

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Reko International Group Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with Canadian generally accepted accounting principles. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the shareholders' auditors, PricewaterhouseCoopers LLP, and their report is presented herein.

"Diane St. John"

Diane St. John, B.Comm
Chief Executive Officer
September 23, 2010

"Carl A. Merton"

Carl A. Merton, CA, CBV
Chief Financial Officer

Auditor's Report

To the Shareholders of Reko International Group Inc.

We have audited the consolidated balance sheet of Reko International Group Inc. as at July 31, 2010 and the consolidated statement of income (loss), comprehensive income (loss) and retained earnings and the consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at July 31, 2009 and for the year then ended were audited by another firm of chartered accountants who expressed an opinion without reservation on those statements in their report dated September 24, 2009.

“PricewaterhouseCoopers LLP”

Chartered Accountants
Licensed Public Accountants

London, Ontario
September 23, 2010

REKO INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS

Years ended July 31,
(in \$000's, except for loss per common share)

	2010	2009
Sales	\$ 40,151	\$ 55,171
Costs and Expenses		
Cost of sales	36,040	41,670
Selling and administrative	5,990	7,101
Amortization	5,058	4,615
	47,088	53,386
Income (loss) before the following	(6,937)	1,785
(Gain) loss on sale of capital assets	(24)	116
Unrealized foreign exchange loss (gain) on foreign tax losses	119	(109)
Interest on long-term debt	1,026	1,000
Interest on other interest bearing obligations, net	449	488
	1,570	1,495
Income (loss) before income taxes	(8,507)	290
Income taxes (recovered) (Note 6)		
Current	--	8
Future	(1,038)	83
Net (loss) income and comprehensive (loss) income	\$ (7,469)	199
Retained earnings, beginning of year	\$ 23,103	\$ 22,904
Net income (loss)	(7,469)	199
Retained earnings, end of year	15,634	\$ 23,103
Earnings (loss) per common share (Note 13)		
Basic	\$ (1.16)	\$ 0.03
Diluted	\$ (1.16)	\$ 0.03

**REKO INTERNATIONAL GROUP INC.
CONSOLIDATED BALANCE SHEETS**

As at July 31,
(in \$000's)

	2010	2009
ASSETS (Notes 9 and 10)		
Current		
Cash and cash equivalents	\$ 1,303	\$ 3,084
Accounts receivable (Note 3)	10,657	17,959
Other receivables	367	204
Non-hedging financial derivatives (Note 4)	591	1,522
Income taxes receivable	22	24
Work-in-progress (Note 5)	19,826	14,852
Prepaid expenses and deposits	536	572
Future income taxes (Note 6)	--	12
	33,302	38,229
Capital assets (Note 8)	32,825	37,512
Future income taxes (Note 6)	2,814	3,074
SR & ED tax credits (Note 7)	4,460	4,685
	\$ 73,401	\$ 83,500
LIABILITIES		
Current		
Bank indebtedness (Note 9)	\$ 14,292	\$ 12,500
Accounts payable and accrued liabilities	6,201	6,148
Current portion of long-term debt (Note 10)	12,678	2,640
	33,171	21,288
Long-term debt (Note 10)	1,925	15,181
Future income taxes (Note 6)	2,149	3,414
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	18,772	18,772
Contributed surplus (Note 12)	1,750	1,742
Retained earnings	15,634	23,103
	36,156	43,617
	\$ 73,401	\$ 83,500

Contingencies (Note 20)

On behalf of the Board:

"Diane St. John"

Director

"Andrew Szonyi"

Director

REKO INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended July 31,
(in \$000's)

	2010	2009
OPERATING ACTIVITIES		
Net income (loss)	\$ (7,469)	\$ 199
Adjustments for:		
Amortization	5,058	4,615
Unrealized foreign exchange loss (gain) on foreign tax losses	119	(3)
Future income taxes	(1,038)	83
SR & ED tax credits	151	(706)
Gain (loss) on sale of capital assets	(24)	116
Stock option expense (Note 12)	8	22
	(3,195)	4,326
Net change in non-cash working capital (Note 17)	3,187	(683)
CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(8)	3,643
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) on bank indebtedness	1,792	(482)
Net payments on long-term debt	(3,218)	(2,453)
Net proceeds on issuance of long-term debt	--	3,000
Cost of repurchase of shares	--	(710)
CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(1,426)	(645)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in capital assets	(889)	(1,011)
Proceeds on sale of capital assets	542	79
Proceeds on sale of asset held for sale	--	1,018
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(347)	86
Net change in cash and cash equivalents	(1,781)	3,084
Cash and cash equivalents, beginning of year	3,084	--
Cash and cash equivalents, end of year	\$ 1,303	\$ 3,084

Refer to Note 17 for supplemental cash flow information.

**REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2010 and 2009

(in \$000's, except for share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The Company, incorporated under the laws of Ontario, has several subsidiaries, which operate in Canada and the State of Michigan in the United States.

The Company's revenue is primarily generated from the sales of manufacturing molds, automation and large custom machining mainly for the automotive sector.

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Reko Tool & Mould (1987) Inc., Reko International Sales, Inc. and Reko International Holdings, Inc. All material inter-company accounts and transactions have been eliminated on consolidation.

During the year, the Company dissolved, wound up the affairs, liquidated and terminated the remaining interests in Novi Laser Inc. and ABC Plastics, Inc. (f/k/a Superior Plastics, Inc.). These actions were completed without a material financial impact to these consolidated financial statements.

During the prior year, the Company dissolved, wound up the affairs, liquidated and terminated the remaining interests in Proto-Techniques, Inc., ABC Mold Company and ABC Decorating and Finishing, Inc. These actions were completed without a material financial impact to these consolidated financial statements.

Use of significant accounting estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. Significant estimates used in the preparation of these financial statements include the allowance for doubtful accounts, percentage of completion of work-in-progress, net realizable value of inventory, inventory reserves, inventory overhead allocation, useful lives of capital assets, impairment of capital assets, fair value of financial instruments, valuation of stock options, realizable value of Scientific, Research & Experimental Development ("SR&ED") tax credits and valuation of future income taxes.

Revenue recognition

The Company deals primarily in contracts with a period of completion over several months. Revenue is recognized based on the percentage of completion method, provided the contract has progressed to the point where total costs can be reasonably estimated. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost for each contract. Any projected loss is recognized immediately. The Company considers all jobs, which have completed all aspects of engineering and design (approximately 15% to 25% complete), to have progressed to the point where total costs could be reasonably estimated.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

Foreign currency translation

The Company translates monetary assets and liabilities denominated in foreign currencies at the exchange rate as at the balance sheet date. Revenues and expenses are translated at rates prevailing on the date of the transaction. Gain of \$268 (2009: Losses of \$1,510) arising on translation are included in the statements of income (loss).

The financial statements of U.S. subsidiaries, which are considered integrated foreign operations, are translated such that monetary amounts and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in income.

The Company hedges its exposure to foreign currency fluctuations by purchasing forward exchange contracts and options (see Note 15).

Financial instruments

The Company utilizes derivative instruments in the management of its foreign currency exposure by economically hedging its foreign exchange exposure on anticipated net cash inflows in U.S. dollars through the use of U.S. dollar denominated debt, forward contracts and options.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held for trading
Non-hedging financial derivatives	Held for trading
Accounts receivable	Loans and receivables
Bank indebtedness	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in sales. Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. The Company has not designated any non-derivative financial assets as held to maturity.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method. The Company has not designated any non-derivative financial assets as available for sale.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other financial liabilities

Other financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than bank indebtedness and derivative instruments.

Transaction costs

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts, earned or incurred for financial instruments.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with maturities less than 90 days.

Work-in-progress

Work-in-progress includes unbilled contract revenue and inventory. Costs incurred on contracts where the criteria for revenue recognition have not been met are shown as inventory. Domestic and outsourced tooling inventory is valued at the lower of cost and net realizable value. Cost includes the cost of materials, direct labour applied to the product and the applicable share of manufacturing overhead. The results reported under the percentage of completion method are based on management's estimates. Actual results could differ from these estimates.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

Capital assets and amortization

Capital assets are stated at cost. Amortization of capital assets is calculated on the straight-line basis over the estimated economic lives of the assets at the following rates:

Buildings	4%
Machinery and equipment	5 – 20%
Computer hardware	33%
Computer software	50%
Leasehold improvement	20%
Equipment under capital lease	5 – 10%

SR & ED tax credits

SR & ED costs are expensed as incurred. SR & ED tax credits are recorded when there is reasonable assurance of receiving them. SR & ED tax credits are recorded as part of cost of sales.

During the year, management determined that, based on the past history of successful claims, it was appropriate to accrue \$304 (2009: \$819) of the current year's estimated SR & ED tax credits since reasonable assurance exists for recovering them.

Impairment of long-lived assets and basis of valuation

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value and is included in amortization of capital assets.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted and substantively enacted income tax rates for the years in which differences are expected to reverse. A valuation allowance is recognized to the extent management determines the Company's ability to realize on its future income tax asset, on a more likely than not basis, cannot be met. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

Stock based compensation

The Company estimates the fair value of stock options at the grant date using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside the Company's control. If other assumptions are used, stock-based compensation expense could be significantly impacted. As stock options are exercised, the proceeds received on exercise, in addition to the portion of the contributed surplus balance related to those stock options, is credited to share capital and contributed surplus is reduced accordingly.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

Earnings per share

Basic earnings per share are calculated on net income using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated on the weighted average number of common shares that would have been outstanding during the year had all "in the money" stock options outstanding been exercised and converted into common shares using the treasury method.

