



**SUCRO LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2024**

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## 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 months ended March 31, 2024 (the "MD&A"), is dated May 29, 2024, and should be read in conjunction with the audited annual consolidated financial statements of Sucro Limited (the "Company") for the fiscal year ended December 31, 2023, and accompanying notes, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024, and the accompanying notes. The information presented herein includes the historical financial performance of Sucro Holdings, LLC ("Sucro Holdings"), as predecessor to the business of the Company prior to its acquisition by the Company on October 2, 2023, in a reverse acquisition transaction.

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 Information" and "Risk Factors". All references in this MD&A to "we", "us", "our" and "our Company" refer to Sucro Limited and its subsidiaries. The financial information presented is derived from the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024, and Sucro Holdings' unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023, all of which have been prepared in accordance with IFRS Accounting Standards and related Interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, amounts contained herein are in thousands of U.S. Dollars (\$). Certain totals, subtotals and percentages may not reconcile due to rounding. For additional information, readers should also refer to our annual information form dated April 18, 2024, and other Company information filed on [www.sedarplus.ca](http://www.sedarplus.ca).

### Overview

The Company is a growing sugar refiner that operates throughout the Americas with a primary focus in North America. The Company operates a highly integrated and interconnected sugar refining business, utilizing the entire sugar supply chain to service its customers, including sourcing from third party suppliers in addition to its own refineries. The Company's integrated supply chain includes sourcing raw and refined sugar from countries throughout Latin America and delivering to customers in North America and the Caribbean.

The Company operates in multiple sugar industry segments throughout North America, leveraging its operational assets with innovative design features to effectively compete against existing industry players. We believe this innovative and unique 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 our creation of multiple operational start-ups, the Company has achieved significant profitability and steady, predictable growth, as its assets have facilitated entry into profitable business segments, including both conventional and organic sugar markets in both Canada and the U.S.

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).

The Company operates a hybrid or integrated model, which encompasses each of these categories, and seeks to provide the most optimal solution to its customers. Accordingly, the Company operates multiple facilities in North America, ranging from fully integrated sugar refineries in Hamilton, Ontario, and Lackawanna, New York, to a processing, packaging and storage facility in University Park, Illinois (which the Company has recently announced will be converted into a full granular sugar refinery by early 2026).

The Company has developed its business based on innovation and investment in strategically located refining assets that are highly integrated. In both Canada and the United States, the Company has developed strong commercial relationships with many leading multinational food and beverage companies. Market consolidation, demand growth, refinery closures, low industry investment, and substantial freight and logistics cost increases have created significant

demand for new and innovative services, supported by modern, efficient and geographically advantaged assets.

The business of the Company consists of capturing profits through sourcing, merchandising, and managing logistics of sugar, including by changing its quality through the refining process. Income 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 the Company to risks related to adverse changes in market prices. The Company seeks to hedge these risks through strict controls of its positions and limits. Sugar prices are typically comprised of two components, futures prices on regulated commodity exchanges and local basis adjustments. The Company 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 the Company other than organic or other specialty sugar.

The Company's sugar refineries and other facilities provide refining, processing, handling, packaging, quality assurance, storage, and other services, primarily to the Company. Controlling these strategic assets allows the Company to capture incremental margins on its sugar forward contracts and inventory positions by capturing value added refining margins.

Sucro Limited was incorporated on July 31, 2023, under the Companies Act (2023 Revision) (Cayman Islands) as an exempt company. The Company's head office is located at 2020 Ponce de Leon Blvd., Suite 1204, Coral Gables Florida 33134, and its registered office is located at 4th Floor, Harbour Place, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is the successor to the sugar business previously conducted by Sucro Holdings. 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 an aggregate of 167,189.29 proportionate voting shares ("PVS") and 5,164,421 subordinate voting shares ("SVS") of Sucro Limited. Each unit of Sucro Holdings was exchanged for 3 SVS or 0.03 PVS, as applicable. 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.

In October 2023, the Company 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 approximately C\$15.0 million (the "Offering"). The Offering was completed on October 30, 2023, at which time the SVS were posted for trading on the TSX Venture Exchange in Canada. On May 14, 2024, the SVS additionally began trading on the OTCQB Venture Market in the United States.

### ***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").

#### ***Available Capacity and Volumes We Are Able to Process at Our Refineries***

Our revenue, cash flow and profitability are highly dependent on the volumes of refined sugar available for sale from our refining facilities. Available volumes of sugar are in turn dependent upon the capacity of sugar we are able to process and produce at our facilities. In Lackawanna, New York, we have recently completed our first year of

commissioning, following the opening of our new cane sugar refinery, and we continue to make progress in adding capacity at the Hamilton, Ontario refinery, that began sugar refining in 2019. However, it can take several years following the commencement of commissioning of these facilities to reach peak capacity, subject to a variety of design, engineering, and operational challenges. Any delays in increasing our capacity at these facilities to targeted levels can significantly affect our performance and 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 refining operations grow in scale, 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.

#### *Effective Management of Inventories*

We finance inventory purchases predominantly with short term debt. Effective management of inventories can reduce interest expense, while inefficient management of inventory balances and low inventory turnover can result in higher interest expense.

#### *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 through the purchase and sale of sugar, where a margin is made by capturing a price differential in time, geographical location, or quality. The Company's 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.

The Company 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 the Company's 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, as well as depreciation of plant and equipment used to process sugar. Cost of sales also includes cargo and credit insurance, foreign exchange hedging results and fees and commissions relating to futures and foreign exchange hedging, and cost of our production personnel.

Cost of sales also includes any unrealized gains and losses on the Company's forward, futures, and foreign currency contracts as well as mark-to-market adjustments to the Company's commodity inventories. Commodity inventories are valued at fair value minus cost to sell. The Company treats its commodity forward contracts, for both purchases and sales, as financial instruments. The Company 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 sugar commodity commitments. The Company has elected to not designate any of these activities as hedging activities. Therefore, the Company marks-to-market all open forward and futures sugar 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 the Company's 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, logistics, futures and hedging, and trading personnel. 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, to the extent not subject to an interest rate hedging agreement, are variable and subject to base rate (typically the Secured Overnight Financing Rate ("SOFR")) fluctuations.

