



Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2021 and 2020

Condensed Interim Consolidated Financial Statements (Unaudited)

Notice of non-auditor review of condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2021 and 2020

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three and nine month periods ended September 30, 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: October 22, 2021

Condensed Interim Consolidated Statements of Income

For the three and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2021	2020	2021	2020
Sales	5	\$ 47,981	\$ 41,986	\$ 114,088	\$ 97,737
Cost of sales	7	(34,799)	(26,569)	(84,411)	(67,052)
Gross profit		13,182	15,417	29,677	30,685
Selling expenses		(3,135)	(3,118)	(8,891)	(8,995)
Administrative expenses		(2,232)	(2,317)	(5,940)	(5,956)
Other (losses) gains	16	(44)	(7)	(29)	99
Operating income		7,771	9,975	14,817	15,833
Insurance claim - gain		-	-	-	65
Investment income		5	5	32	55
Finance costs		(264)	(278)	(802)	(850)
Income before taxes		7,512	9,702	14,047	15,103
Income taxes expense		(1,712)	(2,371)	(3,346)	(3,676)
Net income for the period		\$ 5,800	\$ 7,331	\$ 10,701	\$ 11,427
Earnings per share - \$ per share					
Basic	6	\$ 0.85	\$ 1.09	\$ 1.57	\$ 1.70
Diluted	6	\$ 0.81	\$ 1.08	\$ 1.50	\$ 1.68
Weighted average number of common shares outstanding					
Basic	6	6,797,003	6,752,166	6,797,003	6,711,539
Diluted	6	7,118,087	6,855,796	7,120,645	6,807,121

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

Condensed Interim Consolidated Statements of Comprehensive Income

For the three and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars



	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2021	2020	2021	2020
Net income for the period		\$ 5,800	\$ 7,331	\$ 10,701	\$ 11,427
Other comprehensive gain (loss) income:					
Items that may subsequently be reclassified to income:					
Foreign currency translation adjustments					
Exchange differences on translating foreign operations, net of tax		908	(596)	77	683
Other comprehensive gain (loss) income for the period		908	(596)	77	683
Comprehensive income for the period		\$ 6,708	\$ 6,735	\$ 10,778	\$ 12,110

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 September 30, 2021 and 2020, and December 31, 2020

Thousands of Canadian dollars



	Note	September 30, 2021	September 30, 2020	December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	17	\$ 34,088	\$ 29,345	\$ 32,271
Cash - restricted	17	2,467	3,216	2,033
Trade receivables	17	18,342	15,427	10,692
Inventories	7	14,624	11,244	10,061
Prepaid expenses		950	899	546
Contract costs	8	799	403	732
Total current assets		71,270	60,534	56,335
Non-current assets				
Marketable securities - restricted	17	1,483	1,483	1,483
Property, plant and equipment	11	32,050	34,187	33,400
Right-of-use assets	12	5,839	6,498	6,287
Intangible assets		1,341	1,510	1,410
Goodwill		2,242	2,320	2,241
Accrued defined benefit pension plan		37	304	37
Deferred income tax assets		196	355	313
Total non-current assets		43,188	46,657	45,171
Total assets		\$ 114,458	\$ 107,191	\$ 101,506
LIABILITIES				
Current Liabilities				
Trade and other payables	17	\$ 13,350	\$ 10,871	\$ 11,661
Contract liabilities	9	12,660	9,719	7,719
Income taxes payable		414	2,311	1,999
Debt	13, 15, 17	7,578	370	373
Lease obligations	14, 15	1,159	1,153	1,161
Total current liabilities		35,161	24,424	22,913
Non-current liabilities				
Debt	13, 15, 17	-	7,577	7,483
Lease obligations	14, 15	7,336	7,959	7,734
Deferred income tax liabilities		1,208	1,196	1,410
Total non-current liabilities		8,544	16,732	16,627
Total liabilities		43,705	41,156	39,540
SHAREHOLDERS' EQUITY				
Common shares		22,014	22,014	22,014
Equity-settled employee benefits reserve		174	108	125
Accumulated other comprehensive income		2,296	3,821	2,219
Retained earnings		46,269	40,092	37,608
Shareholders' equity		70,753	66,035	61,966
Total liabilities and shareholders' equity		\$ 114,458	\$ 107,191	\$ 101,506

