

Reko International Group Inc.

Interim Condensed Consolidated Financial Statements *(unaudited)*

For the nine months ended April 30, 2023 and 2022

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Reko International Group Inc. for the three months and nine months ended April 30, 2023 have been prepared by Management and approved by the Board of Directors on June 8, 2023. The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

REKO INTERNATIONAL GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(in 000's, except for per share amounts)

	April 30, 2023	July 31, 2022
ASSETS		
Current		
Cash	\$ 13,541	\$ 14,023
Accounts receivable	9,195	11,629
Non-hedging financial derivatives (Note 4)	--	26
Work-in-progress	10,041	9,222
Prepaid expenses and other current assets	610	857
	33,387	35,757
Capital assets (Note 5)	26,932	29,024
Deferred income taxes	2,127	2,110
	\$ 62,446	\$ 66,891
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,619	\$ 6,818
Unearned revenue on work-in-progress	491	693
Non-hedging financial derivatives (Note 4)	56	--
Current portion of long-term debt (Note 6)	1,317	4,360
Long-term debt subject to demand provisions (Note 6)	5,036	5,129
	10,519	17,000
Long-term debt (Note 6)	6,057	3,479
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	15,929	16,332
Contributed surplus (Note 8)	1,820	1,769
Retained earnings	28,121	28,311
	45,870	46,412
	\$ 62,446	\$ 66,891

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

REKO INTERNATIONAL GROUP INC.**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(in 000's, except for per share amounts)

	Share capital	Contributed surplus	Retained earnings	Total equity
Balance at July 31, 2021	\$ 17,418	\$ 1,944	\$ 27,694	\$ 47,056
Net share-based transactions	(795)	(60)	--	(855)
Dividends	--	--	(1,504)	(1,504)
Net income	--	--	1,458	1,458
Balance at April 30, 2022	\$ 16,623	\$ 1,884	\$ 27,648	\$ 46,155
Balance at July 31, 2022	\$ 16,332	\$ 1,769	\$ 28,311	\$ 46,412
Net share-based transactions	(403)	51	--	(352)
Dividends	--	--	(1,432)	(1,432)
Net income	--	--	1,242	1,242
Balance at April 30, 2023	\$ 15,929	\$ 1,820	\$ 28,121	\$ 45,870

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

REKO INTERNATIONAL GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in 000's, except for per share amounts)

	For the three months ended		For the nine months ended	
	April 30, 2023	April 30, 2022	April 30, 2023	April 30, 2022
Sales	\$ 10,306	\$ 13,357	\$ 35,768	\$ 38,882
Costs and expenses				
Cost of sales	8,059	10,523	27,120	30,432
Depreciation	994	883	2,941	2,440
	9,053	11,406	30,061	32,872
Gross profit	1,253	1,951	5,707	6,010
Selling and administrative	1,421	1,998	4,562	4,513
Income (loss) before other items	(168)	(47)	1,145	1,497
Foreign exchange (gain) loss	(194)	128	(292)	(109)
Other income	--	(76)	(75)	(317)
Loss (gain) on sale of capital assets	103	--	103	(16)
Interest on long-term debt	111	95	344	275
Interest on other interest-bearing obligations	(45)	(3)	(160)	(23)
	(25)	144	(80)	(190)
Income (loss) before income taxes	(143)	(191)	1,225	1,687
Deferred income tax provision (recovery)	(198)	(283)	(17)	229
Net income and comprehensive income	\$ 55	\$ 92	\$ 1,242	\$ 1,458
Earnings per common share (Note 9)				
Basic	\$ 0.01	\$ 0.02	\$ 0.22	\$ 0.25
Diluted	\$ 0.01	\$ 0.01	\$ 0.21	\$ 0.23

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

REKO INTERNATIONAL GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in 000's, except for per share amounts)

	For the nine months ended April 30, 2023	For the nine months ended April 30, 2022
OPERATING ACTIVITIES		
Net income for the period	\$ 1,242	\$ 1,458
Adjustments for:		
Depreciation	2,941	2,440
Income tax expense (recovery)	(17)	229
Interest expense	184	252
Change in non-hedging financial derivatives	82	37
Unrealized foreign exchange loss	438	104
Share-based compensation	87	53
Loss on sale of capital assets	103	(15)
	5,060	4,558
Net change in non-cash working capital	(1,539)	(5,085)
Interest paid	(184)	(252)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,337	(779)
FINANCING ACTIVITIES		
Payment of dividends	(1,432)	(1,504)
Net cost of repurchase of capital stock	(439)	(908)
Advances of long-term debt	--	3,027
Repayments of long-term debt	(996)	(479)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,867)	136
INVESTING ACTIVITIES		
Investment in capital assets	(986)	(3,661)
Proceeds from sale of capital assets	34	54
Proceeds from sale of short-term investments	--	4,500
Change in grant receivable	--	300
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(952)	1,193
Net change in cash	(482)	550
Cash, beginning of period	14,023	6,209
Cash, end of period	\$ 13,541	\$ 6,759

