**SUCRO LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This management's discussion and analysis of operations and financial condition for the three and nine months ended September 30, 2023 (the "MD&A") is dated November 29, 2023 and should be read in conjunction with the Sucro Holdings, LLC audited annual consolidated financial statements for the fiscal year ended December 31, 2022 and accompanying notes, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and the accompanying notes. The information presented is based on the historical financial performance of Sucro Holdings, LLC ("Sucro Holdings"), as predecessor to the business of Sucro Limited (the "Company") and does not take into account the Reorganization (as hereinafter defined) or completion of the Offering (as hereinafter defined), both of which were completed subsequent to September 30, 2023. Certain information included herein is forward-looking and based upon current assumptions and anticipated results that are subject to significant risks and uncertainties and speak only as of the date of this MD&A. Should one or more of these uncertainties materialize or should any of the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risk Factors". All references in this MD&A to "we", "us", "our" and "our Company" refer to Sucro Holdings and its subsidiaries. The financial information presented is derived from Sucro Holdings' unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023, and 2022, all of which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All amounts contained herein are in U.S. Dollars ($) except for number of Units, per Unit amounts, number of Equity Appreciation Rights ("EARs") and as otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding. For additional information, readers should also refer to our Final Prospectus and other information filed on www.sedarplus.ca.

## Overview

Sucro Holdings is a growing sugar company that operates throughout the Americas with a primary focus in North America. Sucro Holdings operates a highly integrated and interconnected sugar supply business, utilizing the entire sugar supply chain to service its customers. Sucro Holdings' integrated supply chain includes sourcing raw and refined sugar from countries throughout Latin America and delivering to customers in North America and the Caribbean.

Sucro Holdings operates in multiple sugar industry segments throughout North America, leveraging operational assets with innovative design features to effectively compete against existing industry players. We believe this innovative sugar supply chain model takes advantage of multiple cost factors to produce competitively priced sugar, within the profitable and growing North American sugar industry. Notwithstanding the creation of multiple operational start-ups, Sucro Holdings has achieved significant profitability and steady, predictable growth, as its assets have facilitated entry into profitable business segments, including conventional sugar markets in both Canada and the U.S., and the high growth organic sugar market.

Typically sugar suppliers are categorized as either refiners (selling sugar entirely produced within their own refineries), as "trade houses" (selling sugar exclusively produced by third party refiners and mills), or as “distributors” (that purchase sugar from third parties and seek to add value through light processing or freight logistics services).

Sucro Holdings operates a hybrid or integrated model, which encompasses each of these categories, and seeks to provide the most optimal solution to its customers. Accordingly, Sucro Holdings operates multiple facilities in North America, ranging from fully integrated sugar refineries in Hamilton, Ontario, and Lackawanna, New York, to processing, packaging and storage facilities in University Park, Illinois.

Sucro Holdings has developed its business based on innovation and investment in strategically located refining assets. In both Canada and the United States, Sucro Holdings has developed strong commercial relationships with many leading multinational food and beverage companies. Market consolidation, refinery closures, and substantial freight and logistics cost increases have created significant demand for new and innovative services, supported by modern, efficient and geographically advantaged assets.

Sucro Holdings’ operations are classified into two business segments: Trade and Services. Each of these segments is organized based upon the nature of products and services offered and aligns with Sucro Holdings’ management structure.

*Trade*

The Trade segment focuses on capturing profits through sourcing, merchandising, and managing logistics of sugar. Income from the Trade segment is earned on sugar bought and sold, where a margin is made by capturing a price differential in time, geographical location, or quality. Fixed price purchase and sale commitments, as well as sugar held in inventory, expose Sucro Holdings to risks related to adverse changes in market prices. Sugar prices are typically comprised of two components, futures prices on regulated commodity exchanges and local basis adjustments. Sucro Holdings manages the futures price risk by entering into exchange-traded futures contracts with regulated commodity exchanges or by entering into an offsetting fixed price contract with a counterparty. Regulated commodity exchanges maintain futures markets for the sugar merchandised by Sucro Holdings other than organic or other specialty sugar.

*Services*

Sucro Holdings’ asset-based services business provides tolling (refining, processing, handling, packaging, and quality assurance), storage, and other services primarily to the Trade segment. This allows Sucro Holdings to capture incremental margins on its sugar forward contracts and inventory positions by capturing time, geographical location, and quality pricing differentials.

Sucro Holdings is a Florida Limited Liability Company and is headquartered in Coral Gables, Florida. As at September 30, 2023, Sucro Holdings was privately held and was controlled, indirectly, by its principal shareholder, Jonathan Taylor. Subsequent to September 30, 2023, Sucro Holdings was acquired by Sucro Limited which subsequently completed an initial public offering (“IPO”) effectively taking Sucro Holdings public. See “*Subsequent Events*” for additional information.

## Factors Affecting Our Performance

*Availability of Sugar on Favorable Terms*

The sugar industry is highly competitive. Sugar supply fluctuates year over year depending on weather, energy prices (which dictate how much sugar cane goes into ethanol production), and other factors. While we have longstanding relationships with our suppliers, we must compete each year to secure sugar allocations on competitive terms. In addition, sugar regulations, especially in the U.S., dictate the sugar origins and qualities that are viable at any point in time. Finally, sugar is a relatively inexpensive product. This means that management of the supply chain costs is essential to achieve favorable margins. Our ability to secure sugar on competitive terms from origins that are adequate to fulfill our plants' and customers' needs significantly affects our performance and key performance indicators ("KPIs").

*Effectiveness of Our Hedging and Pricing Strategies*

We manage our overall sugar position through a combination of exchange-traded futures contracts, which we mostly use for variable price contracts (i.e., contracts priced against a market index, plus or minus a differential) and offsetting supply and sales fixed price contracts. Within our overall sugar position, however, we may have market-specific positions that are not hedged against the same market but that reflect the physical execution within our innovative supply chain. Our performance (on a mark-to-market basis) may vary to the extent that we have a net long or short position in our overall book or within a specific market. Moreover, the effectiveness of our hedging and pricing strategy is highly dependent on our counterparties' performance of their contractual obligations as customer or supplier defaults may leave us exposed to a futures or physical position that would need to be covered at then-current market prices. For that reason, we have established counterparty limits and regularly evaluate and monitor our counterparties' risk of default.

*Effective Management of Supply Chain Costs*

Our performance is highly dependent on our ability to control supply chain costs and to keep them within the values forecasted. These costs include freight, storage, delivery, processing, and other logistical costs necessary to bring sugar from its port of origin and deliver it to our customers on the agreed terms.

*Effective Management of Processing Costs at Our Plants*

As our asset-based services segment becomes larger due to the growth of our refining operations, processing costs become more relevant to our overall performance. Processing costs are driven by scale – the higher the output of a plant, the lower the unit cost of sugar refined – as well as by certain variable costs, primarily labor and energy.

*Seasonality*

Historically, our revenues have not been significantly impacted by seasonality in a predictable fashion. On the other hand, forward contracts for any given year, and therefore unrealized gains (losses) on forward contracts, which is included in cost of sales, are typically entered into predominantly in the third and fourth calendar quarters of the preceding year.

## Key Components of Results of Operations

*Revenue*

Revenue is derived primarily from Sucro Holdings' Trade segment through the purchase and sale of sugar, where a margin is made by capturing a price differential in time, geographical location, or quality. Sucro Holdings' physical assets, which include refineries and processing facilities, provide a competitive advantage in capturing these differentials.

Revenue from forward sales contracts with customers is recognized for the contractually stated amount when the contracts are settled, either physically (through delivery of sugar in accordance with the contractual terms) or, to a lesser extent, in cash. Forward sales contracts are typically firm commitments by a customer to buy a certain amount of sugar, delivered at a specified location and meeting certain specifications, over a defined delivery period. Forward sales contracts are typically annual. It is customary for forward sales contracts for any given year to be entered into during the third and fourth quarters of the preceding calendar year.

Sucro Holdings treats its commodity forward contracts, for both purchases and sales, as financial instruments. Forward sales meet the definition of a derivative as their value changes in response to the change in a specified commodity price (sugar), there is no initial net investment, and can be net settled at a future date. The positive value of Sucro Holdings' commodity forward contracts is recorded on the statement of financial position as Unrealized gains (losses) on forward commitments and any increase in the aggregate value of these contracts, which is primarily driven by the increase in the underlying volume committed by Sucro during the period in question (i.e., a growing forward book) are deducted from cost of sales. Revenue also includes sugar futures and options (F&O) trading results, which corresponds to hedging of our physical positions.

*Cost of Sales*

Cost of sales includes the cost of sugar and other direct costs related to the acquisition, transit, processing, and delivery of goods, including costs of the entire logistics chain, such as ocean freight, land freight, sugar processing, additives, customs fees, storage costs, licenses, inspection, and supervision. Cost of sales also includes cargo and credit insurance, foreign exchange hedging results and fees and commissions relating to futures and foreign exchange hedging.

Cost of sales also includes any unrealized gains and losses on Sucro Holdings' forward, futures, and foreign currency contracts as well as mark-to-market adjustments to Sucro Holdings' commodity inventories. Commodity inventories are valued at fair value minus cost to sell. Sucro Holdings treats its commodity forward contracts, for both purchases and sales, as financial instruments. Sucro Holdings uses such commodity forwards, as well as exchange traded futures and foreign exchange contracts, to mitigate the fixed-price exposure inherent in inventory and forward commodity commitments. Sucro Holdings has elected to not designate any of these activities as hedging activities. Therefore, Sucro Holdings marks to market all open forward and futures contracts, as well as its inventory and foreign exchange contracts. Unrealized gains and losses on forward contracts reflect market variations on existing positions, which are subject to strict limits, as well as the growth of Sucro Holdings' operations from period to period (the latter being historically the largest component).

