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 audited consolidated financial statements for the twelve months ended July 31, 2009 and the audited consolidated financial statements and MD&A for the year ended July 31, 2008 included in our 2008 Annual Report to Shareholders. The audited consolidated financial statements for the twelve months ended July 31, 2009 have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and the audited consolidated financial statements for the year ended July 31, 2008 have been prepared in accordance with Canadian GAAP. 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 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, including copies of our continuous disclosure materials such as our annual information form, 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 gross margin, which is not a measure of financial performance under Canadian GAAP. The Company calculates gross margin as sales less cost of sales (including depreciation and amortization). The Company included information concerning this measure because it is used by management as a 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 data and where otherwise indicated.

This MD&A is current to September 24, 2009.

OVERVIEW

Reko designs and manufactures a variety of engineered products and services for original equipment manufacturers ("OEMs") and their Tier 1 suppliers. These products include plastic injection molds, fixtures, gauges, lean cell factory automation, high precision custom machining, and assemblies. Customers are typically OEMs or their Tier 1 suppliers and are predominantly in the automotive market. Divisions of Reko are generally invited to bid upon programmes comprised of a number of custom products used by the customer to produce a complete assembly or product.

For the automotive industry, the Company designs and builds plastic injection molds, hydro-forming dies, two shot molds, and compression molds. Injection molds range in size from less than one cubic foot to approximately four feet wide, ten feet long, and six feet high. They range in weight from approximately 100 pounds to 50 tons. Typically, plastic injection molds are expected to perform up to 1,000,000 production cycles with limited maintenance. Each production cycle lasts between 30 and 120 seconds. Reko has extensive experience and knowledge in mold design and material flow and the impact of pressure on segments of the mold/die. In addition, it designs and builds custom lean factory cell automation from use primarily in the automotive industry and specialty custom machines for other industries. The factory automation systems include asynchronous assembly and test systems, leak and flow test systems, robotic assembly/machines vision work cells and various welding systems. For the transportation and oil and gas industry, the Company machines customer supplied metal castings to customer indicated specifications.

Our design and manufacturing operations are carried on in nine manufacturing plants located at four industrial sites in the suburbs of the City of Windsor in Southwestern Ontario.

INDUSTRY TRENDS AND RISKS

Historically, our success has been primarily dependent upon the levels of new model releases of cars and light trucks by North American OEMs and our ability to source moulding and automation programmes with them. OEM new model releases can be impacted by many factors, including general economic and political conditions, interest rates, energy and fuel prices, labour relation issues, regulatory requirements, infrastructure, legislative changes, environmental emissions and safety issues.

The consequences of the automotive industry's dependence on consumer spending and general economic conditions could materially impact our profitability

The global automotive industry is cyclical and largely tied to general economic conditions. The current economic downturn has resulted in significant reductions in consumer spending which has severely impacted our OEM and Tier 1 customers. As our customers revisit their business models and make design changes to existing models and new vehicle introductions, the market for tooling and factory automation may decline.

The financial viability of our supply base could materially impact our profitability

The global economic conditions have weakened the financial stability of our supply base. While our exposure to individual entities in our supply base is largely limited to steel suppliers and mold grainers, both of which tend to be mandated by our customers, we are still exposed to multiple relatively small niche market players whose declining financial viability may present challenges for securing the necessary inputs to our manufacturing processes.

The increasing pressure from our customers to launch new awards without adequate design support could materially impact our profitability

As the automotive industry rushes to restructure its operations and deal with the frequent production slow downs that are commonplace today, our OEM and Tier 1 customers have substantially reduced the design support offered to new vehicle launches. Without an adequate level of support, the quality of information provided to the tool builders to begin their work has dropped significantly. In addition, the tool builders' ability to manipulate the poor quality information is limited as the appropriate resources to approve the manipulations are not available from the OEM or Tier 1. This has introduced significant inefficiencies to the process and decreased the ability of the tool builder to manufacture molds on a profitable basis.

