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 year ended July 31, 2012 and the audited consolidated financial statements and MD&A for the year ended July 31, 2011 included in our 2011 Annual Report to Shareholders. The audited consolidated financial statements for the year ended July 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This is the first year-end the Company has reported under IFRS. The audited consolidated financial statements for the year ending July 31, 2012 contains comparative years including August 1, 2010, and July 31, 2011, all of which were originally prepared under Canadian generally accepted accounting principles ("GAAP"). The audited consolidated financial statements contain reconciliations for all comparative periods originally prepared under GAAP from GAAP based presentation to IFRS based presentation in Note 24 – Transition to IFRS. When we use the terms "we," "us," "our," "Reko," or "Company," we are referring to Reko International Group Inc. and its subsidiaries.

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

In this MD&A, reference is made to earned revenue, gross profit and adjusted net income (loss), which are not measures of financial performance under IFRS. The Company calculates earned revenue as sales less materials, sub-contracting and inventory adjustments. The Company calculates gross profit as sales less cost of sales (including depreciation and amortization). The Company calculates adjusted net income (loss) as net income (loss) plus business transformation expenses (including asset impairments recognized as part of the business transformation project) less gain on sale of capital assets subject to the business transformation project. The Company included information concerning these measures because they are used by management as measures of performance, and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. These measures are 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 October 9, 2012.

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 custom machining of very large castings and assemblies to high precision tolerances, specialty machines and lean cell factory automation, compression molds, hydroform dies, plastic injection molds, fixtures and gauges. 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 concepts, designs and builds innovative solutions to manufacturing challenges, including specialty machines for gas tank assembly lines, work cell solutions for compression molds, repair of CNC machines, plastic secondaries, as well as compression molds, hydroform dies, two shot molds and plastic injection molds. Reko has extensive experience and knowledge in mold design and material flow and the impact of pressure on segments of the mold/die. For the transportation and oil and gas industry, the Company machines customer supplied metal castings and weldments to customer indicated specifications.

Our design and manufacturing operations are carried on in two manufacturing plants located in Lakeshore, Ontario a suburb of the City of Windsor in Southwestern Ontario.

CHANGE IN ACCOUNTING POLICY APPLIED RETROSPECTIVELY

During the fourth quarter of 2012, Reko elected to change its optional exemption under IFRS 1 *Implementation of IFRS* for the valuation of certain of its capital assets upon implementation of IFRS. Reko applied the results of the change retrospectively to its financial statements back to August 1, 2010, the day it implemented IFRS.

More specifically, Reko had previously elected as its optional exemption to use the fair value of real estate it owned at: (i) 5390 Brendan Lane; (ii) 5385 Brendan Lane; (iii) 2510 Binder Crescent; (iv) 2516 Binder Crescent; and, (v) 469 Silver Creek Industrial Drive as its deemed cost upon implementation of IFRS. Those assets are now recorded using IFRS applied retrospectively upon implementation of IFRS.

As a result of this change, the net book value of Reko's capital assets decreased $4,285 upon implementation of IFRS, deferred tax liabilities decreased $1,084 upon implementation of IFRS and retained earnings decreased $3,201 upon implementation of IFRS.

Similarly, as of April 30, 2012, the last financial period in which Reko reported results prior to the change in accounting policy, the net book value of Reko's capital assets decreased $3,176, deferred tax assets increased $804 and retained earnings decreased $2,373. In addition, Reko's amortization expense for the first three quarters decreased $84 and income tax expense decreased $21.

BUSINESS TRANSFORMATION PROJECT

On April 28, 2011, the Company announced a business transformation project that enhanced its competitive position in North America and built a solid foundation for future profitability. The project placed greater emphasis on its custom machining operations, reduced fixed costs and eliminated capacity in its plastic injection mold building operations.

The project resulted in the closure of 7 manufacturing plants at two industrial sites, elimination of a portion of the Company's machining capacity, related to plastic injection molds and a reduction of employees. The Company completed all of the steps associated with implementing the business transformation project by July 31, 2011 and anticipates completing all non-strategic business asset divestitures associated with the plan by the end of its 2013 fiscal year. As a result of the project, absent carrying costs associated with real estate to be sold, the Company realized $9,000 in improvements to its overhead cost structure in its plastic injection mold building operation, comprised of $4,600 related to fixed costs and $4,400 related to labour costs.

