SUCRO LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025

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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 and six months ended June 30, 2025 (the "MD&A"), is dated August 21, 2025, 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, 2024, and accompanying notes, and the unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2025, and accompanying notes. The information presented herein includes, in some instances, 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 six months ended June 30, 2025, 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 other Company information filed on 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 and trading 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 participants. 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. The Company has achieved profitability and growth, as its assets have facilitated entry into profitable business segments, including both conventional and organic sugar markets in 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 for its customers. Accordingly, the Company operates multiple facilities in North America, ranging from fully integrated cane sugar refineries in Hamilton, Ontario, and Lackawanna, New York, to a processing, packaging and storage facility in University Park, Illinois (which is undergoing a conversion into a full cane 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 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 CAD $11.00 per share for gross proceeds of approximately CAD $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 under the ticker symbol "SUG" (subsequently changed to the current ticker symbol "SUGR"). On May 14, 2024, the SVS additionally began trading on the OTCQB Venture Market in the United States under the ticker symbol "SUGRF".

On November 5, 2024, the Company announced that Mexican sugar refiner Beta San Miguel, S.A. de C.V. ("BSM") had acquired 3,750,000 SVS from the Company's controlling shareholder, SC Americas Corp. ("SC Americas"), representing 15.93% of the voting and equity shares of the Company (and 35.5% of the issued and outstanding SVS). The Company also announced (i) the grant by BSM to the Company of certain first offer, first refusal and matching rights for the purchase of raw and refined sugar exported by BSM from Mexico; (ii) the appointment of a nominee of BSM to the board of directors of the Company and the grant to BSM of certain board nomination and pre-emptive rights under an investor rights agreement; and (iii) the entry into by the Company's founder and Chief Executive Officer and his holding company, SC Americas, of a "hard" lock-up and support agreement with BSM under which they have agreed, subject to certain conditions, to tender that number of shares of the Company to BSM to allow BSM to acquire, when added to its existing shares, at least 51% of the outstanding voting and equity shares of the Company on a partially-diluted basis if BSM makes a formal takeover bid for all SVS of the Company within certain defined periods in 2027 or 2028, or to vote in favor of an equivalent alternative transaction. Among the tender conditions, BSM must offer a minimum price of at least nine times income from continuing operations per share – diluted of the Company for the fiscal year ending December 31, 2026, or at least eight times income from continuing operations per share – diluted of the Company for the fiscal year ending December 31, 2027.

Factors Affecting Our Performance

Availability of Sugar on Favorable Terms

The sugar industry is highly competitive. Sugar supply fluctuates from year to 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 available at any point in time. Finally, sugar is a relatively inexpensive product, making the management of supply chain costs essential to achieving 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 second year of operation, and we are developing two new cane sugar refineries, one in Hamilton, Ontario, and another in University Park, Illinois (a suburb of Chicago), which are expected to become operational in late 2025 and early 2026, respectively. However, it can take several years following the commencement of commissioning of these facilities to reach targeted capacity. 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, net of 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' creditworthiness and 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, handling, 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.

The recent announcements on tariffs between the U.S. and Canada, Mexico, Brazil, and other countries relevant to our business and the sugar markets have created additional economic turbulence for every company engaged in cross border trade, including Sucro. In addition, the recent elimination of the specialty sugar quota to fulfill the U.S. market demand for organic sugar is poised to significantly change the organic sugar supply chain and market dynamics. Our team is engaged, monitoring and developing an appropriate action plan to navigate the potential impacts over the short and longer term when details become available. See "Events Subsequent to June 30, 2025" and "Risk Factors."

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 per-unit cost of sugar refined –

as well as by certain variable costs, primarily labor and energy.

Effective Management of Inventories and Our Cash Conversion Cycle

We finance inventory purchases predominantly with short term debt. As a result, effective management of inventories can reduce interest expense, while inefficient management of inventory balances and low inventory turnover can result in higher interest expense. Moreover, as interest rates in the U.S. remain high, relative to recent historical standards, the availability of favorable credit terms from our key suppliers and customers can significantly impact 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 during 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 (typically a full 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 values of the Company's commodity forward contracts are recorded in the statement of financial position as unrealized gains (losses) on forward commitments and any changes 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 recorded in 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 freight, handling, 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 instruments 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 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.

Three Months Ended June 30		2025		2024
Revenue	$	231,408	$	138,014
Deduct Cost of sales		(216,800)		(117,394)
Gross Profit	**$**	**14,608**	**$**	**20,620**
Deduct mark-to-market unrealized positions		(32)		(4,650)
Add back (deduct) unrealized gains (losses) on future contracts for delivered inventory		(1,412)		(1,415)
Adjusted Gross Profit	**$**	**13,164**	**$**	**14,555**
Adjusted Gross Profit Margin		**5.7%**		**10.5%**
Adjusted Gross Profit on delivered inventory	**$**	**13,164**	**$**	**14,555**
Sugar deliveries (metric tons)		286,989		131,086
Adjusted Gross Profit per metric ton delivered	**$**	**45.87**	**$**	**111.04**

Six Months Ended June 30		2025		2024
Revenue	$	386,655	$	322,785
Deduct Cost of sales		(344,977)		(264,862)
Gross Profit	**$**	**41,678**	**$**	**57,923**
Deduct mark-to-market unrealized positions		(13,396)		(25,801)
Add back (deduct) unrealized gains (losses) on future contracts for delivered inventory		(1,333)		(1,392)
Adjusted Gross Profit	**$**	**26,949**	**$**	**30,730**
Adjusted Gross Profit Margin		**7.0%**		**9.5%**
Adjusted Gross Profit on delivered inventory	**$**	**26,949**	**$**	**30,730**
Sugar deliveries (metric tons)		463,308		313,951
Adjusted Gross Profit per metric ton delivered	**$**	**58.17**	**$**	**97.88**

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 one-time transaction costs, 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.

