Third Quarter Report 2017

For the three and nine month periods ended September 30, 2017 and 2016

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Management's discussion and analysis (MD&A)

The following discussion and analysis of the consolidated results of operations and financial condition of PFB Corporation ("PFB" or the "Corporation") should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2017 and 2016 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2016.

PFB's unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2017 and 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

Management is required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and assumptions are reasonably based on information available at the time that such estimates and assumptions were made. These estimates and assumptions have been discussed with the Audit Committee of the Board of Directors of the Corporation. Actual results may differ under different assumptions and conditions.

This MD&A has been prepared as of October 26, 2017. All figures in this MD&A are stated in thousands of Canadian dollars, except where stated otherwise.

1. Advisory regarding forward looking statements

Securities laws encourage public issuers to disclose forward-looking information in their management's discussion and analysis (MD&A) so that investors can get a better understanding of future prospects and make informed investment decisions. Forward-looking information and statements included in this interim MD&A about PFB's objectives and management's expectations, beliefs, intentions or strategies for the future are not guarantees of future performance and should not be unduly relied upon.

All forward-looking statements reflect management's current views as at October 26, 2017, with respect to future events, and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and assumptions include, but are not limited to: general economic conditions; the cost and availability of capital; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in raw materials prices; currency exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations can be found in the Risk Management and Assessment section of the Corporation's annual MD&A or in the Risk Factors section of the Annual Information Form for the year ended December 31, 2016.

2. Summary of quarterly financial data

	2017			2016				2015
	Qtr. 3	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**
Sales	**$ 28,649**	$ 29,376	$ 19,487	$ 25,058	$ 28,838	$ 28,480	$ 19,157	$ 24,440
Gross profit	**6,645**	5,473	2,944	5,932	7,434	7,466	3,843	5,203
Gross profit margin %	**23.2**	18.6	15.1	23.7	25.8	26.2	20.1	21.3
Operating income (loss)	**2,273**	745	(1,212)	2,039	3,104	3,130	(6)	1,437
Net income (loss)	**1,519**	412	(890)	1,145	1,936	1,762	(155)	836
Earnings (loss) per share:								
Basic and diluted	**0.23**	0.06	(0.13)	0.17	0.29	0.26	(0.02)	0.12
Adjusted EBITDA [1]	**3,240**	1,762	32	2,996	4,066	4,088	955	2,426
Adjusted EBITDA per share [1]	**0.48**	0.26	-	0.44	0.61	0.61	0.14	0.36

[1] Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-IFRS measures used in the above table of Section 2, along with relevant other notes, are detailed in Section 19 of this MD&A.

3. Consolidated statements of income (unaudited)

	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Sales	**$ 28,649**	$ 28,838	**$ 77,512**	$ 76,475
Cost of sales	**(22,004)**	(21,404)	**(62,450)**	(57,732)
Gross profit	**6,645**	7,434	**15,062**	18,743
Selling expenses	**(2,917)**	(2,791)	**(8,570)**	(8,000)
Administrative expenses	**(1,499)**	(1,561)	**(4,721)**	(4,476)
Other gains (losses)	**44**	22	**35**	(39)
Operating income	**2,273**	3,104	**1,806**	6,228
Gain on sale of marketable securities	**-**	-	**275**	-
Investment income	**21**	56	**90**	172
Finance costs	**(183)**	(354)	**(659)**	(1,067)
Income before taxes	**2,111**	2,806	**1,512**	5,333
Income taxes expense	**(592)**	(870)	**(471)**	(1,790)
Net income for the period	**$ 1,519**	$ 1,936	**$ 1,041**	$ 3,543
Earnings per share - $ per share				
Basic and diluted	**$ 0.23**	$ 0.29	**$ 0.16**	$ 0.53

The Corporation's operations follow seasonal patterns in the construction industry which influences the timing of sales and earnings in the annual reporting cycle. Sales in the first and fourth quarter of each year are typically the lowest in the annual reporting cycle.

4. Consolidated results of operations

Sales

Consolidated sales were $28,649 in the three month period September 30, 2017, a decrease of $189 or 0.7% from sales of $28,838 in the comparative three month period of 2016. The decrease in sales in the current quarter is a result of lower sales in the USA operating segment and a significant appreciation of the Canadian dollar when translating those USA sales into Canadian dollars (see Section 5).

In the nine month period ended September 30, 2017, consolidated sales were $77,512, an increase of $1,037 or 1.4% from sales of $76,475 in the comparative nine month period of 2016. The increased sales are primarily derived from the Canadian operating segment (see Section 5).

Gross profit

Consolidated gross profit was $6,645 in the three month period ended September 30, 2017, as compared to $7,434 in the comparative three month period of 2016, a decrease of $789. Gross profit margin of 23.2% of sales in the current quarter compared to a gross profit margin of 25.8% in Q3/16. The decrease in gross profit margin that persisted in the current quarter occurred in the month of July and was caused by elevated raw material input costs used in manufacturing inventory which commenced in the first quarter, continued into the second quarter and the month of July. By the end of July the majority of inventory affected by these higher costs had been sold. The months of August and September have experienced more normal levels of material costs. The cost of inventories recognized as an expense in cost of sales during three and the nine month periods ended September 30, 2017 was $19,538 and $55,756 contrasted with the comparative 2016 periods of $19,013 and $51,562, respectively. Consolidated gross profit was $15,062 in the nine month period ended September 30, 2017, as compared to $18,743 in comparative nine month period of 2016, or a negative variance of $3,681 and is largely attributable to higher material costs. Gross profit margin of 19.4% of sales in the current nine month period was lower than a gross profit margin of 24.5% reported in the comparative nine month period of 2016 and is primarily attributable to the higher cost of sales from a spike in raw material costs in early 2017.

Selling and administrative expenses

Selling and administrative expenses of $4,416 in the current quarter compared to $4,352 reported in Q3/16, an increase of $64. In the nine month period ended September 30, 2017, selling and administrative expenses of $13,291 compared to operating income of $12,476 reported in the comparative nine month period of 2016, an increase of $815. The increases are related to higher payroll costs as we expand our sales staff and marketing expenses.

Operating income

Operating income of $2,273 in the current quarter compared to operating income of $3,104 reported in Q3/16, an unfavorable variance of $831. Elevated raw material costs, primarily in July 2017, recognized as an expense in cost of sales, increased by approximately $525, when compared to those comparative third quarter periods.

In the nine month period ended September 30, 2017, operating income of $1,806 compared to operating income of $6,228 reported in the comparative nine month period of 2016, a decrease of $4,422. The decrease in operating income was mainly as a result of the increased cost of inventories recognized as an expense in cost of sales by $4,194 during the comparative nine month period of 2017 when compared to 2016.

Income before taxes

In the current quarter, income before taxes of $2,111 was reported as compared to income before taxes of $2,806 in Q3/16. In the nine month period ended September 30, 2017, income before taxes of $1,512 was reported as compared to income before taxes of $5,333 reported in the comparative nine month period of 2016. Increased raw material costs are primarily attributable to decreased income before taxes.

Income taxes

Income tax expense in the current period was $592 as compared to income tax expense of $870 in Q3/16. The effective income tax rate of 31.2%, applied for the nine month period is reasonably representative of the blended tax rate expected for 2017.

Net income

Net income of $1,519 in the current quarter compares to net income of $1,936 reported in the comparative quarter of 2016. In the nine month period ended September 30, 2017, net income was $1,041 compared to net income of $3,543 in the comparative nine month period of 2016. Higher raw material costs and selling expenses resulted in decreased net income.

Earnings per share

Basic earnings per share in the current quarter were $0.23 as compared to earnings per share of $0.29 reported in Q3/16. In the nine month period ended September 30, 2017, earnings per share of $0.16 compares to net income per share of $0.53 reported in the comparative nine month period of 2016.

5. Reportable operating segments

The Corporation has two reportable operating segments. 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:

Operating segments	**Description of segments**
Canada	Manufacturing and sales operations located in Canada for expanded polystyrene (EPS) products and structural insulating panels *Brands*: Plasti-Fab® EPS Product Solutions®; Advantage ICF System®; and Insulspan® SIPS; DuroFoam®
United States of America (USA)	Manufacturing and sales operations located in the USA for EPS products, building systems and structures, design services and installations *Brands*: Plasti-Fab® EPS Product Solutions®; Insulspan® SIPS; DuroSpan™; Riverbend® Timber Framing; Precision Craft® Log & Timber Homes; M.T.N. Design℠; Total Home Solution®; Point Zero™; TimberScape ™

Each operating segment mirrors the Corporation's accounting policies (as described in note 2 to the audited consolidated financial statements for the years ended December 31, 2016 and 2015) and its internal controls and reporting systems.