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Reko International Group Inc. (the "Company" or "Reko") is a diversified, technology-driven manufacturing organization located in Southwestern Ontario with areas of expertise including robotic factory automation solutions and precision machining of large, critical parts. The Company, incorporated under the laws of Ontario, has several subsidiaries, which operate or exist in the Province of Ontario in Canada and the State of Michigan in the United States.

Reko is listed on the TSX Venture Exchange under the symbol REKO. The Company's shares are traded in Canadian dollars. The registered head office is located at 469 Silver Creek Industrial Drive, Lakeshore, Ontario, Canada.

All amounts are in thousands and in Canadian dollars, unless otherwise noted.

Statement of compliance

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on June 8, 2023.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended July 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with the accounting policies and methods as those used in the Company's audited consolidated annual financial statements for the year ended July 31, 2022 except as noted below.

Basis of measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

The Company's subsidiaries are as follows:

Subsidiary	Location	Percentage ownership	Consolidation
Concorde Precision Machining Inc.	Ontario	100%	Full
Reko Manufacturing Group Inc.	Ontario	100%	Full
Reko International Holdings Inc.	Michigan	100%	Full
Reko International Services Inc.	Michigan	100%	Full
Concorde USA LLC	Michigan	100%	Full

2. GEOGRAPHIC INFORMATION

The following information reflects the geographic breakdown of revenues and capital assets based on the physical location of the Company's operations. The Company does not track revenues based on ship to locations.

	Nine months ended April 30, 2023	
	Revenues	Capital assets
Canada	\$ 35,758	\$ 26,932
United States	10	--
	\$ 35,768	\$ 26,932

	Nine months ended April 30, 2022	
	Revenues	Capital assets
Canada	\$ 36,354	\$ 28,323
United States	2,528	--
	\$ 38,882	\$ 28,323

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, non-hedging financial derivatives, accounts payable and accrued liabilities and long-term debt.

Fair Value

The Company has determined the estimated fair value of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

Accounts receivable, accounts payable and accrued liabilities

Due to the short period of maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair value.

Fair value hierarchy

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

The following table provides an analysis of cash, non-hedging financial derivatives and long-term debt that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	April 30, 2023
Financial assets (liabilities) at FVTPL				
Cash	\$ 13,541	\$ --	\$ --	\$ 13,541
Non-hedging financial derivatives	--	(56)	--	(56)
	\$ 13,541	\$ 101	\$ --	\$ 13,485

	Level 1	Level 2	Level 3	July 31, 2022
Financial assets (liabilities) at FVTPL				
Cash	\$ 14,023	\$ --	\$ --	\$ 14,023
Non-hedging financial derivative	--	26	--	26
	\$ 14,023	\$ 26	\$ --	\$ 14,049

Non-hedging financial derivatives

The Company's non-hedging financial derivatives are the Company's future forward exchange contracts and are subject to fluctuations in foreign exchange rates between the Canadian and US dollar. The Company's non-hedging financial derivatives are valued based on discounting the future cash outflows associated with the contract based on the closing foreign exchange rate between the Canadian and US dollar.

Long-term debt

The Company's long-term debt of CDN \$5,399 and USD \$2,302 (currently valued at CDN \$3,126) is subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for Government of Canada securities of similar duration. In each period thereafter, the incremental premium is held constant while the Government of Canada security is based on the then current market value to derive the discount rate.

