Management's Discussion and Analysis
For the Six month ended January 31, 2025

(Expressed in US Dollars - Unaudited)

Prepared by
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A. Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Rektron Group Inc. ("Rektron", the "Company", or the "Group") constitutes the management's review of factors that affected the Company's financial performance for six months ended on January 31, 2025 in comparison with data from the same period in last year. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and should be read in conjunction with the unaudited interim Consolidated Financial Statements of Rektron Group Inc. for the six months ended on January 31, 2025 that are prepared in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board ("IFRS") including comparative figures. Results are reported in US dollars.

B. Forward-Looking Statements

This management discussion and analysis contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of the Company; revenues; the timing and amount of estimated future operating, capital and development expenditures and requirements for additional capital. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this management discussion and analysis based on the opinions and estimates of management, and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, potential investors should not place undue reliance on forward-looking statements.

C. Description of Business

Rektron is the holding company and parent of DL Hudson Ltd. ("DL Hudson"). DL Hudson is the trading arm of a group of companies, of which there are several subsidiaries that support the Group's global trading operations. The holding company structure serves in managing the primary shareholder interests and ensuring efficient execution at the operational level. The business strategy of DL Hudson, headquartered in London, entails creating sustainable growth over the bottom-line through efficient trading practices, adding value to clients and inherently pronouncing our relations with both our suppliers and clients. The core strength of the business lies in the adroitness and experience of the team, extensive geographical and product diversification, trading and logistical expertise, supported by robust financial and risk management. The team at Rektron and its subsidiaries are a syncretic group of energy and metals traders, City of London and Wall Street bankers as well as experienced experts in various fields of finance and operations. The trading expertise includes principal energy and metals products, particularly ferrous and nonferrous metals, Exchange Traded Commodities (ETCs), Recycled metals and Crude, Euro VI compliant refined oil products and LPG. The Company transacts across all compliant markets.

The company operates in ten countries and is structured into two distinct business divisions, with plans to expand into the renewable energy sector. The two core businesses are:

1. METALS DIVISION

The Metals Division specializes in the trading of non-ferrous products, including aluminum, copper, lead, nickel, and zinc, as well as recycled metals such as recycled copper, aluminum, lead, and nickel. It also engages in the trade of primary and recycled ferrous products. Furthermore, the company maintains a diverse bulk product portfolio, which includes concentrates and manganese. Transactions are conducted either through the headquarters in London or via local teams. The company has established a significant presence in both Asia and Europe.

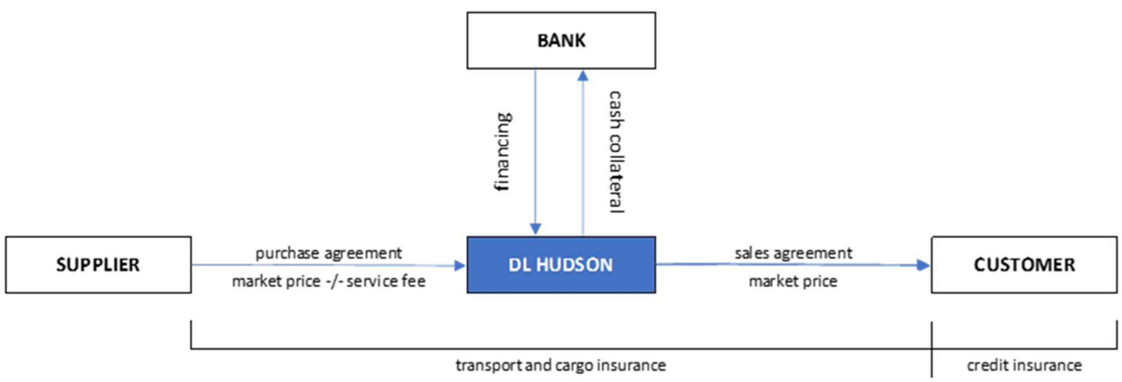
2. OIL DIVISION

The company operates primarily in niche markets, focusing on EURO VI compliant fuel oils, crude oil, liquefied petroleum gas (LPG), and petrochemicals. With a commitment to sustainability and innovation, the company is strategically planning to expand its trading activities into biofuels, renewable natural gas (RNG), and liquefied natural gas (LNG), establishing a separate vertical dedicated to these emerging sectors. This expansion aims to meet the growing demand for cleaner energy solutions and align with global environmental standards. Leveraging its expertise and market presence, the company is poised to play a pivotal role in the transition towards sustainable energy sources.

D. Business Model

1. General model

The following diagram outlines the business model demonstrating the operational steps and profit generation.



Trading Process Overview

1. **Initiation of Trade**
    - The trading process begins with a trader matching supply and demand for a specific product, including its grade and quantity, with a counterparty.
    - Once demand is established, the trader simultaneously secures the supply side.
    - As part of DL Hudson’s risk policy, traders must ensure that both sides of the transaction are firm and secured.
2. **Price Determination**
    - Commodity prices are based on market rates from exchanges such as the London Metal Exchange and Intercontinental Exchange, or daily publications like Platts.
    - Suppliers quote prices based on these market rates, typically expressed on a per metric ton or per barrel basis.
    - The supplier’s quote includes the printed exchange price adjusted by a premium or discount, along with specified Incoterms.
3. **Margin Calculation**
    - DL Hudson adds a margin to the price based on the supplier's quote and the relevant Incoterms.
    - If DL Hudson manages transport and logistics, the final price accounts for the quoted price, transportation costs, hedging, and financing costs.