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

Condensed Interim Consolidated Statements of Changes in Equity

As at September 30, 2021 and 2020, and December 31, 2020

Thousands of Canadian dollars, except number of shares



	Common shares			Accumulated other comprehensive income				Retained earnings	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		
Balance at January 1, 2020		6,691,003	\$ 21,012	\$ 1,014	\$ 2,636	\$ 406	\$ 96	\$ 30,480	\$ 55,644
Net income for the period		-	-	-	-	-	-	11,427	11,427
Other comprehensive income for the period, net of tax		-	-	-	683	-	-	-	683
Total comprehensive income for the period		-	-	-	683	-	-	11,427	12,110
Payment of dividends	16	-	-	-	-	-	-	(1,815)	(1,815)
Share-based payment		-	-	45	-	-	-	-	45
Shares issued on exercise of restricted share units	16	100,000	950	(950)	-	-	-	-	-
Shares issued on exercise of stock options	16	6,000	52	(1)	-	-	-	-	51
Balance at September 30, 2020		6,797,003	22,014	108	3,319	406	96	40,092	66,035
Net income for the period		-	-	-	-	-	-	4,993	4,993
Other comprehensive loss for the period, net of tax		-	-	-	(1,453)	-	(149)	-	(1,602)
Total comprehensive (loss) income for the period		-	-	-	(1,453)	-	(149)	4,993	3,391
Payment of dividends		-	-	-	-	-	-	(7,477)	(7,477)
Share-based payment		-	-	17	-	-	-	-	17
Balance at December 31, 2020		6,797,003	22,014	125	1,866	406	(53)	37,608	61,966
Net income for the period		-	-	-	-	-	-	10,701	10,701
Other comprehensive income for the period, net of tax		-	-	-	77	-	-	-	77
Total comprehensive income for the period		-	-	-	77	-	-	10,701	10,778
Payment of dividends	16	-	-	-	-	-	-	(2,040)	(2,040)
Share-based payment		-	-	49	-	-	-	-	49
Balance at September 30, 2021		6,797,003	\$ 22,014	\$ 174	\$ 1,943	\$ 406	\$ (53)	\$ 46,269	\$ 70,753

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

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars



	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period		\$ 5,800	\$ 7,331	\$ 10,701	\$ 11,427
Adjustments for:					
Depreciation expense	11,12	1,023	1,053	3,087	3,244
Amortization expense		37	37	114	110
(Gain) loss on disposal of assets		(27)	1	(58)	(20)
Finance costs		264	278	802	850
Investment income		(5)	(5)	(32)	(55)
Income tax expense		1,712	2,371	3,346	3,676
Share-based payment expense		15	17	49	45
Insurance claim – (gain)		-	-	-	(65)
Unrealized foreign exchange loss (gain)		71	(77)	(23)	78
Changes in non-cash working capital	20	5,411	2,721	(6,054)	(350)
Unrealized foreign exchange (gain) loss relating to non-cash working capital		(5)	14	33	(191)
Cash from operating activities, before income taxes		14,296	13,741	11,965	18,749
Income taxes paid, net		(1,165)	(2,212)	(5,027)	(2,962)
Net cash from operating activities		13,131	11,529	6,938	15,787
CASH FLOWS USED IN INVESTING ACTIVITIES					
(Decrease) in restricted cash balance		(1,078)	(1,606)	(434)	(2,292)
Purchase of property, plant and equipment	11	(202)	(132)	(843)	(1,188)
Purchase of intangible assets		-	-	(45)	(45)
Proceeds from disposal of assets		68	10	114	31
Interest received		5	5	32	55
Net cash used in investing activities		(1,207)	(1,723)	(1,176)	(3,439)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of lease obligations	14,15	(320)	(285)	(871)	(848)
Changes in debt	13,15	(93)	(91)	(278)	(270)
Finance costs		(264)	(278)	(802)	(850)
Proceeds from insurance		-	-	-	65
Proceeds from exercise of stock options		-	51	-	51
Dividends paid to shareholders	16	(680)	(611)	(2,040)	(1,815)
Net cash used in financing activities		(1,357)	(1,214)	(3,991)	(3,667)
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		548	(326)	46	535
Net increase in cash and cash equivalents		11,115	8,266	1,817	9,216
Cash and cash equivalents at the beginning of the period		22,973	21,079	32,271	20,129
Cash and cash equivalents at the end of the period		\$ 34,088	\$ 29,345	\$ 34,088	\$ 29,345