Segment performance predominantly focuses on the types of goods and services offered and their geographical locations of manufacturing and distribution. 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.

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 revenues and income

Segment sales represent sales revenues directly attributable to each segment after inter-segment sales have been eliminated (see supplemental disclosures in the other segment information table). There are varying levels of integration between each segment.

Segment operating income or loss represents the income or loss reported by each segment excluding any allocations of corporate income or expenses, and foreign exchange gains or losses arising on an inter-segment loan.

Information regarding each reportable operating segment for the three and nine month periods ended September 30, 2017 and 2016, is set out below:

Three month periods ended September 30	**Sales revenues**		**Operating income**	
	2017	**2016**	**2017**	**2016**
Canada	**$ 19,573**	$ 18,955	**$ 1,687**	$ 2,265
USA	**9,076**	9,883	**352**	885
Totals for segments	**$ 28,649**	$ 28,838	**2,039**	3,150
Corporate – income (expense), net			**238**	(48)
Foreign exchange (loss) gain on inter-segment loan			**(4)**	2
Consolidated operating income			**$ 2,273**	$ 3,104

Nine month periods ended September 30	**Sales revenues**		**Operating income**	
	2017	**2016**	**2017**	**2016**
Canada	**$ 51,740**	$ 49,942	**$ 1,202**	$ 4,460
USA	**25,772**	26,533	**397**	1,910
Totals for segments	**$ 77,512**	$ 76,475	**1,599**	6,370
Corporate – income (expense), net			**213**	(130)
Foreign exchange loss on inter-segment loan			**(6)**	(12)
Consolidated operating income			**$ 1,806**	$ 6,228

(a) **Canada**

Sales

Sales generated by the Canadian segment were $19,573 in Q3/17 compared with $18,955 in the comparative Q3/16 period, an increase of 3.3% or $618. In the nine month period ended September 30, 2017 sales were $51,740 an increase of $1,798 or 3.6% over $49,942 in the comparative period. Sales activity remains geographically influenced by regional economic activity, with continued growth or recovery in progress in most markets. Selling price increases from the prior quarter are still being assessed for their full impact.

Operating income

The Canadian segment reported operating income of $1,687 in the current quarter, a decrease of $578 as compared to operating income of $2,265 reported in Q3/16 caused principally by elevated raw material costs. In the nine month period ended September 30, 2017, the Canadian segment reported operating income of $1,202 as compared to operating income of $4,460 in the comparative nine month period of 2016, a negative variance of $3,258 as a result of elevated raw material costs. The decrease in gross profit margin in the current quarter continued in the month of July, affected by elevated raw material input costs used in manufacturing inventory, which commenced in the first quarter and continued into the second quarter. The months of August and September have experienced more normal levels of material costs.

(b) **USA**

Sales

Sales in the USA segment were $9,076 in Q3/17 compared with $9,883 in Q3/16. This is a decrease of $807 or 8.2%. Sales were negatively impacted by a strengthening Canadian dollar, in translation of USA segment sales into consolidated sales which are reported in Canadian dollars. The average foreign exchange rates experienced by the Corporation reflected the appreciation of the Canadian currency from an average rate of $1.30 per US$1.00 in the 2016 comparative quarter to an average rate of approximately $1.25 per US$1.00 in the current quarter.

USA segment sales, expressed in USA dollars were $7,243 in the current quarter or a decline of 4.3% from Q3/16 sales of $7,573. The lower sales in the USA operating segment when converted into Canadian dollars represent an 8% reduction from the comparative period. The recent weather activity in various parts of the USA in the third quarter, has delayed customers' construction schedules and created uncertainty which has led to lower than contracted USA sales in the third quarter. These delays represent timing shifts in delivery dates and management is confident that the orders will be delivered in due course. Massive cleanup and rebuilding efforts related to the natural disasters of hurricanes and wildfires have created inflationary pricing competition and diverted the attention of contractors that are relied upon by the Corporation. This makes scheduling of product deliveries difficult at this time.

Sales in the USA segment decreased from $26,533 in the nine month period of 2016 to $25,772 in the current 2017 nine month period, a decrease of $761 or 2.9%. Appreciation of the Canadian dollar had a negative impact when translating USA segment sales into consolidated results which are reported in Canadian dollars. The average foreign exchange rates experienced by the Corporation was USD/CAD $1.31 during the nine month period ended September 30, 2017 and USD/CAD $1.32 in the 2016 comparative nine month period. Eliminating the effect of foreign exchange fluctuations, sales, expressed in USA dollars, were $19,746 in the 2017 nine month period or 2.2% lower than sales of $20,194 in the comparative 2016 nine month period. The recent weather activity in the third quarter of the USA had negative impact by delaying sales deliveries.

Operating income

The USA segment reported operating income of $352 in the current quarter as compared to operating income of $885 in the comparative quarter of 2016, an unfavourable variance of $533. In the nine month period ended September 30, 2017, the USA segment reported operating income of $397 as compared to an operating income of $1,910 in the comparative nine month period of 2016, an unfavourable variance of $1,513. Eliminating the effects of foreign exchange, the decline is attributable to decreased sales, higher cost of sales and SG&A costs.

5.2 Segment assets and liabilities

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

	As at Sep 30, 2017	As at Dec 31, 2016
Assets		
Segmented assets	**$ 45,904**	$ 51,616
Assets not allocated to segments:		
Cash and cash equivalents	**7,205**	17,171
Freehold land and buildings	**23,605**	7,234
Restricted marketable securities	**1,164**	2,803
Corporate – income taxes	**300**	13
Total assets	**$ 78,178**	$ 78,837
Liabilities		
Segmented liabilities	**$ 16,018**	$ 12,803
Liabilities not allocated to segments:		
Finance lease obligations	**3,210**	14,220
Long-term debt	**8,989**	-
Corporate – income taxes	**-**	168
Total liabilities	**$ 28,217**	$ 27,191
Net segmented assets		
Canada	**$ 23,139**	$ 31,359
USA	**6,747**	7,454

5.3 Other segment information

	Three month periods ended September 30		**Nine month periods ended September 30**	
	2017	**2016**	**2017**	**2016**
Additions to non-current assets:				
Canada	**$ 240**	$ 275	**$ 522**	$ 2,283
USA	**73**	70	**570**	283
Total	**$ 313**	$ 345	**$ 1,092**	$ 2,566
Depreciation and amortization:				
Canada	**$ 504**	$ 635	**$ 1,646**	$ 1,893
USA	**169**	184	**528**	557
Total	**$ 673**	$ 819	**$ 2,174**	$ 2,450
Inter-segment sales	**$ 1,124**	$ 1,723	**$ 4,416**	$ 4,039

6. Liquidity

Sources of liquidity

The Corporation expects its current cash balances, future cash flows generated by operations, and unused credit facilities will be sufficient to fund its ongoing business requirements over the next twelve months, including: working capital; contractual obligations; and payment of regular dividends.

Cash

Cash and cash equivalent balances as at September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	**December 31, 2016**
Cash held with banks	**$ 7,068**	$ 10,067
Short-term investments	**-**	7,067
Restricted cash	**137**	37
	$ 7,205	$ 17,171

PFB's cash balances typically fluctuate with the seasonality of its business. The decrease in cash in the nine month period ended September 30, 2017, was primarily attributed to the purchase of leased property in the first quarter and the repayment of the secured line of credit in the third quarter.

Restricted cash comprises of cash collected from certain customers of the USA segment which is contractually segregated from other cash as it is held for making disbursements to suppliers and service providers specific to those customer's contracts.

Bank credit facilities

The Canadian revolving credit facilities balance as at September 30, 2017 was $nil. During the third quarter, the Corporation repaid the credit facility. Repayments in the third quarter were $1,330. To fund working capital, the Corporation may again draw from the revolving facility.

Summary of cash flows

A summary of cash flows for the three and nine month periods ended September 30, 2017 and 2016 are shown in the following table:

	Three month periods ended September 30		**Nine month periods ended September 30**	
	2017	**2016**	**2017**	**2016**
Net cash flows from (used in):				
Operating activities	**$ 5,190**	$ 4,707	**$ 1,552**	$ 3,126
Investing activities	**(303)**	(270)	**(8,781)**	(2,273)
Financing activities	**(2,127)**	(915)	**(2,372)**	(2,705)
Effect of foreign exchange on cash held in foreign currencies	**(200)**	(98)	**(365)**	(434)
Net increase (decrease) in cash and cash equivalents	**$ 2,560**	$ 3,424	**$ (9,966)**	$ (2,286)
Cash and cash equivalents – beginning of period	**4,645**	10,542	**17,171**	16,252
Cash and cash equivalents – end of period	**$ 7,205**	$ 13,966	**$ 7,205**	$ 13,966

(a) Operating activities

Net cash from operating activities was $5,190 in the current quarter as compared to $4,707 in the comparative quarter of 2016, an increase of $483. Income taxes recovered in the current quarter contrasted with income taxes paid in the comparative quarter, which improved net cash from operating activities. In the nine month period ended September 30, 2017, net cash from operating activities was $1,552 versus net cash from operating activities of $3,126 in the comparative nine month period of 2016, an unfavorable variance of $1,574. Decreased net income contributed to the decreased cash from operating activities to $1,529 but increased to $1,552 as a result of corporate income taxes recovered.

