



**Management's Discussion and Analysis
For the three months ended October 31, 2024**

(Expressed in US Dollars - Unaudited)

Prepared by
Rektron Group Inc.
Suite 406, 5307 Victoria Drive
Vancouver, British Columbia V5P 3V6
Canada

December 16, 2024

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 three months ended on October 31, 2024 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 three months ended on October 31, 2024 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 report contains statements that are to be considered forward-looking statements. Such statements relate to future events or future economic performance of the Company and involve risks, uncertainties and other known and unknown factors that may appreciably affect the results, performance or achievements against this or implications Rektron statements. Actual events or results could differ. Forward-looking statements include words or phrases such as "anticipates", "believes", "plans" or other words or phrases suggesting future outcomes of the infringement. Rektron disclaims any intention and undertakes no obligation to update such statements unless otherwise required by law.

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 sustainable trading practices, adding value to clients whilst supporting longstanding relations with both 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 and Euro VI compliant refined oil products. The Company transacts across all compliant markets.

The Company has presence in ten countries and is organized in two business divisions:

1. METALS DIVISION

The metals division trades non-ferrous products (aluminum, copper, lead, nickel and zinc), Recycled metals (recycled copper, aluminum, lead and nickel) in particular as well as Primary and Recycled ferrous products. Additionally, the Company has a bulk product portfolio (concentrates, manganese, etc.). Trades are executed through the headquarters in London or through the local teams. The company is particularly strong in Asia and Europe.

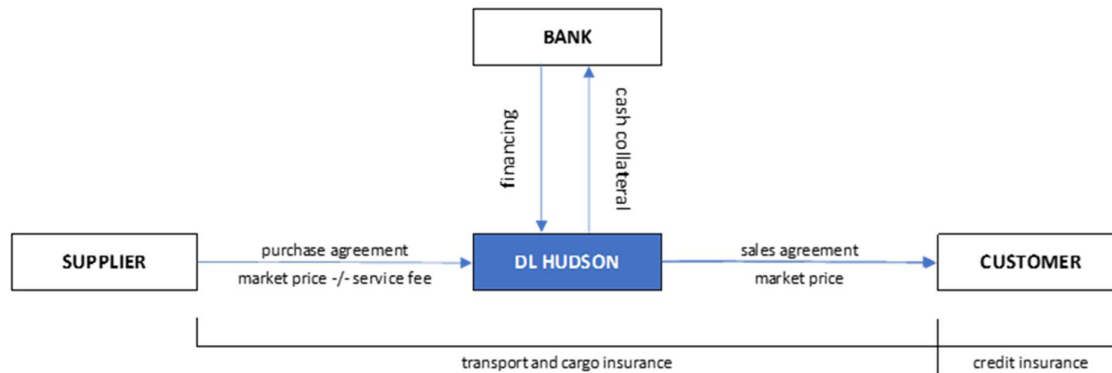
2. OIL DIVISION

The Company is particularly operating in niche markets for EURO VI compliant fuel oils, crude oil, Liquefied Petroleum Gas and petrochemicals with plans to expand the trading activities into biofuels, renewable natural gas and Liquefied Natural Gas.

D. Business Model

1. General model

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



The process begins with a trader matching supply and demand for a specific product of a particular grade and quantity with a counterparty. In other words, when demand is established, the trader simultaneously locks in the supply side. As part of DL Hudson's risk policy, the traders are required to ensure both sides of the transaction are firm and secured.

The prices of commodities are denominated by market prices on exchanges such as the London Metal Exchange, Intercontinental Exchange or daily publication such as Platts. That means that the commodities can always be traded based on the quoted prices on these exchanges or publications. The prices quoted by suppliers are based on the printed prices on the exchanges or publications. These prices are usually on a per metric ton or per barrel basis. The supplier will quote DL Hudson the printed exchange price plus or minus a premium or discount along with the Incoterms. DL Hudson then adds its margin (service fee) based on the price and Incoterms offered to the buyer. For example, if DL Hudson conducts the transport and logistics, it takes the quoted price plus or minus the premium or discount, adds the transport cost calculated on a per metric or per barrel, hedging and finance cost and sells to the customer at a price accounting for the aforementioned costs.