4. **Proposal Preparation**
    - Before committing to a trade, traders must prepare a detailed proposal that includes:
        - Supplier and buyer details
        - Product specifications and quantity
        - Purchase price and Incoterms
        - Shipping, logistics, and hedge costs (if applicable)
        - Delivery and purchase dates
        - Breakdown of the pricing formula and finance costs
    - Each proposal is supported by a pre-calculation showing the expected margin, and it is presented to the CEO, CIO, and CFO for approval.

5. **Trade Execution**
    - Upon approval, the trader confirms the trade with counterparties, and the transaction details are forwarded to the operations team.
    - The operations team collaborates with counterparties' back offices to draft sales and purchase contracts.
6. **Contract Review and Signing**
    - Contracts undergo a review by DL Hudson's in-house legal team before being submitted to management for sign-off.
    - All contracts are prepared based on Incoterms 2020 to clearly define the transfer of risk associated with the underlying material.
7. **Financing and Insurance**
    - After contract signing, the supplier issues an invoice, which is presented to the bank or financial institution providing working capital facilities.
    - These facilities are secured by framework contracts outlining transaction types and required securities.
    - The bank finances 100% of the purchase value, either through cash or a Letter of Credit, taking the underlying material as security. A cash collateral of 10% to 20% is typically required.
    - Transport and cargo insurance policies are in place, with the bank or financial institution designated as loss payee.
8. **Delivery and Invoicing**
    - Once the material is delivered, DL Hudson issues an invoice to the customer.
    - At this stage, the covenants of the Letter of Credit apply, allowing DL Hudson to draw down on funds, or if credit is extended, it becomes a receivable.
    - For outstanding receivables, credit insurance is required, with banks and financing institutions assigned as loss payees.
9. **Credit Insurance Management**
    - The CEO, CFO, and traders engage with credit insurance companies quarterly to ensure adequate policies and limits are maintained against customers.
    - Before approving a trade proposal, the credit limit from the credit insurer must be validated by DL Hudson's back office.
10. **Operational Responsibilities**
    - The operations team is responsible for:
        - Preparing purchase and sales contracts
        - Managing invoices
        - Negotiating Letters of Credit
        - Liaising with banks and financing institutions
        - Coordinating logistics and shipping
        - Collecting payments from customers.

2. Services

DL Hudson generates income from the margin or spreads on the underlying commodities it trades and it adds value to its counterparts as follows:

Working capital

Through the instruments that are elaborated in section D.3. of this document, the Company is able to provide working capital to the counterparties in the supply chain. Suppliers could receive payment at an earlier stage in the supply chain and Customers could be provided extended payment terms on the sales invoices of DL Hudson. These solutions are subject to sufficient coverage from credit insurances and approval from our financing providers (i.e. banks, factoring companies, funds).

For example:
By purchasing at the port of discharge, the supplier is relieved from arranging and financing, the transport, customs, taxes, delivery and manage the logistics for the goods to be delivered to the end user. This is an advantage for the supplier as it indirectly provides them with working capital. This additional working capital is beneficial to the supplier

Conversely, when selling to the customer, the Group is able to deliver the materials at various points in the supply chain including delivery at the production or storage location of the customer (based on Incoterms 2020). In addition, the Group can provide payment terms of up to 90 days. This gives the customer time to process the materials and sell them easing their cashflow burden.

<u>Logistics solutions</u>

The Group provides logistics solutions, by arranging the transportation of the products by sea and/or by land as well as storage and dispatching from designated warehouses or oil storage terminals. These solutions are typically provided through third-party service providers such as forwarders, shipping, storage companies and Collateral Management (CMA) service providers. Although the physical operation is outsourced, it does require time, coordination and meticulous management to monitor these operations. The operations team is instrumental in ensuring that the processes and documentation are in order, as minor errors could be costly. This activity is not only performed, but also financed by the Group. The Group collaborates with renowned parties that are well regarded in the industry.

<u>Risk management Overview</u>

Risk management at DL Hudson focuses on mitigating both price risks and currency risks associated with commodity trading

1. **Price Risk Mitigation**

- Commodities are subject to frequent price fluctuations due to their exchange-traded nature, such as metals on the London Metal Exchange and energy products on the Intercontinental Exchange, as well as reliance on daily pricing mechanisms like Platts.

- To manage price risk, the Group maintains margin lines with brokers who execute futures and derivatives on behalf of DL Hudson. This strategy enables effective hedging against market volatility.

- The Group prioritizes employing a specialized, qualified, and dedicated trading team to ensure adept management of these risks.

- It is important to note that not all companies qualify for margin lines, and many may not receive sufficient credit to execute larger physical trades.

2. **Currency Risk Mitigation**

- Commodity prices are predominantly denominated in US Dollars. Suppliers with operating costs in different currencies face exposure to fluctuations in the exchange rate between their local currency and the US Dollar.

- Similarly, buyers may prefer to purchase products in their local currency, introducing additional currency risk.

- To address this exposure, the Group utilizes its brokerage lines to hedge currency risks through trading in currency futures or derivatives, ensuring greater stability and predictability in financial transactions.