Three Months Ended June 30	2025	2024
Net Income	$ 2,040	$ 3,959
Add back interest expense	5,287	7,452
Add back depreciation expense	1,749	1,297
Add back depreciation of right-of-use assets	576	242
Deduct interest income	(148)	(315)
Add back deduct tax expense	435	1,326
EBITDA	9,939	13,961
Add back stock-based compensation expense	439	760
Deduct earnings from equity investment	(90)	(40)
Deduct mark-to-market unrealized positions	(32)	(4,650)
Add back (deduct) unrealized foreign exchange gains (losses) on leases and loans	902	35
Add back (deduct) unrealized gains (losses) on future contracts for delivered inventory	(1,412)	(1,415)
Adjusted EBITDA	9,746	8,651
Divide by Revenue	231,408	138,014
EBITDA Margin	4.3%	10.1%
Adjusted EBITDA Margin	4.2%	6.3%

Six Months Ended June 30	2025	2024
Net Income	$ 14,047	$ 23,698
Add back interest expense	12,305	13,072
Add back depreciation expense	3,042	2,572
Add back depreciation of right-of-use assets	1,176	477
Deduct interest income	(270)	(607)
Add back tax expense	2,501	6,238
EBITDA	32,801	45,450
Add back stock-based compensation expense	821	1,404
Deduct earnings from equity investment	(152)	(131)
Deduct mark-to-market unrealized positions	(13,396)	(25,801)
Add back (deduct) unrealized foreign exchange gains (losses) on leases and loans	963	(215)
Add back (deduct) unrealized gains (losses) on future contracts for delivered inventory	(1,333)	(1,392)
Adjusted EBITDA	19,704	19,315
Divide by Revenue	386,655	322,785
EBITDA Margin	8.5%	14.1%
Adjusted EBITDA Margin	5.1%	6.0%

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 average total shareholders' equity at the beginning and end of the period, expressed as a percentage.

	June 30, 2025	December 31, 2024
Net Income, as reported (previous 12 months)	$ 14,540	$ 24,191
Divide by Total Shareholders' Equity at the beginning of period	176,194	155,595
Return on Equity	**8.3%**	**15.5%**

Free Cash Flow

Free Cash Flow is defined as cash flow from operations excluding changes in non-cash working capital and including capital expenditures, net of value-added capital expenditures (capital expenditures to increase production and net income), and lease payments. The most directly comparable IFRS measure for Free Cash Flow is cash flow provided by (used in) operating activities.

Three Months Ended June 30		2025		2024
Net cash flow provided by (used in) operating activities	$	43,759	$	15,209
Changes in non-cash operating assets and liabilities		(36,964)		(11,667)
Lease Payments		(571)		(209)
Purchase of property plant and equipment (capital expenditures)		(13,773)		(11,304)
Value-added capital expenditures		13,665		10,958
Free cash flow	**$**	**6,116**	**$**	**2,987**

Six Months Ended June 30		2025		2024
Net cash flow provided by (used in) operating activities	$	54,457	$	31,585
Changes in non-cash operating assets and liabilities		(45,263)		(22,577)
Lease Payments		(1,318)		(477)
Purchase of property plant and equipment (capital expenditures)		(20,492)		(16,103)
Value-added capital expenditures		19,954		15,563
Free cash flow	**$**	**7,338**	**$**	**7,991**

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 facilities, 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.

Maturity in years	Up to 1	1-2	2-3	3-5	Over 5
Loans and borrowings, current portion					
Borrowing base revolving credit facility	191,615				
Inventory repurchase transactions	10,292				
Other revolving facilities	400				
Current portion of long-term loans and borrowings	3,010				
Loans and borrowings, net of current portion		25,931	8,982	6,734	53,676
Loans and Borrowings	**205,317**	**25,931**	**8,982**	**6,734**	**53,676**
Unused credit facilities (total)	233,093				
Unused commited facilities	50,000				
Financial covenants include:					
Maximum Total liabilities-to-Tangible net worth[1]	4.00:1				
Reported as of June 30, 2025	1.39				

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

Results for Three-Month Periods Ended June 30, 2025, and June 30, 2024

Three Months Ended June 30		2025		2024
Sugar Deliveries (Metric Tons)		286,989		131,086
Revenue	$	231,408	$	138,014
Gross Profit		14,608		20,620
Adjusted gross profit		13,164		14,555
Adjusted gross profit margin		5.7%		10.5%
Income From Operations		7,776		11,528
Income Before Income Taxes		2,475		5,285
Net Income		2,040		3,959
Net Income per share - basic		0.19		0.57
Net Income per share - diluted		0.08		0.17
EBITDA		9,939		13,961
Adjusted EBITDA		9,746		8,651
Adjusted EBITDA Margin		4.2%		6.3%
Adjusted gross profit per metric ton delivered (net of cash settlements)		45.87		111.04
Free cash flow		6,116		2,987
Refineries Results				
Refineries Volume (Metric Tons)		59,074		58,613
Adjusted Gross Profit [1]	$	6,552	$	9,320
Adjusted Gross Profit per MT		110.92		159.00

[1] Refinery results include sugar refined at our facilities and delivered during the relevant period. Adjusted Gross Profit from our refining operations include results from our Trading and Services segments directly attributable to those refining activities. Beginning January 1, 2025, these figures include the results of raw sugar sales on an FOB (free on board) or CIF (cost, insurance and freight) basis at the port of origin, as management believes the Adjusted Gross Profit from these sales are an integral part of the refineries' operations. Prior periods are not reported on the same basis and exclude these results.

For the three months ended June 30, 2025, customer deliveries increased by 118.9% compared with the corresponding 2024 period, from 131,086 MT in 2024, to 286,989 MT in 2025. This increase is mainly driven by greater wholesale volumes of conventional sugar in the U.S., as well as by higher bulk raw sugar sales at origin.

Adjusted EBITDA was $9.7 million for the three months ended June 30, 2025, compared with $8.6 million for the corresponding 2024 period, a 12.7% increase, mainly as a result of lower selling, general and administrative expenses ($2.3 million lower in Q2 2025).

The decrease in Adjusted Gross Profit was driven by lower margins from the deliveries of refined sugar out of our Hamilton refinery. This margin compression resulted from the utilization of raw sugar inputs with a relatively high cost, resulting in comparatively lower margins than those observed in prior periods. We expect margins to return to historical levels during the second half of 2025 as our Hamilton and Lackawanna refineries replace these raw sugar inputs with lower-priced sugar priced at current market levels.

EBITDA was $9.9 million for the three months ended June 30, 2025, compared with $14.0 million for the corresponding 2024 period, a 28.8% decrease. Likewise, net income for the three months ended June 30, 2025, amounted to $2.0 million, a decrease of $1.9 million when compared to net income of $4.0 million for the three months ended June 30, 2024. These decreases were driven primarily by lower unrealized mark-to-market gains on physical sugar contracts and lower Adjusted Gross Profit.