The increasing pressure from our customers to absorb their traditional overhead costs, including program management and design feasibility, could materially impact our profitability

As the automotive industry rushes to restructure its operations, services typically provided by our Tier 1 customers in the areas of program management and design feasibility have been abandoned to meet internal financial targets. As this layer of oversight and engineering has disappeared from our customers, Reko is expected to fill this void. At this point, Reko has been able to perform these duties with internal resources. However as additional cuts are made at our Tier 1 customers, increased pressure to fill this void may result in the need for Reko to increase its overhead.

Current outsourcing and in-sourcing trends could materially impact our profitability

As global market conditions continue to weaken, demand for our customers' products also weakens. During periods of weakening demand, our customers traditionally revisit outsourcing decisions as a method of maintaining their employment levels. As a result of this and other factors, some of our customers are deciding to perform in-housework that in the recent past would have been performed by Reko. Depending upon the depth and breadth of the current economic downturn, Reko may continue to experience significant reductions in securing out-sourced work from customers.

Changes in consumer demand for specific vehicles could materially impact our profitability

The global automotive industry is cyclical and consumer demand for automobiles is sensitive to changes in economic and political conditions, including interest rates, energy prices, employment levels and international conflicts (including acts of terrorism). Automotive production and more importantly for Reko, the frequency of automotive model changes, is affected by consumer demand and may be affected by macro economic factors. As a result of these and other factors, some of our customers are currently experiencing and/or may experience in the future reduced consumer demand for all or a portion of their vehicles, leading to reduced product offerings.

The consequences of shifting market shares among vehicle or automobile manufacturers could materially impact our profitability

Although we supply tooling, secondary automation and manufacturing work cells to almost all of the leading automotive manufacturers, a majority of our sales are to the Detroit 3. We are attempting to further diversify our customer base, particularly to increase our business with the "New Domestics" automotive manufacturers.

Generally speaking, the current shifting market demand for the types of automobiles produced represents a mid-term opportunity for Reko. However, in the short-term, Reko is potentially exposed to rapidly moving consumer demand changes based on the then current mix of vehicles for which our products will be used to produce production parts.

The consequences of a decrease in the world's energy reduction programs could materially impact our profitability

Certain of our activities are tied to the machining of energy efficient locomotive engines. An adverse change in the current worldwide economic demand for energy efficient locomotive engines could result in reduction in the demand for our machining operations.

Our failure to identify and develop new technologies and to successfully apply such technologies to create new products could have a material adverse effect on our profitability and financial condition

We continue to invest in technology and innovation, like our Tier I customers. 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. If there is a shift away from the use of such technologies, 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.

The consequences of deteriorating financial condition of a large number of our customers and their resultant inability to satisfy their financial obligations could materially impact our profitability and cash flow

The financial condition of our traditional customers has deteriorated in recent years due in part to high labour costs (including health care, pension and other post-employment benefit costs), high raw materials, commodities and energy prices, declining sales and other factors. This deterioration ultimately led to General Motors and Chrysler filing for Chapter 11 bankruptcy protection. Additionally, increased gasoline prices have affected and could further threaten sales of certain of their models, such as full-size sport utility vehicles and light trucks. All of these conditions could further threaten the financial condition of some of our customers, putting additional pressure on us to reduce our prices and exposing us to greater credit risk. In the event that our customers are unable to satisfy their financial obligations or seek protection from their creditors, we may incur additional expenses as a result of our credit exposure.

Our inability to offset price concessions or alleviate pricing pressures demanded by our customers could materially impact our profitability

We have entered into, and will likely have to continue to enter into, short-term annual price reduction arrangements with our customers, which provide for volume discounts and price concessions over a pre-defined supply term. To date, these concessions have been fully or partially offset by cost reductions arising from product and process improvements. However, these pricing pressures have intensified due to the competitive industries in which we participate. Some of our customers have demanded, and will likely continue to demand, additional price concessions. We may not be successful in offsetting all of these price concessions or reductions through improved operating efficiencies. To the extent we refuse to make a price concession to our customers, they may not award new business to us, or could terminate or re-source existing business.