(b) Investing activities

Net cash used in investing activities was $303 in the current quarter as compared to net cash used in investing activities of $270 in Q3/16. In the nine month period ended September 30, 2017, net cash used in investing activities was $8,781 versus net cash used in investing activities of $2,273 in the comparative nine month period of 2016. Investing activities for the nine month period include the repurchase of leased assets of $7,675, capital expenditures of $1,240 for tangible and intangible assets, which were $6,349 higher than capital expenditures for the same nine month period in 2016 of $2,566.

(c) Financing activities

Net cash used in financing activities in the current quarter was $2,127 as compared to net cash used in financing activities of $915 in the comparative quarter of 2016. The full repayment of the credit facility balance of $1,330 resulted in additional net cash used in financing activities during the third quarter.

In the nine month period ended September 30, 2017, net cash flows used in financing activities were $2,372 versus $2,705 in the comparative nine month period of 2016.

The changes in non-cash working capital amounts which occurred in the nine month period ended September 30, 2017 are shown in the following table:

	Sep 30, 2017	**Dec 31, 2016**	**Change**
Trade receivables	**$ 13,156**	$ 7,643	$ 5,513
Inventories	**10,559**	10,010	549
Prepaid expenses	**1,021**	1,111	(90)
Trade and other payables	**(9,172)**	(8,383)	(789)
Deferred revenue	**(4,911)**	(2,821)	(2,090)
	$ 10,653	$ 7,560	$ 3,093

Non-cash working capital increased in the nine month period ended September 30, 2017 by $3,093 to $10,653.

The increased trade receivables balance is reflective of slightly higher sales and the seasonality of the sales cycle.

Inventory values have increased since the beginning of the year to $10,559 which is considered normal in the seasonal operating cycle, and is higher than to Q3/16 inventory levels of $10,489. The finished goods inventory of $3,093 at Q3/17 is higher by $382 than Q3/16 of $2,711 and reflects lower than anticipated third quarter sales revenues by the USA segment.

The increase in trade and other payables of $789 since the beginning of the year is reflective of seasonal increases in operating activities and the timing of when receipts and payments for raw materials occur. Trade and other payables are broadly aligned with normal operating activities.

Deferred revenue has increased in the current nine month period by an aggregate amount of $2,090, reflective of customer deposits received from additional order backlog and design work in the USA segment.

7. Capital resources

Capital structure

The primary objective of the Corporation when managing its capital is to provide a targeted rate of return while safeguarding corporate assets and ensuring the Corporation's ability to continue as a going concern. The basic components of the Corporation's current capital structure are shareholders' equity and long-term debt. The core of the Corporations capital management activities is the successful management of cash and deployment of capital.

The Corporation's capital structure as at September 30, 2017 and December 31, 2016, is outlined in the following table:

	September 30, 2017	**December 31, 2016**
Long-term debt	**$ 8,989**	$ -
Shareholders' equity	**49,961**	51,646
	$ 58,950	$ 51,646

Share capital

The Corporation has one class of publicly traded voting common shares. A summary of the Corporation's share capital position as at September 30, 2017 and December 31, 2016, is set forth in the following table:

	September 30, 2017 (Nine Months)		**December 31, 2016 (Twelve Months)**	
	Number of Common Shares	**Amount**	**Number of Common Shares**	**Amount**
Balance, beginning of period	**6,716,003**	**$ 20,947**	6,716,003	$ 20,947
Balance, end of period	**6,716,003**	**$ 20,947**	6,716,003	$ 20,947

Share-based options

The Corporation does not have any outstanding share-based options.

Dividends

In the first quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.06) per common share which was paid in the month of February in each year, respectively. The dividend payment in February 2017 amounted to $470 (2016 - $403).

In the second quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.07) per common share which was paid in the month of May in each year, respectively. The dividend payment in May 2017 amounted to $470 (2016 - $470).

In the third quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.07) per common share which was paid in the month of August in each year, respectively. The dividend payment in August 2017 amounted to $470 (2016 - $470).

Dividends paid by the Corporation qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit enacted under Canadian tax law.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income or loss, together with certain other economic gains and losses which, collectively, are described as "other comprehensive income" and those items are excluded from the consolidated statements of income.

A summary of comprehensive income (loss) for the three and nine month periods ended September 30, 2017 and 2016 is as follows:

	Three month periods ended September 30		**Nine month periods ended September 30**	
	2017	**2016**	**2017**	**2016**
Net income for the period	**$ 1,519**	$ 1,936	**$ 1,041**	$ 3,543
Other comprehensive (loss) income	**(748)**	387	**(1,316)**	(425)
Comprehensive income (loss) for the period	**$ 771**	$ 2,323	**$ (275)**	$ 3,118

In the third quarter of 2017, comprehensive income was $771 as compared to a comprehensive income of $2,323 in the comparative quarter of 2016. Other comprehensive loss of $748 in the current quarter consisted losses of $679 (Q3/16 – income of $256) attributed to foreign currency translation when consolidating PFB's USA operations, and losses of $69 (Q3/16 – income of $131) representing unrealized losses on restricted marketable securities, net of tax.
Included in accumulated comprehensive income, at September 30, 2017, were foreign currency translation adjustments totaling $2,067, net of tax, marketable securities adjustments of $167, net of tax, and $52 of defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $2,286.

Long-term debt

As at February 28, 2017, the Corporation obtained long-term debt at a fixed interest rate of 3.25% from a Canadian bank to fund the purchase of property in Crossfield, Alberta. The long-term debt is being amortized over a 20 year amortization period and subject to renewal in 5 years. The long-term debt is eligible for prepayment privilege, subject to certain prepayment penalties and is supported by a first mortgage on the Corporation's property. Borrowing and closing costs were expensed as incurred.

The Corporation is subject to certain covenants on its long-term debt, one of which is a financial covenant to maintain a Debt Service Coverage Ratio of not less than 1.25:1. The financial covenant ratio is tested on an annual, year-end basis. A test of Debt Service Coverage compliance will be performed as at December 31, 2017.

During the course of the third quarter and year-to-date, the Corporation repaid $82 and $163, respectively of principal repayments on long-term debt.

8. Commitments and contractual obligations

8.1 Leases and commitments for PP&E and intangible assets

PFB's contractual lease obligations and commitments (excluding long-term debt) as at September 30, 2017 and December 31, 2016, are as outlined in the following table:

Contractual obligations (Payment due periods)	**Total**	**Within 1 year**	**2–3 years**	**4–5 years**	**Over 5 years**
As at September 30, 2017					
Finance lease obligations	**$ 7,473**	**$ 627**	**$ 1,035**	**$ 857**	**$ 4,954**
Operating lease obligations	**9,614**	**1,166**	**1,606**	**1,482**	**5,360**
Commitments for PP&E and intangible assets	**328**	**328**	**-**	**-**	**-**
Total contractual obligations	**$ 17,415**	**$ 2,121**	**$ 2,641**	**$ 2,339**	**$ 10,314**
As at December 31, 2016					
Finance lease obligations	$ 29,692	$ 1,717	$ 3,499	$ 3,345	$ 21,131
Operating lease obligations	15,097	1,562	2,359	2,031	9,145
Commitments for PP&E and intangible assets	215	215	-	-	-
Total contractual obligations	$ 45,004	$ 3,494	$ 5,858	$ 5,376	$ 30,276

Finance lease obligations in the above table represent the aggregate outstanding principal amounts and related finance costs. Long-term debt principal repayments are in Note 8 of the consolidated financial statements.

8.2 Performance bonds

As at September 30, 2017, the Canadian segment did not have any performance bonds outstanding (December 31, 2016 - $nil). In the USA, performance bonds in the amount of $623 were pledged to various government agencies as at September 30, 2017 (December 31, 2016 - $691).

9. Financial instruments

The Corporation holds marketable securities in the form of units of a Canadian REIT which is the landlord of certain buildings being leased. The units are restricted as they have been pledged as security for minimum rent obligations for a period of ten years during which time they will be held in an escrow account. The units have been classified as long-term restricted marketable securities on the consolidated balance sheet as at September 30, 2017. The units are marked-to-market based on the quoted price of the units at the end of each accounting period with unrealized gains or losses recorded in other comprehensive income, net of tax.