#### ***Non-IFRS and Other Financial Measures (Key Performance Indicators)***

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. When reporting Adjusted Gross Profit per metric ton delivered, we adjust for any cash settlement of forward contracts during the relevant period to ensure that only the margin derived from physical deliveries during such period is reported and can be consistently compared across periods.

<b>Three Months Ended March 31</b>	<b>2024</b>		<b>2023</b>	
Sugar deliveries (metric tons)		182,865		143,046
Revenue	\$	184,325	\$	125,086
Deduct Cost of sales		(147,218)		(99,627)
Gross Profit		37,107		25,459
Deduct mark to market unrealized positions		(21,151)		(15,014)
Add back (deduct) unrealized gains (losses) on future contracts for delivered inventory		23		-
<b>Adjusted Gross Profit</b>	<b>\$</b>	<b>15,979</b>	<b>\$</b>	<b>10,445</b>
<b>Adjusted Gross Profit Margin</b>		<b>8.7%</b>		<b>8.4%</b>
Deduct cash settlement of forward contracts during the period		-		-
<b>Adjusted Gross Profit on delivered inventory</b>	<b>\$</b>	<b>15,979</b>	<b>\$</b>	<b>10,445</b>
<b>Adjusted Gross Profit per metric ton delivered</b>	<b>\$</b>	<b>87.38</b>	<b>\$</b>	<b>73.02</b>

*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. Adjusted EBITDA is EBITDA further adjusted to remove transaction costs relating to our initial public offering, equity-based compensation expense, 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.

<b>Three Months Ended March 31</b>	<b>2024</b>		<b>2023</b>	
Net Income (Loss)	\$	19,739	\$	11,498
Add back interest expense		5,174		3,867
Add back depreciation expense		1,275		1,035
Add back depreciation of right-of-use assets		235		230
Deduct interest income		(292)		(94)
Add back tax expense		4,912		3,220
EBITDA		31,043		19,756
Add back stock-based compensation expense		644		201
Deduct earnings from equity investment		(91)		(221)
Deduct mark to market unrealized positions		(21,151)		(15,014)
Add back (deduct) unrealized gains (losses) on future contracts for delivered inventory		23		-
Adjusted EBITDA		10,468		4,722
Divide by Revenue		184,325		125,086
EBITDA Margin		16.8%		15.8%
Adjusted EBITDA Margin		5.7%		3.8%

### 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 the prior 12-month period divided by total shareholders' equity at the beginning of the period, expressed as a percentage.

	March 31, 2024	March 31, 2023
Net Income, as reported (previous 12 months)	\$ 28,215	\$ 47,654
Divide by Total Shareholders' Equity at the beginning of period	141,825	109,127
Return on Equity	19.9%	43.7%

### Free Cash Flow

Free Cash Flow is defined as cash flow from operations excluding changes in non-cash working capital and operating cash flows from discontinued operations, and including capital expenditures, net of value-added capital expenditures, and lease payments. The most directly comparable IFRS measure for Free Cash Flow is Cash flow from operating activities.

Three Months Ended March 31	2024	2023
Net cash flow provided by (used in) operating activities	\$ 20,921	\$ 5,008
Changes in non-cash operating assets and liabilities	(15,455)	(5,605)
Lease Payments	(268)	(644)
Purchase of property plant and equipment (capital expenditures)	(9,344)	(3,487)
Value-added capital expenditures	9,150	3,205
<b>Free cash flow</b>	<b>\$ 5,004</b>	<b>\$ (1,523)</b>

### Adjusted Net Debt and Capitalization

Adjusted net debt is defined as total Loans and borrowings less the net collateral value of current assets eligible as collateral, against which we can borrow on our borrowing base facility, and other cash balances. For a description of our borrowing base facility, see "Capital Resources." The most directly comparable IFRS measure for Adjusted net debt is total Loans and borrowings. Capitalization is defined as our shareholders' equity plus Adjusted net debt, lease liabilities, and amounts due to related parties. The most directly comparable IFRS measure for Capitalization is Shareholders' equity. Adjusted leverage ratio is defined as the ratio of Adjusted net debt to Adjusted EBITDA.

	March 31, 2024	December 31, 2023
Loans and borrowings	\$ 252,790	\$ 266,756
Less:		
Net collateral value	(209,452)	(204,856)
Other cash	(3,074)	(5,919)
Adjusted net debt	40,264	55,981
Lease liabilities	12,655	12,495
Due to related parties	334	5,054
Shareholders' equity	163,115	141,825
Capitalization	216,368	215,355
Adjusted net debt to capitalization	18.6%	26.0%
Adjusted EBITDA (previous 12 months)	38,810	33,065
Adjusted leverage ratio (Adjusted net debt / Adjusted EBITDA)	1.0	1.7

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



**Results for Three-Month Periods Ended March 31, 2024, and March 31, 2023**

Three Months Ended March 31	2024	2023
Sugar Deliveries (Metric Tons)	182,865	143,046
Revenue	\$ 184,325	\$ 125,086
Cost of sales	147,218	99,627
Gross Profit	37,107	25,459
Adjusted gross profit	15,979	10,445
Adjusted gross profit margin	8.7%	8.4%
Income From Operations	29,579	18,140
Income Before Income Taxes	24,651	14,718
Net Income (Loss)	19,739	11,498
Income from continuing operations– per share (basic)*	2.88	2.21
Income from continuing operations– per share (diluted)*	0.83	0.53
EBITDA	31,043	19,756
Adjusted EBITDA	10,468	4,722
Adjusted EBITDA Margin	5.7%	3.8%
Return on equity	19.9%	43.7%
Adjusted gross profit per metric ton delivered (net of cash settlements)	87.38	73.02
Free cash flow	5,004	(1,523)
<b>Refineries Results</b>		
Refineries Volume (Metric Tons)	46,754	40,474
Adjusted Gross Profit	\$ 6,741	\$ 4,221
Adjusted Gross Profit per MT	144.18	104.29

\* Per share figures for periods prior to December 31, 2023, are adjusted for the Reorganization. Basic calculation counts each PVS as one share.

For the three months ended March 31, 2024, customer deliveries increased by 27.8% compared with the three months ended March 31, 2023, from 143,046 MTs in 2023 to 182,865 MTs in 2024, primarily due to an increase in cost, insurance, and freight (CIF) world market white sugar volumes sold to Latin American destinations and additional volumes shipped from our Lackawanna refinery.