Continued support of our lenders could have a material impact on our profitability and continued sustainability

The Company is engaged in a capital-intensive business; has significant financing requirements placed on it by its customers; and its financial resources are inferior to 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 at all. Additional equity financings may result in dilution to existing shareholders.

The failure of one or more major financial institutions could affect the amount of credit available to us or subject us to counterparty risk in connection with derivative transactions, which could significantly impact our financial condition

Since September 2008, several major financial institutions in the United States have failed or required significant government intervention in order to prevent collapse. The turmoil in the financial sector has had a significant effect on the global economy, and has contributed to the current global recession. The failure of other major financial institutions around the globe could lead to further disruptions in capital and credit markets and could adversely affect our and our customers' ability to access needed liquidity for working capital. In addition, in the event of a failure of a financial institution in which we invest our cash reserves, that is a counter party in a derivative transaction, or a lender to us, we face the risk that our cash reserves or liquidity available to us may be significantly reduced. All of these risks could have a significant impact on our financial condition.

Our dependence upon key personnel could materially impact our profitability

The success of Reko is dependent on the services of a number of the members of its management team. The experience and talents of these individuals will be a significant factor in the Company's continued growth and success. The loss of one or more of these individuals without adequate replacement could have a material adverse effect on the Company's operations and business prospects. To partially mitigate this concern, the Company has sourced key man insurance on several members of the management team and continues to maintain an active succession planning process for management.

Our ability to successfully compete against suppliers with operations in low cost countries could materially impact our profitability

The competitive environment in the automotive industry has been intensifying as our customers seek to take advantage of lower operating costs in China, Korea, Thailand, India, Russia, Brazil and other low cost countries. As a result, Reko is facing increased competition from suppliers that have manufacturing operations in low cost countries. While we continue to analyze our ability to expand our manufacturing footprint with a view to taking advantage of manufacturing opportunities in low cost countries, we cannot guarantee that we will be able to fully realize such opportunities. Additionally, the establishment of manufacturing operations in emerging market countries carries its own risks, including those related to political and economic instability; trade, customs and tax risks; currency exchange rates; currency controls; insufficient infrastructure; and other risks associated with conducting business internationally.

To date, Reko has attempted to mitigate those risks by building business alliances, instead of making investments in low cost countries. The lack of an investment in a low cost country may impact our ability to source future tooling awards.

Significant long-term fluctuations in relative currency values of the Euro, U.S. dollar and Canadian dollar could materially impact our profitability

Although we report our financial results in Canadian dollars, a significant portion of our sales are priced in U.S. dollars. Our profitability is affected by movements of the U.S. dollar against the Canadian dollar. However, as a result of economic hedging programs employed, foreign currency transactions are not fully impacted by the recent movements in exchange rates. Economic hedging programs are inherently short-term in nature. Despite these measures, significant long-term shifts in relative currency values could have an adverse effect on our profitability and financial condition and any sustained changes in relative currency values could adversely impact our competitiveness in both the short and long-terms.

Our inability to utilize tax losses could materially impact our profitability

We have incurred tax losses in both Canada and the United States, which we may not be able to fully or partially offset against future income in those countries. In the case of the United States, we may not be able to utilize these losses at all if we cannot generate profits in the United States.

Rationalization of some of our operations could materially impact our profitability

In response to the increasingly competitive automotive industry conditions, it is possible that we may further rationalize some of our operations. In the course of such rationalization, we would incur further restructuring costs related to plant closings, relocations and employee severance costs.

We could record impairment charges in the future, which could materially impact our profitability

Annually, we must test our capital assets, future income taxes and any other long-lived assets for impairment whenever indicators of impairment exist. The bankruptcy of a significant customer could be an indicator of impairment. In addition, to the extent that forward-looking assumptions regarding the impact of improvement plans on current operations, outsourcing and other new business opportunities are not met, impairment charges could occur.