By employing these risk management strategies, DL Hudson aims to safeguard its trading operations against market volatility and currency fluctuations, thereby enhancing financial resilience and operational efficiency.

Global network

Not all suppliers have access to customers in other countries or regions. The Group employs traders, which have relations with suppliers and customers across the globe. The trading business relies heavily on personal relationships that are developed over the years. The Group employs fourteen traders that are based in London UK, Geneva Switzerland, Dubai United Arab Emirates, Singapore, Thailand and China. These traders have entrenched relationships and are constantly travelling with their core markets to service and fortify these relationships.. These parties are in regular contact with our traders to understand the supply and demand along with the trends in the market they operate in. This insight is instrumental in staying abreast with the dynamic nature of the business. The Group also has relations with established and credible independent agents that offer transactions to the team. These agents are usually compensated on a commission basis for deals that are successfully completed and payment fully collected.

Most counterparties require us to undergo a registration process to evidence our financial, operational and trading capabilities. ,. These registrations are based on their internal criteria but with large companies, this process is onerous and establishing with these entities gives the Group a massive advantage as many other companies may do be able to pass through this phase. A common criterion required by some customers is the ability of the Group to perform shipments and their financial strength.. This is perceived as an entry barrier into the market. The Group has registrations with several large, reputable and recognizable companies in both the metals and energy sectors.

3. Working Capital

Loan facilities consist of lines provided by specialized institutions to facilitate the trades that the Company executes. The pricing of the facilities are within market standards.

These lines comprise of framework agreements with reputable banks and similar institutions that can accept transactions on a deal-by-deal basis, but are not obliged to do so. This type of financing is perceived as “self-liquidating”: these facilities finance the purchase of commodities at a point in the supply chain of commodities and these are repaid through the payment from the customer. Securities taken by the financing institutions comprise of the underlying material, transport and credit insurances only to the extent that it is related to the transaction itself.

On October 15, 2024, the Parent Company announced that its wholly-owned subsidiary DL Hudson entered into a $50 million credit facility agreement with Saudi EXIM Bank (the “Facility”). The Facility is a revolving facility and bears an interest rate of SOFR + 1.45% due on the 90th day from the date of disbursement. The Facility is available for a period of twelve (12) months from the date of signing of the Facility.

The facilities provided by these institutions are letter of credit lines, transactional lines, bill of lading financing, receivables financing and warrants purchase financing.

- **Letter of Credit Lines**: Letter of credit lines are usually utilized for the energy trading business where a buyer would be required to issue a documentary letter of credit to the Company. The financing institution would, in turn, use this letter of credit from the client to issue a letter of credit to the Company's supplier. This is generally termed as a back-to-back letter of credit transaction. Furthermore, there are two types of letters of credit: stand-by letters of credit and documentary letters of credit. Stand-by letters of credit are a bank's unconditional commitment to pay, while documentary letters of credit are conditional on the approval of cargo documents, inspection reports, etc. In our energy business, we only operate with documentary letter of credit, as that ensures that all documents are in order and inspected which reduces the risk of releasing payment for products that may not meet the specifications required.

- **Transactional Lines**: In transactional lines, the financier assumes the direct risk of the Company's buyer. In particular, when the buyer is a large, reputed company, or state-owned or has a good credit rating, the financier would issue a letter of credit to the Company's supplier without any security from the buyer. The contract between the reputed buyer and DL Hudson is sufficient for the financing party.

- **Receivables Financing**: This is generally used for the metals business. the Company provides credit to a maximum of 90 days. The credit is contingent on getting insurance coverage on the buyer, and if insurance limits are provided, DL Hudson would sell to clients on credit. A receivables financier would provide cash against these credit insured receivables.

- **Warrant Purchase Financing**: Metals traded on the London Metals Exchange ("LME") are traded as warrants. The Company, through its brokers, buys warrants at certain geographical locations. These warrants are then converted to warehouse receipts at which point the Company is in control of the physical product while the title of the product is still held by the financier as security. The metals are then shipped to the end buyer. A warrant financier would finance the purchase of the warrant to the point where they are converted to warehouse receipts, the transport and until it arrives at the destination warehouse. The buyer would then pay for the goods for the financier to authorize the release of the product to them.

As at January 31, 2025, the Group's utilization of the facilities was USD 54.9 million (July 31,2024 – USD 43.8 million) of the available working capital lines in the form of receivables financing and has additional uncommitted credit lines available that are not yet utilized.

E. Highlights

The Group has demonstrated stable growth in the first six months of the financial year 2025, with revenues increasing by USD 9.1 million compared to the same period in the previous financial year 2024. This growth resulted in a Gross Profit increase of USD 6.5 million, primarily driven by a higher volume of traded metals and crude oil. The Gross Profit margin improved to 1.7%, up from 1.2% in 2024, reflecting a favorable shift in the product mix within the portfolio.

As of January 31, 2025, the Group's equity rose from USD 120.8 million to USD 132.8 million, largely due to the issuance of shares amounting to USD 5 million as part of the Initial Public Offering (IPO) on August 26, 2024. The solvency rate slightly decreased from 42% to 40%, primarily as a result of increased self-liquidating debt associated with heightened trading activity and higher turnover in trade payables.