Adjusted EBITDA was \$10.5 million for the three months ended March 31, 2024, compared with \$4.7 million for the corresponding 2023 period, a 121.7% increase, mainly as a result of higher Adjusted Gross Profit (\$16.0 million for the three months ended March 31, 2024, compared with \$10.4 million for the corresponding 2023 period). This improvement was driven by higher Adjusted Gross Profit derived from our strategic focus on higher margin business at our U.S. and Canada refining 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 \$31.0 million for the three months ended March 31, 2024, compared with \$19.8 million for the corresponding 2023 period, a 57.1% increase driven mainly by higher Adjusted Gross Profit and unrealized mark-to-market gains on physical sugar contracts.

Net income for the three months ended March 31, 2024, amounted to \$19.7 million, an increase of \$8.2 million when compared to net income of \$11.5 million for the three months ended March 31, 2023. This increase was driven primarily by higher unrealized mark-to-market gains on physical sugar contracts and higher Adjusted Gross Profit realized.

Revenue for the three months ended March 31, 2024, increased by 47.4%, to \$184.3 million, from \$125.1 million for the three months ended March 31, 2023. This increase was mainly driven by the higher sales volume previously

discussed and higher average sugar prices during the three months ended March 31, 2024, compared with the corresponding period in 2023, because of market conditions.

The composition of the Company's revenue for the three months ended March 31, 2024, and 2023, was as follows:

<b>Three Months Ended March 31</b>	<b>2024</b>		<b>2023</b>	
Tolling	\$	185	\$	505
Warehousing		82		317
Commodity		184,538		124,203
Futures and options results		(480)		61
<b>Total revenue</b>	<b>\$</b>	<b>184,325</b>	<b>\$</b>	<b>125,086</b>

During the three months ended March 31, 2024, the Company's futures and options losses were \$0.5 million, compared with a \$0.1 million gain for the corresponding 2023 period, a \$0.5 million decrease relating to market losses on our Sugar 11 Contract<sup>1</sup> futures contracts positions, which are used as hedging instruments for our physical positions. For the same periods, tolling and warehousing revenues declined by \$0.3 million (63.4%) and \$0.2 million (74.1%), respectively, as we continue to decrease third party operations at our Chicago facility to focus on internal volumes and operations.

The composition of cost of sales for the Company for the three months ended March 31, 2024, and 2023, was as follows:

<b>Three Months Ended March 31</b>	<b>2024</b>		<b>2023</b>	
Purchases	\$	133,606	\$	79,708
Production and processing		16,955		18,129
Logistics/ freight		11,804		11,901
Labor		2,285		1,347
Overheads		2,189		2,590
Foreign exchange loss		557		125
Depreciation on plant and equipment		894		745
Depreciation on right-of-use plant and equipment		79		96
Mark to market unrealized positions		(21,151)		(15,014)
<b>Total cost of sales</b>	<b>\$</b>	<b>147,218</b>	<b>\$</b>	<b>99,627</b>

Cost of sales increased by \$47.6 million (47.8%) from \$99.7 million for the three months ended March 31, 2023, to \$147.2 million for the three months ended March 31, 2024. The main driver for the increase is the cost of sugar due to market conditions (a \$53.9 million or 67.6% increase).

Mark-to-market gains on forward contracts and, to a lesser extent, futures contracts, drove the \$21.2 million gains on unrealized mark-to-market positions for the three months ended March 31, 2024 (compared with \$15.0 million for the same period in 2023). Unrealized mark-to-market (non-cash) losses on inventory for the three months ended March 31, 2024, was \$4.9 million (\$5.4 million gain in 2023). This result was driven by a decrease in the Company's overall inventory volumes, as well as lower average sugar market prices. During the three months ended March 31, 2024, the Company had net unrealized mark-to-market gains on forward sugar contracts of \$20.9 million compared with \$8.3 million in 2023. The mark-to-market gains on commodity forward contracts were primarily driven by higher margins on booked forward contracts (in particular for organic sugar and Mexican wholesale operations) as of March 31, 2024, compared to a year earlier.

During the three months ended March 31, 2024, the Company had unrealized gains of \$4.1 million and \$1.0 million on sugar futures contracts and foreign currency forwards, respectively (2023 - \$1.4 million gain, and \$0.0 million loss, respectively). These gains relate to hedging of Sugar 11 and Sugar 16 Contracts and Mexican Peso positions on our inventory, forward contracts, and accounts receivable. See "Financial Risk Management" below.

The composition of selling, general and administrative expenses for the three months ended March 31, 2024, and

<sup>1</sup> Sugar 11 Contract is the world benchmark contract for raw sugar trading.

2023, was as follows:

<b>Three Months Ended March 31</b>	<b>2024</b>		<b>2023</b>	
Administrative expenses	\$	5,475	\$	5,154
Selling and distribution expenses		407		743
Other operating expenses		465		797
Depreciation		381		290
Depreciation of right-of-use assets		156		134
Equity-based compensation		644		201
<b>Total Selling, General and Administrative Expenses</b>	<b>\$</b>	<b>7,528</b>	<b>\$</b>	<b>7,319</b>
<b>Total Selling, General and Administrative Expenses / Revenue</b>		<b>4.08%</b>		<b>5.85%</b>

The Company's selling, general and administrative expenses amounted to \$7.5 million for the three months ended March 31, 2024, an increase of \$0.2 million (2.9%) when compared to expenses of \$7.3 million for the three months ended March 31, 2023. As our operations continue to grow and scale, we expect selling, general and administrative expenses as a percentage of revenue to continue 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 \$5.5 million for the three months ended March 31, 2024, an increase of \$0.3 million (6.2%) from \$5.2 million for the three months ended March 31, 2023. The most significant driver for this increase was a one-time compensation expense to non-executive board members relating to the settlement of their equity appreciation rights ("EARs").

During the three months ended March 31, 2024, the Company saw a decrease in its selling and distribution expenses of \$0.3 million, or 45.2%, from \$0.7 million incurred during the three months ended March 31, 2023, to \$0.4 million in the three months ended March 31, 2024. The main reason for this was lower commissions paid to third parties for sugar origination, as a higher proportion of volumes were originated by the Company.