Our failure to successfully identify, complete, and integrate acquisitions could materially impact profitability

While we have not completed an acquisition in a number of years, we may do so in the future. In those product areas in which we have identified acquisitions as critical to our business strategy, we may not be able to identify suitable acquisition targets or successfully acquire any suitable targets, which we identify. Additionally, we may not be able to successfully integrate or achieve anticipated synergies from those acquisitions, which we do complete.

Significant changes in law, government regulations or accounting regulations could materially impact our profitability

A significant change in the current regulatory environment in our principal markets could impact future profitability. Our conversion to IFRS in fiscal 2012 may result in increased or decreased earnings reported under IFRS than if reported under GAAP. In particular, our profitability could be adversely impacted by significant changes in the tariffs and duties imposed on our products. In addition, we could be affected by changes in tax or other laws, which impose additional costs on automobile manufacturers or consumers, or more stringent fuel economy requirements on manufacturers, of sport-utility vehicles, light trucks and other vehicles from which we derive some of our sales.

Environmental laws and regulations could materially impact our profitability or financial condition

We are subject to a wide range of environmental laws and regulations relating to air emissions, wastewater discharge, waste management and storage of hazardous substances. We are also subject to environmental laws requiring investigation and clean up of environmental contamination. Estimating environmental clean-up liabilities is complex and heavily dependent on the nature and extent of historical information and physical data relating to the contaminated sites, the complexity of contamination, the uncertainty of which remedy to apply, and the outcome of discussions with regulatory authorities relating to the contamination. In addition, these environmental laws and regulations are complex, change frequently and have tended to become more stringent and expensive over time. Therefore, we may not have been, and in the future may not be, in complete compliance with all such laws and regulations, and we may incur material costs or liabilities as a result of such laws and regulations.

Potential volatility of Reko's share prices could materially impact the financial returns earned by our shareholders

The market price of the Company's common shares has been, and will likely continue to be, subject to fluctuations in response to a variety of factors, many of which are beyond the Company's control. These fluctuations may be exaggerated if the trading volume of the common shares remains low. In addition, due to the evolving nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating profits, announcements of technological or competitive developments by the Company or its competitors, large short-term fluctuations in foreign exchange rates, acquisitions or entry into strategic alliances by the Company or its competitors, the industry or its customer's industry and general market and economic conditions.

Interest of the majority and minority shareholders may be in conflict with the interests of the Company

As of the date of this MD&A, The Reko Family Corporation owns directly or indirectly 60.00% of the outstanding shares of the Company. As such, The Reko Family Corporation will be able to elect or remove the directors of the Company and to exercise control in certain respects over the Company's affairs.

CHANGES IN ACCOUNTING POLICY

On August 1, 2008, the Company adopted the following recommendations of the CICA Handbook:

a) *Section 1535, Capital disclosures.* The CICA issued a new accounting standard, Section 1535 "Capital disclosures", which requires disclosure of information about an entity's objectives, policies and processes for managing capital.

b) *Section 3031, Inventories*. The CICA issued a new accounting standard, Section 3031 "Inventories", which requires inventory to be measured at the lower of cost and net realizable value. The standard does not apply to the portion of our inventory that is based on the percentage of completion method. The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. The Company adopted this standard with no change in the classification or valuation of inventory in the Company's financial statements.

c) *Sections 3862 and 3863, Financial instruments – disclosure and presentation*. The CICA issued new accounting standards, Section 3862 "Financial instruments – disclosure" and Section 3863 "Financial instruments – presentation", which require disclosures to enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of an entity's exposure to risks arising from financial instruments, including how the entity manages those risks. The new standards replace Section 3861.

