its acquisition and higher sugar selling values.

Year-to-date, revenues were $682.5 million compared to $564.4 million for fiscal 2016, an increase of $118.1 million. The improvement in revenues when compared to fiscal 2016 is due mainly to the sugar segment, whereby the increase in volume, combined with higher sugar selling values, both contributed positively to the increase in revenues in addition to the $26.7 million of revenues generated by LBMT during the current fiscal year.

Gross margin

Gross margin of $22.6 million for the quarter and $77.3 million year-to-date does not reflect the economic margin of the Company, as it includes a loss of $5.4 million and $26.0 million for the fourth quarter of fiscal 2017 and year-to-date, respectively, for the mark-to-market of derivative financial instruments as explained below (See "Adjusted results" section). In fiscal 2016, a mark-to-market gain of $2.8 million and $32.1 million was recorded for the fourth quarter and year-to-date, respectively, resulting in gross margins of $32.4 million and $128.2 million for their respective period.

Results from operating activities ("EBIT")

EBIT is defined as earnings before interest and taxes. For the fourth quarter of fiscal 2017 EBIT amounted to $10.1 million compared to $24.5 million last year. As mentioned above, the gross margin does not reflect the economic results from operating activities which had a negative impact of $8.2 million for the quarter-over-quarter variation in mark-to-market of derivative financial instruments. In addition, a combination of poor plant performance and reduction in volume during the current quarter, combined with a one-time non-cash income in the same quarter last year, resulted in a decrease in EBIT. Finally, the Company incurred $1.9 million in acquisition costs relating to the transaction to acquire LBMT, which contributed $0.9 million in EBIT since its acquisition.

Fiscal 2017 results from operating activities decreased by $57.6 million to $41.0 million. Most of the negative variance when compared to fiscal 2016 is explained by the mark-to-market variation of derivative financial instruments, which resulted in a reduction of $58.0 million in EBIT. In addition, LBMT's acquisition costs for the full year represent $2.5 million in additional administration and selling expenses.

Net finance costs

Net finance costs consisted of interest paid under the revolving credit facility, as well as interest expense on the convertible unsecured subordinated debentures and other interest. It also includes a mark-to-market gain or loss on the interest swap agreements.

The net finance costs breakdown is as follows:

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Interest expense on convertible unsecured subordinated debentures	**1,469**	1,621	**5,813**	6,446
Interest on revolving credit facility	**1,245**	580	**3,474**	2,545
Amortization of deferred financing fees	**209**	206	**781**	826
Other interest expense	**521**	—	**521**	—
Net change in fair value of interest rate swap agreements	**(84)**	(180)	**(371)**	(205)
Net finance costs	**3,360**	2,227	**10,218**	9,612

The LBMT's acquisition was partly funded by the issuance of the 5.0% Sixth series convertible unsecured subordinated debentures (the "Sixth series debentures") of $57.5 million. In addition, approximately $48.7 million was funded from a drawdown under the revolving credit facility. The Sixth series debentures were issued on July 28, 2017 and will mature on December 31, 2024.

The interest expense on the convertible unsecured subordinated debentures, for the current quarter, decreased by approximately $0.2 million, when compared to the same period last year. The additional interest on the Sixth series debentures was more than offset by the repayment of the $50.0 million 5.7% Fourth series convertible unsecured subordinated debentures (the "Fourth series debentures") on May 1, 2017. The Fourth series debentures were repaid by borrowing under Lantic's revolving credit facility on April 28, 2017 for the equivalent amount.

The increase in revolving credit facility is explained by the additional drawdown of approximately $51.0 million on August 4, 2017 for the acquisition of LBMT as well as the additional drawdown to repay the Fourth series debentures. The increases in interest rates during the quarter also had a negative impact when compared to the same period last year.

The other interest expense pertains mainly to interest payable to the FPAQ on syrup purchases, in accordance with its payment terms.

Year-to-date, net finance costs, excluding the net change in fair value of swap agreements, were $0.8 million higher than fiscal 2016 due to the increased borrowings under the revolving credit facility, the issuance of the Sixth series debentures and the increases in interest rates during the fourth quarter of fiscal 2017, somewhat offset by the repayment of the Fourth series debentures in the third quarter of the current fiscal year.

Starting on October 2, 2016, interest rate swap agreements were designated as effective cash flow hedging instruments and as a result, mark-to-market adjustments are now recorded in other comprehensive income. The transitional balances, representing the mark-to-market value recorded as of October 1, 2016, will be subsequently removed from other comprehensive income when each of the fixed interest rate tranches will be liquidated, in other words, when the fixed interest rate is paid. As a result, in the current quarter and year-to-date, the Company removed a gain of $0.1 million and $0.4 million, respectively from other comprehensive income and recorded a gain of the same amount in net finance costs. For the comparative periods of fiscal 2016, the Company recorded a mark-to-market gain of $0.2 million for the fourth quarter and for the full year. The transitional balance relating to interest rate swap agreements will be fully depleted in fiscal 2020. See "Adjusted results" section.

Taxation

The income tax expense (recovery) is as follows:

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Current	**(2,353)**	5,398	**13,198**	14,214
Deferred	**5,117**	394	**(4,291)**	9,193
Income tax expense	**2,764**	5,792	**8,907**	23,407

The variation in current and deferred tax expense, quarter-over-quarter and year-over-year, is consistent with the decrease in earnings before taxes in fiscal 2017.

Deferred income taxes reflect temporary differences, which result primarily from the difference between depreciation claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, employee future benefits and derivative financial instruments. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed. The effect of a change in income tax rates on future income taxes is recognized in income in the period in which the change occurs.

Net earnings

Net earnings for the fourth quarter of fiscal 2017 were $4.0 million compared to $16.5 million for fiscal 2016. As mentioned above, the gross margin does not reflect the economic results from operating activities. During the quarter, in addition to the negative gross margin variance of $9.8 million explained above, the Company incurred $1.1 million and $1.9 million in additional finance costs and in acquisition costs, respectively. LBMT's contribution to net earnings was minimal for the quarter.

Net earnings for fiscal 2017 were $21.9 million compared to $65.6 million for fiscal 2016 a variance of $43.7 million. The decrease in net earnings is mostly explained by the after tax impact of the decline in gross margin, mostly attributed to the mark-to-market of derivative financial instruments. The tax adjusted acquisition costs of LBMT also had a negative impact on the net earnings for fiscal 2017.

Adjusted results

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. For fiscal 2016, all derivative financial instruments were marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated statement of earnings. As of October 2, 2016, the Company adopted all the requirements of IFRS 9 (2014) Financial Instruments. As a result, the Company has designated as effective hedging instruments its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas prices and interest rate fluctuations as cash flow hedges. Derivative financial instruments pertaining to sugar futures and foreign exchange forward contracts continue to be marked-to-market at each reporting date and are charged to the consolidated statement of earnings. In addition, the derivative financial instruments pertaining to foreign exchange forward contracts on maple syrup sales were marked-to-market as at September 30, 2017 and also charged to the consolidated statement of earnings. The unrealized gains/losses related to natural gas futures and interest rate swaps are accounted for in other comprehensive income. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings, reducing earnings volatility related to the movements of the valuation of these derivatives hedging instruments. The transitional marked-to-market balances outstanding as of October 1, 2016 will be amortized over time based on their settlements until all existing natural gas futures and all existing interest rate swaps agreements have expired.

The Company sells refined sugar to some clients in U.S. dollars. Prior to October 1, 2016, these sales contracts were viewed as having an embedded derivative if the functional currency of the customer was not U.S. dollars, the embedded derivative being the source currency of the transaction. The embedded derivatives were marked-to-market at each reporting date, with the unrealized gains/losses charged to the unaudited condensed consolidated interim statement of earnings with a corresponding offsetting amount charged to the unaudited condensed consolidated statement of financial position. As of October 2, 2016, the U.S. dollars of these sales contract will no longer be considered as being an embedded derivative as it was determined that the U.S. dollar is commonly used in Canada. This change in estimate will be applied prospectively, as a result, only the embedded derivatives relating to sales contracts outstanding as of October 1, 2016 will continue to be marked-to-market every quarter until all the volume on these contracts has been delivered.

Management believes that the Company's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments and from embedded derivatives. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement. See "Non-GAAP measures" section.

Management uses the non-GAAP adjusted results of the operating company to measure and to evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performance to past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties. See "Non-GAAP measures" section.

The results of operations would therefore need to be adjusted by the following:

Income (loss)	**Fourth Quarter**		**Fiscal Year**	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Mark-to-market on:				
Sugar futures contracts	**(1,313)**	3,571	**(9,311)**	10,562
Natural gas futures contracts	**—**	(1,382)	**—**	(2,460)
Foreign exchange forward contracts	**(1,042)**	(636)	**(861)**	2,298
Embedded derivatives	**272**	779	**254**	(2,322)
Total mark-to-market adjustment on derivatives	**(2,083)**	2,332	**(9,918)**	8,078
Cumulative timing differences	**(4,172)**	471	**(19,061)**	23,974
Adjustment to cost of sales	**(6,255)**	2,803	**(28,979)**	32,052
Amortization of transitional balance to cost of sales for cash flow hedges	**852**	—	**3,018**	—
Total adjustment to costs of sales [(1)]	**(5,403)**	2,803	**(25,961)**	32,052

(1) See "Non-GAAP measures" section.

The fluctuations in mark-to-market adjustment on derivatives are due to the price movements in #11 world raw sugar, foreign exchange movements and natural gas prices variations. See "Non-GAAP measures" section.

Cumulative timing differences, as a result of mark-to-market gains or losses, are recognized by the Company only when sugar is sold to a customer and previously, to October 1, 2016, when natural gas was used. The gains or losses on sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions, namely sale and purchase contracts with customers and suppliers. See "Non-GAAP measures" section.

As previously mentioned, starting on October 2, 2016, natural gas futures were designated as an effective cash flow hedging instrument and as a result, mark-to-market adjustments are now recorded in other comprehensive income. The transitional balances, representing the mark-to-market value recorded as of October 1, 2016, will be subsequently removed from other comprehensive income when the natural gas futures will be liquidated, in other words, when the natural gas is used. As a result, in fiscal 2017, the Company removed a gain of $0.9 million and $3.0 million from other comprehensive income and recorded a gain of the same amount in cost of sales for the fourth quarter and year-to-date, respectively. The transitional balance relating to natural gas futures will be fully depleted in fiscal 2020. See "Non-GAAP measures" section.

The above described adjustments are added or deducted to the mark-to-market results to arrive at the total adjustment to cost of sales. For the fourth quarter of the current year, the total cost of sales adjustment is a loss of $5.4 million to be added to the consolidated operating results versus a gain of $2.8 million to be deducted from the consolidated results for the comparable quarter last year. Year-to-date, the total cost of sales adjustment is a loss of $26.0 million to be added to the consolidated results compared to a gain of $32.1 million to be deducted from the consolidated results for the comparable period last year. See "Non-GAAP measures" section.

The following is a table showing the adjusted consolidated results (non-GAAP) without the above mark-to-market results:

Consolidated results	**Fourth Quarter**		**Fiscal Year**	
(In thousands of dollars, except per share information)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Gross margin as per financial statements	**22,631**	32,418	**77,298**	128,223
Adjustment as per above	**6,255**	(2,803)	**28,979**	(32,052)
Amortization of transitional balance to cost of sales as per above	**(852)**	—	**(3,018)**	—
Adjusted gross margin [(1)]	**28,034**	29,615	**103,259**	96,171
EBIT as per financial statements	**10,138**	24,472	**41,031**	98,598
Adjustment as per above	**6,255**	(2,803)	**28,979**	(32,052)
Amortization of transitional balance to cost of sales as per above	**(852)**	—	**(3,018)**	—
Adjusted EBIT [(1)]	**15,541**	21,669	**66,992**	66,546
Net earnings as per financial statements	**4,014**	16,453	**21,906**	65,579
Adjustment to cost of sales as per above	**6,255**	(2,803)	**28,979**	(32,052)
Amortization of transitional balance to cost of sales as per above	**(852)**	—	**(3,018)**	—
Amortization of transitional balance to net finance costs	**(84)**	—	**(371)**	—
Adjustment for mark-to-market of net finance costs	**—**	(180)	**—**	(205)
Income taxes on above adjustments	**(1,395)**	793	**(6,782)**	8,581
Adjusted net earnings [(1)]	**7,938**	14,263	**40,714**	41,903
Net earnings per share basic, as per financial statements	**0.04**	0.18	**0.23**	0.70
Adjustment for the above	**0.04**	(0.03)	**0.19**	(0.25)
Adjusted net earnings per share basic [(1)]	**0.08**	0.15	**0.42**	0.45

(1) See "Non-GAAP measures" section.

Adjusted gross margin

Adjusted gross margin for the quarter was $28.0 million versus $29.6 million for the comparable period last year. During the current quarter, LBMT contributed $3.4 million of adjusted gross margin. However, the benefit from the acquisition was more than offset by a reduction in the Sugar segment as explained later in the segmented information section. Year-to-date, adjusted gross margin was $103.3 million, an improvement of $7.1 million. The additional sales volume from the Sugar segment combined with LBMT's adjusted margin contribution since the acquisition date, mostly explain the year-over-year increase.

Results from operating activities

Adjusted EBIT for the fourth quarter of fiscal 2017 was $15.5 million compared to $21.7 million, a decrease of $6.2 million. In addition to the reduction in adjusted gross margin, administration and selling expenses as well as distribution costs were higher than the comparable quarter, due mainly to LBMT's administrative and selling expenses and distribution costs of $2.6 million since August 5, 2017. In addition, the Company incurred $1.9 million in acquisition costs for LBMT during the current quarter. Without the acquisition costs, adjusted EBIT was $17.4 million versus $21.7 million for the comparable period last year, a decrease of $4.3 million.

Year-to-date, adjusted EBIT of $67.0 million was $0.4 million above fiscal 2016. However, excluding the acquisition costs of $2.5 million, adjusted EBIT was $69.5 million or $2.9 million improvement versus last year.

Segmented information

Following the acquisition of LBMT, the Company has two distinct segments, namely, refined sugar and by-products, together referred to as the "Sugar" segment and maple syrup and derived products, together referred to as the "Maple products" segment.

The following is a table showing the key results by segments:

Consolidated results	**Fourth Quarter**			**Fiscal Year**		
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	**Sugar**	**Maple Products**	**Total**
Fiscal 2017	**$**	**$**	**$**	**$**	**$**	**$**
Revenues	**166,318**	**26,666**	**192,984**	**655,851**	**26,666**	**682,517**
Gross margin	**19,041**	**3,590**	**22,631**	**73,708**	**3,590**	**77,298**
Administration and selling expenses	**7,400**	**1,948**	**9,348**	**23,655**	**1,948**	**25,603**
Distribution costs	**2,451**	**694**	**3,145**	**9,970**	**694**	**10,664**
Results from operating activities	**9,190**	**948**	**10,138**	**40,083**	**948**	**41,031**
Addition to property, plant and equipment and intangible assets	**6,903**	**64**	**6,967**	**17,306**	**64**	**17,370**
Non-GAAP results:						
Total adjustment to the cost of sales [(1)]	**5,567**	**(164)**	**5,403**	**26,125**	**(164)**	**25,961**
Adjusted Gross Margin [(1)]	**24,608**	**3,426**	**28,034**	**99,833**	**3,426**	**103,259**
Adjusted results from operating activities [(1)]	**14,757**	**784**	**15,541**	**66,208**	**784**	**66,992**
Fiscal 2016	$	$	$	$	$	$
Revenues	161,733	—	161,733	564,411	—	564,411
Gross margin	32,418	—	32,418	128,223	—	128,223
Administration and selling expenses	5,659	—	5,659	19,636	—	19,636
Distribution costs	2,287	—	2,287	9,989	—	9,989
Results from operating activities	24,472	—	24,472	98,598	—	98,598
Addition to property, plant and equipment and intangible assets	6,166	—	6,166	14,766	—	14,766
Non-GAAP results:						
Total adjustment to the cost of sales [(1)]	(2,803)	—	(2,803)	(32,052)	—	(32,052)
Adjusted Gross Margin [(1)]	29,615	—	29,615	96,171	—	96,171
Adjusted results from operating activities [(1)]	21,669	—	21,669	66,546	—	66,546

[(1)] See "Non-GAAP measures" section.

Results from operation by segment

Sugar

Revenues	Fourth Quarter		Fiscal Year	
	2017	2016	**2017**	2016
Volume (MT)	**183,397**	187,179	**694,465**	675,224
Revenues ($000's)	**166,318**	161,733	**655,851**	564,411

The total Canadian nutritive sweetener market, which includes both refined sugar and HFCS, was stable in fiscal 2017. We also estimate that per capita sugar consumption remained stable during the year.

The Company's total sugar deliveries for the fourth quarter of fiscal 2017 decreased by approximately 3,800 metric tonne versus the comparable period last year but significantly improved on a year-over-year basis by approximately 19,200 metric tonnes.

The industrial market segment decreased by approximately 5,700 metric tonnes and 5,400 metric tonnes for the last quarter and year-to-date, respectively. The weak fourth quarter results are mostly due to timing and to a lesser extent, lower demand from existing customers. The industrial segment experienced an improvement in volume starting in the second quarter of fiscal 2016 but has tapered off during the second half of the current fiscal year.

Total consumer volume decreased for the current quarter by approximately 400 metric tonnes compared to the same period last year while the volume for the twelve months of fiscal 2017 resulted in an increase of approximately 600 metric tonnes versus fiscal 2016. The variation for the quarter and year-to-date is mainly due to timing in customers' retail promotions.

When compared to last fiscal year, liquid volume ended the year at approximately 5,900 metric tonnes and 17,800 metric tonnes higher than the fourth quarter and fiscal year, respectively. The increase is mainly explained by the start at the end of October 2016 of a new long-term contract with a HFCS substitutable customer in Western Canada. However, some of the positive variance was offset by modest temporary volume losses in Eastern Canada against HFCS and liquid sucrose competition.

Exports decreased by approximately 3,600 metric tonnes for the current quarter, mainly explained by timing of the Canada specific U.S. quota deliveries, which was mostly sold in the first half of the current year, as opposed to fairly evenly throughout fiscal 2016. An additional contributing factor to the weaker quarter was a reduction in U.S. high tier opportunistic sales versus the comparative period last year. For the full year, exports were approximately 6,200 metric tonnes higher than last year. Exports also benefited from additional volume driven by a three year agreement with a Mexican customer, which started at the beginning of the current fiscal year. The incremental volume to Mexico was somewhat offset by a small reduction in U.S. high tier sales when compared to the prior fiscal year.

The increase in revenues for the fourth quarter of fiscal 2017 and year-to-date versus the comparable periods last year is mainly explained by an increase in the weighted average raw sugar values in Canadian dollars, since the cost of raw sugar for all domestic sales is passed on to the Company's customers.

Gross margin

Two major factors impact gross margins: the selling margin of the products and operating costs.

Gross margin	**Fourth Quarter**		**Fiscal Year**	
(In thousands of dollars, except per metric tonne information)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Gross margin	**19,041**	32,418	**73,708**	128,223
Total adjustment to cost of sales (1) (2)	**5,567**	(2,803)	**26,125**	(32,052)
Adjusted gross margin	**24,608**	29,615	**99,833**	96,171
Gross margin per metric tonne	**103.82**	173.19	**106.14**	189.90
Adjusted gross margin per metric tonne	**134.18**	158.22	**143.76**	142.43

(1) See "Non-GAAP measures" section.
(2) See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

Gross margin of $19.0 million for the quarter and $73.7 million year-to-date does not reflect the economic margin of the sugar segment, as it includes a loss of $5.6 million and $26.1 million for the fourth quarter of fiscal 2017 and year-to-date, respectively, for the mark-to-market of derivative financial instruments as explained above. In fiscal 2016, a mark-to-market gain of $2.8 million and $32.1 million was recorded for the fourth quarter and year-to-date, respectively, resulting in gross margins of $32.4 million and $128.2 million for their respective period.

We will therefore comment on adjusted gross margin results.

Adjusted gross margin for the quarter was $24.6 million compared to $29.6 million for the same quarter last year, representing a decrease of $5.0 million. The decrease is explained by a combination of factors. The Taber beet plant contributed negatively to the adjusted gross margin as a result of higher cost of raw material, higher maintenance costs, lower by-product revenues attributable to timing and to consulting fees incurred on a project to explore air emission reduction. These items attributable to the Taber plant accounted for more than half of the negative variance quarter-over-quarter. In addition, the Montréal refinery had some operating inefficiencies during the current quarter, due to defective operating supplies used within the refining process. These operating deficiencies combined with a lower sales volume and to a one-time non-cash income of $0.6 million recorded in last year's comparable quarter for pension upgrades, all negatively contributed to adjusted gross margin. As a result, the current quarter's adjusted gross margin rate was $134.18 per metric tonne as compared to $158.22 per metric tonne in fiscal 2016, a decrease of $24.04 per metric tonne.

Year-to-date, adjusted gross margin improved when compared to last year and amounted to $99.8 million, an increase of $3.7 million versus fiscal 2016. Adjusted gross margin for the previous year includes a non-cash pension charge of $1.8 million for committed future pension plan upgrades to one of the Company's defined benefit pension plans following the agreement with the Montréal unionized employees. Without this adjustment, the Company's adjusted gross margin would have been $1.9 million higher than last year. The benefits from higher sales volume and higher by-product revenues were partially offset by the inefficiencies and additional costs incurred in the fourth quarter of the current year. Further reducing the positive variance is approximately $0.8 million in additional costs incurred in fiscal 2016 relating to a six-day work stoppage at the Montréal refinery.