Government assistance

The Company makes periodic applications for financial assistance under available government assistance programs in the various jurisdictions that the Company operates. Grants and tax credits relating to capital expenditures are reflected as a reduction of the cost of the related assets. Grants and tax credits relating to current operating expenditures are generally recorded as a reduction of the related expense at the time the eligible expenses are incurred.

Consideration given to customers

Cash consideration given by the Company to a customer, such as cash discounts and rebates, are presumed to be a reduction of the selling prices of the Company's products or services and are, therefore, accounted for as a reduction of revenue when recognized in the statement of income.

Future accounting changes

The Canadian Institute of Chartered Accountants ("CICA") has announced the following accounting changes scheduled to become effective for the Company between August 1, 2010 and August 1, 2012:

Multiple deliverable revenue arrangements

In December 2009, the Emerging Issues Committee ("EIC") issued a new abstract concerning multiple deliverable revenue arrangements, EIC 175, "Multiple Deliverable Revenue Arrangements" ("EIC 175") which amended, "Revenue Arrangements with Multiple Deliverables" ("EIC 142"). The objective of issuing this abstract is to harmonize EIC 132 with amendments made to US generally accepted accounting principles. These amendments require a vendor to allocate arrangement consideration at the inception of the arrangement to all deliverables using the relative selling method, thereby eliminating the use of the residual value method. The amendments also change the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. EIC 175 should be adopted prospectively to revenue arrangements entered into or materially modified in the first annual period beginning on or after January 1, 2011, with early adoption permitted. EIC 142 continues to be effective until that date. The Company will adopt the new EIC, without a material impact on its consolidated financial statements, in the first quarter of fiscal 2012.

Business combinations, Consolidated financial statements & Non-controlling interests

In October 2008, the CICA issued Sections 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition on other than non-controlling

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company in the first quarter of fiscal 2012 with earlier adoption permitted. The Company will adopt the new Standards, without a material impact on its consolidated financial statements, in the first quarter of 2012.

International financial reporting standards (“IFRS”)

In March 2008, the CICA confirmed its intent to replace GAAP with IFRS. As a publicly accountable enterprise, the Company must convert to IFRS no later than its first quarter of fiscal 2012, although earlier adoption may be available.

2. CHANGES IN ACCOUNTING POLICIES

During the year, the Company adopted the following recommendations of the CICA Handbook:

- a) *Section 3064, Goodwill and intangible assets.* The CICA issued a new accounting standard, Section 3064 “Goodwill and intangible assets”, which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company adopted this new recommendation without restatement of prior periods.

3. ACCOUNTS RECEIVABLE

During the year, the Company recorded the following transactions with respect to its allowance for doubtful accounts:

	2010	2009
Opening allowance for doubtful accounts	\$ 885	\$ 993
Less: write-off of allowance and receivables	(368)	(371)
Plus: bad debt expense	193	263
Less: effect of foreign exchange on U.S. denominated balances	(31)	-
	\$ 679	\$ 885

4. NON-HEDGING FINANCIAL DERIVATIVES

Non-hedging financial derivatives is comprised of:

	2010	2009
Fair value of forward exchange contracts	\$ 591	\$ 1,620
Fair value of U.S. dollar call options	--	168
Fair value of U.S. dollar put options	--	(266)
	\$ 591	\$ 1,522

Based on the average spot market value of U.S. dollars for the year ended July 31, 2010 and the forward exchange contracts and United States put and call options outstanding during the year, the Company generated foreign exchange gains of \$268 (2009: losses of \$1,510), recognized in sales.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

5. WORK-IN-PROGRESS

Work-in-progress is comprised of:

	2010	2009
Unbilled contract revenue	\$ 19,336	\$ 14,118
Inventory	490	734
	\$ 19,826	\$ 14,852

Unbilled contract revenue represents the costs incurred under long-term tooling contracts in excess of amounts billed and paid by the customer or billed and included in accounts receivable.

6. INCOME TAXES

	2010	2009
The provision for income taxes reflects an effective tax rate which differs from the combined Federal and Provincial rate for the following reasons:		
Combined Federal and Provincial rate	31.8%	33.2%
Manufacturing and processing deduction	(2.0%)	(2.0%)
Increase in valuation allowance	(18.2%)	--%
Decrease in substantively enacted tax rates on future tax assets and liabilities	(0.7%)	--%
Permanent and other differences	1.3%	0.2%
Effective rate	12.2%	31.4%

The tax effects of temporary differences that give rise to significant portions of current and long-term future income tax assets and liabilities are as follows:

	2010	2009
Current portion of future tax asset		
Unbilled contract revenue	\$ --	\$ 388
Unrealized foreign exchange adjustments	--	(445)
Other	--	69
	--	\$ 12
Long-term future tax asset		
Non-capital loss carry-forwards – United States	3,730	3,916
Valuation allowance	(916)	(842)
	\$ 2,814	\$ 3,074
Long-term future tax liability		
Capital assets	\$ 2,177	\$ 3,749
Tax impact of SR & ED tax credits	1,274	1,224
Other	(98)	(305)
	3,353	4,668
Undeducted SR & ED expenditures	1,715	1,574
Unbilled contract revenue	1,056	--
Valuation allowance	(1,568)	(320)
	1,203	1,254
	\$ 2,149	\$ 3,414

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

The ultimate realization of the future income tax assets is dependent upon the generation of future taxable income during the years in which the temporary differences become deductible.

The valuation allowance for future income taxes as at July 31, 2010 is \$916 (2009: \$842). In assessing the realizability of future tax assets, management considers whether it is more likely or not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which these temporary differences and loss carry forwards are deductible. Management considers the scheduled reversal of future tax liabilities, the character of future income tax assets and available tax planning strategies in making this assessment.

At July 31, 2010, the Company had net operating losses of \$10,971 (2009: \$10,494) in the United States, which expire between 2022 and 2029. These losses have been recognized in these consolidated financial statements, net of a valuation allowance.

7. SR & ED TAX CREDITS

The tax effect of SR & ED tax credits is:

	2010	2009
SR & ED tax credits	\$ 4,877	\$ 4,992
Valuation allowance	(417)	(307)
	\$ 4,460	\$ 4,685

The valuation allowance for SR & ED tax credits as at July 31, 2010 is \$417 (2009: \$307). In assessing the realizability of SR & ED tax credits, management considers whether there is reasonable assurance that some portion or all of the SR & ED tax credits will be realized. The ultimate realization of SR & ED tax credits is dependent upon the generation of future taxable income. Management considers the scheduled reversal of future tax liabilities, the character of future tax assets and available tax planning strategies in making this assessment.

8. CAPITAL ASSETS

Capital assets are comprised of:

	2010		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,287	\$ --	\$ 1,287
Buildings	16,280	8,098	8,182
Machinery and equipment	74,903	53,893	21,010
Leasehold improvements	80	51	29
Equipment under capital lease	3,434	1,512	1,922
Equipment under construction	395	--	395
	\$ 96,379	\$ 63,554	\$ 32,825
	2009		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,369	\$ --	\$ 1,369
Buildings	17,085	8,227	8,858
Machinery and equipment	72,400	50,588	21,812
Leasehold improvements	73	64	9
Equipment under capital lease	7,094	2,319	4,775
Equipment under construction	689	--	689
	\$ 98,710	\$ 61,198	\$ 37,512

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

In fiscal 2009, the Company sold assets for net proceeds of \$1,018, related to the land and building at a previously closed facility located in the United States. The proceeds were used to reduce the Company's bank indebtedness.

9. BANK INDEBTEDNESS

The bank indebtedness is payable over various maturities, not exceeding 90 days, with interest at various amounts ranging from LIBOR plus a premium to bank prime plus a premium, as follows:

	2010	2009
Canadian dollar bankers' acceptances – bearing interest at rates ranging from 4.74% to 4.79% (2009: 4.39% to 4.42%), due in less than 30 days	\$ 2,000	\$ 12,500
Canadian dollar bankers' acceptances – bearing interest at rates ranging from 4.87% to 4.89% (2009: Nil) due in less than 60 days	3,300	--
Canadian dollar bankers' acceptances – bearing interest 4.90% (2009: Nil) due in less than 90 days	2,000	--
U. S. dollar LIBORs – bearing interest at rates ranging from 4.39% to 4.50%, due in less than 30 days	6,992	--
	\$ 14,292	\$ 12,500

The bank indebtedness is secured by a general assignment of book debts and work-in-progress together with a second collateral mortgage of \$85,000 on all land and buildings. At July 31, 2010, the Company had available operating lines of credit totaling \$20,000 (2009: \$20,000).

10. LONG-TERM DEBT

The long-term debt is comprised of:

	2010	2009
Mortgage payable – 6.26% repayable \$111 monthly including interest, due in full July 2011, secured by land and buildings and a second position on a general assignment of book debts and work-in-progress	\$ 10,030	\$ 11,264
Mortgage payable – 6.52% repayable \$15 monthly including interest, due in full July 2011, secured by land and buildings and a second position on a general assignment of book debts and work-in-progress	1,409	1,495
Loan payable – 5.90% repayable \$14 monthly including interest due in full April 2012 secured by equipment	282	429
Loan payable – 7.25% repayable \$63 monthly plus interest due in full July 2013, secured by equipment and a third position on a general assignment of book debts and work-in-progress	2,312	3,000
Obligations under capital leases payable \$30 monthly including interest, bearing interest at 6.09% expiring in March 2012 (2009: February 2010 and March 2012)	570	1,633
	14,603	17,821
Deduct - principal portion included in current liabilities	12,678	2,640
Long-term portion	\$ 1,925	\$ 15,181

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

Obligations under capital leases are secured by the specific leased assets and certain of the obligations maintain a second or third position on a general assignment of book debts and work-in-progress.