During the three months ended March 31, 2024, other operating expenses, including travel, business taxes and licenses, bad debts, outside labor and IT expenses, amounted to \$0.5 million, a decrease of \$0.3 million (41.7%) when compared to expenses of \$0.8 million for the three months ended March 31, 2023. This decrease was mainly driven by lower bad debt provision.

During the three months ended March 31, 2024, the Company incurred interest expense of \$5.2 million, an increase of \$1.3 million, or 33.8%, over the three months ended March 31, 2023. The increase was due to a combination of higher overall borrowings, primarily to fund inventory and accounts receivable, and higher SOFR, which increased by 47 basis points in the U.S. from March 31, 2023, to March 31, 2024. SOFR affects interest incurred on Sucro's short-term financial liabilities.

The Company's current and deferred income tax expense increased by \$1.7 million from \$3.2 million for the three months ended March 31, 2023, to \$4.9 million for the three months ended March 31, 2024. The Company recognized \$0.1 million and \$4.8 million in current and deferred income tax expense, respectively, during the year ended December 31, 2023, owing to deductions associated with unrealized gains on inventory and forward, futures and foreign exchange contracts, as well as with the difference between accounting and tax depreciation rates of property, plant, and equipment.

### ***Summary of Quarterly Results***

The table below contains a summary of selected financial information for the previous eight quarters of Sucro Limited

or Sucro Holdings, as applicable.

<b>Unaudited</b>	<b>Q1 2024</b>	<b>Q4 2023</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>	<b>Q3 2022</b>	<b>Q2 2022</b>
Sugar Deliveries (Metric Tons)	182,865	95,883	122,243	115,606	143,046	81,947	103,436	175,694
Total Revenue	\$ 184,325	\$ 114,560	\$ 139,041	\$ 118,147	\$ 125,086	\$ 94,455	\$ 84,003	\$ 132,878
Adjusted Gross Profit	15,979	9,467	13,143	16,071	10,445	15,401	3,213	9,906
Adjusted Gross Profit Margin	8.7%	8.3%	9.5%	13.6%	8.4%	16.3%	3.8%	7.5%
Adjusted EBITDA	10,468	8,308	8,227	11,806	4,723	10,452	(293)	6,053
Free Cash flow	5,004	(1,932)	3,491	4,787	(1,523)	4,633	1,218	(1,345)
Net Income from continuing opera	19,739	(10,381)	1,983	16,874	11,498	15,685	8,895	11,576
<b>Total</b>								
Per share*	2.88	(1.65)	0.38	3.21	2.21	3.73	2.26	3.36
Diluted per share*	0.83	(0.45)	0.09	0.77	0.53	0.74	0.43	0.57
Net Income	19,739	(10,381)	1,983	16,874	11,498	15,685	8,895	11,576
<b>Total</b>								
Per Share*	2.88	(1.65)	0.38	3.21	2.21	3.73	2.26	3.36
Diluted per share*	0.83	(0.45)	0.09	0.77	0.53	0.74	0.43	0.57

#### **Refineries Results**

Refineries Volume (Metric Tons)	46,754	34,287	37,074	48,488	40,474	19,345	21,241	22,623
Adjusted Gross Profit	\$ 6,741	\$ 6,244	\$ 5,804	\$ 6,736	\$ 4,221	\$ 2,276	\$ 2,417	\$ 2,575
Adjusted Gross Profit per MT	144.18	182.12	156.54	138.91	104.29	117.67	113.78	113.83

\* Per share figures for periods prior to December 31, 2023, are adjusted for the Reorganization. Basic calculation counts each PVS as one share.

#### **Capital Resources**

As of March 31, 2024, the Company had working capital of \$125.6 million compared to working capital of \$109.4 million as of December 31, 2023.

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Current Assets</b>	\$ 417,628	\$ 443,941
<b>Less: Current Liabilities</b>	291,984	334,523
<b>Working Capital</b>	\$ <b>125,644</b>	\$ <b>109,418</b>

As of March 31, 2024, the Company had \$173.4 million of unused credit facilities, including \$65.2 million available under uncommitted physical repurchase facilities, and \$50.0 million of unused committed credit facilities. The Company considers that it has sufficient funds available to meet its current and long-term financial obligations as they come due.

The Company's \$300.0 million revolving credit facility, which had \$108.8 million and \$110.2 million of unused capacity as of March 31, 2024, and December 31, 2023, respectively (based on the total value of the facility), is a borrowing base facility secured by substantially all the current assets of the Company, 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). The Company 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. As of March 31, 2024, and December 31, 2023, the Company had \$20.3 million and \$18.2 million, respectively, 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 March 31, 2024, the Company was in compliance with these covenants.

In addition, the Company has physical inventory repurchase lines with financial institutions in the aggregate amount of \$85.0 million (\$55.0 million as of December 31, 2023). These lines provide for the sale of inventory with an

agreement to repurchase the same at a future date. The Company had \$65.5 million and \$19.4 million of total unused capacity under these lines as of March 31, 2024, and December 31, 2023. These are uncommitted, discretionary lines, with each transaction being subject to its own terms.

The main driver of the decrease in current assets includes decreases in inventory of \$53.9 million in accordance with the Company's plan to reduce inventory levels throughout the fiscal 2024 year. In addition, there were decreases in the unrealized gains on forward commitments of \$3.9 million because of a decrease in volume as of March 31, 2024, compared with December 31, 2023. The decreases have been partially offset by an increase in Accounts Receivable of \$31.8 million.

The decrease in current liabilities since December 31, 2023, is mainly due to decreases in loans and borrowings (current portion), of \$12.5 million, when compared to December 31, 2023, corresponding mainly to repayments of the borrowing base credit facility and decrease of the balance of physical inventory repurchase lines. Unrealized losses on forward commitments also decreased by \$25.1 million since December 31, 2023, mainly due to market conditions.

The Company's 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.

The Company's 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. The Company has not established quantitative return on capital criteria, but rather promotes year-over-year sustainable profitable growth. The Company is subject to various capital requirements imposed by its lenders, both on a consolidated and standalone basis (for one or more of its subsidiaries). As of March 31, 2024, the Company was in compliance with these requirements.

Our working capital needs are funded with cash from operating activities and short-term debt. To maintain or alter the capital structure, the Company may adjust capital spending, take on new debt or issue equity. The Company 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 financing as required.