The composition of the Company's revenue for the three months ended June 30, 2025, and 2024, was as follows:

Three Months Ended June 30		2025		2024
Commodity	$	233,024	$	138,608
Tolling		4		116
Warehousing		6		71
Futures and options results		(1,626)		(781)
Total revenue	**$**	**231,408**	**$**	**138,014**

Revenue for the three months ended June 30, 2025, increased by 67.7%, to $231.4 million, from $138.0 million for the three months ended June 30, 2024. This increase was driven by volumes, which were in turn driven by higher bulk raw sugar sales at origin, as well as increased refined sugar sales in our wholesale businesses in the U.S., Mexico and Latin America.

During the three months ended June 30, 2025, the Company's futures and options losses were $1.6 million, compared with a $0.8 million loss for the corresponding 2024 period, a $0.8 million negative difference relating to market losses on our Sugar 11 futures contracts positions, which are used as hedging instruments for our physical positions. For the same periods, tolling and warehousing revenues declined by $0.1 million (96.6%) and $0.1 million (91.5%), respectively, as we continue to decrease third party operations at our University Park, IL facility to focus on internal volumes and operations.

The composition of cost of sales for the Company for the three months ended June 30, 2025, and 2024, was as follows:

Three Months Ended June 30		2025		2024
Purchases	$	177,508	$	92,323
Production and processing		3,003		2,452
Logistics/ freight		28,266		20,628
Labor		3,517		2,370
Overheads		3,198		3,225
Foreign exchange loss		(186)		52
Depreciation on plant and equipment		1,327		909
Depreciation on right-of-use plant and equipment		199		85
Mark to market unrealized positions		(32)		(4,650)
Total cost of sales	**$**	**216,800**	**$**	**117,394**

Cost of sales increased by $99.4 million (84.7%) from $117.4 million for the three months ended June 30, 2024, to $216.8 million for the three months ended June 30, 2025. The main driver was the increase in the cost of sugar (a $85.2 million or 92.3% increase) due to higher volume sold and higher input costs in our Canadian refining and U.S. wholesale operations, as previously explained. Another contributing factor to higher cost of sales was logistics and freight, which experienced a $7.6 million or 37.0% increase, due to the increase in volume delivered (118.9% increase for the same period).

Mark-to-market adjustments on unrealized positions were nil for the three months ended June 30, 2025, compared with $4.6 million for the same period in 2024. During the three months ended June 30, 2025, the Company had net unrealized mark-to-market gains on forward sugar contracts of $1.7 million compared with $11.5 million loss in 2024. The mark-to-market gains on commodity forward contracts were primarily driven by an increase in margins booked for our Hamilton and Lackawanna operations for the quarter ended June 30, 2025, as opposed to the corresponding 2024 period, which was driven by higher volumes booked. The year-over-year difference is due to a more rapid growth of forward sales in Q2 of 2024 compared to the same 2025 period, mainly because of market dynamics. Unrealized mark-to-market gains on inventories for the three months ended June 30, 2025, were $0.6 million, compared to $16.3 million for the same period in 2024. This was mainly driven by consistent market values and inventory volumes in the quarter ended June 30, 2025, compared to the corresponding 2024 period.

During the three months ended June 30, 2025, the Company had unrealized losses of $2.0 million and a loss of $0.3 million on sugar futures contracts and foreign currency forwards, respectively (2024 - $0.5 million loss, and $0.4 million gain, respectively). These gains and losses relate to hedging of Sugar 11 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 June 30, 2025, and 2024, was as follows:

Three Months Ended June 30		**2025**		**2024**
Administrative expenses	$	5,286	$	5,994
Selling and distribution expenses		30		(62)
Other operating expenses		278		1,855
Depreciation		422		388
Depreciation of right-of-use assets		377		157
Equity-based compensation		439		760
Equity-based settlement expense		-		-
Total Selling, General and Administrative Expenses	**$**	**6,832**	**$**	**9,092**
Total Selling, General and Administrative Expenses / Revenue		**2.95%**		**6.59%**

The Company’s selling, general and administrative expenses amounted to $6.8 million for the three months ended June 30, 2025, a decrease of $2.3 million (24.8%) when compared to expenses of $9.1 million for the three months ended June 30, 2024, driven by a decrease in administrative expenses and other operating expenses. Administrative expenses, which include staff payroll, benefits and pension costs, professional fees, insurance, bank service charges, and other office expenses were $5.3 million for the three months ended June 30, 2025, a decrease of $0.7 million (11.8%) from $6.0 million for the three months ended June 30, 2024. The most significant driver for this reduction was an improvement in our payroll expenses and professional fees, which reflect management’s ongoing efforts to optimize these costs in 2025. Other operating expenses, which include travel and entertainment, bad debt write-offs, licenses, communication expenses, among others were $0.3 million for the three months ended June 30, 2025, a decrease of $1.6 million (85.0%) from $1.9 million for the three months ended June 30, 2024. We note that 52.9% of this decrease was mainly driven by a reclassification of certain outside labor expenses to Cost of sales in 2025, while the remaining 47.1% was driven by cost savings, including a reduction in bad debt provision due to improved collections from our customers.

During the three months ended June 30, 2025, the Company incurred interest expense of $5.3 million, a decrease of $2.2 million, or 29.1%, during the three months ended June 30, 2024. This decrease was due to lower outstanding balances on the revolving credit facilities that finance our working capital assets.

The Company’s current and deferred income tax expense decreased by $0.9 million, from $1.3 million for the three months ended June 30, 2024, to $0.4 million for the three months ended June 30, 2025. The Company recognized no current income tax expense and $0.4 million in deferred income tax expense during the three months ended June 30, 2025, primarily due to deductions related to unrealized gains on inventory; forward, futures, and foreign exchange contracts; and differences between accounting and tax depreciation rates for property, plant, and equipment.

