



## **Condensed Interim Consolidated Financial Statements**

**For the three month periods ended March 31, 2021 and 2020**

## **Condensed Interim Consolidated Financial Statements (Unaudited)**

### **Notice of non-auditor review of condensed interim consolidated financial statements for the three month periods ended March 31, 2021 and 2020**

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three month periods ended March 31, 2021 and 2020 are the responsibility of the Corporation's management.

The Corporation's independent auditor, KPMG LLP, has not performed a review of these condensed interim consolidated financial statements.

Dated: May 6, 2021

## Condensed Interim Consolidated Statements of Income

For the three month periods ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



	Note	2021	2020
Sales	5	\$ 26,058	\$ 24,233
Cost of sales	7	(19,323)	(18,496)
<b>Gross profit</b>		<b>6,735</b>	<b>5,737</b>
Selling expenses		(2,848)	(3,144)
Administrative expenses		(1,634)	(1,734)
Other gains (losses)	16	56	(89)
<b>Operating income</b>		<b>2,309</b>	<b>770</b>
Investment income		26	46
Finance costs		(271)	(290)
<b>Income before taxes</b>		<b>2,064</b>	<b>526</b>
Income tax expense		(410)	(180)
<b>Net income for the period</b>		<b>\$ 1,654</b>	<b>\$ 346</b>
<b>Earnings per share - \$ per share</b>			
Basic	6	\$ 0.24	\$ 0.05
Diluted	6	\$ 0.23	\$ 0.05
<b>Weighted average number of common shares outstanding</b>			
Basic	6	6,797,003	6,691,003
Diluted	6	7,125,610	6,881,912

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

# Condensed Interim Consolidated Statements of Comprehensive Income

For the three month periods ended March 31, 2021 and 2020

Thousands of Canadian dollars



	Note	2021	2020
<b>Net income for the period</b>		<b>\$ 1,654</b>	<b>\$ 346</b>
<b>Other comprehensive income:</b>			
<b>Items that may subsequently be reclassified to income:</b>			
Foreign currency translation adjustments			
Exchange differences on translating foreign operations, net of tax		(386)	2,407
Other comprehensive (loss) income for the period		(386)	2,407
<b>Comprehensive income for the period</b>		<b>\$ 1,268</b>	<b>\$ 2,753</b>

All comprehensive income for the periods is attributable to the shareholders of the Corporation.

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

# Condensed Interim Consolidated Balance Sheets

As at March 31, 2021 and 2020, and December 31, 2020

Thousands of Canadian dollars



	Note	March 31, 2021	March 31, 2020	December 31, 2020
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	17	\$ 24,996	\$ 13,489	\$ 32,271
Cash - restricted	17	1,792	1,057	2,033
Trade receivables	17	11,719	11,577	10,692
Inventories	7	13,442	16,018	10,061
Income taxes recoverable		647	76	-
Prepaid expenses		1,387	1,236	546
Contract costs	8	776	503	732
<b>Total current assets</b>		<b>54,759</b>	<b>43,956</b>	<b>56,335</b>
<b>Non-current assets</b>				
Marketable securities - restricted	17	1,483	1,483	1,483
Property, plant and equipment	11	32,840	35,509	33,400
Right-of-use assets	12	6,017	7,146	6,287
Intangible assets		1,402	1,667	1,410
Goodwill		2,221	2,431	2,241
Accrued defined benefit pension plan		37	304	37
Deferred income tax assets		314	344	313
<b>Total non-current assets</b>		<b>44,314</b>	<b>48,884</b>	<b>45,171</b>
<b>Total assets</b>		<b>\$ 99,073</b>	<b>\$ 92,840</b>	<b>\$ 101,506</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	17	\$ 8,931	\$ 9,312	\$ 11,661
Contract liabilities	9	9,548	5,397	7,719
Income taxes payable		253	1,277	1,999
Debt	13, 15, 17	7,764	364	373
Lease obligations	14, 15	1,127	1,180	1,161
<b>Total current liabilities</b>		<b>27,623</b>	<b>17,530</b>	<b>22,913</b>
<b>Non-current liabilities</b>				
Debt	13, 15, 17	-	7,764	7,483
Lease obligations	14, 15	7,546	8,522	7,734
Deferred income tax liabilities		1,334	1,218	1,410
<b>Total non-current liabilities</b>		<b>8,880</b>	<b>17,504</b>	<b>16,627</b>
<b>Total liabilities</b>		<b>36,503</b>	<b>35,034</b>	<b>39,540</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common shares		22,014	21,012	22,014
Equity-settled employee benefits reserve		141	1,025	125
Accumulated other comprehensive income		1,833	5,545	2,219
Retained earnings		38,582	30,224	37,608
<b>Shareholders' equity</b>		<b>62,570</b>	<b>57,806</b>	<b>61,966</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 99,073</b>	<b>\$ 92,840</b>	<b>\$ 101,506</b>