On August 23, 2024, the Parent Company successfully closed its IPO, raising gross proceeds of USD 5 million by issuing 3,333,334 units at a price of USD 1.50 each. Each unit comprised one common share and one common share purchase warrant, exercisable at a price of USD 2.25 for the acquisition of an additional common share until August 23, 2027. The Parent Company's shares began trading on the Canadian Securities Exchange (CSE) on August 26, 2024.

The capital raised through the IPO, in the form of new share issuance, will be allocated towards the operational growth of the business. The profits earned and funds raised from the IPO have contributed to an increase in working capital, which rose from USD 86.6 million to USD 134.3 million, alongside a stable cash position of USD 5.9 million. This increase is significantly attributed to higher trade receivables, advances given to suppliers and other receivables..

As part of its strategic business expansion, DL Hudson Limited, a subsidiary of the Group, acquired DL Hudson Yangtze Limited (formerly known as MAV Trading) on August 1, 2024.

On January 1, 2025, Rektron Group Inc (RGI) signed a non-binding term sheet with R.K. Batra Group, an India-based conglomerate engaged in the distribution of LPG products and the manufacturing of LPG cylinders. This strategic initiative signifies RGI's intent to explore potential collaboration opportunities with Batra to expand its presence in the growing energy sector. The agreement outlines key terms for conducting due diligence and negotiating definitive agreements for a potential acquisition of Batra.

On February 28, 2025, Rektron Nova Limited, a 100% subsidiary company of Rektron AQ Limited was incorporated pursuant to the Companies Act (2006) (UK). The Group is exploring opportunities to invest and acquire assets in Clean Energy. This newly incorporated entity will serve as the investment and holding arm of the group for the assets to be acquired.

On March 5, 2025, Rektron Earth Limited, a 100% subsidiary company of Rektron AQ Limited was incorporated pursuant to the Companies Act (2006) (UK). The Group is exploring opportunities to invest and acquire Mining, Industrial and Recycling assets. This newly incorporated entity will serve as the investment and holding arm of the group for the assets to be acquired.

Additionally, on October 30, 2024 DLH Istros Limited, a subsidiary of the Parent Company, signed a Share Purchase Agreement with two parties for the sale of 100% of the shares of its subsidiary, Inland Shipping & Supply Ltd.

No other exceptional events occurred during the reporting period.

F. Selected Quarterly Information

Comparison results of Operations for the three month period ended October 31

USD 1,000	6 month period ended			3 month period ended	
	31/01/2025	31/01/2024	31/01/2023	31/01/2025	31/01/2024
Revenue	1,357,167	1,348,017	898,421	706,367	718,834
Gross profit	22,554	16,050	11,323	12,740	8,563
Operating profit	15,583	10,268	6,669	9,557	5,578
Profit before tax	7,696	9,090	4,049	6,285	5,474
		-			
Profit from continuing operations attributable to the owners of the parent*	7,614	9,201	4,134	6,285	5,541
- on a per share basis in USD	0.12	0.12	74.23	0.10	0.07
- on a dilluted per share basis in USD	0.12	0.12	1,261.76	0.10	0.07

*profit from continuing operations attributable to the owners of the parent is equal to profit attributable to the owners of the parent.

Comparison results of Operations for the three-month period

USD 1,000	the year ended 31 July 2025				the year ended 31 July 2024				the year ended 31 July 2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	650,800	706,367			629,183	718,834	594,113	600,257	427,674	470,747	590,301	538,807
Gross profit	9,814	12,740			7,487	8,563	7,975	6,507	4,602	6,721	7,471	4,803
Operating profit	6,026	9,557			4,690	5,578	4,755	2,911	2,791	3,878	4,516	1,671
Profit before tax	1,411	6,285			3,616	5,474	3,413	1,405	1,665	2,384	3,562	5,854
Profit from continuing operations attributable to the owners of the parent*	1,329	6,285			3,660	5,541	3,473	1,537	1,716	2,418	3,628	5,255
- on a per share basis in USD	0.02	0.10			0.05	0.07	0.05	0.02	2,803.92	43.42	65.14	0.07
- on a dilluted per share basis in USD	0.02	0.10			0.05	0.07	0.05	0.02	1,261.76	19.54	29.31	0.07

*profit from continuing operations attributable to the owners of the parent is equal to profit attributable to the owners of the parent.

In alignment with the growth trajectory of the financial year 2024, the Company has further increased its revenues by USD 9.15 million compared to the first six months of the prior year, resulting in a Gross Profit increase of USD 6.5 million. This growth is primarily attributed to a higher volume of traded metals and crude oil. The Gross Profit margin increased to 1.7%, up from 1.2% in 2024, driven by the inclusion of additional metals and energy products in the trading portfolio.

The variance in earnings per share (EPS) for the period ending January 31, 2025, compared to prior quarters, is a direct result of the issuance of 3,333,334 shares linked to the IPO and the conversion of special warrants relative to the number of shares outstanding prior to the business combination under common control.

Below is the essential information outlining the changes in total shares that contributed to the variances in both basic and diluted EPS:

- The warrants outstanding in the financial years 2022 and 2021 were exercised during the financial year 2023. In preparation for the IPO on the Canadian Securities Exchange, the following transactions occurred:

  - On January 5, 2023, 55,080 new shares with a nominal value of GBP 1.00 were issued against Other Reserves, subsequently converted into USD at a rate of 1.2008.

  - These new shares together with issued Ordinary shares were then revalued to USD 0.002 each, resulting in a total of 33,376,032 shares outstanding.