Results for Six-Month Periods Ended June 30, 2025, and June 30, 2024

Six Months Ended June 30	2025	2024
Sugar Deliveries (Metric Tons)	463,308	313,951
Revenue	$ 386,655	$ 322,785
Gross Profit	41,678	57,923
Adjusted gross profit	26,949	30,730
Adjusted gross profit margin	7.0%	9.5%
Income From Operations	28,552	41,303
Income Before Income Taxes	16,548	29,936
Net Income	14,047	23,698
Net Income per share - basic	1.28	3.43
Net Income per share - diluted	0.59	1.01
EBITDA	32,801	45,450
Adjusted EBITDA	19,704	19,315
Adjusted EBITDA Margin	5.1%	6.0%
Adjusted gross profit per metric ton delivered (net of cash settlements)	58.17	97.88
Free cash flow	7,338	7,991
Refineries Results		
Refineries Volume (Metric Tons)	107,276	105,367
Adjusted Gross Profit [1]	$ 14,711	$ 16,060
Adjusted Gross Profit per MT	137.13	152.42

[1] Refinery results include sugar refined at our facilities and delivered during the relevant period. Adjusted Gross Profit from our refining operations include results from our Trading and Services segments directly attributable to those refining activities. Beginning January 1, 2025, these figures include the results of raw sugar sales on an FOB (free on board) or CIF (cost, insurance and freight) basis at the port of origin, as management believes the Adjusted Gross Profit from these sales are an integral part of the refineries' operations. Prior periods are not reported on the same basis and exclude these results.

For the six months ended June 30, 2025, customer deliveries increased by 47.6% compared with the corresponding 2024 period, from 313,951 MT in 2024, to 463,308 MT in 2025. This increase is mainly driven by greater wholesale volumes of conventional sugar in the U.S., as well as by higher bulk raw sugar sales at origin.

Adjusted EBITDA was $19.7 million for the six months ended June 30, 2025, compared with $19.3 million for the corresponding 2024 period, a 2.0% increase, mainly as a result of lower selling, general and administrative expenses (a $3.50 million or 21.0% reduction year-over-year).

The decrease in Adjusted Gross Profit was driven by lower margins from the deliveries of refined sugar out of our Lackawanna refinery in Q1 and our Hamilton refinery in Q2. This margin compression resulted from the utilization of raw sugar inputs with a relatively high cost, resulting in comparatively lower margins than those observed in prior periods. We expect margins to return to historical levels during the second half of 2025 as our Hamilton and Lackawanna refineries replace these raw sugar inputs with lower-priced sugar priced at current market levels.

EBITDA was $32.8 million for the six months ended June 30, 2025, compared with $45.4 million for the corresponding 2024 period, a 27.8% decrease. Likewise, net income for the six months ended June 30, 2025, amounted to $14.0 million, a decrease of $9.7 million when compared to net income of $23.7 million for the six months ended June 30, 2024. These decreases were driven primarily by lower unrealized mark-to-market gains on inventory and lower Adjusted Gross Profit.

The composition of the Company's revenue for the six months ended June 30, 2025, and 2024, was as follows:

Six Months Ended June 30		2025		2024
Commodity	$	388,248	$	323,592
Tolling		35		301
Warehousing		24		153
Futures and options results		(1,652)		(1,261)
Total revenue	**$**	**386,655**	**$**	**322,785**

Revenue for the six months ended June 30, 2025, increased by 19.8%, to $386.7 million, from $322.8 million for the six months ended June 30, 2024. This increase was driven by volumes, which were in turn driven by higher bulk raw sugar sales at origin, as well as increased refined sugar sales in our wholesale businesses in the U.S., Mexico and World market operations in Latin America.

During the six months ended June 30, 2025, the Company's futures and options losses were $1.7 million, compared with a $1.3 million loss for the corresponding 2024 period, a $0.4 million negative difference relating to market losses on our Sugar 11 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 (88.4%) and $0.1 million (84.3%), respectively, as we continue to decrease third party operations at our University Park, IL facility to focus on internal volumes and operations.

The composition of cost of sales for the Company for the six months ended June 30, 2025, and 2024, was as follows:

Six Months Ended June 30		2025		2024
Purchases	$	287,331	$	225,929
Production and processing		10,747		12,317
Logistics/ freight		44,669		39,522
Labor		6,577		4,655
Overheads		6,434		5,414
Foreign exchange loss		(55)		859
Depreciation on plant and equipment		2,232		1,803
Depreciation on right-of-use plant and equipment		438		164
Mark to market unrealized positions		(13,396)		(25,801)
Total cost of sales	**$**	**344,977**	**$**	**264,862**

Cost of sales increased by $80.1 million (30.2%) from $264.9 million for the six months ended June 30, 2024, to $345.0 million for the six months ended June 30, 2025. The main driver was the increase in the cost of sugar (a $61.4 million or 27.2% increase) due to higher volume sold and higher input costs in our Canadian refining operations, as explained earlier. Another contributing factor to higher cost of sales was logistics and freight, which saw a $5.1 million or 13.0% increase, due to the increase in volume delivered (47.6% increase for the same period).

Mark-to-market gains on forward contracts drove the $14.0 million gains on unrealized mark-to-market positions for the six months ended June 30, 2025 (compared with $25.8 million for the same period in 2024). During the six months ended June 30, 2025, the Company had net unrealized mark-to-market gains on forward sugar contracts of $17.8 million, compared with $9.4 million gain in 2024. The mark-to-market gains on commodity forward contracts were primarily driven by an increase in margins booked for our Hamilton and Lackawanna operations as of June 30, 2025, as opposed to the corresponding 2024 period, which was driven by higher volumes booked. The year-over-year difference is due to a more rapid growth of forward sales in the first half of 2024 compared to the same 2025 period, mainly because of market dynamics.