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

## Condensed Interim Consolidated Statements of Changes in Equity

As at March 31, 2021 and 2020, and December 31, 2020

Thousands of Canadian dollars, except number of shares



	Common shares			Accumulated other comprehensive income					Total
	Note	Number of shares	Share capital	Equity-settled employee benefits reserve	Foreign currency translation adjustments, net of taxes	Unrealized gain on financial assets, net of taxes	Defined benefit pension plan valuation change, net of taxes	Retained earnings	
<b>Balance at January 1, 2020</b>		<b>6,691,003</b>	<b>\$ 21,012</b>	<b>\$ 1,014</b>	<b>\$ 2,636</b>	<b>\$ 406</b>	<b>\$ 96</b>	<b>\$ 30,480</b>	<b>\$ 55,644</b>
Net income for the period		-	-	-	-	-	-	346	346
Other comprehensive income for the period, net of tax		-	-	-	2,407	-	-	-	2,407
Total comprehensive income for the period		-	-	-	2,407	-	-	346	2,753
Payment of dividends	16	-	-	-	-	-	-	(602)	(602)
Share-based payment		-	-	11	-	-	-	-	11
<b>Balance at March 31, 2020</b>		<b>6,691,003</b>	<b>21,012</b>	<b>1,025</b>	<b>5,043</b>	<b>406</b>	<b>96</b>	<b>30,224</b>	<b>57,806</b>
Net income for the period		-	-	-	-	-	-	16,074	16,074
Other comprehensive loss for the period, net of tax		-	-	-	(3,177)	-	(149)	-	(3,326)
Total comprehensive (loss) income for the period		-	-	-	(3,177)	-	(149)	16,074	12,748
Payment of dividends		-	-	-	-	-	-	(8,690)	(8,690)
Share-based payment		-	-	51	-	-	-	-	51
Shares issued on exercise of restricted share units		100,000	950	(950)	-	-	-	-	-
Shares issued on exercise of stock options		6,000	52	(1)	-	-	-	-	51
<b>Balance at December 31, 2020</b>		<b>6,797,003</b>	<b>22,014</b>	<b>125</b>	<b>1,866</b>	<b>406</b>	<b>(53)</b>	<b>37,608</b>	<b>61,966</b>
Net income for the period		-	-	-	-	-	-	1,654	1,654
Other comprehensive loss for the period, net of tax		-	-	-	(386)	-	-	-	(386)
Total comprehensive (loss) income for the period		-	-	-	(386)	-	-	1,654	1,268
Payment of dividends	16	-	-	-	-	-	-	(680)	(680)
Share-based payment		-	-	16	-	-	-	-	16
<b>Balance at March 31, 2021</b>		<b>6,797,003</b>	<b>\$ 22,014</b>	<b>\$ 141</b>	<b>\$ 1,480</b>	<b>\$ 406</b>	<b>\$ (53)</b>	<b>\$ 38,582</b>	<b>\$ 62,570</b>

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

# Condensed Interim Consolidated Statements of Cash Flows

For the three month periods ended March 31, 2021 and 2020

Thousands of Canadian dollars



	Note	2021	2020
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Net income for the period		\$ 1,654	\$ 346
Adjustments for:			
Depreciation expense	11, 12	1,036	1,102
Amortization expense		38	37
Gain on disposal of property, plant and equipment		(28)	(13)
Finance costs		271	290
Investment income		(26)	(46)
Income tax expense		410	180
Share-based payment expense		16	11
Unrealized foreign exchange (gain) loss		(22)	774
Changes in non-cash working capital	20	(6,194)	(7,592)
Unrealized foreign exchange loss relating to non-cash working capital		53	100
Cash used in operating activities, before income taxes		(2,792)	(4,811)
Income taxes paid, net		(2,870)	(643)
Net cash used in operating activities		(5,662)	(5,454)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Increase (decrease) in restricted cash balance		241	(133)
Purchase of property, plant and equipment	11	(276)	(486)
Purchase of intangible assets		(45)	(45)
Proceeds from disposal of property, plant and equipment		22	13
Interest received		26	46
Net cash used in investing activities		(32)	(605)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Repayment of lease obligations	14, 15	(256)	(274)
Repayment of debt	13, 15	(92)	(89)
Finance costs		(271)	(290)
Dividends paid to shareholders	16	(680)	(602)
Net cash used in financing activities		(1,299)	(1,255)
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		(282)	674
<b>Net decrease in cash and cash equivalents</b>		<b>(7,275)</b>	<b>(6,640)</b>
Cash and cash equivalents at the beginning of the period		32,271	20,129
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 24,996</b>	<b>\$ 13,489</b>

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

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts

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## 1. General information

PFB Corporation (“PFB” or the “Corporation”) is a Canadian public company incorporated under the Alberta Business Corporations Act and has its head office in Calgary, Alberta, Canada. The Corporation’s corporate office is located at 300, 2891 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7K7. The Corporation’s shares are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol PFB. The principal business activity of the Corporation is manufacturing insulating building products made from expanded polystyrene materials and marketing these products in North America.

The Corporation’s wholly-owned subsidiaries operate manufacturing facilities and sales operations in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada, and in the States of Nevada, Minnesota, Michigan, Idaho and Ohio, USA.

## 2. Statement of compliance

These condensed interim consolidated financial statements for the three month periods ended March 31, 2021 and 2020, have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted. These condensed interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These condensed interim consolidated financial statements were approved and authorized for issue by the board of directors of the Corporation at a meeting held on May 6, 2021.