The Canadian REIT currently pays monthly distributions on the units and the distributions flow to the Corporation as they are paid. The distributions have been included in investment income in the consolidated statement of income.

On February 28, 2017, upon closing of the purchase of leased assets from a Canadian REIT, the Corporation received from escrow 318,421 trust units. During the first quarter, the Corporation sold 318,421 trust units for gross proceeds of $1,883, resulting in a gain on items that have been reclassified from the consolidated statement of comprehensive income (loss) in the amount of $275 to the consolidated statement of income (loss). The remaining 183,084 trust units remain in escrow until about March 15, 2023, and continue to result in monthly distributions.

10. Current outlook

Our strategic focus is to achieve consistent sales growth with solid adjusted EBITDA performance. Year-over-year sales growth has occurred in both the third quarter and the nine month periods in the Canadian segment. The order book in the Canadian segment continues to be strong to the end of this year and into early 2018. The curtailment and deferral of operations due to adverse weather sometimes occurs during these periods and thus adds an element of uncertainty.

The United States segment has experienced lower revenues during the year-to-date periods. Bundled product sales, which occur more frequently in the United States segment, sometimes experience a shift in delivery date from period to period, which results in uneven revenue growth and fluctuations. During the course of this year-to-date period, market pressures rooted in Canadian wildfires and Texas Gulf Coast hurricanes, as well as other factors, have precipitated changes in customers' expected delivery schedules, although other elements within the USA Segment remain strong. The United States order book is strong and management is optimistic.

The effects of an increase in our principal resin raw material cost, caused by manufacturing disruptions in the upstream petrochemical supply chain that were experienced in the first half of this year continued to affect operating results in the month of July but their effects were normalized in the latter two months of the current quarter. Management is optimistic that prospects for stabilized gross margins during the balance of 2017 are brighter with styrene spot prices currently comparable to the base level in late 2016, prior to the cost run-up in the first quarter 2017. The price of raw materials has returned to its historical normal pricing. The effects of Hurricane Harvey have been minimal to our raw material costs. During the first quarter, the Corporation implemented price increases with its customers; however, there are timing delays with the implementation of price increases and those financial effects.

The United States dollar foreign exchange rate with the Canadian dollar has experienced volatility in the past twenty-one months but the general trend has been a decline in value by approximately fourteen percent. This decline in value of the United States dollar operates to reduce comparative United States segment revenue values when they are converted into our reporting currency which is the Canadian dollar. Conversely, the majority of our raw material costs are priced in United States dollar terms and the devaluation of the United States dollar has the beneficial effect of reducing the cost of goods sold when they are converted into our reporting currency. Additionally, the devaluation of the United States dollar has reduced the carrying value of assets owned in our United States reporting segment. In the nine month period ended September 30, 2017 this other comprehensive loss item amounted to $1,293, which has reduced Shareholders' equity accordingly. The Corporation, on a net basis, purchases US dollars to fund operations so a higher Canadian dollar valuation is positive for profitability. From a sales growth perspective in Canadian dollar terms, it could be viewed as a short term impediment. Additionally, the revaluation of the Canadian currency is expected to increase the likelihood of competitors importing their products into Canada. We operate in highly competitive markets for EPS products where impulsive competitor actions can create challenging conditions for all participants. Management does not hedge foreign exchange risks in the derivatives markets.

The influence of world crude oil prices on the economies of North America are the largest driver in the outlook for the Corporation. Weak crude oil prices, from historically higher levels, in the longer term have the potential to maintain stabilized raw material costs. Unfortunately the lower oil prices have had the effect of slowing construction demand in certain regional markets, and therefore demand for our products in some of our oil producing regional markets since 2015. There are early signs of economic recovery in some of these oil producing regions; and broadly, the effect of lower oil prices has overall been positive for the general economy that we operate in and in our continuing cost structure.

Our focus on sales growth continues to be in the United States and we remain cautiously optimistic that the positive momentum there will continue. Growing interest in our nationally branded products that are manufactured in the USA has remained strong. Continued growth in the USA housing market would have positive effects on the sale of our bundled insulation products in the United States. Additionally, we continue to search for suitable acquisitions to expand our USA operating segment. We do not expect current controversy over international border trade, the renegotiation of NAFTA and tax reform to have any substantive adverse effect on our operations at this time.

The effect of the previously announced acquisition of our operational site at Crossfield, Alberta has been to reduce cash outlays from approximately $114 to $52, per month and this effect will continue into the future. PFB's balance sheet remains strong and liquid, despite the deployment of approximately $9,670 of treasury cash to complete the Crossfield property acquisition in the first quarter. PFB's focus is to maintain financial strength.

11. Off-balance sheet arrangements

The Corporation does not believe it has any off-balance sheet arrangements (other than what has been reported in this MD&A) that have, or are reasonably likely to have, a current or future material effect on the Corporation's financial condition, results of operations, or liquidity.

12. Disclosure controls and procedures (DC&P)

DC&P are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the chief executive officer (CEO) and the chief financial officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of our DC&P was conducted, as at September 30, 2017, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at September 30, 2017, our DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was effective.

Notwithstanding the foregoing, no absolute assurances can be made that the Corporation's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

13. Internal controls over financial reporting (ICFR)

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external reporting purposes in accordance with IFRS.

All control systems contain inherent limitations, no matter how well designed and operated. As a result, management acknowledges that the Corporation's internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

As at September 30, 2017, the CEO and CFO, assessed the effectiveness of the Corporation's internal control over financial reporting and concluded that it was effective and that no material weaknesses in the Corporation's internal control over financial reporting had been identified.

14. Critical accounting policies and estimates

The Corporation prepares its financial statements in accordance with IFRS, which requires assumptions and estimates to be made. The assumptions and estimates require certain judgments to be made which are based on historical experience, current trends, and all information deemed relevant at the time financial statements are prepared.

The Corporation's annual audited consolidated financial statements for the year ended December 31, 2016 and its 2016 annual MD&A outlined the accounting policies and estimates that are critical to the understanding of the Corporation's results of operations and its businesses.

15. Dividend increase

On October 20, 2017, the Corporation's board of directors increased the regular quarterly dividend by $0.01 per share, resulting in a regular quarterly dividend of $0.08 per common share. The dividend will be paid on November 30, 2017, to shareholders of record at the close of business on November 15, 2017.

16. Related party transactions

There have been no material changes in related party transactions in the three and nine month periods ended September 30, 2017.

17. Risk management and assessment

Detailed descriptions of the Corporation's risk management and assessment can be found in the Corporation's annual MD&A for 2016. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2016.

18. Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs effective for annual periods starting on January 1, 2017:

The following amendments to certain accounting standards were effective for annual periods beginning on or after January 1, 2017 and have been adopted by the Corporation, as applicable:

- **Amendments to IAS 12 *Income Taxes***
  The amendments clarify the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 7 *Statement of Cash Flows***
  The amendments clarify certain amendments to disclose changes in liabilities arising from financing activities.

- **Annual Improvements to IFRS's 2014-2016 Cycle**
  Amendments to IFRS 1 remove short-term exemptions. Amendments to IFRS 12 clarify disclosure requirements that apply to items classified as held for sale, held for distribution or as discontinued operations. Amendments to IAS 12 clarify an election to measure at fair value through profit or loss an investment in an associate or joint venture.

New and revised accounting standards and interpretations, but not yet effective:

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

Proposed Standard	Description	Previous or Related Standard(s)	Effective Date
IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*	A new standard that provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.	IAS 21 – *The Effects of Changes in Foreign Exchange Rates*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 15 – *Revenue from Contracts with Customers*	A single standard on revenue recognition that contains a single model that applies to contracts with a customer and two approaches to recognizing revenue; at a point in time or over a period of time.	IAS 11 - *Construction Contracts*; IAS 18 - *Revenue*; IFRIC 13 - *Customer Loyalty Programmes*; IFRIC 15 - *Agreements for the Construction of Real Estate*; IFRIC 18 - *Transfers of Assets from Customers;* SIC-31 - *Revenue -Barter Transactions Involving Advertising Services*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 9 – *Financial Instruments*	A single financial instrument accounting standard addressing: classification and measurement (Phase I), impairment (Phase II) and hedge accounting (Phase III).	IAS 39; IAS 32; IFRS 7 – *Financial Instruments: Recognition and Measurement; Presentation; Disclosures*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 16 – *Leases*	A new standard on lease accounting that results in substantially all lessee leases being recognized on the statement of financial position.	IAS 17 - *Leases*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.

IFRS 17 – *Insurance Contracts*	A new standard that establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	IFRS 4 – *Insurance Contracts*	Final standard expected in the first half of 2017 for annual periods beginning on or after January 1, 2021, with early adoption.