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include the cost of our employees and contractors. This includes administrative, management, sales, operations, futures and hedging, and trading personnel of our Services and Trade segments. Selling, general and administrative expenses also include audit, legal and other professional fees, travel and entertainment, and communication and IT expenses.

*Interest Income and Expense*

Interest income is earned on prepayments to suppliers. Interest expense is incurred in connection with term debt financing fixed assets, such as equipment and real property, and revolving debt financing working capital assets, such as inventory, accounts receivable, and our futures account. While interest rates on term debt are fixed and subject to change only at maturity or refinancing, interest rates applicable to revolving loans are variable and subject to base rate (typically the Secured Overnight Financing Rate ("SOFR")) fluctuations.

## Other Selected Financial Information (Key Performance Indicators) –Non-IFRS Measures

We monitor a number of KPIs to help us evaluate our business, measure our performance, identify trends affecting our business, and formulate strategic plans. The Company has adopted the following non-IFRS measures:

*Adjusted Gross Profit and Adjusted Gross Profit Margin*

Adjusted Gross Profit and Adjusted Gross Profit Margin provide an insight into the performance of our physical operations. We define Adjusted Gross Profit as gross profit, adjusted for the effects of fair-value accounting for commodity forwards, futures (adjusting for any closed-out positions corresponding to physical settlements), foreign exchange contracts, and inventory. We define Adjusted Gross Profit Margin as Adjusted Gross Profit divided by revenue. The most directly comparable IFRS measure for Adjusted Gross Profit is gross profit.

| **Three months Ended September 30** | | **2023** | | **2022** |
|---|---|---|---|---|
| Revenue | $ | 139,041,328 | $ | 84,002,720 |
| Deduct cost of sales | | (121,925,272) | | (65,653,212) |
| Deduct mark to market unrealized positions | | (1,374,541) | | (14,020,067) |
| **Adjusted Gross Profit** | **$** | **15,741,515** | **$** | **4,329,441** |
| **Adjusted Gross Profit Margin** | | **11.3%** | | **5.2%** |

| **Nine months Ended September 30** | | **2023** | | **2022** |
|---|---|---|---|---|
| Revenue | $ | 382,274,474 | $ | 344,799,019 |
| Deduct cost of sales | | (304,449,133) | | (293,993,488) |
| Deduct mark to market unrealized positions | | (35,483,527) | | (26,340,402) |
| **Adjusted Gross Profit** | **$** | **42,341,814** | **$** | **24,465,129** |
| **Adjusted Gross Profit Margin** | | **11.1%** | | **7.1%** |

*EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin*

We define EBITDA as net income (loss) for a period, as reported, before interest, taxes, depreciation and amortization. We define EBITDA Margin as EBITDA divided by revenue. Below is a reconciliation of these measures. Adjusted EBITDA is EBITDA further adjusted to remove transaction costs, stock-based compensation expense, income (loss) from discontinued operations, gain (loss) on derecognition of derivative liabilities, earnings (loss) from equity investment, and the effects of fair-value accounting for commodity forwards, futures (adjusting for any closed-out positions corresponding to physical settlements), foreign exchange contracts, and inventory. We use Adjusted EBITDA as a measure of the profitability of our physical operations as it removes the effects of unrealized and mark-to-market gains and losses. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue. Below is a reconciliation of these measures. The most directly comparable IFRS measure for each of EBITDA and Adjusted EBITDA is net income.

| Three Months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Net Income (Loss) | $ 1,982,711 | $ 9,128,462 |
| Add back interest expense | 5,896,519 | 2,345,662 |
| Add back depreciation expense | 1,139,843 | 751,729 |
| Add back depreciation of right-of-use assets | 208,295 | 224,129 |
| Deduct interest income | (165,509) | (225,407) |
| Add back tax expense | 2,254,195 | 2,205,875 |
| EBITDA | 11,316,055 | 14,430,451 |
| Add back stock-based compensation expense | - | 296,408 |
| Deduct earnings from equity investment | (44,424) | (73,688) |
| Deduct mark to market unrealized positions | (1,374,541) | (14,020,067) |
| Adjusted EBITDA | $ 9,897,090 | $ 633,104 |
| Divide by Revenue | 139,041,328 | 84,002,720 |
| EBITDA Margin | 8.1% | 17.2% |
| Adjusted EBITDA Margin | 7.1% | 0.8% |

| Nine Months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Net Income (Loss) | $ 30,355,003 | $ 19,885,496 |
| Add back interest expense | 15,254,262 | 6,350,712 |
| Add back depreciation expense | 3,311,350 | 1,892,692 |
| Add back depreciation of right-of-use assets | 648,914 | 610,764 |
| Deduct interest income | (364,666) | (436,657) |
| Add back tax expense | 10,378,665 | 8,132,101 |
| EBITDA | $ 59,583,529 | $ 36,435,108 |
| Add back stock-based compensation expense | (570,853) | 2,096,953 |
| Deduct earnings from equity investment | (360,764) | (232,433) |
| Deduct mark to market unrealized positions | (35,483,527) | (26,340,402) |
| Add back equity-based settlement expense | 1,588,018 | - |
| Adjusted EBITDA | $ 24,756,403 | $ 11,959,226 |
| Divide by Revenue | 382,274,474 | 344,799,019 |
| EBITDA Margin | 15.6% | 10.6% |
| Adjusted EBITDA Margin | 6.5% | 3.5% |

*Return on Equity*

Return on equity measures the total return to our equity holders from our physical, trading, and services operations. We define return on equity as net income for a period (annualized, if necessary) divided by total members' equity at the beginning of the period, expressed as a percentage.

| Nine months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Net Income | $ 30,355,003 | $ 19,885,496 |
| Divide by Total Members' Equity at the beginning of period | 109,125,894 | 71,569,847 |
| Return on Equity (nine months) | 27.8% | 27.8% |
| Return on Equity (annualized) | 37.1% | 37.0% |

Our KPIs may be calculated in a manner different than similar metrics used by other companies.

## Selected Annual Information

The following selected financial data for each of the two most recently completed financial years of Sucro Holdings are derived from the audited consolidated annual financial statements of Sucro Holdings.

| Year Ended December 31 | 2022 | 2021 |
|---|---|---|
| Sugar Deliveries (Metric Tons) | 518,557 | 417,456 |
| Revenue | $ 439,254,106 | $ 270,190,540 |
| Cost of sales | 364,792,691 | 229,566,459 |
| Gross Profit | 74,461,415 | 40,624,081 |
| Adjusted gross profit | 40,335,698 | 25,628,466 |
| Adjusted gross profit margin | 9.2% | 9.5% |
| Income From Operations | 50,021,429 | 27,101,943 |
| Income Before Income Taxes | 41,748,875 | 22,463,803 |
| Net Income | 35,719,339 | 18,465,732 |
| Income from continuing operations– per unit (basic) | 5.14 | 3.03 |
| Income from continuing operations– per unit (diluted) | 5.06 | 3.03 |
| Comprehensive Income | 36,066,685 | 18,465,732 |
| EBITDA | 54,669,787 | 29,367,894 |
| Adjusted EBITDA | 22,554,718 | 14,048,607 |
| EBITDA Margin | 12.4% | 10.9% |
| Adjusted EBITDA Margin | 5.1% | 5.2% |
| Total assets | 380,051,612 | 269,316,103 |
| Total non-current liabilities | 60,555,574 | 30,132,539 |
| Total members' equity | 109,125,894 | 71,569,847 |
| Return on equity | 49.9% | 50.8% |
| Adjusted gross profit per metric ton delivered (net of cash settlements) | 77.78 | 61.39 |

## Quarterly Results of Operations

*Three Months Ended September 30, 2023 and September 30, 2022*

| Three Months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Sugar Deliveries (MTs) | 122,243 | 103,436 |
| Revenue | $ 139,041,328 | $ 84,002,720 |
| Cost of sales | 121,925,272 | 65,653,212 |
| Gross Profit | 17,116,056 | 18,349,508 |
| Adjusted gross profit | 15,741,515 | 4,329,441 |
| Adjusted gross profit margin | 11.3% | 5.2% |
| Income From Operations | 9,626,256 | 13,295,158 |
| Income Before Income Taxes | 4,236,906 | 11,334,337 |
| Net Income (Loss) | 1,982,711 | 9,128,462 |
| Income from continuing operations– per unit (basic) | 0.27 | 1.28 |
| Income from continuing operations– per unit (diluted) | 0.27 | 1.25 |
| EBITDA | 11,316,055 | 14,430,451 |
| Adjusted EBITDA | 9,897,090 | 257,933 |
| EBITDA Margin | 8.1% | 17.2% |
| Adjusted EBITDA Margin | 7.1% | 0.3% |
| Return on equity (annualized) | 52.0% | 30.1% |
| Adjusted gross profit per metric ton delivered (net of cash settlements) | 109.95 | 36.60 |

For the three months ended September 30, 2023, customer deliveries increased by 18.2% to 122,243 MTs, from 103,436 MTs in 2022 during the same period, primarily due to higher sugar deliveries from our Hamilton and Lackawanna refineries, as the former reaches its full capacity and the latter ramps up during its first year of operations.

Adjusted EBITDA was $9.9 million for the three months ended September 30, 2023, compared with $0.3 million for the corresponding 2022 period, a $9.6 million increase, mainly as a result of higher Adjusted Gross Profit ($15.7 million for the three months ended September 30, 2023, compared with $4.3 million for the corresponding 2022 period). This improvement was in turn driven by higher Adjusted Gross Profit Margins (11.3% compared with 5.2% for the three months ended September 30, 2023, and 2022, respectively) obtained from our strategic focus on higher margin business at our U.S. and Canada refining and wholesale operations.