## 3. Significant accounting policies

### 3.1 Presentation

These condensed interim consolidated financial statements have been prepared in accordance with the significant accounting policies and methods of computation as set out in the audited annual consolidated financial statements of the Corporation as at and for the years ended December 31, 2020 and 2019.

The Corporation’s business is subject to seasonal variations and uncertainties. Sales of the Corporation’s products are driven by consumer and industrial demand for insulation and building products. The timing of our customers’ construction projects can be influenced by a number of factors including the prevailing economic climate and weather. Seasonality in the construction sector usually results in demand for the Corporation’s products being stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle. Accordingly, the results of operations for this reporting period are not necessarily indicative of the results of operations over a full year cycle.

### 3.2 Consolidation

The condensed interim consolidated financial statements incorporate the accounts of the Corporation and its subsidiaries (entities controlled by the Corporation). All subsidiaries are wholly-owned by the Corporation.

All intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

### 3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

The International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) have issued amendments to certain accounting standards effective for annual periods beginning on or after January 1, 2020 and have been adopted by the Corporation, as applicable. The Corporation has determined the amendments had no material impact on the disclosures or amount recognized in the condensed interim consolidated financial statements.



# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



## 4. Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported carrying amounts of assets and liabilities and the results of operations.

Estimates and underlying judgements are reviewed on an ongoing basis. Actual results could differ from those estimates.

There were no significant changes in how accounting estimates or judgement have been determined in the interim periods presented.

## 5. Segment information

The Corporation operates individual legal entities in Canada and the USA which are reported as operating segments and revenue is reported in accordance with that segmentation.

The Corporation has two reportable operating segments, Canada and the USA, and each segment applies the same accounting policies, internal controls and reporting systems. Segments are based on the way management organizes the operations. Segments are identified and managed by the geographic and regulatory environment they operate within because they require compliance with different regulations. Segment performance predominantly focuses on operating results and the manner in which resources are allocated based on Canadian and USA operations, respectively.

The chief operating decision maker evaluates performance on the basis of operating income or loss, as reported on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

### 5.1 Segment sales and operating income

Segment sales represent sales revenues directly attributable to each segment. Inter-segment sales have been eliminated. There are varying levels of integration between each segment.

The Corporation operates individual legal entities in Canada and the USA which are reported as operating segments and revenue is reported in accordance with that segmentation.

The Canadian segment primarily derives its revenues from the sale of expanded polystyrene (“EPS”) foam products, which it manufactures at its facilities in Canada. The USA segment primarily derives its revenues from the sale of EPS foam products, customized log and timber structures made at its facilities in the United States which typically include design and installation services that together provide the basis for a bundled sale of its manufactured products.

Segment operating income represents the income, as reported by each segment excluding any allocations for corporate income or expenses and foreign exchange gains or losses arising on inter-segment settlements.

Information regarding each reportable operating segment for three month periods ended March 31, is set out below:

	Sales revenues		Operating income	
	2021	2020	2021	2020
Canada	\$ 16,421	\$ 14,790	\$ 1,754	\$ 625
USA	9,637	9,443	441	62
Total for segments	\$ 26,058	\$ 24,233	2,195	687
Corporate – income			89	86
Foreign exchange gain (loss) on inter-segment settlements			25	(3)
Consolidated operating income			\$ 2,309	\$ 770

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



## 5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The location of the capital assets and liabilities determines the geographic areas. The reconciliation of segmented assets and segmented liabilities in relation to total consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2021	As at Dec 31, 2020
<b>Assets</b>		
Segmented assets	\$ 52,022	\$ 46,869
Assets not allocated to segments:		
Cash and cash equivalents	24,996	32,271
Restricted marketable securities	1,483	1,483
Freehold land and buildings	20,258	20,570
Corporate taxes <sup>1</sup>	314	313
<b>Total assets</b>	<b>\$ 99,073</b>	<b>\$ 101,506</b>
<b>Liabilities</b>		
Segmented liabilities	\$ 20,066	\$ 22,789
Liabilities not allocated to segments:		
Lease obligations	8,673	8,895
Debt	7,764	7,856
<b>Total liabilities</b>	<b>\$ 36,503</b>	<b>\$ 39,540</b>
<b>Net segmented assets</b>		
Canada	\$ 25,940	\$ 18,746
USA	6,016	5,334

<sup>1</sup> Deferred taxes.