The transport, logistics and storage (if applicable) are provided by the Group's network of third party providers.

Before DL Hudson commits to a trade, the Group requires its traders to prepare a detailed proposal that outlines the supplier, the buyer, underlying product and its specification, quantity, purchase price, purchase Incoterms, buyer incoterms, shipping and logistics costs (if required), hedge costs (if required), delivery dates, purchase date, breakdown of the pricing formula, finance cost, etc. Each proposal is supported by a pre-calculation that shows the expected margin to be made on the deal. This proposal is presented to the CEO, CIO and CFO of DL Hudson. Upon approval the trade is executed.

The trader then confirms the trade with the counterparties, and the trade details are sent to the operations team of the Group.

The operations team then liaises with the counterparties' back office to draft the sales contract and purchase contracts. These contracts are then reviewed by our in-house legal team and are sent to the management team for sign offs. Then, the margin (or service fee) is locked in. All contracts are prepared on the basis of Incoterms 2020 so that the transfer of risk in relation to the underlying material is clearly defined.

Upon signing of the contracts, the supplier sends an invoice. This invoice is presented to the bank (or similar finance institution) with whom DL Hudson has working capital facilities. These working capital facilities are based on frame-work contracts that are in

place with the finance providers and these outline the type of transaction that can be placed along with the security(ies) required by the bank. The bank finances 100% of the purchase value, either by cash or by means of a Letter of Credit and takes the underlying material as a security. The bank also often requires a cash collateral of 10% to 20% by DL Hudson. Reference is made to section D.3. of this document for a further elaboration.

The Group has transport and cargo insurances in place and in accordance with the above-mentioned framework agreements where the bank or financial institution is assigned as loss payee on the policy.

Once the material is delivered to the customer, DL Hudson sends an invoice. At this stage, the covenants of the Letter of Credit applies and can be drawn down upon or in case of credit offered to the customer, it becomes a receivable. In case of an outstanding receivable, the bank and/or financing institution requires a credit insurance to be in place that covers the exposure. These banks and/or financing institutions are assigned to the policy as loss payee.

For that purpose, the CEO of DL Hudson in collaboration with the CFO and the traders of DL Hudson are in touch with credit insurance companies on a quarterly basis to ensure that adequate insurance policies and limits against customers are in place. Before a trade proposal is approved, the credit limit from the credit insurer is checked by DL Hudson's back office.

The operations team prepares the purchase and sales contracts, handle the purchase and sales invoices, negotiate the Letters of Credit, deal with the banks/financing institutions, take care of logistics, shipping in collaboration with agents or employees on the ground and are in charge of payment collections.

2. Services

DL Hudson is able to charge the above mentioned service fee as it provides services to its partners in the following fields:

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 supply chain of commodities. 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 does not need to finance 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 enables the supplier to increase its activities.

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 even provide payment terms to their customer. That financial capacity gives the Group's customer the ability to increase its business activity.

Logistics solutions

The Group provides logistics solutions, by arranging the transport of the materials by sea and/or by land (DL Hudson has not yet transported materials by air) as well as storage and dispatch from storage facilities. These solutions are provided through third-party service providers such as forwarders, shipping and storage companies. 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 paperwork are in order, as minor errors could have a cost. 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.

Risk management

Risk management means the mitigation of price risks and currency risks. With regards to price risk, commodities are subject to frequent price fluctuations as they are exchange traded (such as the London Metal Exchange for Metals or Intercontinental Exchange for Energy) or their reliance on daily pricing mechanisms that are published in daily updates such as Platts. The Group has margin lines with brokers that execute futures and derivatives on behalf of DL Hudson to mitigate price risk. To be able to perform this activity, the Group tries to employ a specialized, qualified and dedicated trading team. Furthermore, not all companies qualify to have these lines or are not granted sufficient margin lines to transact in larger physical trades.

