Rogers Sugar Inc.

Interim Report for the 1st Quarter 2016 Results

VOLUME APPROXIMATELY 4,300 METRIC TONNES HIGHER THAN COMPARABLE QUARTER
ADJUSTED GROSS MARGIN $0.5 MILLION HIGHER THAN LAST YEAR

Message to Shareholders: On behalf of the Board of Directors, I am pleased to present the unaudited condensed consolidated interim financial results of Rogers Sugar Inc. (the "Company") for the three months ended January 2, 2016.

Volume for the first quarter of fiscal 2016 was 156,926 metric tonnes, an increase of approximately 4,300 metric tonnes compared to the first quarter of last year. Industrial volume increased slightly for the quarter by approximately 200 metric tonnes versus the same period last year. Consumer volume was approximately 1,800 metric tonnes higher than the comparable quarter last year due to an increase in promotional activities from our retail customers. Liquid volume decreased by approximately 1,700 metric tonnes for the quarter due to timing. Finally, export volume was approximately 4,000 metric tonnes higher in the first quarter of the current year, as compared to the first quarter of last year due to earlier shipments against the Canadian specific U.S. quota and some volume shipped under High Tier duties to the U.S.

With the mark-to-market of all derivative financial instruments and embedded derivatives in non-financial instruments at the end of each reporting period, our accounting income does not represent a complete understanding of factors and trends affecting the business. Consistent with previous reporting, we therefore prepared adjusted gross margin and adjusted earnings results to reflect the performance of the Company during the period without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments. Earnings before interest and income taxes ("EBIT") included a mark-to-market gain of $12.7 million for the first quarter, which was deducted to calculate adjusted EBIT and adjusted gross margin results.

Adjusted gross margin amounted to $25.8 million, an increase of approximately $0.5 million versus last year's comparable quarter, which is mostly explained by the increase in sales volume for the quarter. On a per metric tonne basis, adjusted gross margin was $164.63 for the first quarter of the year versus to $165.95 for the first quarter of fiscal 2015, representing a slight decrease of $1.32 due mainly some inefficiencies at the Montreal refinery.

Administration and selling expenses, at $3.6 million, were $1.9 million below the first quarter last year. During the current quarter, the Company completed the termination of the Western salaried defined benefit pension plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. As such, as of January 2, 2016, the Company no longer had any obligations towards the Western defined benefit salaried pension plan. 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 3, 2015. Excluding the impact of the settlement of the Western defined benefit salaried pension plan, administration and selling expenses were $0.7 million lower than the comparable quarter last year. The decrease is mostly explained by a reduction in consulting fees which were incurred in the first quarter of the prior year to complete the process improvement review at the Montreal refinery.

Distribution expenses were $0.3 million higher for the current quarter due to additional transfer costs between the Company's various locations.

Adjusted EBIT was $19.9 million for the first quarter of fiscal 2016 versus $17.7 million for the comparable quarter mainly due to lower administration and selling expenses as explained above.

Free cash flow was $0.4 million lower than the comparable quarter in fiscal 2015. The decrease in free cash flow for the quarter is due mainly to an increase in pension contributions of $1.1 million and higher interest paid of $1.5 million. In addition, the Company repurchased shares in the first quarter of fiscal 2016. Somewhat offsetting the negative variation is a higher adjusted EBIT of $2.1 million and lower capital expenditures, net of operational excellence capital of $0.2 million.

For the full year, total sales volume is expected to be comparable to fiscal 2015, without taking into consideration the additional week of operations, which represented approximately 13,000 metric tonnes of sales volume. The industrial and consumer segments are expected to be modestly higher than fiscal 2015, when adjusted for the 53rd week.

The liquid segment is expected to decrease slightly when compared to last year, when adjusted for the 53rd week.

During the quarter, the Company continued to leverage the weaker Canadian dollar and relative spread between the U.S. refined sugar prices and #11 world raw sugar prices to improve our export portfolio. Some additional volume was contracted and deliveries will start in the second quarter and are expected to continue until year end. As a result, the Company anticipates export volume to be comparable to the prior year, when adjusted for the 53rd week. The Company will continue to investigate other export opportunities in order to secure additional export sales.

FOR THE BOARD OF DIRECTORS,

A. Stuart Belkin

Stuart Belkin, Chairman
Vancouver, British Columbia – February 9, 2016

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MANAGEMENTS' DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated February 9, 2016 of Rogers Sugar Inc. ("Rogers") should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the period ended January 2, 2016, as well as the audited consolidated financial statements and MD&A for the year ended October 3, 2015. The quarterly condensed consolidated interim financial statements and any amounts shown in this MD&A were not reviewed nor audited by our external auditors.

Management is responsible for preparing the MD&A. This MD&A has been reviewed and approved by the Audit Committee of Rogers and its Board of Directors.

Non-GAAP measures

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with GAAP, with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's historical 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 GAAP. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar businesses. We strongly encourage investors to review our 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 GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the MD&A.

Forward-looking statements

This report contains certain forward-looking statements, which reflect the current expectations of Rogers and Lantic Inc. (together referred to as "the Company") with respect to future events and performance. Wherever used, the words "may" "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. These 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. 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, beet production forecasts, 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. This could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

Additional information relating to the Company, including the Annual Information Form, Quarterly and Annual reports and supplementary information is available on SEDAR at www.sedar.com.