## 5.3 Other segment information

	Three month periods ended March 31	
	2021	2020
<b>Additions to non-current capital assets:</b>		
Canada	\$ 244	\$ 419
USA	77	112
Total	\$ 321	\$ 531
<b>Additions to right-of-use assets:</b>		
Canada	\$ -	\$ -
USA	75	-
Total	\$ 75	\$ -
<b>Depreciation and amortization:</b>		
Canada	\$ 596	\$ 623
USA	217	252
Corporate	261	264
Total	\$ 1,074	\$ 1,139
<b>Inter-segment sales</b>	<b>\$ 1,611</b>	<b>\$ 904</b>

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



## 6. Earnings per share

The following table sets forth the reconciliation of basic and diluted income per share:

	Three month period ended	
	March 31	
	2021	2020
Net income for the period	\$ 1,654	\$ 346
Weighted average number of common shares outstanding – basic	6,797,003	6,691,003
Effect of:		
Dilutive stock options	328,607	190,909
Weighted average number of common shares outstanding - diluted	7,125,610	6,881,912
Earnings per share:		
Basic	\$ 0.24	\$ 0.05
Diluted	\$ 0.23	\$ 0.05

## 7. Inventories

	As at	As at
	Mar 31, 2021	Dec 31, 2020
Raw materials	\$ 7,218	\$ 5,509
Work in progress	2,948	2,042
Finished goods	3,276	2,510
	\$ 13,442	\$ 10,061

The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2021 was \$16,944 (2020 - \$16,279).

The cost of inventories recognized as an expense during the three month period ended March 31, 2021, includes \$203 (2020 - \$200) in respect of write-downs of inventory to net realizable value.

There were no reversals of any cost to net realizable value write-downs in each of the three month periods ended March 31, 2021 or 2020.

Eligible inventories held by the Corporation's Canadian and USA subsidiaries have been pledged as security with a bank in support of revolving credit facilities. The Canadian and USA revolving credit facilities were unused as at March 31, 2021 and December 31, 2020.

## 8. Contract costs

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs are comprised of sales commissions paid or payable to obtain certain contracts. These costs are amortized on a proportionate basis as a selling expense over the life of the contract, as this reflects the period over which goods or services are transferred to the customer. Amortization recognized in selling expenses during the three month period ended March 31, 2021 was \$27 (2020 - \$31). Amortization of contract costs follows the seasonality of operations and is typically higher in the second and third quarter upon completion of performance obligations. Contract costs remaining to be amortized as selling expenses are \$776 (2020 - \$503).

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



## 9. Contract liabilities

The Corporation enters into contracts to sell its products and services in the normal course of its operations. When the customer's payment precedes performance, the Corporation recognizes a contract liability. A contract liability is also recognized for the estimated rebates payable to customers associated with recognized sales at the end of the period. Contract liabilities are reduced as performance obligations are achieved and rebates paid. The changes in contract liabilities are set out below:

2021	Contract liabilities		Revenue related to			Foreign exchange	Balance, end of period
	Balance, beginning of period <sup>1</sup>	Current period <sup>2</sup>	Current period deposits <sup>3</sup>	Beginning of period deposits <sup>4</sup>	Rebates, net <sup>5</sup>		
<b>Jan 1- Mar 31</b>	<b>\$ 7,719</b>	<b>\$ 6,529</b>	<b>\$ (1,958)</b>	<b>\$ (1,797)</b>	<b>\$ (818)</b>	<b>\$ (127)</b>	<b>\$ 9,548</b>
<b>2020</b>							
<b>Jan 1- Mar 31</b>	<b>\$ 5,943</b>	<b>\$ 4,251</b>	<b>\$ (2,099)</b>	<b>\$ (1,836)</b>	<b>\$ (1,202)</b>	<b>\$ 340</b>	<b>\$ 5,397</b>

<sup>1</sup> Contract liabilities for customer deposits the Corporation has received for outstanding performance obligations and unpaid customer rebates earned and payable by the Corporation.

<sup>2</sup> Customer deposits that the Corporation has received during the period from new contracts with customers or additional customer deposits on existing contracts with customers, in advance of the Corporation's performance.

<sup>3</sup> Revenue recognized through the completion of performance obligations related only to the extent new customer deposits are received in the same period, excluding any amounts recognized as revenue from beginning balances. The decrease in contract liabilities is constrained to revenue recognized from customer deposits applied to performance obligations achieved in the current period.

<sup>4</sup> Revenue recognized through the completion of performance obligations related to either new or existing contracts, for customer deposits on hand from prior periods, that was included in the beginning balance and excludes amounts recognized during the period in the note above.

<sup>5</sup> Customer rebates payable to customers, net of amounts settled.

## 10. Remaining performance obligations

Performance obligations for certain goods manufactured, construction and design contracts generally include deposits which are initially recorded as contract liabilities and represent obligations of work that has not yet been completed. Revenue from unsatisfied performance obligations is recognized when services are rendered and control of the goods is transferred to the customers. For contracts that include deposits, the total remaining performance obligations, as at March 31, 2021 were \$30,846 (2020 - \$18,440). The Corporation expects to recognize approximately \$22,285 (2020 - \$14,579) of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and \$8,561 (2020 - \$3,861) after twelve months.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