Total bank credit facilities and minimum lease payments are as follows:

Year	Bank Credit Facilities	Capital Leases	Total
2011	\$ 12,346	\$ 362	\$ 12,708
2012	874	239	1,113
2013	750	--	750
2014	63	--	63
2015	0	0	0
	14,033	601	14,634
Amount representing interest	--	31	31
Balance of obligation	\$ 14,033	\$ 570	\$ 14,603

11. 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	Unlimited	6,420,920	\$ 18,772

Share capital transactions during the year were as follows:

	2010		2009	
	Shares	Amount	Shares	Amount
Outstanding, beginning of year	6,420,920	\$ 18,772	7,113,992	\$ 20,798
Re-purchase in respect to normal course issuer bid	--	--	(693,072)	2,026
Outstanding, end of year	6,420,920	\$ 18,772	6,420,920	\$ 18,772

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding, as at July 31, 2010 were exercised:

Common shares outstanding at July 31, 2010	6,420,920
Stock options (Note 14)	--
	6,420,920

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

12. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	2010	2009
Balance, beginning of year	\$ 1,742	\$ 406
Re-purchase of shares in respect of the normal course issuer bid	--	1,314
Amounts charged to contributed surplus in respect of stock based compensation	8	22
Balance, end of year	\$ 1,750	\$ 1,742

13. EARNINGS PER SHARE

Earnings (loss) per share is computed as follows:

	2010	2009
Basic earnings (loss) per share:		
Net income (loss)	\$ (7,469)	\$ 199
Average number of common shares outstanding during the year	6,420,920	6,932,704
Basic earnings (loss) per share	\$ (1.16)	\$ 0.03
Diluted earnings (loss) per share:		
Net income (loss)	\$ (7,469)	\$ 199
Average number of common shares outstanding during the year	6,420,920	6,932,704
Weighted 'In the money' stock options outstanding during the year	--	--
	6,420,920	6,932,704
Diluted earnings (loss) per share	\$ (1.16)	\$ 0.03

Diluted earnings per share exclude 117,000 (2009: 121,000) common shares issuable under the Company's stock option plan because these options were not 'in the money'.

14. 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 with equal cumulative vesting over that period and 20% being exercisable immediately upon issue. Options given to outside directors vest immediately and can be exercised immediately. Effective September 24, 2002, amendments to the plan include a vesting progression of 30% in the year of grant, 30% in the second year, and 40% in the third year with the term still being 5 years.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

As at July 31, 2010, the following options and warrants were outstanding:

Number of Options	Exercise Price	Expiry
10,000	\$2.75	2011
10,000	\$2.50	2011
10,000	\$2.80	2011
11,000	\$3.27	2012
33,000	\$1.50	2014
43,000	\$1.16	2014

The weighted average exercise price of the options is as follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	121,000	\$ 1.83	165,918	\$ 2.74
Granted during the year	--	--	80,000	1.31
Expired during the year	--	--	(124,918)	2.71
Exercised during the year	--	--	--	--
Cancelled during the year	(4,000)	1.33	--	--
Outstanding at the end of the year	117,000	\$ 1.85	121,000	\$ 1.83
Exercisable at the end of the year	98,000	\$ 1.96	86,000	\$ 2.04

The significant assumptions used during the year to estimate the fair values of options is as follows:

	2010	2009
Expected life	5 years	5 years
Expected dividends	\$ Nil	\$ Nil
Expected volatility	40.25%	38.61%
Risk free rate of return	3.43%	2.70%
Total compensation cost recognized in income for stock-based employee compensation awards	\$ 8	\$ 22

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held for trading; held to maturity investments; loans and receivables; available-for-sale financial assets; and, other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

	2010	2009
Held for trading financial assets		
Cash and cash equivalents	\$ 1,303	\$ 3,084
Non-hedging financial derivatives	591	1,522
	\$ 1,894	\$ 4,606
Held for trading financial liabilities		
Bank indebtedness	\$ 14,292	\$ 12,500
	\$ 14,292	\$ 12,500
Loans and receivables		
Accounts receivable	\$ 10,657	\$ 17,959
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 6,201	\$ 6,148
Current portion of long-term debt	12,678	2,640
Long-term debt	1,925	15,181
	\$ 20,804	\$ 23,969

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. The fair values of the Company's financial instruments are not materially different from their carrying value, with the exception of the Company's long-term debt of \$14,603 (2009: \$17,821). Based on current interest rates for debt with similar terms and maturities, the fair value of the long-term debt is estimated to be \$14,962 (2009: \$18,547).