UNUSUAL ITEMS

FOURTH QUARTER FINANCIAL LOSS

During the fourth quarter, the Company suffered a significant financial loss reducing the cumulative earnings of the first three quarters. The fourth quarter loss relates to three specific items and is characterized as follows:

a) $800 pre-tax loss related to a specific plastic injection mold program. In the third quarter, management became aware of slowing work volumes at its tool and mold facility. These slowing volumes were more a result of great uncertainty in the automotive environment due to the restructuring efforts by Chrysler and General Motors than a general reduction in expected work volumes. As a result of this uncertainty, several programs awarded by various customers related to Chrysler and General Motors programs were continually delayed. In addition to the Chrysler and General Motors program, management was also bidding on several programs with extreme pricing. Management accepted the extreme pricing targets associated with a new customer. Given the program delays at Chrysler and General Motors the new customer program represented an inordinately large part of fourth quarter volumes. The low gross margin associated with the program coupled with fixed costs being spread over a very low volume produced a significant loss during the fourth quarter.

b) $840 loss related to foreign exchange fluctuations. As discussed below, during the fourth quarter of the year, the U.S. dollar weakened significantly in Canadian dollar terms and finished down 1,155 basis points from the beginning of the quarter.

c) $550 cost related to low volumes in custom machining. During the quarter, the global economic credit crisis began affecting our custom machining operations. Our custom machining operation is entirely dependent on out-sourcing by its customers. As the credit crisis deepened, our customers' volumes suffered significantly and as a result, most of our customers' brought in-house work that had previously been out-sourced. These in-sourcing decisions resulted in our custom machining operation going from working at full capacity to approximately 50% of capacity. As such, fixed overhead was spread over a very low revenue base.

AVERAGE FOREIGN EXCHANGE/FINANCIAL AND OTHER INSTRUMENTS

	For the three months ended July 31,				For the year ended July 31,			
	2009		2008		2009		2008	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate
U.S. Dollar equals Canadian Dollar	1.1321	1.1262	1.0096	1.0069	1.1755	1.0749	1.0069	1.0412

The preceding table compares the average foreign currency exchange rates for the disclosed periods and the average effective rates of the forward exchange contracts we booked during that period. This foreign currency exchange impacts our reported sales and income. At the end of fiscal 2009, we held forward exchange contracts of $25,400 compared to $26,500 at the end of fiscal 2008. During fiscal 2009, on average, we have had $25,700 of forward exchange contracts outstanding monthly, as compared to $28,500 in fiscal 2008. The decline in forward exchange contracts largely relates to declining sales volumes.

Reko's forward exchange contract programme is based on maintaining sufficient forward exchange contracts at all times that are practically equal to the U.S. dollar value of our accounts receivable, work-in-progress, net of any U.S. dollar denominated debt. This programme is designed to minimize the Company's exposure to foreign exchange risks over the mid-term. As a consequence of this mid-term exposure protection, the Company is subject to short-term paper gains and losses on its exposed foreign exchange contracts. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the U.S. dollar, the Company can generate significant gains or losses, which will materially impact financial results.

As a result of the forward exchange contracts programme employed, foreign currency transactions in the current period were not, and in future periods may not, be fully impacted by movements in exchange rates. The following table outlines the level of forward exchange contracts presently maintained and the average effective rate of these contracts:

Fiscal Period	**Contract value booked (000's)**	**Effective average rate**
Q4 – 2009	$25,400	1.1386
Q1 – 2010	13,900	1.1823
Q2 – 2010	7,300	1.1683
Q3 - 2010	2,500	1.1401

For the year, the Company recorded a pre-tax loss of approximately $1,510 related to the fair value of its U.S. dollar exposures.

The Company notes that at current levels of forward exchange contracts, U.S. dollar denominated debt, unbilled contract revenue and accounts receivable, 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 financial 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 sales.

Additional information with respect to financial instruments is provided in Note 1 and Note 15 to Reko's audited financial statements, which by this reference are hereby incorporated herein.

RESULTS OF OPERATIONS

Sales

Sales for the year ended July 31, 2009 decreased $0.4 million, or 0.8%, to $55.3 million compared to $55.7 million in fiscal 2008.

The decrease in sales was largely related to:

- lower sales volumes in the fourth quarter at our facilities more susceptible to capital and credit markets, most particularly our custom machining and factory automation facilities; and,

- changes in the fair value of foreign exchange future contracts, as described above.