On a per metric tonne basis, the current year's adjusted gross margin was $143.76 per metric tonne as opposed to $142.43 per metric tonne for the comparable period last year. Excluding the non-cash pension expense, the fiscal 2016 adjusted gross margin rate would have been $145.10 per metric tonne, resulting in a decrease of $1.34 per metric tonne in fiscal 2017.

Included in gross margin and adjusted gross margin is $3.1 million and $12.5 million of depreciation expense in cost of sales for the fourth quarter and year-to-date, respectively, as opposed to $2.9 million and $11.7 million for the comparable periods last year.

Other expenses	**Fourth Quarter**		**Fiscal Year**	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Administration and selling expenses	**7,400**	5,659	**23,655**	19,636
Distribution costs	**2,451**	2,287	**9,970**	9,989

Administration and selling expenses for the fourth quarter of fiscal 2017 were $1.7 million higher than the comparable period last year due to a charge of $1.9 million incurred relating to the LBMT acquisition. Year-to-date, administration and selling expenses increased by $4.0 million compared to the prior year. In fiscal 2016, the Company completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of $1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 1, 2016. Excluding the impact of the settlement of the Salaried Plan, administration and selling expenses were $2.8 million higher than the comparable period last year. The increase in administrative and selling expenses is explained by acquisition costs recorded in the current fiscal year amounting to $2.5 million, additional employee benefits incurred in the first half of the current year, slightly offset by a reduction in costs related to the work stoppage of fiscal 2016.

Included in administration and selling expenses are $0.2 million and $0.6 million of depreciation and amortization expenses for the fourth quarter and year-to-date, respectively, which is comparable to last year's respective periods.

Distribution expenses for the quarter were approximately $0.2 million higher than last year but comparable year-over-year.

Results from operating activities	**Fourth Quarter**		**Fiscal Year**	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Results from operating activities	**9,190**	24,472	**40,083**	98,598
Adjusted results from operating activities	**14,757**	21,669	**66,208**	66,546

The results from operating activities for fiscal 2017 of $9.2 million and $40.1 million for the fourth quarter and year-to-date, respectively, do not reflect the adjusted results from operating activities of the Company, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. We will therefore comment on adjusted results from operating activities.

Adjusted results from operating activities for the fourth quarter of $14.8 million were $6.9 million lower than the comparable period year. The decrease is mainly explained by additional operating costs in Taber and Montréal, lower sales volume and higher administrative and selling costs, as explained above. Year-to-date, adjusted results from operating activities were slightly lower than last year at $66.2 million. The positive impact of additional sales volume and higher by-product revenues were offset by additional costs incurred at the plant level during the last quarter of the current year and additional administration and selling expenses, as explained above.

Maple products

Revenues	Fourth Quarter		Fiscal Year	
	2017	2016	**2017**	2016
Volume (pounds)	**5,764,000**	—	**5,764,000**	—
Revenues ($000's)	**26,666**	—	**26,666**	—

Revenues for the fourth quarter and the fiscal year represent revenues generated since August 5, 2017.

Gross margin

Two major factors impact gross margins: the selling margin of the products and operating costs.

Gross margin	Fourth Quarter		Fiscal Year	
(In thousands of dollars, except adjusted gross margin rate information)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Gross margin	**3,590**	—	**3,590**	—
Total adjustment to cost of sales [(1) (2)]	**(164)**	—	**(164)**	—
Adjusted gross margin	**3,426**	—	**3,426**	—
Gross margin percentage	**13.5%**	—	**13.5%**	—
Adjusted gross margin percentage	**12.8%**	—	**12.8%**	—

(1) See "Non-GAAP measures" section.
(2) See "Adjusted results" within the consolidated operating results section and "Segmented information" section.

Gross margin of $3.6 million for the quarter and year-to-date does not reflect the economic margin of the Maple products segment, as it includes a gain of $0.2 million for the mark-to-market of derivative financial instruments on foreign exchange contracts.

We will therefore comment on adjusted gross margin results.

Since the acquisition by Lantic on August 5, 2017, adjusted gross margin for the quarter and therefore, year-to-date was $3.4 million, representing an adjusted gross margin percentage of 12.8%. However, included in cost of sales, is an amount of $0.7 million due to an increase in value of the finished goods inventory at the date of acquisition. Under IFRS, all inventory of finished goods upon acquisition is valued at the estimated selling price less the sum of the costs of disposal, and a reasonable profit allowance for the selling effort of the acquirer which results in, lower selling margins when the acquired inventory is sold. As at September 30, 2017, there was no finished goods inventory remaining that existed as at the acquisition date. Without this adjustment, adjusted gross margin would have been $4.1 million or 15.4% of revenues.

Included in gross margin and adjusted gross margin is $0.1 million in depreciation expense.

Other expenses

Other expenses	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Administration and selling expenses	**1,948**	—	**1,948**	—
Distribution costs	**694**	—	**694**	—

Administration and selling expenses of $1.9 million include $0.4 million in amortization of intangible assets, $0.2 million in consulting fees, as a result of the acquisition, and $0.2 million in one-time non-recurring costs.

Distribution expenses were $0.7 million since the acquisition date.

Results from operating activities	**Fourth Quarter**		**Fiscal Year**	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Results from operating activities	**948**	—	**948**	—
Adjusted results from operating activities	**784**	—	**784**	—

The above results from operating activities reflect the earnings before interest and taxes of LBMT since the acquisition.

Adjusted results

In the normal course of business, the Company uses derivative financial instruments consisting of foreign exchange forward contracts, which are marked-to-market at each reporting date with the unrealized gains/losses charge to the consolidated statement of earnings. In addition, the acquisition by Lantic of LBMT has resulted in expenses that do not reflect the economic performance of the operation of LBMT. Finally, certain non-cash items and non-recurring expenses also had a negative impact on the results from operating activities. As such Management believes that the Maple products segment's financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted for the above mentioned items.

The results of operations would therefore need to be adjusted by the following:

	Fourth Quarter		**Fiscal Year**	
(In thousands of dollars)	**2017**	2016	**2017**	2016
	$	$	**$**	$
Results from operating activities	**948**	—	**948**	—
Total adjustment to cost of sales [(1) (2)]	**(164)**	—	**(164)**	—
Adjusted results from operating activities	**784**	—	**784**	—
Non-recurring expenses:				
Acquisition costs incurred	**211**	—	**211**	—
Other one-time non-recurring items	**195**	—	**195**	—
Inventory bump up on finished goods inventories	**670**	—	**670**	—
Depreciation and amortization	**491**	—	**491**	—
LBMT Adjusted EBITDA [(1) (2)]	**2,351**	—	**2,351**	—

(1) See "Non-GAAP measures" section.
(2) See "Adjusted results" within the consolidated operating results section and "Segmented information" section.

Subsequent event

On November 18, 2017 the Company acquired 100% of 9020-2292 Québec Inc. ("Decacer"), a company operated under the "Decacer" trade name for $40.0 million, subject to post-closing adjustments. Decacer has one bottling plant in Dégelis, Québec. This acquisition, combined with the acquisition of LBMT, allows us to create a solid platform and to broaden the Company's maple syrup operations and expand its product offering, including a unique maple sugar dehydration technology as well as enhancing the potential for additional synergies The acquisition was funded by a drawdown under the Company's existing $275.0 million revolving credit facility.

Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Company for each of the quarters of fiscal 2017 and 2016:

QUARTERS		**2017**				2016		
(In thousands of dollars, except for volume and per share information)	**First**	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Sugar Volume (MT)	**168,376**	**168,723**	**173,969**	**183,397**	156,926	161,638	169,481	187,179
Maple products volume (Lbs)	**—**	**—**	**—**	**5,764,000**	—	—	—	—
	$	**$**	**$**	**$**	$	$	$	$
Total revenues	**159,604**	**163,566**	**166,363**	**192,984**	130,090	133,988	138,600	161,733
Gross margin	**28,176**	**16,605**	**9,886**	**22,631**	38,564	20,520	36,721	32,418
EBIT	**20,596**	**8,784**	**1,513**	**10,138**	32,590	12,900	28,636	24,472
Net earnings	**13,552**	**4,788**	**(448)**	**4,014**	22,071	7,672	19,383	16,453
Gross margin rate per MT (1)	**167.34**	**98.42**	**56.83**	**103.82**	245.75	126.95	216.67	173.19
Gross margin percentage (2)	**—**	**—**	**—**	**13.5%**	—	—	—	—
Per share								
Net earnings								
Basic	**0.14**	**0.05**	**—**	**0.04**	0.23	0.08	0.21	0.18
Diluted	**0.14**	**0.05**	**—**	**0.04**	0.21	0.08	0.19	0.16
Non-GAAP Measures								
Adjusted gross margin	**29,115**	**23,267**	**22,843**	**28,034**	25,834	20,366	20,356	29,615
Adjusted EBIT	**21,535**	**15,446**	**14,470**	**15,541**	19,860	12,746	12,271	21,669
Adjusted net earnings	**14,118**	**9,628**	**9,030**	**7,938**	12,751	7,630	7,259	14,263
Adjusted gross margin rate per MT (1)	**172.92**	**137.90**	**131.31**	**134.18**	164.63	126.00	120.11	158.22
Adjusted gross margin percentage (2)	**—**	**—**	**—**	**12.8%**	—	—	—	—
Adjusted net earnings per share								
Basic	**0.15**	**0.10**	**0.10**	**0.08**	0.14	0.08	0.08	0.15
Diluted	**0.14**	**0.10**	**0.10**	**0.08**	0.13	0.08	0.08	0.14

(1) Gross margin rate per MT and Adjusted gross margin rate per MT pertains to the Sugar segment only.
(2) Gross margin percentage and Adjusted gross margin percentage pertains to the Maple products segment only

Historically the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix associated with an increased proportion of consumer sales during that period of the year. At the same time, the second quarter (January to March) historically has the lowest volume as well as an unfavourable customer mix, resulting in lower revenues, adjusted gross margins and adjusted net earnings.

The increase in revenues for the fourth quarter of fiscal 2017 is explained by the benefit from the LBMT acquisition since August 5, 2017.

Financial condition

(In thousands of dollars)	2017	2016	2015
	$	$	$
Total assets	**833,922**	585,198	551,929
Total non-current liabilities	**342,682**	214,685	260,196

The increase in total assets in the current fiscal year is mainly explained by the inclusion of LBMT's total assets as at September 30, 2017, representing $254.1 million. The increase in total asset between fiscal 2016 and 2015 is explained by higher trade and other receivables as well as inventories. The #11 world raw sugar price increased during fiscal 2016 when compared to fiscal 2015, which had an impact on trade receivables and inventories. In addition, the Taber beet factory started its campaign mid-September, which also contributed to higher inventory levels.

Non-current liabilities for fiscal 2017 also increased during the current year as a result of the additional drawdown under the revolving credit facility to repay the Fourth series debentures as well as to partially fund the LBMT acquisition. In addition, the Sixth series debentures were issued on July 28, 2017, therefore increasing the overall non-current liabilities compounded by the fact that the Fourth series debentures were presented as current in fiscal 2016. Somewhat reducing the negative variance is a decrease in the employee benefits balance of $13.8 million due mainly to a change in actuarial assumptions as at September 30, 2017. The non-current liabilities of fiscal 2016 decreased when compared to the previous year due mainly to the Fourth series debentures becoming current as they were maturing within twelve months of fiscal year ended October 1, 2016. In addition, borrowings under the long-term revolving credit facility also decreased. This is somewhat offset by increases in employee benefits and deferred tax liabilities.

On an annual basis, a goodwill impairment calculation is performed with the aim of ensuring that the fair value of the Company's operating segments is more than their respective carrying value. There was no impairment in fiscal 2017 analysis or for any of the previous two years.

Liquidity

Cash flow generated by Lantic is paid to Rogers by way of dividends and return of capital on the common shares and by the payment of interest on the subordinated notes of Lantic held by Rogers, after taking a reasonable reserve for capital expenditures, debt reimbursement and working capital. The cash received by Rogers is used to pay administrative expenses, interest on the convertible debentures, income taxes and dividends to its shareholders. Lantic had no restrictions on distributions of cash arising from the compliance of financial covenants for the year.

(In thousands of dollars)	2017	2016
	$	$
Cash flow from operating activities	**55,135**	66,672
Cash flow from financing activities	**147,272**	(51,629)
Cash flow from investing activities	**(186,583)**	(15,156)
Effect of changes in exchange rate on cash	**(37)**	—
Net increase (decrease) in cash and cash equivalents	**15,787**	(113)

Cash flow from operating activities was $55.1 million in fiscal 2017, as opposed to $66.7 million in fiscal 2016. The decrease of $11.5 million was due to a decrease in earnings before income taxes of $58.2 million, as well as an increase in interest and income taxes paid of $1.2 million and $7.6 million, respectively. Offsetting a significant portion of the negative variance is a positive working capital variation year-over-year of $54.0 million and a reduction in pension plan contributions of $1.9 million. It should be noted that the acquisition of the working capital of LBMT is shown in investing activities and therefore, only the working capital variation between the acquisition date and September 30, 2017 is presented as part of the cash flow from operating activities.

The variation in cash flow from financing activities of $198.9 million is attributable to the variation in the revolving credit facility of $127.0 million, the issuance of the Sixth series debentures of $54.8 million, the issuance of common shares of $66.0 million, the latter two elements, net of issuance costs. Finally, the repayment of the Fourth series debentures for $49.6 million somewhat reduced the positive variation from financing activities.

The cash outflow from investing activities increased compared to fiscal 2016 by $171.4 million due mainly to the acquisition of LBMT for $169.3 million. Also contributing to the negative variation is greater capital spending during the current year as a result of various major projects undertaken or completed during the year, resulting in an increase of $2.1 million.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow that is generated by the operations of the Company. Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, financial instruments' non-cash amounts, funds received or paid from the issue or purchase of shares and investment capital expenditures. Free cash flow is a non-GAAP measure.

Free cash flow is as follows:

	Fourth Quarter		Fiscal Year		
(In thousands of dollars)	**2017**	2016	**2017**	2016	2015
	$	$	**$**	$	$
Cash flow from operations	**68,959**	20,498	**55,135**	66,672	55,485
Adjustments:					
Changes in non-cash working capital	**(55,741)**	3,049	**(26,305)**	27,703	(11,407)
Mark-to-market and derivative timing adjustments	**6,255**	(2,983)	**28,979**	(32,257)	10,755
Amortization of transitional balances	**(936)**	—	**(3,389)**	—	—
Financial instruments non-cash amount	**(3,829)**	727	**278**	(2,155)	(6,414)
Capital expenditures	**(8,760)**	(7,116)	**(17,303)**	(15,156)	(11,439)
Operational excellence capital expenditures	**1,038**	544	**3,344**	835	772
Stock options exercised	**93**	—	**521**	—	—
Purchase and cancellation of shares	**—**	—	**—**	(727)	(14)
Deferred financing charges	**(469)**	—	**(629)**	(90)	(90)
Free cash flow [1]	**6,610**	14,719	**40,631**	44,825	37,648
Declared dividends	**9,517**	8,445	**34,896**	33,796	33,856

[1] See "Non-GAAP measures" section.

Free cash flow for the fourth quarter of 2017 was $6.6 million compared to $14.7 million for the same period year, a decrease of $8.1 million. The decrease is mainly explained by a reduction in adjusted EBITDA (See "Non-GAAP measures" section in the MD&A) of $5.4 million and an increase in capital expenditures, net of operational excellence capital expenditures of $1.1 million. Furthermore, income taxes and interest paid were $1.1 million and $0.9 million higher, respectively. Finally, deferred financing charges incurred were higher for the current quarter versus last year by $0.5 million.

Free cash flow for fiscal 2017 was $4.2 million lower than the previous year mainly explained by an increase in income taxes and interest paid of $7.6 million and $1.2 million, respectively, and additional payments of deferred financing charges of $0.5 million. Somewhat offsetting the negative free cash flow variance is an increase in adjusted EBITDA (See "Non-GAAP measures" section in the MD&A) of $1.7 million, a decrease in pension plan contributions of $1.9 million and lower capital expenditures, net of operational excellence capital expenditures of $0.4 million. Finally, a positive cash flow of $1.2 million from share issuances as a result of stock options exercised versus shares repurchased in the prior year also contributed to reduce the negative variance.

Capital expenditures, net of operational excellence expenditures, were slightly lower in fiscal 2017 but higher for the fourth quarter of the current year due to timing.

Operational excellence capital expenditures are $0.5 million and $2.5 million higher for the quarter and year-to-date, respectively, when compared to the same periods last fiscal year. This year's operational excellence capital expenditures comprised of two major projects. The first one relates to a $3.0 million capital energy saving project, which started in fiscal 2016 at the Montréal refinery and will be completed in fiscal 2018. The second project pertains to an investment project to install a palletizing station in Taber, which will result in labour savings. The total commitment is $1.3 million and should be completed in fiscal 2018. Free cash flow is not reduced by operational excellence capital expenditures, as these projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings that are realized once the projects are completed.

An amount of $0.1 million and $0.5 million was received during the quarter and year-to-date, respectively, following the exercise of share options by certain executives of the Company. There was no exercise of options last year.

In fiscal 2016, Rogers purchased and cancelled a total of 178,600 common shares under the normal course issuer bid ("NCIB") for a total cash consideration of $0.7 million.

Financing charges are paid when a new debt financing is completed and such charges are deferred and amortized over the term of that debt. The cash used in the year to pay for such fees is therefore not available and as a result is deducted from free cash flow. During the quarter, an amount of $0.5 million was paid to amend the revolving credit facility, while $0.6 million was spent year-to-date. This compares to $0.1 million in the prior fiscal year.

The Company declared a quarterly dividend of 9.0 cents per common share, for a total amount of approximately $8.5 million per quarter, except for the fourth quarter of fiscal 2017, which amounted to approximately to $9.5 million due to the issuance of common shares pursuant to the offering made under a short term prospectus in July 2017.

Changes in non-cash operating working capital represent year-over-year movements in current assets, such as accounts receivable and inventories, and current liabilities, such as accounts payables. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts are due to timing issues and therefore do not constitute free cash flow. Such increases or decreases are financed from available cash or from the Company's available credit facility of $275.0 million. Increases or decreases in bank indebtedness are also due to timing issues from the above and therefore do not constitute available free cash flow.

The combined impact of the mark-to-market and financial instruments non-cash amount of $1.5 million and $25.9 million for the current quarter and fiscal year, respectively do not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

Contractual obligations

The following table identifies the outstanding contractual obligations of the Company as at year-end, and the effects such obligations are expected to have on liquidity and cash flow over the next several years:

(In thousands of dollars)	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Revolving credit facility	170,000	20,000	50,000	100,000	—
Interest on convertible debentures	16,244	3,163	6,613	4,312	2,156
Interest based on swap agreement	7,206	1,701	4,459	1,046	—
Finance lease obligations	178	56	122	—	—
Operating leases	5,946	1,988	2,702	1,068	188
Purchase obligations	57,281	57,281	—	—	—
Other long-term liabilities	5,291	4,703	588	—	—
Derivative financial instruments	(6,853)	(38,146)	16,689	14,604	—
	255,293	50,746	81,173	121,030	2,344
Purchase obligations (in MT)	1,708,000	487,000	1,221,000	—	—
Purchase obligations (in pounds)	1,500,000	1,500,000	—	—	—

On July 28, 2017, the Company issued $57.5 million 5.0% Sixth series debentures in order to partially fund the acquisition of LBMT. The fifth and sixth series convertible debentures, in the amount of $60.0 million and $57.5 million, respectively, maturing in December 2018 and December 2024, have been excluded from the above table due to the holders' conversion option and the Company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

In fiscal 2013, Lantic entered into a five-year credit agreement of $150.0 million effective June 28, 2013, replacing the $200.0 million credit agreement that expired on the same date. In addition, on April 25, 2017, the Company borrowed an additional amount of $50.0 million by drawing a portion of the funds available under an accordion feature embedded in its revolving credit facility ("Accordion borrowings"). The Accordion borrowings carry the same terms and conditions as the $150.0 million revolving credit facility described above, except that it will mature on December 31, 2018. The funds from the Accordion borrowings were used to repay the Fourth series debentures. Finally, on August 3, 2017, the Company amended its existing revolving credit facility to partially fund the acquisition of LBMT. The available credit was increased by $75.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional Accordion Borrowings"). As a result of the amended revolving credit facility and the Additional Accordion Borrowings, the Company has a total of $275.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. Certain assets of the Company, including trade receivables, inventories and property, plant and equipment have been pledged as security for the revolving credit facility, including some of the assets of LBMT. The maturity date of the amended revolving credit facility is June 28, 2022, except for a $50.0 million portion, which will expire on December 31, 2018. At September 30, 2017, a total of $170.0 million had been borrowed under this facility, of which, $20.0 million was presented as current.

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. Since June 28, 2013, a number of interest rate swap agreements were put in place. The following table provides the outstanding swap agreements as at September 30, 2017 as well as their respective value, interest rate and time period:

Fiscal year contracted	Date	Total value
		$
Fiscal 2013	June 28, 2016 to June 28, 2018 – 2.09%	30,000
Fiscal 2014	June 30, 2014 to June 28, 2019 – 2.09%	10,000
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000

The interest payments that will be incurred on the future borrowings related to this swap agreement are reflected in the contractual obligations table above.

Finance and operating lease obligations relate mainly to the leasing of various mobile equipment and the premises of the blending operations in Toronto and the LBMT operations.

Purchase obligations represent all open purchase orders as at year-end and approximately $43.1 million for sugar beets that will be harvested and processed in fiscal 2018 but exclude any raw sugar priced against futures contracts. LBMT has $2.5 million remaining to pay related to an agreement to purchase approximately $4.0 million (1.5 million pounds) of maple syrup from the FPAQ. In order to secure bulk syrup purchases, the Company issued a letter of guarantee for an amount of $12.5 million in favor of the FPAQ. The letter of guarantee expires on February 28, 2018.