With regards to currency risk, the commodity prices are denominated in US Dollars. Suppliers that have operating costs in a different currency have an exposure to the fluctuation of the exchange rate between this local currency and the US Dollar. The same can apply to the buyer who may require the products to be sold to them in their local currency. The Group uses its brokerage lines to hedge these risks by trading currency, futures or derivatives.

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 nine traders that are based in London UK, Geneva Switzerland, Dubai United Arab Emirates, Singapore, Thailand and China. These traders have international contacts and travel frequently to ensure that these relationships are maintained. 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 regular contact with the suppliers and buyers provides the traders insight into the needs of the buyers and suppliers, which often evolve into opportunities to trade with them. The Group also has contacts with independent agents that offer deals to the traders. These agents are usually compensated on a commission basis for deals that are successfully completed and payment fully collected.

Some customers impose a registration, which means that the supplier is acceptable to selling to and/or buying from them, and large suppliers have a similar process to ensure that the buyers are competent and able to buy from them. These registrations are based on their internal criteria but with large companies, this process is onerous and time-consuming. A common criterion required by some customers is the ability of the Group to perform shipments and their financial strength. As mentioned, registration processes, particularly with major companies are lengthy and many companies do not qualify. This is perceived as an entry barrier in the market. The Group has registrations with various companies that are well regarded in both the energy commodities as the metals hemisphere.

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 October 31, 2024, the Group's utilization of the facilities was USD 44,237 thousand (July 31,2023 – USD 43,789 thousand) 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 shown stable growth in the first three months of the financial year 2025 as revenues increased by USD 21.6 million compared to the same period the previous financial year 2024, leading to an increase in Gross Profit of USD 2.4 million. This growth is primarily attributed to a higher volume of traded metals. The Gross Profit increased to 1.5% compared to 1.2% in 2024. This change is due to trading other metals to the product portfolio.

In comparison to July 31, 2024, the group equity increased from USD 120.8 million to USD 126.6 million, largely due to the issue of shares for USD 5 million as part of IPO on August 26, 2024. The solvency rate decreased from 42% to 33%. This is the result of the increase in self-liquidating debt that is related to the increased trading activity and higher turnover in trade payables.

On August 23, 2024 the Parent Company closed its initial public offering, raising gross proceeds of USD 5 million and issuing 3,333,333 units at a price of USD 1.50, comprising of one common share and one common share purchase warrant exercisable at a price of USD 2.25 so as to acquire one 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 as part of the IPO is in the form of a new share issuance and will be used for the operational growth of the business.

Earned profits and funds raised through IPO are utilized in the operations, leading to an increase in working capital from USD 86.6 million to USD 127.2 million and a stable cash position of USD 7.7 million. Higher Trade receivables turnover have added significantly to this increase.

As part of strategic business expansion, DL Hudson Limited, a subsidiary of the group, acquired an entity DL Hudson Yangtze Limited (Formerly known as MAV trading) on August 1, 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	3 month period ended		
	31/10/2024	31/10/2023	31/10/2022
Revenue	650,800	629,183	427,674
Gross profit	9,814	7,487	4,602
Operating profit	6,026	4,690	2,791
Profit before tax	1,411	3,616	1,665
Profit from continuing operations attributable to the owners of the parent*	1,329	3,660	1,716
- on a per share basis in USD	0.02	0.05	2,803.92
- on a diluted per share basis in USD	0.02	0.05	1,261.76

*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				629,183	718,834	594,113	600,257	427,674	470,747	590,301	538,807
Gross profit	9,814				7,487	8,563	7,975	6,507	4,602	6,721	7,471	4,803
Operating profit	6,026				4,690	5,578	4,755	2,911	2,791	3,878	4,516	1,671
Profit before tax	1,411				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				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				0.05	0.07	0.05	0.02	2,803.92	43.42	65.14	0.07
- on a diluted per share basis in USD	0.02				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 line with the growth of the financial year 2024, the Company further increased its revenues by USD 21.6 million compared to the first three months of the prior year, resulting in an increase in Gross Profit of USD 2.3 million. This growth is mainly attributed to a higher volume of traded metals. The Gross Profit increased to 1.5% compared to 1.2% in 2024. This change is due to trading other metals to the product portfolio.