Internal disclosure controls

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer and Vice-President Finance have designed or caused it to be designed under their supervision, disclosure controls and procedures.

In addition, the Chief Executive Officer and Vice-President Finance have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and the Vice-President Finance have evaluated whether or not there were any changes to the Company's ICFR during the three month period ended January 2, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. No such changes were identified through their evaluation.

Results of operations

Consolidated Results	For the three months ended	
(In thousands of dollars, except for volume and per share information)	January 2, 2016 (Unaudited)	December 27, 2014 (Unaudited)
Volume (metric tonnes)	156,926	152,608
Revenues	$ 130,090	$ 128,726
Gross margin	38,564	23,364
Administration and selling expenses	3,566	5,488
Distribution expenses	2,408	2,116
Earnings before interest and provision for income taxes (EBIT)	$ 32,590	$ 15,760
Net finance costs	2,397	2,960
Provision for income taxes	8,122	3,385
Net earnings	$ 22,071	$ 9,415
Net earnings per share – basic	$ 0.23	$ 0.10

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. The Company sells refined sugar to some clients in U.S. dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not U.S. dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are 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.

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.

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.

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

Income (loss) (In thousands)	For the three months ended January 2, 2016 (Unaudited)	December 27, 2014 (Unaudited)
Mark-to-market adjustment (excluding interest swap)	$ 4,757	$ (1,999)
Cumulative timing differences	7,973	38
Total adjustment to cost of sales	$ 12,730	$ (1,961)

Price movements in raw sugar and natural gas as well as the movement in value of the U.S. dollar resulted in a mark-to-market gain for the quarter of $4.8 million as opposed to a mark-to-market loss of $2.0 million for the same period in fiscal 2015. A mark-to-market gain of $4.5 million was recorded for raw sugar as compared to a mark-to-market gain of $0.3 million in the comparable quarter last year, as a result of the increase in the #11 world raw sugar prices versus the end of fiscal 2015. The natural gas prices continued to decline during the quarter and as a result, a mark-to-market loss of $2.0 million was recorded versus a mark-to-market loss of $4.0 million in the first quarter last year. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined mark-to-market gain of $2.3 million for the quarter, while the comparable quarter last year had a combined mark-to-market gain of $1.7 million.

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 when natural gas is 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. This adjustment is added or deducted to the mark-to-market results to arrive at the total adjustment to cost of sales. For the first quarter of the current year, the total cost of sales adjustment is a gain of $12.7 million to be deducted from the consolidated operating results as opposed to a loss of $2.0 million for the comparable quarter last year to be added to the consolidated operating results for the same period last year.

In addition, under short-term interest expense, the Company recorded a mark-to-market gain of $0.1 million for the quarter on the mark-to-market of interest rate swaps, versus a mark-to-market loss of $0.2 million for the comparable period last year.

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

Consolidated Results	For the three months ended	
(In thousands of dollars, except per share information)	January 2, 2016 (Unaudited)	December 27, 2014 (Unaudited)
Gross margin as per financial statements	$ 38,564	$ 23,364
Adjustment as per above	(12,730)	1,961
Adjusted gross margin	25,834	25,325
EBIT as per financial statements	32,590	15,760
Adjustment as per above	(12,730)	1,961
Adjusted EBIT	19,860	17,721
Net earnings as per financial statements	22,071	9,415
Adjustment to cost of sales as per above	(12,730)	1,961
Adjustment for mark-to-market of finance costs	(87)	206
Deferred taxes on above adjustments	3,497	(778)
Adjusted net earnings	$ 12,751	$ 10,804
Net earnings per share basic, as per financial statements	$ 0.23	$ 0.10
Adjustment for the above	(0.09)	0.01
Adjusted net earnings per share basic	$ 0.14	$ 0.11

Volume for the first quarter of fiscal 2016 was 156,926 metric tonnes, an increase of approximately 4,300 metric tonnes compared to the first quarter of last year. Industrial volume increased slightly for the quarter by approximately 200 metric tonnes versus the same period last year. Consumer volume was approximately 1,800 metric tonnes higher than the comparable quarter last year due to an increase in promotional activities from our retail customers. Liquid volume decreased by approximately 1,700 metric tonnes for the quarter due to timing. Finally, export volume was approximately 4,000 metric tonnes higher in the first quarter of the current year, as compared to the first quarter of last year due to earlier shipments against the Canadian specific U.S. quota and some volume shipped under High Tier duties to the U.S.

Revenues for the quarter were $130.1 million versus $128.7 million for the comparable period to last year. The increase is mainly explained by higher sales volume.

As previously mentioned, gross margin of $38.6 million for the quarter does not reflect the economic margin of the Company, as it includes a gain of $12.7 million for the current quarter for the mark-to-market of derivative financial instruments explained earlier. We will therefore comment on adjusted gross margin results.

Adjusted gross margin amounted to $25.8 million, an increase of approximately $0.5 million versus last year's comparable quarter, which is mostly explained by the increase in sales volume for the quarter. On a per metric tonne basis, adjusted gross margin was $164.63 for the first quarter of the year versus to $165.95 for the first quarter of fiscal 2015, representing a slight decrease of $1.32 due mainly some inefficiencies at the Montreal refinery.