These gains on commodity forward contracts were partially offset by unrealized mark-to-market losses on inventories and futures contracts for the six months ended June 30, 2025. During the six months ended June 30, 2025, unrealized mark-to-market losses on inventory were $2.7 million, compared to a $11.4 million gain for the same period in 2024, a decrease mainly driven by lower organic sugar inventory volumes and market values. In addition, for the same period, the Company had unrealized losses of $1.3 million and losses of $0.4 million on sugar futures contracts and foreign currency forwards, respectively (2024 - $3.6 million gain, and $1.4 million gain, respectively). These gains and losses relate to hedging of Sugar 11 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 six months ended June 30, 2025, and 2024, was as follows:

Six Months Ended June 30		**2025**		**2024**
Administrative expenses	$	9,394	$	11,469
Selling and distribution expenses		345		345
Other operating expenses		1,018		2,320
Depreciation		810		769
Depreciation of right-of-use assets		738		313
Equity-based compensation		821		1,404
Total Selling, General and Administrative Expenses	**$**	**13,126**	**$**	**16,620**
Total Selling, General and Administrative Expenses / Revenue		**3.39%**		**5.15%**

The Company's selling, general and administrative expenses amounted to $13.1 million for the six months ended June 30, 2025, a decrease of $3.5 million (21.0%) when compared to expenses of $16.6 million for the six months ended June 30, 2024, driven by a decrease in administrative expenses and other operating expenses. Administrative expenses, which include staff payroll, benefits and pension costs, professional fees, insurance, bank service charges, and other office expenses were $9.4 million for the six months ended June 30, 2025, a decrease of $2.1 million (18.1%) from $11.5 million for the six months ended June 30, 2024. The most significant driver for this reduction was an improvement in our payroll expenses and professional fees, which reflect management's ongoing efforts to optimize these costs in 2025. Other operating expenses, which include travel and entertainment, write offs, licenses, communication expenses, among others, were $1.0 million for the six months ended June 30, 2025, a decrease of $1.3 million (56.1%) from $2.3 million for the six months ended June 30, 2024. We note that 64.0% of this decrease was mainly driven by a reclassification of certain outside labor expenses to Cost of sales in 2025, while the remaining 36.0% was driven by cost savings, including a reduction in bad debt provision due to improved collections from our customers.

During the six months ended June 30, 2025, the Company incurred interest expense of $12.3 million, a decrease of $0.8 million, or 5.9%, under the six months ended June 30, 2024. This decrease was due to lower outstanding balances on the revolving credit facilities that finance our working capital assets.

The Company's current and deferred income tax expense decreased by $3.7 million from $6.2 million for the six months ended June 30, 2024, to $2.5 million for the six months ended June 30, 2025. The Company recognized $1.3 million in current income tax expense and $1.2 million in deferred income tax expense during the six months ended June 30, 2025, primarily due to deductions related to unrealized gains on inventory; forward, futures, and foreign exchange contracts; and differences between accounting and tax depreciation rates for property, plant, and equipment.

Summary of Quarterly Results

The table below contains a summary of selected financial information for the previous eight quarters of the Company.

Unaudited	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Sugar Deliveries (Metric Tons)	286,989	176,319	154,773	181,023	131,086	313,951	95,883	122,243
Total Revenue	$ 231,408	$ 155,247	$ 160,455	$ 171,932	$ 137,710	$ 322,785	$ 114,560	$ 139,041
Adjusted Gross Profit	13,164	13,785	12,393	13,971	14,216	30,730	9,467	13,104
Adjusted Gross Profit Margin	5.7%	8.9%	7.7%	8.1%	10.3%	8.5%	8.3%	9.5%
Adjusted EBITDA	9,746	9,897	8,585	8,341	8,651	10,914	(12,231)	8,227
Free Cash flow	6,116	1,222	1,471	1,348	2,987	5,004	(541)	3,491
Net Income from continuing operations	2,040	12,007	(6,945)	7,438	3,959	19,739	(10,381)	1,983
Total								
Per share	0.19	1.10	(0.92)	1.06	0.57	2.88	(1.65)	0.27
Diluted per share	0.08	0.50	(0.29)	0.31	0.17	0.83	(0.45)	0.09
Net Income	2,040	12,007	(6,945)	7,438	3,959	19,739	(10,381)	1,983
Total								
Per Share	0.19	1.10	(0.92)	1.06	0.57	2.88	(1.65)	0.27
Diluted per share	0.08	0.50	(0.29)	0.31	0.17	0.83	(0.45)	0.09
Refineries Results								
Refineries Volume (Metric Tons)	59,074	48,202	44,534	57,093	58,613	46,754	34,287	37,074
Adjusted Gross Profit [1]	$ 6,552	$ 8,158	$ 6,260	$ 7,917	$ 9,320	$ 6,741	$ 6,244	$ 5,804
Adjusted Gross Profit per MT	110.92	169.25	140.56	138.68	159.00	144.18	182.12	156.54

[1] Refinery results include sugar refined at our facilities and delivered during the relevant period. Adjusted Gross Profit from our refining operations include results from our Trading and Services segments directly attributable to those refining activities. Beginning January 1, 2025, these figures include the results of raw sugar sales on an FOB (free on board) or CIF (cost, insurance and freight) basis at the port of origin, as management believes the Adjusted Gross Profit from these sales are an integral part of the refineries' operations. Prior periods are not reported on the same basis and exclude these results.

Capital Resources

As of June 30, 2025, the Company had working capital of $123.9 million compared to working capital of $120.0 million as of December 31, 2024.

	June 30, 2025	December 31, 2024
Current Assets	$ 434,464	$ 460,229
Less: Current Liabilities	310,579	340,277
Working Capital	**$ 123,885**	**$ 119,952**

As of June 30, 2025, the Company had $233.1 million of unused credit facilities, including $124.7 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.

As of June 30, 2025, the Company had revolving credit facilities in an aggregate amount of $350.0 million, which had $158.4 million of unused capacity as of that date, based on the total value of the facilities. These are borrowing base facilities 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 Company may draw on its revolving credit facilities based on the value of the pledged current assets, adjusted to reflect different limits and deductions imposed by the lenders. As of June 30, 2025, and December 31, 2024, the Company had $29.1 million and $8.1 million, respectively, available to draw under its revolving facilities, based on the value of the pledged collateral, with $50.0 million of committed availability available for drawing. These credit facilities are 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 June 30, 2025, 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 $135.0 million ($85.0 million as of December 31, 2024). These lines provide for the sale of inventory with an agreement to repurchase the same at a future date. The Company had $124.7 million and $68.5 million of total unused capacity under these lines as of June 30, 2025, and December 31, 2024, respectively. These are uncommitted, discretionary lines, with each transaction being subject to its own terms.

The main drivers for the decrease in current assets for the six months ended June 30, 2025, were decreases in our inventory and sales taxes recoverable of $48.7 million and $1.9 million respectively. The decrease in inventory during the first six months of 2025 was driven by the usage of raw sugar that had been purchased at the end of 2024 (prior to closing of ports at our Hamilton and Lackawanna refineries for the winter) to fulfill contracts in early 2025 out of our refineries. Management continues to optimize inventory volumes and supply chain logistics to improve our performance.