A significant portion of the Company's sales are made under fixed-price, forward-sales contracts, which extend up to three years. The Company also contracts to purchase raw cane sugar substantially in advance of the time it delivers the refined sugar produced from the purchase. To mitigate its exposure to future price changes, the Company attempts to manage the volume of refined sugar sales contracted for future delivery in relation to the volume of raw cane sugar contracted for future delivery, when feasible.

The Company uses derivative instruments to manage exposures to changes in raw sugar prices, natural gas prices and foreign exchange. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

To reduce price risk, the Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the firm commitment purchase price of raw sugar.

The Company has hedged all of its exposure to raw sugar price risk movement through March 2020.

At September 30, 2017, the Company had a net short sugar position of $0.6 million in net contract amounts with a current net positive contract value of $0.9 million. This short position represents the offset of a smaller volume of sugar priced with customers than purchases priced from suppliers.

The Company uses futures contracts and swaps to help manage its natural gas costs. At September 30, 2017, the Company had $35.0 million in natural gas derivatives, with a current contract value of $28.8 million.

The Company's activities, which result in exposure to fluctuations in foreign exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and Maple products and the purchasing of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that counterparties to a foreign exchange contract in which the Company has an unrealized gain, fail to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than three years and relate mostly to the U.S. currency, and from time to time, the Euro currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

At September 30, 2017, the Company had a net $40.9 million in foreign currency forward contracts with a current contract value of $42.3 million.

As part of its normal business practice, the Company also enters into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of raw sugar as traded on the ICE #11 world raw sugar market. At September 30, 2017, the Company had commitments to purchase a total of 1,708,000 metric tonnes of raw sugar, of which approximately 286,000 metric tonnes had been priced, for a total dollar commitment of $122.7 million.

As mentioned above, the Company has been actively working on solutions to reduce the air emissions footprint of the Taber facility. The facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. The Company is currently evaluating various scenarios which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. To achieve this objective, the Company expects to undertake significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance, range between $15 million and $25 million.

The Company has no other off-balance sheet arrangements.

Capital resources

As mentioned above, Lantic entered into a five-year credit agreement of $150.0 million effective June 28, 2013, which has been amended in fiscal 2017 to extend the maturity to June 28, 2022 as well as to increase its borrowing capacity by requesting the Accordion borrowings and the Additional Accordion Borrowings for the of a total of $125.0 million, of which $50.0 million will mature of December 31, 2018. At September 30, 2017, $170.0 million had been drawn from the working capital facility and $17.0 million in cash was also available.

The Taber beet operation requires seasonal working capital in the first half of the fiscal year, when inventory levels are high and a substantial portion of the payments due to the Growers is made. LBMT also has seasonal working capital requirements. Although the syrup inventory is received during the third quarter of the fiscal year, its payment terms with the FPAQ requires cash payment in the first half of the fiscal year. The Company has sufficient cash and availability under its line of credit to meet such requirements.

Future commitments of approximately $6.3 million have been approved for completing capital expenditures presently in progress.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at September 30, 2017, all of the Company's registered defined benefit pension plans were in a deficit position. The total accounting deficit was estimated at approximately $39.2 million. In fiscal 2014, the Company approved the termination of the Salaried Plan as of December 31, 2014. During the first quarter of fiscal 2016, the Company completed the termination process by transferring the obligation to an insurance company. As of September 30, 2016, there was no further obligation for the Company towards the Salaried Plan. The Company performed actuarial evaluations for two of its three remaining pension plans as of December 31, 2016 and January 1, 2017.

Subsequent to year end, the Alberta Treasury Board and Finance approved an amendment to the Alberta Hourly Plan. The result of this amendment is the elimination of the reserve for future supplements, and investment earnings accumulated thereon, effective January 1, 2017. The Company will recognize the impact of this amendment during its next fiscal year, which will reduce total pension plan expense by approximately $1.5 million.

The Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. In fiscal 2017, cash contributions to defined benefit pension plans decreased by approximately $1.6 million to $3.3 million. In total, the Company expects to incur cash contributions of approximately $4.0 million for fiscal 2018 relating to employee defined benefit pension plans. For more information regarding the Company's employee benefits, please refer to Note 22 of the audited consolidated financial statements.

Cash requirements for working capital and other capital expenditures are expected to be paid from available cash resources and funds generated from operations. Management believes that the unused credit under the revolving facility is adequate to meet any future cash requirements.

OUTSTANDING SECURITIES

On August 5, 2017, Rogers acquired 100% of LBMT, for approximately $160.3 million (the "Transaction"), subject to closing adjustments of approximately $9.2 million. As part of the financing, on July 28, 2017, a public offering was completed consisting of subscription receipts converted to 11,730,000 common shares upon closing of the Transaction for gross proceeds of $69.2 million.

In addition, a total of 96,500 common shares were issued in fiscal 2017 pursuant to the exercise of share options by certain executives for a total cash consideration of $0.5 million. Moreover, some holders of the Fourth series debentures converted an amount of $0.4 million into 66,922 common shares.

As such, a total of 105,743,582 shares were outstanding as at September 30, 2017.

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with another NCIB whereby the Company may purchase up to 500,000 common shares. The NCIB commenced on December 1, 2015 and continued until November 30, 2016. During fiscal 2016, the Company purchased a total of 178,600 common shares under the NCIB in place at the time, for a total cash consideration of $0.7 million. All shares purchased were cancelled.

During the second quarter of fiscal 2017, further to a Special Resolution approved at the shareholders' meeting of February 1, 2017, the Company reduced the stated capital by $100.0 million and the contributed surplus was increased by the same amount of $100.0 million.

As at November 22, 2017, there were 105,743,582 common shares outstanding.

The Fourth series debentures of $49.6 million matured on April 30, 2017 and were repaid by using the Accordion borrowings under the Company's revolving credit facility.

On July 28, 2017, the Company issued $57.5 million of sixth series 5.0% convertible unsecured subordinated debentures ("Sixth series debentures"), maturing December 31, 2024, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting December 31, 2017. The Sixth series debentures may be converted at the option of the holder at a conversion price of $8.26 per share (representing 6,961,259 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2020. On or after December 31, 2020 and prior to December 31, 2022, the sixth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $8.26. Subsequent to December 31, 2022, the Sixth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On December 16, 2011, the Company issued $60.0 million of fifth series 5.75% convertible unsecured subordinated debentures ("fifth series debentures"), maturing December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The fifth series debentures may be converted at the option of the holder at a conversion price of $7.20 per share (representing 8,333,333 shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2014. On or after December 31, 2014 and prior to December 31, 2016, the fifth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $7.20. Subsequent to December 31, 2016, the fifth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On July 1, 2005, the Company reserved and set aside for issuance a total of 850,000 units to be allocated to key personnel. On January 1, 2011, the 450,000 options outstanding under the unit option plan were transferred to a share option plan (the "Share Option Plan") on a one-for-one basis. Between July 2005 and March 2012, all these options were allocated at different times to executives of the Company. In fiscal 2015, the number of options for common shares set aside to be allocated to key personnel was increased from 450,000 to 4,000,000 common shares. On May 21, 2015, 850,000 share options were granted to the new President and CEO of Lantic at a price of $4.59 per common share, representing the average market price for the five business days before the granting of the options. On December 5, 2016, the Company granted a total of 360,000 share options to certain executives at an exercise price of $6.51 under the share option plan. These shares are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all shares granted under the Share Option Plan not vested are forfeited.

In addition, during the first quarter, a Share Appreciation Right ("SARs") was created under the existing Share Option Plan. On December 5, 2016, a total of 125,000 SARs were issued to an executive at an exercise price of $6.51. These SARs are exercisable twenty percent per year, starting on the first anniversary date of the granting of the SARs and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all SARs granted under the Share Option Plan not vested are forfeited.

During fiscal 2016, 70,000 share options were forfeited at a price of $5.61 following the retirement of an executive.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's audited consolidated financial statements in conformity with IFRS requires us to make estimates and judgements that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. Such estimates include the valuation of goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, the provision for asbestos removal and pension obligations. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience, knowledge of economics and market factors, and various other assumptions that management believe to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions are recognized in the period in which the estimates are revised. Refer to note 2 (d) to the audited consolidated financial statements for more detail.

CHANGES IN ACCOUNTING PRINCIPLES AND PRACTICES NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these audited consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 15, *Revenue from Contracts with Customers*:
  On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 Agreements for the Construction *of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted.

  The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

  The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

  The Company intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

- IFRS 16, *Leases*:
  On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

  This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

  This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

  The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

Additional new standards, and amendments to standards and interpretations, include: IFRS 2, *Classification and Measurement of Share-based Payment Transactions*, IAS 7, *Disclosure Initiative*, IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*, Annual Improvements to IFRS Standards (2014-2016) Cycle, IFRIC 22, *Foreign Currency Transactions and Advance Consideration* and IFRIC 23 *Uncertainty over Income Tax Treatments*. The Company intends to adopt these new standards, and amendments to standards and interpretations, in its consolidated financial statements in each of their respective annual period for which they become applicable. The extent of the impact of adoption of these new standards, and amendments to standards and interpretations, has not yet been determined, except for IAS 7, IAS 12 and the Annual Improvements to IFRS Standards (2014-2016) Cycle, all of whom, the Company does not expect the amendments to have a material impact on the consolidated financial statements. Refer to note 3 (s) to the audited consolidated financial statements for more detail.

ENVIRONMENT

The Company's policy is to meet all applicable government requirements with respect to environmental matters. Except for the non-compliance of air emission standards in Taber, management believes that the Company is in compliance in all material respects with environmental laws and regulations and maintains an open dialogue with regulators and the Government with respect to awareness and adoption of new standards.

As mentioned above, the Company has been actively working on solutions to reduce the air emissions footprint of the Taber facility. The facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. The Company is currently evaluating various scenarios which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. To achieve this objective, the Company expects to undertake significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between $15 million and $25 million.

With respect to potential environmental remediation of our properties, which could occur in the event of a building demolition or a sale, it is worth noting that the Vancouver facility has a lengthy history of industrial use, and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

Similarly, the Montréal facility has a lengthy history of industrial use. Contamination has been identified on a vacant property acquired in 2001, and the Company has been advised that additional soil and ground water contamination is likely to be present. Given the industrial use of the property, and the fact that the Company does not intend to change the use of that property in the future, the Company does not anticipate any material expenditures being required in the short term to deal with this contamination, unless off-property impacts are discovered.

In fiscal 2013, the Company spent $0.7 million to remove an unused oil tank. In fiscal 2016, the Company spent $0.6 million to remove contaminated soil under the tank. In fiscal 2017, the Company demolished a building structure on the Montréal refinery property. Some contaminated soils were then detected on a portion of the now vacant section of this removed structure. Soil remediation of this section is anticipated to occur in fiscal 2018. The Company has recorded a provision under asset retirement obligations for this purpose and the provision is expected to be sufficient.

Although the Company is not aware of any specific problems at its Toronto distribution centre, its Taber plant and any of the LBMT properties, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

RISK FACTORS

The Company's business and operations are substantially affected by many factors, including prevailing margins on refined sugar and its ability to market sugar competitively, sourcing of raw material supplies, weather conditions, operating costs and government programs and regulations.

Dependence Upon Lantic

Rogers is entirely dependent upon the operations and assets of Lantic through its ownership of securities of this company. Accordingly, interest payments to debenture holders and dividends to shareholders will be dependent upon the ability of Lantic and/or LBMT to pay its interest obligations under the subordinated notes and to declare and pay dividends on or return capital in respect of the common shares. The terms of Lantic's bank and other indebtedness may restrict its ability to pay dividends and make other distributions on its shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by Rogers, in certain circumstances. In addition, Lantic may defer payment of interest on the subordinated notes at any given time for a period of up to 18 months.

Integration Related Risks and Operational Gains

The Acquisition of LBMT is the only acquisition the Corporation has concluded in recent history. To effectively integrate LBMT into its own business and operations, the Company must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to such business and operations. This will require substantial attention from management. This diversion of management attention, as well as any other difficulties which the Company may encounter in completing the transition and integration process, including difficulties in retaining key employees of LBMT, could have a material adverse impact on the Company. There can be no assurance that the Company will be successful in integrating the business and operations of LBMT.

There can be no assurance that management of the Corporation and Lantic will be able to fully realize some or all of the expected benefits of the acquisition of LBMT. The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Rogers' and Lantic's ability to realize growth opportunities and potential operational gains from integrating LBMT with the Company's and Lantic's existing business following the acquisition. Even if Rogers and Lantic are able to integrate these businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities the Company and Lantic currently expect within the anticipated time frame or at all. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, such as, but not limited to, weather impact on supply, access to markets, consumer attitudes towards natural sweeteners, many of which are beyond the control of the Company. All of these factors could cause dilution to the Company's earnings per share, decrease or delay the anticipated accretive effect of the acquisition of LBMT or cause a decrease in the market price of the RSI Shares.

Unexpected Costs or Liabilities Related to the Acquisition

Although the Company has conducted due diligence in connection with the acquisition of LBMT, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, LBMT and its business. Following the acquisition, the Company may discover that it has acquired substantial undisclosed liabilities. Lantic will not be able to fully claim indemnification from the shareholders of LBMT, as the Purchase Agreement contains indemnification limitations applicable to them. Alternatively, Lantic sought insurance to cover any potential liability under the Purchase Agreement and subscribed to the representation and warranties insurance ("RWI") Policy, with coverage of up to $16 million and a deductible of $1.6 million, half of which will be assumed by the previous shareholders of LBMT. Although Lantic has subscribed to the RWI Policy which provides for a $16 million coverage, the RWI Policy is subject to certain exclusions. In addition, there may be circumstances for which the insurer may elect to limit such coverage or refuse to indemnify Lantic or situations for which the coverage provided under the RWI Policy may not be sufficient or applicable and Lantic may have to seek indemnifications from the previous shareholders of LBMT. The existence of any undisclosed liabilities and Lantic's inability to claim indemnification from the previous shareholders of LBMT or the provider of the RWI Policy could have a material adverse effect on the Company.

No Assurance of Future Performance

Historic and current performance of the business of the Company and LBMT may not be indicative of success in future periods. The future performance of the business after the acquisition may be influenced by economic downturns and other factors beyond the control of the Company. As a result of these factors, the operations and financial performance of the Company, including LBMT, may be negatively affected, which may adversely affect the Company's financial results.

Fluctuations in Margins and Foreign Exchange

The Company's profitability is principally affected by its margins on domestic refined sugar sales. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. The Company, through the Canadian-specific quota, normally sells approximately 10,300 metric tonnes of refined sugar per year in the U.S. and also sells beet pulp to export customers in U.S. dollars. The Company's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the value of the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by the Company's Taber beet plant, and sales to the U.S. under other announced specific quotas, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuations in Raw Sugar Prices

Raw sugar prices are not a major determinant of the profitability of the Company's cane sugar operations, as the price at which sugar is both purchased and sold is related to the #11 world raw sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations. The #11 world raw sugar price can, however, impact the profitability of the Company's beet operations. Sugar derived from beets is purchased at a fixed price, plus an incentive when sugar prices rise over a certain level, and the selling price of domestic refined sugar rises or falls in relation to the #11 world raw sugar prices.

A relatively high world raw sugar price and/or low price of corn will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS substitutable business for Lantic.

Security of Raw Sugar Supply

There are over 185 million metric tonnes of sugar produced worldwide. Of this, more than 55 million metric tonnes of raw cane sugar is traded on the world market. The Company, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than the Company's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, the Company normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that the Company and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products from the Company's cane refineries to the Prairie market, normally supplied by Taber. This would increase the Company's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

Weather and Other Factors Related to Production

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect the Company's sugar extraction from beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

Regulatory Regime Governing the Purchase and Sale of Maple Syrup in Québec

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the FPAQ in the case of maple syrup, with the functions and role otherwise granted to the Régie des marchés agricoles et alimentaires du Québec, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the FPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to stabilize the pricing of maple syrup.

Pursuant to the Sales Agency Regulation, the FPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the FPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the FPAQ or to "authorized buyers" accredited by the FPAQ. In Québec, 85% of the total production of maple syrup is sold to the FPAQ or the authorized buyers, leaving only approximately 15% of the total production being sold directly by the producers to consumers or grocery stores. LBMT is an authorized buyer with the FPAQ. The authorized buyer status is renewed on an annual basis. There is no certainty that LBMT will be able to maintain its status as an authorized buyer with the FPAQ. Failure by LBMT, the Corporation or Lantic to remain an authorized buyer with the FPAQ will likely affect the capacity to fully supply the resale of maple syrup or Maple products and therefore the financial results of the Corporation.

The FPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the Conseil de l'industrie de l'érable (the Maple Industry Council) entered into the Marketing Agreement, which is expected to be renewed on an annual basis. Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the FPAQ for any maple syrup purchased from the producers. As a result, LBMT's ability to negotiate the purchase price of maple syrup is limited. Moreover, the minimum purchase price that is applicable to the authorized buyers with the FPAQ also restricts LBMT's ability to adjust its resale pricing to take into account market fluctuations due to supply and demand. LBMT's incapacity to adjust its resale prices upward to take into account any increase in consumer demand may affect the financial outlook of the Corporation.

Pursuant to the Marketing Agreement, authorized buyers must buy Maple products from the FPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years. The refusal from the FPAQ to accept the anticipated volume set forth by LBMT or the failure by LBMT to properly estimate the anticipated volume for a given year may affect the ability for LBMT to increase its reselling capacity and may have an adverse effect on the Corporation's future consolidated revenues.

Production of Maple Syrup Being Seasonal and Subject to Climate Change

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. Maple syrup production is intimately tied to the weather as sap only flows when temperatures rise above freezing level during the day and drop below it during the night, such temperature difference creating enough pressure to push sap out of the maple tree. Given the sensitivity of temperature in the process of harvesting maple sap, climate change and global warming may have a material impact on such process as the maple syrup production season may become shorter. Reducing the production season for maple syrup may also have an impact on the level of production. Such phenomenon may be witnessed in Québec as well as in the New England states, such as Vermont and Maine, where substantially all of the world maple syrup is produced.

In 2002, the FPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the FPAQ may organize a sale of a portion of its accumulated reserve. There can be no assurance that LBMT will have access to some of such reserve to offset decreases in production due to weather conditions or that such reserve will be sufficient to cover a gap in the production in any given year. Any decrease in production or incapacity to purchase additional reserves from the FPAQ may affect LBMT's supply of its sales of maple syrup and other Maple products and, ultimately, its financial results.

Competition

For the Sugar segment, the Company faces domestic competition from Redpath Sugar Ltd. and smaller regional distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes: corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications; and non-nutritive, high intensity sweeteners such as aspartame, sucralose and stevia. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of the Company.

For the Maple products segment, LBMT is among the largest branded and private label maple syrup bottling and distributing companies in the world. LBMT has two major competitors in the market and also compete against a multitude of smaller bottlers and distributing companies.

A large majority of LBMT' revenues are made under the private label line. The Corporation anticipates that for a foreseeable future, LBMT's relationship with its top private label customers will continue to be key and will continue to have a material impact on its sales. Although the Corporation considers that the relationship with its top private label customers is excellent, the loss of, or a decrease in the amount of business from, such customers, or any default in payment on their part could significantly reduce LBMT's sales and harm the Company's operating and financial results.

Consumer Habits May Change

The maple products market, both national and international, has experienced some important changes over the last few years as maple products are becoming better known and consumer preferences and consumption patterns have shifted to more natural products. Maple syrup has typically been used, principally in North America, as a natural alternative to traditional sweeteners and has been served on morning meals, such as pancakes, waffles and other breakfast bakeries for decades. The offer of maple products has recently expanded to include, among others, maple butter and maple sugar, flakes and taffy. As a result of evolving customer trends and the development of new maple products continues, LBMT will need to anticipate and meet these trends and developments in a competitive environment on a timely basis. The failure of LBMT to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced production capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of the Company. There is also no guarantee that the current favourable market trends will continue in the future.

Growth of LBMT's Business Relying Substantially on Exports

The size of the global wholesale market for maple syrup is currently estimated at $750 million, the United States being by far the world's largest importer, followed by Japan and Germany. Despite the increase of sales of maple products that the Canadian market has experienced in recent years, the potential for growth of this industry largely relies on the international market. Moreover, over the last few years, Vermont and Maine have increased their production of maple syrup and have now become competitors of Québec, which however remains the largest producer and exporter of maple syrup in the world. While LBMT continues to develop its selling efforts outside of Canada, including through forming new partnerships in countries where the maple syrup market is undeveloped, it will likely face high competition from other bottlers and distributers, including from other Canadian and U.S. companies, for its share of the international market. Such growing competition and the incapacity for LBMT to further develop its selling efforts outside of Canada could adversely affect the Company's capacity to grow LBMT's business and its future results. Furthermore, an incapacity to attract increased attention on maple products or a sudden lack of interest for such products from customers outside of North America may affect the Company's future results.

Operating Costs

Natural gas represents an important cost in our refining operations. Our Taber beet factory includes primary agricultural processing and refining. As a result, Taber uses more energy in its operations than the cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (sliced sugar beets) to evaporate water from juices containing sugar, and to dry wet beet pulp. Changes in the costs and sources of energy may affect the financial results of the Company's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. The Company hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas. Provincial application of some form of carbon tax has been increasingly important across Canada. This new trend could increase the overall energy costs for the Company.