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 and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



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 and nine month periods ended September 30, 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 October 22, 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, 2021 and have been adopted by the Corporation, as applicable. The Corporation has determined the amendments had no material impact on the disclosures or on amounts recognized in the condensed interim consolidated financial statements.

4. Critical accounting estimates and judgments

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



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

There were no significant changes in how accounting estimates or judgements 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 the three and nine month periods ended September 30, 2021 and 2020 are set out below:

Three month periods ended September 30	Sales revenues		Operating income	
	2021	2020	2021	2020
Canada	\$ 26,049	\$ 26,550	\$ 4,594	\$ 6,848
USA	21,932	15,436	3,087	2,909
Totals for segments	\$ 47,981	\$ 41,986	7,681	9,757
Corporate – income			89	219
Foreign exchange gain (loss) on inter-segment settlements			1	(1)
Consolidated operating income			\$ 7,771	\$ 9,975

Nine month periods ended September 30	Sales revenues		Operating income	
	2021	2020	2021	2020
Canada	\$ 67,791	\$ 60,759	\$ 9,978	\$ 10,954
USA	46,297	36,978	4,450	4,365
Totals for segments	\$ 114,088	\$ 97,737	14,428	15,319
Corporate – income			365	520
Foreign exchange gain (loss) on inter-segment settlements			24	(6)
Consolidated operating income			\$ 14,817	\$ 15,833

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 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 Sept 30, 2021	As at Dec 31, 2020
Assets		
Segmented assets	\$ 58,880	\$ 46,869
Assets not allocated to segments:		
Cash and cash equivalents	34,088	32,271
Restricted marketable securities	1,483	1,483
Freehold land and buildings	19,811	20,570
Corporate taxes ¹	196	313
Total assets	\$ 114,458	\$ 101,506
Liabilities		
Segmented liabilities	\$ 27,632	\$ 22,789
Liabilities not allocated to segments:		
Lease obligations	8,495	8,895
Debt	7,578	7,856
Total liabilities	\$ 43,705	\$ 39,540
Net segmented assets		
Canada	\$ 25,758	\$ 18,746
USA	5,490	5,334

¹Deferred taxes.

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2021	2020	2021	2020
Additions to non-current assets:				
Canada	\$ 124	\$ 58	\$ 563	\$ 545
USA	78	74	325	678
Corporate	-	-	-	10
Total	\$ 202	\$ 132	\$ 888	\$ 1,233
	Three month periods ended September 30		Nine month periods ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets:				
Canada	\$ 365	\$ 44	\$ 388	\$ 69
USA	10	-	85	-
Total	\$ 375	\$ 44	\$ 473	\$ 69

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



Depreciation and amortization:

Canada	\$ 586	\$ 599	\$ 1,780	\$ 1,834
USA	215	229	642	730
Corporate	259	262	779	790
Total	\$ 1,060	\$ 1,090	\$ 3,201	\$ 3,354
Inter-segment sales	\$ 4,701	\$ 1,792	\$ 7,257	\$ 4,089

6. Earnings per share

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2021	2020	2021	2020
Net income for the period	\$ 5,800	\$ 7,331	\$ 10,701	\$ 11,427
Weighted average number of common shares outstanding – basic	6,797,003	6,752,166	6,797,003	6,711,539
Effect of:				
Dilutive stock options and restricted share units	321,084	103,630	323,642	95,582
Weighted average number of common shares outstanding – diluted	7,118,087	6,855,796	7,120,645	6,807,121
Earnings per share:				
Basic	\$ 0.85	\$ 1.09	\$ 1.57	\$ 1.70
Diluted	\$ 0.81	\$ 1.08	\$ 1.50	\$ 1.68