As of July 31, 2012, the Company had sold 4 of the 7 closed manufacturing plants and subsequent to year-end sold 2 of the remaining closed manufacturing plants. The last remaining unsold property is located at 2516 Binder Crescent. The Company anticipates selling the remaining property by the end of its 2013 fiscal year. Over the next 12 months, the Company anticipates incurring another $114 of carrying costs associated with this real estate.

The 4 sold properties have generated net proceeds of $1,383, all of which has been used to reduce the Company's mortgage payable balance.

After completion of the sale of all non-strategic business asset divestitures, the Company anticipates a reduction in its annual debt service costs to $2,500. The Company previously announced this amount to be $2,300 however since the original announcement, the Company purchased a new machine and the related financing increases that figure to $2,500.

In order to complete the business transformation project, the Company will ultimately record $6,215 in pre-tax charges by the end of fiscal 2013, of which $6,065 has already been recognized in its financial statements. The Company originally reported under Canadian GAAP that the cost of implementing the project would be $7,500 and revised that figure to $8,341 under IFRS, as a result of increased asset impairment charges in the third quarter of 2011. The decrease in the current quarter to $6,215 is partially related to (i) decreased asset impairment costs associated with the current quarter's change in accounting policy and (ii) the sale of certain real estate properties as much as one year earlier than originally anticipated, offset by additional costs associated with the remaining real estate property that was originally anticipated to be sold by the end of fiscal 2012.

Upon completion of the sale of all of the real estate properties sold as part of the business transformation project, the Company anticipates recording a pre-tax gain of between $400 and $1,000. Under Canadian GAAP reporting, the Company anticipated a pre-tax gain of $2,000. Under its original transition to IFRS, the Company revised this figure to neither a pre-tax gain nor a pre-tax loss.

The Company anticipates having generated $11,200 in cash at the completion of the project to be used to pay down its mortgage debt and for the pre-tax charges. Of the total cash generated $2,400 relates to the sale of non-strategic business assets, which the Company realized by the end of its first quarter of 2012. Another $4,800 relates to the sale of real estate assets, of which the Company has realized $1,383 and the remainder is expected to be realized over the next 12 months. The final $4,000 relates to reductions in working capital associated with plastic injection molds, which the Company expects to begin realizing in the first quarter of 2013. The Company originally anticipated generating $9,500 in cash as it implemented the project. The increase in the anticipated proceeds is a result of: (i) increased proceeds from the sale of non-strategic business assets of $1,200; and, (ii) increased proceeds from the sale of real estate assets of $500.

INDUSTRY TRENDS AND RISKS

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 secure molding and automation programmes from 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.

Continued support of our lenders could have a material impact on our profitability, financial condition and continued sustainability.

The Company operates in a capital-intensive business, has significant financing requirements placed on it by its customers and its financial resources are less than the financial resources of our customer base. There can be no assurance that, if, as 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.

Our previous financial results may result in our customers assessing us as a high-risk supplier thereby jeopardizing our opportunities for new business, which could materially impact our profitability and financial condition.

We incurred significant operating losses in fiscal 2010 and 2011 as a result of the lack of commercial credit to support other companies' capital equipment purchases and the impacts of our business transformation project. As more of our customers perform supplier credit risk evaluations, their assessment of Reko could result in us being considered a high-risk supplier. Being categorized as a high-risk supplier could jeopardize our opportunities for new business awards.

Our ability to turn around financially underperforming divisions could have a material adverse effect on our profitability and financial condition.

Although we are working to turn around financially underperforming operating divisions, there is no guarantee that we will be successful in doing so in the short-term. The continued underperformance of one or more operating divisions could have a material adverse effect on our financial condition and profitability.

A slower than anticipated economic recovery or deterioration of economic conditions could have a material adverse effect on our profitability and financial condition.

While a number of world regions appear to have recovered from the 2008-2009 global recession, uncertainty remains about the strength of the recovery in some regions, such as North America, while other regions such as Europe are currently experiencing an economic downturn. The continuation of economic uncertainty or deterioration of the global economy for an extended period of time could have a material adverse effect on our profitability and financial condition.