Items offsetting the gain in volumes discussed above include:

- increased sales volumes during the first three quarters of the year; and,

- increased capacity at our custom machining facility.

While the Company continues to actively quote and receive new orders, certain products continue to experience customer-initiated delays, although at an improved pace currently than the rest of 2009. These delays impact the Company's ability to proactively manage the timing and amount of work completed during each quarter, as well as impact the ability of the Company to absorb fixed overhead costs.

Gross margin

The gross margin for the year ended July 31, 2009 increased $5,294 to $8,995 or 16.3% of sales, compared to $3,701, or 6.6% of sales, in the previous fiscal year.

The increase in gross margin was largely related to:

– improved work volumes during the first three quarters of the year resulting in improved overhead absorption;

– greater revenue earned per hour of work, achieved through improved pricing early in the year and improved effective foreign exchange rate on our U.S. dollar sales; and,

– productivity and efficiency improvements resulting from last year's restructuring charges.

These factors were partially offset by:

– slower work volumes during the fourth quarter of the year;

– less revenue earned per hour of work in the fourth quarter, as a result of issues associated with the program previously identified and lower effective foreign exchange rates in the fourth quarter;

– foreign exchange losses on U.S. dollar exposures during the fourth quarter.

Selling and administration

Selling and administration expenses ("S,G&A") decreased by $125, or 1.8%, to $7,101, or 12.8% of sales for the year ended July 31, 2009, compared to $7,226, or 13.0% of sales for the same period in the prior year. During the year, we incurred various restructuring charges of $408 included in S,G&A. The decrease in S,G&A was produced by savings achieved as a result of:

– reductions in the costs of commissioned sales representatives, as a result of changes in our product mix from sales generated by external sales representatives to sales generated by internal sales employees not paid on a commission basis;

– changes to various sales and capital taxes by the State of Michigan and the Province of Ontario; and,

– improvements in cost containment activities associated with discretionary business expenses including office, travel and promotion.

These factors were partially offset by:

– increased professional fees related to assistance received with our strategic planning process and costs associated with negotiations with our lenders;

– increased costs associated with our provision for bad debts, as a result of the general economic conditions and more specifically issues with the Automotive industry supply base; and,

– increased wages and benefits associated with new employees hired during the year.

Earnings overview

On an all-inclusive basis, the net income for the year was $199, or $0.03 per share, compared to a net loss of $3,529, or $0.49 per share, in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations increased $2,885 from $761 in the prior year to $3,646 in the current year.

The increase in cash flow from operations is primarily a result of:

– increase in net income offset by a decrease in amortization and future income taxes.

This factor was partially offset by:

– increase in non-cash working capital during the year.

During the year, a capital lease on a machining centre came up for renewal and the Company was unable to refinance the capital lease in advance of its due date. Accordingly, on May 24, 2009, the Company made the required balloon payment of $1,024 on the capital lease through our operating line.

On July 31, 2009, the Company closed a term loan financing, which secured $3,000, repayable evenly over the next 48 months, bearing interest at 7.25%. As security for the term loan, the Company provided a first charge on two specific pieces of equipment at our custom machining facility, a third position on our general security assignment, represented by book debts and work-in-process and a first charge on a penalty provision within a long-term sales contracts with one of our custom machining facility's customers.

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, absent a rapid increase in the value of the Canadian dollar against the U.S. dollar.

	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long-term debt	$ 16,188	$ 1,638	$ 13,800	$ 750	$ --
Capital lease obligations	1,633	1,064	569	--	--
Operating leases	4	3	1	--	--
Purchase obligations	--	--	--	--	--
Other long-term obligations	--	--	--	--	--
Total contractual obligations	**$ 17,825**	**$ 2,705**	**$ 14,370**	**$ 750**	**$ --**

Capital assets and investment spending

For the year ended July 31, 2009, the Company invested $1,011 in capital assets. The entire amount of this spending is considered maintenance capital expenditure intended to refurbish or replace assets consumed in the normal course of business.