4. NON-HEDGING FINANCIAL DERIVATIVES

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. During the period, the Company had entered into foreign exchange forward contracts. As at April 30, 2023, the Company holds options to buy and sell USD with maturities ranging from 0-6 months and at various exercise prices. The mark to market value of those options is included below.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

As at April 30, 2023	Maturity	Notional value	Average rate	Notional USD equivalent	Carrying & fair value asset (liability)
Sell USD / Buy CAD forwards	0 – 6 months	\$ 4,944	1.3490	\$ 5,000	\$(56)
As at July 31, 2022	Maturity	Notional value	Average rate	Notional USD equivalent	Carrying & fair value asset
Sell USD / Buy CAD forwards	0 – 6 months	\$ 3,026	1.2920	\$ 3,000	\$26

5. CAPITAL ASSETS

Capital assets are comprised of:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
Cost or deemed cost						
Balance at July 31, 2021	\$ 661	\$ 14,530	\$ 53,532	\$ 844	\$ 2,055	\$ 71,622
Additions	--	29	--	--	5,335	5,364
Transfers	--	32	1,658	--	(1,690)	--
Disposals	--	--	(730)	--	--	(730)
Balance at July 31, 2022	\$ 661	\$ 14,591	\$ 54,460	\$ 844	\$ 5,700	\$ 76,256
Additions	--	52	--	--	934	986
Transfers	--	62	1,225	15	(1,302)	--
Disposals	--	--	(550)	--	--	(550)
Balance at April 30, 2023	\$ 661	\$ 14,705	\$ 55,135	\$ 859	\$ 5,332	\$ 76,692
Amortization and impairment losses						
Balance at July 31, 2021	\$ --	\$ 5,462	\$ 38,597	\$ 422	\$ --	\$ 44,481
Amortization for the year	--	425	2,901	44	--	3,370
Disposals	--	--	(619)	--	--	(619)
Balance at July 31, 2022	\$ --	\$ 5,887	\$ 40,879	\$ 466	\$ --	\$ 47,232
Amortization for the year	--	322	2,585	34	--	2,941
Disposals	--	--	(413)	--	--	(413)
Balance at April 30, 2023	\$ --	\$ 6,209	\$ 43,051	\$ 500	\$ --	\$ 49,760
Carrying value						
Balance at July 31, 2022	\$ 661	\$ 8,704	\$ 13,581	\$ 378	\$ 5,700	\$ 29,024
Balance at April 30, 2023	\$ 661	\$ 8,496	\$ 12,084	\$ 359	\$ 5,332	\$ 26,932

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

Included in the net book value of machinery and equipment are right of use assets of \$3,558 (July 31, 2022 - \$4,239).

6. LONG-TERM DEBT

The long-term debt and lease liabilities are comprised of:

	April 30, 2023	July 31, 2022
Mortgage payable – 5.63% (July 31, 2022 – 2.04%), repayable \$26 monthly including interest, due in full April 2026, secured by certain land and building and an assignment of rents on the subject property	\$ 3,138	\$ 3,252
Mortgage payable – 4.31% (July 31, 2022 – 4.31%), repayable \$21 monthly including interest, due in full July 2023, secured by certain land and building and general security agreement, subject to demand provisions	2,261	2,372
Mortgage payable – 3.06% plus a credit spread (July 31, 2022 – 3.06%), which may vary over the life of facility to a maximum of 275, currently at 175 for an all-in rate of 5.00%, repayable USD \$14 monthly plus interest, due in full August 2025, secured by certain land, buildings, and a general security agreement, subject to demand provisions	3,126	3,097
Equipment lease – 2.78%, repayable US \$23 monthly including interest, due in full January 2027, and secured by the equipment	1,317	1,488
Equipment lease – 3.99%, repayable \$19 USD monthly including interest, due in full April 2027, and secured by the equipment	1,165	1,292
Equipment lease – 5.23%, repayable \$18 USD monthly including interest, due in full June 2029, and secured by the equipment	1,406	1,484
	12,413	12,985
Deduct - unamortized finance fees	3	17
- principal portion included in current liabilities	6,353	9,489
Long-term portion	\$ 6,057	\$ 3,479

Notwithstanding the fact that certain facilities listed above are subject to demand provisions and are classified as current liabilities as a result, the Company expects to repay the principal over the entire scheduled term of the loans and these payments are outlined below. At April 30, 2023, \$1,317 is due within the next twelve months under normal repayment terms and an additional \$5,036 is not expected to be due in the next year but is subject to demand provisions.