## 11. Property, plant and equipment

Cost	Freehold land	Buildings	Plant and equipment	Assets under construction	Total
<b>Balance at January 1, 2020</b>	<b>\$ 8,520</b>	<b>\$ 26,297</b>	<b>\$ 44,013</b>	<b>\$ 1,009</b>	<b>\$ 79,839</b>
Additions	-	-	-	486	486
Disposals	-	-	(1)	-	(1)
Transfers between asset classes	-	158	494	(652)	-
Effect of foreign currency changes	169	639	805	22	1,635
<b>Balance at March 31, 2020</b>	<b>8,689</b>	<b>27,094</b>	<b>45,311</b>	<b>865</b>	<b>81,959</b>
Additions	-	-	44	1,017	1,061
Disposals	-	(16)	(813)	-	(829)
Transfers between asset classes	-	170	1,422	(1,592)	-
Effect of foreign currency exchange	(205)	(777)	(1,015)	(46)	(2,043)
<b>Balance at December 31, 2020</b>	<b>8,484</b>	<b>26,471</b>	<b>44,949</b>	<b>244</b>	<b>80,148</b>
Additions	-	-	-	276	276
Disposals	-	-	(62)	-	(62)
Transfers between asset classes	-	-	420	(420)	-
Effect of foreign currency changes	(22)	(84)	(120)	-	(226)
<b>Balance at March 31, 2021</b>	<b>\$ 8,462</b>	<b>\$ 26,387</b>	<b>\$ 45,187</b>	<b>\$ 100</b>	<b>\$ 80,136</b>

### Accumulated Depreciation

<b>Balance at January 1, 2020</b>	<b>\$ -</b>	<b>\$ 12,344</b>	<b>\$ 32,465</b>	<b>\$ -</b>	<b>\$ 44,809</b>
Depreciation expense	-	291	465	-	756
Disposals	-	-	(1)	-	(1)
Effect of foreign currency changes	-	382	504	-	886
<b>Balance at March 31, 2020</b>	<b>-</b>	<b>13,017</b>	<b>33,433</b>	<b>-</b>	<b>46,450</b>
Depreciation expense	-	876	1,348	-	2,224
Disposals	-	(16)	(795)	-	(811)
Effect of foreign currency changes	-	(476)	(639)	-	(1,115)
<b>Balance at December 31, 2020</b>	<b>-</b>	<b>13,401</b>	<b>33,347</b>	<b>-</b>	<b>46,748</b>
Depreciation expense	-	288	439	-	727
Disposals	-	-	(54)	-	(54)
Effect of foreign currency changes	-	(52)	(73)	-	(125)
<b>Balance at March 31, 2021</b>	<b>\$ -</b>	<b>\$ 13,637</b>	<b>\$ 33,659</b>	<b>\$ -</b>	<b>\$ 47,296</b>

### Net book values

March 31, 2020	\$ 8,689	\$ 14,077	\$ 11,878	\$ 865	\$ 35,509
December 31, 2020	8,484	13,070	11,602	244	33,400
<b>March 31, 2021</b>	<b>8,462</b>	<b>12,750</b>	<b>11,528</b>	<b>100</b>	<b>32,840</b>

Assets under construction as at March 31, 2021 are expected to be available for use in 2021.

Depreciation expense for the three month period ended March 31, 2021, in the amount of \$671 (2020 - \$696) is included in cost of sales, with an amount of \$28 (2020 - \$28) included in selling expenses, and an amount of \$28 (2020 - \$32) included in administrative expenses.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



## 12. Right-of-use assets

Cost	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
<b>Balance at January 1, 2020</b>	<b>\$ 12,339</b>	<b>\$ 888</b>	<b>\$ 243</b>	<b>\$ 371</b>	<b>\$ 24</b>	<b>\$ 13,865</b>
Disposals	-	(51)	-	-	-	(51)
Effect of foreign currency changes	256	29	11	23	2	321
<b>Balance at March 31, 2020</b>	<b>12,595</b>	<b>866</b>	<b>254</b>	<b>394</b>	<b>26</b>	<b>14,135</b>
Additions	44	168	-	-	-	212
Disposals	-	(145)	-	(168)	-	(313)
Effect of foreign currency changes	(312)	(33)	(13)	(28)	(2)	(388)
<b>Balance at December 31, 2020</b>	<b>12,327</b>	<b>856</b>	<b>241</b>	<b>198</b>	<b>24</b>	<b>13,646</b>
Additions	-	75	-	-	-	75
Disposals	-	(107)	(113)	(5)	-	(225)
Effect of foreign currency changes	(34)	(3)	-	(1)	-	(38)
<b>Balance at March 31, 2021</b>	<b>\$ 12,293</b>	<b>\$ 821</b>	<b>\$ 128</b>	<b>\$ 192</b>	<b>\$ 24</b>	<b>\$ 13,458</b>

### Accumulated Depreciation

<b>Balance at January 1, 2020</b>	<b>\$ 5,527</b>	<b>\$ 560</b>	<b>\$ 101</b>	<b>\$ 262</b>	<b>\$ 24</b>	<b>\$ 6,474</b>
Depreciation expense	254	56	11	25	-	346
Disposals	-	(51)	-	-	-	(51)
Effect of foreign currency changes	176	18	7	17	2	220
<b>Balance at March 31, 2020</b>	<b>5,957</b>	<b>583</b>	<b>119</b>	<b>304</b>	<b>26</b>	<b>6,989</b>
Depreciation expense	756	142	33	35	-	966
Disposals	-	(145)	-	(168)	-	(313)
Effect of foreign currency changes	(226)	(24)	(9)	(22)	(2)	(283)
<b>Balance at December 31, 2020</b>	<b>6,487</b>	<b>556</b>	<b>143</b>	<b>149</b>	<b>24</b>	<b>7,359</b>
Depreciation expense	250	43	8	8	-	309
Disposals	-	(107)	(86)	(5)	-	(198)
Effect of foreign currency changes	(26)	(2)	-	(1)	-	(29)
<b>Balance at March 31, 2021</b>	<b>\$ 6,711</b>	<b>\$ 490</b>	<b>\$ 65</b>	<b>\$ 151</b>	<b>\$ 24</b>	<b>\$ 7,441</b>