Cash resources/working capital requirements

As at July 31, 2009, Reko had borrowed $9,416 on its revolving line of credit, net of its cash on hand at year-end, compared to $12,552 at April 30, 2009 and $12,982 at July 31, 2008. The revolver borrowings decreased by approximately $3,136 in the quarter and decreased approximately $3,566 for the year. We expect borrowings to display a mid-term trend of increasing over the next four quarters.

Reko has a $20,000 revolver available to it, of which approximately $10,500 was unused and available at the end of the year. Under the terms of our credit facilities, Reko must achieve certain financial covenants including a maximum Total Debt to Tangible Net Worth, a minimum Current Ratio and a minimum Debt Service Coverage Ratio. As previously discussed, Reko is confident about its ability to meet these financial covenants over the next fiscal year.

Contractual obligations and off-balance sheet financing

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.

Reko does not maintain any off balance sheet financing.

Share capital

The Company had 6,420,920 common shares outstanding at July 31, 2009. During the year, 80,000 options were granted and no options were exercised. In addition, the Company purchased 693,072 shares under its normal course issuer bid, which expired on July 12, 2009 and its replacement normal course issuer bid, which expired on July 21, 2009 after being completely filled. All purchased shares were cancelled. In the opinion of the Board of Directors, such purchases may, from time-to-time, constitute a good use of corporate funds.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common shares	6,420,920	
Stock options issued	121,000	
Stock options exercisable	86,000	
Total (maximum) number of common shares		6,506,920

CRITICAL ACCOUNTING ESTIMATES

The Company's discussion and analysis of its results of operations and financial position is based upon the consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. On an ongoing basis, management evaluates these estimates. However, actual results differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the more significant judgements and estimates used in the preparation of the consolidated financial statements of the Company. Management has discussed the development and selection of the following critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed its disclosure relating to critical accounting estimates in this MD&A.

Allowances for doubtful accounts receivable

In order for management to establish appropriate allowances for doubtful accounts receivable, estimates are made with regard to economic conditions, potential recoverability through our accounts receivable insurer, and the probability of default by individual customers. The failure to estimate correctly could result in bad debts being either higher or lower than the determined provision as of the date of the balance sheet.

Revenue recognition and tooling and machinery contracts

Revenue from tooling and machinery contracts is recognized on the percentage of completion basis. The percentage of completion basis recognizes revenue and cost of sales on a progressive basis throughout the completion of the tooling or machinery.

Tooling and machinery contracts are generally fixed; however price changes, change orders and program cancellation may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted profit or loss on a contract include, amongst other items, cost overruns, non-reimbursable costs, change orders and potential price changes.

Impairment of long-lived assets

Management evaluates capital assets for impairment whenever indicators of impairment exist. Indicators of impairment include prolonged operating losses or a decision to dispose of, or otherwise change the use of, an existing capital asset. If the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges, is less than the reported value of the asset, asset impairment must be recognized in the financial statements. The amount of impairment to be recognized is calculated by subtracting the fair value of the asset from the reported value of the asset.

Management believes that accounting estimates related to capital assets are 'critical accounting estimates' because: (i) they are subject to significant measurement uncertainty and are susceptible to change as management is required to make forward-looking assumptions regarding their impact on current operations; and (ii) any resulting impairment loss could have a material impact on the consolidated net income and on the amount of assets reported on the Company's consolidated balance sheet.

Future income taxes and SR&ED tax credits

Future tax assets in respect of loss carry forwards and scientific research and experimental design credits related primarily to legal entities in Canada and the United States. The Company evaluates the realization of its future tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The facts used to assess the likelihood of realization are a forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. The Company has, and continues to use, tax planning strategies to realize future tax assets in order to avoid the potential loss of benefits.

CONTROLS AND PROCEDURES

Management is responsible for implementing, maintaining and testing the operating effectiveness of adequate systems of disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure including the possibility of human error and circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their corporate objectives.