7. Inventories

	As at Sept 30, 2021	As at Dec 31, 2020
Raw materials	\$ 8,508	\$ 5,509
Work in progress	3,185	2,042
Finished goods	2,931	2,510
	\$ 14,624	\$ 10,061

The cost of inventories recognized as an expense in cost of sales during the three and nine month periods ended September 30, 2021 was \$38,808 and \$82,176 (2020 - \$22,854 and \$58,115), respectively.

The cost of inventories recognized as an expense during the three and nine month periods ended September 30, 2021, includes \$580 and \$985, respectively, (2020 - \$133 and \$411) 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 the three and nine month periods ended September 30, 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 September 30, 2021 and December 31, 2020.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2021 and 2020

Thousands of Canadian dollars, except per share amounts



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 and nine month periods ended September 30, 2021 was \$202 and \$283 (2020- \$143 and \$255), respectively. 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 \$799 (2020 - \$403).

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				Balance, end of period
	Balance, beginning of period ¹	Current period ²	Current period deposits ³	Beginning of period deposits ⁴	Rebates, net ⁵	Foreign exchange	
Jan 1- Mar 31	\$ 7,719	\$ 6,529	\$ (1,958)	\$ (1,797)	\$ (818)	\$ (127)	\$ 9,548
Apr 1- Jun 30	9,548	7,251	(2,155)	(3,798)	602	(155)	11,293
Jul 1- Sep 30	11,293	12,377	(5,333)	(6,433)	638	118	12,660
2020							
Jan 1- Mar 31	\$ 5,943	\$ 4,251	\$ (2,099)	\$ (1,836)	\$ (1,202)	\$ 340	\$ 5,397
Apr 1- Jun 30	5,397	8,106	(2,437)	(2,768)	360	(258)	8,400
Jul 1- Sep 30	8,400	10,086	(4,622)	(4,535)	467	(77)	9,719

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

² 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.

³ 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.

⁴ 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.

⁵ 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 September 30, 2021 were \$33,182 (2020 - \$21,031). The Corporation estimates it will recognize approximately \$23,662 of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and \$9,520 after twelve months.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 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
Balance at January 1, 2020	\$ 8,520	\$ 26,297	\$ 44,013	\$ 1,009	\$ 79,839
Additions	-	-	8	1,179	1,187
Disposal	-	-	(714)	-	(714)
Transfers between asset classes	-	214	1,034	(1,248)	-
Effect of foreign currency changes	49	187	231	8	475
Balance at September 30, 2020	8,569	26,698	44,572	948	80,787
Additions	-	-	36	324	360
Disposal	-	(16)	(100)	-	(116)
Transfers between asset classes	-	114	882	(996)	-
Effect of foreign currency changes	(85)	(325)	(441)	(32)	(883)
Balance at December 31, 2020	8,484	26,471	44,949	244	80,148
Additions	-	-	-	843	843
Disposal	-	-	(288)	-	(288)
Transfers between asset classes	-	19	651	(670)	-
Effect of foreign currency changes	1	4	13	2	20
Balance at September 30, 2021	\$ 8,485	\$ 26,494	\$ 45,325	\$ 419	\$ 80,723

Accumulated Depreciation

Balance at January 1, 2020	\$ -	\$ 12,344	\$ 32,465	\$ -	\$ 44,809
Depreciation expense	-	876	1,370	-	2,246
Disposal	-	-	(703)	-	(703)
Effect of foreign currency changes	-	108	140	-	248
Balance at September 30, 2020	-	13,328	33,272	-	46,600
Depreciation expense	-	291	443	-	734
Disposal	-	(16)	(93)	-	(109)
Effect of foreign currency changes	-	(202)	(275)	-	(477)
Balance at December 31, 2020	-	13,401	33,347	-	46,748
Depreciation expense	-	859	1,299	-	2,158
Disposal	-	-	(252)	-	(252)
Effect of foreign currency changes	-	5	14	-	19
Balance at September 30, 2021	\$ -	\$ 14,265	\$ 34,408	\$ -	\$ 48,673