- On May 4, 2023, an additional 40,792,928 shares were issued in relation to the exercise of warrants against Other Reserves at USD 0.002 each, bringing the total number of outstanding shares to 74,168,960, with a total value of USD 147,000.

- The MACA Special Warrants were exercised on March 5, 2024, in accordance with the revised MACA agreement, resulting in the issuance of 2,595,917 common shares. Further details can be found in Note 10 of the previous year's audited financials.

- On August 23, 2024, the Parent Company closed its initial public offering, raising gross proceeds of USD 5 million and issuing 3,333,334 units at a price of USD 1.50. Each unit comprised one common share and one common share purchase warrant, exercisable at a price of USD 2.25 for the acquisition of an additional common share until August 23, 2027. The Parent Company's shares began trading on the Canadian Securities Exchange (CSE) on August 26, 2024.

- On September 23, 2024, the Parent Company granted stock options to its Senior Officers and Directors under its Stock Options Plan, totaling 2 million options with an exercise price of USD 2.25 (above market), vesting according to the following schedule: one-third vesting immediately, one-third vesting on the first anniversary of the grant, and one-third vesting on the second anniversary of the grant.

- As of January 31, 2025, 10,000 share purchase warrants were exercised at a price of USD 2.25, resulting in the issuance of 10,000 shares, which is duly reflected in the Statement of Changes in Equity.

Operating costs for the six months ended January 31, 2025, have increased by USD 1.2 million compared to the same period in the prior year. A one-time payment of USD 1.2 million to the outgoing CEO and CFO was made in accordance with their respective exit agreements. Additionally, the expansion of our teams necessitated increased office space, customer acquisition costs, larger utilization of our financing lines hence an increase in interest cost contributing to higher operational expenses. Despite these increases, income from operations rose by USD 9.1 million compared to the same six-month period last year. However, comprehensive income decreased by USD 1.4 million as a result of financial losses incurred from hedging activities. This is compensated by the increase in price of the inventory the Group currently holds in warehouse. The breakdown of Operating Costs is as follows:

USD 1,000	6 month period ended		3 month period ended	
	31/01/2025	31/01/2024	31/01/2025	31/01/2024
Administrative expenses				
Personnel	- 1,854	- 1,873	- 852	- 914
Sales and marketing expenses	- 31	- 11	- 25	- 2
Professional services fees	- 3,569	- 1,602	- 1,804	- 872
Facilities and offices	- 743	- 928	- 294	- 504
Other operating expenses	- 747	- 495	- 195	- 255
Depreciation and amortization	- 27	- 873	- 13	- 437
Operating expenses	**- 6,971**	**- 5,782**	**- 3,183**	**- 2,985**

Statement of Financial Position

USD 1,000	31/01/2025	31/07/2024	31/07/2023
Working capital	134,353	86,680	72,518
Total assets	331,108	288,020	249,169
Total liabilities	198,271	167,161	141,129
of which long-term	1,739	1,537	1,933
Group equity	132,837	120,859	108,040
Solvency rate	40%	42%	43%

- The net working capital increased from USD 86.7 million to USD 134.3 million as the profit that was generated over the financial year 2024 was retained and utilized for the operations, leading to increases in revenues and profitability. Also, funds raised through the IPO and furthermore due to the disposal of assets held by DLH Istros have added significantly to this increase.
- The increase in assets is attributed to the retained earnings and higher turnover in receivables.
- Apart from the regular tax positions and accruals, the liability position comprises of short-term liabilities only that are directly related to the trading activities. These short-term liabilities are self-liquidating and have increased as well in line with the increase in Total assets.

The Group equity increased due to IPO and the retained profits. As the self-liquidating debt increased and increase in higher turnover in payables, the solvency rate decreased to 40%.

Liquidity

USD 1,000	31/10/2024	31/07/2024	31/07/2023
Cash flow from:			
Operating activities	-33,831	2,524	-4,955
Investment activities	41,036	-10	-
Financing activities	-8,710	-4,422	2,649
Cash and cash equivalents closing position	5,958	7,679	9,783

- The cash position as of January 31, 2025 decreased by USD 1.7 million compared to July 31, 2024.
- Cash outflow from operating activities is higher as the company has utilized its cash (including retained profits from prior periods) to support the increased trading activities. Higher inventory and increase in the other receivables from the disposal of assets have contributed to this change.
- Cash flow from Investing activities increased significantly due to the cash generated from the IPO and from the disposal of assets.
- Financing activities show a marginally high out flow of cash due to paid interest and other financing cost related with risk management activities (hedging) whilst not all the related receivables are not materialized into cash inflows. Note that there are no overdue receivables.

The cash position amounts to USD 5.9 million and the Working Capital position amounts to USD 134.3 million. The group only utilizes self-liquidating working capital facilities and borrows no funds. That means that the Working Capital is capital available for the Group to finance its deals in accordance to the Business Model and through the structures described in section D.

In terms of trends or fluctuations in the business, the Company has shown consistent growth year over year. There is no seasonal impact apparent from quarter to quarter. Our business evolves around spot opportunities and is subject to variations in underlying commodities and the size of transactions. As the working capital lines are utilized on a trade-by-trade basis, the funding basis automatically adapts to fluctuations in the business. Increases in commodity prices lead to a higher utilization of these facilities, but generally the financing institutions adapt.