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance from quarter to quarter. The Company uses derivative financial instruments to achieve this objective. The Company does not purchase any derivative financial instruments for speculative purposes.

Foreign exchange risk

The Company operates in Canada and its functional and reporting currency is Canadian dollars, however a significant portion of its sales are denominated in U.S. dollars. Foreign exchange risk arises because the amount of the receivable or payable for transactions denominated in a foreign currency may vary due to changes in exchange rates ("transaction exposures") and because certain long-term contractual arrangements denominated in a foreign currency may vary due to changes in exchange rates ("translation exposures").

The Company's balance sheet includes U.S. dollar denominated cash and cash equivalents, accounts receivable, work-in-progress, capital assets, future income taxes, bank indebtedness and accounts payable and accrued liabilities. The Company is required to revalue these U.S. dollar denominated items to their current Canadian dollar value at each period end.

The objective of the Company's foreign exchange risk management activities is to minimize translation exposures and the resulting volatility of the Company's earnings. The Company manages this risk by entering into foreign exchange option contracts.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

Based on the Company's foreign currency exposures, as at July 31, 2010, a change in the U.S. dollar/Canadian dollar foreign exchange rate to reflect a 100 basis point strengthening of the U.S. dollar for the month of July would, assuming all other variables remain constant, have increased net income by \$13, (2009: \$39) with an equal but opposite effect for an assumed 100 basis point weakening of the U.S. dollar. We caution that this sensitivity is based on an assumed net U.S. dollar denominated asset or liability balance at a point in time. The net U.S. dollar denominated asset or liability position changes on a daily basis, sometimes materially.

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. At July 31, 2010, the Company had entered into foreign exchange contracts to sell an aggregate amount of \$24,800 (USD). These contracts hedge our expected exposure to U.S. dollar denominated net assets and mature at the latest on January 16, 2012, at an average exchange rate of \$1.0538 Canadian.

As at July 31, 2010	Maturity	Notional Value	Average Rate	Notional USD equivalent	Carrying & fair value asset (liability)
Sell USD / buy CAD	0 – 6 months	\$ 11,216	\$ 1.0640	\$ 10,800	\$ 416
Sell USD / buy CAD	7 – 12 months	7,199	1.0590	7,000	198
Sell USD / buy CAD	13 – 18 months	6,976	1.0340	7,000	(23)
		\$ 25,391	\$ 1.0538	\$ 24,800	\$ 591

As at July 31, 2009	Maturity	Notional Value	Average Rate	Notional USD equivalent	Carrying & fair value asset (liability)
Sell USD / buy CAD	0 – 6 months	\$ 9,465	\$ 1.1921	\$ 8,500	\$ 965
Sell USD / buy CAD	7 – 12 months	7,955	1.1683	7,300	655
USD call / CAD put	0 – 6 months	9,768	1.0775	9,600	168
CAD call / USD put	0 – 6 months	9,334	1.0580	9,600	(266)
Elimination of conjoined put / calls		(9,600)	1.0856	(9,600)	--
		\$ 26,922	\$ 1.1386	\$ 25,400	\$ 1,522

Interest rate risk

The Company's interest rate risk primarily arises from its floating rate debt, in particular its bank indebtedness. At July 31, 2010, \$14,292 (2009: \$12,500) of the Company's total debt portfolio is subject to movements in floating interest rates.

Based on the value of interest-bearing financial instruments subject to movements in floating interest rates, as at July 31, 2010, an assumed 0.5 percentage point increase in the interest rate on all variable interest rate debt on the first day of the year would, assuming all other variables remain constant, have decreased net income by \$71, (2009: \$63) with an equal but opposite effect for an assumed 0.5 percentage point decrease.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

The objective of the Company's interest rate risk management activities is to minimize the volatility of the Company's earnings. Since the Company's exposure to floating interest rates is limited to its bank indebtedness, the Company's ability to effectively manage the volatility of interest rates is limited to locking portions of the Company's bank indebtedness into fixed rates for relatively short periods of time, usually 30 or 90 days.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, derivative financial instruments as well as credit exposure to clients, including outstanding accounts receivable and unbilled contract revenue. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into consideration their financial position, past experience and other factors. Management also monitors the utilization of credit limits regularly. In cases where credit quality of a client does not meet the Company's requirements sales opportunities may be terminated, progress payments may be required or continuing security interests in our products may be required.