Net book values

September 30, 2020	\$ 8,569	\$ 13,370	\$ 11,300	\$ 948	\$ 34,187
December 31, 2020	8,484	13,070	11,602	244	33,400
September 30, 2021	8,485	12,229	10,917	419	32,050

Assets under construction as at September 30, 2021 are expected to be available for use in 2022.

Depreciation expense for the three and nine month periods ended September 30, 2021, in the amounts of \$655 and \$1,993 (2020 - \$696 and \$2,090) is included in cost of sales, with amounts of \$29 and \$84 (2020 - \$28 and \$84) included in selling expenses, and amounts of \$26 and \$81 (2020 - \$14 and \$72) included in administrative expenses, respectively.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 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
Balance at January 1, 2020	\$ 12,339	\$ 888	\$ 243	\$ 371	\$ 24	\$ 13,865
Additions	-	69	-	-	-	69
Disposal	-	(97)	-	(19)	-	(116)
Effect of foreign currency changes	75	10	3	7	1	96
Balance at September 30, 2020	12,414	870	246	359	25	13,914
Additions	44	99	-	-	-	143
Disposal	-	(99)	-	(149)	-	(248)
Effect of foreign currency changes	(131)	(14)	(5)	(12)	(1)	(163)
Balance at December 31, 2020	12,327	856	241	198	24	13,646
Additions	340	163	-	-	-	503
Disposal	(35)	(176)	(113)	(6)	-	(330)
Effect of foreign currency changes	1	-	1	-	-	2
Balance at September 30, 2021	\$ 12,633	\$ 843	\$ 129	\$ 192	\$ 24	\$ 13,821

Accumulated Depreciation

Balance at January 1, 2020	\$ 5,527	\$ 560	\$ 101	\$ 262	\$ 24	\$ 6,474
Depreciation expense	760	152	33	53	-	998
Disposal	-	(97)	-	(18)	-	(115)
Effect of foreign currency changes	47	5	2	4	1	59
Balance at September 30, 2020	6,334	620	136	301	25	7,416
Depreciation expense	250	46	11	7	-	314
Disposal	-	(99)	-	(150)	-	(249)
Effect of foreign currency changes	(97)	(11)	(4)	(9)	(1)	(122)
Balance at December 31, 2020	6,487	556	143	149	24	7,359
Depreciation expense	748	135	21	25	-	929
Disposal	(35)	(176)	(93)	(6)	-	(310)
Effect of foreign currency changes	4	(1)	1	-	-	4
Balance at September 30, 2021	\$ 7,204	\$ 514	\$ 72	\$ 168	\$ 24	\$ 7,982

Net book values

September 30, 2020	\$ 6,080	\$ 250	\$ 110	\$ 58	-	\$ 6,498
December 31, 2020	5,840	300	98	49	-	6,287
September 30, 2021	5,429	329	57	24	-	5,839

Depreciation expense for the three and nine month periods ended September 30, 2021, in the amounts of \$212 and \$630 (2020 - \$214 and \$668) is included in cost of sales, with amounts of \$65 and \$193 (2020 - \$65 and \$221) included in selling expenses, and amounts of \$36 and \$106 (2020 - \$36 and \$109) included in administrative expenses, respectively.