The Group is not hindered by legal or practical restrictions to transfer cash from Subsidiaries to another Group Company.

G. Financial and Capital Management

The Company is largely financed by its shareholders and the financing structure is optimized through self-liquidating working capital lines that enable the company to grow its operations. As of January 31, 2025 the Company had 59,108,311 shares outstanding (July 31, 2024: 74,764,977).

On August 23, 2024, the Company completed an Initial Public Offering on the Canadian Securities Exchange. The company's shares began trading on the Canadian Securities Exchange ("CSE") on August 26, 2024. This successful placement has not only led to additional cash availability to the company (the IPO was completed on a share issuance basis), but strengthens the Company's profile that will enable further growth.

With regards to working capital lines and solutions, the Company is continuously exploring and discussing with potential financial partners in order to expand and improve the current portfolio to enable further growth of the Company.

On October 15, 2024, the Parent Company announced that its wholly-owned subsidiary DL Hudson entered into a USD 50 million credit facility agreement with Saudi EXIM Bank (the "Facility"). The Facility is a revolving facility and bears an interest rate of SOFR + 1.45% due on the 90th day from the date of disbursement. The Facility is available for a period of twelve (12) months from the date of signing of the Facility.

H. Risk Disclosures

The presentation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates impacted by the following risks:

1. Fluctuation in currency Exchange rates

The Company finds its suppliers and customers across the globe, while operations and operating costs are spread across several different countries and currencies. Fluctuation in exchange rates, in particular, movements in Euro and Sterling against the Dollar, may have a material impact on the Company's financial results. Note that our business is mainly executed on a dollar basis on the purchasing, selling as well as the financing side. If currency is not naturally hedged through back-to-back deals, the exposure is hedged through adequate instruments.

2. Financing, cash flows and Liquidity

The trading activities are dependent on trade financing lines and working capital facilities availability. We have significant uncommitted facilities with several parties. These financing lines are uncommitted by nature and, therefore, no guarantee can be given that trades presented to these banks will be funded. However, all presented deals thus far are financed by the banks and other third parties. Furthermore, difficulty could arise if the Company makes losses on the utilization of options to manage the risks in the portfolio, which results in reduced levels of liquidity. The daily management of cash flows and liquidity is essential to the operation of the business so it can meet repayment obligations. Hence, using different financing lines (and potentially tri-partite agreements between the company, derivatives broker and the financial institution) and daily monitoring of the positions, the group is able to mitigate the risk.

3. Price volatility

The market prices for the various commodities are volatile and cannot be influenced neither controlled. Inventories are therefore subject to valuation changes, which may have a material impact on the Company´s financial results. However, the Company enters into back-to-back deals in which serves as a natural hedge that "locks" the market price, so that the Company is not exposed to price fluctuations. In cases where the Company is not covered by this natural hedge, the price risk is mitigated by applying adequate financial instruments.

4. Country risks, political, community and fiscal intervention

The Company's operations and projects span numerous countries, some of which have more complex, less stable political or social climates and consequently higher country risk. Political risks include changes in laws, taxes or royalties, expropriation of assets, currency restrictions or renegotiation of, or changes to, mining leases and permits. Similarly, communities in certain regions may oppose mining activities for various reasons. Any of these factors could have an adverse impact on the Company's profitability in a certain geographic region or at certain operations. However, so far the Company has not experienced those problems.

5. Credit Risk

The Issuer is exposed to the credit risk of its customers in the ordinary course of the business. Generally, the customers are otherwise considered creditworthy or provide the Issuer security to satisfy credit concerns. However, the Issuer cannot predict to what extent its business would be impacted by deteriorating conditions in the economy, including possible declines in its customers' creditworthiness. It is possible that customer payment defaults, if significant, could adversely affect its earnings and cash flows. The Issuer currently has multiple credit insurances with renowned and minimum A-rated insurance companies to cover credit receivables which is used to mitigate this risk. The Issuer constantly monitors the utilization of these limits and headroom to enable them to trade with its customers.

6. Climate Change and Emissions

Climate change may cause more frequent and severe weather events, diminished biodiversity, and changing weather factors such as fluctuating temperatures, precipitation, wind, and water levels. Physical risks from climate change may also result in operational or supply chain delays, depending on the nature of the event. The Issuer is also subject to reputational risks associated with climate change, including its stakeholders' initiatives to transition to a lower-carbon economy. These factors, as well as others resulting from climate change, could adversely impact the business, financial condition or results of operations. Existing and future laws and regulations in support of a transition to low-carbon energy and climate change action may impose significant constraints on fossil fuel development. Among other sustainability goals, the Issuer has committed to enhancing its business in ETC such as Nickel, Cobalt, Copper along with lower sulfur fuels, biofuels etc. The Group is also working on reducing its Scope 1 and Scope 2 emissions.

7. Other Risks

Other risks facing the Company include performance risk on supply agreements; quality of commodities traded, competition, environmental and insurance risks and uncertainty of additional financing. These risks and the mitigating measures are monitored and managed by the company on a regular basis and appropriate action is taken whenever this is required.

I. Financial Instruments

The table below provides an overview of the financial instruments of the group divided into the classes Fair Value through Profit and Loss ("FVTPL"), Available-for-sale, and Loans and Receivables. Held-to-maturity instruments are not applicable.