The Company's strategic growth plan is to expand its North American refining footprint, through both the gradual increase of the utilization of its existing assets until reaching their full capacity and the development of new facilities to further leverage economies of scale and logistic synergies of its current footprint.

In February 2023, Sucro announced a proposed major new sugar refinery project in Southern Ontario at a forecasted project cost of approximately \$100 million. A lease for the new refinery project has been signed with the Hamilton-Oshawa Port Authority in Hamilton, Ontario, for a term of 40 years, with an option for the Company to renew the term for a further 20 years. This refinery is expected to have a nominal capacity of one million metric tons, an output that the Company expects to achieve gradually, as the U.S. and Canadian markets grow over time. As of March 31, 2024, a total of \$45.0 million has been approved by our Board for phase I of this project (which includes a refinery and raw sugar warehouse), and \$7.3 million of capital expenses have been incurred on construction, equipment, and other development costs. This project is expected to commence commercial operation in the early 2026 timeframe.

In February 2024, Sucro announced a proposed new sugar refinery project in University Park, Illinois (part of the greater Chicago area). Phase I of this project, which includes the refinery only, is expected to commence commercial operation in the early 2026 timeframe. The project has an estimated cost of approximately \$20.0 million, which has been approved by the Board. This refinery will be located at the Company's University Park facility and is expected to ramp toward an annual production of 200,000 metric tons within the first three years of operation. As of March 31, 2024, the Company has incurred \$1.1 million on the development of this project.

For the 12-month period ending December 31, 2024, the Company anticipates incurring total capital expenditures of approximately \$46.3 million, which relate primarily to the Hamilton and University Park refineries described above and, to a lesser extent, ongoing commissioning of its Lackawanna refinery, and maintenance capital expenditures at its facilities and refineries. These expenditures will be funded predominantly with long-term debt and, to a lesser extent, cash derived from operating activities. Debt funding for these projects is expected to include the following:

<u>Project</u>	<u>Purpose/Source</u>	<u>Principal Amount ('000s)</u>	<u>Amortization</u>	<u>Interest Rate</u>	<u>Status</u>
Hamilton refinery	Landlord loan for refinery building improvements	\$10,332	Interest-only during construction; 15 years thereafter	Canada Prime Rate plus 1.5% during construction; fixed rate thereafter (to be fixed at completion)	Completed
Hamilton refinery	Bank loan for equipment and related soft costs	\$20,000	10 years from closing; interest only during construction	Daily Simple SOFR plus 2.35%; rate may be fixed after 18-month construction period, at Company's option	Completed
University Park refinery	Bank mortgage loan	\$6,500	5-year term; interest-only during construction (maximum 12 months); 20-year amortization	5-year US Treasury Yield + 2.5% (floating during construction and fixed at completion)	Loan documents being negotiated
University Park refinery	Bank loan for equipment and related soft costs	\$7,500	10 years from closing; interest only during construction	Daily Simple SOFR plus 2.35%; rate may be fixed after 18-month construction period, at Company's option	Term sheet signed (uncommitted); pending documentation

As of March 31, 2024, the Company had committed undisbursed long-term loans and borrowings for its Hamilton, ON project totaling \$30.3 million (see "Events Subsequent to March 31, 2024").

### **Liquidity**

#### *Three Months Ended March 31, 2024, and 2023*

A summary of cash flows for continuing operations for the Company and Sucro Holdings for the three months ended March 31, 2024, and 2023, respectively, are as follows:

<b>Three Months Ended March 31</b>	<b>2024</b>	<b>2023</b>
Net cash flow provided by (used in) operating activities:		
Operating cash flows before changes in working capital	\$ 5,466	\$ (597)
Changes in non-cash operating assets and liabilities	15,455	5,605
Net cash flow provided by (used in) operating activities	20,921	5,008
Cash flow provided by (used in) financing activities	(14,422)	(2,830)
Cash flow provided by (used in) investing activities	(9,344)	(2,373)
<b>Net increase (decrease) in cash</b>	<b>\$ (2,845)</b>	<b>\$ (195)</b>

Operating cash flows before changes in working capital were \$5.5 million for the three months ended March 31, 2024, compared to \$(0.6) million for the corresponding 2023 period. Cash flow provided by operating activities for the three months ended March 31, 2024, increased by \$16.0 million compared to the three months ended March 31, 2023, due to several factors. Positive factors for the three months ended March 31, 2024, included increases in accounts payable (which provide lower cost funding for purchases of inventory) and decreases in inventory. These positive factors were offset by negative factors including greater accounts receivable balances, lower sales taxes payables, and higher prepaid expenses.

Cash flow provided by financing activities decreased by \$11.6 million for the three months ended March 31, 2024, compared to the same period of 2023, mainly due to an increase of short-term financial liabilities repayments relating to our revolving borrowing base line of credit.

Cash flow used in investing activities increased by \$7.0 million compared to 2023 mainly due to purchases of property, plant and equipment for our Lackawanna refinery and the ongoing development of our new Hamilton Refinery.

### ***Credit Facilities and Debt Management Strategy***

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Loans and borrowings	\$ 252,790	\$ 266,756
Less:		
Net collateral value	(209,452)	(204,856)
Other cash	(3,074)	(5,919)
Adjusted net debt	40,264	55,981
Lease liabilities	12,655	12,495
Due to related parties	334	5,054
Shareholders' equity	163,115	141,825
Capitalization	216,368	215,355
Adjusted net debt to capitalization	18.6%	26.0%
Adjusted EBITDA (previous 12 months)	38,810	33,065
Adjusted leverage ratio (Adjusted net debt / Adjusted EBITDA )	1.0	1.7

We consider our capital to be our shareholders' equity plus lease liabilities, amounts due to related parties, and debt, adjusted for the net collateral value of working capital assets (excluding cash) securing our borrowing base and inventory financing obligations, on a mark-to-market basis, and cash balances. As of March 31, 2024, our ratio of Adjusted net debt to capitalization was 18.6%, compared to 26.0% as of December 31, 2023. As of March 31, 2024, December 31, 2023, our Adjusted leverage ratio, was 1.0, compared with 1.7 as of December 31, 2023.