Amendment Date	Description	Amended Standard(s)	Effective Date
December 8, 2016	The amendments paragraph 57 to clarify when there is a change of use, with a list of examples of evidence in paragraph 57 (a)–(d).	IAS 40 – *Investment Property*	Annual periods beginning on or after January 1, 2018.
September 12, 2016	The amendments provide two options for entities that issue insurance contracts – an overlay approach or a deferral approach.	IFRS 4 – *Insurance Contracts*	Dependent on the application of IFRS 9, with annual periods beginning on or after January 1, 2018.
June 20, 2016	The amendments clarify certain accounting for cash-settled, share-based payment transactions.	IFRS 2 – *Share-based Payments*	Annual periods beginning on or after January 1, 2018.
April 12, 2016	Amendments clarify certain aspects of the standard and provide some transition relief for modified and completed contracts.	IFRS 15 – *Revenue from Contracts with Customers*	Annual periods beginning on or after January 1, 2018.
June 7, 2017	The interpretation clarifies the accounting for uncertainties in income taxes.	IAS 12 – *Income Taxes*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.

Management continues to evaluate the impact of these new standards on the Corporation's consolidated financial statement measurements and disclosures. The Corporation does not anticipate early adoption of any new standards or amendments. The following provides an update to the disclosure from the annual consolidated financial statements for the year ended December 31, 2016:

IFRS 15 – Revenue from Contracts with Customers
The Corporation has finalized the impacts of IFRS 15 and continues with the implementation phase of reviewing disclosure requirements and financial statement presentation. The Corporation's current estimate of the time and effort necessary to complete our implementation plan for IFRS 15 extends into late 2017 and early 2018. No material impact is expected on the Company's consolidated statements of income; however changes are expected in the consolidated balance sheets, upon adoption of IFRS 15.

IFRS 16 – Leases
The Corporation continues to assess the standard, the collection of all leases, and anticipates undertaking an initial scoping assessment subsequent to the implementation of IFRS 15. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The adoption of IFRS 16 will have an impact on the Company's consolidated financial statements.

IFRS 9 – Financial Instruments
The Corporation is currently assessing the standard, which extends into early 2018, and intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018.

19. Non-IFRS Financial Measures

PFB uses measurements primarily based on IFRS as issued by the International Accounting Standards Board and also certain secondary non-IFRS measurements.

The non-IFRS measures used by PFB are considered to be useful as complimentary measures in assessing PFB's financial performance. Non-IFRS measurements do not have a standardized meaning prescribed by IFRS and, as such, are unlikely to be comparable in definition to similar measures presented by other companies.

The definitions of non-IFRS measurements used in this MD&A are stated below:

Measure	**Definition**
Adjusted EBITDA	Represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is an absolute measure of our operating performance and provides an indication of the results generated by our business activities prior to how the activities are financed, how assets are depreciated and amortized, or how results are taxed.
Adjusted EBITDA per share	Adjusted EBITDA divided by the basic weighted average number of shares outstanding in the period.

The following table shows the reconciliation of quarterly net income (loss) to quarterly adjusted EBITDA and related per share amounts for the current quarter and previous seven quarters:

	2017 Q3	**2017 Q2**	**2017 Q1**	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**	**2015 Q4**
Net income (loss) (As per financial statements)	**$ 1,519**	**$ 412**	$ (890)	$ 1,145	$ 1,936	$ 1,762	$ (155)	$ 836
Add back (deduct):								
Income taxes	**592**	**156**	(277)	602	870	1,063	(143)	308
Finance costs	**183**	**196**	280	354	354	355	358	356
Investment income	**(21)**	**(19)**	(50)	(62)	(56)	(50)	(66)	(63)
Depreciation	**934**	**981**	941	932	939	935	942	951
Amortization	**33**	**36**	28	25	23	23	19	38
Adjusted EBITDA	**3,240**	**1,762**	32	2,996	4,066	4,088	955	2,426
Adjusted EBITDA per share	**0.48**	**0.26**	-	0.44	0.61	0.61	0.14	0.36

Adjusted EBITDA was $3,240 in the three month period September 30, 2017, a decrease of $826 from $4,066 in the comparative three month period of 2016. The decreased adjusted EBITDA is primarily a result of decreased net income.

In the nine month period ended September 30, 2017, adjusted EBITDA was $5,034, a decrease of $4,075 from $9,109 in the comparative nine month period of 2016. The decreased adjusted EBITDA is reflective lower net income from higher raw material costs incurred in 2017 compared to the 2016 comparative period.

Condensed Consolidated Financial Statements (Unaudited)

Notice of non-auditor review of condensed consolidated financial statements for the three and nine month periods ended September 30, 2017 and 2016

The accompanying unaudited condensed consolidated financial statements of PFB Corporation for the three and nine month periods ended September 30, 2017 and 2016 are the responsibility of the Corporation's management.

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

Dated: October 26, 2017

Condensed Interim Consolidated Statements of Income

For the three and nine month periods ended September 30, 2017 and 2016
Thousands of Canadian dollars, except per share amounts

	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2017	**2016**	**2017**	**2016**
Sales		**$ 28,649**	$ 28,838	**$ 77,512**	$ 76,475
Cost of sales	6	**(22,004)**	(21,404)	**(62,450)**	(57,732)
Gross profit		**6,645**	7,434	**15,062**	18,743
Selling expenses		**(2,917)**	(2,791)	**(8,570)**	(8,000)
Administrative expenses		**(1,499)**	(1,561)	**(4,721)**	(4,476)
Other gains (losses)		**44**	22	**35**	(39)
Operating income		**2,273**	3,104	**1,806**	6,228
Gain on sale of marketable securities		**-**	-	**275**	-
Investment income		**21**	56	**90**	172
Finance costs		**(183)**	(354)	**(659)**	(1,067)
Income before taxes		**2,111**	2,806	**1,512**	5,333
Income taxes expense		**(592)**	(870)	**(471)**	(1,790)
Net income for the period		**$ 1,519**	$ 1,936	**$ 1,041**	$ 3,543
Earnings per share - $ per share					
Basic and diluted		**$ 0.23**	$ 0.29	**$ 0.16**	$ 0.53
Weighted average number of common shares outstanding					
Basic and diluted		**6,716,003**	6,716,003	**6,716,003**	6,716,003

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

Consolidated Statements of Comprehensive Income (Loss)

For the three and nine month periods ended September 30, 2017 and 2016

Thousands of Canadian dollars

	Note	Three month periods ended September 30 2017	2016	Nine month periods ended September 30 2017	2016
Net income for the period		**$ 1,519**	$ 1,936	**$ 1,041**	$ 3,543
Other comprehensive (loss) income:					
Items that may subsequently be reclassified to income:					
Foreign currency translation adjustments:					
Exchange differences on translating foreign operations, net of tax		**(679)**	256	**(1,293)**	(841)
Restricted available for sale financial assets:					
Unrealized (loss) gain on available for sale financial assets, net of tax	13	**(69)**	131	**(23)**	416
Other comprehensive (loss) income for the period		**(748)**	387	**(1,316)**	(425)
Comprehensive income (loss) for the period		**$ 771**	$ 2,323	**$ (275)**	$ 3,118

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

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

Condensed Interim Consolidated Balance Sheets

As at September 30, 2017 and 2016, and December 31, 2016
Thousands of Canadian dollars

	Note	September 30, 2017	September 30, 2016	December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents		**$ 7,205**	$ 13,966	$ 17,171
Trade receivables	13	**13,156**	11,387	7,643
Inventories	6	**10,559**	10,489	10,010
Income taxes recoverable		**188**	396	505
Prepaid expenses		**1,021**	965	1,111
Total current assets		**32,129**	37,203	36,440
Non-current assets				
Marketable securities - restricted	13	**1,164**	2,763	2,803
Property, plant and equipment	7	**40,550**	35,236	35,041
Intangible assets		**1,404**	1,474	1,496
Goodwill		**2,208**	2,291	2,332
Accrued defined benefit pension plan		**10**	-	10
Deferred income tax assets		**713**	1,018	715
Total non-current assets		**46,049**	42,782	42,397
Total assets		**$ 78,178**	$ 79,985	$ 78,837
LIABILITIES				
Current Liabilities				
Trade and other payables	13	**$ 9,172**	$ 8,700	$ 8,383
Deferred revenue		**4,911**	4,685	2,821
Long-term debt	8,11,13	**336**	-	-
Finance lease obligations	9,11,13	**226**	319	316
Total current liabilities		**14,645**	13,704	11,520
Non-current liabilities				
Long-term debt	8, 11,13	**8,653**	-	-
Finance lease obligations	9, 11,13	**2,984**	13,944	13,904
Deferred operating lease obligations	13	**447**	458	498
Accrued defined benefit pension plan		**-**	180	-
Deferred income tax liabilities		**1,488**	1,256	1,269
Total non-current liabilities		**13,572**	15,838	15,671
Total liabilities		**28,217**	29,542	27,191
SHAREHOLDERS' EQUITY				
Common shares		**20,947**	20,947	20,947
Accumulated other comprehensive income		**2,286**	3,074	3,602
Retained earnings		**26,728**	26,422	27,097
Shareholders' equity		**49,961**	50,443	51,646
Total liabilities and shareholders' equity		**$ 78,178**	$ 79,985	$ 78,837