In the normal course of business, the Company is exposed to credit risk from its customers, the majority of whom are in the automotive industry. While these accounts receivable are subject to normal industry credit risks, the ultimate source of funds to pay our accounts receivable balances may come from the Detroit 3 original equipment manufacturers, which are currently rated below investment grade by credit rating agencies, two of whom left United States bankruptcy protection in the past year and in the event that they are unable to satisfy their financial obligations or seek further protection from their creditors, the Company may incur additional expenses as a result of such credit exposure. The Company may be able to mitigate a portion of this credit risk through the use of accounts receivable insurance, when and if available for individual customers.

For the year ended July 31, 2010, sales to the Company's three largest customers represented 43.4% (2009: 25.6%) of its total sales. These same customers represent approximately 43.4% (2009: 27.9%) of its accounts receivable, as at July 31, 2010.

Liquidity risk and relationship with primary lender

Liquidity risk arises through an excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from credit facilities. As at July 31, 2010, the Company has undrawn lines of credit available to it of approximately \$6,798 (2009: \$10,584); however, under its current margining provisions with its lender, the maximum it can draw on its available undrawn lines of credit is limited to \$6,381 (2009: \$10,584).

During the third quarter, the Company renegotiated its Debt Service Coverage Ratio with its primary lender. For an as yet undefined period of time, our primary lender has agreed to replace our quarterly Debt Service Coverage Ratio covenant with a minimum monthly EBITDA (earnings before interest, taxes, depreciation, amortization and non-cash charges, all as defined by our primary lender) covenant. The Company's current forecasts suggest that it will earn sufficient levels of EBITDA to meet its minimum monthly EBITDA covenant for the first quarter of fiscal 2011, the only period for which the covenant is already set. Despite the Company's current forecasts suggesting the Company will achieve its replaced financial covenant, the Company is exposed to a number of risks that could prevent it from achieving its primary lender defined monthly minimum EBITDA covenant.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

16. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, while at the same time taking a conservative approach to financial leverage and management of financial risk. The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally generated cash flows and when internally generated cash flow is insufficient, its revolving bank credit facility.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to shareholders' equity, which it aims to maintain at less than 1.0:1. As at July 31, 2010, these capital management criteria can be illustrated as follows:

	2010	2009
Net debt		
Bank indebtedness	\$ 14,292	\$ 12,500
Current portion of long-term debt	12,678	2,640
Long-term debt	1,925	15,181
Less: cash and cash equivalents	(898)	(3,084)
Net debt	\$ 27,997	\$ 27,237
Shareholders' equity	\$ 36,156	\$ 43,617
Ratio	0.77	0.62

As part of existing debt agreements, the Company monitors and communicates, as required by the terms of credit agreements, on a monthly, quarterly or annual basis, depending on the covenant and the lender, by management to ensure compliance with the agreements. The annual covenant is a debt service coverage ratio – calculated as EBITDA less cash taxes (for the previous 52 weeks) divided by interest coverage plus repayments of long-term debt (based on the upcoming 52 weeks). The quarterly covenants are: i) debt to equity ratio – calculated as total debt, excluding future income taxes divided by shareholders' equity minus minority interest, if any; and (ii) current ratio – calculated as current assets divided by current liabilities. The monthly covenant is a minimum EBITDA target. For fiscal 2010 only, the Company's sole annual covenant was permanently waived.

The Company was in compliance with these covenants at all times during the year.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

(in \$000's, except for share amounts)

17. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital (exclusive of the current portion of future income taxes) is comprised of:

	2010	2009
Accounts receivable	\$ 7,302	\$ 11
Other receivables	(163)	
Non-hedging financial derivatives	931	(1,086)
Work-in-progress	(4,974)	752
Income taxes	2	20
Prepaid expenses and deposits	36	53
Accounts payable and accrued liabilities	53	287
	\$ 3,187	\$ (683)

Interest paid

Interest paid during the year was \$1,418 (2009: \$1,497).

Income taxes

Income taxes paid during the year were \$Nil (2009: \$30).

18. SEGMENTED INFORMATION

Geographic information

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

	2010	
	Revenues	Capital assets
Canada	\$ 40,151	\$ 32,805
United States	--	20
	\$ 40,151	\$ 32,825
	2009	
	Revenues	Capital Assets
Canada	\$ 55,050	\$ 37,485
United States	--	27
	\$ 55,050	\$ 37,512

**REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2010 and 2009

(in \$000's, except for share amounts)

19. RELATED PARTY TRANSACTIONS

During the current year, the Company did not engage in any material related party transactions. At year-end, there were no amounts outstanding with respect to related party transactions (2009 - \$Nil).