The decrease in current liabilities as of June 30, 2025, was mainly due to a reduction in our loans and borrowings balance outstanding of $43.9 million, when compared to December 31, 2024. This corresponds mainly to repayments to our revolving credit facilities.

The Company's objectives when managing capital resources are to:

1. Deploy capital to provide an appropriate return on investment for shareholders;
2. Explore profitable growth opportunities;
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 promotes year-over-year sustainable profitable growth and has established a quantitative return on capital criterium, which takes into account factors such as the Company's borrowing costs and the cost of its outstanding equity, on a weighted average basis. 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 June 30, 2025, 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 cane 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 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. We expect to incur $65.0 million of capital expenditures for this project through December 31, 2025, net of capitalized interest expense, of which $62.6 had been incurred as of June 30, 2025. This amount includes commissioning for phase 1 of the project, which had a revised estimate of $58.5 million, as well as some phase 2 items that have been brought forward to improve our operational capabilities from the outset, including a warehouse and packaging building and other packaging and processing equipment. We anticipate this project to commence commercial operation in late 2025 and expect it to deliver significant savings on logistics and handling costs. Even at the lower production levels of the existing Hamilton refinery, we expect such savings will more than offset additional interest expense incurred to finance the new refinery.

In February 2024, Sucro announced a proposed new cane 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 $22.5 million. 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 June 30, 2025, the Company had incurred $19.6 million on the development of this project (excluding capitalized interest amounts).

In Fiscal 2025, the Company anticipates incurring total capital expenditures (net of capitalized interest amounts) of approximately $36.5 million (from a prior $30.0 estimate and compared to $62.4 in Fiscal 2024), 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 are being funded predominantly with long-term debt and, to a lesser extent, cash derived from operating activities. As of June 30, 2025, the outstanding principal amount of debt for these projects was $61.7 million, with an additional $2.9 million expected to be incurred in 2025, all of which has been committed as of the date of this MD&A. Maintenance capital expenditures and expenditures for the ongoing improvements of our Lackawanna refinery will be funded with cash from operating activities.

Liquidity

Six Months Ended June 30, 2025, and 2024

A summary of cash flows for continuing operations for the Company for the six months ended June 30, 2025, and 2024, are as follows:

Six Months Ended June 30		**2025**		**2024**
Net cash flow provided by (used in) operating activities:				
Operating cash flows before changes in working capital	$	9,194	$	9,008
Changes in non-cash operating assets and liabilities		45,263		22,577
Net cash flow provided by (used in) operating activities	$	54,457	$	31,585
Cash flow provided by (used in) financing activities	$	(30,723)	$	(16,207)
Cash flow provided by (used in) investing activities	$	(20,492)	$	(16,103)
Net increase (decrease) in cash	**$**	**3,242**	**$**	**(725)**

Cash flow provided by operating activities for the six months ended June 30, 2025, increased by $22.9 million compared to the six months ended June 30, 2024, due to increases in changes in non-cash operating assets and liabilities. Changes in non-cash operating assets and liabilities were $45.3 million for the six months ended June 30, 2025, compared to $22.6 million for the corresponding 2024 period, as a result of several factors. Positive factors for the six months ended June 30, 2025, included decreases in inventory and sales taxes receivable, and increases in accounts payable and accrued liabilities and taxes payable. The decrease in inventory during the first six months of 2025 was driven by the usage of raw sugar that had been purchased at the end of 2024 (prior to closing of ports at our Hamilton and Lackawanna refineries for the winter) to fulfill contracts in early 2025 out of our refineries. Management continues to optimize inventory volumes and supply chain logistics to improve our performance.

Likewise, management continues to secure alternative financing sources, including supplier financing arrangements (both directly through the supplier and through reverse factoring arrangements with third parties) to reduce overall costs and improve the Company's liquidity position. These positive factors were partially offset by negative factors including greater accounts and other receivables (as a result of higher revenue), net trading and derivative account assets (due to higher volumes), and taxes receivables, as well as decreases in sales taxes payable.

During the second quarter of 2025, the Company entered into a supplier finance program with a third-party financial institution. This arrangement allows selected suppliers to receive early payment of their invoices, while the Company settles the amounts payable at a later date, consistent with its normal payment terms. As of June 30, 2025, approximately $13.6 million of trade payables were outstanding under this program. Suppliers had received early payment on $13.6 million of these amounts as of quarter-end. The program did not materially impact the Company's cash flow classification or financial position during the quarter. This arrangement supports supplier liquidity and enhances working capital efficiency, without altering the Company's commercial payment obligations.

Cash flow provided by financing activities decreased by $14.5 million for the six months ended June 30, 2025, compared to the same period of 2024, mainly due to repayments of short-term financial liabilities in the first and second quarters of 2025, when we reduced the balance of our revolving borrowing base lines of credit in an effort to reduce overall financing costs and optimize our balance sheet.

Cash flow used in investing activities increased by $4.4 million during the six months ended June 30, 2025, compared to the same 2024 period, mainly due to greater capital expenditures being incurred in 2025 due to the timing of expenditures relating to our refinery projects (with the associated payments of equipment, structural steel and other materials, contractors, and engineering).

Credit Facilities and Debt Management Strategy

	June 30, 2025	December 31, 2024
Loans and borrowings	$ 300,640	$ 328,241
Less:		
Net collateral value	(215,784)	(247,874)
Other cash	(6,341)	(2,919)
Adjusted net debt	78,515	77,448
Lease liabilities	19,417	18,656
Due to related parties	-	-
Shareholders' equity	183,789	169,365
Capitalization	281,721	265,469
Adjusted net debt to capitalization	27.9%	29.2%
Adjusted EBITDA (previous 12 months)	45,220	36,491
Adjusted leverage ratio (Adjusted net debt / Adjusted EBITDA)	1.7	2.1

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 bases and inventory financing obligations, on a mark-to-market basis, and cash balances. As of June 30, 2025, our ratio of Adjusted net debt to capitalization was 27.9%, compared to 29.2% as of December 31, 2024. As of June 30, 2025, our Adjusted leverage ratio was 1.7, compared with 2.1 as of December 31, 2024.