Our management used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of internal controls over financial reporting. We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures during fiscal 2009, and concluded that Reko's controls and procedures are operating effectively to ensure that the information required to be disclosed is accumulated and communicated to management including the Chief Executive Officer and the Chief Financial Officer. A similar evaluation was performed in fiscal 2008 but related to design only and the same conclusion was reached.

Based on these evaluations, the Chief Executive Officer and the Chief Financial Officer concluded that Reko's disclosure controls and procedures and internal controls over financial reporting do not include any material weaknesses and that they were effective in recording, processing, summarizing and reporting information required to be disclosed within the time period specified in the Canadian Securities Administrators (CSA) rules.

QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the fourth quarter of fiscal 2009, ended July 31, 2009. 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 this Annual Report 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.

	Oct/07	**Jan/08**	**Apr/08**	**July/08**
Sales	$15,484	$11,766	$14,388	$14,091
Net income (loss)	89	(2,180)	(383)	(1,055)
Earnings (loss) per share:				
Basic	0.01	(0.30)	(0.06)	(0.14)
Diluted	0.01	(0.30)	(0.06)	(0.14)
	Oct/08	**Jan/09**	**Apr/09**	**July/09**
Sales	$13,881	$16,480	$14,791	$10,128
Net income (loss)	437	875	240	(1,353)
Earnings (loss) per share:				
Basic	0.06	0.12	0.05	(0.20)
Diluted	0.06	0.12	0.05	(0.20)

NORMAL COURSE ISSUER BID

Under the Company's current normal course issuer bid, during the fourth quarter ended July 31, 2009, 337,943 shares were purchased for cancellation at an average cost of $1.00. For the fiscal year, the Company purchased 693,072 shares for cancellation at an average cost of $1.02.

SELECTED ANNUAL CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from, and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended July 31, 2009, which are prepared in accordance with Canadian GAAP.

	2009	2008	2007
Income statement data			
Sales	55,280	55,729	49,377
Net income (loss) for the year	199	(3,529)	(3,624)
Earnings (loss) per share – basic	0.03	(0.49)	(0.51)
Earnings (loss) per share – diluted	0.03	(0.49)	(0.51)
Financial position data			
Working capital	16,941	14,891	19,699
Total assets	83,835	84,434	81,541
Bank indebtedness, net of cash	9,416	12,982	8,678
Long-term debt due within one year	2,640	2,453	1,628
Long-term debt	15,181	14,821	17,266
Shareholders' equity	43,617	44,108	47,704

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

For Reko's financial year ended July 31, 2012, at the latest, Reko will no longer report its financial results using Canadian GAAP, as a result of changes announced by The Canadian Institute of Chartered Accountants in March 2008. The changes provide for adoption at an earlier date at the Company's discretion. Management has determined that it is not appropriate for Reko to adopt IFRS early. This change affects all entities that are considered publicly accountable entities. Reko is considered a publicly accountable entity due to its listing on the Toronto Stock Exchange.

While not all GAAP and IFRS are different, one of the most significant changes deal with the overriding premise in GAAP that financial reporting is based on historical cost, while IFRS' overriding premise is fair value.

Due to the potential pervasiveness of the changes inherent in moving to IFRS, a significant amount of time is necessary for management to plan its implementation. Possible impacts, besides external financial reporting, include, but are not limited to: banking agreements, business processes, information systems, employee and management incentive programmes, and legal agreements.

During the past year, management engaged internal resources to understand the new rules, educate its primary accounting staff on the differences between GAAP and IFRS and has concentrated its efforts on those portions of IFRS that are different than GAAP. In addition, management identified those business processes that will need to be amended to properly transition to IFRS. Management is currently concentrating on the development of model financial statements under IFRS and has engaged external resources to confirm management's internally developed model financial statements. Upon receipt of the external resource's report, management will be in a position to confirm the financial statement line item impacts associated with the transition to IFRS.

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 included in our 2009 Annual Information Form, this 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.