We fund our working capital requirements primarily through our borrowing base facility and inventory repurchase transactions (discussed in "Capital Resources" above). These facilities generally bear interest at variable SOFR-based rates, plus an applicable margin. The interest rate of our borrowing base facility was 8.6% and 8.4% as of March 31, 2024, and 2023, respectively. As of March 31, 2024, we maintained \$65.0 million notional amount of buy fixed-sell variable interest rate swaps that effectively fixes the rate of the same notional amount of short-term debt for a period of 2-3 years (for further information, see "Financial and Other Instruments," and "Financial Risk Management" below).

All outstanding long-term loans and borrowings were used to finance capital expenses, including property, plant and equipment and have the maturities set forth below. The average interest rate for our long-term debt for the three months ended March 31, 2024, was 7.4%. While our credit facilities include financial and other covenants applicable to our subsidiaries, our borrowing base facility includes a financial covenant applicable to Sucro Limited on a consolidated basis, as set forth in the table below.

<b>Maturity in years</b>	<b>Up to 1</b>	<b>1-2</b>	<b>2-3</b>	<b>3-5</b>	<b>Over 5</b>
Loans and borrowings, current portion					
Borrowing base revolving credit facility	191,177				
Inventory repurchase transactions	20,408				
Other revolving facilities	400				
Current portion of long-term loans and borrowings	4,515				
Loans and borrowings, net of current portion		4,872	9,968	21,150	300
<b>Loans and Borrowings</b>	<b>216,500</b>	<b>4,872</b>	<b>9,968</b>	<b>21,150</b>	<b>300</b>
Unused credit facilities (total)	123,415				
Unused committed facilities	50,000				
Financial covenants include:					
Maximum Total liabilities-to-Tangible net worth <sup>2</sup>	4.00:1				
Reported as of March 31, 2024	1.26				

<sup>2</sup> Tangible Net Worth – Total of assets of the consolidated group minus total liabilities of the consolidated group plus subordinated indebtedness minus any intangible assets as defined by IFRS minus receivables and other obligations due from affiliates that are not Loan Parties unless and to the extent such amounts are covered by credit insurance provided by a credit insurance provider with an investment grade credit rating.

### ***Outlook***

A delay in the expansion of our production capacity at Lackawanna has impacted the facility's refinery production volumes to date. While we expect that increased production through the second half of 2024 will make up a majority of the production shortfall for the year, we are withdrawing our production guidance for Lackawanna of between 120,000 and 135,000 MT and updating our aggregate 2024 production estimate for the Hamilton and Lackawanna refineries from a range of 225,000 to 250,000 MT to a new revised production estimate of between 210,000 and 230,000 MT.

### ***Contingencies***

The Company 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 current claims and the possibility of future claims with legal counsel and believes that, as of the date hereof, there is no material current or pending litigation or threat of such action.

### ***Off-Balance Sheet Arrangements***

Off balance sheet obligations as of March 31, 2024, 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 \$4.2 million.

In addition, the Company maintains an equity participation rights plan (the "EAR plan"). Each equity appreciation right ("EAR") granted to a participant under the 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 Sucro Holdings, as applicable, in connection with a sale of a threshold percentage of the Company's or Sucro Holding's equity interests or assets. Participants are not entitled to dividends or other distributions or any share of profits on their EARs. As of March 31, 2024, the Company had outstanding 118,692 EARs, out of which 81,192 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 the Company 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, the Company's 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 Sucro Limited (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 Sucro Limited (instead of one membership unit of Sucro Holdings).



### ***Transactions with Related Parties***

The Company had no related-party transactions during the three months ended March 31, 2024 other than those noted in the interim condensed unaudited consolidated financial statements for such period except, as follows:

1. The Company 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 \$36.0 thousand.
2. As discussed in “*Off Balance Sheet Arrangements*,” the Company has guaranteed up to \$3.2 million of Amerikoa’s bank debt obligations. The Company holds 19% of Amerikoa’s equity securities. Matt Dyer, Vice President of US Sales of the Company, owns the majority of the equity securities of Amerikoa.
3. Commencing August 1, 2023, the Company 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 the Company, owns the majority of the equity securities of Amerikoa. The monthly lease amount is \$20.0 thousand.

### ***Outstanding Security Data***

	<b>December 31, 2023</b>	<b>May 29, 2024</b>
Subordinate Voting Shares	6,683,306.00	6,824,156.00
Proportionate Voting Shares	167,189.29	167,189.29
<b>Total – basic outstanding</b>	<b>6,850,495.29</b>	<b>6,991,345.29</b>
Subordinate Voting Shares	6,683,306	6,824,156
Proportionate Voting Shares (as-converted to SVS)	16,718,929	16,718,929
<b>Total – basic as converted</b>	<b>23,402,235</b>	<b>23,543,085</b>
Warrants	180,635	39,785
Restricted Share Units	177,973	286,312
Options	-	304,752
<b>Total – fully diluted</b>	<b>23,760,843</b>	<b>24,173,934</b>

### ***Financial and Other Instruments***

The Company treats its commodity forward contracts, for both purchases (from suppliers) and sales (to customers), as financial instruments (derivatives). The Company uses offsetting commodity forward contracts, as well as exchange traded futures, to mitigate the fixed-price exposure inherent in inventory and forward commodity commitments. The Company 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. The Company has elected to not designate any of its trading activities as hedging activities.

The Company 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 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 Company’s estimates of the assumptions that market participants would use, having the least priority (Level 3). At each statement of financial position date, the Company 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). The Company primarily applies the market approach for recurring fair value measurements and attempts to utilize the best available information. Accordingly, the Company 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. 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.

The Company has entered into interest rate swaps to manage interest rate risk exposure associated with the Company's floating-rate borrowings. These swaps involve the receipt of floating rate amounts in exchange for fixed rate interest payments over their life without an exchange of the underlying principal amount. The Company designated these interest rate swaps as cash flow hedges of a floating rate borrowing.