EBITDA was $11.3 million for the three months ended September 30, 2023, compared with $14.4 million for the corresponding quarter in fiscal 2022, a 21.6% decrease explained by the $14.0 million unrealized mark-to-market gains on commodity forward contracts in the three months ended September 30, 2022, relating to the Lackawanna refinery forward contract bookings for fiscal 2023, which were recognized in 2022. This growth in our forward contracts in the third quarter of 2022 was not replicated in the same 2023 period since the Lackawanna refinery was already operational (i.e., incremental growth as opposed to growth from zero) and bookings for 2024 have been more gradual during fiscal 2023.

Net income for the three months ended September 30, 2023, amounted to $2.0 million, a decrease of $7.1 million when compared to net income of $9.1 million for the three months ended September

30, 2022. This decrease was driven primarily by lower net unrealized results (a $12.6 million decrease) and higher selling, general and administrative expenses (a $2.4 million increase), and interest expense (a $3.5 million increase).

Revenue for the three months ended September 30, 2023, increased by 65.5% to $139.0 million from $84.0 million for the three months ended September 30, 2022. This was driven primarily by higher average sugar prices during the three months ended September 30, 2023 (due to market conditions) and, to a lesser extent, by increased sugar deliveries, which saw an 18.2% increase year-over-year, mostly as a result of increased sugar deliveries from our Hamilton and Lackawanna refineries, as the former reaches its full capacity and the latter ramps up during its first year of operations.

The composition of Sucro Holdings' revenue for the three-month period ended September 30, 2023, and 2022 was as follows:

| **Three Months Ended September 30** | **2023** | **2022** |
|---|---|---|
| Tolling | $ 182,962 | $ 1,303,487 |
| Warehousing | 275,229 | 314,768 |
| Commodity | 132,290,722 | 83,432,040 |
| Futures and options results | 6,292,415 | (1,047,574) |
| **Total revenue** | **$ 139,041,328** | **$ 84,002,720** |

During the three months ended September 30, 2023, Sucro Holdings' futures and options gains were $6.3 million, compared with a $1.0 million loss for the corresponding 2022 period, a $7.3 million increase relating to gains on our Sugar number 11 futures contract positions. For the same periods, tolling revenues declined by $1.1 million (86.0%), primarily as a result of the shutdown of our Atlanta facility in February 2023, which was mostly used to provide services to a third party, while warehousing revenues remained relatively flat.

The composition of Sucro Holdings' cost of sales for the three-month periods ended September 30, 2023, and 2022 was as follows:

| **Three Months Ended September 30** | **2023** | **2022** |
|---|---|---|
| Purchases | $ 99,190,894 | $ 58,299,759 |
| Production and processing | 11,755,374 | 9,533,079 |
| Logistics/ freight | 7,525,851 | 9,061,637 |
| Labor | 1,987,842 | 1,770,815 |
| Overheads | 2,654,565 | 1,262,000 |
| FX Results | 185,287 | (254,011) |
| Mark to market unrealized positions | (1,374,541) | (14,020,067) |
| **Total cost of sales** | **$ 121,925,272** | **$ 65,653,212** |

Cost of sales for the three months ended September 30, 2023 were $121.9 million, an increase of $56.2 million (85.7%) from $65.7 million for the three months ended September 30, 2022.This increase was primarily due to higher sugar prices (44.0%), higher sales volumes (18.2%), and a decrease in unrealized mark-to-market gains.

Mark-to-market on unrealized positions was $1.4 million for the three months ended September 2023, compared with $14.0 million for the corresponding fiscal 2022 period. The largest driver in this reduction was unrealized mark-to-market losses on commodities forward contracts of $17.4 million in the third quarter of 2023, compared with a $12.9 million gain in 2022. While the 2022 gain was explained by a high volume of forward contract bookings for the Lackawanna refinery, the loss in 2023 is due to the effect of market changes relative to our U.S. positions. These losses were offset by unrealized mark-to-market gains on inventory of $23.9 million (compared with $1.0 gain in 2022), driven by favorable market conditions in the U.S. and Mexico. Unrealized mark-to-market losses on futures positions were $5.1 million in the three months ended September 30, 2023, compared with a gain of $0.1 million in 2022, as we cash settled favorable futures positions during the period in 2023. As at September 30, 2023, Sucro Holdings' had forward positions on 995,516 MT of sugar compared to 913,949 MT as at September 30, 2022, a 8.9% increase primarily driven by the expected higher production levels at our Lackawanna refinery in 2024.

Other factors that increased cost of sales during the three months ended September 30, 2023, compared to the corresponding 2022 period, included production and processing (a $2.2 million or 23.3% increase year over year), labor (a $0.2 million or 12.3% increase year over year), and overheads (a $1.4 million or 110.3% increase year over year), all of which are due to increased production volumes in our new refinery in Lackawanna, which was not in operation during most of fiscal 2022. Offsetting these increases, logistics and freight expense saw a $1.5 million or 16.9% reduction primarily as a result of lower average inbound freight rates in 2023.

Adjusted Gross Profit rose by 263.6%, from $4.3 million for the three months ended September 30, 2022, to $15.7 million for the three months ended September 30, 2023, and Adjusted Gross Profit Margin increased to 11.3% for the three months ended September 30, 2023 (from 5.2% for the three months ended September 30, 2022). This is the result of relatively higher margins on our physical operations across the USA and Canada and the cash settlement of favorably priced supply agreements. As our North American refining operations grow and scale, we expect Adjusted Gross Profit Margin to continue increasing.

The composition of Sucro Holdings' selling, general and administrative expenses for the three-month periods ended September 30, 2023, and 2022 was as follows:

| **Three Months Ended September 30** | **2023** | **2022** |
|---|---|---|
| Administrative expenses | $ 4,649,853 | $ 3,014,866 |
| Selling and distribution expenses | 478,669 | (131,718) |
| Other operating expenses | 1,013,140 | 898,936 |
| Depreciation | 1,139,843 | 751,729 |
| Depreciation of right-of-use assets | 208,295 | 224,129 |
| Equity-based compensation | - | 296,408 |
| **Total Selling, General and Administrative Expenses** | **$ 7,489,800** | **$ 5,054,350** |

Sucro Holdings' selling, general and administrative expenses amounted to $7.5 million for the three months ended September 30, 2023, an increase of $2.4 million (48.2%) when compared to expenses of $5.1 million for the three months ended September 30, 2022. As our operations continue to grow and scale, we expect selling, general and administrative expenses as a percentage of revenue to decrease over time.

Administrative expenses, which include staff payroll, benefits and pension costs, professional fees, insurance, bank service charges and other office expenses increased by $1.6 million (54.2%) from $3.0 million for the three months ended September 30, 2022, to $4.6 million for the three months ended September 30, 2023. The most significant driver of the increase in these expenses is additional personnel expenses at our newly commissioned refinery in Lackawanna, sales staff to support our growing sales volumes, and professional fees for legal and accounting as Sucro Holdings increases the overall size of its operations and prepared for an initial public offering via the Reorganization with Sucro Limited.

During the three months ended September 30, 2023, Sucro Holdings saw an increase in its selling and distribution expenses of $0.6 million, or 463.4%. The marketing campaigns were consistent year over year and the main reason of this increase was related to commissions paid to third parties for sugar origination.

During the three months ended September 30, 2023, other operating expenses, including travel, business taxes and licenses, bad debts, outside labour and IT expenses, amounted to $1.0 million, an increase of $0.1 million (12.7%) when compared to expenses of $0.9 million for the three months ended September 30, 2022.

Depreciation expense for Sucro Holdings' property, plant, and equipment amounted to $1.1 million for the three months ended September 30, 2023, an increase of $0.4 million, or 51.6% compared to $0.8 million for the three months ended September 30, 2022. This increase was due to significant investments in capital assets in 2022 and into 2023, especially in our Lackawanna refinery.

For the three months ended September 30, 2023, Sucro Holdings incurred no equity-based compensation expense, compared to $0.3 million in fiscal 2022.

During the three months ended September 30, 2023, Sucro Holdings incurred interest expense of $5.9 million, an increase of $3.5 million, or 151.4%, when compared to interest expense of $2.3 million during the three months ended September 30, 2022. The increase is a combination of increases to Sucro Holdings' overall borrowings, primarily to fund inventory and accounts receivable, but also an overall increase in the SOFR rate by 233 basis points in the U.S. from September 30, 2022, to September 30, 2023, which affects Sucro's short-term financial liabilities.

Sucro Holdings' current and deferred income tax expense increased by $0.1 million from $2.2 million for the three months ended September 30, 2022, to $2.3 million for the three months ended September 30, 2023. The Company recognized $1.5 million in current income tax during the three months ended September 30, 2023, owing to deductions that reduced current taxable income. Deferred tax expense of $0.8 million resulted from temporary differences arising from unrealized gains on inventory and forward, futures and foreign exchange contracts, as well as from the difference between accounting and tax depreciation rates and methods of property, plant, and equipment.