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13. Debt

The Corporation's current debt position as at September 30, 2021, and December 31, 2020 is stated in the following table:

	Sept 30, 2021	Dec 31, 2020
Balance at beginning of period	\$ 7,856	\$ 8,217
Repayments	(278)	(361)
Balance at end of period	\$ 7,578	\$ 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:

	Sept 30, 2021
Current within 12 months	\$ 7,578
Total	\$ 7,578

14. Lease obligations

14.1 The Corporation's lease obligations as at September 30, 2021, and December 31, 2020, are as stated in the following table:

	Minimum lease payments	
	Sept 30, 2021	Dec 31, 2020
No later than one year	\$ 1,949	\$ 1,972
Later than one year and not later than five years	6,095	6,321
Later than five years	5,877	6,593
Total minimum lease payments	13,921	14,886
Less: amounts representing finance cost	(5,426)	(5,991)
Present value of minimum lease payments	\$ 8,495	\$ 8,895

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

	Sept 30, 2021	Dec 31, 2020
Current	\$ 1,159	\$ 1,161
Long-term	7,336	7,734
Total	\$ 8,495	\$ 8,895

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14.2 Lease obligations

	Property	Vehicles	Truck and trailers	Office equipment	Total
Balance at January 1, 2020	\$ 9,251	\$ 336	\$ 147	\$ 112	\$ 9,846
Additions	-	69	-	-	69
Repayments	(613)	(150)	(31)	(54)	(848)
Disposal	-	-	-	(1)	(1)
Effect of foreign currency changes	37	5	1	3	46
Balance at September 30, 2020	8,675	260	117	60	9,112
Additions	44	99	-	-	143
Repayments	(245)	(44)	(11)	(8)	(308)
Disposal	-	-	-	-	-
Effect of foreign currency changes	(45)	(5)	(1)	(1)	(52)
Balance at December 31, 2020	8,429	310	105	51	8,895
Additions	340	163	-	-	503
Repayments	(691)	(133)	(21)	(26)	(871)
Disposal	-	-	(28)	-	(28)
Effect of foreign currency changes	(4)	-	-	-	(4)
Balance at September 30, 2021	\$ 8,074	\$ 340	\$ 56	\$ 25	\$ 8,495
Current	930	180	26	23	1,159
Long-term	7,144	160	30	2	7,336
Total	\$ 8,074	\$ 340	\$ 56	\$ 25	\$ 8,495

The Corporation has lease obligations for contracts related to property (land, office space, manufacturing and storage facilities), vehicles, truck and trailers and office 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 September 30, 2021 were between 1.2% and 18.1%, depending on the duration of the lease.

Expenses related to short-term leases during the three and nine month periods ended September 30, 2021 were \$13 and \$31 (2020 - \$11 and \$30), respectively. Expense related to low value leases during the three and nine month periods ended September 30, 2021 were \$nil and \$1 (2020 - \$nil and \$1), respectively.

Total cash outflows for lease payments during the three and nine month periods ended September 30, 2021 were \$522 and \$1,484 (2020 - \$496 and \$1,494), respectively.

Finance costs paid relating to lease obligations during the three and nine month periods ended September 30, 2021 were \$202 and \$613 (2020 - \$212 and \$646), respectively.

15. Reconciliation of liabilities arising from financing activities

The following table provides 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			Sept 30, 2021
		Borrowings	Repayments	Additions	Disposal	Foreign exchange	
Debt	\$ 7,856	\$ -	\$ (278)	\$ -	\$ -	\$ -	\$ 7,578
Lease obligations	8,895	-	(871)	503	(28)	(4)	\$ 8,495
	\$ 16,751	\$ -	\$ (1,149)	\$ 503	\$ (28)	\$ (4)	\$ 16,073

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16. Issued capital

16.1 Normal course issuer bid

In September 2020, the Corporation obtained approval from the Toronto Stock Exchange (“TSX”) 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, 2020, subject to daily maximum purchases of 1,000 common shares. The Corporation may also make one block purchase per calendar week which exceeds such daily restriction, subject to the rules of the TSX. 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.

The normal course issuer bid expired without renewal on September 2, 2021. It is the policy of management to purchase shares when it enhances the book value of the Corporation’s shares. In the current and comparative nine month periods ended September 30, 2021, the Corporation did not purchase any of its common shares.

16.2 Dividends

In the first quarter of 2021, the Corporation’s board of directors declared a regular quarterly dividend of \$0.10 (2020 - \$0.09) per common share which was paid in February of each year, respectively. The dividend payment in February 2021 amounted to \$680 (2020 - \$602).