Total bank credit facilities are as follows:

Year	Bank Credit Facilities
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NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

Next 12 months	\$ 3,434
2 years	1,211
3 years	6,467
4 years	750
5 years	243
Thereafter	308
Balance of obligation	\$ 12,413

7. SHARE CAPITAL

Share capital is comprised of:

	Authorized	Issued Shares	Amount
Class A preference shares	Unlimited	Nil	\$ --
Class B preference shares	Unlimited	Nil	--
Common shares – no par value	Unlimited	5,699,313	\$ 15,929

Share capital transactions during the period were as follows:

	April 30, 2023		July 31, 2022	
	Shares	Amount	Shares	Amount
Outstanding, beginning of period	5,780,350	\$ 16,332	6,003,850	\$ 17,418
Stock options exercised during the period	21,500	103	--	--
Repurchase of shares during the period	(102,537)	(506)	(223,500)	(1,086)
Outstanding, end of period	5,699,313	\$ 15,929	5,780,350	\$ 16,332

During the nine-month period, the Company repurchased and cancelled 102,537 common shares under the normal course issuer bid for a net cost of \$506.

The following table presents the maximum number of shares that would be outstanding if all the dilutive “in the money” instruments outstanding, as at April 30, 2023 were exercised:

Common shares outstanding at April 30, 2023	5,699,313
Stock options	229,800
	5,929,113

8. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	April 30, 2023	July 31, 2022
Balance, beginning of period	\$ 1,769	\$ 1,944
Amounts in respect of exercised stock options	(36)	(121)
Amounts in respect of the stock-based compensation	87	(54)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

Balance, end of period	\$ 1,820	\$ 1,769
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9. EARNINGS PER SHARE

The calculation of basic earnings per share at April 30, 2023 was based on the net profit attributable to common shareholders of \$55 and a weighted average number of common shares outstanding of 5,699,313 calculated as follows:

	April 30, 2023	April 30, 2022
Basic earnings per share:		
Net income for the three-month period	\$ 55	\$ 92
Average number of common shares outstanding during the period	5,699,313	5,945,550
Basic earnings per share	\$ 0.01	\$ 0.02

Diluted earnings per share:		
Net income for the three-month period	\$ 55	\$ 92
Average number of common shares outstanding during the period	5,699,313	5,945,550
'In the money' stock options outstanding during the period	229,800	239,800
	5,929,113	6,185,350
Diluted earnings per share	\$ 0.01	\$ 0.01

	April 30, 2023	April 30, 2022
Basic earnings per share:		
Net income for the nine-month period	\$ 1,242	\$ 1,458
Average number of common shares outstanding during the period	5,728,355	5,992,506
Basic earnings per share	\$ 0.22	\$ 0.25

Diluted earnings per share:		
Net income for the nine-month period	\$ 1,242	\$ 1,458
Average number of common shares outstanding during the period	5,728,355	5,992,506
'In the money' stock options outstanding during the period	229,800	239,800
	5,958,155	6,232,306
Diluted earnings per share	\$ 0.21	\$ 0.23

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

10. STOCK-BASED COMPENSATION

The Company has established a stock option plan for directors, officers, and key employees. The terms of the plan state that the aggregate number of shares, which may be issued and sold, will not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis. The issue price of the shares shall be determined at the time of grant based on the closing market price of the shares on the specified date of issue. Options shall be granted for a period of five years. At the directors' discretion, the vesting progression is 30% in the year of grant, 30% in the second year after grant and 40% in the third year after the grant. Options given to outside directors vest immediately and can be exercised immediately.

As at April 30, 2023, the following options were outstanding:

Number of Options	Exercise price	Expiry
71,300	\$ 2.90	2024
105,500	\$ 2.80	2026
10,000	\$ 4.59	2027
20,000	\$ 4.90	2027
70,000	\$ 4.65	2028

The weighted average of the options is as follows:

	April 30, 2023		April 30, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the period	230,800	\$ 3.12	342,900	\$ 3.14
Expired during the period	--	--	(1,800)	\$ 2.90
Issued during the period	70,000	\$ 4.65	30,000	\$ 4.80
Exercised during the period	(21,500)	\$ 3.14	(57,800)	\$ 3.03
Cancelled during the period	(2,500)	\$ 2.90	(2,500)	\$ 2.90
Outstanding at the end of the period	276,800	\$ 3.51	310,800	\$ 3.32
Exercisable at the end of the period	229,800	\$ 3.27	239,800	\$ 3.25

The description of the method and significant assumptions used during the year to estimate the fair values of options, including the weighted average information, is as follows:

	April 30, 2023	April 30, 2022
Expected life	5 years	5 years
Expected dividends	\$ Nil	\$ Nil
Expected volatility – based on a 60-month historical average	31.68%	32.47%
Risk free rate of return	1.33%	0.93%
Expected forfeiture rate	0%	100%
Total compensation cost recognized in income for stock-based employee compensation awards	\$ 87	\$ 54

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share amounts)

11. RELATED PARTY TRANSACTIONS*Transactions with key management personnel*

In addition to their salaries, the Company also provides non-cash benefits to its executive officers and contributes to a post-employment defined contribution benefit plan on their behalf. In accordance with the terms of the plan, executive officers are entitled to receive up to a maximum of 2.5% of base salary. Company contributions under the plan will match 100% of the employee contributions. The contribution plans are identical to the contribution plans provided to all Canadian employees of the Company.

Executive officers are also eligible, as are all employees, to participate in the Company's share option programme.

Key management personnel compensation comprised:

	April 30, 2023	April 30, 2022
Salaries and cash bonuses	\$ 596	\$ 558
Short-term employment benefits	31	22
Post-employment benefits	97	21
	\$ 724	\$ 601

Key management personnel and director transactions

Directors of the Company control 4.9% of the voting shares of the Company. Relatives of a director own, directly or indirectly, 67.97% of the voting shares of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of operations and financial position ("MD&A") and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the period ended April 30, 2023 and the audited consolidated financial statements and MD&A for the year ended July 31, 2022 included in our 2022 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended April 30, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). When we use the terms "we", "us", "our", "Reko", or "Company", we are referring to Reko International Group Inc. and its subsidiaries.

This MD&A contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "anticipate", "plan", "may", "will", "should", "expect", "believe", "estimate" and similar expressions to identify forward-looking information and statements. Such forward-looking information and statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be relevant and appropriate in the circumstances. Readers are cautioned not to place undue reliance on forward-looking information and statements, as there can be no assurance that the assumptions, plans, intentions, or expectations upon which such statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions, and other factors which may cause actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed, implied, or anticipated by such information and statements. These risks are described in the Company's MD&A and, from time to time, in other reports and filings made by the Company with securities regulators.

While the Company believes that the expectations expressed by such forward-looking information and statements are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors, which could cause actual results or events to differ materially from those, indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update publicly or otherwise revise any such factors of any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Reko International Group Inc. is available on our website at www.rekointl.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to earned revenue, which is not a measure of financial performance under IFRS. The Company calculates earned revenue as sales less materials, sub-contracting, and inventory adjustments. The Company included information concerning this measure because it is used by management as measure of performance, and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. This measure is not necessarily comparable to similarly titled measures used by other companies.

All amounts in this MD&A are expressed in 000's of Canadian dollars, except per share amounts and where otherwise indicated.

This MD&A is current to June 8, 2023.

OVERVIEW

Reko International Group Inc. is a diversified, technology-driven manufacturing organization. Our touchstone philosophy is "Strengthening Communities by Advancing Manufacturing" which epitomizes our commitment to using our distinctive blend of technology and skills to improve the lives of our team members, our customers, our shareholders, as well as our local and global communities.

Reko designs and manufactures a variety of engineered products and services for original equipment manufacturers ("OEMs") and their Tier suppliers. These products include design and construction of unique specialty machines and lean cell factory automation solutions and robotics integration; and high precision, custom machining of very large critical components and assemblies. While many of our customers are in the automotive market, the Company has diversified beyond automotive into a number of sectors.

For the transportation and oil and gas industries, the Company machines customer supplied metal castings to customer indicated specifications. For the automotive industry, the Company conceptualizes, designs, and builds innovative solutions to manufacturing challenges, including specialty machines for plastic punch and weld, gas tank assembly lines; unique material handling applications; and work cell solutions. Across our target industries, Reko is known for outstanding quality and customer focus and for an unwavering commitment to exceeding customer expectations and deliverables while striving for constant improvement across all our chosen metrics.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our design and manufacturing operations are carried on in three manufacturing plants located on adjacent parcels of land in Lakeshore, Ontario – a suburb of the City of Windsor in Southwestern Ontario.