Administration and selling expenses, at $3.6 million, were $1.9 million below the first quarter last year. During the current quarter, the Company completed the termination of the Western salaried defined benefit pension plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. As such, as of January 2, 2016, the Company no longer had any obligations towards the Western defined benefit salaried pension plan. 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 3, 2015. Excluding the impact of the settlement of the Western defined benefit salaried pension plan, administration and selling expenses were $0.7 million lower than the comparable quarter last year. The decrease is mostly explained by a reduction in consulting fees which were incurred in the first quarter of the prior year to complete the process improvement review at the Montreal refinery.

Distribution expenses were $0.3 million higher for the current quarter due to additional transfer costs between the Company's various locations.

Adjusted EBIT was $19.9 million for the first quarter of fiscal 2016 versus $17.7 million for the comparable quarter mainly due to lower administration and selling expenses as explained above.

Finance costs for the quarter include a mark-to-market gain on the interest rate swaps of $0.1 million for the quarter while last year's comparable periods resulted in a loss of $0.2 million. Without the above mark-to-market adjustments, finance expenses for the quarter were $0.3 million lower than the comparable period last year. The overall amount drawn under the revolving credit facility was reduced during the current quarter due to lower inventory level.

The provision for income taxes includes a deferred tax expense of $3.5 million for the current quarter for the mark-to-market adjustment as compared to a revenue of $0.8 million for the comparable period of last year. On an adjusted basis, the provision for income taxes was approximately $4.6 million for the quarter as compared to a provision of $4.2 million for the comparable period last year. The increase for the quarter is due mainly to an increase in adjusted earnings before income taxes.

Statement of quarterly results

The following is a summary of selected financial information of the unaudited condensed consolidated interim financial statements and non-GAAP measures of the Company for the last eight quarters.

	2016 (Unaudited)	2015 (Unaudited)				2014 (Unaudited)		
(In thousands of dollars, except for volume, margin rate and per share information)	1-Q	4-Q	3-Q	2-Q	1-Q	4-Q	3-Q	2-Q
Volume (MT)	156,926	192,912	160,713	152,579	152,608	170,767	158,489	154,862
Revenues	130,090	155,107	130,592	127,120	128,726	139,688	128,432	127,299
Gross margin	38,564	23,675	10,854	18,402	23,364	15,077	8,353	33,206
EBIT	32,590	13,753	3,748	11,209	15,760	3,706	1,477	25,226
Net earnings (loss)	22,071	7,801	1,050	5,767	9,415	874	(886)	16,725
Gross margin rate per MT	245.75	122.72	67.54	120.61	153.10	88.29	52.70	214.42
Per share								
Net earnings (loss)								
Basic	0.23	0.08	0.01	0.06	0.10	0.01	(0.01)	0.18
Diluted	0.21	0.08	0.01	0.06	0.10	0.01	(0.01)	0.16
Non-GAAP Measures								
Adjusted gross margin	25,834	24,054	19,432	17,071	25,325	23,988	16,786	16,382
Adjusted EBIT	19,860	14,132	12,326	9,878	17,721	12,617	9,910	8,402
Adjusted net earnings	12,751	8,494	7,060	5,400	10,804	7,386	5,456	4,526
Adjusted gross margin rate per MT	164.63	124.69	120.91	111.88	165.95	140.47	105.91	105.78
Adjusted net earnings per share								
Basic	0.14	0.09	0.08	0.06	0.11	0.08	0.06	0.05
Diluted	0.13	0.09	0.08	0.06	0.11	0.08	0.06	0.05

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 increased sales of baked goods during that period of the year. At the same time, the second quarter (January to March) is historically the lowest volume quarter, resulting in lower revenues, adjusted gross margins and adjusted net earnings.

Liquidity

Cash flow generated by the operating company, Lantic, is paid to Rogers by way of dividends and return of capital on the common shares of Lantic, and by the payment of interest on the subordinated notes of Lantic held by Rogers, after having taken reasonable reserves for capital expenditures and working capital. The cash received by Rogers is used to pay dividends to its shareholders.

	For the three months ended	
(In thousands of dollars)	January 2, 2016 (Unaudited)	December 27, 2014 (Unaudited)
Cash flow from operating activities	$ 13,741	$ (7,969)
Cash flow from financing activities	(12,794)	9,311
Cash flow from investing activities	(1,072)	(1,366)
Net decrease in cash and cash equivalents	$ (125)	$ (24)

Cash flow from operations was positive $13.7 million in the first quarter of 2016, compared to negative $8.0 million in the comparable quarter of fiscal 2015. The positive variation of $21.7 million is explained by an increase in gross margin of $15.2 million, due mainly to the mark-to-market adjustments, and a lower negative working capital variation of $9.9 million when compared to the same period last year mainly due to a decrease in accounts receivable and an increase in accounts payable. Somewhat offsetting the positive variance is an increase in pension contributions for hourly defined pension plans of $1.1 million and higher interest and income taxes paid of $1.5 million and $0.6 million, respectively, due to timing.

Cash flow from financing activities was negative $12.8 million for the current quarter versus positive $9.3 million for the comparable quarter last year. The variation is mostly attributable to a decrease in borrowings for the current quarter as opposed to an increase in the comparable quarter. In addition, the Company repurchased common shares in fiscal 2016 for a total of cash consideration of $0.3 million. There was no repurchase of shares in the comparable period of fiscal 2015.