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 facilities was 7.1% and 8.6% as of June 30, 2025, and 2024, respectively. As of June 30, 2025, we maintained $105.0 million notional amount of buy fixed-sell variable interest rate swaps that effectively fix the rate of the same notional amount of short-term debt for a period of 2-3 years from their inception date (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 six months ended June 30, 2025, 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.

Maturity in years	Up to 1	1-2	2-3	3-5	Over 5
Loans and borrowings, current portion					
Borrowing base revolving credit facility	191,615				
Inventory repurchase transactions	10,292				
Other revolving facilities	400				
Current portion of long-term loans and borrowings	3,010				
Loans and borrowings, net of current portion		25,931	8,982	6,734	53,676
Loans and Borrowings	**205,317**	**25,931**	**8,982**	**6,734**	**53,676**
Unused credit facilities (total)	233,093				
Unused commited facilities	50,000				
Financial covenants include:					
Maximum Total liabilities-to-Tangible net worth[1]	4.00:1				
Reported as of June 30, 2025	1.39				

[2] 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.

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 believes that, as of the date hereof, there is no material current or pending litigation.

Off-Balance Sheet Arrangements

Off balance sheet obligations as of June 30, 2025, 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 $4.3 million.

Transactions with Related Parties

The Company had no related-party transactions during the six months ended June 30, 2025, 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. The Company has entered into an agreement to swap its interest in Amerikoa for the 49% interest in 51% owned subsidiary Sweet Life Services, LLC not already owned. See "*Events Subsequent to June 30, 2025*".

3. Commencing August 1, 2023, the Company leased a building in University Park, Illinois, for ingredient processing and transloading services. The lease was on a month-to-month basis and the lessor was 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 was $20.0 thousand. In April 2025, the Company purchased this property from the lessor at a purchase price of $1.043 million, satisfied by a US$142,133 unsecured promissory note and the balance in cash.

Outstanding Security Data

	June 30, 2025	August 21, 2025
Subordinate Voting Shares	10,834,396.00	10,846,297.00
Proportionate Voting Shares	129,689.29	129,689.29
Total – basic outstanding	**10,964,085.29**	**10,975,986.29**
Subordinate Voting Shares	10,834,396	10,846,297
Proportionate Voting Shares (as converted to SVS)	12,968,929	12,968,929
Total – basic as converted	**23,803,325**	**23,815,226**
Warrants	39,785	30,925
Restricted Share Units	181,756	181,756
Options	661,893	661,893
Total – fully diluted	**24,686,759**	**24,689,800**

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 and commodity swaps, 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, physical forward and futures contracts are included in revenues.

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 (or payment) of floating rate payments in exchange for fixed-rate interest payments over their life without an exchange of the underlying principal amount (net cash settlement). The Company designated these interest rate swaps as cash flow hedges for floating rate borrowings.

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:

	June 30, 2025	December 31, 2024
Forward commitments	$ 156,482	$ 139,328
Futures contracts	1,736	1,078
Interest rate swap	115	297
Foreign currency forwards	571	385
Total Gains	**$ 158,904**	**$ 141,088**

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

	June 30, 2025	December 31, 2024
Forward commitments	$ 12,518	$ 13,762
Interest rate swap	579	271
Foreign currency forwards	15	134
Energy rate swap	28	75
Total Losses	**$ 13,141**	**$ 14,242**

During the six months ended June 30, 2025, and 2024, net unrealized gains (losses) on derivative transactions recognized in cost of sales are as follows:

Six Months Ended June 30		2025		2024
Mark-to-market gains (losses) on commodity forward contracts	$	17,763	$	9,417
Mark-to-market gains (losses) on inventory		(2,723)		11,412
Mark-to-market gains (losses) on futures contracts		(1,274)		3,595
Mark-to-market gains (losses) on foreign currency forwards		(370)		1,377
Total	**$**	**13,396**	**$**	**25,801**

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 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 six months ended June 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 six months ended June 30		Location of gain(loss) reclassified in income on derivative (effective portion)	Amount of gain(loss) recognized in income on derivative (ineffective portions) for the six months ended June 30	
	2025	2024		2025	2024		2025	2024
Interest rate swap	$(491)	$949	Interest income (expense)	$160	$482	Other income (expense)	-	-
Energy rate swap	$47	$(42)	Cost of sales (expense)	$(56)	$(205)	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 June 30, 2025, the Company had current assets of $434.5 million and current liabilities of $310.6 million. As of December 31, 2024, the Company had current assets of $460.2 million and current liabilities of $340.3 million. In addition, as of June 30, 2025, the Company had $50.0 million of undrawn committed credit facilities and $233.1 million of undrawn uncommitted credit facilities. Management of liquidity risk during the six months ended June 30, 2025, did not change materially from the year ended December 31, 2024. 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 June 30, 2025, and December 31, 2024, respectively, were $77.7 million and $79.9 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 June 30, 2025, and December 31, 2024, the Company had, respectively, deposits of $4.7 million and $2.0 million that were not insured by the FDIC or in excess of the FDIC insurance limit.

Management of credit risk during the six months ended June 30, 2025, did not change materially from the year ended December 31, 2024.

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 June 30, 2025, $43.2 million notional amount of the Company's long-term debt and $105.0 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 relating to its short-term debt is set forth below, in each case for 30-day SOFR.

	Notional amount (USD '000)		**Average swap rate**	
Swap tenor (in years)	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Less than 1	$ 15,000	-	4.20%	-
More than 1, less than 3	$ 90,000	$ 85,000	3.28%	4.21%
Total notional amount	$ 105,000	$ 85,000		

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 2024 would have been $1.0 million lower/ higher.

ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of the Company's assets or liabilities or 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 table below summarizes the Company's exposures to different currencies.

	Balance in USD June 30, 2025	**Balance in USD December 31, 2024**
Canadian Dollars Net Exposure	$ (3,843)	$ (6,705)
Mexican Pesos Net Exposure	$ 22,573	$ 20,109

As of December 31, 2024, if the Canadian Dollar had strengthened (weakened) 5 percent against the United States Dollar, net income before income taxes would have been $335 lower (higher). As of December 31, 2024, if the Mexican Peso had strengthened (weakened) 5 percent against the United States Dollar, net income before income taxes would have been $1,005 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 not elected to designate the derivative instruments as hedges. As a result, gains and losses representing changes in these derivative instruments' fair values are recognized in profit or loss. As of December 31, 2024, if the market price of sugar had increased (decreased) by 10%, the Company's net income before taxes would have been $18.7 million greater (lower).