The Company has also entered into energy swaps to manage price risk exposure associated with its consumption of energy in its processing and refining facilities. These swaps effectively modify its exposure to price risk on part of its natural gas consumption at its refining facilities by converting the Company's variable rate to a fixed-rate basis during the life of the agreement, thus reducing the impact of price changes on future energy payments. The Company designated these energy swaps as cash flow hedges. 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 the Company's derivative assets as of the dates indicated:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Forward commitments	\$ 136,502	\$ 140,495
Futures contracts	3,381	2,938
Interest rate swap	456	281
Foreign currency forwards	138	49
<b>Total Gains</b>	<b>\$ 140,477</b>	<b>\$ 143,763</b>

The following table provides a summary of the Company's derivative liabilities as of the dates indicated:

	March 31, 2024	December 31, 2023
Forward commitments	\$ 8,738	\$ 32,902
Interest rate swap	29	803
Foreign currency forwards	229	1,123
Options	206	177
Energy rate swap	73	60
<b>Total Losses</b>	<b>\$ 9,275</b>	<b>\$ 35,065</b>

During the three months ended March 31, 2024, and 2023, net unrealized gains (losses) on derivative transactions recognized in cost of sales are as follows:

Three Months Ended March 31	2024	2023
Mark-to-market gains (losses) on commodity forward contracts	\$ 20,930	\$ 8,261
Mark-to-market gains (losses) on inventory	(4,851)	5,379
Mark-to-market gains (losses) on futures contracts	4,090	1,379
Mark-to-market gains (losses) on foreign currency forwards	982	(5)
<b>Total</b>	<b>\$ 21,151</b>	<b>\$ 15,014</b>

The amount of gain or loss on derivative transactions is presented in cost of sales, except for the gain (loss) 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 the Company's and Sucro Holdings', as applicable, 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 three months ended March 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 three months ended March 31		Location of gain(loss) reclassified in income on derivative (effective portion)	Amount of gain(loss) recognized in income on derivative (ineffective portions) for the three months ended March 31	
	2024	2023		2024	2023		2024	2023
Interest rate swap	\$949	\$(125)	Interest income (expense)	\$232	-	Other income (expense)	-	-
Energy rate swap	\$(42)	\$(95)	Cost of sales (expense)	\$(137)	-	Other income (expense)	-	-

### **Financial Risk Management**

The Company's 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. The Company regularly evaluates and manages the risks assumed with its financial instruments. The following analysis provides a measure of the Company's 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. The Company 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. The Company considers that it has sufficient funds available to meet its current and long-term financial obligations as they come due. As of March 31, 2024, the Company had current assets of \$417.6 million and current liabilities of \$291.9 million. As of December 31, 2023, the Company had current assets of \$443.9 million and current liabilities of \$334.5 million. In addition, as of March 31, 2024, the Company had \$50.0 of undrawn committed credit facilities and \$123.4 million of undrawn uncommitted credit facilities. Management of liquidity risk during the three months ended March 31, 2024, did not change materially from the year ended December 31, 2023. For more information, see “Capital Resources,” “Liquidity,” and “Credit Facilities and Debt Management Strategy.”

#### 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. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable, forward contracts, and cash and cash equivalents. The Company 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. The Company routinely assesses the financial strength of its customers and ensures that counterparty balances are maintained within the approved credit limits. As a result, the Company believes the concentrations of credit risk are limited.

In addition, to mitigate credit risk on its accounts receivable, the Company 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. The maximum risk of loss related to credit risk on the Company’s accounts receivables (net of credit insurance) as of March 31, 2024, and December 31, 2023, respectively, were \$85.2 million and \$52.9 million.

Balances for trade accounts receivable are managed on an ongoing basis to ensure estimated credit losses 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.

The Company maintains cash balances in financial institutions. These financial institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”). From time to time, the Company maintains cash in bank accounts in excess of the FDIC insurance limit. The Company 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.

The Company also maintains certain cash balances in another financial institution for the primary purpose of clearing and holding custody of futures contracts. Concentration of credit risk is not insured by the FDIC or guaranteed by the financial institution.

As of March 31, 2024, and December 31, 2023, the Company had, respectively, deposits of \$2.0 million and \$3.5 million that were not insured by the FDIC or in excess of the FDIC insurance limit.

Management of credit risk during the three months ended March 31, 2024, did not change materially from the year ended December 31, 2023.

#### 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. The Company is exposed to other price risk on its fixed price commodities forwards and future contracts.

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 bank loans of the Company have a variable interest rate. The interest rate swaps utilized by the Company effectively modify the Company's exposure to interest rate risk on certain debt by converting the Company's floating-rate debt to a fixed-rate basis during the tenor of the swaps, as indicated below, thus reducing the impact of interest-rate changes on future interest expense. As of March 31, 2024, \$39.9 million notional amount of the Company's long-term debt and \$65.0 million notional amount of short-term debt bears interest at a fixed rate or has been hedged with an interest rate swap. The total notional amount of the Company's receive-variable/pay-fixed interest rate swaps is set forth below, in each case for 30-day SOFR.

Swap tenor (in years)	Notional amount (USD '000)		Average swap rate	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
More than 2, less than 3	\$ 65,000	\$ 50,000	4.30%	4.33%
Total notional amount	\$ 65,000	\$ 50,000		

Changes in a variable rate loan's base rate can cause fluctuations in interest payment and cash flows. If the base rate of the Company's variable rate debt increased/decreased by 50 basis points, the Company's net income before income taxes for fiscal 2023 would have been \$0.9 million lower/ higher (2022 - \$1.7 million lower/ higher).

ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows from the Company's operations will fluctuate due to changes in foreign exchange rates. The Company has several accounts denominated in currencies other than its functional currency of the U.S. Dollar as described below. The Company operates in the U.S., Canada and Mexico and regularly transacts in currencies other than U.S. Dollars. The Company 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. The Company 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 the Company's exposures to different currencies.

	Canadian Dollars	
	Balance in USD March 31, 2024	Balance in USD December 31, 2023
Cash	\$ 158	\$ 702
Accounts receivable	13,061	9,748
Accounts payable and accrued liabilities	(3,762)	(3,305)
Lease liability	(11,510)	(11,683)
Sales Tax Payable	(2,106)	(4,744)
Commodity forward contracts	9,179	11,946
FX Forward Contracts	(8,933)	(5,584)
	<b>\$ (3,913)</b>	<b>\$ (2,920)</b>

As of December 31, 2023, if the Canadian Dollar had strengthened (weakened) 5 percent against the United States Dollar, net income before income taxes would have been \$146 thousand lower (higher) (2022 - \$294 thousand lower (higher)).