Capital expenditures were lower by $0.3 million for the current quarter when compared to the first quarter last year due to timing in spending on capital projects.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow, a non-GAAP measure, which is generated by the operations of the Company and can be compared to the level of dividends paid by Rogers. 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 amount and including capital expenditures.

Free cash flow is as follows:

(In thousands of dollars)	For the three months ended January 2, 2016 (Unaudited)	For the three months ended December 27, 2014 (Unaudited)
Cash flow from operations	$ 13,741	$ (7,969)
Adjustments:		
Changes in non-cash working capital	15,457	25,394
Changes in non-cash income taxes payable	(419)	(479)
Changes in non-cash interest payable	1,553	(182)
Mark-to-market and derivative timing adjustments	(12,817)	2,167
Financial instruments non-cash amount	(1,726)	(2,936)
Capital expenditures	(1,072)	(1,366)
Operational excellence capital expenditures	62	206
Repurchase of shares	(329)	–
Free cash flow	$ 14,450	$ 14,835
Declared dividends	$ 8,458	$ 8,463

Free cash flow was $0.4 million lower than the comparable quarter in fiscal 2015. The decrease in free cash flow for the quarter is due mainly to an increase in pension contributions of $1.1 million and higher interest paid of $1.5 million. In addition, the Company repurchased shares in the first quarter of fiscal 2016. Somewhat offsetting the negative variation is a higher adjusted EBIT of $2.1 million and lower capital expenditures, net of operational excellence capital of $0.2 million.

Changes in non-cash operating working capital, income taxes payable and interest payable represent quarter-over-quarter movements in current assets such as accounts receivables and inventories and current liabilities like accounts payable. 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 do not therefore constitute available cash for distribution. Such increases or decreases are financed from available cash or from the Company's available credit facilities of $150.0 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above factors, and therefore do not constitute available cash for distribution.

The combined impact of the mark-to-market and financial instruments non-cash amount of approximately $14.5 million for the quarter does not represent cash items as these contracts will be settled when the physical transactions occur and is therefore adjusted to free cash flow.

Capital expenditures, net of operational excellence capital expenditures, were slightly lower than the first quarter of last year by approximately $0.2 million due mainly to timing of capital projects. Operational excellence capital expenditures are added back as these capital projects are not required for the operation of the refineries but are undertaken due to operational savings to be realized when these projects are completed.

During the first quarter of fiscal 2016, Rogers repurchased 80,800 shares under the Normal Course Issuer Bid ("NCIB") for a total cash consideration of $0.3 million.

The Company declared a quarterly dividend of 9.0 cents per common share for a total amount of approximately $8.5 million during the quarter.

Contractual obligations

There are no significant changes in the contractual obligations table disclosed in the Management's Discussion and Analysis of the October 3, 2015 Annual Report.

At January 2, 2016, the operating company had commitments to purchase a total of 1,502,000 metric tonnes of raw sugar, of which 311,415 metric tonnes had been priced for a total dollar commitment of $142.4 million.

Capital resources

Lantic has $150.0 million as an authorized line of credit available to finance its operation and it expires in June 2020. At quarter-end, $73.0 million had been drawn from the working capital line of credit and $1.2 million in cash was also available.

At quarter's end, inventories were higher compared to year-end due mainly to the harvest of the Taber beet crop in the first quarter of the fiscal year.

Cash requirements for working capital and other capital expenditures are expected to be paid from available credit resources and from funds generated from operations.

Outstanding securities

During the first quarter of fiscal 2016, the Company purchased 80,800 common shares under the Normal Course Issuer Bid ("NCIB") in place at the time, for a total cash consideration of $0.3 million. All shares purchased were cancelled.

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 may continue to November 30, 2016. In addition, the Company has entered into an Automatic Share Purchase Plan ("ASPP") with Scotia Capital Inc. ("Scotia"). Under this agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares. Subsequent to January 2, 2016, a total of 97,800 common shares were purchased and canceled under the ASPP and therefore, as at February 9, 2016, there were 93,850,160 common shares outstanding.

Critical accounting estimate and accounting policies

There are no significant changes in the critical estimate and accounting policies disclosed in the Management's Discussion and Analysis of the October 3, 2015 Annual Report.

Significant accounting policies

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 3, 2015 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except as noted below:

- IAS 19, Employee benefits:

  In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee benefits*. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are effective for years beginning on or after January 1, 2015. The Company adopted the amendments in the first quarter of the year ending October 1, 2016. The adoption of IAS 19, *Employee Benefits*, did not have an impact on the unaudited condensed consolidated interim financial statements.

Future accounting changes

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these unaudited condensed consolidated interim financial statements.

- IFRS 9, *Financial instruments*:

  On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

  IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

  The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

  IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

  Special transitional requirements have been set for the application of the new general hedging model.

  The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on September 30, 2018, at the latest. The extent of the impact of adoption of the standard on the financial statements of the Company has not yet been determined.

- 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 financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the financial statements of the Company has not yet been determined.

- IAS 1, *Presentation of Financial Statements*:

  On December 18, 2014, the 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 years beginning on or after January 1, 2016. Early adoption is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the year beginning on October 2, 2016. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

- 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 years 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 intends to adopt these amendments in its consolidated financial statements for the year beginning on October 2, 2016. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

Risk factors

Risk factors in the Company's business and operations are discussed in the Management's Discussion and Analysis of our Annual Report for the year ended October 3, 2015. This document is available on SEDAR at www.sedar.com or on one of our websites at www.lantic.ca or www.rogerssugarinc.com.