RECONCILIATION OF NON-IFRS MEASURES

The reconciliation of earned revenue to sales is provided in the following table:

	Three months ended		Nine months ended	
	April 30, 2023	April 30, 2022	April 30, 2023	April 30, 2022
Sales	\$ 10,306	\$ 13,357	\$ 35,768	\$ 38,882
Less: Materials	2,104	3,959	8,400	12,086
Sub-contracting	543	1,053	3,187	3,680
Inventory adjustments	--	361	--	310
Earned revenue	\$ 7,660	\$ 7,984	\$ 24,182	\$ 22,806

RESULTS OF OPERATIONS*Sales*

Sales for the three months ended April 30, 2023 decreased \$3,051, or 22.9%, to \$10,306, compared to \$13,357 in the same period in the prior year. The decrease in sales was largely related to a delay in project kick-offs. Year to date sales for fiscal 2023 were \$35,768 compared to \$38,882 in the previous fiscal year.

Earned revenue

Earned revenue is a non-IFRS measure. The Company's explanation of how it measures earned revenue is located in the previous section. Earned revenue effectively measures that portion of our total revenue available to the Company to pay its workers, pay for its fixed and operating costs and earn a profit. The Company believes that earned revenue is a more effective measurement of how the Company is performing.

For the three months ended April 30, 2023, earned revenue decreased by 4.1% to \$7,660 compared to \$7,984 in the same period in the prior year. Year to date earned revenue increased by 6.0% to \$24,182, compared to \$22,806 in the prior year.

Gross profit

The gross profit for the three months ended April 30, 2023 totaled \$1,253, compared to \$1,951 in the same period in the prior year. Gross profit as a percentage of sales averaged 12.2% for the three months compared to 14.6% for the same period last year, and \$5,707 or 16.0% of sales for the nine months compared to \$6,010 or 15.5% in the prior year. The decrease in gross profit is related to the decrease in sales.

Selling, general and administration

Selling, general and administrative expenses ("SG&A") for the three months ended April 30, 2023 totaled \$1,421 compared to \$1,998 for the same period in fiscal 2022. SG&A for the nine months totaled \$4,562 compared to \$4,513 in the prior year. Commission and wage expenses are mostly the reason for increases in SG&A.

Earnings overview

The net income for the three months ended April 30, 2023 was \$55, or \$0.01 per share, compared to \$92, or \$0.02 per share, in the same period of the prior year. Net income for the nine months ended April 30, 2023 was \$1,242, or \$0.22 per share, compared to \$1,458, or \$0.25 per share for the nine months ended April 30, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS**LIQUIDITY AND CAPITAL RESOURCES**

Cash flow provided by operations for the period was \$3,337 as compared to cash flow provided by operations of \$(779) in the same period of the previous year. The increase in cash flow provided by operations is primarily a result of a decrease in accounts receivable.

Financial covenants

The Company continues to meet its financial covenants, including the third quarter of fiscal 2023.

The Company believes it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants during this period.

Capital assets and investment spending

For the nine months ended April 30, 2023, the Company invested \$986 in capital assets.

Cash resources/working capital requirements

As at April 30, 2023, Reko had cash on hand of \$13,541, compared to \$14,023 at July 31, 2022, and compared to \$6,759 at April 30, 2022.

At April 30, 2023 the Company did not have any outstanding bank indebtedness.

Reko has a \$20,000 revolver available. At April 30, 2023, the Company's available operating lines of credit of \$15,563 was fully available based on lender defined margining capabilities.

Contractual obligations and off-balance sheet financing

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt	\$ 7,026	\$ 968	\$ 4,756	\$ 993	\$ 309
Long-term debt subject to demand provisions *	5,387*	2,465	2,922	--	--
Lease liabilities	6	3	2	1	--
Total contractual obligations	\$ 12,419	\$ 3,436	\$ 7,680	\$ 994	\$ 309

Except as disclosed elsewhere in this MD&A, there have been no material changes with respect to the contractual obligations of the Company during the year.

Amounts denoted by an asterisk (*) are subject to demand provisions in that the lender is contractually entitled to require payment of the outstanding balance "on demand". The Company is in receipt of correspondence from the lender indicating that there is no expectation that the balances will be called within the next twelve months and it is anticipated that principal and interest payments on these facilities will be made as scheduled throughout the term of the loans. These scheduled payments are reflected in the table above.

Reko does not maintain any off-balance sheet financing.