### Net book values

March 31, 2020	\$ 6,638	\$ 283	\$ 135	\$ 90	\$ -	\$ 7,146
December 31, 2020	5,840	300	98	49	-	6,287
<b>March 31, 2021</b>	<b>5,582</b>	<b>331</b>	<b>63</b>	<b>41</b>	<b>-</b>	<b>6,017</b>

Depreciation expense for the three month period ended March 31, 2021, in the amount of \$209 (2020 - \$230) is included in cost of sales, with an amount of \$64 (2020 - \$79) included in selling expenses, and an amount of \$36 (2020 - \$37) included in administrative expenses.

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## 13. Debt

The Corporation's current debt is due on March 5, 2022 and the debt position as at March 31, 2021, and December 31, 2020, is stated in the following table:

	Mar 31, 2021	Dec 31, 2020
<b>Balance at beginning of period</b>	<b>\$ 7,856</b>	\$ 8,217
Repayments	(92)	(361)
<b>Balance at end of period</b>	<b>\$ 7,764</b>	\$ 7,856

The Corporation is subject to certain covenants on its debt, one of which is a financial covenant to maintain a Debt Service Coverage Ratio of not less than 1.25:1.00. The financial covenant ratio is tested on an annual, year-end basis. The Corporation was in compliance with the financial covenant as at the prior annual reporting period. A test of Debt Service Coverage compliance will be performed as at December 31, 2021.

Estimated principal repayments on debt through to maturity are set out in the table below:

	Mar 31, 2021
Current within 12 months	\$ 7,764
<b>Total</b>	<b>\$ 7,764</b>

## 14. Lease obligations

The Corporation has lease obligations for contracts related to property (land, office space, manufacturing and storage facilities), vehicles, truck and trailers, office equipment and machinery and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the three months period ended March 31, 2021 were between 1.2% and 18.1% (2020 – 1.2% and 18.1%), depending on the duration of the lease.

**14.1** The Corporation's lease obligations as at March 31, 2021, and December 31, 2020, are as stated in the following table:

	Minimum lease payments	
	Mar 31, 2021	Dec 31, 2020
No later than one year	\$ 1,928	\$ 1,972
Later than one year and not later than five years	6,214	6,321
Later than five years	6,320	6,593
Total minimum lease payments	14,462	14,886
Less: amounts representing finance cost	5,789	5,991
<b>Present value of minimum lease payments</b>	<b>\$ 8,673</b>	\$ 8,895

Lease obligations are included in the consolidated balance sheets as follows:

	As at Mar 31, 2021	As at Dec 31, 2020
Current	\$ 1,127	\$ 1,161
Long-term	7,546	7,734
<b>Total</b>	<b>\$ 8,673</b>	\$ 8,895

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## 14.2 Lease obligations

	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
<b>Balance at January 1, 2020</b>	<b>\$ 9,251</b>	<b>\$ 336</b>	<b>\$ 147</b>	<b>\$ 112</b>	<b>\$ -</b>	<b>\$ 9,846</b>
Repayments	(184)	(54)	(10)	(26)	-	(274)
Effect of foreign currency changes	109	12	4	5	-	130
<b>Balance at March 31, 2020</b>	<b>9,176</b>	<b>294</b>	<b>141</b>	<b>91</b>	<b>-</b>	<b>9,702</b>
Additions	44	168	-	-	-	212
Repayments	(674)	(140)	(32)	(36)	-	(882)
Disposals	-	-	-	(1)	-	(1)
Effect of foreign currency changes	(117)	(12)	(4)	(3)	-	(136)
<b>Balance at December 31, 2020</b>	<b>8,429</b>	<b>310</b>	<b>105</b>	<b>51</b>	<b>-</b>	<b>8,895</b>
Additions	-	75	-	-	-	75
Repayments	(198)	(41)	(8)	(9)	-	(256)
Disposals	-	-	(28)	-	-	(28)
Effect of foreign currency changes	(12)	(1)	-	-	-	(13)
<b>Balance at March 31, 2021</b>	<b>\$ 8,219</b>	<b>\$ 343</b>	<b>\$ 69</b>	<b>\$ 42</b>	<b>\$ -</b>	<b>\$ 8,673</b>
Current	\$ 900	\$ 168	\$ 26	\$ 33	\$ -	\$ 1,127
Long-term	7,319	175	43	9	-	7,546
<b>Total</b>	<b>\$ 8,219</b>	<b>\$ 343</b>	<b>\$ 69</b>	<b>\$ 42</b>	<b>\$ -</b>	<b>\$ 8,673</b>

Expense related to short-term leases during the three month period ended March 31, 2021 was \$9 (2020 - \$9).