Government Regulations and Foreign Trade Policies with regards to Sugar

In July 1995, Revenue Canada made a preliminary determination, followed by a final determination in October 1995, that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the European Union ("EU"). The Canadian International Trade Tribunal ("CITT") conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes have not materially changed the factors that originally led to the original CITT decision and the importance of continuing these duties. However, there is no assurance that in 2020 these duties will be continued for a further five years. It is also possible that an interim review could be conducted prior to 2020 if there is a material change in circumstances related to the CITT finding.

In April 2017, the U.S. President announced the White House intention to renegotiate and modernize the North American Free Trade Agreement ("NAFTA") following earlier threats to terminate the agreement. Negotiations towards a new NAFTA agreement were launched in August 2017 in Washington D.C. with successive rounds in each NAFTA country concluding with round 4 in October, 2017, again in Washington D.C. The Canadian Sugar Institute ("CSI") is advancing Canada's sugar industry interest in securing improved U.S. market access for Canadian sugar and SCPs and addressing outdated quota rules. U.S. quotas and administrative rules are impacting Canada's ability to supply the U.S. market and are having a more significant negative impact today in the context of liberalized U.S.-Mexico sugar trade. Improved export access to the U.S. is essential for our industry to improve capacity utilization and efficiencies and to continue to support a vibrant food processing industry in Canada.

The Canada-European Union Comprehensive Economic and Trade Agreement ("CETA") entered into force provisionally on September 21, 2017. Over 90% of CETA, including tariff reductions and new quotas, went into effect upon provisional implementation.

Provisional implementation of the CETA is expected to have material financial benefits from exports of SCPs which should contribute to the long term prosperity of Canada's sugar industry. The SCP volume is set at 30,000 metric tonnes annually from 2018 through 2021 and is increasing in 5 year increments to reach 51,840 metric tonnes over 15 years. The quota is allocated 90% to Canadian refiners on an equal share basis. Access to the EU will be challenging in the early years of implementation given the October 1, 2017 reform of the EU sugar regime which has generated substantial surplus sugar supplies. Regardless, the Company is committed to ensure maximum utilization of this new export opportunity in a well-developed market which will be beneficial to the Company in the future.

On February 4, 2016, Canada was among the 12 participating countries of the Trans-Pacific Partnership ("TPP") to sign an agreement to liberalize trade in the region. The other TPP countries included Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. On January 23, 2017 the U.S. President signed an executive order to withdraw the U.S. from the 12 nation TPP trade deal.

Ministers from the TPP countries have continued to meet to work towards a TPP11 agreement without the U.S. in an effort to build on the TPP negotiated outcomes and advance trade liberalization and economic integration in the Asia Pacific region. On November 11, 2017, Canada along with the Ministers for the other TPP countries announced that they had reached an agreement on "core elements" for a Comprehensive and Progressive Agreement for TPP ("CPTPP") while acknowledging that certain issues remained unresolved. The Government of Canada welcomed the progress made and will continue to engage on the proposals but has also stated that there still are a number of issues that remain outstanding for Canada and that it will not be rushed into an agreement.

The CPTPP countries are diverse in terms of sugar policies and trade but collectively may provide an opportunity to advance trade in refined sugar and SCPs. Lantic and the other Canadian sugar refiner may benefit from new access for SCPs in Japan, Malaysia and Vietnam and may have a more competitive opportunity to supply these markets in the absence of the United States. Given the uncertainties regarding conclusion of a CPTPP, the Company does not expect any financial benefits from the TPP in fiscal 2018.

Canada now has free trade agreements in force with more than 13 countries, however, few beyond the NAFTA and CETA offer significant market potential for Canadian sugar and sugar-containing products ("SCPs"). There are a number of reasons why these free trade agreements ("FTAs") have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. "Rules of origin" in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available for both refined beet and cane sugar.

The CSI will continue to monitor Canada's exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada's sugar industry while also monitoring potential threats. The Company continues to remain concerned that the inclusion of refined sugar in Canada's various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization ("WTO"). However, the WTO Doha round negotiations have been on hold since July 2008 with no specific date for conclusion. A modernized NAFTA and CETA provide the best near to medium term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

Foreign Trade Policies with regards to Maple products

LBMT's international operations are also subject to inherent risks, including change in the free flow of food products between countries, fluctuations in currency values, discriminatory fiscal policies, unexpected changes in local regulations and laws and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, foreign jurisdictions, including the United States, LBMT's current and expected largest market, could impose tariffs, quotas, trade barriers and other similar restrictions on LBMT's international sales and subsidize competing agricultural products. All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on LBMT's financial condition and results of operations. The implementation of CETA removes the duties on imported maple syrup which could benefit the Company in additional export volume to the EU.

Employee Relations

The majority of the Lantic's operations are unionized.

During the fiscal year, a five-year labour agreement, expiring in 2022, was reached with the unionized employees of the Taber factory.

In fiscal 2016, five-year labour agreements were reached with the main unit and with two of the other three smaller units of the unionized employees of the Montréal refinery for which the previous labour agreements expired in February 2016. During the current fiscal year, a five-year labour agreement was reached with the remaining unit. The new agreements were all agreed upon at competitive rates and will expire at the end of May 2021.

The labour agreement for the Vancouver refinery will expire at the end of February 2018. Negotiations are expected to start at the beginning of the new calendar year. Finally, the Toronto distribution centre labour agreement will expire in June 2018. There can be no assurance that new agreements will be reached at each location, or that the terms of such future agreements will be similar to the terms of the current agreements.

LBMT's bottling plant in Granby, Québec is under a collective bargaining agreement, which is currently scheduled to expire in May, 2023.

Strikes or lock-outs in future years could restrict the ability of the Company to service its customers in the affected regions, consequently affecting the Company's revenues.

Food Safety and Consumer Health

The Company is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

The Company's facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada. The Company also performs its own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Environmental Matters

The operations of the Company are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Except for the non-compliance of air emission standards discussed above, management believes that the Company is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and the Company anticipates this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance.

As mentioned above, the Company has been actively working on solutions to reduce the air emissions footprint of the Taber facility. The facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. The Company is currently evaluating various scenarios which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. There could not be any assurance that the Alberta Environment and parks will extend the non-compliance variance beyond May 2018, which may result in significant production disruption, an increase in production and/or fines and other penalties. To achieve this objective, the Company expects to undertake significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between $15 million and $25 million. There could be no assurance that the investment of a solution to reduce air emission may not differ materially from the early estimates.

Violation of these regulations can result in fines or other penalties, which in certain circumstances can include clean-up costs. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by the Company currently or in the past can be imposed by environmental regulators or other third parties. No assurance can be given that any such liabilities will not be material.

Income Tax Matters

The income of the Company must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of dividends. There can be no assurance that taxation authorities will accept the tax positions adopted by the Company including the determination of the amounts of federal and provincial income which could materially adversely affect dividends.

The current corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic's level. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash transferred to Rogers for dividend payment. Management believes that the interest expense inherent in the structure is supportable and reasonable in light of the terms of the debt owed by Lantic to Rogers and LBMT to Lantic.

Management and Operation of Lantic

The Board of Directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belkorp Industries. As a result, holders of shares have limited say in matters affecting the operations of Lantic; if such holders are in disagreement with the decisions of the Board of Directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the Board of Directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of Lantic and the Company.

OUTLOOK

In fiscal 2018, we expect the industrial market segment to decrease slightly, while the consumer volume should be comparable to fiscal 2017.

The liquid market segment should continue to be strong benefitting from some growth with existing customers, the recapture of some of the volume loss in fiscal 2017 and the benefit of a full year of supply to a large bottler account in Western Canada. As a result, we expect the liquid market segment to surpass fiscal 2017 by approximately 10,000 metric tonnes.

As for the export segment, total volume is anticipated to increase slightly due to additional sales to Mexico.

Overall, we expect total volume to increase by approximately 5,000 metric tonnes.

In fiscal 2018, the Company will benefit from a full year of operations of LBMT. As previously presented in the short form prospectus dated July 21, 2017, we expect LBMT's Adjusted EBITDA (See "Non-GAAP measures" section of the MD&A) to approximate $18.4 million, which includes an increase in sales volume and related selling margins in addition to some operational efficiency gains for a total of approximately $2.9 million. In fiscal 2019, we expect additional integration gains of approximately $2.1 million to be fully realized by the end of fiscal 2019. Therefore, fiscal 2019 Adjusted EBITDA for LBMT should amount to approximately $20.5 million assuming the realization of all expected integration gains.

On November 20, 2017, the Company announced the acquisition of Decacer for $40.0 million, subject to post-closing adjustments. Decacer's Adjusted pro forma EBITDA (See "Non-GAAP measures" section) on an annual basis is estimated at $5.1 million. This acquisition, combined with the earlier acquisition of LBMT, allows us to create a solid platform and to broaden the Company's maple syrup operations and expand its product offering, including a unique maple sugar dehydration technology as well as enhancing the potential for additional operational synergies.

We expect energy costs to increase by approximately $1.5 million in fiscal 2018 as a result of the implementation of the carbon tax in Alberta on January 1, 2017. The current carbon tax amounts to $1.011 per gigajoule and will increase to $1.517 per gigajoule on January 1, 2018.

Approximately 65% of fiscal 2018's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2017. In addition, some futures positions for fiscal 2018 to 2022 have also been taken. Some of these positions are at prices higher than current market value, but are at the same or better levels than those achieved in fiscal 2017. We will continue to monitor natural gas market dynamics with the objective of maintaining competitive costs and minimizing natural gas cost variances.

Capital expenditures for fiscal 2018 are expected to increase compared to this year as the Company intends to spend approximately $6.0 million on operational excellence capital projects. The Company is currently evaluating various scenarios in order to be fully compliant on air emission standards for the 2019 beet harvesting season. To achieve this objective, the Company expects to undertake a significant capital expenditure for this project starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between $15 million and $25 million.

The harvest and beet slicing campaign started towards the end of September. This year's growing conditions were ideal and resulted in a very large crop with strong yield per acre. If current harvesting conditions continue and no significant beet storage issues arise, we fully expect that the current crop should derive approximately 120,000 metric tonnes of refined sugar, which is comparable to fiscal 2017's production volume, even though sugar beet planting was reduced by 1,000 acres.

We expect that the total pension plan expense will decrease by approximately $2.4 million in fiscal 2018 as a result of the increase in discount rates, as well as to the approval by the Alberta Treasury Board and Finance of an amendment to the Alberta Hourly Plan.

As a result of the acquisition of LBMT and Decacer, as well as an expectation that interest rate will rise in fiscal 2018, we anticipate that interest expense should increase when compared to the current year.

Labour negotiations with the Vancouver refinery unionized employees for the renewal of the labour contract terminating at the end of February 2018 will start at the beginning of the new calendar 2018.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rogers Sugar Inc. and all the information in this annual report pertaining to the Corporation are the responsibility of the Administrator and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by the Administrator in accordance with International Financial Reporting Standards by applying the detailed accounting policies set out in the notes to the financial statements. The Administrator is of the opinion that the consolidated financial statements were prepared based on reasonable and material criteria and using justifiable and reasonable estimates. The Administrator has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Corporation.

The Administrator maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that the Administrator fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Corporation. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are outside and unrelated directors. The committee meets with the Administrator, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Shareholders. The committee also considers, for review by the Board and approval by the Shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements of the Corporation have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. KPMG LLP has full and free access to the Audit Committee.

John Holliday,
President and Chief Executive Officer
Lantic Inc., Administrator

Manon Lacroix,
Vice President Finance, Chief Financial Officer and Secretary
Lantic Inc., Administrator

November 22, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

We have audited the accompanying consolidated financial statements of Rogers Sugar Inc., which comprise the consolidated statements of financial position as at September 30, 2017 and October 1, 2016, the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years ended September 30, 2017 and October 1, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rogers Sugar Inc. as at September 30, 2017 and October 1, 2016, and of its consolidated financial performance and its consolidated cash flows for the years ended September 30, 2017 and October 1, 2016 in accordance with International Financial Reporting Standards.

KPMG LLP

November 22, 2017
Montréal, Canada

* CPA auditor, CA, public accountancy permit No. A109612

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(In thousands of dollars except per share amounts)

	For the years ended	
Consolidated statements of earnings	**September 30, 2017**	October 1, 2016
	$	$
Revenues (note 34)	**682,517**	564,411
Cost of sales	**605,219**	436,188
Gross margin	**77,298**	128,223
Administration and selling expenses	**25,603**	19,636
Distribution expenses	**10,664**	9,989
	36,267	29,625
Results from operating activities	**41,031**	98,598
Finance income (note 6)	**(371)**	(205)
Finance costs (note 6)	**10,589**	9,817
Net finance costs (note 6)	**10,218**	9,612
Earnings before income taxes	**30,813**	88,986
Income tax expense (recovery) (note 7):		
Current	**13,198**	14,214
Deferred	**(4,291)**	9,193
	8,907	23,407
Net earnings	**21,906**	65,579
Net earnings per share (note 29):		
Basic	**0.23**	0.70
Diluted	**0.22**	0.64

	For the years ended	
Consolidated statements of comprehensive income	**September 30, 2017**	October 1, 2016
	$	$
Net earnings	**21,906**	65,579
Other comprehensive income (loss):		
Items that are or may be reclassified subsequently to net earnings:		
Cash flow hedges (note 11)	**401**	—
Income tax on other comprehensive income (loss) (note 7)	**(106)**	—
Foreign currency translation differences	**(192)**	—
	103	—
Items that will not be reclassified to net earnings:		
Defined benefit actuarial gains (losses) (note 22)	**15,866**	(7,587)
Income tax on other comprehensive income (loss) (note 7)	**(4,182)**	1,993
	11,684	(5,594)
Other comprehensive income (loss)	**11,787**	(5,594)
Net earnings and comprehensive income for the year	**33,693**	59,985

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

(In thousands of dollars)

	September 30, 2017	October 1, 2016
	$	$
ASSETS		
Current assets:		
Cash	**17,033**	1,246
Restricted cash (note 8)	**4,201**	—
Trade and other receivables (note 9)	**77,009**	68,782
Income taxes receivable	**1,174**	—
Inventories (note 10)	**173,129**	81,121
Prepaid expenses	**2,892**	2,631
Derivative financial instruments (note 11)	**93**	501
Total current assets	**275,531**	154,281
Non-current assets:		
Restricted cash (note 8)	**631**	—
Property, plant and equipment (note 12)	**190,875**	178,631
Intangible assets (note 13)	**25,374**	1,883
Other assets (note 14)	**982**	497
Deferred tax assets (note 15)	**15,048**	18,422
Derivative financial instruments (note 11)	**2,323**	1,532
Goodwill (note 16)	**323,228**	229,952
Total non-current assets	**558,461**	430,917
Total assets	**833,992**	585,198
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility (note 17)	**20,000**	—
Trade and other payables (note 18)	**125,260**	47,096
Income taxes payable	**—**	3,473
Provisions (note 20)	**478**	1,133
Finance lease obligations (note 21)	**48**	45
Derivative financial instruments (note 11)	**6,665**	3,408
Convertible unsecured subordinated debentures (note 23)	**—**	49,805
Current portion of other long-term liabilities (note 19)	**4,703**	—
Total current liabilities	**157,154**	104,960
Non-current liabilities:		
Revolving credit facility (note 17)	**150,000**	60,000
Employee benefits (note 22)	**39,169**	52,933
Provisions (note 20)	**1,753**	1,861
Derivative financial instruments (note 11)	**2,381**	6,305
Finance lease obligations (note 21)	**114**	162
Convertible unsecured subordinated debentures (note 23)	**111,544**	58,714
Deferred tax liabilities (note 15)	**37,133**	34,710
Other long-term liabilities (note 19)	**588**	—
Total non-current liabilities	**342,682**	214,685
Total liabilities	**499,836**	319,645
Shareholders' equity:		
Share capital (note 24)	**101,335**	133,528
Contributed surplus	**300,247**	200,201
Equity portion of convertible unsecured subordinated debentures (note 23)	**3,141**	1,188
Deficit	**(71,860)**	(58,870)
Accumulated other comprehensive income (loss)	**1,293**	(10,494)
Total shareholders' equity	**334,156**	265,553
Commitments (notes 26 and 27)		
Contingencies (note 28)		
Subsequent event (note 35)		
Total liabilities and shareholders' equity	**833,992**	585,198

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

(In thousands of dollars except number of shares)

	For the year ended September 30, 2017								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain (loss) on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total
		$	$	$	$	$	$	$	$
Balance, October 1, 2016	93,850,160	133,528	200,201	1,188	(10,494)	—	—	(58,870)	265,553
Net earnings for the year	—	—	—	—	—	—	—	21,906	21,906
Dividends (note 24)	—	—	—	—	—	—	—	(34,896)	(34,896)
Stock options exercised (notes 24 and 25)	96,500	549	(28)	—	—	—	—	—	521
Conversion of convertible debentures into common shares (notes 23 and 24)	66,922	435	—	—	—	—	—	—	435
Issuance of convertible debentures, net of tax (note 23)	—	—	—	1,953	—	—	—	—	1,953
Reduction of stated capital (note 24)	—	(100,000)	100,000	—	—	—	—	—	—
Issuance of common shares, net of issuance costs (note 24)	11,730,000	66,823	—	—	—	—	—	—	66,823
Share-based compensation (note 25)	—	—	74	—	—	—	—	—	74
Cash flow hedges, net of tax (note 11)	—	—	—	—	—	295	—	—	295
Defined benefit actuarial gains, net of tax (note 22)	—	—	—	—	11,684	—	—	—	11,684
Translation of foreign operations	—	—	—	—	—	—	(192)	—	(192)
Balance, September 30, 2017	105,743,582	101,335	300,247	3,141	1,190	295	(192)	(71,860)	334,156

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

(In thousands of dollars except number of shares)

	For the year ended October 1, 2016						
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain (loss) on employee benefit plans	Deficit	Total
		$	$	$	$	$	$
Balance, October 3, 2015	94,028,760	133,782	200,167	1,188	(4,900)	(90,180)	240,057
Dividends (note 24)	—	—	—	—	—	(33,796)	(33,796)
Share-based compensation (note 25)	—	—	34	—	—	—	34
Purchase and cancellation of shares	(178,600)	(254)	—	—	—	(473)	(727)
Defined benefit actuarial losses (note 22)	—	—	—	—	(5,594)	—	(5,594)
Net earnings for the year	—	—	—	—	—	65,579	65,579
Balance, October 1, 2016	93,850,160	133,528	200,201	1,188	(10,494)	(58,870)	265,553

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

	For the years ended September 30, 2017	October 1, 2016
	$	$
Cash flows from (used in) operating activities:		
Net earnings	**21,906**	65,579
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	**13,022**	12,154
Amortization of intangible assets (note 5)	**574**	191
Changes in fair value of derivative financial instruments included in cost of sales	**(278)**	2,356
Income tax expense (note 7)	**8,907**	23,407
Pension contributions	**(7,324)**	(9,190)
Pension expense	**9,426**	9,401
Net finance costs (note 6)	**10,218**	9,612
Investment tax credit receivable	**—**	(318)
Loss on disposal of property, plant and equipment (note 12)	**1**	32
Share-based compensation (note 25)	**74**	34
Other	**8**	—
	56,534	113,258
Changes in:		
Trade and other receivables	**8,711**	(20,580)
Inventories	**16,422**	(13,848)
Prepaid expenses	**429**	(402)
Trade and other payables	**1,506**	8,187
Provisions	**(763)**	(1,060)
	26,305	(27,703)
Cash generated from operating activities:	**82,839**	85,555
Interest paid	**(10,024)**	(8,827)
Income taxes paid	**(17,680)**	(10,056)
Net cash flows from operating activities	**55,135**	66,672
Cash flows from (used in) financing activities:		
Dividends paid	**(33,826)**	(33,812)
Increase (decrease) in revolving credit facility (note 17)	**110,000**	(17,000)
Issuance of convertible debentures, net of underwriting fees and issuances costs of $2.7 million (note 23)	**54,786**	—
Repayment of convertible debentures (note 23)	**(49,565)**	—
Issuance of common shares, net of underwriting fees and issuance costs of $3.2 million (note 24)	**65,985**	—
Purchase and cancellation of shares (note 24)	**—**	(727)
Payment of financing fees (note 14)	**(629)**	(90)
Stock options exercised (note 25)	**521**	—
Net cash flows from (used in) financing activities	**147,272**	(51,629)
Cash flows used in investing activities:		
Business combination, net of cash acquired (note 4)	**(169,280)**	—
Additions to property, plant and equipment, net of proceeds on disposal	**(17,046)**	(14,785)
Additions to intangible assets	**(257)**	(371)
Net cash used in investing activities	**(186,583)**	(15,156)
Effect of changes in exchange rate on cash	**(37)**	—
Net increase (decrease) in cash	**15,787**	(113)
Cash, beginning of year	**1,246**	1,359
Cash, end of year	**17,033**	1,246

Supplemental cash flow information (note 30).

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

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 consolidated financial statements of Rogers as at September 30, 2017 and October 1, 2016 comprise Rogers and its subsidiary, Lantic Inc. (together referred to as the "Company"). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

The Company's fiscal quarters end on the Saturday closest to the end of December, March, June and September. All references to 2017 and 2016 represent the years ended September 30, 2017 and October 1, 2016.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Board of Directors on November 22, 2017.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

(i) derivative financial instruments are measured at fair value;

(ii) the defined benefit liability is recognized as the net total of the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs; and

(iii) assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

(c) Functional and presentation currency:

These consolidated 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 consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting years.