- The variance in earnings per share (hereinafter “EPS”) for the period ending October 31, 2024 versus prior quarters is a direct result of the issuance of 3,333,333 shares as a result of the IPO and conversion of special warrants versus the number of shares outstanding prior to the business combination under common control.
- The following details outline the changes in total shares resulting in the variances in EPS (Basic and diluted):
 - The warrants that were outstanding in the financial years 2022 and 2021 were exercised in the financial year 2023. Due to this event and in preparation for the IPO on the Canadian Securities Exchange, the following transactions took place during the financial year:

- On January 5, 2023, 55.080 new shares of GBP 1.00 were issued against Other Reserves, that were later converted in to USD at a rate of 1.2008.
- Subsequently, the shares were revalued to USD 0.002 each, leading to a total number of shares outstanding of 33,070,032.
- On May 4, 2023, 40,792,928 shares were issued (in relation to the exercise of the warrants) against Other Reserves at an amount of USD 0.002 each, leading to a total number of outstanding shares of 74,168,960 of USD 0.002 each (total USD 147 thousand).
- The MACA Special Warrants were exercised on March 5, 2024 as per the revised MACA agreement, and 2,595,917 common shares were issued on exercise. Reference is made in Note 10 of previous year Audited Financials.
- On August 23, 2024 the Parent Company closed its initial public offering, having raised gross proceeds of USD 5 million and having issued 3,333,333 units at a price of USD 1.50, 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. The parent company's shares began trading on the Canadian Securities Exchange ("CSE") on August 26, 2024.
- 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.

Operating costs have increased by USD 991 thousand for the three months ended October 31, 2024 vs the same period in prior year due to performance related compensation and the expansion of our teams to support this growth and sustain further scalability. Due to the higher headcount, the facility and offices expenses also increased. Nonetheless, income from operations increased from the same three months period by USD 1.3 million and Comprehensive income decreased by USD 2.1 million as a result of a financial loss (from hedging activities).

The breakdown of Operating Costs is as follows:

USD 1,000	for the period ended	
	31/10/2024	31/10/2023
Administrative expenses		
Personnel	-1,001	-959
Sales and marketing expenses	-6	-9
Professional services fees	-838	-730
Facilities and offices	-447	-424
Other operating expenses	-1,483	-239
Depreciation and amortization	-13	-436
Total Administrative expenses	-3,788	-2,797
Operating expenses	-3,788	-2,797

Statement of Financial Position

USD 1,000	31/10/2024	31/07/2024	31/07/2023
	Working capital	127,720	86,680
Total assets	382,608	288,020	249,169
Total liabilities	167,161	167,161	141,129
of which long-term	1,537	1,537	1,933
Group equity	126,651	120,859	108,040
Solvency rate	33%	42%	43%

- The net working capital increased from USD 86.7 million to USD 127.7 million as the profit that was generated over the financial year 2024 was retained and used in the operations, leading to the increases in revenues and profitability. Also, funds raised through the IPO and Disposal of an investment 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.

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 33%.

Liquidity

USD 1,000	31/10/2024	31/07/2024	31/07/2023
Cash flow from:			
Operating activities	-34,981	2,524	-4,955
Investment activities	41,013	-10	-
Financing activities	-5,871	-4,422	2,649
Cash and cash equivalents closing position	7,745	7,679	9,783

- The cash position as of October 31, 2024 increased by USD 66 thousand compared to July 31, 2024.
- Cash flow from operating activities is lower than the cash outflow from financing activities as the company has utilized its cash (including retained profits from prior periods) to support the increased trading activities. Also, 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 whilst not all the related receivables are converted into cash inflows. Note that there are no overdue receivables.