		Carrying amount			Fair Value			
31 July 2024 **USD 1,000**	**Note**	**FVTPL**	**Loans and receivables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Receivables, prepayments and accrued income	8	598	240,753	241,351	598	-	-	598
Cash and cash equivalents	9	7,679	-	7,679	7,679	-	-	7,679
Total financial assets		**8,277**	**240,753**	**249,030**	**8,277**	**-**	**-**	**8,277**
Borrowings	11	-	1,537	1,537	-	-	-	-
Current liabilities and accruals	11	1,757	163,867	165,624	1,757	-	-	1,757
Total financial liabilities		**1,757**	**165,404**	**167,161**	**1,757**	**-**	**-**	**1,757**
31 January 2025 **USD 1,000**	**Note**	**FVTPL**	**Loans and receivables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Receivables, prepayments and accrued income	8	4,837	297,711	302,548	4,837	-	-	4,837
Cash and cash equivalents	9	5,958	-	5,958	5,958	-	-	5,958
Total financial assets		**10,795**	**297,711**	**308,506**	**10,795**	**-**	**-**	**10,795**
Borrowings	11	-	1,739	1,739	-	-	-	-
Current liabilities and accruals	11	5,558	190,974	196,532	5,558	-	-	5,558
Total financial liabilities		**5,558**	**192,713**	**198,271**	**5,558**	**-**	**-**	**5,558**

FINANCIAL INSTRUMENTS, FINANCIAL RISK FACTORS AND CAPITAL MANAGEMENT

FAIR VALUE MEASUREMENTS

The Company classifies the fair values of its financial instruments into three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date; or

Level 2 – Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or

Level 3 – Unobservable inputs for the assets or liabilities, requiring the Company to make market-based assumptions.

The fair value of the Company's cash and cash equivalents, trade receivables, other receivables, trade payables and accrued liabilities, and loan facilities approximates their carrying values due to the relatively current nature of these financial instruments. Related party loan is carried at amortized cost and reflects the fair value of the instrument as the carrying value reflects the payout of the instrument as at the reporting date. The Company's derivative assets and liabilities are classified as level 1 financial instruments carried at fair value through profit loss ("FVTPL").

FINANCIAL RISK FACTORS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, trade receivables and derivative instruments.

The Company limits exposure to credit risk on cash and cash equivalents and its derivative instruments by utilizing high-credit quality financial institutions. The Company limits credit exposure on its trade receivables by securing adequate credit insurance. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. This is done in close cooperation with the trade finance institutions and credit insurance companies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has extensive facilities that are provided by brokers in order to provide sufficient flexibility to the Company's activities in relation to the trades. As at January 31, 2025, the Company had working capital of USD 134.3 million.

Market risk

Market risk is the risk that results out of changes in market prices, such as foreign exchange rates, interest rates, market prices and equity prices and will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Company. In principle all derivatives are accounted at FVTPL; if required and appropriate, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The currency risk is limited as most of the contract deals are denominated in US Dollars for both purchases and sales. Purchases are financed by means of trade finance in US Dollars as well. As the purchase, sale and financing are all in US Dollars, and as trading occurs in principle on a back-to-back basis, the deals are naturally hedged. In some circumstances, activities can be exposed to EUR and GPB in which case adequate hedging is applied.

Interest rates

The Company's interest rate risk mainly arises from the Company's loan facilities. To limit the Company's interest rate risk, as at January 31, 2025 and July 31, 2024, the Company has only drawn down on facilities that have fixed interest rates.

Market price risk

The Company mainly enters into back-to-back deals, which means that the market price risk is naturally hedged. In case that that a trade is subject to price risk, this is hedged through adequate instruments. When instruments are required, the Company prepares a sensitivity analysis with regards to the impact of the changes in commodity price and (if applicable) the changes in foreign currency risks. Based on this analysis an adequate non-speculative hedging strategy is applied.

At January 31, 2025, the Company has a number of hedging instruments, which are presented under Current receivables as well as current liabilities. These instruments are designated as FVTPL and include trade related financial and physical forward purchase and sale commitments. Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows.

It is the Group's policy that transactions and activities in trade related financial instruments are netted.

Note that the Company only purchases futures and options.

USD 1,000	As At	
	31/01/2025	31/07/2024
Commmodity related contracts		
Futures	4,837	598
Options	-	-
Total Current assets FVTPL	**4,837**	**598**
Commmodity related contracts		
Futures	5,558	596
Options	-	1,161
Total Current liabilities FVTPL	**5,558**	**1,757**

J. Significant Accounting Estimates, Judgements and Assumptions

See Note 1 in the Interim Condensed Consolidated Financial Statements.

K. New Accounting Standards Adopted

No new accounting standards are adopted in the reporting period. No updates are prescribed, and the operations of the Company have not developed in any manner that new accounting standards are to be adopted. See Note 1 in the Interim Condensed Consolidated Financial Statements.

L. Off-Balance Sheet Arrangements

As of January 31, 2025, the Company has no Off-Balance sheet settlements.

M. Share information

As of January 31, 2025, Rektron Group Inc. has issued and outstanding 59,108,311 shares.

On August 23, 2024, as part of IPO, the company issued 3,333,334 units comprised of one common share and one common share purchase warrant exercisable at a price of USD 2.25 to acquire one additional common share until August 23, 2027.