The following is a summary of areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements:

(i) Embedded derivatives:

As at October 2, 2016, embedded derivatives, which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, will no longer be separated from the host contract as it has been determined that the U.S. dollar is commonly used in Canada. This change in estimate will be applied prospectively, as such, any contracts for which it was determined there was an embedded derivative and that needed to be separated from the host contract as of October 1, 2016 will continue to be treated as such as a transitional step to meet the new interpretation. These contracts will continue to be marked-to-market every quarter until all the volume on the contract has been delivered.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (CONTINUED)

(d) Use of estimates and judgements (continued):

(ii) Useful lives of property, plant and equipment:
The Company reviews estimates of the useful lives of property, plant and equipment on an annual basis and adjusts depreciation on a prospective basis, if necessary.

(iii) Goodwill impairment:
The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill using discounted future cash flows or other valuation methods. These estimates take into account the control premium in determining the fair value less cost to sell.

(iv) Asset impairment:
The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make subjective assessments, linking the possible loss of value of assets to future economic performance, and determine the amount of asset impairment that should be recognized, if any.

(v) Income taxes:
The calculation of income taxes requires judgement in interpreting tax rules and regulations. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate income in the future against which they can be utilized.

(vi) Pension plans:
The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

(vii) Business combinations:
Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business combinations.

(viii) Consolidation:
See Note 3(a), Basis of consolidation.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future years affected.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

(i) Subsidiaries:

The consolidated financial statements include the Company and the subsidiaries it controls, Lantic Inc. ("Lantic") and L.B. Maple Treat Corporation ("LBMT"). LBMT is a combination of four businesses: LBMT, Highland Sugarworks Inc. ("Highland"), Great Northern Maple Products Inc. ("Great Northern" amalgamated with LBMT on December 1, 2016) and the assets of Sucro-Bec L. Fortier Inc. ("Sucro-Bec"). Control exists where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company owns 100% of the common shares of Lantic. Lantic Capital Inc., a wholly-owned subsidiary of Belkorp Industries Inc., owns the two outstanding Class C shares of Lantic. These Class C shares are non-voting, have no rights to return or risk of loss and are redeemable for a nominal value of one dollar each. The Class C shares entitle the holder to elect five of the seven directors of Lantic but have no other voting rights at any meetings of Lantic's shareholders except as may be required by law.

Notwithstanding Lantic Capital Inc.'s ability to elect five of the seven directors of Lantic, Lantic Capital Inc. receives no benefits or exposure to losses from its ownership of the Class C shares. As the Class C shares are non-dividend paying and redeemable for a nominal value of one dollar, there is no participation in future dividends or changes in value of Lantic resulting from the ownership of the Class C shares. There is also no management fee or other form of consideration attributable to the Class C shares. The determination of control involves a high degree of judgement. Based on all the facts and available information, management has concluded that the Company has control of Lantic.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(ii) Business combinations:

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value of the assets transferred, and any debt and equity interests issued by the Company on the date control of the acquired company is obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Contingent consideration classified as a liability that is a financial instrument is subsequently remeasured at fair value, with any resulting gain or loss recognized in the consolidated statements of earnings and comprehensive income. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred and are included in administration and selling expenses in the consolidated statements of earnings and comprehensive income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in an acquired company either at fair value or at the non-controlling interest's proportionate share of the acquired company's net identifiable assets. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognized is less than the fair value of the net assets of the business acquired, a purchase gain is recognized immediately in the consolidated statements of earnings and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date that the fair value was determined. Foreign denominated non-monetary assets and liabilities that are measured at the historical costs are translated at the rate prevailing at the transaction date. Revenues and expenses denominated in foreign currencies are translated into the functional currency at the rate in effect on the dates they occur. Gains or losses resulting from these translations are recorded in net earnings of the period.

(c) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rate in effect during the reporting period.

Foreign currency differences are recognized in other comprehensive income (loss) in the accumulated foreign currency translation differences account. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to income or loss.

(d) Cash:

Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

(e) Inventories:

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Property, plant and equipment:

Property, plant and equipment, with the exception of land, are recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost and is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued):

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in cost of sales for assets used in production and in administration and selling expenses for all other assets.

Depreciation related to assets used in production is recorded in cost of sales while the depreciation of all other assets is recorded in administration and selling expenses. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant components of individual assets are assessed and, if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. The estimated useful lives are as follows:

Barrels	6 years
Buildings	20 to 60 years
Furniture and fixtures	5 to 10 years
Machinery and equipment	5 to 40 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and depreciation is adjusted on a prospective basis, if necessary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets:

(i) Goodwill:
Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the fair value of the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

(ii) Other intangible assets:
Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in administrative expenses on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of intangible assets not in service begins when they are ready for their intended use. The estimated useful lives are as follows:

Software	5 to 15 years
Customer relationships	10 years
Other	10 years

Brand names are not amortized as are not considered to be indefinite life intangible assets. Useful lives and residual values are reviewed at each financial year-end and amortization is adjusted on a prospective basis, if necessary.

(h) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated statements of financial position.

(i) Impairment:

Non-financial assets:
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated yearly at the same time, at year-end, and whenever there is an indication that the asset might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued):

Non-financial assets (continued):
For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The Company's corporate assets do not generate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Employee benefits:

(i) Pension benefit plans:
The Company provides post-employment benefits through defined benefit and defined contribution plans. The Company also sponsors Supplemental Executive Retirement Plans ("SERP"), which are neither registered nor pre-funded. Finally, the Company sponsors defined benefit life insurance, disability plans and medical benefits for some retirees and employees.

Defined contribution plans
The Company's obligations for contributions to employee defined contribution pension plans are recognized as employee benefit expense in profit or loss in the years during which services are rendered by employees.

Defined benefit plans
The Company maintains some contributory defined benefit plans that provide for pensions to employees based on years of service and the employee's compensation. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued):

(i) Pension benefit plans (continued):

Defined benefit plans (continued)
Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Costs related to plan settlements are recorded at the time the Company is committed to a settlement as a separate constructive obligation. Subsequent to the Company being committed to a settlement, the plan liability is measured at the expected settlement amount using settlement interest rates.

(ii) Short-term employee benefits:
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under cash incentive if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based compensation:
The Company has a Share Option Plan. Share-based payment awards are measured at fair value at the grant date, which is recognized as a personnel expense, with a corresponding increase in contributed surplus over the vesting period, which is normally five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Any consideration paid by employees on exercise of share options is credited to share capital.

(iv) Employee share purchase plan:
The Company has an Employee Share Purchase Plan that is an equity-settled share-based payment with employees; the measurement is based on the grant-date fair value of the equity instrument granted. As such, the expense is recognized when the employee purchases the shares.

(v) Cash-settled share appreciation rights:
The Company's Share Option Plan allows for the issuance of Share Appreciation Rights ("SARs") that entitles certain senior personnel of the Company to a cash payment based on the increase in the share price of the Company's common shares from the grant date to the vesting date. The SARs are automatically exercised upon vesting dates if the share price of the Company's common shares is greater than the price on the grant date; if not, they are rolled to the next vesting date.

A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling and administration expenses over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued):

(v) Cash-settled share appreciation rights (continued):
Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statements of earnings and comprehensive income of the current years.

(vi) Termination benefits:
Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be fully settled within 12 months of the end of the reporting period, they are discounted.

(k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(i) Asset retirement obligation:
The Company recognizes the estimated liability for future costs to be incurred in the remediation of site restoration in regards to asbestos removal and disposal of such asbestos to a landfill for hazardous waste, and for oil, chemical and other hazardous materials storage tanks, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset, or earlier if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

(ii) Contingent liability:
A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services, or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

(l) Financial instruments:

(i) IFRS 9, *Financial Instruments*:
The Company early adopted all the requirements of IFRS 9 (2014), *Financial Instruments* with a date of initial application of October 2, 2016. The standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(i) IFRS 9, *Financial Instruments* (continued):

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial instruments – Recognition and Measurement*. The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	**IFRS 9 (2014)**
Financial assets:		
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Income taxes recoverable	Loans and receivables	Amortized cost
Non-hedged derivative assets	Fair value through profit and loss	Fair value through profit or loss
Financial liabilities:		
Revolving credit facility	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Income taxes payable	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Convertible unsecured subordinated debentures	Other financial liabilities	Amortized cost
Other long-term liabilities	Fair value through profit and loss	Fair value through profit or loss
Non-hedged derivative liabilities	Fair value through profit and loss	Fair value through profit or loss

With the adoption of IFRS 9 (2014), the Company's natural gas futures and interest rate swap agreements were designated as being effective hedging instruments.

In accordance with the transitional provisions of IFRS 9 (2014), the financial assets and financial liabilities held at October 2, 2016 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at October 2, 2016.

The accounting for these instruments and the line item in which they are included in the balance sheet were unaffected by the adoption of IFRS 9 (2014). The adoption of IFRS 9 (2014) did not result in any measurement adjustments to our financial assets and financial liabilities. Our significant accounting policies for financial instruments, derivative financial instruments, and hedging relationships have been aligned with IFRS 9 (2014). The adoption of IFRS 9 (2014) did not have a material impact on impairment at October 2, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(i) IFRS 9, *Financial Instruments (continued):*

The Company initially recognizes financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. In the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to or deducted from the fair value.

(ii) Financial assets:
Financial assets are classified into the following categories:

a. Financial assets measured at amortized cost:
A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principals and/or interest.

The Company currently classifies its cash, trade accounts receivable, and certain other current assets as assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Company has a portfolio of trade receivables at the reporting date.

The Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

b. Financial assets measured at fair value:
These assets are measured at fair value and changes therein, including any interest are recognized in profit or loss. The Company currently has no significant financial assets measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(iii) Financial liabilities:
Financial liabilities are classified into the following categories:

a. Financial liabilities measured at amortized cost:
A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies and measures short-term borrowings, trade payables and accrued liabilities, finance lease obligations, and convertible unsecured subordinated debentures as financial liabilities measured at amortized cost.

b. Financial liabilities measured at fair value:
Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings. The Company currently has no significant financial liabilities measured at fair value except for other long-term liabilities.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Fair values of financial instruments:
Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

Level 1 - valuation based on observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3 - valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability).

a. Cash:
The Company classifies its cash as amortized cost assets. Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

b. Derivative financial instruments and hedging relationships:
The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(iv) Fair values of financial instruments (continued):

c. Embedded derivatives:
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics, risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit or loss as described in note 2(d)(i).

d. Other derivatives:
When a derivative financial instrument, for example, sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts and embedded derivatives is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings (marked-to-market).

e. Compound financial instruments:
The Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, gains and losses relating to the financial liability are recognized in profit or loss.

f. Financing charges:
Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized in finance costs using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

g. Trade date:
The Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

h. Share capital:
Common shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Dividends to the equity holders are recorded in equity.

Repurchase of share capital
When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(v) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity.

The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss.

If forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to net earnings in the same period that the hedged item affects net earnings.

The Company has designated as hedging items its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas prices and interest rate fluctuations as cash flow hedges.

(m) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable and recognized at the time products are shipped to customers, at which time significant risks and rewards of ownership are transferred to the customers. Revenue is recorded net of all returns and allowances and excludes sales taxes.

Sales incentives, including volume rebates provided to customers, are estimated based on contractual agreements and historical trends and are recognized at the time of sale as a reduction in revenue. Such rebates are primarily based on a combination of volume purchased and achievement of specified volume levels.

(n) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(o) Finance income and finance costs:

Finance income comprises interest income on funds invested and finance costs comprise interest expense on borrowings. Changes in the fair value of interest rate swaps are recorded either to finance income or finance costs based on its outcome. Interest expense is recorded using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares from the conversion of the convertible debentures.

(r) New standards and interpretations adopted:

(i) IFRS 9, *Financial Instruments*:

The Company early adopted all the requirements of IFRS 9 (2014), *Financial Instruments* with a date of initial application of October 2, 2016. See Note 3(l)(i). IFRS 9, *Financial Instruments* and Note 11, Financial instruments for further information.

(ii) IAS 1, *Presentation of Financial Statements*:

On December 18, 2015, the International Accounting Standards Board ("IASB") issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016.

The Company adopted the amendments in the first quarter of the year ending September 30, 2017. The adoption of IAS 1, *Presentation of Financial Statements* did not have an impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretations adopted (continued):

(iii) Annual improvements to IFRS (2012-2014) cycle:
On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*;
- "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
- Disclosure of information "elsewhere in the interim financial report" under IAS 34, *Interim Financial Reporting*.

The Company adopted the amendments in the first quarter of the year ending September 30, 2017. The adoption of annual improvements to IFRS (2012-2014) cycle did not have an impact on the consolidated financial statements.

(s) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2017 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

(i) IFRS 2, *Classification and Measurement of Share-based Payment Transactions*:
On June 20, 2016, the IASB issued amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not yet adopted (continued):

(ii) IFRS 15, *Revenue from Contracts with Customers*:

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

(iii) IFRS 16, *Leases*:

On January 13, 2016, the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not yet adopted (continued):

(iv) IAS 7, *Disclosure Initiative*:
On January 7, 2016 the IASB issued *Disclosure Initiative* (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(v) IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses:*
On January 19, 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on October 1, 2017. The Company does not expect the amendments to have a material impact on the consoli dated financial statements.

(vi) Annual improvements to IFRS standards (2014-2016) cycle:
On December 8, 2016, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standards:

- Clarification that IFRS 12, *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;
- Removal of out-dated exemptions for first-time adopters under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28, *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning October 1, 2017 or October 1, 2018, as applicable. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not yet adopted (continued):

(vii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*:
On December 8, 2016, the IASB issued IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on October 1, 2018, as applicable. The extent of the impact of adoption of the Interpretation has not yet been determined.

(viii) IFRIC 23, *Uncertainty over Income Tax Treatments:*
On June 7, 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*.

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of the adoption of the Interpretation has not yet been determined.

4. BUSINESS COMBINATIONS

On August 5, 2017, the Company acquired all of the issued and outstanding shares of LBMT for a total consideration of $169.5 million ($169.3 million, net of cash acquired) (the "Transaction"). The Company financed the acquisition, including transaction costs, with a combination of (i) net proceeds of a public offering completed on July 28, 2017 consisting of subscription receipts (converted to 11,730,000 common shares upon closing of the Transaction) for gross proceeds of $69.2 million ($66.0 million net of underwriting commission and professional fees) and $57.5 million aggregate principal amount of the Sixth series 5.00% convertible unsecured subordinated debentures with a December 31, 2024 maturity date ($54.8 million net of underwriting commission and professional fees) and (ii) a draw-down on the Company's $275.0 million amended credit facility for an amount of approximately $48.7 million.

LBMT is one of the world's largest branded and private label maple syrup bottling and distribution companies. Headquartered in Granby, Québec, LBMT has three bottling plants in the heart of the world's maple syrup harvesting region (Québec and Vermont).

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

4. BUSINESS COMBINATIONS (CONTINUED)

The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. As of the reporting date, the Company had not yet completed the purchase price allocation over the identifiable net assets and goodwill. Information to confirm the fair value of certain assets and liabilities is still to be obtained. As the Company obtains more information, the allocation will be completed. The following table presents the purchase price allocation based on the best information available to the Company to date:

Identifiable assets and liabilities assumed:	$
Cash	210
Restricted cash	10,883
Trade and other receivables	16,951
Income taxes recoverable	882
Inventories	109,224
Prepaid expenses	687
Property, plant and equipment (note 12)	8,163
Intangible assets (note 13)	23,875
Trade and other payables	(75,914)
Income taxes payable	(718)
Other long-term liabilities (note 19)	(11,308)
Derivative financial instruments	(769)
Deferred tax liabilities	(5,952)
Total net assets acquired	76,214
Total consideration transferred	169,490
Goodwill (note 16)	**93,276**

	$
Equity (net of underwriting commission and professional fees)	65,985
Convertible debentures (net of underwriting commission and professional fees)	54,786
Revolving credit facility	48,719
Total consideration transferred	**169,490**

The trade receivables comprise a gross amount of $17.1 million, of which $0.1 million was expected to be uncollectable at the acquisition date.

Goodwill is attributable primarily to expected synergies and assembled workforce, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill and intangible assets recorded in connection with this acquisition are mostly not deductible for tax purposes.

The operating results of LBMT are included in the maple products segment. The consolidated results of the Company include net sales of $26.7 million and results from operating activities of $0.9 million related to LBMT since the date of acquisition. If the acquisition had occurred on October 2, 2016, the consolidated results of the Company would have included net sales of approximately $155.0 million and results from operating activities of approximately $13.0 million, based on management's best estimates. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on October 2, 2016.

Acquisition-related costs of $2.5 million for legal fees and due diligence costs have been expensed in relation to the above business combination. These costs have been recorded in administration and selling expenses in the consolidated statements of earnings and comprehensive income.

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

5. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization expenses were charged to the consolidated statements of earnings and comprehensive income as follows:

	For the years ended September 30, 2017	October 1, 2016
	$	$
Depreciation of property, plant and equipment:		
Cost of sales	**12,605**	11,749
Administration and selling expenses	**417**	405
	13,022	12,154
Amortization of intangible assets:		
Administration and selling expenses	**574**	191
Total depreciation and amortization expenses	**13,596**	12,345

6. FINANCE INCOME AND FINANCE COSTS

Recognized in net earnings:

	For the years ended September 30, 2017	October 1, 2016
	$	$
Net change in fair value of interest rate swaps (note 11)	**371**	205
Finance income	**371**	205
Interest expense on convertible unsecured subordinated debentures, including accretion of $233 (2016 - $175) (note 23)	**5,813**	6,446
Interest on revolving credit facility	**3,474**	2,545
Amortization of deferred financing fees	**781**	826
Other interest expense	**521**	—
Finance costs	**10,589**	9,817
Net finance costs recognized in net earnings	**10,218**	9,612

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

7. INCOME TAX EXPENSE (RECOVERY)

	For the years ended September 30, 2017	October 1, 2016
	$	$
Current tax expense:		
Current period	**13,198**	14,214
Deferred tax (recovery) expense:		
Recognition and reversal of temporary differences	**(4,599)**	8,991
Changes in tax rates	**308**	202
Deferred tax (recovery) expense	**(4,291)**	9,193
Total income tax expense	**8,907**	23,407

Income tax recognized in other comprehensive income:

	For the years ended September 30, 2017			October 1, 2016		
	Before tax	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax
	$	**$**	**$**	$	$	$
Cash flow hedges	**401**	**(106)**	**295**	—	—	—
Defined benefit actuarial gains (losses)	**15,866**	**(4,182)**	**11,684**	(7,587)	1,993	(5,594)

Reconciliation of effective tax rate:

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial tax rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

	For the years ended September 30, 2017		October 1, 2016	
	%	**$**	%	$
Earnings before income taxes	**—**	**30,813**	—	88,986
Income taxes using the Company's statutory tax rate	**26.00**	**8,011**	26.00	23,136
Changes due to the following items:				
Changes in tax rate	**1.00**	**308**	0.23	202
Non-deductible expenses	**2.39**	**736**	0.08	69
Other	**(0.48)**	**(148)**	—	—
	28.91	**8,907**	26.31	23,407

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

8. RESTRICTED CASH

Restricted cash represents balances assumed by the Company as a result of having acquired all of the issued and outstanding shares of LBMT. They are as a result of:

(a) On December 1, 2016, LBMT acquired all issued and outstanding Class A shares of Great Northern with $7.0 million cash consideration (which was placed in escrow), conditionally payable in quarterly installments contingent on achieving monthly and annual sales volume targets to a specific client for the twelve-month periods ending November 30, 2017 and November 30, 2018. The fair value of the contingent consideration was determined to be $6.6 million and was calculated using a probability-weighted expectation of the payment of the contingent consideration and a discount rate of 3.45%. As at September 30, 2017, cash held in an escrow account was $3.9 million and the carrying value of the contingent consideration payable was $4.5 million (See Note 19, Other long-term liabilities).

(b) On August 26, 2016, LBMT acquired all issued and outstanding common stock of Highland with $1.7 million (US $1.3 million) as a balance of purchase price payable. Fifty percent of the balance of purchase price payable was paid on August 26, 2017 and the remainder is to be paid on February 26, 2018. The fair value of the balance of purchase price payable, as at the acquisition date, was $1.7 million (US $1.3 million) and was calculated using a discount rate of 3.14%. Under the share purchase agreement, the amount of the balance of purchase price was placed in escrow pursuant to an escrow agreement and, as at September 30, 2017, cash held in an escrow account was $0.9 million. As at September 30, 2017, the carrying value of the balance of the purchase price payable was $0.8 million (See Note 19, Other long-term liabilities).

9. TRADE AND OTHER RECEIVABLES

	September 30, 2017	October 1, 2016
	$	$
Trade receivables	**69,080**	*55,954*
Less allowance for doubtful accounts	**(385)**	(300)
	68,695	55,654
Other receivables	**4,334**	1,780
Initial margin deposits with commodity brokers	**3,980**	11,348
	77,009	68,782

All trade and other receivables are current. The Company grants credit to its customers in the ordinary course of business.

Management believes that the Company's exposure to credit risk and impairment losses related to trade and other receivables is limited due to the following reasons:

– There is a broad base of customers with dispersion across different market segments.

– Bad debt write-offs to total revenue have been less than 0.1% for each of the last five years (averaging less than $95 per year). Write-offs for fiscal 2017 were nominal, which is comparable to fiscal 2016. All bad debt write-offs are charged to administration and selling expenses.

– Less than 2% of trade receivables are outstanding for more than 90 days, which is comparable to October 1, 2016, while over 84% are current (less than 30 days) as at September 30, 2017 (October 1, 2016 - 83%).

Through general security agreements with its lenders, trade and other receivables have been granted as continuing collateral security for all present and future indebtedness to the current lenders.