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

Consolidated Statements of Changes in Equity

As at September 30, 2017 and 2016, and December 31, 2016
Thousands of Canadian dollars, except number of shares

		Common shares		Accumulated other comprehensive income				
	Note	Number of Shares	Share capital	Foreign currency translation adjustments, net of taxes	Unrealized gain (loss) on available for sale assets, net of taxes	Defined benefit pension plan valuation change, net of taxes	Retained earnings	Total
Balances at January 1, 2016		**6,716,003**	**$ 20,947**	**$ 3,785**	**$ (255)**	**$ (31)**	**$ 24,222**	**$ 48,668**
Net income for the period		-	-	-	-	-	3,543	3,543
Other comprehensive (loss) income for the period, net of tax		-	-	(841)	416	-	-	(425)
Total comprehensive (loss) income for the period		-	-	(841)	416	-	3,543	3,118
Payment of dividends	12	-	-	-	-	-	(1,343)	(1,343)
Balances at September 30, 2016		**6,716,003**	**20,947**	**2,944**	**161**	**(31)**	**26,422**	**50,443**
Net income for the period		-	-	-	-	-	1,145	1,145
Other comprehensive income for the period, net of tax		-	-	416	29	83	-	528
Total comprehensive income for the period		-	-	416	29	83	1,145	1,673
Payment of dividends	12	-	-	-	-	-	(470)	(470)
Balances at December 31, 2016		**6,716,003**	**20,947**	**3,360**	**190**	**52**	**27,097**	**51,646**
Net income for the period		-	-	-	-	-	1,041	1,041
Other comprehensive (loss) for the period, net of tax		-	-	(1,293)	(23)	-	-	(1,316)
Total comprehensive (loss) income for the period		-	-	(1,293)	(23)	-	1,041	(275)
Payment of dividends	12	-	-	-	-	-	(1,410)	(1,410)
Balances at September 30, 2017		**6,716,003**	**$ 20,947**	**$ 2,067**	**$ 167**	**$ 52**	**$ 26,728**	**$ 49,961**

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

Condensed Interim Consolidated Statement of Cash Flows

For the three and nine month periods ended September 30, 2017 and 2016
Thousands of Canadian dollars

	Note	Three month periods ended September 30 2017	2016	Nine month periods ended September 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period		**$ 1,519**	$ 1,936	**$ 1,041**	$ 3,543
Adjustments for:					
Depreciation expense	7	**934**	939	**2,856**	2,816
Amortization expense		**33**	23	**97**	65
Gain on disposal of property, plant and equipment		**(35)**	(1)	**(41)**	(70)
Gain on sale of marketable securities		**-**	-	**(275)**	-
Finance costs		**183**	354	**659**	1,067
Investment income		**(21)**	(56)	**(90)**	(172)
Income tax expense		**592**	870	**471**	1,790
Unrealized foreign exchange loss		**73**	150	**66**	464
Changes in non-cash working capital	16	**1,521**	1,249	**(3,093)**	(3,231)
Changes in deferred operating lease obligations		**11**	21	**(51)**	116
Unrealized foreign exchange (gain) loss relating to non-cash working capital		**(80)**	1	**(111)**	(101)
Cash from operating activities		**4,730**	5,486	**1,529**	6,287
Income taxes recovered (paid), net		**460**	(779)	**23**	(3,161)
Net cash from operating activities		**5,190**	4,707	**1,552**	3,126
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of leased assets	10	**-**	-	**(18,800)**	-
Reclassification of lease obligations related to purchase of leased assets	10, 11	**-**	-	**10,982**	-
Non-cash deferred operating lease obligations related to purchase of leased assets	10	**-**	-	**143**	-
Purchase of property, plant and equipment	7	**(361)**	(308)	**(1,140)**	(2,476)
Purchase of intangible assets		**-**	(37)	**(100)**	(90)
Proceeds from disposal of property, plant and equipment		**37**	19	**44**	121
Interest received		**7**	17	**31**	55
Distributions received from marketable securities		**14**	39	**59**	117
Net cash used in investing activities		**(303)**	(270)	**(8,781)**	(2,273)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of finance lease obligations	11	**(62)**	(91)	**(193)**	(295)
Settlement of finance lease obligation related to purchase of leased assets	11	**-**	-	**(10,982)**	-
Changes in long-term debt, net	8,11	**(82)**	-	**8,989**	-
Changes in bank indebtedness, net	11	**(1,330)**	-	**-**	-
Proceeds from disposal of marketable securities		**-**	-	**1,883**	-
Finance costs paid		**(183)**	(354)	**(659)**	(1,067)
Dividends paid to shareholders	12	**(470)**	(470)	**(1,410)**	(1,343)
Net cash used in financing activities		**(2,127)**	(915)	**(2,372)**	(2,705)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(200)**	(98)	**(365)**	(434)
Net increase (decrease) in cash and cash equivalents		**2,560**	3,424	**(9,966)**	(2,286)
Cash and cash equivalents at the beginning of the period		**4,645**	10,542	**17,171**	16,252
Cash and cash equivalents at the end of the period		**$ 7,205**	$ 13,966	**$ 7,205**	$ 13,966

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

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 100, 2886 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7H9. 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 Minnesota, Michigan, Idaho and Ohio, USA.

2. Statement of compliance

These interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2017 and 2016, 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 interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

These interim condensed consolidated financial statements were approved and authorized for issue by the board of directors of the Corporation at a meeting held on October 26, 2017.

3. Significant accounting policies

3.1 Presentation

These interim condensed consolidated financial statements have been prepared in accordance with the significant accounting policies set out in the Corporation's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

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 construction 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 these reporting periods are not necessarily indicative of the results of operations over a full year cycle.

3.2 Consolidation

The interim condensed 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 New and revised accounting standards and interpretations, but not yet effective:

The following amendments to certain accounting standards were effective for annual periods beginning on or after January 1, 2017 and have been adopted by the Corporation, as applicable:

- **Amendments to IAS 12 *Income Taxes***
  The amendments clarify the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 7 *Statement of Cash Flows***
  The amendments clarify certain amendments to disclose changes in liabilities arising from financing activities.

- **Annual Improvements to IFRS's 2014-2016 Cycle**
  Amendments to IFRS 1 remove short-term exemptions. Amendments to IFRS 12 clarify disclosure requirements that apply to items classified as held for sale, held for distribution or as discontinued operations. Amendments to

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IAS 12 clarify an election to measure at fair value through profit or loss an investment in an associate or joint venture.

3.4 New and revised accounting standards and interpretations, but not yet effective:

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

Proposed Standard	Description	Previous or Related Standard(s)	Effective Date
IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*	A new standard that provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.	IAS 21 – *The Effects of Changes in Foreign Exchange Rates*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 15 – *Revenue from Contracts with Customers*	A single standard on revenue recognition that contains a single model that applies to contracts with a customer and two approaches to recognizing revenue; at a point in time or over a period of time.	IAS 11 - *Construction Contracts*; IAS 18 - *Revenue*; IFRIC 13 - *Customer Loyalty Programmes*; IFRIC 15 - *Agreements for the Construction of Real Estate*; IFRIC 18 - *Transfers of Assets from Customers;* SIC-31 - *Revenue -Barter Transactions Involving Advertising Services*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 9 – *Financial Instruments*	A single financial instrument accounting standard addressing: classification and measurement (Phase I), impairment (Phase II) and hedge accounting (Phase III).	IAS 39; IAS 32; IFRS 7 – *Financial Instruments: Recognition and Measurement; Presentation; Disclosures*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 16 – *Leases*	A new standard on lease accounting that results in substantially all lessee leases being recognized on the statement of financial position.	IAS 17 - *Leases*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.
IFRS 17 – *Insurance Contracts*	A new standard that establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	IFRS 4 – *Insurance Contracts*	Final standard expected in the first half of 2017 for annual periods beginning on or after January 1, 2021, with early adoption permitted.