*Nine months Ended September 30, 2023 and September 30, 2022*

| Nine months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Sugar Deliveries (MTs) | 380,895 | 436,610 |
| Revenue | $ 382,274,474 | $ 344,799,019 |
| Cost of sales | 304,449,133 | 293,993,488 |
| Gross Profit | 77,825,341 | 50,805,531 |
| Adjusted gross profit | 42,341,814 | 24,465,129 |
| Adjusted gross profit margin | 11.1% | 7.1% |
| Income From Operations | 54,853,802 | 33,020,030 |
| Income Before Income Taxes | 40,733,668 | 27,867,984 |
| Net Income (Loss) | 30,355,003 | 19,885,496 |
| Income from continuing operations– per unit (basic) | 4.17 | 2.89 |
| Income from continuing operations– per unit (diluted) | 4.14 | 2.84 |
| EBITDA | 59,583,529 | 36,435,108 |
| Adjusted EBITDA | 24,756,403 | 11,959,226 |
| EBITDA Margin | 15.6% | 10.6% |
| Adjusted EBITDA Margin | 6.5% | 3.5% |
| Return on equity (annualized) | 37.1% | 37.1% |
| Adjusted gross profit per metric ton delivered (net of cash settlements) | 105.12 | 56.03 |

For the nine months ended September 30, 2023, customer deliveries decreased by 12.8%, from 436,610 MTs in 2022 to 380,895 MTs in 2023 over the same period in 2022, primarily due to our exit from low margin local deliveries in Mexico that are unrelated to origination for our U.S. business and, to a lesser extent, decreased deliveries of organic sugar, as we stayed away from large volume FOB sales to focus on more profitable delivered contracts in the U.S.

Adjusted EBITDA was $24.8 million for the nine months ended September 30, 2023, compared with $12.0 million for the corresponding 2022 period, a 107.0% increase, mainly as a result of higher Adjusted Gross Profit ($42.3 million for the nine months ended September 30, 2023, compared with $24.5 million for the corresponding 2022 period). This improvement was in turn driven by higher Adjusted Gross Profit Margins (11.1% compared with 7.1% for the nine months ended September 30, 2023, and 2022, respectively) realized from our strategic focus on higher margin business at our U.S. and Canada refining and wholesale operations. As our refining operations in Lackawanna grow relative to the size of our overall sales book until we achieve full operating capacity, we expect margins to continue improving. Likewise, EBITDA was $59.6 million for the nine months ended September 30, 2023, compared with $36.4 million for the corresponding period in fiscal 2022, a 63.5% increase also driven both by higher Adjusted Gross Profit and Adjusted Gross Profit Margins, as well as by unrealized mark-to-market results, which were in turn driven by unrealized mark-to-market gains on inventory relating to favorable market conditions in the U.S. and Mexico.

Net income for the nine months ended September 30, 2023, amounted to $30.3 million, an increase of $10.4 million when compared to net income of $19.9 million for the nine months ended September 30, 2022. This increase was driven primarily by increases in Adjusted Gross Profit and mark-to-market gains on unrealized positions (primarily inventory positions in the U.S. and

Mexico) that outpaced increases in Sucro Holdings' selling, general and administrative expenses, interest expense, and tax expense, as Sucro Holdings continued to grow in size and scale.

Revenue for the nine months ended September 30, 2023, increased by 10.9% to $382.3 million from $344.8 million for the nine months ended September 30, 2022. Higher average sugar prices during the nine months ended September 30, 2023 (due to market conditions), partially offset a decrease in volumes sold. During the nine months ended September 30, 2023, Sucro Holdings' volume of sugar sold decreased by 55,715 MTs of sugar, or 12.8%, which was driven by lower sales volumes in Mexico, a market where we expect to lower our volumes of local deliveries in fiscal 2023 and thereafter, and, to a lesser extent, decreased deliveries of organic sugar, as we stayed away from large volume FOB sales to focus on more profitable delivered contracts in the U.S.

Revenues are anticipated to increase in the last quarter of 2023 and the full 2024 fiscal year as commissioning of the Lackawanna refinery is completed and production and optimization rates move to anticipated operating levels. Sales from our Lackawanna refinery are estimated at 61,000 MT of sugar in Fiscal 2023 and 132,000 MT in Fiscal 2024.

The composition of Sucro Holdings' revenue for the nine-month periods ended September 30, 2023, and 2022 was as follows:

| **Nine months Ended September 30** | **2023** | **2022** |
|---|---|---|
| Tolling | $ 1,103,992 | $ 4,087,063 |
| Warehousing | 864,729 | 885,667 |
| Commodity | 377,518,358 | 340,768,873 |
| Futures and options results | 2,787,395 | (942,584) |
| **Total revenue** | **$ 382,274,474** | **$ 344,799,019** |

During the nine months ended September 30, 2023, Sucro Holdings' futures and options gains were $2.8 million, compared with a $0.9 million loss for the corresponding 2022 period, a $3.7 million increase relating to market gains on our Sugar 11[1] futures contracts positions. For the same periods, tolling revenues declined by $3.0 million (73.0%), primarily as a result of the shutdown of our Atlanta facility in February 2023, which was mostly used to provide services to a third party, while warehousing revenues remained relatively flat.

[1] Sugar 11 Contract is the world benchmark contract for raw sugar trading.

The composition of Sucro Holdings' cost of sales for the nine-month periods ended September 30, 2023, and 2022 was as follows:

| Nine months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Purchases | $ 253,298,163 | $ 256,709,623 |
| Production and processing | 38,225,338 | 23,107,185 |
| Logistics/ freight | 35,083,257 | 31,748,308 |
| Labor | 5,057,134 | 4,327,390 |
| Overheads | 7,508,536 | 3,734,440 |
| FX Results | 760,232 | 706,944 |
| Mark to market unrealized positions | (35,483,527) | (26,340,402) |
| **Total cost of sales** | **$ 304,449,133** | **$ 293,993,488** |

Cost of sales increased by $10.5 million (3.6%) from $294.0 million for the nine months ended September 30, 2022, to $304.4 million for the nine months ended September 30, 2023. Adjusted Gross Profit rose by 73.1%, from $24.5 million for the nine months ended September 30, 2022, to $42.3 million for the nine months ended September 30, 2023, and Adjusted Gross Profit Margin increased to 11.1% for the nine months ended September 30, 2023 (from 7.1% for the nine months ended September 30, 2022). This is the result of relatively higher margins on our physical operations across the USA and Canada and the cash settlement of favorably priced supply agreements. As our North American refining operations grow and scale, we expect Adjusted Gross Profit Margin to continue increasing.

The drivers for the increase in cost of sales during the nine months ended September 30, 2023, compared to the 2022 period included production and processing (a $15.1 million or 65.4% increase), logistics and freight (a $3.3 million or 10.5% increase), labor (a $0.7 million or 16.9% increase), and overheads (a $3.8 million or 101.1% increase), all of which saw increases relating to our Lackawanna refinery's first full year of operations.

Mark-to-market gains on inventory and, to a lesser extent, commodity forward contracts, drove the $35.5 million gains on unrealized mark-to-market positions for the nine months ended September 30, 2023 (compared with $26.3 million for the same period in fiscal 2022). Unrealized mark-to-market gains on inventory for the nine months ended September 30, 2023, was $26.0 million ($0.8 million in 2022). This result was driven by favorable market conditions in the U.S. and Mexico.

During the nine months ended September 30, 2023, Sucro Holdings had net unrealized mark-to-market gains on forward sugar contracts of $10.9 million compared with $26.7 million in 2022. The mark-to-market gains on commodity forward contracts were primarily driven by higher expected margins in forward contracts booked at September 30, 2023.

The composition of Sucro Holdings' selling, general and administrative expenses for the nine-month periods ended September 30, 2023, and 2022 was as follows:

| **Nine months Ended September 30** | **2023** | **2022** |
|---|---|---|
| Administrative expenses | $ 13,770,970 | $ 10,229,876 |
| Selling and distribution expenses | 1,829,760 | 414,167 |
| Other operating expenses | 2,393,380 | 2,541,049 |
| Depreciation | 3,311,350 | 1,892,692 |
| Depreciation of right-of-use assets | 648,914 | 610,764 |
| Equity-based compensation | (570,853) | 2,096,953 |
| Equity-based settlement expense | 1,588,018 | - |
| **Total Selling, General and Administrative Expenses** | **$ 22,971,539** | **$ 17,785,501** |

Sucro Holdings' selling, general and administrative expenses amounted to $23.0 million for the nine months ended September 30, 2023, an increase of $5.2 million (29.2%) when compared to expenses of $17.8 million for the nine months ended September 30, 2022. As our operations continue to grow and scale, we expect selling, general and administrative expenses as a percentage of revenue to decrease over time.

Administrative expenses, which include staff payroll, benefits and pension costs, professional fees, insurance, bank service charges and other office expenses were $13.8 million for the nine months ended September 30, 2023, an increase of $3.5 million (34.6%) from $10.2 million for the nine months ended September 30, 2022. The most significant driver of the increase in these expenses is additional personnel expenses at our newly commissioned refinery in Lackawanna, additional sales staff to support our growing sales volumes, and professional fees for legal and accounting as Sucro Holdings increases the overall size of its operations and prepared for an initial public offering via the Reorganization with Sucro Limited.

During the nine months ended September 30, 2023, Sucro Holdings saw an increase in its selling and distribution expenses of $1.4 million, or 341.8%, from $0.4 million incurred during the nine months ended September 30, 2022, to $1.8 million in the nine months ended September 30, 2023. The marketing campaigns were consistent year over year and the main reason of this increase was related to commissions paid to third parties for sugar origination.

During the nine months ended September 30, 2023, other operating expenses, including travel, business taxes and licenses, bad debts, outside labour and IT expenses, amounted to $2.4 million, a decrease of $0.1 million (5.8%) when compared to expenses of $2.5 million for the nine months ended September 30, 2022.