Outlook

Overall, total sales volume is expected to be comparable to fiscal 2015, without taking into consideration the additional week of operations, which represented approximately 13,000 metric tonnes of sales volume. The industrial and consumer segments are expected to be modestly higher than fiscal 2015, when adjusted for the 53rd week.

The liquid segment is expected to decrease slightly when compared to last year, when adjusted for the 53rd week.

During the quarter, the Company continued to leverage the weaker Canadian dollar and relative spread between the U.S. refined sugar prices and #11 world raw sugar prices to improve our export portfolio. Some additional volume was contracted and deliveries will start in the second quarter and are expected to continue until year end. As a result, the Company anticipates export volume to be comparable to the prior year, when adjusted for the 53rd week. The Company will continue to investigate other export opportunities in order to secure additional export sales.

Approximately 85% of fiscal 2016's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2015. Any un-hedged volume should benefit from the current low prices of nearby natural gas. In addition, some futures positions for fiscal 2017 to 2019 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 2015. We will continue to monitor natural gas market dynamics with the objective of maintaining competitive costs and minimizing natural gas cost variances. Natural gas is purchased in U.S. dollars and the Company has also hedged its currency exposure on natural gas requirements for the next twelve months at favorable exchange rates when compared to the current market. The Company does not expect any significant variation in total energy costs when compared to fiscal 2015.

Administration and selling expenses are expected to be lower than last year due to favorable variance this current quarter and the non-recurrence of certain expenditures that occurred in the last quarter of fiscal 2015.

Capital expenditures for fiscal 2016 are expected to be higher than fiscal 2015 as stay in business and safety capital expenditures could vary between $12.0 million and $14.0 million. The anticipated increase is attributable to a higher fiscal 2015 carryover of projects and a commitment to update targeted plant control systems in our Western plants. The Company will continue to aggressively pursue operational excellence capital investment in order to reduce costs and improve manufacturing efficiencies.

The beet slicing campaign in Taber was completed in early January. Throughout the campaign, the factory operated well and beet quality remained high until the end. We are estimating total beet sugar production at approximately 90,000 metric tonnes, once the thick juice campaign is completed in the spring of 2016.

Labour negotiations with the Montreal refinery unionized employees for the renewal of the labour contracts terminating on February 28, 2016 will start shortly and will be ongoing over the next several weeks.

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Three months ended January 2, 2016 and December 27, 2014

ROGERS SUGAR INC.

(Unaudited)
Condensed consolidated interim statements of earnings and comprehensive income
(In thousands of dollars except per share amounts)

Condensed consolidated interim statements of earnings		For the three months ended		
		January 2 2016		December 27 2014
Revenues (note 16)	**$**	**130,090**	$	128,726
Cost of sales (note 4)		**91,526**		105,362
Gross margin		**38,564**		23,364
Administration and selling expenses (note 4)		**3,566**		5,488
Distribution expenses		**2,408**		2,116
		5,974		7,604
Results from operating activities		**32,590**		15,760
Net finance costs (note 5)		**2,397**		2,960
Earnings before income taxes		**30,193**		12,800
Income tax expense:				
Current		**2,969**		2,467
Deferred		**5,153**		918
		8,122		3,385
Net earnings	**$**	**22,071**	$	9,415
Net earnings per share (note 11):				
Basic	**$**	**0.23**	$	0.10
Diluted	**$**	**0.21**	$	0.10

Condensed consolidated interim statements of comprehensive income		For the three months ended		
		January 2 2016		December 27 2014
Net earnings	**$**	**22,071**	$	9,415
Other comprehensive income		**–**		–
Net earnings and comprehensive income for the period	**$**	**22,071**	$	9,415

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

ROGERS SUGAR INC.

(Unaudited)
Condensed consolidated interim statements of financial position
(In thousands of dollars)

	January 2 2016	October 3 2015	December 27 2014
Assets			
Current assets:			
Cash and cash equivalents	**$ 1,234**	$ 1,359	$ 82
Trade and other receivables	**41,277**	48,202	40,829
Income taxes recoverable	**2**	147	94
Inventories (note 6)	**97,436**	67,273	119,871
Prepaid expenses	**1,453**	2,229	1,009
Derivative financial instruments (note 7)	**4,781**	5,976	3,389
Total current assets	**146,183**	125,186	165,274
Non-current assets:			
Property, plant and equipment	**175,867**	176,410	175,842
Intangible assets	**1,656**	1,703	1,851
Other assets	**485**	511	496
Deferred tax assets	**18,093**	18,077	16,759
Derivative financial instruments (note 7)	**751**	90	61
Goodwill	**229,952**	229,952	229,952
Total non-current assets	**426,804**	426,743	424,961
Total assets	**$ 572,987**	$ 551,929	$ 590,235
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank overdraft (note 8)	**$ -**	$ -	$ 2,607
Revolving credit facility (note 8)	**3,000**	7,000	31,000
Trade and other payables	**47,010**	39,384	47,292
Income taxes payable	**274**	-	454
Provisions	**750**	1,356	919
Finance lease obligations	**49**	46	–
Derivative financial instruments (note 7)	**4,828**	3,890	2,936
Total current liabilities	**55,911**	51,676	85,208
Non-current liabilities:			
Revolving credit facility (note 8)	**70,000**	70,000	70,000
Employee benefits	**43,028**	45,135	43,791
Provisions	**2,350**	2,350	2,417
Derivative financial instruments (note 7)	**7,955**	7,701	2,561
Finance lease obligations	**211**	223	–
Convertible unsecured subordinated debentures (note 9)	**107,845**	107,622	106,955
Deferred tax liabilities	**32,334**	27,165	28,268
Total non-current liabilities	**263,723**	260,196	253,992
Total liabilities	**319,634**	311,872	339,200
Shareholders' equity:			
Share capital	**133,667**	133,782	133,712
Contributed surplus	**200,179**	200,167	200,151
Equity portion of convertible unsecured subordinated debentures (note 9)	**1,188**	1,188	1,188
Deficit	**(81,681)**	(95,080)	(84,016)
Total shareholders' equity (note 10)	**253,353**	240,057	251,035
Total liabilities and shareholders' equity	**$ 572,987**	$ 551,929	$ 590,235