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

10. INVENTORIES

	September 30, 2017	October 1, 2016
	$	$
Raw inventory	**111,281**	30,804
Work in progress	**10,770**	12,970
Finished goods	**30,040**	19,585
	152,091	63,359
Packaging and operating supplies	**9,245**	5,923
Spare parts and other	**11,793**	11,839
	173,129	81,121

Costs of sales expensed during the year were all inventorial items, except for fixed costs incurred in Taber, Alberta, after the beet slicing campaign, and mark-to-market adjustments of derivative financial instruments.

As at September 30, 2017, the Company recorded an amount of nil (October 1, 2016 - $0.5 million) related to onerous contracts as defined in IAS 37 paragraph 66, as a write-down to inventory through cost of sales.

11. FINANCIAL INSTRUMENTS

Derivative financial instruments

Fair value estimates are made as of a specific point in time, using available information about the financial instruments. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring the fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of the sugar future contracts and options are measured using Level 1 inputs, using published quoted values for these commodities. The fair values for the natural gas futures contracts, foreign exchange forward contracts and interest rate swap contracts are measured using Level 2 inputs. The fair values for these derivative assets or liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.

The fair values of the interest rate swap have been determined by using rates published on financial capital markets.

The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

As at October 2, 2016, the Company's natural gas futures and interest rate swap agreements were designated as cash flow hedges and qualified for hedge accounting.

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative 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 year-end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution, which is a counterparty to these contracts.

The fair value of natural gas futures contracts, foreign exchange forward contracts and interest rate swap calculations includes a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

As at October 2, 2016, embedded derivatives, which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, are no longer separated from the host contract as it has been determined that the U.S. dollar is commonly used in Canada. This change in estimate was applied prospectively; as such, any contracts for which it was determined there was an embedded derivative that needed to be separated from the host contract as of October 1, 2016 continued to be treated as such as a transitional step to meet the new interpretation. These contracts will continue to be marked-to-market every quarter until all the volume on the contract has been delivered.

As at September 30, 2017 and October 1, 2016, the Company's financial derivatives carrying values were as follows:

	Financial Assets		**Financial Liabilities**	
	Current	**Non-current**	**Current**	**Non-current**
	September 30, 2017		**September 30, 2017**	
	$	**$**	**$**	**$**
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	**93**	**—**	**—**	**37**
Foreign exchange forward contracts	**—**	**1,280**	**2,712**	**—**
Embedded derivatives	**—**	**—**	**74**	**—**
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	**—**	**—**	**3,826**	**2,344**
Interest rate swaps	**—**	**1,043**	**53**	**—**
	93	**2,323**	**6,665**	**2,381**

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	October 1, 2016		October 1, 2016	
	$	$	$	$
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	—	—	186	231
Foreign exchange forward contracts	501	1,532	—	—
Embedded derivatives	—	—	216	112
Natural gas futures contracts	—	—	2,617	4,869
Interest rate swaps	—	—	389	1,093
	501	1,532	3,408	6,305

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

	For the years ended					
	Charged to cost of sales Unrealized gain / (loss)		**Charged to finance income (costs)**		**Other comprehensive gain / (loss)**	
	Sept. 30, 2017	Oct. 1, 2016	**Sept. 30, 2017**	Oct. 1, 2016	**Sept. 30, 2017**	Oct. 1, 2016
	$	$	**$**	$	**$**	$
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	**(9,311)**	10,562	**—**	—	**—**	—
Foreign exchange forward contracts	**(861)**	2,298	**—**	—	**—**	—
Embedded derivatives	**254**	(2,322)	**—**	—	**—**	—
Natural gas futures contracts	**—**	(2,460)	**—**	—	**—**	—
Interest rate swap	**—**	—	**—**	205	**—**	—
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	**3,018**	—	**—**	—	**(1,701)**	—
Interest rate swap	**—**	—	**371**	—	**2,102**	—
	(6,900)	8,078	**371**	205	**401**	—

The following table summarizes the Company's hedging components of other comprehensive income as at September 30, 2017 and October 1, 2016:

	For the years ended	
	September 30, 2017	October 1, 2016
	$	$
Net (loss) gain on derivatives designated as cash flow hedge:		
Natural gas futures contracts	**(1,701)**	—
Interest rate swap	**2,102**	—
Income taxes	**(106)**	—
Hedging gain	**295**	—

For the year ended September 30, 2017, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

The amount of net gains presented in accumulated other comprehensive income expected to be reclassified to net earnings within the next twelve months is nominal.

For its financial assets and liabilities measured at amortized cost as at September 30, 2017 and October 1, 2016, 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 period to maturity of these instruments.

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

The Company uses derivative financial instruments to manage its exposure to changes in raw sugar, foreign exchange, and natural gas prices. In addition, the Company entered into interest rate swap contracts to fix a portion of the Company's exposure to floating interest rate debt on its short-term borrowings. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

(a) Raw sugar:

The Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales to reduce price risk. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the committed purchase price of raw sugar. The pricing mechanisms of futures contracts and the respective forecasted raw sugar purchase transactions are the same.

The Company's raw sugar futures contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar as at September 30, 2017 and October 1, 2016 are as follows:

	September 30, 2017			October 1, 2016		
	Original futures contracts value	**Current contract value**	**Fair value gain/(loss)**	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases						
0 - 6 months	**114,184**	**103,927**	**(10,257)**	47,730	70,788	23,058
6 - 12 months	**75,166**	**72,290**	**(2,876)**	89,873	126,991	37,118
12 - 24 months	**18,114**	**17,765**	**(349)**	37,484	53,116	15,632
Over 24 months	**56**	**54**	**(2)**	19	20	1
	207,520	**194,036**	**(13,484)**	175,106	250,915	75,809
Sales						
0 - 6 months	**(111,228)**	**(103,311)**	**7,917**	(37,020)	(38,717)	(1,697)
6 -12 months	**(73,971)**	**(67,402)**	**6,569**	(108,595)	(163,547)	(54,952)
12 - 24 months	**(22,808)**	**(22,568)**	**240**	(31,863)	(38,805)	(6,942)
Over 24 months	**(18)**	**(18)**	**—**	—	—	—
	(208,025)	**(193,299)**	**14,726**	(177,478)	(241,069)	(63,591)
Net position	**(505)**	**737**	**1,242**	(2,372)	9,846	12,218
Foreign exchange rate at the end of the period			**1.2476**			1.3117
Net value (CA$)			**1,550**			16,026
Less margin call receipt at year-end			**(1,494)**			(16,443)
Net asset (liabilities) (CA$)			**56**			(417)

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(a) Raw sugar (continued):

All sugar futures contracts are traded through a large exchange clearing house on the New York Intercontinental Exchange. Regulation of the U.S. futures industry is primarily self-regulation, with the role of the Federal Commodity Futures Trading Commission being principally an oversight role to determine that self-regulation is continuous and effective.

The exchange clearing house used is one of the world's largest capitalized financial institutions with excellent long-term credit ratings. Daily cash settlements are mandatory (margin calls) for resulting gains and/or losses from futures trading for each customer's account. Due to the above, the Company does not anticipate a credit risk from the raw sugar futures derivative instruments.

(b) Natural gas:

The Company uses natural gas contracts to help manage its costs of natural gas. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty's non-performance. The Company's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas are as follows:

	September 30, 2017			October 1, 2016		
	Original futures contracts value	**Current contract value**	**Fair value gain/(loss)**	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases						
Less than 1 year	**4,955**	**1,888**	**(3,067)**	5,318	3,323	(1,995)
1 to 2 years	**5,580**	**4,276**	**(1,304)**	7,410	5,155	(2,255)
2 to 3 years	**5,774**	**5,610**	**(164)**	5,580	4,208	(1,372)
3 years and over	**11,706**	**11,296**	**(410)**	2,033	1,948	(85)
	28,015	**23,070**	**(4,945)**	20,341	14,634	(5,707)
Foreign exchange rate at the end of the period			**1.2476**			1.3117
Net liability (CA$)			**(6,170)**			(7,486)

The forecasted purchases of natural gas, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts:

The Company's activities, which result in exposure to fluctuations in foreign currency exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and maple products, the purchase of natural gas and purchases of property, plant and equipment. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell U.S. dollars or euros at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract, in which the Company has an unrealized gain, fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than four years and relate mostly to U.S. currency, and from time to time, euro currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar, the purchase of natural gas and purchases of property, plant and equipment for the sugar segment are detailed below. In addition, for the maple products segment, the Company hedges its exposure to fluctuations in foreign currency related to its anticipated cash flows from sales to specific U.S. customers, using a foreign exchange forward contract.

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

	September 30, 2017 Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US$)	(CA$)	(CA$)	(CA$)
SUGAR				
Purchases U.S. dollars				
Less than 1 year	**94,575**	**122,561**	**118,010**	**(4,551)**
1 to 2 years	**12,320**	**15,552**	**15,380**	**(172)**
2 to 3 years	**233**	**294**	**292**	**(2)**
	107,128	**138,407**	**133,682**	**(4,725)**
Sales U.S. dollars				
Less than 1 year	**(119,837)**	**(151,973)**	**(149,529)**	**2,444**
1 to 2 years	**(13,463)**	**(18,190)**	**(16,835)**	**1,355**
2 to 3 years	**(783)**	**(1,080)**	**(981)**	**99**
	(134,083)	**(171,243)**	**(167,345)**	**3,898**
Total U.S. dollars - Sugar	**(26,955)**	**(32,836)**	**(33,663)**	**(827)**
MAPLE PRODUCTS				
Sales U.S. dollars				
Less than 1 year	**(5,962)**	**(8,049)**	**(8,654)**	**(605)**
Total U.S. dollars	**(32,917)**	**(40,885)**	**(42,317)**	**(1,432)**

	October 1, 2016 Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US$)	(CA$)	(CA$)	(CA$)
SUGAR				
Purchases U.S. dollars				
Less than 1 year	74,772	98,302	98,050	(252)
1 to 2 years	2,500	3,261	3,270	9
2 to 3 years	175	225	228	3
	77,447	101,788	101,548	(240)
Sales U.S. dollars				
Less than 1 year	(98,553)	(130,000)	(129,248)	752
1 to 2 years	(13,628)	(18,609)	(17,821)	788
2 to 3 years	(10,986)	(15,015)	(14,341)	674
3 years and over	(783)	(1,080)	(1,021)	59
	(123,950)	(164,704)	(162,431)	2,273
Total U.S. dollars	(46,503)	(62,916)	(60,883)	2,033

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(d) Interest rate swap agreements:

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. The outstanding swap agreements by maturity are as follows:

Fiscal year contracted	Date	Total value
		$
Fiscal 2013	June 28, 2016 to June 28, 2018 – 2.09%	30,000
Fiscal 2014	June 30, 2014 to June 28, 2019 – 2.09%	10,000
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000

The counterparties to these swap agreements are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of swap agreements, nor does it anticipate non-performance by the counterparties. As at September 30, 2017, the fair value of the swap agreements amounted to a net asset of $1.0 million (October 1, 2016 - liability of $1.5 million).

The forecasted interest payments, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

Risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks at year-end.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in Note 8, Trade and other receivables and Note 11, Financial instruments.

(b) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rate. The Company's significant cash flow exposure to foreign currency is due mainly to the following:

- sales in U.S. dollars for both the sugar and maple products segments;
- purchases of natural gas;
- sales of by-products;
- Taber refined sugar and by-products sales;
- ocean freight; and
- purchases of property, plant and equipment for both the sugar and maple products segments.

The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see Note 11, Financial instruments; Derivative financial instruments, (c) Foreign exchange contracts).

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk (continued):

The Company had the following significant foreign currency exposures at year-end:

	September 30, 2017	October 1, 2016
	(US$)	(US$)
Financial instruments measured at amortized cost:		
Cash	**8,454**	2,272
Trade and other receivables, including initial margin deposits	**15,851**	19,867
Trade and other payables	**(3,004)**	(2,410)
	21,301	19,729
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	**208,025**	177,478
Raw sugar futures purchases contracts	**(207,521)**	(175,106)
Balance of purchase price payable	**(659)**	—
Natural gas contracts	**(28,015)**	(20,341)
Variation margins paid on futures contracts	**(1,242)**	(12,218)
	(29,412)	(30,187)
Total exposure from above	**(8,111)**	(10,458)
Forward exchange contracts	**(32,917)**	(46,503)
Gross exposure	**(41,028)**	(56,961)

As at September 30, 2017, the U.S./Can. exchange rate was $1.2476 (October 1, 2016 - $1.3117).

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of $1.5 million, (October 1, 2016 - increase of $2.1 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for the following transactions, which are not recorded on the consolidated statements of financial position as at year-end but were committed during the fiscal year, and will be accounted for as the physical transactions occur:

	September 30, 2017	October 1, 2016
	(US$)	(US$)
Gross exposure as per above	**(41,028)**	(56,961)
Sugar purchases priced not received	**(98,341)**	(63,849)
Committed future sales in U.S. dollars	**117,736**	106,407
Ocean freight	**(142)**	(428)
Other	**(284)**	(243)
Net exposure	**(22,059)**	(15,074)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk (continued):

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would result in an increase of net earnings by $0.8 million in 2017 (October 1, 2016 - increase of $0.6 million) while a decrease would have an equal but opposite effect on net earnings.

Raw sugar futures sales contracts represent, in large part, futures contracts entered into when sugar is priced by a raw sugar supplier. As both the raw sugar futures sales contracts and the sugar purchases priced not received are in U.S. dollars, there is no need to economically hedge the currency, hence the reason for the adjustment for sugar purchases priced not received.

Included in other is the Taber sales formula for refined sugar, which is based on the raw sugar value that trades in U.S. dollars. As all beet sugar is paid in Canadian dollars, the raw sugar value within the Taber sales contracts is in U.S. dollars and therefore needs to be economically hedged for currency exposure.

Some sales are transacted in U.S. dollars. For these sales, the raw sugar value is not hedged, as the corresponding futures contract is also in U.S. dollars. Only the U.S. dollar refined sugar margin and ocean freight contribution are economically hedged for the currency exposure.

Ocean freight for raw sugar is denominated in U.S. dollars and therefore forward exchange contracts are used to cover the foreign exchange exposure.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at September 30, 2017, the Company has a short-term cash borrowing of $20.0 million and a long-term cash borrowing of $150.0 million, as opposed to only a long-term cash borrowing of $60.0 million, as at October 1, 2016. The Company normally enters into a 30- or 90-day bankers' acceptance for an amount varying between $50.0 million to $150.0 million of the borrowings, and will borrow either under prime rate loans or shorter term bankers' acceptances for any other borrowings.

To mitigate the risk in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements from time to time (see Note 11, Financial Instruments, Derivative financial instruments, (d) interest rate swap agreements). All other borrowings over and above the aggregate notional amount of the swap agreements are therefore exposed to interest rate fluctuations.

For the year ended September 30, 2017, if interest rates had been 50 basis points higher, considering all borrowings not covered by the interest rate swap agreements, net earnings would have been $0.3 million lower (October 1, 2016 - $0.2 million lower) while a decrease would have an equal but opposite effect on net earnings.

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

	September 30, 2017					
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Non-derivative financial liabilities:						
Revolving credit facility	170,000	170,000	20,000	—	50,000	100,000
Trade and other payables	125,260	125,260	125,260	—	—	—
Finance lease obligations	162	178	28	28	56	66
	295,422	295,438	145,288	28	50,056	100,066
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts (net) [(i)]	(56)	(920)	(769)	(6,098)	5,992	(45)
Forward exchange contracts (net) [(i)]	1,432	(40,885)	(52,869)	15,408	(2,638)	(786)
Other long-term liabilities	5,291	5,291	2,852	1,851	588	—
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas contracts [(i)]	6,170	34,952	3,254	2,928	6,962	21,808
Interest on swap agreements	(990)	(7,206)	(855)	(846)	(1,619)	(3,886)
	11,847	(8,768)	(48,387)	13,243	9,285	17,091
	307,269	286,670	96,901	13,271	59,341	117,157

[(i)] Based on notional amounts as presented above.

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk (continued):

	October 1, 2016					
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Non-derivative financial liabilities:						
Revolving credit facility	60,000	60,000	—	—	—	60,000
Trade and other payables	47,096	47,096	47,096	—	—	—
Finance lease obligations	207	233	28	28	56	121
	107,303	107,329	47,124	28	56	60,121
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts (net) (i)	417	12,915	42,068	(47,951)	18,772	26
Forward exchange contracts (net) (i)	(2,033)	(62,916)	(28,722)	(2,976)	(15,348)	(15,870)
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas contracts (i)	7,486	26,681	3,484	3,491	9,720	9,986
Interest on swap agreements	1,482	2,847	418	418	826	1,185
	7,352	(20,473)	17,248	(47,018)	13,970	(4,673)
	114,655	86,856	64,372	(46,990)	14,026	55,448

(i) Based on notional amounts as presented above.

The convertible unsecured subordinated debentures of $117.5 million have been excluded from the above due to the Company's option to satisfy the obligations at redemption or maturity in shares.

The Company borrows under its revolving credit facility (see Note 17, Revolving credit facility). It is the Company's intention to keep a debt level under its revolving credit facility between $50.0 million to $150.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flows generated from operations.

Derivative financial instruments for raw sugar, natural gas and forward exchange contracts are expected to be financed from the working capital of the Company.

As at September 30, 2017, the Company had an unused available line of credit of $105.0 million (October 1, 2016 - $90.0 million) and cash balance of $17.0 million (October 1, 2016 - $1.2 million).

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices.

There are two types of commodity contracts, which are entered into by the Company:

(i) Sugar:

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar. Anytime raw sugar is priced by a sugar supplier, a corresponding sugar futures contract is sold for the same quantity, period and underlying value. Anytime refined sugar is priced by a customer, the corresponding volume of raw sugar is purchased for the same quantity, period and underlying value. The Company's policy is to cover all raw cane purchases and refined sugar sales as they are priced by the Company's suppliers and customers. On a daily basis, the Company monitors all net sugar futures contract positions against the physical priced purchases and sales commitments to ensure that appropriate hedge positions are in place.

For the Company's beet operation, the Board of Directors approved an economic pre-hedge, using sugar futures contracts, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

The Board of Directors also approved a trading book up to a maximum of 25,000 metric tonnes of sugar derivative contracts. The Board reviews on a quarterly basis the results achieved.

(ii) Natural gas:

In order to mitigate the overall price risks in the purchase of natural gas for use in the manufacturing operations, the Board approved the use of natural gas futures contracts. Natural gas futures contracts cannot be entered into for speculative reasons. The Board reviews on a quarterly basis the position of the natural gas contracts.

As at September 30, 2017, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contracts	Current average value	Current contract value
	(M.T.)	(US$)	(US$)	(10,000 MM BTU)	(US$)	(US$)
Purchases	**614,005**	**316.02**	**194,036**	**912**	**25.30**	**23,070**
Sales	**(609,839)**	**316.97**	**(193,299)**	**—**	**—**	**—**
	4,166	**n/a**	**737**	**912**	**25.30**	**23,070**
Foreign exchange rate at the end of the period			**1.2476**			**1.2476**
Net value CA$			**920**			**28,782**

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk (continued):

(ii) Natural gas (continued):

As at October 1, 2016, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contracts	Current average value	Current contract value
	(M.T.)	(US$)	(US$)	(10,000 MM BTU)	(US$)	(US$)
Purchases	530,028	473.40	250,915	598	24.47	14,634
Sales	(518,699)	462.57	(239,936)	—	—	—
Beet pre-hedge	(2,235)	506.94	(1,133)	—	—	—
	9,094	n/a	9,846	598	24.47	14,634
Foreign exchange rate at the end of the period			1.3117			1.3117
Net value CA$			12,915			19,195

If, on September 30, 2017, the raw sugar value would have increased by US$0.05 per pound (being approximately US$110.0 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately $0.4 million (calculated only on the point-in-time exposure on September 30, 2017) (October 1, 2016 - increase of $0.7 million for US$0.03 per pound increase). If the raw sugar value would have decreased by US$0.03 per pound (being approximately US$66.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately $0.3 million (October 1, 2016 - decrease of $1.2 million for US$0.05 decrease).

Except for the beet pre-hedge as at October 1, 2016, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on October 1, 2016, the raw sugar value would have increased by US$0.03 per pound (being approximately US$66.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately $0.1 million (calcu lated only on the point-in-time exposure on October 1, 2016). If the raw sugar value would have decreased by US$0.05 per pound (being approximately US$110.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately $0.2 million. The Company had no beet pre-hedge contracts as at September 30, 2017.

If, on September 30, 2017, the natural gas market price would have increased by US$1.00, and all other variables remained constant, net earnings would have increased by $8.4 million (October 1, 2016 - increase of $5.8 million) as a result of the change in fair value of our natural gas futures. If the natural gas value would have decreased by US$1.00, and all other variables remained constant, net earnings would have decreased by $8.4 million (October 1, 2016 - decrease of $5.8 million).

Management believes that this impact for natural gas is not representative as this variance will mostly offset when the actual natural gas is purchased and used. At such time, a gain or loss on the liquidation of the natural gas contracts would mostly offset the same increase or decrease in the actual physical transaction.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk (continued):

Fair values of financial instruments

The fair values of derivative instruments are the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

The following describes the fair value determinations of financial instruments:

i) Cash: due to the short-term maturity of these instruments, the carrying amount approximates fair value.

ii) Restricted cash: the carrying amount approximates fair value.

iii) Trade and other receivables and trade and other payables: the carrying amount approximates fair value due to the short-term maturity of these instruments.

iv) Borrowing under the revolving credit facility: the carrying amount approximates fair value as the borrowings bear interest at variable rates.

v) The fair values for the derivative assets and liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.

vi) The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments. The fair value of the conversion option has been marked-to-market using a model with various inputs.

vii) See Note 21, Finance lease obligations.

viii) The fair value of the contingent consideration was discounted and calculated using a probability-weighted expectation (see Note 8, Restricted cash).