Depreciation expense for Sucro Holdings' property, plant, and equipment amounted to $3.3 million for the nine months ended September 30, 2023, an increase of $1.4 million, or 75.0% compared to expense of $1.9 million for the nine months ended September 30, 2022. This increase was due to significant investments in capital assets in 2022 and into 2023, especially in our Lackawanna refinery.

During the year ended December 31, 2022, Sucro Holdings granted 513,432 membership units to an employee, of which 218,642 units vested during the nine months ended September 30, 2022, that resulted in an equity-based compensation expense of $2.1 million during the nine months ended September 30, 2022. Of the units granted, an additional 31,543 units vested during the nine months ended September 30, 2023. However, as of September 30, 2023, this employee had separated from the Company and forfeited all the unvested units under the award. As a result, previously accrued equity-based compensation on unvested and cancelled restricted units was recognized, leading to a net equity-based compensation recovery of $0.6 million for the nine months ended September 30, 2023.

For the nine months ended September 30, 2023, Sucro Holdings recognized $1.6 million of equity-based settlement expense pursuant to a settlement agreement with a former employee. Pursuant to the agreement, the former employee has a put option exercisable through December 31, 2023, which would allow them, after adjusting for the Reorganization, to sell 399,669 Subordinate Voting Shares ("SVS") of Sucro Limited (but not less than such number of SVS) to Sucro Holdings at the price of $3.97 per SVS, significantly below the current trading price of the SVS.

During the nine months ended September 30, 2023, Sucro Holdings incurred interest expense of $15.3 million, an increase of $8.9 million, or 140.2%, over the nine months ended September 30, 2022. The increase is a combination of increases to Sucro Holdings' overall borrowings, primarily to fund inventory and accounts receivable, but also an overall increase in the SOFR rate by 233 basis points in the U.S. from September 30, 2022, to September 30, 2023, which affects interest incurred on Sucro's short-term financial liabilities.

Sucro Holdings' current and deferred income tax expense increased by $2.3 million from $8.1 million for the nine months ended September 30, 2022, to $10.4 million for the nine months ended September 30, 2023. The Company recognized $0.4 million in current income tax during the nine months ended September 30, 2023, owing to deductions that reduced current taxable income. On the other hand, deferred tax expense of $10.0 million resulted from temporary differences arising from unrealized gains on inventory and forward, futures and foreign exchange contracts, as well as from the difference between accounting and tax depreciation rates of property, plant, and equipment.

Sucro Limited's final prospectus dated October 19, 2023, contained EBITDA and Adjusted EBITDA estimates for the year ended December 31, 2023, of between $63.0 million and $70.0 million and $37 million and $41 million, respectively. While management believes the actual 2023 results will be in line with the EBITDA estimate provided, actual Adjusted EBITDA results are now expected to be between $30 million and $32 million due to lower-than-expected Adjusted Gross Profit contributions from our non-refining wholesale operations in the U.S. and Caribbean markets.

## Capital Resources

As at September 30, 2023, Sucro Holdings' had working capital of $119.9 million compared to working capital of $89.4 million at December 31, 2022.

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Current Assets** | $ 434,262,470 | $ 299,819,584 |
| **Less: Current Liabilities** | 315,212,905 | 210,370,144 |
| **Working Capital** | $ 119,049,565 | $ 89,449,440 |

At September 30, 2023, Sucro Holdings had $81.5 million of unused uncommitted credit facilities, including $31.5 million available under a physical repurchase facility, and $50.0 million of unused committed credit facilities. Sucro Holdings considers that it has sufficient funds available to meet its current and long-term financial obligations as they come due.

Sucro Holdings' $300.0 million revolving credit facility, which had $97.7 million of unused capacity at September 30, 2023 (based on the total value of the facility), is a borrowing base facility secured by all the current assets of the Trade segment of the business, including inventory, accounts receivable, cash, futures accounts, prepayments to providers, and forward commodity contracts. The facility consists of a $250.0 million uncommitted tranche that is due on demand and a $50.0 million committed tranche due at maturity (August 2024). Sucro Holdings' may draw on this facility based on the value of the pledged current assets, adjusted to reflect different limits and deductions imposed by the lenders. At September 30, 2023, Sucro Holdings' had $25.4 million available to draw under this line, based on the value of the pledged collateral, with the entire $50.0 committed tranche being unused at that time. In addition, the facility is subject to certain financial and other covenants, which include, among others, minimum tangible net worth and working capital requirements and a maximum debt to tangible net worth ratio. Compliance with these covenants is a condition to draw under this facility. As of September 30, 2023, the Company was in compliance with these covenants.

In addition, Sucro Holdings has a physical inventory repurchase line with a financial institution. This is a $55.0 million line for the sale of inventory with an agreement to repurchase the same at a future date. Sucro Holdings had $31.5 million of unused capacity under this line as of September 30, 2023. This is an uncommitted, discretionary line, with each transaction being subject to its own terms.

The main driver of the increase in current assets includes increases in inventory of $97.0 million, in order to fulfill sales obligations and to maintain larger volumes for the Lackawanna refinery that started operations in late 2022. In addition, there were increases in the unrealized gains on forward commitments of $29.3 million as a result of Sucro Holdings having more favorably priced positions at period-end at September 30, 2023, compared with December 31, 2022.

The increase in current liabilities since December 31, 2022, is mainly due to increases in loans and borrowings (current portion) and accounts payable and accrued liabilities of $70.3 million and $15.5 million, respectively, when compared to September 30, 2022, which principally funded inventory purchases relating to the larger volumes expected for our growing operations, in particular at our Lackawanna and Hamilton refineries. Unrealized losses on forward commitments also increased by $17.8 million since December 31, 2022. These are primarily losses on individual sales contracts in the U.S. and Mexico, which are offset by gains on the allocated forward purchase contract to cover the position.

Sucro Holdings' objectives when managing capital resources are to:

1. Explore profitable growth opportunities;
2. Deploy capital to provide an appropriate return on investment for shareholders;
3. Maintain financial flexibility to preserve the ability to meet its short-term and long-term financial obligations; and
4. Maintain a capital structure that provides financial flexibility to execute strategic opportunities, while adhering to the financial covenants imposed by its lenders.

Sucro Holdings' strategy is formulated to maintain a flexible capital structure consistent with the objectives stated above as well as to respond to changes in economic conditions and to the risks inherent in its underlying assets. Sucro Holdings has not established quantitative return on capital criteria, but rather promotes year-over-year sustainable profitable growth. Sucro Holdings is subject to various capital requirements imposed by its lenders, both on a consolidated and standalone basis (for one or more of its subsidiaries).

Sucro Holdings' capital structure consists primarily of working capital and long-term debt. Our working capital needs are funded with cash from operating activities and short-term debt. To maintain or alter the capital structure, Sucro Holdings may adjust capital spending, take on new debt and issue equity. Sucro Holdings anticipates that it will have adequate liquidity to fund future working capital, commitments, and forecasted capital expenditures through a combination of cash flow, cash-on-hand, and debt and equity financing as required.

As of September 30, 2023, Sucro Holdings anticipates incurring additional capital expenditures of approximately $36.0 million in the subsequent 12 months, which relate primarily to the new Hamilton refinery project in Canada and, to a lesser extent, ongoing commissioning of its Lackawanna refinery, improvements of its University Park facility, and maintenance capital expenditures at its facilities and refineries. These expenditures will be funded with cash on hand, cash from operating activities, and long-term debt, a significant portion of which has already been committed.

In February 2023, Sucro announced a proposed major new sugar refinery project in Southern Ontario at a forecasted project cost of approximately US$100 million, and an expected start up in 2025. The proposed new refinery project is still in an early stage of development with long lead times to intended completion, is subject to a number of risks and uncertainties, and may not be completed as proposed, or at all. See "*Risk Factors*".

## Liquidity

*Nine months Ended September 30, 2023, and 2022*

A summary of Sucro Holdings' cash flows for continuing operations for the nine months ended September 30, 2023, and 2022 are as follows:

| Nine months Ended September 30 | 2023 | 2022 |
|---|---|---|
| Net cash flow used in operating activities: | | |
| Operating cash flows before changes in working capital | $ 9,689,439 | $ 4,651,635 |
| Changes in non-cash operating assets and liabilities | (63,178,584) | (34,898,352) |
| Net cash flow used in operating activities | (53,489,145) | (27,403,205) |
| Cash flow used in investing activities | (10,522,520) | (18,039,057) |
| Cash flow provided by financing activities | 64,493,011 | 50,763,889 |
| Net increase (decrease) in cash | $ 481,346 | $ 2,478,115 |

Operating cash flows before changes in working capital were $9.7 million for the nine months ended September 30, 2023, compared to $4.6 million for the corresponding 2022 period. Cash flow used in operating activities for the nine months ended September 30, 2023, increased by $28.2 million compared to the nine months ended September 30, 2022, due to several factors. Positive factors for the nine months ended September 30, 2023, included increases in accounts payable (which provide lower cost funding for purchases of inventory) and decreases in accounts receivable (as we have reduced credit terms and improved our collections practices). Other positive factors included equity-based settlement, sales tax payable, and taxes payable. These positive factors were offset by negative factors including greater investments in inventory, as a result of increased purchase volumes related to North American plants, increases in sales tax receivable in connection with higher sales volume, and increases in net trading and derivative account assets (futures positions).

Cash flow provided by financing activities increased by $13.7 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, mainly due to a net increase of short-term financial liabilities relating to our revolving line of credit, primarily to fund inventory purchases.

Cash flow used in investing activities decreased by $7.5 million compared to 2022 mainly due to a reduction in the purchase of property, plant and equipment relating to our Lackawanna refinery, which began operating in late 2022. An additional factor contributing to the decrease in cash flow used in investing activities was the sale of assets in the amount of $1.1 million relating to our Atlanta facility, which was shut down in 2023.