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

ROGERS SUGAR INC.

(Unaudited)
Condensed consolidated interim statements of changes in shareholders' equity
(In thousands of dollars except number of shares)

	For the three months ended January 2, 2016					
	Number of shares	**Common shares**	**Contributed surplus**	**Equity portion of convertible debentures**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance, October 3, 2015	**94,028,760**	**133,782**	**200,167**	**1,188**	**(95,080)**	**240,057**
Dividends (note 10)	**–**	**–**	**–**	**–**	**(8,458)**	**(8,458)**
Share-based compensation (note 12)	**–**	**–**	**12**	**–**	**–**	**12**
Purchase and cancellation of shares (note 10)	**(80,800)**	**(115)**	**–**	**–**	**(214)**	**(329)**
Net earnings and comprehensive income for the period	**–**	**–**	**–**	**–**	**22,071**	**22,071**
Balance, January 2, 2016	**93,947,960**	**133,667**	**200,179**	**1,188**	**(81,681)**	**253,353**

	For the three months ended December 27, 2014					
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Deficit	Total
		$	$	$	$	$
Balance, September 27, 2014	94,028,860	133,712	200,148	1,188	(84,968)	250,080
Dividends (note 10)	–	–	–	–	(8,463)	(8,463)
Share-based compensation (note 12)	–	–	3	–	–	3
Net earnings and comprehensive income for the period	–	–	–	–	9,415	9,415
Balance, December 27, 2014	94,028,860	133,712	200,151	1,188	(84,016)	251,035

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

ROGERS SUGAR INC.

(Unaudited)
Condensed consolidated interim statements of cash flows
(In thousands of dollars)

	For the three-months ended January 2 2016	December 27 2014
Cash flows from operating activities:		
Net earnings	**$ 22,071**	$ 9,415
Adjustments for:		
Depreciation of property, plant and equipment (note 4)	**3,181**	3,021
Amortization of intangible assets (note 4)	**47**	51
Changes in fair value of derivative financial instruments included in cost of sales	**1,813**	2,730
Income tax expense	**8,122**	3,385
Pension contributions	**(2,833)**	(1,695)
Pension expense	**726**	1,894
Net finance costs (note 5)	**2,397**	2,960
Gain on disposal of property, plant and equipment	**-**	(26)
Share-based compensation	**12**	3
	35,536	21,738
Changes in:		
Trade and other receivables	**6,925**	11,366
Inventories	**(30,163)**	(33,520)
Prepaid expenses	**776**	1,123
Trade and other payables	**7,611**	(4,363)
Provisions	**(606)**	–
	(15,457)	(25,394)
Cash flows from (used in) operating activities:	**20,079**	(3,656)
Interest paid	**(3,788)**	(2,325)
Income taxes paid	**(2,550)**	(1,988)
Net cash from (used in) operating activities	**13,741**	(7,969)
Cash flows (used in) from financing activities:		
Dividends paid	**(8,465)**	(8,463)
(Decrease) Increase in revolving credit facility	**(4,000)**	16,000
Increase in bank overdraft	**-**	1,774
Purchase of shares (note 10)	**(329)**	**-**
Net cash (used in) from financing activities	**(12,794)**	9,311
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	**(1,072)**	(1,366)
Net cash used in investing activities	**(1,072)**	(1,366)
Net decrease in cash and cash equivalents	**(125)**	(24)
Cash and cash equivalents, beginning of period	**1,359**	106
Cash and cash equivalents, end of period	**$ 1,234**	$ 82

Supplemental cash flow information (note 13)

The accompanying notes are an integral part of these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements of Rogers for the three-month periods ended January 2, 2016 and December 27, 2014 comprise Rogers and its subsidiary, Lantic Inc., (together referred to as the "Company"). The principal business activity of the Company is the refining, packaging and marketing of sugar products.

2. Basis of presentation and statement of compliance:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* on a basis consistent with those accounting policies followed by the Company in the most recent audited consolidated annual financial statements other than the adoption of the amendments of IAS 19 as described in note 3a). Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended October 3, 2015.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 9, 2016.

(b) Basis of measurement:

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

(i) financial instruments at fair value through profit or loss are measured at fair value; and

(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.

(c) Functional and presentation currency:

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars since it is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except as noted and per share amounts.

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

(d) Use of estimates and judgements:

The preparation of these unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual consolidated financial statements for the year ended October 3, 2015.

3. Significant accounting policies:

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 3, 2015 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements, except as noted below.