In the second quarter of 2021, the Corporation’s board of directors declared a regular quarterly dividend of \$0.10 (2020 - \$0.09) per common share which was paid in May of each year, respectively. The dividend payment in May 2021 amounted to \$680 (2020 - \$602).

In the third quarter of 2021, the Corporation’s board of directors declared a regular quarterly dividend of \$0.10 (2020 - \$0.09) per common share which was paid in August of each year, respectively. The dividend payment in August 2021 amounted to \$680 (2020 - \$611).

16.3 Share-based payments

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 were granted to certain directors and senior management with an exercise price ranging from \$8.50 to \$11.75 per share. Options granted to senior management commence to 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 grant date.

The following table sets forth information concerning the inputs used in this model, share options granted and exercised under the stock option plan as at September 30, 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 (%)	Weighted average fair value per option
369,000	106,500	\$ 8.50	6.50	2.11	9.69	18.04	3.98	\$ 0.76
100,000	20,000	\$ 11.75	7.50	1.76	10.00	16.91	2.72	\$ 1.56
125,000	12,500	\$ 11.75	8.50	0.78	10.00	31.37	3.68	\$ 1.87
594,000	139,000	\$ 9.73	7.09					

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

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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.

The fair value of options granted with immediate vesting have an aggregate fair value of \$20 or \$0.81 per option, and are reported as a compensation expense in other losses, on the grant date, with a corresponding increase in contributed surplus on the balance sheet. Options with vesting requirements have an aggregate fair value of \$442 or approximately \$0.93 per option and are amortized on a straight-line basis over 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.

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 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 September 30, 2021 and December 31, 2020, are stated in the following table:

Financial instrument	Hierarchy	Sept 30, 2021	Dec 31, 2020
		Carrying amount	Carrying amount
Cash and cash equivalents	Level 1	\$ 34,088	\$ 32,271
Cash - restricted	Level 1	2,467	2,033
Restricted marketable securities	Level 2	1,483	1,483
Trade receivables	N/A	18,342	10,692
Trade and other payables	N/A	(13,350)	(11,661)
Debt	Level 2	(7,578)	(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 long-term borrowings has been estimated to approximate the amortized cost.

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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.

As at September 30, 2021, the Canadian segment did not have any performance bonds outstanding (December 31, 2020 - \$nil). In the USA, performance bonds in the amount of \$684 (December 31, 2020 - \$607) were pledged to various government agencies as at September 30, 2021.

18.2 Expenditures for property, plant and equipment

As at September 30, 2021, the Corporation had commitments of \$834 (September 30, 2020 - \$676) for purchasing property, plant and equipment and commitments of \$nil (September 30, 2020 - \$nil) for purchasing 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
Gas	Ontario	100%	\$ 3.55/Gigajoule	35,040 Gigajoule	June 1, 2021 - May 31, 2022

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 closely 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

In the three months ended September 30, 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	\$ 800	\$ 561
Aeonian Capital Corporation	Management services	87	87
		\$ 887	\$ 648

Related party balances outstanding at the end of the reporting periods, are:

Related party	Nature of transactions	2021	2020
E. Carruthers Trucking	Transportation services	\$ 97	\$ 78

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20. Supplementary cash flow information

20.1 Changes in non-cash working capital

Increase (decrease)	Three month periods ended September 30		Nine month periods ended September 30	
	2021	2020	2021	2020
Trade receivables	\$ 705	\$ 406	\$ 7,650	\$ 4,681
Inventories	(3,976)	(1,995)	4,563	(354)
Prepaid expenses	(437)	(352)	404	430
Contract costs	(79)	(100)	67	(84)
Trade and other payables	(257)	639	(1,689)	(547)
Contract liabilities	(1,367)	(1,319)	(4,941)	(3,776)
	\$ (5,411)	\$ (2,721)	\$ 6,054	\$ 350

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

	Three month period ended September 30		Nine month period ended September 30	
	2021	2020	2021	2020
Right-of-use assets acquired with lease obligations	\$ 405	\$ 44	\$ 503	\$ 69