	<b>Mexican Pesos</b>	
	<b>Balance in USD</b>	<b>Balance in USD</b>
	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Cash	\$ 14	\$ 29
Accounts receivable	27,061	23,512
Accounts payable and accrued liabilities	(10,741)	(15,555)
Inventory	3,916	13,879
Sales Tax Payable	1,949	1,649
Commodity forward contracts	(1,361)	(956)
FX Forward Contracts	(7,496)	(20,365)
	<b>\$ 13,342</b>	<b>\$ 2,194</b>

As of December 31, 2023, if the Mexican Peso had strengthened (weakened) 5% against the United States Dollar, net income before income taxes would have been \$109 thousand higher (lower) (2022 - \$309 thousand higher (lower)).

### iii) Commodity Price Risk

The Company 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. The Company uses derivative instruments, including swaps, commodity futures and forward contracts, to manage its exposure to fluctuating prices of sugar commodities. The Company manages open positions with strict policies, which limit its exposure to market risk and require routine reporting to management of potential financial exposure. The Company 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. As of December 31, 2023, if the market price of sugar had increased (decreased) by 10%, the Company's net income before taxes would have been \$14.0 million greater (lower) (2022 - \$2.4 million greater (lower)).

The table below summarizes the commodity derivative instrument positions of the Company for sugar as of March 31, 2024:

	Volumes/ Notional Amounts (Net)	Effective Dates	Expiration Dates	Fair Value (Approximate)
Sugar commodities	14,854 MT	Apr 2024 - Nov 2025	Apr 2024 – Nov 2025	\$138,060
Total fair market value				\$138,060

The table below summarizes the commodity derivative instrument positions of the Company for sugar as of December 31, 2023:

	Volumes/ Notional Amounts (Net)	Effective Dates	Expiration Dates	Fair Value (Approximate)
Sugar commodities	28,757 MT	Jan 2024 – Nov 2025	Jan 2024 – Nov 2025	\$116,438
Total fair market value				\$116,438

The Company is also exposed to other price risk associated with its consumption of natural gas for its refining facilities. The Company manages this risk by entering into energy swap agreements that effectively modify the Company's 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. The Company designated this energy swap as a cash flow hedge.

### ***Changes in Accounting Policy***

During 2023, the Company modified the classification of depreciation expense on its property, plant and equipment and right-of-use assets used in the production of sugar to reflect more appropriately the way in which economic benefits are derived from their use. Comparative amounts in the statement of income and other comprehensive income were reclassified for consistency.

### ***Newly Adopted Accounting Pronouncements***

The following amended accounting standard issued by the IASB has an effective date on or after January 1, 2024, and was adopted effective January 1, 2024:

1. *Classification of Liabilities as Current or Non-current (Amendment to IAS 1)*. The Company has adopted Classification of Liabilities as Current or Non-current and Noncurrent Liabilities with Covenants – Amendments to IAS 1, as issued in 2020 and 2022, which are applied for annual reporting periods beginning on or after January 1, 2024. These amendments clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities subject to covenants within 12 months after the reporting date. Application of these amendments did not have a material impact on the Company’s consolidated financial statements.

### ***Risk Factors***

An investment in the securities of the Company 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 the Company and its financial position. Please refer to the section entitled “Risk Factors” in the Company’s annual information form dated April 18, 2024, available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), which is specifically incorporated by reference herein, and elsewhere in this MD&A, for a description of these risk factors.

### ***Events Subsequent to March 31, 2024***

On April 2, 2024, the Company entered into a Financing Agreement with its landlord at the Hamilton, ON, site for the new refinery being built. The agreement provides for loans in the aggregate amount of up to CAD \$14.0 million for the purpose of making leasehold improvements to the site, particularly the refinery building. Loans will be funded in minimum amounts of \$1.0 million during the initial 18 months disbursement period, during which time outstanding amounts will bear interest at the Canada Prime Rate, plus 1.5%. Subject to the Company’s right to prepay the loans at any time, at the end of the disbursement period, loans will amortize over 15 years at either a fixed or floating rate, as selected by the Company. This loan is secured by the leasehold improvements being financed with the loan proceeds (the refinery building).

On April 18, 2024, the Board of Directors of the Company approved an award under the Omnibus Equity Incentive Plan (the “Omnibus Plan”) of 29,344 restricted share units (“RSUs”) to directors and a consultant of the Company and its subsidiaries. The RSUs awarded will vest no earlier than one year from the date of the award.

On April 18, 2024, the Board of Directors of the Company approved an award under the Omnibus Plan of 342,846 stock options to officers, senior employees, and a consultant of the Company and its subsidiaries. The options mature on December 31, 2028, have a strike price of CAD \$11.00, and vest over a period of 2.5 years from the date of the award, with no vesting to occur prior to the first anniversary of the award. As of May 29, 2024, 38,094 stock options had been forfeited and 304,752 remain outstanding.

On April 25, 2024, the Company issued 140,850 subordinate voting shares pursuant to the exercise of outstanding broker warrants issued in April 2022 in connection with the private placement of member units of Sucro Holdings. The consideration received for these shares was CAD \$650.9 thousand. As of May 30, 2024, the Company has 39,785 outstanding broker warrants, each entitling the holder to acquire one subordinate voting share at an exercise price of CAD \$11.00 until October 30, 2025.

On May 10, 2024, the Company entered into a Master Credit Agreement with a financial institution for the financing of equipment and related soft costs for the new refinery in Hamilton, ON. The agreement provides for loans in the aggregate amount of up to \$20.0 million and a term of 10 years. Loans will be funded during an initial 18-month interest-only disbursement period, during which time outstanding amounts will bear interest at Daily Simple SOFR plus 2.35%. At the end of the disbursement period, loans will amortize over 102 months at either a fixed or floating rate, as selected by the Company. This loan is secured by the equipment being financed with the loan proceeds.

### ***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 expectations regarding our profit and operating margins; our expectations for selling, general and administrative expenses as a percentage of revenue to decrease over time; our expectation for revenues for the 2024 fiscal year; projected sales from our Lackawanna refinery; our revised combined production guidance for our Lackawanna and Hamilton refineries for 2024; the sufficiency of our working capital and capital resources to meet its current and long-term financial obligations; expected capital costs, production capacity and commencement dates for operations for our new Hamilton, Ontario and University Park refineries; and expectations regarding capital expenditures in the next 12 month period and the expected funding of those expenditures.

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 refineries 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 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 Company's annual information form dated April 18, 2024 and filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), which is specifically incorporated by reference herein.

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.