**Future Commitments**

Sucro Holdings' records purchases and sales when goods are delivered, and control passes to the customer. As a result, to the extent it has fixed price forward commitments that are not appropriately hedged by inventory or an offsetting forward or futures contract, Sucro Holdings' financial results may be affected significantly by the price of the commodities bought and sold in the normal course of business. Historically, the markets for sugar commodities have been volatile and are expected to be volatile in the future. Losses and liabilities arising from changes in prices and other adverse conditions that can affect the commodity trading industry could have materially adverse effects on the financial condition and operations of Sucro Holdings upon execution of fixed price commitments on physical contracts. As of September 30, 2023, fixed price sales and purchase commitments on physical contracts for Sucro Holdings were approximately $17 million and $21 million, respectively. As of December 31, 2022, fixed price sales and purchase commitments on physical contracts for Sucro Holdings were approximately $88 million and $34 million, respectively. These figures do not include inventory or futures positions. For more information, see "*Financial Risk Management*" below.

**Contingencies**

Sucro Holdings is involved in lawsuits or other claims from time to time arising from normal business activities. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Management has reviewed the possibility of litigation with legal counsel and believes that, as of the date hereof, there is no material pending litigation or threat of such action.

**Off-Balance Sheet Arrangements**

Off balance sheet obligations at September 30, 2023, include a guarantee to a financial institution for obligations of Amerikoa Ingredients, LLC ("Amerikoa") in the amount of $3.2 million, and customs bonds in the aggregate amount of $3.5 million.

In addition, effective January 1, 2021, Sucro Holdings maintains an EAR Plan. The objective of the EAR Plan is to attract and retain management, senior employees and directors. The maximum number of equity participation units available for awards under the EAR Plan is 1,000,000. Each EPU granted to a participant under an EAR Plan entitles the participant to receive an amount in cash equal to a portion of the net sale proceeds obtained by the Company or its members, as applicable, in connection with a sale of a threshold percentage of Sucro Holdings' membership interests or assets. Participants are not entitled to dividends or other distributions or any share of profits on their EARs. At September 30, 2023, Sucro Holdings had awarded 274,260 EARs, out of which 220,069 EARs had vested. The remaining EARs have monthly vesting schedules through March 2025. Acceleration of vesting and treatment of the awards upon a participant's termination of service with Sucro Holdings varies on an award-by-award basis. Because the cash settlement feature of the EAR Plan can be exercised only upon the occurrence of a contingent event that is outside the participants' control, Sucro Holdings' does not record equity-based compensation expense and a corresponding liability until it becomes probable the event will occur. In conjunction with, and as a result of, the Reorganization, the EAR Plan was amended to provide that entitlements under the plan will, going forward, be triggered on a sale of the Company (rather than a sale of Sucro Holdings) and the calculation of the cash entitlement will be based on the percentage equity interest represented by the EARs if each represented three Subordinate Voting Share of the Company (instead of one membership unit of Sucro Holdings). See "*Subsequent Events*" for additional information.

**Transactions with Related Parties**

Sucro Holdings had no related party transactions during the nine-month period ended September 30, 2023, and the year ended December 31, 2022, other than those noted in the condensed interim consolidated financial statements except as follows:

1. Sucro Holdings leases an apartment in Buffalo, NY, from an entity beneficially owned by its CEO for the use of its CEO and other senior management while visiting the Lackawanna refinery. The annual lease amount is $36,000.
2. As discussed in "*Off Balance Sheet Arrangements*," Sucro Holdings has guaranteed up to $3,200,000 of Amerikoa's bank debt obligations. Sucro Holdings holds 19% of Amerikoa's equity securities. Matt Dyer, Vice President of US Sales of Sucro Holdings, owns the majority of the equity securities of Amerikoa.
3. Commencing August 1, 2023, Sucro Holdings has leased a building in University Park, Illinois, for ingredient processing and transloading services. The lease is on a month-to-month basis and the lessor is an affiliate of Amerikoa. Matt Dyer, Vice President of US Sales of Sucro Holdings, owns the majority of the equity securities of Amerikoa. The monthly lease amount is $20,000.

**Financial and Other Instruments**

Sucro Holdings treats its commodity forward contracts, for both purchases (from suppliers) and sales (to customers), as financial instruments (derivatives). Sucro Holdings uses offsetting commodity forward contracts, as well as exchange traded futures, to mitigate the fixed-price exposure inherent in inventory and forward commodity commitments. Sucro Holdings marks-to-market all open forward and futures contracts, as well as its inventory. The fair values of open contracts are based on regulated exchange prices, industry pricing publications, internal pricing models and broker or dealer quotes. Sucro Holdings has elected to not designate any of its trading activities as hedging activities.

Sucro Holdings measures and reports the fair value of forward and futures contracts within a hierarchal disclosure framework that prioritizes and ranks the level of observable inputs used in measuring fair value. Inputs based on market data from independent sources are considered observable inputs and inputs generated from a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable are considered unobservable inputs. The fair value hierarchy prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets or liabilities have the highest priority (Level 1), followed by observable inputs from other than quoted prices, including prices for similar but not identical assets or liabilities (Level 2), and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the least priority (Level 3). At each statement of financial position date, Sucro Holdings performs an analysis of all financial instruments subject to fair value measurements.

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Sucro Holdings primarily applies the market approach for recurring fair value measurements and attempts to utilize the best available information. Accordingly, Sucro Holdings also utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Futures contracts are generally based on exchange prices and unadjusted quoted prices in active markets and are classified within Level 1. Fair values for forward commitments are valued at the prevailing futures rate of the underlying commodity on the reporting date plus management inputs that are determined by a wide variety of factors, including the transportation costs incurred to transport the asset to its most advantageous market and the liquidity of markets in varying locations. Forward commitment and inventory fair values that are derived from observable inputs and adjusted by management inputs are classified as Level 2. Forward commitments that are derived primarily from management inputs due to lack of an observable market price are classified as Level 3.

Where the fair values of financial instruments recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques, including the comparable market approach, based on historical transacted prices and estimates. When using these models, a degree of judgment is required in establishing fair values (Level 3). The judgments include considerations of model inputs regarding comparability, forward prices and volatility that are not supported by observable market data. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of the contracts and derivatives can be significantly impacted by factors such as volatility of futures and spot prices of the underlying commodities and volatility of freight markets. Any change in the fair value of these financial derivatives is recognized currently in profit or loss. As a result, earnings are subject to volatility, even when the underlying expected profit margin over the duration of the contracts is unchanged. The volatility can be significant from period to period.

Prior to settlement, the changes in fair values of forward physical sale and purchase contracts are included in cost of sales and are part of the unrealized forward commitment asset or liability on the consolidated statement of financial position, as appropriate. Upon settlement, forward physical and futures trading sale and purchase contracts are included in revenues and purchases.

Sucro Holdings has entered into an interest rate swap agreement to manage interest rate risk exposure associated with Sucro Holdings' long-term floating-rate borrowings. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. Sucro Holdings designated this interest rate swap as a cash flow hedge of a floating-rate borrowing.

Sucro Holdings has also entered into an energy swap agreement to manage price risk exposure associated with its consumption of energy in its processing and refining facilities. This energy swap agreement effectively modifies its exposure to price risk on part of its natural gas consumption at its refining facilities by converting Sucro Holdings' variable rate to a fixed-rate basis during the life of the agreement, thus reducing the impact of price changes on future energy payments. Sucro Holdings designated this energy swap as a cash flow hedge. See "Financial Risk Management" below.

Significant inputs used to estimate the fair value of interest rate and energy swaps include spot and forward rates on the swap yield curve and spot and forward natural gas prices and estimated borrowing costs.

The following table provides a summary of Sucro Holdings' derivative assets as of the dates indicated:

| | September 30, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Forward commitments | $ 119,246,138 | $ 82,103,822 | $ 50,410,686 |
| Futures contracts | 930,518 | 1,356,762 | 1,394,760 |
| Interest rate swap | 650,125 | 347,346 | - |
| Foreign currency forwards | 88,371 | - | (14,074) |
| **Total** | **$ 120,915,152** | **$ 83,807,930** | **$ 51,791,372** |

The following table provides a summary of the Sucro Holdings' derivative liabilities as of the dates indicated:

| | September 30, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Forward commitments | $ 27,153,334 | $ 9,358,215 | $ 10,444,797 |
| Foreign currency forwards | 23,864 | - | - |
| Energy rate swap | 106,074 | - | - |
| **Total** | **$ 27,283,272** | **$ 9,358,215** | **$ 10,444,797** |

During the nine months ended September 30, 2023, and September 30, 2022, net unrealized gains (losses) on derivative transactions recognized in cost of sales are as follows:

| **Nine months Ended September** | **2023** | **2022** |
|---|---|---|
| Mark-to-market gains (losses) on commodity forward contracts | $ 10,860,302 | $ 26,658,424 |
| Mark-to-market gains on inventory | 26,028,265 | 785,517 |
| Mark-to-market gains on futures contracts | (1,459,418) | (1,134,108) |
| Mark-to-market (loss) on foreign currency forwards | 54,378 | 30,569 |
| **Total gains (losses)** | **$ 35,483,527** | **$ 26,340,402** |

The amount of gain or loss on derivative transactions is presented in cost of sales, except for the gain on the interest rate and energy swaps, which are presented under accumulated other comprehensive income in the consolidated statement of comprehensive income and on the consolidated statement of financial position.