Total cash outflows for lease payments during the three month period ended March 31, 2021 was \$458 (2020 - \$492).

Finance costs paid relating to lease obligations during the three month period ended March 31, 2021 was \$207 (2020 - \$218).

## 15. Reconciliation of liabilities arising from financing activities

The following table provides a reconciliation between the opening and closing balances for financing activities, including cash and non-cash flows changes:

	Dec 31, 2020	Cash changes		Non-cash changes			Mar 31, 2021
		Borrowings	Repayments	Additions	Disposal	Foreign exchange	
Debt	\$ 7,856	\$ -	\$ (92)	\$ -	\$ -	\$ -	\$ 7,764
Lease obligations	8,895	-	(256)	75	(28)	(13)	8,673
<b>Total</b>	<b>\$ 16,751</b>	<b>\$ -</b>	<b>\$ (348)</b>	<b>\$ 75</b>	<b>\$ (28)</b>	<b>\$ (13)</b>	<b>\$ 16,437</b>

## 16. Issued capital

### 16.1 Normal course issuer bid

In September 2020, the Corporation obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid (the "Bid") program for a 12-month period, which commenced on September 3, 2020 and ends no later than September 2, 2021. The renewal allows the Corporation to purchase up to a maximum of 50,000 of its common shares, representing 0.74% of the Corporation's 6,791,003 issued and outstanding common shares as at August 24,



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2020, subject to daily maximum purchases of 1,000 common shares. The Corporation will purchase from time-to-time its common shares at market prices by means of open market transactions on the Toronto Stock Exchange.

In the quarters ended March 31, 2021 and 2020, the Corporation did not purchase any of its common shares.

## 16.2 Dividends

In the three-month periods ended March 31, 2021 and 2020, the Corporation's Board of Directors declared a regular quarterly dividend of \$0.10 (2020 - \$0.09) per common share which was paid in the month of February in each year, respectively.

The dividend payment in February 2021 amounted to \$680 (2020 - \$602).

## 16.3 Stock options

The Corporation has a stock option plan under which the maximum number of shares issuable is equal to 10% of the number of issued and outstanding common shares. A stock option allows the grantee of the option to acquire common shares of the Corporation, at the strike price established at the time of grant. Options may be exercised at any time from the vesting date to the date of expiry. The strike price of each stock option is determined with reference to the market price of the Corporation's common shares. Each share option converts into one ordinary common share of the Corporation upon exercising. No amounts are paid or payable by the recipient on initial receipt of the option. The options carry neither rights to dividends nor voting rights.

Under PFB's stock option plan, 600,000 stock options have been granted to senior management with an exercise price ranging from \$8.50 to \$11.75. Options granted vest on a graduated schedule and expire ten years subsequent to the grant date. The exercise price of the options was determined with reference to the price of PFB's stock on the Toronto Stock Exchange on the respective grant dates.

The following table sets forth information concerning the inputs used in this model, share options outstanding and exercisable, the weighted average exercise price and the weighted average remaining life as at March 31, 2021:

		Grant date						
Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life (years)	Weighted average risk-free interest rate (%)	Weighted average expected life (years)	Estimated volatility (%)	Expected annual dividend yield (%)	Calculated weighted average fair value per option
369,000	106,500	\$ 8.50	7.00	2.11	9.69	18.04	3.98	\$ 0.76
100,000	20,000	\$ 11.75	8.00	1.76	10.00	16.91	2.72	\$ 1.56
125,000	12,500	\$ 11.75	9.00	0.78	10.00	31.37	3.68	\$ 1.87
<b>594,000</b>	<b>139,000</b>	<b>\$ 9.73</b>	<b>7.59</b>					

At the grant date, each option is measured at the fair value determined using the Black-Scholes option pricing model. The risk-free interest rate is based on Government of Canada bonds with similar duration, at the grant date. The weighted average expected life is based from the grant date to the date on which the option is expected to be exercised. Expected volatility is estimated by considering historic share price volatility over the most recently completed annual reporting period.

Options with vesting requirements have an aggregate fair value of \$676 or \$1.12 per option and are amortized on a straight-line basis over the ten year vesting period with the quarterly amortization amounts reported as compensation expense included as other losses on the income statement with the off-set to equity-settled employee benefits reserves on the balance sheet.

## 17. Financial instruments

### Fair Value Hierarchy

The Corporation, through its financial assets and liabilities, is exposed to a variety of risks that may affect the fair value of its financial instruments with each carrying varying degrees of significance which could affect the Corporation's ability to achieve its strategic objectives of growing its operations and increasing shareholder returns.

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The following fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value of financial instruments classified as FVTPL. The three levels of the fair value hierarchy are described below:

Level 1: Fair value based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Fair value based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Fair value based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The estimated fair value of each class of financial instruments, the methods and assumptions that were used to determine it are as follows:

- The carrying amount of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair value due to the short-term maturity of those instruments.
- Marketable securities – restricted, consist of units of a Canadian REIT which are priced at \$8.10 per unit based on a plan of arrangement and remain in escrow.
- Debt is carried at amortized cost. The estimated fair value of borrowings has been estimated to approximate the amortized cost.