The table below summarizes the commodity derivative instrument positions of the Company for sugar as of June 30, 2025:

	Volumes/ Notional Amounts (Net)	Effective Dates	Expiration Dates	Fair Value (Approximate)
Sugar commodities	(777) MT	July 2025 - November 2026	July 2025 - November 2026	$157,197
Total fair market value				$157,197

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

	Volumes/ Notional Amounts (Net)	Effective Dates	Expiration Dates	Fair Value (Approximate)
Sugar commodities	8,343 MT	January 2025 – November 2026	January 2025 – November 2026	$142,698
Total fair market value				$142,698

The Company is also exposed to other price risk associated with its consumption of natural gas for its refining facilities. For natural gas, 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. For Lackawanna and Chicago, the Company has secured its natural gas deliveries through a supply contract until 2030 on a variable rate basis and has a hedging strategy in place to convert to a fixed rate. For Hamilton, the Company has its natural gas supply secured until December 2028 through a supply contract and the natural gas is partially fixed at CAD $3.115 per gigajoule. The Company designated these energy swaps as a cash flow hedge. For electric supply, the Company is on a variable rate at all its facilities and is under contract negotiation to insert hedging and price risk management as part of the supply.

Standards, amendments and interpretations issued but not yet adopted

IFRS 18 Presentation and disclosure in financial statements (“IFRS 18”). In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

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.

Subsequent to December 31, 2024, the U.S. government indicated it would implement a 25% tariff on most imports from Canada and Mexico, along with reciprocal tariffs on other countries and surcharges on vessels manufactured in China. The imposition was paused for 30 days. On April 2, 2025, President Donald Trump declared "Liberation Day," announcing a baseline 10% tariff on all U.S. imports, including sugar, with higher, country-specific rates for nations deemed to engage in unfair trade practices. These now include Brazil, which faces a 50% tariff on sugar, and India, which may be subject to additional duties. Although we generally expect these tariffs to have an inflationary effect, it remains unclear what impact they will have on our operations and those of our customers, as well as on prices and demand for sugar in the markets in which we operate, and who will ultimately bear the cost—whether producer, importer, manufacturer, consumer, or a combination thereof. The effect of these tariffs, if fully implemented and upheld, could negatively impact economic conditions, inflation, spending, and currency exchange rates, and could have a material adverse effect on the Company's business, financial condition, and results of operations.

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, which is specifically incorporated by reference herein, and elsewhere in this MD&A, for a description of these risk factors.

Events Subsequent to June 30, 2025

On July 15, 2025, the U.S. Department of Agriculture announced that the agency will not allocate any specialty sugar quota volume to support the organic market for fiscal year 2026 (beginning October 2025). The specialty sugar quota tranche system has been the primary mechanism to supply the U.S. market with organic sugar, representing almost 85% of the circa 280,000 MT demand in 2024. With a domestic production capacity of around 20,000-21,000 MT, this leaves a considerable void of supply in the market. We expect that the over 200,000 MT shortfall will be left to be filled through imports, subject to a $338.70 per MT tier 2 duty. While we expect the end-consumer to bear this additional cost, with U.S. organic sugar prices to increase to a level that allows for this additional cost of high-tier import, it is unclear the impact of these changes on our operations and those of our customers, as well as on the prices of and demand for organic sugar in the U.S., and who will bear the cost of the duty, whether the producer in the origin country, the importer, the manufacturer, the consumer, or a combination thereof. While our team is developing an appropriate action plan to navigate the potential impacts over the short and longer term, the Company remains the only sugar refiner in North America that is certified to refine organic sugar, so we are well placed to continue to service the market. In addition, without being bound to the inventory pressures of the tranche system, we expect to import organic raw sugar into our refineries on a more balanced schedule, and in a way that will continue to serve our ongoing commitment to our organic sugar customers. However, the effect of these changes could have a material adverse effect on the Company's business, financial conditions and results of operations.

On July 31, 2025, the U.S. government issued an executive order expanding the April 2 "Liberation Day" tariff framework by implementing higher, country-specific rates on imports from over 60 countries. Notably, Brazil—one of the Company's source markets and the largest producer in the world—was assigned a 50% tariff on sugar, effective August 7, 2025. These measures remain subject to legal challenges but are currently in effect pending appeal. The Company is continuing to assess potential impacts on sourcing, pricing, and customer demand.

Subsequent to the end of the quarter, the Company and certain subsidiaries in the Sucro group of companies entered into a share exchange agreement with Amerikoa Holding, LLC and MB Central-Bond LLC, companies controlled by Matthew Dyer, the group's Vice President of U.S. Sales. Pursuant to the agreement, the Sucro group would acquire the 49% interest in Sweet Life Services , LLC not already owned in consideration for the transfer of an 19% ownership interest in Amerikoa Ingredients, LLC and the issuance of 155,550 SVS at a deemed price of C$13.35 per share. In addition, a promissory note in the amount of $142,133 and accrued interest thereon held by MB Central-Bond LLC would be settled and cancelled in consideration for the issuance of additional SVS at the same deemed price of C$13.35 per share. The transaction is subject to all required regulatory approval, including the approval of the TSX Venture Exchange.

Subsequent to the end of the quarter, 8,860 SVS were issued upon the exercise of broker warrants issued in connection with the Company's initial public offering in October 2023. The exercise price was C$11.00 per share and the Company received proceeds of C$97,460 from the exercise.

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 the sufficiency of our working capital and capital resources to meet our current and long-term financial obligations; expected capital costs, funding, production capacity, anticipated capacity ramp up and commencement dates for operations for our new Hamilton, Ontario and University Park refineries; anticipated logistics and handling cost saving at the new Hamilton, Ontario refinery; our expectation that margins will return to historical levels in the second half of fiscal 2025; our expectations for U.S. tariffs; expectations regarding impacts of the U.S. Department of Agriculture decision not to allocate any of the specialty sugar quota to the organic marketplace for its 2026 fiscal year; our expectation that our improved inventory management practices will continue in fiscal 2025; and expectations regarding capital expenditures for fiscal 2025 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 significant 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, 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.

Disclosure of Internal Controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52- 109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.