The following tables shows Sucro Holdings' gains and losses from derivatives designated as hedging relationships for the periods indicated:

| Derivatives in cash flow hedging relationships | Amount of Gain (loss) recognized in OCI on Derivative (effective portion) for the year ended December 31 | | Location of Gain(loss) reclassified from OCI into income (effective portion) | Amount of gain (loss) reclassified from OCI into income (effective portion) for the year ended December 31 | | Location of gain(loss) reclassified in income on derivative (ineffective portion) | Amount of gain(loss) recognized in income on derivative (ineffective portions) for the year ended December 31 | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | | 2022 | 2021 | | 2022 | 2021 |
| Interest rate swap | $347,346 | - | Interest income (expense) | - | - | Other income (expense) | - | - |

| Derivatives in cash flow hedging relationships | Amount of Gain (loss) recognized in OCI on Derivative (effective portion) for the nine months ended September 30 | | Location of Gain (loss) reclassified from OCI into income (effective portion) | Amount of gain (loss) reclassified from OCI into income (effective portion) for the nine months ended September 30 | | Location of gain(loss) reclassified in income on derivative (ineffective portion) | Amount of gain(loss) recognized in income on derivative (ineffective portions) for the nine months ended September 30 | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | | 2023 | 2022 | | 2023 | 2022 |
| Interest rate swap | $302,779 | - | Interest income (expense) | $127,812 | - | Other income (expense) | - | - |
| Energy rate swap | $(106,074) | - | Cost of sales (expense) | $(143,098) | - | Other income (expense) | - | - |

**Financial Risk Management**

Sucro Holdings' activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. Market risk is comprised of interest rate, foreign currency and commodity price risk. Sucro Holdings regularly evaluates and manages the risks assumed with its financial instruments. The following analysis provides a measure of Sucro Holdings' risk exposure and concentrations.

(a) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Sucro Holdings is exposed to this risk mainly in respect of its unrealized losses on forward commitments, accounts payable and accrued liabilities, current financial liabilities, current lease liabilities and other current liabilities. Sucro Holdings considers that it has sufficient funds available to meet its current and long-term financial obligations as they come due. As at September 30, 2023, Sucro Holdings had current assets of $434.2 million and current liabilities of $315.4 million. As at December 31, 2022, Sucro Holdings had current assets of $299.8 million (December 31, 2021 - $208.7 million) and current liabilities of $210.4 million (December 31, 2021 - $167.6 million). In addition, at September 30, 2023, Sucro Holdings had $50.0 of undrawn committed credit facilities and $81.5 million of undrawn uncommitted credit facilities. Management of liquidity risk during the nine months ended September 30, 2023 did not change materially from the year ended December 31, 2022.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Sucro Holdings is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable and cash and cash equivalents. Sucro Holdings does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant losses from non-performance. All customers go through a credit approval process, and counterparty limits are verified against Sucro Holdings' credit insurance prior to any commercial transactions with the counterparty. Sucro Holdings routinely assesses the financial strength of its customers and ensures that counterparty balances are maintained within the approved insured credit limits. As a result, Sucro Holdings believes concentrations of credit risk are limited.

Management of credit risk during the nine months ended September 30, 2023 did not change materially from the year ended December 31, 2022. Balances for trade accounts receivable are managed on an ongoing basis to ensure allowances for doubtful accounts that correspond to the specific credit risk of our customers, which are established and maintained at an appropriate amount. The provision for expected credit loss also includes a reserve for amounts that may become uncollectable based on unforeseen future events. This reserve is established based on historical collection results. Accounts receivable outstanding are written off through the provision for expected credit losses after the Company exhausts all reasonable collection efforts.

Sucro Holdings maintains cash balances in financial institutions. These financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, Sucro Holdings maintains cash in bank accounts in excess of the FDIC insurance limit. Sucro Holdings has not experienced any losses from maintaining cash accounts in excess of the FDIC limit. Management believes it is not exposed to any significant credit risk due to the high credit quality of the banks in which it maintains deposits.

Sucro Holdings also maintains certain cash balances and derivatives in another financial institution for the primary purpose of clearing and holding custody of derivative instruments. Concentration of credit risk with respect to derivative instruments is significant as funds deposited with this financial institution are not insured by the FDIC or guaranteed by the financial institution.

As at September 30, 2023, and December 31, 2022, Sucro Holdings had, respectively, deposits of $5.0 million and $4.4 million (December 31, 2021 - $649,572) that were not insured by the FDIC or in excess of the FDIC insurance limit.

To mitigate credit risk on its accounts receivable, Sucro Holdings utilizes credit insurance. Our credit insurance policy is subject to coverage limits on a counterparty basis, as well as to a maximum aggregate insured amount. Total accounts receivable covered by insurance as of September 30, 2023, and December 31, 2022, were $41.3 million and $35.0 million, respectively. The maximum risk of loss related to credit risk on Sucro Holdings' accounts receivables (net of credit insurance) as of September 30, 2023, and December 31, 2022, respectively, were $40.0 million and $64.1 million (December 31, 2021 - $50.5 million, respectively).

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. Sucro Holdings is exposed to market risk on its fixed price commodities forwards and future contracts. Management of market risk during the nine months ended September 30, 2023 did not change materially from the year ended December 31, 2022, with the exception of the interest rate swap transaction disclosed in note 5 to Sucro Holdings audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the energy swap described in note 4 to Sucro Holdings condensed interim consolidated financial statements for the three and nine months ended September 30, 2023. The nature and purpose of these instruments is described above in "Financial and Other Instruments."

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Certain Sucro Holdings' bank loans have a variable interest rate. The interest rate swap agreement utilized by Sucro Holdings effectively modifies Sucro Holdings' exposure to interest rate risk on certain long-term debt by converting Sucro Holdings' floating-rate debt to a fixed-rate basis from April 2023 through March 2027, thus reducing the impact of interest-rate changes on future interest expense. As of September 30, 2023, all of Sucro Holdings' long-term debt bears interest at a fixed rate or has been hedged with an interest rate swap. As of September 30, 2023 and December 31, 2022, the total notional amount of Sucro Holdings' receive-variable/pay-fixed interest rate swaps was $14,000,000 and $14,000,000, respectively. Changes in a variable rate loan's base rate can cause fluctuations in interest payment and cash flows. If the base rate of Sucro Holdings' variable rate debt increased/ decreased by 50 basis points, Sucro Holdings' net income before income taxes for fiscal 2022 would have been $1,726,751 lower/ higher (2021 - $597,120 lower/ higher).

Sucro Holdings does not use derivative financial instruments to alter the effects of this risk relating to its short-term debt.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows from Sucro Holdings' operations will fluctuate due to changes in foreign exchange rates. Sucro Holdings has several accounts denominated in currencies other than its functional currency of the U.S. Dollar as described below. Sucro Holdings operates in the U.S., Canada and Mexico and regularly transacts in currencies other than the U.S. Dollars. Sucro Holdings seeks to manage this risk by constructing natural hedges when it matches sales and purchases in any single currency or with financial instruments, such as foreign currency forward exchange contracts. Sucro Holdings also has foreign currency translation risk from its investment in Canada. This investment is not hedged as the currency position is considered long term in nature. The tables below summarize Sucro Holdings' exposures to different currencies.

| | **Canadian Dollars** | |
|---|---|---|
| | **Balance in USD September 30, 2023** | **Balance in USD December 31, 2022** |
| **Cash** | 765,064 | 581,602 |
| **Accounts receivable** | 8,758,338 | 2,150,831 |
| **Accounts payable and accrued liabilities** | (2,697,929) | (3,534,121) |
| **Lease liability** | (2,710,914) | (2,861,970) |
| **Inventory** | - | - |
| **Sales Tax Receivable (Payable)** | 3,393,101 | (2,217,037) |
| **Commodity forward contracts** | 11,778,958 | 4,370,376 |
| | **19,286,618** | **(1,510,319)** |

At December 31, 2022, if the Canadian Dollar had strengthened (weakened) 5 percent against the United States Dollar, net income before income taxes would have been $294,035 lower (higher) (2021 - $321,027 lower (higher)).

| | Mexican Pesos | |
|---|---|---|
| | Balance in USD September 30, 2023 | Balance in USD December 31, 2022 |
| **Cash** | 18,668 | 488,686 |
| **Accounts receivable** | 11,881,907 | 4,277,290 |
| **Accounts payable and accrued liabilities** | (13,562,755) | (340,498) |
| **Inventory** | 18,603,480 | 952,185 |
| **Sales Tax Payable** | 1,399,251 | 807,671 |
| **Commodity forward contracts** | (1,788,748) | 2,008,732 |
| | **16,551,803** | **8,194,066** |

At December 31, 2022, if the Mexican Peso had strengthened (weakened) 5 percent against the United States Dollar, net income before income taxes would have been $309,267 higher (lower) (2021 - $395,197 higher (lower)).

(iii) Commodity Price Risk

Sucro Holdings is exposed to commodity price risk on its inventory and fixed price commodities forward and future contracts through its exposure to the market price of the commodity of sugar. Sucro Holdings uses derivative instruments, including commodity futures and forward contracts, to manage its exposure to fluctuating prices of sugar commodities. Sucro Holdings manages open positions with strict policies, which limit its exposure to market risk and require routine reporting to management of potential financial exposure. Sucro Holdings has elected not to designate the derivative instruments as hedges for accounting purposes. As a result, gains and losses representing changes in these derivative instruments' fair values are recognized in profit or loss. At December 31, 2022, if the market price of sugar had increased (decreased) by 10%, Sucro Holdings' net income before taxes would have been $2,359,931 greater (lower) (2021 - $2,906,736 greater (lower)).