The carrying amounts of the financial instruments are a reasonable approximation of their fair value. A summary of the classifications and carrying values of financial instruments held by the Corporation as at March 31, 2021 and December 31, 2020:

Financial instrument	Hierarchy	Mar 31, 2021	Dec 31, 2020
		Carrying amount	Carrying amount
Cash and cash equivalents	Level 1	\$ 24,996	\$ 32,271
Cash - restricted	Level 1	1,792	2,033
Restricted marketable securities	Level 2	1,483	1,483
Trade receivables	N/A	11,719	10,692
Trade and other payables	N/A	(8,931)	(11,661)
Debt	Level 2	(7,764)	(7,856)

The estimated fair value of each class of financial instruments, the methods and assumptions that were used to determine it are as follows:

- The carrying amount of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair value due to the short-term maturity of those instruments.
- Marketable securities – restricted, consist of units of a Canadian REIT which are priced at \$8.10 per unit based on a plan of arrangement and remain in escrow.
- Debt is carried at amortized cost. The estimated fair value of borrowings has been estimated to approximate the amortized cost.

## 18. Commitments and contingencies

### 18.1 Performance bonds

From time to time, under the terms of certain sales contracts, the Corporation's subsidiaries may be required to provide a performance bond as security. Performance bonds are considered normal practice for suppliers and contractors participating in larger construction projects, usually of a public nature. In the USA, government agencies in certain states have requirements for bonds to be posted when certain types of licensing applications are made in any of those states.

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As at March 31, 2021, the Canadian segment did not have any contracts secured by performance bonds (December 31, 2020 - \$nil). In the USA, performance bonds in the amount of \$644 (December 31, 2020 - \$607) were pledged to various government agencies as at March 31, 2021.

## 18.2 Expenditures for property, plant and equipment

As at March 31, 2021, the Corporation had commitments of \$164 (March 31, 2020 - \$1,068) for purchasing property, plant and equipment and intangible assets.

## 18.3 Utility contracts

The Corporation has entered into physical supply, fixed-price utility contracts with a third party supplier for its own usage as follows:

Utility contract	Region	Usage coverage	Cost	Annual minimum purchase	Term
Electricity	Alberta	100%	\$ 0.06/Kilowatt-hour	3,746,000 Kilowatt-hour	July 1, 2019 - June 30, 2024
Gas	Alberta	100%	\$ 1.69/Gigajoule	80,100 Gigajoule	July 1, 2019 - June 30, 2022

## 18.4 Letters of credit

As at March 31, 2021, letters of credit for \$909 (2020 - \$nil) were outstanding for inventory purchases expected to settle in the second quarter of 2021. The Corporation did not post any cash to collateralize its letter of credit.

## 19. Related party transactions

All related party transactions are constituted in the ordinary course of business and they have been measured at the agreed to exchange amounts which approximate fair value. All transactions with related parties have been approved by the Board of Directors.

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note (see Note 5.3). Details of transactions between the Corporation and other related parties are disclosed below.

### Trading transactions

Related party transactions are constituted in the ordinary business and they have been measured at the agreed to exchange amounts which closely approximate fair value.

In the three months ended March 31, 2021 and 2020, the Corporation had the following trading transactions with related parties:

Related party	Nature of transactions	2021	2020
E. Carruthers Trucking	Transportation services	\$ 281	\$ 312
Aeonian Capital Corporation	Management services	92	87
		\$ 373	\$ 399

The following related party balances were outstanding at the end of the reporting periods:

Related party	Nature of transactions	2021	2020
E. Carruthers Trucking	Transportation services	\$ 61	\$ 55

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## 20. Supplementary cash flow information

### 20.1 Changes in non-cash working capital

Increase (decrease) in:	Three month periods ended March 31	
	2021	2020
Trade receivables	\$ (1,027)	\$ (831)
Inventories	(3,381)	(4,420)
Prepaid expenses	(841)	(767)
Contract costs	(44)	(16)
Trade and other payables	(2,730)	(1,012)
Contract liabilities	1,829	(546)
	<b>\$ (6,194)</b>	<b>\$ (7,592)</b>

### 20.2 Non-cash transactions excluded from the consolidated statement of cash flows

	Three month periods ended March 31	
	2021	2020
Additions of right-of-use assets	\$ 75	\$ -

## 21. Subsequent Events

On April 13, 2021, the Corporation entered into additional physical-supply utility contracts with a third-party supplier for its own usage as follows:

Utility contract	Region	Usage coverage	Cost	Annual minimum purchase	Term
Gas	Ontario	49%	\$ 3.55/Gigajoule	17,155 Gigajoule	June 1, 2021 - May 31, 2022
Gas	Ontario	51%	ICE NGX AB-NIT Same Day 5a + \$0.98/Gigajoule	17,885 Gigajoule	June 1, 2021 - May 31, 2022

On April 19, 2021, the USA segment renewed its credit facility arrangement with a US bank, under the same terms and existing conditions, for a variable rate revolving facility of \$3,000 US dollars. The revolving facility continues to be secured by all inventory and equipment of the USA subsidiary.

As at May 6, 2021, upon the receipt of inventory, the Corporation settled approximately \$200 of letters of credit.