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments (continued)

The following tables provide a comparison of carrying and fair values for each classification of financial instruments at year-end, and show a level within the fair values hierarchy in which they have been classified.

	Fair values hierarchy level	**September 30, 2017** Carrying values	**September 30, 2017** Fair values	October 1, 2016 Carrying values	October 1, 2016 Fair values
		$	**$**	$	$
Financial assets:					
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	**56**	**56**	—	—
Foreign exchange forward contracts	Level 2	**—**	**—**	2,033	2,033
Derivative financial instruments designated as effective cash flow hedging instruments:					
Interest rate swap	Level 2	**990**	**990**	—	—
Loans and receivables:					
Cash	Level 1	**17,033**	**17,033**	1,246	1,246
Restricted cash	Level 1	**4,832**	**4,832**	—	—
Trade and other receivables	n/a	**77,009**	**77,009**	68,782	68,782
Income taxes recoverable	n/a	**1,174**	**1,174**	—	—
Total financial assets		**101,094**	**101,094**	72,061	72,061
Financial liabilities:					
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	**—**	**—**	417	417
Natural gas futures contracts	Level 2	**—**	**—**	7,486	7,486
Foreign exchange forward contracts	Level 2	**1,432**	**1,432**	—	—
Embedded derivatives	Level 2	**74**	**74**	328	328
Interest rate swap	Level 2	**—**	**—**	1,482	1,482
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	**6,170**	**6,170**	—	—
Other financial liabilities:					
Revolving credit facility	n/a	**170,000**	**170,000**	60,000	60,000
Trade and other payables	n/a	**125,260**	**125,260**	47,096	47,096
Income taxes payable	n/a	**—**	**—**	3,473	3,473
Finance lease obligations	n/a	**162**	**162**	207	207
Other long-term liabilities	Level 3	**5,291**	**5,291**	—	—
Convertible unsecured subordinated debentures	Level 1	**111,544**	**121,469**	108,519	113,275
Total financial liabilities		**419,933**	**429,858**	229,008	233,764

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Barrels	Furniture and fixtures	Finance leases	Construction in progress	Total
	$	$	$	$	$	$	$	$
Cost or deemed cost								
Balance at October 3, 2015	17,748	60,594	249,552	—	4,289	588	8,160	340,931
Additions	—	—	600	—	—	—	13,795	14,395
Transfers	—	2,128	11,131	—	2,692	—	(15,951)	—
Disposals	—	—	(1,318)	—	—	(148)	—	(1,466)
Balance at October 1, 2016	**17,748**	**62,722**	**259,965**	**—**	**6,981**	**440**	**6,004**	**353,860**
Additions through business combination	**201**	**2,198**	**3,046**	**2,240**	**139**	**163**	**176**	**8,163**
Additions	**—**	**—**	**55**	**—**	**2**	**1**	**17,055**	**17,113**
Transfers	**—**	**1,711**	**6,994**	**—**	**408**	**—**	**(9,113)**	**—**
Disposals	**—**	**—**	**—**	**—**	**(2)**	**(184)**	**—**	**(186)**
Effect of movements in exchange rate	**—**	**—**	**(16)**	**(3)**	**—**	**(3)**	**—**	**(22)**
Balance at September 30, 2017	**17,949**	**66,631**	**270,044**	**2,237**	**7,528**	**417**	**14,122**	**378,928**
Depreciation								
Balance at October 3, 2015	—	19,792	141,251	—	3,158	320	—	164,521
Depreciation for the year	—	1,338	10,400	—	365	51	—	12,154
Disposals	—	—	(1,318)	—	—	(128)	—	(1,446)
Balance at October 1, 2016	**—**	**21,130**	**150,333**	**—**	**3,523**	**243**	**—**	**175,229**
Depreciation for the year	**—**	**1,429**	**10,878**	**59**	**607**	**49**	**—**	**13,022**
Disposals	**—**	**—**	**—**	**—**	**(2)**	**(183)**	**—**	**(185)**
Effect of movements in exchange rate	**—**	**—**	**(10)**	**(2)**	**—**	**(1)**	**—**	**(13)**
Balance at September 30, 2017	**—**	**22,559**	**161,201**	**57**	**4,128**	**108**	**—**	**188,053**
Net carrying amounts								
At October 1, 2016	17,748	41,592	109,632	—	3,458	197	6,004	178,631
At September 30, 2017	**17,949**	**44,072**	**108,843**	**2,180**	**3,400**	**309**	**14,122**	**190,875**

There were no impairment losses during fiscal 2017 and 2016.

All property, plant and equipment have been pledged as security for the revolving credit facility (see Note 17, Revolving credit facility).

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

13. INTANGIBLE ASSETS

	Software	Customer relationships	Brand names[1]	Other	Total
	$	$	$	$	$
Cost					
Balance at October 3, 2015	2,997	—	—	284	3,281
Additions	371	—	—	—	371
Balance at October 1, 2016	**3,368**	**—**	**—**	**284**	**3,652**
Additions through business combinations	**255**	**21,200**	**2,420**	**—**	**23,875**
Additions	**257**	**—**	**—**	**—**	**257**
Effect of movements in exchange rate	**—**	**(57)**	**(10)**	**—**	**(67)**
Balance at September 30, 2017	**3,880**	**21,143**	**2,410**	**284**	**27,717**
Amortization					
Balance at October 3, 2015	1,485	—	—	93	1,578
Amortization for the year	163	—	—	28	191
Balance at October 1, 2016	**1,648**	**—**	**—**	**121**	**1,769**
Amortization for the year	**194**	**352**	**—**	**28**	**574**
Balance at September 30, 2017	**1,842**	**352**	**—**	**149**	**2,343**
Net carrying amounts					
At October 1, 2016	1,720	—	—	163	1,883
At September 30, 2017	**2,038**	**20,791**	**2,410**	**135**	**25,374**

(1) Indefinite life

14. OTHER ASSETS

	September 30, 2017	October 1, 2016
	$	$
Deferred financing charges, net	**979**	486
Other	**3**	11
	982	497

Deferred financing charges represent the fees and costs related to the negotiation of the 5-year credit agreement. Borrowings under the revolving credit facility are short term in nature and can be repaid at any time. Therefore, deferred financing charges are presented separately and not applied against the debt (see Note 17, Revolving credit facility).

During the fiscal year, the Company paid $0.1 million in financing fees to extend the maturity date of the revolving credit facility as well as to increase its credit availability (see Note 17, Revolving credit facility). In addition, the Company paid $0.5 million in financing fees to amend its existing revolving credit facility by drawing additional funds under the accordion feature (see Note 17, Revolving credit facility).

These fees, along with the outstanding balance of the previously deferred financing charges, are amortized over the extended life of the revolving credit facility, which now matures on June 28, 2022.

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

15. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets (liabilities) comprise the following temporary differences:

	September 30, 2017	October 1, 2016
	$	$
Assets:		
Employee benefits	**10,279**	13,977
Derivative financial instruments	**2,022**	2,594
Losses carried forward	**110**	—
Provisions	**585**	791
Intangibles	**36**	—
Other	**2,016**	1,060
	15,048	18,422
Liabilities:		
Property, plant and equipment	**(27,763)**	(27,024)
Derivative financial instruments	**(668)**	(4,769)
Goodwill	**(2,418)**	(2,295)
Deferred financing charges	**(337)**	(323)
Intangibles	**(5,049)**	—
Other	**(898)**	(299)
	(37,133)	(34,710)
Net assets (liabilities):		
Property, plant and equipment	**(27,763)**	(27,024)
Intangibles	**(5,013)**	—
Employee benefits	**10,279**	13,977
Derivative financial instruments	**1,354**	(2,175)
Losses carried forward	**110**	—
Goodwill	**(2,418)**	(2,295)
Provisions	**585**	791
Deferred financing charges	**(337)**	(323)
Other	**1,118**	761
	(22,085)	(16,288)

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

15. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movement in temporary differences during the current years is as follows:

	Balance October 1, 2016	Recognized in profit (loss)	Recognized in other comprehensive income	Recognized in equity	Acquired in business combination	Balance September 30, 2017
	$	$	$	$	$	$
Property, plant and equipment	(27,024)	(74)	—	—	(665)	(27,763)
Intangibles	—	819	—	—	(5,832)	(5,013)
Employee benefits	13,977	484	(4,182)	—	—	10,279
Derivative financial instruments	(2,175)	3,430	(106)	—	205	1,354
Losses carried forward	—	110	—	—	—	110
Goodwill	(2,295)	(36)	—	—	(87)	(2,418)
Provisions	791	(206)	—	—	—	585
Deferred financing charges	(323)	(901)	—	838	49	(337)
Other	761	665	—	(686)	378	1,118
	(16,288)	4,291	(4,288)	152	(5,952)	(22,085)

	Balance October 3, 2015	Recognized in profit (loss)	Recognized in other comprehensive income	Balance October 1, 2016
	$	$	$	$
Property, plant and equipment	(20,922)	(6,102)	—	(27,024)
Employee benefits	11,768	216	1,993	13,977
Derivative financial instruments	(429)	(1,746)	—	(2,175)
Losses carried forward	1,124	(1,124)	—	—
Goodwill	(2,229)	(66)	—	(2,295)
Provisions	966	(175)	—	791
Deferred financing charges	(340)	17	—	(323)
Other	974	(213)	—	761
	(9,088)	(9,193)	1,993	(16,288)

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

16. GOODWILL

	September 30, 2017	October 1, 2016
	$	$
Balance, beginning of year	**229,952**	229,952
Additions through business combination	**93,276**	—
Balance, end of year	**323,228**	229,952

Recoverability of cash generating units ("CGU"):

For the purpose of impairment testing, goodwill and intangibles with indefinite useful life are allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill and intangibles are monitored for internal management purposes, as follows:

	September 30, 2017	October 1, 2016
	$	$
Sugar:		
Goodwill	**229,952**	229,952
Maple products:		
Goodwill	**93,276**	—
Brand names	**2,410**	—
	325,638	229,952

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the segments (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of segments are based on the higher of the value in use and fair value less costs to sell. The Company performed the annual impairment review for goodwill and indefinite life intangible assets during fiscal 2017, and the estimated recoverable amounts exceeded the carrying amounts of the segments and, as a result, there was no impairment identified.

Recoverable amount

The methodology used by the Company to determine the recoverable amount of the sugar and maple segments was based on the fair values less cost to sell ("FVLCTS").

The fair values of each segment were based on an earnings multiple applied to forecasted adjusted EBITDA for the next year, which takes into account financial budgets approved by senior management. The earnings multiple used was obtained by using market comparables as a reference.

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

17. REVOLVING CREDIT FACILITY

On June 28, 2013, the Company entered into a revolving credit facility agreement for $150.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 200 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 credit facility.

On April 25, 2017, the Company exercised its option to extend the maturity date of its revolving credit facility of $150.0 million to June 28, 2022 under the same terms and conditions of the credit agreement entered into on June 28, 2013. In addition, on April 28, 2017, the Company borrowed an additional amount of $50.0 million by drawing a portion of the funds available under an accordion feature embedded in its revolving credit facility ("Accordion borrowings"). The Accordion borrowings carry the same terms and conditions as the $150.0 million revolving credit facility described above, except that it will mature on December 31, 2018. The funds from the Accordion borrowings were used to repay the Fourth series convertible unsecured subordinated debentures ("Fourth series debentures"). A total of $0.1 million was paid in financing fees.

On August 3, 2017, the Company amended its existing revolving credit facility in line with the acquisition of LBMT. The available credit was increased by $75.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional Accordion Borrowings"). As a result of the amended revolving credit facility and the Additional Accordion Borrowings, the Company has a total of $275.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. Certain assets of the Company, including trade receivables, inventories and property, plant and equipment, have been pledged as security for the revolving credit facility, including some of the assets of LBMT. The maturity date of the amended revolving credit facility is June 28, 2022, except for a $50.0 million portion, which will expire on December 31, 2018. A total of $0.5 million was paid in financing fees.

The following amounts were outstanding as follows:

	September 30, 2017	October 1, 2016
	$	$
Outstanding amount on revolving credit facility:		
Current	**20,000**	—
Non-current	**150,000**	60,000
	170,000	60,000

As at September 30, 2017, an amount of $150.0 million is shown as non-current as we don't expect it to be repaid within the next 12 months.

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

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

18. TRADE AND OTHER PAYABLES

	September 30, 2017	October 1, 2016
	$	$
Trade payables	**101,605**	26,255
Other non-trade payables	**3,658**	3,312
Personnel-related liabilities	**10,480**	9,082
Dividends payable to shareholders	**9,517**	8,447
	125,260	47,096

Considering that Maple products syrup is harvested once a year, the *Federation des producteurs acericoles du Quebec* ("FPAQ") offers to authorized purchasers the possibility to pay their purchases over the course of the year (ending in February). Once the syrup is graded, the Company must pay 30% of the cost of the syrup on the 15th of the following month. The outstanding balance bears interest (prime + 1%) and is paid in four monthly installments (November, December, January and February). Included in trade payables is an amount of $70.9 million as of September 30, 2017.

During the year, more than 85% of the maple syrup purchases were made from the FPAQ.

Personnel-related liabilities represent the Company's obligation to its current and former employees that are expected to be settled within one year from the reporting period as salary and accrued vacation.

The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 11, Financial instruments.

19. OTHER LONG-LIABILITIES

	Contingent consideration payable	Balance of purchase price payable	Total
	$	**$**	**$**
Opening balance	**—**	**—**	**—**
Business acquisition (note 4)	**5,573**	**5,735**	**11,308**
Accretion expense	**22**	**9**	**31**
Foreign exchange adjustment	**—**	**(12)**	**(12)**
Payment made	**(1,126)**	**(4,910)**	**(6,036)**
Closing balance	**4,469**	**822**	**5,291**
Presented as:			
Current	**3,881**	**822**	**4,703**
Non-current	**588**	**—**	**588**
	4,469	**822**	**5,291**

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

20. PROVISIONS

	September 30, 2017	October 1, 2016
	$	$
Opening balance	**2,994**	3,706
Additions	**—**	348
Provisions used during the period	**(763)**	(1,060)
Closing balance	**2,231**	2,994
Presented as:		
Current	**478**	1,133
Non-current	**1,753**	1,861
	2,231	2,994

Provisions are comprised of asset retirement obligations, which represent the future cost the Company estimated to incur for the removal of asbestos in the operating facilities and for oil, chemical and other hazardous materials storage tanks for which the Company has been able to identify the costs.

The estimate of the total liability for future asset retirement obligations is subject to change, based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions would be recognized prospectively as a change in estimate, when applicable.

The asset retirement obligations have not been discounted as the provision is expected to be used within the next five years.

21. FINANCE LEASE OBLIGATIONS

The Company leases moveable equipment. The leases substantially transfer all the usage benefits of such equipment to the Company. These leases have an interest rate of 5.65% with maturity dates in fiscal 2020.

The outstanding liabilities are as follows:

	September 30, 2017		October 1, 2016	
	Carrying values	**Fair values**	Carrying values	Fair values
	$	**$**	$	$
Finance lease obligations	**162**	**162**	207	207

The finance lease obligations are payable as follows:

	September 30, 2017			October 1, 2016		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
	$	**$**	**$**	$	$	$
Less than one year	**56**	**8**	**48**	56	11	45
Between one and five years	**122**	**8**	**114**	177	15	162
	178	**16**	**162**	233	26	207

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

22. EMPLOYEE BENEFITS

The Company sponsors defined benefit pension plans for its employees ("Pension benefit plans"), as well as health care benefits, medical plans and life insurance coverage ("Other benefit plans").

The following table presents a reconciliation of the pension obligations, the plan assets and the funded status of the benefit plans:

	September 30, 2017	October 1, 2016
	$	$
Fair value of plan assets:		
Pension benefit plans	**100,450**	97,033
Defined benefit obligation:		
Pension benefit plans	**121,886**	126,972
Other benefit plans	**17,733**	22,994
	139,619	149,966
Funded status:		
Pension benefit plans	**(21,436)**	(29,939)
Other benefit plans	**(17,733)**	(22,994)
	(39,169)	(52,933)
Experience adjustment arising on plan liabilities	**1,746**	(785)
Experience adjustment arising on plan assets	**2,570**	5,348

The Company has determined that, in accordance with the terms and conditions of the defined benefit pension plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit asset is necessary as at September 30, 2017 (October 1, 2016 - no decrease in defined benefit asset).

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

22. EMPLOYEE BENEFITS (CONTINUED)

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuations of the pension plans for funding purposes were as of December 31, 2016 and the next required valuations will be as of December 31, 2019.

The asset allocation of the major categories in the plan was as follows:

	September 30, 2017		October 1, 2016	
	%	**$**	%	$
Equity instruments	**63.6**	**63,886**	61.8	59,966
Government bonds	**34.8**	**34,957**	35.3	34,253
Cash and short-term securities	**1.6**	**1,607**	2.9	2,814
	100.0	**100,450**	100.0	97,033

The pension committee prepares the documentation relating to the management of asset allocation, reviews the investment policy and recommends it to the Board of Directors for approval in the event of material changes to the policy. Semi-annually monitoring of the asset allocation of the pension benefit plans allows the pension committee to ensure that the limits of asset allocation of the pension benefit plans are respected.

Based on historical data, contributions to the defined benefit pension plans in fiscal 2018 are expected to be approximately $4.0 million.

The pension plan exposes the Company to the following risks:

(i) Investment risk:
The defined benefit obligation is calculated using a discount rate. If the fund returns are lower than the discount rate, a deficit is created.

(ii) Interest rate risk:
Variation in bond rates will affect the value of the defined benefit obligation.

(iii) Inflation risk:
The defined benefit obligation is calculated assuming a certain level of inflation. An actual inflation higher than expected will have the effect of increasing the value of the defined benefit obligation.

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

22. EMPLOYEE BENEFITS (CONTINUED)

Movement in the present value of the defined benefit obligations is as follows:

	For the years ended					
	September 30, 2017			October 1, 2016		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Movement in the present value of the defined benefit obligation:						
Defined benefit obligation, beginning of the year	**126,972**	**22,994**	**149,966**	150,837	21,005	171,842
Current service cost	**2,724**	**468**	**3,192**	2,128	382	2,510
Re-measurements of other long-term benefits	**17**	**(62)**	**(45)**	1,809	(12)	1,797
Gain on settlements	**—**	**—**	**—**	(2,475)	—	(2,475)
Interest cost	**4,166**	**740**	**4,906**	5,032	844	5,876
Employee contributions	**961**	**—**	**961**	945	—	945
Benefit payments from plan	**(4,243)**	**—**	**(4,243)**	(41,582)	—	(41,582)
Benefit payments from employer	**(1,073)**	**(749)**	**(1,822)**	(1,090)	(792)	(1,882)
Actuarial losses (gains) arising from changes in demographic assumptions	**651**	**(3,744)**	**(3,093)**	—	(924)	(924)
Actuarial (gains) losses arising from changes in financial assumptions	**(9,532)**	**(2,417)**	**(11,949)**	12,038	2,606	14,644
Actuarial losses (gains) arising from member experience	**1,243**	**503**	**1,746**	(670)	(115)	(785)
Defined benefit obligation, end of year	**121,886**	**17,733**	**139,619**	126,972	22,994	149,966
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	**97,033**	**—**	**97,033**	126,707	—	126,707
Interest income	**3,212**	**—**	**3,212**	4,141	—	4,141
Return on plan assets (excluding interest income)	**2,570**	**—**	**2,570**	5,348	—	5,348
Employer contributions	**2,583**	**749**	**3,332**	4,110	792	4,902
Employee contributions	**961**	**—**	**961**	945	—	945
Benefit payments from plan	**(4,243)**	**—**	**(4,243)**	(41,582)	—	(41,582)
Benefit payments from employer	**(1,073)**	**(749)**	**(1,822)**	(1,090)	(792)	(1,882)
Plan expenses	**(593)**	**—**	**(593)**	(406)	—	(406)
Loss on settlement	**—**	**—**	**—**	(1,140)	—	(1,140)
Fair value of plan assets, end of year	**100,450**	**—**	**100,450**	97,033	—	97,033

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

22. EMPLOYEE BENEFITS (CONTINUED)

The net defined benefit obligation can be allocated to the plans' participants as follows:

	September 30, 2017		October 1, 2016	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Active plan participants	**44.4**	**42.3**	44.8	46.8
Retired plan members	**50.1**	**57.7**	15.1	53.2
Deferred plan participants	**5.5**	**—**	36.3	—
Other	**—**	**—**	3.8	—
	100.0	**100.0**	100.0	100.0

In 2016, the Company recorded an expense of $1.8 million for contracted future plan amendments to one of the pension benefit plans.

In fiscal 2014, a decision was made to terminate the defined benefit portion of the Lantic Inc. Pension Plan for Salaried Employees in B.C. and Alberta (the "Salaried Plan"), for which years of service had been frozen since 2008. In fiscal 2016, the Company completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of $1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 1, 2016.