(a) New standards and interpretations adopted:

(i) IAS 19, Employee benefits:

In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee benefits*. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are effective for years beginning on or after January 1, 2015. The Company adopted the amendments in the first quarter of the year ending October 1, 2016. The adoption of IAS 19, *Employee Benefits*, did not have an impact on the unaudited condensed consolidated interim financial statements.

(b) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the three months ended January 2, 2016 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

(i) IFRS 9, *Financial instruments*:

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

3. Significant accounting policies (continued):

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

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

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on September 30, 2018, at the latest. The extent of the impact of adoption of the standard on the financial statements of the Company has not yet been determined.

(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.

3. Significant accounting policies (continued):

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

(ii) IFRS 15, *Revenue from contracts with customers* (continued):

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 financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the financial statements of the Company has not yet been determined.

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

On December 18, 2014, the 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 years beginning on or after January 1, 2016. Early adoption is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the year beginning on October 2, 2016. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

(iv) 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 years 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 intends to adopt these amendments in its consolidated financial statements for the year beginning on October 2, 2016. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

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

4. Depreciation and amortization expense:

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

	For the three months ended January 2 2016	December 27 2014
	$	$
Depreciation of property, plant and equipment:		
Cost of sales	**3,081**	2,909
Administration and selling expenses	**100**	112
	3,181	3,021
Amortization of intangible assets:		
Administration and selling expenses	**47**	51
Total depreciation and amortization expenses	**3,228**	3,072

5. Finance costs:

Recognized in net earnings:

	For the three months ended January 2 2016	December 27 2014
	$	$
Net change in fair value of interest rate swap	**87**	–
Finance income	**87**	–
Interest expense on convertible unsecured subordinated debentures	**1,587**	1,615
Interest on revolving credit facility	**691**	931
Amortization of deferred financing fees	**206**	208
Net change in fair value in interest rate swap	**-**	206
Finance costs	**2,484**	2,960
Net finance costs recognized in net earnings	**2,397**	2,960

6. Inventories:

During the three months ended January 2, 2016, the Company recorded an amount of $63 (October 3, 2015 – nil; December 27, 2014 - $43) related to onerous contracts as defined in IAS 37 paragraph 66, as a write-down to inventory through cost of sales. In the normal course of business, the Company enters into an economic hedge for all of its raw sugar purchases and refined sugar sales. As the Company does not apply hedge accounting for these contracts, the related derivative instruments, being the futures contracts are marked-to-market. As a result, the Company must record an onerous loss to cost of sales when the net realizable value is lower than the mark-to-market of the raw sugar futures contract and the related refining costs.

7. Financial instruments:

Disclosures relating to risks exposures, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity risk were provided in the October 3, 2015 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three months ended January 2, 2016.

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at quarter end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution which is counter-party to these contracts. The fair value of natural gas contracts, foreign exchange forward contracts and interest rate swap calculations include a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

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

7. Financial instruments (continued):

As at January 2, 2016, financial derivatives outstanding and their mark-to-market impact on the unaudited condensed consolidated interim statements of earnings and comprehensive income were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	January 2, 2016		January 2, 2016	
	$	$	$	$
Sugar futures contracts	12	-	-	75
Natural gas futures contracts	-	-	3,891	6,563
Foreign exchange forward contracts	-	-	459	199
Embedded derivatives	4,769	751	-	-
Interest rate swap	-	-	478	1,118
	4,781	751	4,828	7,955

	Unrealized gain / (loss) For the three months ended	
	January 2 2016	December 27 2014
	$	$
Sugar futures contracts	4,459	263
Natural gas futures contracts	(2,020)	(4,014)
Foreign exchange forward contracts	(1,208)	1,102
Embedded derivatives	3,526	650
Charged to cost of sales	4,757	(1,999)

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

7. Financial instruments (continued):

As at October 3, 2015 and December 27, 2014, financial derivatives outstanding were as follows:

	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	October 3, 2015				December 27, 2014			
	$	$	$	$	$	$	$	$
Sugar futures contracts	400	-	-	102	-	-	181	22
Natural gas futures contracts	-	-	3,312	6,376	-	-	2,303	2,149
Foreign exchange forward contracts	3,672	-	-	118	2,003	61	-	-
Embedded derivatives	1,904	90	-	-	1,386	-	-	-
Interest rate swap	-	-	578	1,105	-	-	452	390
	5,976	90	3,890	7,701	3,389	61	2,936	2,561

For its financial assets and liabilities measured at amortized cost as at January 2, 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 periods to maturity of these instruments.

8. Bank overdraft and revolving credit facility:

The Company has a revolving credit facility of $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. The following amounts were outstanding as of:

	January 2 2016	October 3 2015	December 27 2014
	$	$	$
Outstanding amount on revolving credit facility:			
Current	**3,000**	7,000	31,000
Non-current	**70,000**	70,000	70,000
	73,000	77,000	101,000

The revolving credit facility expires on June 29, 2020. As at January 2, 2016, an amount of $70.0 million is shown as non-current.

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

8. Bank overdraft and revolving credit facility (continued):

The comparative figures of October 3, 2015 and December 27, 2014 have been reclassified to reflect the expected non-current portion of the revolving credit facility.