The cash position amounts to USD 7.7 million and the Working Capital position amounts to USD 127.7 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 mainly 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 October 31, 2024 the Company had 59,098,310 shares outstanding (July 31, 2024: 74,764,977).

On August 26, 2024, the Company completed an Initial Public Offering on the Canadian Securities Exchange. This successful placement has not only led to additional cash availability to the company (the IPO is done by means of a share issuance), 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 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.

31 July 2024 USD 1,000	Carrying amount			Total	Fair Value			
	Note	FVTPL	Loans and receivables		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 October 2024 USD 1,000	Note	FVTPL	Loans and receivables	Total	Level 1	Level 2	Level 3	Total
Receivables, prepayments and accrued income	8	993	371,109	372,102	993	-	-	993
Cash and cash equivalents	9	7,745	-	7,745	7,745	-	-	7,745
Total financial assets		8,738	371,109	379,847	8,738	-	-	8,738
Borrowings	11	-	1,306	1,306	-	-	-	-
Current liabilities and accruals	11	4,657	249,994	254,651	4,657	-	-	4,657
Total financial liabilities		4,657	251,300	255,957	4,657	-	-	4,657

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 October 31, 2024, the Company had working capital of USD 127.7 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 GBP 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 October 31, 2024 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 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 October 31, 2024, 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	31/10/2024	31/07/2024
Commodity related contracts		
Futures	975	598
Options	18	-
Total Current assets FVTPL	993	598
Commodity related contracts		
Futures	4,537	596
Options	120	1,161
Total Current liabilities FVTPL	4,657	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 October 31, 2024, the Company has no Off-Balance sheet settlements.

M. Share information

As of October 31, 2024, Rekrtron Group Inc. has issued and outstanding 59,098,310 shares.

On August 23, 2024, as part of IPO, the company issued 3,333,333 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. As of October 31, 2024, no share purchase warrants were exercised.

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.

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 three month period ended on October 31, 2024, are as follows:

USD 1,000	Three-month period ended 31 October 2024	Three-month period ended 31 October 2023
Plutus Partners Ltd.	178	527
Traders	-	37
Operations	13	139
Accounting, Legal and IT	42	146
Rent and facilities	24	30
Travelling	9	72
COO	10	-
Shareholders	80	103
CEO	439	60
CFO	326	30
Total	943	617

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 are gradually being transitioned to the Company, so that in the future only the compensation for the work performed by the shareholders for their respective roles in the Company.

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 October 31, 2024, the loan outstanding was USD 1,306 (2024 – USD 1,537).

O. Other Information

Subsequent event

On November 20, 2024, the Parent company welcomed Mr. Satyam Bhasin, an accomplished finance executive to its Board as its newest independent director and member of its audit committee and compensation committee. Mr. Bhasin replaces Mr. Stier who resigned on October 29, 2024, for personal reasons.

*On November 28, Mr. Swapnil Mokashi has been appointed as a director of the Company, effective November 28, 2024. He will also act as the Chairman of the board of directors of the Parent Company (the "**Board**")*

On November 30, 2024, Mr. Ricardo Phielix, director and CEO of the Company and Mr. Manny Bettencourt, director CFO, Corporate Secretary resigned from their positions with the Company as per the exit agreement effective October 11, 2024.

On December 7, 2024, the Parent company welcomed Mr. Atanas Kolarov as the new CEO and director. He replaces the outgoing CEO Mr. Ricardo Phielix.

Additionally, the Parent Company appointed Mr. Ronald Galetzki as an Independent Director to the Board, effective December 7, 2024.

Mr. Jigar Desai is appointed as the new CFO of the Parent company with effect from December 7, 2024, replacing Mr. Manny Bettencourt.