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Amendment Date	Description	Amended Standard(s)	Effective Date
December 8, 2016	The amendments to paragraph 57 to clarify when there is a change of use, with a list of examples of evidence in paragraph 57 (a)–(d).	IAS 40 – *Investment Property*	Annual periods beginning on or after January 1, 2018.
September 12, 2016	The amendments provide two options for entities that issue insurance contracts – an overlay approach or a deferral approach.	IFRS 4 – *Insurance Contracts*	Dependent on the application of IFRS 9, with annual periods beginning on or after January 1, 2018.
June 20, 2016	The amendments clarify certain accounting for cash-settled, share-based payment transactions.	IFRS 2 – *Share-based Payments*	Annual periods beginning on or after January 1, 2018.
April 12, 2016	Amendments clarify certain aspects of the standard and provide some transition relief for modified and completed contracts.	IFRS 15 – *Revenue from Contracts with Customers*	Annual periods beginning on or after January 1, 2018.
June 7, 2017	The interpretation clarifies the accounting for uncertainties in income taxes.	IAS 12 – *Income Taxes*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.

Management continues to evaluate the impact of these new standards on the Corporation's consolidated financial statement measurements and disclosures. The Corporation does not anticipate early adoption of any new standards or amendments. The following provides an update to the disclosure from the annual consolidated financial statements for the year ended December 31, 2016:

IFRS 15 – Revenue from Contracts with Customers
The Corporation has finalized the impacts of IFRS 15 and continues with the implementation phase of reviewing disclosure requirements and financial statement presentation. The Corporation's current estimate of the time and effort necessary to complete our implementation plan for IFRS 15 extends into late 2017 and early 2018. No material impact is expected on the Company's consolidated financial statements of income; however changes are expected in the consolidated balance sheets, upon adoption of IFRS 15.

IFRS 16 – Leases
The Corporation continues to assess the standard, the collection of all leases, and anticipates undertaking an initial scoping assessment subsequent to the implementation of IFRS 15. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The adoption of IFRS 16 will have an impact on the Company's consolidated financial statements.

IFRS 9 – Financial Instruments
The Corporation is currently assessing the standard, which extends into early 2018, and intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018.

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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.

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 judgments have been determined in the interim periods presented.

5. Segment information

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 the types of goods and services provided and their geographical locations of manufacturing and distribution.

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 revenues and 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 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 or loss represents the income or loss as reported by each segment excluding any allocations for corporate income or expenses and foreign exchange gains or losses arising on an inter-segment loan.

Information regarding each reportable operating segment for three and nine month periods ended September 30, 2017 and 2016 are set out below:

Three month periods ended September 30	**Sales revenues**		**Operating income**	
	2017	**2016**	**2017**	**2016**
Canada	**$ 19,573**	$ 18,955	**$ 1,687**	$ 2,265
USA	**9,076**	9,883	**352**	885
Totals for segments	**$ 28,649**	$ 28,838	**2,039**	3,150
Corporate – income (expense), net			**238**	(48)
Foreign exchange (loss) gain on inter-segment loan			**(4)**	2
Consolidated operating income			**$ 2,273**	$ 3,104

Nine month periods ended September 30	**Sales revenues**		**Operating income**	
	2017	**2016**	**2017**	**2016**
Canada	**$ 51,740**	$ 49,942	**$ 1,202**	$ 4,460
USA	**25,772**	26,533	**397**	1,910
Totals for segments	**$ 77,512**	$ 76,475	**1,599**	6,370
Corporate – income (expense), net			**213**	(130)
Foreign exchange loss on inter-segment loan			**(6)**	(12)
Consolidated operating income			**$ 1,806**	$ 6,228

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5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. 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, 2017	As at Dec 31, 2016
Assets		
Segmented assets	**$ 45,904**	$ 51,616
Assets not allocated to segments:		
Cash and cash equivalents	**7,205**	17,171
Freehold land and buildings	**23,605**	7,234
Restricted marketable securities	**1,164**	2,803
Corporate – income taxes	**300**	13
Total assets	**$ 78,178**	$ 78,837
Liabilities		
Segmented liabilities	**$ 16,018**	$ 12,803
Liabilities not allocated to segments:		
Finance lease obligations	**3,210**	14,220
Long term debt	**8,989**	-
Corporate – income taxes	**-**	168
Total liabilities	**$ 28,217**	$ 27,191
Net segmented assets		
Canada	**$ 23,139**	$ 31,359
USA	**6,747**	7,454

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Additions to non-current assets:				
Canada	**$ 240**	$ 275	**$ 522**	$ 2,283
USA	**73**	70	**570**	283
Total	**$ 313**	$ 345	**$ 1,092**	$ 2,566
Depreciation and amortization:				
Canada	**$ 504**	$ 635	**$ 1,646**	$ 1,893
USA	**169**	184	**528**	557
Total	**$ 673**	$ 819	**$ 2,174**	$ 2,450
Inter-segment sales	**$ 1,124**	$ 1,723	**$ 4,416**	$ 4,039

Thousands of Canadian dollars, except per share amounts

6. Inventories

	As at Sept 30, 2017	As at Dec 31, 2016
Raw materials	**$ 4,681**	$ 4,953
Work in progress	**2,785**	2,106
Finished goods	**3,093**	2,951
	$ 10,559	$ 10,010

The cost of inventories recognized as an expense in cost of sales during the three and nine month periods ended September 30, 2017 was $19,538 and $55,756 (2016 - $19,013 and $51,562), respectively.

The cost of inventories recognized as an expense during the three and nine month periods ended September 30, 2017, includes $65 and $209, respectively, (2016 - $7 and $238) 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, 2017 or 2016.

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 revolving credit facilities were unused as at September 30, 2017 and December 31, 2016.

7. Property, plant and equipment

Cost	Freehold land	Buildings	Plant and equipment	Assets under finance lease	Assets under construction	Total
Balance at January 1, 2016	**$ 3,208**	**$ 12,268**	**$ 39,253**	**$ 15,970**	**$ 670**	**$ 71,369**
Additions	-	-	26	122	2,450	2,598
Disposal of PP&E assets	-	-	(213)	(302)	-	(515)
Transfers between asset classes	-	9	723	-	(732)	-
Effect of foreign currency changes	(103)	(380)	(370)	(22)	-	(875)
Balance at September 30, 2016	**3,105**	**11,897**	**39,419**	**15,768**	**2,388**	**72,577**
Additions	-	9	-	49	475	533
Disposal of PP&E assets	-	-	(38)	(86)	-	(124)
Transfers between asset classes	-	32	722	29	(783)	-
Effect of foreign currency changes	44	162	163	10	1	380
Balance at December 31, 2016	**3,149**	**12,100**	**40,266**	**15,770**	**2,081**	**73,366**
Additions	-	30	42	165	1,068	1,305
Purchase of leased assets	5,432	2,243	-	-	-	7,675
Transfer of leased assets	-	11,745	-	(11,745)	-	-
Disposal of PP&E assets	-	(77)	(153)	(81)	-	(311)
Transfers between asset classes	-	47	2,434	-	(2,481)	-
Effect of foreign currency changes	(133)	(492)	(504)	(34)	(26)	(1,189)
Balance at September 30, 2017	**$ 8,448**	**$ 25,596**	**$ 42,085**	**$ 4,075**	**$ 642**	**$ 80,846**

Thousands of Canadian dollars, except per share amounts

Accumulated Depreciation	Freehold land	Buildings	Plant and equipment	Assets under finance lease	Assets under construction	Total
Balance at January 1, 2016	**$ -**	**$ 5,983**	**$ 26,597**	**$ 2,767**	**$ -**	**$ 35,347**
Depreciation expense	-	544	1,517	755	-	2,816
Disposal of PP&E assets	-	(183)	(281)	-	-	(464)
Effect of foreign currency changes	-	(147)	(204)	(7)	-	(358)
Balance at September 30, 2016	**-**	**6,197**	**27,629**	**3,515**	**-**	**37,341**
Depreciation expense	-	185	511	236	-	932
Disposal of PP&E assets	-	183	60	(361)	-	(118)
Transfers between asset classes	-	-	(26)	26	-	-
Effect of foreign currency changes	-	71	94	5	-	170
Balance at December 31, 2016	**-**	**6,636**	**28,268**	**3,421**	**-**	**38,325**
Depreciation expense	-	884	1,593	379	-	2,856
Transfer of leased assets	-	2,318	-	(2,318)	-	-
Disposal of PP&E assets	-	(77)	(150)	(81)	-	(308)
Effect of foreign currency changes	-	(242)	(315)	(20)	-	(577)
Balance at September 30, 2017	**$ -**	**$ 9,519**	**$ 29,396**	**$ 1,381**	**$ -**	**$ 40,296**
Net book values						
September 30, 2016	$ 3,105	$ 5,700	$ 11,790	$ 12,253	$ 2,388	$ 35,236
December 31, 2016	3,149	5,464	11,998	12,349	2,081	35,041
September 30, 2017	**8,448**	**16,077**	**12,689**	**2,694**	**642**	**40,550**

Assets under construction as at September 30, 2017 are expected to be available for use in 2017.