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

9. Convertible unsecured subordinated debentures:

The outstanding convertible debentures, all recorded as non-current liabilities, are as follows:

	January 2 2016	October 3 2015	December 27 2014
	$	$	$
Fourth series	**50,000**	50,000	50,000
Fifth series	**60,000**	60,000	60,000
Total face value	**110,000**	110,000	110,000
Less deferred financing fees	**(1,593)**	(1,773)	(2,315)
Less equity component	**(1,188)**	(1,188)	(1,188)
Accretion expense on equity component	**626**	583	458
Total carrying value	**107,845**	107,622	106,955

The fair value of the Fourth and Fifth series debentures as at January 2, 2016 were approximately $112.7 million based on market quotes.

10. Share capital and other components of equity:

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB"). Under the NCIB, the Company may purchase up to 500,000 common shares. The NCIB commenced on December 1, 2015 and may continue to November 30, 2016. During the first quarter of fiscal 2016, the Company purchased 80,800 common shares, having a book value of $115 for a total cash consideration of $329. The excess of the purchase price over the book value of the shares in the amount of $214 was charged to deficit. All shares purchased were cancelled.

As of January 2, 2016, a total of 93,947,960 common shares (October 3, 2015 - 94,028,760; December 27, 2014 – 94,028,860) were outstanding.

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

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

The following dividends were declared by the Company:

	January 2 2016	December 27 2014
	$	$
Dividends	**8,458**	8,463
	8,458	8,463

11. Earnings per share:

Reconciliation between basic and diluted earnings per share is as follows:

		January 2 2016	December 27, 2014
Basic earnings per share:			
Net earnings	$	**22,071**	9,415
Weighted average number of shares outstanding		**93,974,296**	94,028,860
Basic earnings per share	$	**0.23**	0.10
Diluted earnings per share:			
Net earnings	$	**22,071**	9,415
Plus impact of convertible unsecured subordinated debentures and share options		**1,307**	1,329
	$	**23,378**	10,744
Weighted average number of shares outstanding:			
Basic weighted average number of shares outstanding		**93,974,296**	94,028,860
Plus impact of convertible unsecured subordinated debentures and share options		**16,025,641**	16,025,641
		109,999,937	110,054,501
Diluted earnings per share	$	**0.21**	0.10

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

12. Share-based compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (October 3, 2015 – 4,000,000 common shares; December 27, 2014 – 850,000 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.

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 contributed surplus. An expense of $12 was recorded for the three months ended January 2, 2016 (an expense of $3 for the three months ended December 27, 2014).

The following tables summarize information about the Share Option Plan as of January 2, 2016 and October 3, 2015:

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 January 2 2016**	**Weighted average remaining life**	**Number of options exercisable**
$ 4.59	**850,000**	**-**	**-**	**-**	**850,000**	**9.40**	**-**
$ 5.61	**226,500**	**-**	**-**	**-**	**226,500**	**6.20**	**134,500**

Exercise price per option	Outstanding number of options at September 27 2014	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 3 2015	Weighted average remaining life	Number of options exercisable
$ 3.61	30,000	-	30,000	-	-	-	-
$ 4.59	-	850,000	-	-	850,000	9.65	-
$ 5.61	226,500	-	-	-	226,500	6.45	134,500

As at January 2, 2016 and October 3, 2015, all of the options outstanding are held by key management personnel (see note 14).

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

13. Supplementary cash flow information:

	January 2 2016	December 27 2014	October 3 2015	September 27 2014
	$	$	$	$
Non-cash transactions:				
Additions of property, plant and equipment and intangibles included in trade and other payables	**2,154**	1,173	579	709

14. Key management personnel:

The Board of Directors as well as 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 three months ended	
	January 2 2016	December 27 2014
	$	$
Salaries and short-term benefits	**498**	585
Attendance fees for members of the Board of Directors	**114**	109
Post-retirement benefits	**31**	29
Share-based compensation	**12**	3
	655	726

Further information about the remuneration of individual directors is provided in the annual Management Proxy Circular.

15. Personnel expenses:

	For the three months ended	
	January 2 2016	December 27 2014
	$	$
Wages, salaries and employee benefits	**17,875**	17,343
(Income) expenses related to defined benefit plans (i)	**(46)**	1,215
Expenses related to defined contributions plans	**772**	679
Share-based compensation	**12**	3
	18,613	19,240

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

15. Personnel expenses (continued):

(i) In fiscal 2014, the Company approved the termination of the defined benefit portion of the Lantic Inc. Pension Plan for Salaried Employees in B.C. and Alberta (the "Salaried Plan") effective as of December 31, 2014. During the current quarter, the Company completed the settlement of the Salaried Plan and as a result, recorded a $1.2 million profit in administration and selling expenses.

The personnel expenses were charged and capitalized to the unaudited condensed consolidated interim statements of earnings and statements of financial position, respectively, as follows:

	For the three months ended	
	January 2 2016	December 27 2014
	$	$
Cost of sales	**16,727**	16,046
Administration and selling expenses	**1,467**	2,833
Distribution expenses	**297**	279
	18,491	19,158
Property, plant and equipment	**122**	82
	18,613	19,240

16. Segmented information:

The Company has one operating segment and therefore one reportable segment.

Revenues were derived from customers in the following geographic areas:

	For the three months ended	
	January 2 2016	December 27 2014
	$	$
Canada	**123,096**	124,484
United States	**6,994**	4,242
	130,090	128,726

17. Comparative figures:

Certain of the 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.