Share capital

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company had 5,699,313 common shares outstanding at April 30, 2023.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	5,699,313	
Stock options issued	276,800	
Stock options exercisable	229,800	
Total (maximum) number of common shares		5,976,113

INDUSTRY TRENDS AND RISKS

While the Company has increased the level of diversification across industries, sales volumes still have a significant dependence upon the levels of new model releases for vehicles by OEMs and on the construction, expansion or retooling of production facilities and our ability to secure automation programs as a result of these activities through their Tier suppliers. New model releases in the automotive sector can be impacted by many factors, including general economic and political conditions, interest rates, energy and fuel prices, labour relations' issues, regulatory requirements, infrastructure, legislative changes, environmental emissions, safety considerations and changing technologies. The Company's sales levels are also impacted by demand levels in the transportation power generation and oil and gas sectors. Demand in these areas can be affected by many factors, including general economic and political conditions, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The economic, industry and risk factors discussed in our Annual Report, each in respect of the year ended July 31, 2022, remain substantially unchanged in respect of the nine months ended April 30, 2023, however, the most significant of these are repeated below.

Current outsourcing and in-sourcing trends

During periods of weakened demand, our customers traditionally revisit outsourcing decisions as a method of maintaining their employment levels. Then, during periods of strong demand, they return to previous levels of outsourcing. As a result of this and other factors, our demand levels will swing with general economic activity related to the industries we serve. Depending on how the current economic climate impacts particular customers, Reko may experience reductions in outsourced work orders.

A shift away from technologies in which the Company is investing

Like our OEM and Tier 1 and 2 customers, we continue to invest in technologies and innovations, which the Company believes are critical to long-term growth. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products on a timely basis using such technologies will be a significant factor in our ability to remain competitive. Current technological shifts in the industry would include the application of the Internet of Things, integration of additive manufacturing capabilities into our processes and the transition to electric and autonomous vehicles. If there is a movement away from the use of specific technologies that the Company is focused on developing or someone applies these technologies more quickly or effectively, our costs may not be fully recovered. In addition, if other technologies in which our investment is not as great, or our expertise is not as fully developed emerge as the industry-leading technologies, we may be placed at a competitive disadvantage, which could have a material adverse effect on our profitability and financial condition. Management continually monitors the emergence of new technologies and updates our investments in these emerging technologies accordingly.

Diversification of our sales

MANAGEMENT'S DISCUSSION AND ANALYSIS

While we have diversified our customer base in recent years, and continue to attempt to further diversify, we may experience varying degrees of success. Inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

Continued support of our lenders

The Company operates in a capital-intensive business, has significant financing requirements placed on it by its customers, and our financial resources are, in many cases, less than the financial resources of our customer base. There can be no assurance that if and when the Company seeks additional equity or debt financing, it will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms (or to obtain these resources at all). However, the Company maintains a strong relationship with a number of key lenders and keeps them apprised of, not only financial results, but also future plans and challenges. In the event that debt financing was not available at some future date, additional equity financings may result in dilution to existing shareholders.

Significant long-term fluctuations in relative currency values

Although, our financial results are reported in Canadian dollars, significant portions of our sales are realized in U.S. dollars. Movements in the U.S. dollar against the Canadian dollar affect our profitability. As a result of the purchase of appropriate amounts of forward exchange contracts, foreign currency transactions are not fully impacted by movements in exchange rates. Due to this program, our accounting risk (i.e., the risk associated with our foreign exchange balances on our balance sheet at any point in time) is reduced. This program does not necessarily reduce our economic risk (i.e., the risk associated with all our foreign exchange balances and potential balances regardless of whether those balances and potential balances are on our balance sheet at any one particular time). Despite these measures, significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition and any sustained change could adversely impact our competitiveness.

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

Reko is exposed to the impacts of changes in the foreign exchange rate between Canadian and United States ("U.S.") dollars. More specifically, approximately 85% of the Company's sales and 20% of its costs are incurred in U.S. dollars. In addition, the Company maintains certain working capital balances in U.S. funds.

To minimize our exposure to the impacts of changes in the foreign exchange rate, the Company maintains a forward foreign exchange contract purchasing programme ("FFEC Programme"). Reko's Programme is based on maintaining our approximate net exposure to the U.S. dollar (total U.S. exposure less forward foreign exchange contracts) between positive and negative \$5,000. This Programme is designed to minimize the Company's exposure to foreign exchange risks over the mid-term. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the U.S. dollar, regardless of our net exposure to the U.S. dollar, the Company can generate significant gains or losses, which may materially impact financial results. These significant gains or losses are entirely related to mark-to-market accounting rules and represent the product of our net exposure to the U.S. dollar and the change during any given month of the value of the U.S. dollar in relation to the Canadian dollar.