The table below summarizes the commodity derivative instrument positions for sugar as of September 30, 2023:

| | Volumes/ Notional Amounts (Net) | Effective Dates | Expiration Dates | Fair Value (Approximate) |
|---|---|---|---|---|
| Sugar commodities | 34,805 MT | Jan 2023 – Sep 2023 | Oct 2023 – Oct 2025 | $129,410,845 |
| Total fair market value | | | | $129,410,845 |

The table below summarizes the commodity derivative instrument positions for sugar as of December 31, 2022:

| | Volumes/ Notional Amounts (Net) | Effective Dates | Expiration Dates | Fair Value (Approximate) |
|---|---|---|---|---|
| Sugar commodities | 26,611 MT | Jan 2022 - Dec 2022 | Jan 2023 - Oct 2025 | $84,391,119 |
| Total fair market value | | | | $84,391,119 |

Sucro Holdings is also exposed to other price risk associated with its consumption of natural gas for its refining facilities. Sucro Holdings manages this risk by entering into energy swap agreements that effectively modify Sucro Holdings exposure to price risk by converting the Company’s variable rate to a fixed-rate basis, thus reducing the impact of price changes on future payments. These agreements involve the receipt of variable rate on the first 51,600 MMBTU per month in exchange for fixed rate energy payments from April 2023 through March 2025 without an exchange of the underlying notional units. This energy swap agreement effectively modifies Sucro Holdings’ exposure to price risk on a portion of its consumption of natural gas at its refineries by converting variable rate to a fixed-rate basis, thus reducing the impact of price changes on future energy payments with respect to this volume. Sucro Holdings designated this energy swap as a cash flow hedge.

**Newly Adopted Accounting Pronouncements**

The following amended accounting standards issued by IASB were adopted on January 1, 2023, by Sucro Holdings.

(a) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

(b) Materiality of Accounting Policy Disclosure (Amendments to IAS 1)

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

(c) Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

IAS 12 has been modified to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The adoption of these respective pronouncements did not have a material impact on Sucro Holdings' consolidated financial statements.

**Risk Factors**

An investment in the securities of Sucro Limited is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, Sucro Limited and its financial position. Please refer to the section entitled "Risk Factors" in Sucro Limited's final prospectus dated October 19, 2023, available on SEDAR+ at www.sedarplus.ca, and elsewhere in this MD&A, for a description of these risk factors.

**Subsequent Events**

Effective October 2, 2023, a reorganization was completed (the "Reorganization") pursuant to which the members of Sucro Holdings contributed all of the units of Sucro Holdings into Sucro Limited in exchange for 167,189.29 proportionate voting shares ("PVS") and 5,164,421 subordinate voting shares ("SVS") of Sucro Limited, a Cayman Islands company. Each unit of Sucro Holdings was exchanged for 3 SVS or 0.03 PVS, as applicable. In turn, each PVS is convertible into 100 SVS. The result of the Reorganization was to establish Sucro Limited as the top holding company in the Sucro group of companies domiciled in the Cayman Islands.

On October 17, 2023, a subsidiary of the Company has entered into two leases with the Hamilton-Oshawa Port Authority in Hamilton, Ontario in connection with the Company's proposed development of a new sugar refinery. One lease is on vacant lands in the Port of Hamilton ("Pier 15 Lease") and the other lease is for almost all of the building located at 500 Sherman Ave N, Hamilton, Ontario, proximate to the vacant lands (the "Office Lease"). The term of the Pier 15 Lease is 40 years commencing on November 1, 2023, with an option in favour of the subsidiary to renew the term for a further 20 years. Payments under the lease consist of basic rent calculated on a per-square-footage basis, additional rent which primarily consists of cost recoveries and fees based on the tonnage of cargo unloaded by the tenant in the Port of Hamilton. The Pier 15 Lease also provides for a credit facility to the tenant to fund improvements on the premises much of the terms of which have yet to be finalized. The Office Lease is for a term of 20 years commencing on November 1, 2023. Payments under the Office Lease consist of basic rent calculated on a per-square-footage basis, and additional rent which primarily consists of cost recoveries. Aggregate commitments under the two leases over the next 10-year period total $9,555,166. Basic rent resets on the leases every ten years at current market rates, subject to a 5% cap on the prior basic rental amount in the first year and 3% in each of the nine years thereafter.

On October 17, 2023, a subsidiary of the Company mutually agreed with the Hamilton Port Authority to terminate the Vacant Land and Warehouse Lease and the Wharf Agreement relating to Pier 10 which were entered on November 27, 2020, and the Offer to Lease of a property located on Pier 26, dated October 22, 2022.

On October 20, 2023 Sucro Limited filed a final prospectus in all provinces of Canada other than Quebec for the distribution of 1,364,000 SVS in an initial public offering from treasury at a price of C$11.00 per share for gross proceeds of C$15,004,000 (the "Offering"). On October 30, 2023, Sucro Limited completed its initial public offering issuing 1,364,000 SVS at a price of C$11.00 per share for gross proceeds of C$15,004,000. Following the completion of the Offering, the put option referred to in note 11 of Sucro Holdings' condensed interim consolidated financial statements for the three and nine months ended September 30, 2023, was terminated. The estimated fair value of the put option at September 30, 2023 was $8,839,125. This amount will be derecognized in the fourth quarter of 2023.

On October 30, 2023, 12,441 restricted share units ("RSUs") were awarded to a director of Sucro Limited under Sucro Limited's the Omnibus Equity Incentive Plan (the "Omnibus Plan"), with vesting occurring no earlier than one year from the date of the award.

On November 3, 2023, and November 28, 2023, the Company entered into a receive-variable/pay-fixed interest rate swap with a three-year tenor for a total notional amount of $50.0 million to hedge its exposure to short term fluctuations in interest rates with respect to current financial liabilities. The fixed SOFR rate for this swap is 4.39% for $30.0 million notional and 4.25% for the remaining $20.0 million notional.

On November 29, 2023, the Board of Directors of Sucro Limited approved the award under the Omnibus Plan of 296,704 RSUs to officers of the Company who agreed to the cancellation of an aggregate 436,739 equity appreciation rights ("EARs") previously awarded under the Equity Participation Plan of Sucro Holdings (the "EAR Plan"). Under the EAR Plan, as amended, holders of EARs are entitled to a cash payment from Sucro Holdings on a sale of the Company calculated as the difference between the sale price (net of transaction costs) and the specified base valuation indicated in the applicable EAR award, if any, and on the basis of each EAR representing one subordinate voting share of Sucro Limited. The purpose of the RSU awards is to transition equity-based compensation away from the former privately held Sucro Holdings to the new Omnibus Plan of Sucro Limited following the completion of its initial public offering on October 30, 2023. No further awards of EARs will be made under the EAR Plan and 356,075 EARs remain outstanding following these cancellations. The RSUs awarded will vest over a period of a minimum of one year and a maximum of two years.

On November 29, 2023, the Board of Sucro Limited declared a dividend of C$0.10 per subordinate voting share and C$10 per proportionate voting share payable on December 29, 2023 to shareholders of record on December 15, 2023. The Board of Sucro Limited intends to make further distributions to shareholders on a semi-annual basis, subject to available capital resources, current and anticipated cash requirements, contractual restrictions and financing agreement covenants and solvency tests imposed by applicable corporate law, among other factors.

## Forward-Looking Information

This MD&A contains “forward-looking information” and “forward-looking statements” (collectively, “**forward-looking information**”) within the meaning of applicable Canadian securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “annualized”, “plans”, “targets”, “expects”, “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “pro forma”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: our revised 2023 Adjusted EBITDA guidance; our expectations regarding our profit and operating margins; our expectation for decreased volume of business in Mexico; our expectations for selling, general and administrative expenses as a percentage of revenue to decrease over time; our expectation for revenues in the last quarter of 2023 and the full 2024 fiscal year; projected sales from our Lackawanna refinery; the sufficiency of our working capital and capital resources to meet its current and long-term financial obligations; expectations regarding capital expenditures in the next 12 month period.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions include:

revenue; our ability to build our market share; our ability to complete our proposed new Canadian refinery on time and on budget and with the anticipated processing capacity; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; our ability to respond to any changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that, while considered to be appropriate and reasonable as of the date of this MD&A, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, our ability to maintain and renew licenses and permits; fluctuations in the price of sugar that we purchase, process and sell; development of new or expansion of our existing refineries may experience cost-overruns and/or delays and actual costs, operational efficiencies, production volumes or economic returns may differ materially from the Company's estimates and variances from expectations; disruptions to our supply chains as a result of outbreaks of illness, geopolitical events or other factors; inflation and rising interest rates; the risk of unhedged trading positions and counterparty defaults; a significant portion of our current credit facility is uncommitted and requests for additional advances may be refused; elimination or significantly reduction of protective duties relating to foreign sugar imports; our limited operating history and our recent growth may not be indicative of our future growth; dependence on management's ability to implement its strategy; risks of early stage companies; competitive risks; our dependence on a a small number of key persons; demands of growth on our management and our operational and financial resources; and the other risk factors discussed in greater detail under "Risk Factors" in the final prospectus of Sucro Limited dated October 19, 2023 and filed on SEDAR+ at www.sedarplus.ca.

The above-mentioned factors should not be construed as exhaustive. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

Prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

**Disclosure of Outstanding Security Data**

| *Balance as at (as-converted):* | *September 30, 2023* | *November 29, 2023* |
|---|---:|---:|
| Subordinate Voting Shares | 1 | 6,528,421 |
| Proportionate Voting Shares | - | 16,718,929 |
| Warrants | - | 180,635 |
| Restricted Share Units | - | 309,145 |
| Total – Subordinate Voting Shares fully diluted | 1 | 23,737,130 |