Depreciation expense for the three and nine month periods ended September 30, 2017, in the amounts of $806 and $2,485 (2016 - $809 and $2,448) is included in cost of sales, with amounts of $87 and $255 (2016 - $96 and $271) included in selling expenses, and amounts of $41 and $116 (2016 - $34 and $97) included in administrative expenses, respectively.

8. Long-term debt

The Corporation's long-term debt position as at September 30, 2017, and December 31, 2016, is stated in the following table:

	Sept 30, 2017	Dec 31, 2016
Balance at beginning of period	**$ -**	$ -
Borrowings	**9,152**	-
Repayments	**(163)**	-
Balance at end of period	**$ 8,989**	$ -

As at February 28, 2017, the Corporation obtained long-term debt from a Canadian bank to fund the purchase of a real estate transaction completed at a fixed interest rate of 3.25%. The long-term debt is being amortized over a 20 year amortization period and subject to renewal within 5 years. The long-term debt is eligible for prepayment privilege, subject to certain prepayment penalties and is supported by the Corporation's property. Borrowing and closing costs were expensed as incurred.

The Corporation is subject to certain covenants on its long-term debt, one of which is a financial covenant to maintain a Debt Service Coverage Ratio of not less than 1.25:1. The financial covenant ratio is tested on an annual, year-end basis. A test of Debt Service Coverage compliance will be performed on December 31, 2017.

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

	Sept 30, 2017
Current within 12 months	$ 336
Due within 12 to 24 months	347
Due within 25 to 36 months	358
Due within 37 to 48 months	370
Due within 49 to 60 months	382
Due after 60 months	7,196
Total	**$ 8,989**

9. Finance lease obligations

The Corporation's finance lease obligations as at September 30, 2017, and December 31, 2016, are as stated in the following table:

	Minimum lease payments	
	Sept 30, 2017	**Dec 31, 2016**
No later than one year	**$ 627**	$ 1,717
Later than one year and not later than five years	**1,892**	6,844
Later than five years	**4,954**	21,131
Total minimum lease payments	**7,473**	29,692
Less: amounts representing finance costs	**4,263**	15,472
Present value of minimum lease payments	**$ 3,210**	$ 14,220

Finance lease obligations are included in the condensed consolidated balance sheets as follows:

	Sept 30, 2017	Dec 31, 2016
Current	**$ 226**	$ 316
Long-term	**2,984**	13,904
Total	**$ 3,210**	$ 14,220

10. Purchase of leased property

On February 28, 2017, the Corporation purchased, under a Right of First Offer ("ROFO") a property which was previously leased from a Canadian real estate income trust ("Canadian REIT"). The lease interest in the property was recorded as an operating lease of land and a finance lease of the buildings. The gross purchase price for the property was $18,822, of which $9,670 was paid in cash and $9,152 was funded through a mortgage on the property obtained from a Canadian financial institution (see Note 8). The Corporation expensed $22 direct costs related to the transaction as incurred.

The transaction resulted in the elimination of all leasing obligations related to the purchased property. In determining the transaction price allocated to land, the Corporation engaged assistance of third party specialists, to determine the fair value related as $5,432.

For accounting purposes, the deferred operating lease obligations on the balance sheet, were eliminated in the amount of $143.

The cost and accumulated depreciation of amounts previously classified as leasehold improvements, for property enhancements installed from March 2013 to February 2017 were reclassified from leasehold improvements to buildings in the amounts of $398 and $343, respectively.

Thousands of Canadian dollars, except per share amounts

At March 15, 2013, the present value of minimum lease payments relating to the finance lease asset was recorded as the finance lease obligation in the amount of $14,220. This balance, through lease payments, decreased to $10,982 on February 28, 2017 and was extinguished on the transaction date.

The land and building assets, along with the mortgage for buildings, have been allocated to the Corporate reportable segment.

11. 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:

		Cash changes			Non-cash changes		
	Dec 31, 2016	**Repayments**	**Settlements**	**Borrowings**	**Additions**	**Foreign exchange**	**Sept 30, 2017**
Bank indebtedness	$ -	$ (2,175)	$ -	$ 2,175	$ -	$ -	**$ -**
Long-term debt	-	(163)	-	9,152	-	-	**8,989**
Finance lease obligations	14,220	(182)	(10,982)	-	165	(11)	**3,210**
Total	**$ 14,220**	**$ (2,520)**	**$ (10,982)**	**$ 11,327**	**$ 165**	**$ (11)**	**$ 12,199**

12. Dividends

In the first quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.06) per common share which was paid in February of each year, respectively. The dividend payment in February 2017 amounted to $470 (2016 - $403).

In the second quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.07) per common share which was paid in May of each year, respectively. The dividend payment in May 2017 amounted to $470 (2016 - $470).

In the third quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.07) per common share which was paid in August of each year, respectively. The dividend payment in August 2017 amounted to $470 (2016 - $470).

13. 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, 2017 and December 31, 2016, are stated in the following table:

Thousands of Canadian dollars, except per share amounts

Financial instrument	Category	Measurement	Hierarchy	Sept 30, 2017 Carrying Amount	Dec 31, 2016 Carrying Amount
Cash and cash equivalents	FVTPL	Fair value	Level 1	**$ 7,205**	$ 17,171
Restricted marketable securities	Available for sale	Fair value	Level 1	**1,164**	2,803
Trade receivables	Loans and receivables	Amortized cost	N/A	**13,156**	7,643
Trade and other payables	Other financial liabilities	Amortized cost	N/A	**(9,172)**	(8,383)
Long-term debt	Other financial liabilities	Amortized cost	Level 2	**(8,989)**	-
Finance lease obligations	Other financial liabilities	Amortized cost	N/A	**(3,210)**	(14,220)
Deferred operating lease obligations	Other financial liabilities	Amortized cost	Level 2	**(447)**	(498)

During the third quarter of 2017, cash transfers between level 1, cash and cash equivalents, and level 2, long-term debt, were measured at fair value (see Note 11).

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, 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 publicly-traded Canadian REIT which are marked-to-market based on the quoted price of the units on the Toronto Stock Exchange at the end of each reporting period.
- Long-term debt is carried at amortized cost. The estimated fair value of long-term borrowings have been estimated to approximate the amortized cost.
- The fair value of the obligations related to buildings and equipment under finance leases is comparable to their carrying amount given that rent is generally at market value.
- Deferred operating lease obligations consist of contracts that specify certain lease incentives and reflect timing differences between amounts expensed on a straight-line basis and when amounts are contractually paid to the lessors. The liability approximates the undiscounted, fair value of lease incentives reversing in the future.

14. Commitments and contingencies

14.1 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 should, in the unlikely event, the subsidiary not fulfil its contractual obligations. 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, 2017, the Canadian segment did not have any performance bonds outstanding (December 31, 2016 - $ none). In the USA, performance bonds in the amount of $623 (December 31, 2016 - $691) were pledged to various government agencies as at September 30, 2017.

14.2 Expenditures for property, plant and equipment

As at September 30, 2017, the Corporation had commitments of $328 (September 30, 2016 - $605) for purchasing property, plant and equipment.

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15. 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.

15.1 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 September 30, 2017 and 2016, the Corporation had the following trading transactions with related parties:

Related party	Nature of transactions	2017	2016
E. Carruthers Trucking	Transportation services	**$ 549**	$ 486
Aeonian Capital Corporation	Management services	**87**	87
		$ 636	$ 573

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

Related party	Nature of transactions	2017	2016
E. Carruthers Trucking	Transportation services	**$ 73**	$ 41

16. Supplementary cash flow information

16.1 Changes in non-cash working capital

	Three month periods ended September 30		Nine month periods ended September 30	
Increase (decrease) in:	**2017**	**2016**	**2017**	**2016**
Trade receivables	**$ (1,157)**	$ (366)	**$ 5,513**	$ 3,852
Inventories	**(1,309)**	(567)	**549**	420
Prepaid expenses	**(299)**	(244)	**(90)**	33
Trade and other payables	**1,482**	(496)	**(789)**	203
Deferred revenue	**(238)**	424	**(2,090)**	(1,277)
	$ (1,521)	$ (1,249)	**$ 3,093**	$ 3,231

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

	Three month period ended September 30		Nine month period ended September 30	
	2017	**2016**	**2017**	**2016**
Property, plant and equipment acquired with finance lease obligations	**$ 92**	$ 73	**$ 165**	$ 122

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