During each of the last four quarters, the Company's quarter-end exposure to the U.S. dollar has been:

Fiscal Period	Total U.S. exposure before hedging programme	Forward foreign exchange contracts booked	Net exposure to the U.S. dollar
Q3 - 2023	\$ 13,798	\$ 10,000	\$ 3,798
Q2 - 2023	\$ 16,725	\$ 13,000	\$ 3,725
Q1 - 2023	\$ 13,358	\$ 10,000	\$ 3,358
Q4 - 2022	\$ 12,225	\$ 8,000	\$ 4,225

MANAGEMENT'S DISCUSSION AND ANALYSIS

As a result of the Company's purchase of forward foreign exchange contracts ("FFECs"), the Company is subject to changes in foreign exchange rates that may not be consistent with changes in the current quoted foreign exchange rates. More specifically, the Company's foreign exchange risk is split such that its net exposure to the U.S. dollar, as detailed above, is subject to changes in market foreign exchange rates on a monthly basis and the remainder of its U.S. dollar exposure is subject to foreign exchange risks based on the specific foreign exchange rate contained in its FFECs. The table below presents a comparison between actual foreign exchange rates and Reko's effective rate on its booked FFECs.

The table below presents a comparison between actual foreign exchange rates and Reko's effective rate on its booked FFECs.

	For the three months ended April 30				For the nine months ended April 30			
	2023		2022		2023		2022	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate
U.S. Dollar equals Canadian Dollar	1.3543	1.3508	1.2672	1.2723	1.3434	1.3395	1.2633	1.2696

The Company's FFECs represent agreements with an intermediary to trade a specific amount of U.S. dollars for Canadian dollars at a specific rate on a specific date. Currently, the date is between one (1) and six (6) months after the date on which the FFEC is booked. The specific rate entered into is not necessarily indicative of what either the intermediary or Reko believes the foreign exchange rate will be on the date the settlement of the trade occurs, rather it is a rate set by the intermediary which Reko can either accept or reject.

During the third quarter, the Company recorded a pre-tax loss of approximately \$56 related to the fair value of its U.S. dollar exposures. At the end of the quarter, we held FFECs of \$5,000 compared to \$3,000 at the end of the quarter in the prior year.

The following table outlines the level of FFECs presently maintained and the average effective rate of these contracts:

Fiscal Period	Contract value booked (000's)	Effective average rate
Q3 - 2023	\$ 5,000	1.3490

Additionally, the Company entered into a few different options to purchase USD and sell CAD. These options have varying exercise rates.

The Company notes that at current levels of FFECs and U.S. dollar denominated assets and liabilities, an increase in the value of the U.S. dollar against the Canadian dollar results in the Company recording gains and an increase in the value of the Canadian dollar against the U.S. dollar results in recording losses for the Company.

Foreign currency transactions are recorded at rates in effect at the time of the transaction. Forward exchange contracts are recorded at month-end at their fair value, with unrealized holding gains and losses recorded in foreign exchange gain (loss).

QUARTERLY RESULTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the second quarter of fiscal 2023, ended April 30, 2023. The information has been derived from the Company's unaudited consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in the Annual Report for the year ended July 31, 2022, and include all adjustments necessary for a fair presentation of the information presented. Past performance is not a guarantee of future performance, and this information is not necessarily indicative of results for any future period.

	July/21	Oct/21	Jan/22	Apr/22
Sales	\$ 8,957	\$ 12,106	\$ 13,419	\$ 13,357
Net income	491	493	872	92
Earnings per share: Basic	0.08	0.08	0.15	0.02
Diluted	0.08	0.08	0.14	0.02
	July/22	Oct/22	Jan/23	Apr/23
Sales	\$ 15,002	\$ 13,796	\$ 11,666	\$ 10,306
Net income	664	704	483	55
Earnings per share: Basic	0.11	0.12	0.09	0.01
Diluted	0.11	0.12	0.08	0.01

NORMAL COURSE ISSUER BID

On January 5, 2023, the Company announced the extension of the normal course issuer bid. Under the plan, the Company may purchase on the TSX Venture Exchange up to a total of 286,420 of its common shares during the twelve-month period which commenced January 9, 2023. The 286,420 common shares represent approximately 5% of the total common shares outstanding. The price that the Company will pay for any such shares will be the market price at the time of acquisition and all shares acquired under the bid will be cancelled by the Company.

During the quarter ended April 30, 2023, Reko purchased and subsequently cancelled 47,700 shares under the provision of the normal course issuer bid.