The Company's defined benefit pension expense was as follows:

	For the years ended					
	September 30, 2017			October 1, 2016		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Pension costs recognized in net earnings:						
Current service cost	**2,724**	**468**	**3,192**	2,128	382	2,510
Expenses related to the pension benefits plans	**593**	**—**	**593**	406	—	406
Interest cost	**954**	**740**	**1,694**	891	844	1,735
Gain on settlement	**—**	**—**	**—**	(1,335)	—	(1,335)
Re-measurements of other long-term benefits	**17**	**(62)**	**(45)**	1,809	(12)	1,797
Pension expense	**4,288**	**1,146**	**5,434**	3,899	1,214	5,113
Recognized in:						
Cost of sales	**3,730**	**715**	**4,445**	3,790	785	4,575
Administration and selling expenses	**558**	**431**	**989**	109	429	538
	4,288	**1,146**	**5,434**	3,899	1,214	5,113

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

22. EMPLOYEE BENEFITS (CONTINUED)

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income:

	For the years ended					
	September 30, 2017			October 1, 2016		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Cumulative amount in income at the beginning of the year	**14,248**	**(523)**	**13,725**	8,228	(2,090)	6,138
Recognized during the year	**(10,208)**	**(5,658)**	**(15,866)**	6,020	1,567	7,587
Cumulative amount in income at the end of the year	**4,040**	**(6,181)**	**(2,141)**	14,248	(523)	13,725
Recognized during the year, net of tax	**(7,518)**	**(4,166)**	**(11,684)**	4,439	1,155	5,594

Principal actuarial assumptions used were as follows:

	For the years ended			
	September 30, 2017		October 1, 2016	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
	%	**%**	%	%
Company's defined benefit obligation:				
Discount rate	**3.85**	**3.85**	3.35	3.35
Rate of compensation increase	**3.00**	**3.00**	3.00	3.00
Net benefit plan expense:				
Discount rate	**3.35**	**3.35**	4.20	4.20
Rate of compensation increase	**3.00**	**3.00**	3.50	3.50

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

22. EMPLOYEE BENEFITS (CONTINUED)

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the value of the liabilities in the defined benefit plans are as follows:

	September 30, 2017	October 1, 2016
Longevity at age 65 for current pensioners:		
Males	**21.8**	21.6
Females	**24.5**	24.1
Longevity at age 65 for members aged 45:		
Males	**23.3**	22.7
Females	**25.9**	25.0

The assumed health care cost trend rate as at September 30, 2017 was 5.6% (October 1, 2016 - 5.54%), decreasing uniformly to 4.43% in 2034 (October 1, 2016 - 4.44% in 2034) and remaining at that level thereafter.

The following table outlines the key assumptions for the year ended September 30, 2017 and the sensitivity of a percentage change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	For the year ended September 30, 2017		
	Pension benefit plans	**Other benefit plans**	**Total**
	$	**$**	**$**
(Decrease) increase in Company's defined benefit obligation:			
Discount rate			
Impact of increase of 1%	**(15,006)**	**(2,156)**	**(17,162)**
Impact of decrease of 1%	**19,151**	**2,707**	**21,858**
Rate of compensation increase			
Impact of increase of 0.5%	**1,281**	**4**	**1,285**
Impact of decrease of 0.5%	**(1,211)**	**(4)**	**(1,215)**
Mortality			
99% of expected rate	**278**	**63**	**341**

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend would have the following effects:

	Increase	**Decrease**
	$	**$**
Effect on the defined benefit obligations	**(2,135)**	**(1,735)**

As at September 30, 2017, the weighted average duration of the defined benefit obligation amounts to 14.1 years (October 1, 2016 - 14.9 years).

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

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The outstanding convertible debentures are as follows:

	September 30, 2017	October 1, 2016
	$	$
Current		
Fourth series (i)	**—**	50,000
Total face value	**—**	50,000
Less deferred financing fees	**—**	(195)
Carrying value – current	**—**	49,805
Non-current		
Fifth series (ii)	**60,000**	60,000
Sixth series (iii)	**57,500**	—
Total face value	**117,500**	60,000
Less net deferred financing fees	**(3,121)**	(856)
Less equity component (ii),(iii)	**(3,826)**	(1,188)
Accretion expense on equity component	**991**	758
Carrying value – non-current	**111,544**	58,714
Total carrying value	**111,544**	108,519

(i) Fourth series:

On April 8, 2010, the Company issued 50,000 Fourth series, 5.70% convertible unsecured subordinated debentures ("Fourth series debentures"), maturing on April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010 for gross proceeds of $50.0 million. The debentures may be converted at the option of the holder at a conversion price of $6.50 per share (representing 7,692,308 common shares) at any time prior to maturity, and cannot be redeemed prior to April 30, 2013.

The Company incurred issuance costs of $2.4 million, which are netted against the convertible debenture liability.

During fiscal 2017, holders of the Fourth series debentures converted a total of $0.4 million into 66,922 common shares (October 1, 2016 - nil). This conversion is a non-cash transaction and therefore not reflected in the consolidated statements of cash flows.

On May 1, 2017, the Company used the Accordion borrowings to repay its Fourth series debentures for a total cash outflows of $51.0 million, consisting of its principal amount of $49.6 million plus accrued and unpaid interest up to, but excluding the maturity date.

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

(ii) Fifth series:

On December 16, 2011, the Company issued $60.0 million fifth series, 5.75% convertible unsecured subordinated debentures ("Fifth series debentures"), maturing on December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The debentures may be converted at the option of the holder at a conversion price of $7.20 per share (representing 8,333,333 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2014.

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 $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

The Company allocated $1.2 million of the Fifth series debentures into an equity component. During the year, the Company recorded $187 (October 1, 2016 - $175) in finance costs for the accretion of the Fifth series debentures.

The Company incurred issuance costs of $2.7 million, which are netted against the convertible debenture liability.

The fair value of the Fifth series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at September 30, 2017 was approximately $62.1 million (October 1, 2016 - $62.4 million).

(iii) 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, starting on December 31, 2017. The debentures may be converted at the option of the holder at a conversion price of $8.26 per share (representing 6,961,259 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2020.

On or after December 31, 2020 and prior to December 31, 2022, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the current market price on the day preceding the date on which the notice is given is at least 125% of the conversion price of $8.26. Subsequent to December 31, 2022, 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 $1,000 (one thousand) of principal amount of the convertible debentures 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.

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

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

(iii) Sixth series (continued):

The Company allocated $2.6 million of the Sixth series debentures into an equity component (net of tax an amount of $2.0 million). During the year, the Company recorded $46 (October 1, 2016 - nil) in finance costs for the accretion of the Sixth series debentures.

The Company incurred underwriting fees and issuance costs of $2.7 million, which are netted against the convertible debenture liability.

The fair value of the Sixth series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at September 30, 2017 was approximately $59.4 million (October 1, 2016 - nil).

24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

During fiscal 2017, a total of 96,500 common shares (October 1, 2016 - nil) were issued pursuant to the exercise of share options under the Share Option Plan. See note 25, Share-based compensation.

During the second quarter of fiscal 2017, further to a special resolution approved at the shareholders' meeting of February 1, 2017, the Company reduced the stated capital by $100.0 million and the contributed surplus was increased by the same amount of $100.0 million.

During the year, a total of $0.4 million (October 1, 2016 - nil) of the Fourth series debentures were converted by holders of the securities for a total of 66,922 common shares (October 1, 2016 - nil). See Note 23, Convertible unsecured subordinated debentures.

On August 5, 2017, the Company acquired all of the issued and outstanding shares of LBMT for a total consideration of $169.5 million (see Note 4, Business combinations). As part of the financing, a public offering was completed on June 28, 2017 consisting of subscription receipts (converted to 11,730,000 common shares upon closing of the transaction) for gross proceeds of $69.2 million ($66.8 million net of underwriting commissions and professional fees of $3.2 million and deferred tax of $0.8 million).

As of September 30, 2017, a total of 105,743,582 common shares (October 1, 2016 - 93,850,160) were outstanding.

The Company declared a quarterly dividend of $0.09 per share for fiscal years 2017 and 2016. The following dividends were declared by the Company:

	For the years ended	
	September 30, 2017	October 1, 2016
	$	$
Dividends	**34,896**	33,796

Contributed surplus:

The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see Note 25, Share-based compensation).

24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

Capital management:
The Company's objectives when managing capital are:

– To ensure proper capital investment is done in the manufacturing infrastructure to provide stability and competitiveness of the operations;

– To have stability in the dividends paid to shareholders;

– To have appropriate cash reserves on hand to protect the level of dividends made to shareholders;

– To maintain an appropriate debt level so that there is no financial constraint on the use of capital;

– To have an appropriate line of credit;

– To repurchase shares or convertible debentures when trading values do not reflect fair values.

The Company typically invests in its operations between $10.0 million and $15.0 million yearly in capital expenditures. Occasionally, such as in fiscal 2017, the Company will invest additional capital expenditures on an ad hoc basis. Management believes that these investments, combined with approximately $25.0 million spent on average annually on maintenance expenses, allow for the stability of the manufacturing operations and improve its cost competitiveness through new technology or process procedures.

The Board of Directors aims to ensure proper cash reserves are in place to maintain the current dividend level. Dividends to shareholders will only be raised after the Directors have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

The Company has a $275.0 million revolving credit facility. The Company estimates to use between $50.0 million and $150.0 million of its revolving credit facility to finance its normal operations during the year.

The Company monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 3.5:1 in order not to have restrictions on interest payments from Lantic to the Company. At year-end, the operating company's debt ratio was below 1.50:1 for fiscal 2017 and below 1.10 for fiscal 2016.

Having satisfied the above factors, if cash is available, it will be used to repurchase the Company's shares and convertible debentures when the Board of Directors considers that the current trading range does not reflect the fair trading value of the Company's shares. As such, the Company puts in place a NCIB from time to time.

The Company does not use equity ratios to manage its capital requirements.

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

25. SHARE-BASED COMPENSATION

(a) Equity-settled share-based compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (October 1, 2016 - 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

On December 5, 2016, a total of 360,000 share options were granted at a price of $6.51 per common share to certain executives. In addition, during fiscal 2017, a total of 96,500 common shares (October 1, 2016 – nil) were issued pursuant to the exercise of share options under the Share Option Plan for total cash proceeds of $521 (October 1, 2016 - nil), which was recorded to share capital as well as an ascribed value from contributed surplus of $28 (October 1, 2016 - nil).

During fiscal 2016, 70,000 share options were forfeited at a price of $5.61 per common share following the retirement of an executive.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting increase to contributed surplus. An expense of $74 was incurred for the year ended September 30, 2017 (October 1, 2016 - $34).

The following table summarizes information about the Share Option Plan as of September 30, 2017:

Exercise price per option	**Outstanding number of options at October 1, 2016**	**Options granted during the period**	**Options exercised during the period**	**Outstanding number of options at September 30, 2017**	**Weighted average remaining life (in years)**	**Number of options exercisable**
$4.59	**850,000**	**—**	**(20,000)**	**830,000**	**7.65**	**150,000**
$5.61	**156,500**	**—**	**(76,500)**	**80,000**	**4.45**	**80,000**
$6.51	**—**	**360,000**	**—**	**360,000**	**9.17**	**—**
	1,006,500	**360,000**	**(96,500)**	**1,270,000**	**n/a**	**230,000**

The following table summarizes information about the Share Option Plan as of October 1, 2016:

Exercise price per option	Outstanding number of options at October 3, 2015	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 1, 2016	Weighted average remaining life (in years)	Number of options exercisable
$4.59	850,000	—	—	—	850,000	8.65	170,000
$5.61	226,500	—	—	(70,000)	156,500	5.45	124,500
	1,076,500	—	—	(70,000)	1,006,500	n/a	294,500

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

25. SHARE-BASED COMPENSATION (CONTINUED)

(a) Equity-settled share-based compensation (continued):

As at September 30, 2017 and October 1, 2016, all of the options outstanding are held by key management personnel (see Note 31, Key management personnel).

The grant date fair value was 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 2017 are the following:

Total fair value of options at grant date	$152
Share price at grant date	$6.63
Exercise price	$6.51
Expected volatility (weighted average volatility)	16.520% to 18.490%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	5.43%
Weighted average risk-free interest rate (based on government bonds)	0.923% to 1.156%

(b) Cash-settled share-based compensation:
During the first quarter of fiscal 2017, a Share Appreciation Right ("SAR") was created under the existing Share Option Plan. On December 5, 2016, a total of 125,000 SARs were granted at a price of $6.51 to an executive.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to liability. An expense of $15 was recorded for the year ended September 30, 2017 (an expense of nil for the year ended October 1, 2016). The liabilities arising from the SARs as at September 30, 2017 were $15 (October 1, 2016 - nil).

The fair values at the measurement date were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. As at September 30, 2017, the inputs used in the measurement of the fair values of the SARs granted are the following:

	Grant date	Measurement date as at September 30, 2017
Total fair value of options	$53	$42
Share price	$6.63	$6.32
Exercise price	$6.51	$6.51
Expected volatility (weighted average volatility)	16.520% to 18.670%	16.639% to 17.646%
Option life (expected weighted average life)	2 to 6 years	2 to 6 years
Expected dividends	5.43%	5.70%
Weighted average risk-free interest rate (based on government bonds)	0.740% to 1.160%	1.521% to 1.841%

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

26. OPERATING LEASES

The Company has financial commitments for minimum lease payments under operating leases for various mobile equipment and the premises for the sugar and maple product segments. Non-cancellable operating lease rentals are payable as follows:

	September 30, 2017	October 1, 2016
	$	$
Less than 1 year	**1,988**	1,282
Between 1 and 5 years	**3,770**	2,134
More than 5 years	**188**	231
	5,946	3,647

For the year ended September 30, 2017, an amount of $2.9 million was recognized as an expense in net earnings with respect to operating leases (October 1, 2016 - $2.2 million).

27. COMMITMENTS

As at September 30, 2017, the Company had commitments to purchase a total of 1,708,000 metric tonnes of raw cane sugar (October 1, 2016 - 1,238,000), of which 286,000 metric tonnes had been priced (October 1, 2016 - 144,000), for a total dollar commitment of $122.7 million (October 1, 2016 - $83.8 million). In addition, the Company has a commitment of approximately $43.1 million (October 1, 2016 - $40.1 million) for sugar beets to be harvested and processed in fiscal 2017.

A subsidiary of the Company has $2.5 million remaining to pay related to an agreement to purchase approximately $4.0 million (1.5 million pounds) of maple syrup from the FPAQ. In order to secure bulk syrup purchases, the Company issued a letter of guarantee for an amount of $12.5 million in favor of the FPAQ. The letter of guarantee expires on February 28, 2018.

During the year ended September 30, 2017, the Company entered into capital commitments to complete its capital projects for a total value of $6.3 million (October 1, 2016 - $7.8 million).

The Taber beet sugar processing facility was established in 1950. Over the past few years, the Company has been actively working on solutions to reduce the air emissions footprint of the facility. The Taber facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2018. The Company is currently evaluating various scenarios, which would allow the facility to be fully compliant on air emission standards for the 2019 beet harvesting season. To achieve this objective, the Company expects to undertake significant capital expenditures starting in the first half of fiscal 2018. Early estimates of the net investment required to remediate the non-compliance range between $15 million and $25 million.

28. CONTINGENCIES

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations.

The Company, in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at September 30, 2017 cannot be predicted with certainty, management believes that no provision was required and that the financial impact, if any, from claims related to normal business activities will not be material.

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

29. EARNINGS PER SHARE

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

	For the years ended September 30, 2017	October 1, 2016
	$	$
Basic earnings per share:		
Net earnings	**21,906**	65,579
Weighted average number of shares outstanding	**96,027,566**	93,885,631
Basic earnings per share	**0.23**	0.70
Diluted earnings per share:		
Net earnings	**21,906**	65,579
Plus impact of convertible unsecured subordinated debentures and share options	**467**	5,327
	22,373	70,906
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	**96,027,566**	93,885,631
Plus impact of convertible unsecured subordinated debentures and share options	**7,197,978**	16,086,769
	103,225,544	109,972,400
Diluted earnings per share	**0.22**	0.64

As at September 30, 2017, the Fifth series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

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

30. SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2017	October 1, 2016	October 3, 2015
	$	$	$
Non-cash transactions:			
Additions of property, plant and equipment included in trade and other payables	**247**	135	579
Investment tax credit included in income taxes payable	**—**	220	—

31. KEY MANAGEMENT PERSONNEL

The Board of Directors as well as the executive team, which include the President and all the Vice-Presidents, are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the years ended	
	September 30, 2017	October 1, 2016
	$	$
Salaries and short-term benefits	**3,603**	2,577
Attendance fees for members of the Board of Directors	**627**	458
Post-employment benefits	**164**	138
Share-based compensation (note 25)	**74**	34
	4,468	3,207

32. PERSONNEL EXPENSES

	For the years ended	
	September 30, 2017	October 1, 2016
	$	$
Wages, salaries and employee benefits	**72,674**	67,063
Expenses related to defined benefit plans (note 22)	**5,434**	5,113
Expenses related to defined contributions plans	**3,992**	4,288
Share-based compensation (note 25)	**74**	34
	82,174	76,498

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

32. PERSONNEL EXPENSES (CONTINUED)

The personnel expenses were charged to the consolidated statements of earnings and comprehensive income or capitalized in the consolidated statements of financial position as follows:

	For the years ended	
	September 30, 2017	October 1, 2016
	$	$
Cost of sales	**66,941**	63,506
Administration and selling expenses	**13,240**	11,186
Distribution expenses	**1,564**	1,271
	81,745	75,963
Property, plant and equipment	**429**	535
	82,174	76,498

33. RELATED PARTIES

Lantic has outstanding redeemable Class B shares of $44.5 million that are retractable and can be settled at Lantic's option by delivery of a note receivable from Belkorp Industries Inc., having the same value. The note receivable bears no interest and has no fixed terms of repayment. The Class B shares are entitled to vote, but on a pro rata basis at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp Industries Inc. and Rogers, Rogers is entitled to vote the Class B shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable preferred shares, these amounts have been offset and, therefore, are not presented on the consolidated statements of financial position.

Belkorp Industries Inc. also controls, through Lantic Capital, the two Lantic Class C shares issued and outstanding. The Class C shares entitle Lantic Capital to elect five of the seven directors of Lantic, but have no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

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

34. 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 year ended September 30, 2017			
	Sugar	**Maple products**	**Corporate and eliminations**	**Total**
	$	**$**	**$**	**$**
Revenues	**655,851**	**26,666**	**—**	**682,517**
Cost of sales	**582,143**	**23,076**	**—**	**605,219**
Gross margin	**73,708**	**3,590**	**—**	**77,298**
Depreciation and amortization	**13,105**	**491**	**—**	**13,596**
Results from operating activities	**41,247**	**948**	**(1,164)**	**41,031**
Total assets	**744,311**	**254,056**	**(164,375)**	**833,992**
Total liabilities	**(918,313)**	**(210,647)**	**629,124**	**(499,836)**
Additions to property, plant and equipment and intangible assets	**17,306**	**64**	**—**	**17,370**

	For the year ended October 1, 2016			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Revenues	564,411	—	—	564,411
Cost of sales	436,188	—	—	436,188
Gross margin	128,223	—	—	128,223
Depreciation and amortization	12,345	—	—	12,345
Results from operating activities	99,746	—	(1,148)	98,598
Total assets	584,642	—	556	585,198
Total liabilities	(759,956)	—	440,311	(319,645)
Additions to property, plant and equipment and intangible assets	14,766	—	—	14,766

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

34. SEGMENTED INFORMATION (CONTINUED)

Revenues were derived from customers in the following geographic areas:

	For the years ended	
	September 30, 2017	October 1, 2016
	$	$
Canada	**624,992**	534,630
United States	**50,055**	29,781
Other	**7,470**	—
	682,517	564,411

35. SUBSEQUENT EVENT

On November 18, 2017, the Company acquired 100% of 9020-2292 Quebec Inc., a company operated under "Decacer" trade name, for approximately $40.0 million (the "Transaction"), subject to closing adjustments. The Company financed the Transaction with a draw-down on the Company's $275.0 million amended credit facility.

As of the reporting date, the Company had not completed the purchase price allocation of the Transaction.

ROGERS SUGAR INC.

Corporate Information

DIRECTORS
M. Dallas H. Ross,
Chairman and CEO
Kinetic Capital Limited Partnership

Dean Bergmame, (2) (3)
Director

Michel P. Desbiens, (2) (3)
Director

William S. Maslechko, (3)
Partner
Burnet, Duckworth & Palmer LLP

Daniel Lafrance, (1) (2)
Director

Gary Collins,
Senior Advisor
Lazard Group

(1) Nominees to Board of Directors of Lantic Inc.
(2) Audit Committee Members
(3) Nominating and Governance Committee Members

LEGAL COUNSEL
Davies, Ward, Phillips & Vineberg
Montreal, Quebec

TRADING SYMBOL
RSI

STOCK EXCHANGE LISTING
The Toronto Stock Exchange

ANNUAL MEETING
The annual meeting of Shareholders
to be held at 1:00 PM (Pacific Time)
February 1, 2018 at the
Pinnacle Hotel Vancouver Harbourfront
1133 West Hastings St.
Vancouver, British Columbia
V6E 3T3
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LANTIC INC.

Corporate Information — Management

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Chairman & CEO
Kinetic Capital Limited Partnership

Gary Collins, (2)
Senior Advisor
Lazard Group

Michael Heskin, (2)
Vice President Finance and CFO
Belkorp Industries Inc.

Donald G. Jewell,
Managing Partner
RIO Industrial

Daniel Lafrance, (1) (2)
Director

John Holliday,
President and Chief Executive Officer
Lantic Inc.

(1) Rogers Sugar Inc. Nominees
(2) Audit Committee Members

OFFICERS

John Holliday,
President and Chief Executive Officer

Patrick Dionne,
Vice President, Operations and
Supply Chain

Diana R. Discepola,
Director of Finance

Jean-François Khalil,
Vice President,
Human Resources

Manon Lacroix,
Vice President Finance,
Chief Financial Officer
and Secretary

Michael Walton,
Vice President, Sales and Marketing

AUDITORS

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Montreal, Quebec

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ROGERS

Lantic

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