On August 23, 2024, 21,000,000 shares were automatically surrendered for cancellation upon the closing of the IPO for no consideration. The transaction had no impact on the total equity of the company.

On September 23, 2024, the Parent Company issued stock options to its Senior Officers and Directors under its Stock Options Plan totaling 2 million options at an exercise price of USD 2.25 (above market) and vesting in accordance to the following schedule: 1/3 vesting immediately, 1/3 vesting on the first-year anniversary of the grant and 1/3 vesting on the second-year anniversary of the grant. As of October 31, 2024, no stock options were exercised.

On January 29, 2025, 10,000 share purchase warrants were exercised at a price of USD 2.25. Accordingly, 10,000 shares are issued by the company, which is duly reflected in Statement of Changes in Equity.

N. Transactions with related parties

The related parties of the Company include key executives and companies controlled by them, as explained below.

Unless otherwise specified, none of the transactions include special characteristics or conditions and no guarantees were given or received.

Transactions with key management

Key management includes directors (members of the management committee or not) and senior executives. There is no compensation paid or payable to key management for services as employees. The fees charged by them or by a company controlled by them, for the six month period ended on January 31, 2025, are as follows:

USD 1,000	Six-month period ended 31 January 2025	Six-month period ended 31 January 2024
Plutus Partners Ltd.	**178**	**1,115**
Traders	-	78
Operations	13	146
Accounting, Legal and IT	42	279
Rent and facilities	24	56
Travelling	9	82
COO	10	129
Shareholders	80	345
CEO	813	130
CFO	640	60
Total	**1,631**	**1,305**

Plutus Partners Ltd. ("Plutus Partners") is the management company of the shareholders. Fees paid to Plutus Partners include personnel fees and salaries, rent, management fees, accounting and legal service fees and other office administrative fees. Initially, all contracts with personnel and facilities were entered into with Plutus Partners. In preparation for the IPO, all contracts were gradually being transitioned to the Company, so that in the future shareholders are compensated only for the work performed by them for their respective roles in the Company.

The significant increase in CEO and CFO is mainly attributed to the exit agreement signed between the outgoing CEO and CFO, pursuant to which, they resigned on November 30, 2024.

Related Party Loan
On January 31, 2024, the Company entered into a subordinated loan agreement with Plutus Partners in the amount of $1,596. The loan bears no interest for the first six months and then interest begins to accrue at a rate of 4% per annum. The loan principal is repayable at the discretion of the Company by July 31, 2026. As at January 31, 2025, the loan outstanding was USD 1,739 (2024 – USD 1,537).

O. Other Information

On January 1, 2025, Rektron Group Inc (RGI) signed a Non-binding term Sheet with R.K. Batra Group (Batra), an India based group of companies engaged in distribution of LPG products and manufacturing of LPF Cylinders. This strategic step marks RGI's intent to explore potential collaboration opportunities with Batra to expand its footprint in the growing Indian energy sector. The agreement outlines key terms under which both parties will conduct due diligence and negotiate definitive agreements for a potential acquisition of Batra.

On January 22, 2025, Rektron Group Inc. entered into investor relations agreement (the "Agreement") with IR Labs Inc., dba Alliance Advisors Investor Relations ("Alliance Advisors IR"), to provide investor relations and communications services to the Rektron. Alliance Advisors IR has agreed to provide investor relations and communications services to Rektron in exchange for a monthly fee of $15,000. The term of the Agreement is for a period of 12 months ending January 22, 2026. Alliance Advisors IR and its management team are at arm's length of Rektron.

Subsequent event

On February 18, 2025, 10,000 warrants were exercised at the exercisable price of USD 2.25, resulting in issue of 10,000 shares against the warrants exercised. The effect of this would be reflected in group financial results for third quarter.

On February 19, 2025, 10,000 warrants were exercised at the exercisable price of USD 2.25 resulting in issue of 10,000 shares against the warrants exercised. The effect of this would be reflected in group financial results for third quarter.

On February 25, 2025, 16,666 warrants were exercised at the exercisable price of USD 2.25 resulting in issue of 16,666 shares against the warrants exercised. The effect of this would be reflected in group financial results for third quarter.

On February 28, 2025, 10,000 warrants were exercised at the exercisable price of USD 2.25 resulting in issue of 10,000 shares against the warrants exercised. The effect of this would be reflected in group financial results for third quarter.

On February 28, 2025, Rektron Nova Limited, a 100% subsidiary company of Rektron AQ Limited was incorporated pursuant to the Companies Act (2006) UK. The group is exploring opportunities to invest and acquire assets in clean energy market segment. This newly incorporated entity will be the investing and holding arm of the group for such assets.

On March 03, 2025, 12,000 warrants were exercised at the exercisable price of USD 2.25 resulting in issue of 12,000 shares against the warrants exercised. The effect of this would be reflected in group financial results for third quarter.

On March 5, 2025, Rektron Earth Limited, a 100% subsidiary company of Rektron AQ Limited was incorporated pursuant to the Companies Act (2006) (UK). The group is exploring opportunities to invest and acquire assets Mining and recycling assets. This newly incorporated entity will be the investing and holding arm of the group for such assets.

On March 06, 2025, 10,000 warrants were exercised at the exercisable price of USD 2.25 resulting in issue of 10,000 shares against the warrants exercised. The effect of this would be reflected in group financial results for third quarter.