20. CONTINGENCIES

The Company, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. Accruals are made in instances where it is possible that liabilities can be reasonably estimated. The Company has no reason to believe that the ultimate outcome of these matters would have significant impact on its financial position, cash flows or results of operations.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

REKO INTERNATIONAL GROUP INC.
SUMMARY OF INCOME (LOSS)

July 31, 2010 and 2009

(in \$000's, except for share amounts)

	2010	2009	2008	2007	2006	2005	2004
Sales	40,151	\$55,277	\$55,729	\$49,377	\$67,459	\$61,626	\$73,041
Cost and expenses							
Cost of sales	36,040	41,670	46,517	38,404	50,479	47,787	54,377
Selling and administrative	5,990	7,101	7,226	7,463	7,647	8,650	11,121
Depreciation and amortization	5,058	4,615	5,511	4,165	4,183	4,407	5,237
	47,088	53,386	59,254	50,032	62,309	60,844	70,735
Income (loss) before the following	(6,937)	1,891	(3,525)	(655)	5,150	782	2,306
Loss (gain) on sale of capital assets	(24)	116	15	(54)	(146)	--	--
Unrealized foreign exchange (gain) loss on tax loss carryforwards	119	(3)	--	--	--	--	--
Interest on long-term debt	1,026	1,000	1,102	1,056	880	1,207	1,404
Interest on other interest bearing instruments, net	449	488	506	774	797	523	544
	1,570	1,601	1,623	1,776	1,531	1,730	1,948
Income (loss) before income taxes	(8,507)	290	(5,148)	(2,431)	3,619	(948)	348
Income taxes (recovered)							
Current	--	8	30	(100)	2,392	1,774	634
Future	(1,038)	83	(1,649)	(779)	(2,004)	(1,853)	36
	(1,038)	91	(1,619)	(879)	388	(79)	670
Income (loss) before other equity adjustments	(7,469)	199	(3,529)	(1,552)	3,231	(869)	(312)
Net loss from discontinued operations	--	--	--	(2,072)	(2,303)	(3,645)	(1,002)
Net income (loss) for the year	(7,469)	\$ 199	\$ (3,529)	\$ (3,624)	\$ 928	\$ (4,514)	\$ (1,314)
Basic income (loss) per common share	(1.16)	\$ 0.03	\$ (0.49)	\$ (0.51)	\$ 0.12	\$ (0.59)	\$ (0.17)

STATISTICAL DATA
COSTS AND EXPENSES AS
A PERCENT OF SALES
BASED ON CONTINUING OPERATIONS

	2010	2009	2008	2007	2006	2005	2004
Costs and expenses							
Cost of sales	90.0%	75.4%	83.5%	76.6%	74.8%	77.5%	74.4%
Selling and administration	14.9%	12.8%	13.0%	15.1%	11.3%	14.0%	15.2%
Depreciation and amortization	12.6%	8.3%	9.8%	8.4%	6.2%	7.2%	7.2%
	117.5%	96.5%	106.3%	100.1%	92.3%	98.7%	96.8%
Gross margin contribution before selling and administration expenses	(2.3%)	16.3%	6.6%	13.8%	19.0%	15.3%	18.4%
Return on sales	(18.6%)	0.4%	(6.3%)	(3.1%)	4.8%	(1.4%)	(1.8%)
Effective tax rate	12.2%	(31.4%)	(31.4%)	(36.2%)	10.7%	(8.3%)	187.6%

DIRECTORS AND OFFICERS

Diane St. John

Chief Executive Officer, Secretary Treasurer and a Director and an Officer

Gregory Henwood

President and Chief Operating Officer and an Officer

Carl A. Merton

Chief Financial Officer and an Officer

Jeffrey M. Slopen

Director and a member of the Compensation Committee (Partner – Miller, Canfield, Paddock and Stone, LLP, Windsor, Ontario)

John R. Halula Sr.

Director and a member of the Audit Committee (Corporate Director, Worthington Custom Plastics)

Stephen E. Myers

Director and Chair of the Compensation Committee (Executive-in-Residence at the College of Business Administration at the University of Akron, Akron, Ohio)

Dr. Andrew J. Szonyi

Director and Chair of the Audit Committee (President, Andrew J. Szonyi & Associates, Toronto, Ontario)

John Sartz

Director and a member of the Audit Committee (President, Viking Capital Corp., Toronto, Ontario)

Victor Neufeld

Lead Director and a member of the Compensation Committee (President and Chief Executive Officer, Jamieson Laboratories Ltd., Windsor, Ontario)

CORPORATE DIRECTORY

Corporate Officer

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London, Ontario

Bankers

Bank of Montreal
Windsor, Ontario

Comerica Bank
Detroit, Michigan

Counsel

Miller, Canfield, Paddock and Stone LLP
Windsor, Ontario

Transfer Agent

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ANNUAL MEETING

The Annual Meeting of the Shareholders will be held at the Holiday Inn Select, 1855 Huron Church Rd., Windsor, Ontario on December 2, 2010 at 3:00 p.m.

LISTING

The Common Shares of the Company are listed on the Toronto Stock Exchange (symbol: REK)