Europe's sovereign debt crisis could have a material adverse effect on our profitability and financial condition.

Europe is currently experiencing a "sovereign debt crisis" as a result of widespread concern about the ability of several European governments to repay their debt. Despite efforts made to date, additional actions may be required to stabilize several Eurozone economies and considerable uncertainty remains with respect to the ultimate outcome of these actions. Conditions in Europe have resulted in increased volatility in global capital markets, as well as lower consumer confidence, which could continue for the foreseeable future. In these circumstances, many of the risks faced by the automotive industry and our business could intensify, which could have a material adverse effect on our financial condition or profitability.

The bankruptcy of any of our major customers, and the potential corresponding disruption of the automotive supply chain, could have a material adverse effect on our profitability and financial condition.

The short-term viability of several of our automotive customers appears to have improved as a result of restructuring actions in the past few years, as well as direct government financial intervention in the automotive industry in 2009. However, there can be no assurance that these restructuring actions will be successful in ensuring such automotive companies' long-term viability, nor can there be any assurance that government financial assistance will be made available at levels necessary to prevent automobile manufacturer failures in the future. The bankruptcy of any of our major customers could have a material adverse effect on our profitability and financial condition. Additionally, since automobile manufacturers rely on a highly interdependent network of suppliers, a bankruptcy could materially disrupt operations and the financial condition of one or more of our Tier 1 customers, which could have a material adverse effect on our profitability or financial condition.

Current outsourcing and in-sourcing trends could materially impact our profitability and financial condition.
As global market conditions weakened 4 years prior, demand for our customers' products also weakened. During periods of weakened 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 decided to replace outsourcing that in the recent past would have been performed by Reko with insourcing. Depending upon the depth and breadth of the current economic recovery, Reko may experience reductions in outsourced work orders.

Our inability to diversify our sales could have an adverse effect on our profitability and financial condition.
Although we supply molds, gauges, fixtures and factory automation to all of the leading automobile manufacturers, a significant majority of our sales are to the Detroit 3. While we have diversified our customer base somewhat in recent years and continue to attempt to further diversify, particularly to increase our business with European and Asian-based automobile manufacturers, there is no assurance we will be successful. Our inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

We may not be able to successfully compete against suppliers with operations in developing markets, which could have an adverse effect on our profitability and financial condition.
Many of our customers have sought, and will likely continue to seek to take advantage of lower operating costs in China, India, Brazil, Indonesia, Russia and other developing markets. While we continue to expand our manufacturing sources, with a view to taking advantage of these lower cost countries, we cannot guarantee that we will be able to fully realize such opportunities. The inability to quickly adjust our manufacturing sources to take advantage of opportunities in these markets could harm our ability to compete with our suppliers operating in or from such markets, which could have an adverse effect on our profitability and financial condition.

Significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition.
Although our financial results are reported in Canadian dollars, a significant portion of our sales are realized in U.S. dollars. Our profitability is affected by movements in the U.S. dollar against the Canadian dollar. As a result of our hedging program, foreign currency transactions are not fully impacted by movements in exchange rates. Our hedging program is designed to hedge our accounting risk (the risk associated with our foreign exchange balances on our balance sheet at any point in time) but does not hedge our economic risk (the risk associated with all of our foreign exchange balances and potential balances regardless of whether those balances and potential balances are on our balance sheet at any one particular time). Despite these measures, significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition and any sustained change could adversely impact our competitiveness.

The continuation or intensification of pricing pressures and pressure to absorb additional costs could have an adverse effect on our profitability.

We face significant pricing pressure, as well as pressure to absorb costs related to tooling design and machine design, as well as other items previously paid for directly by automobile manufacturers. These pressures are expected to continue, even as the industry recovers from the global recession and profitability returns to our customers. The continuation or intensification of these pricing pressures and pressure to absorb additional costs could have an adverse effect on our profitability and financial condition.

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

The global automotive industry is cyclical and largely tied to general economic conditions. The recent economic downturn and economic recovery resulted in significant reductions in consumer spending which 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 and financial condition.

The global economic conditions have weakened the financial stability of our supplier base. While our exposure to individual entities in our supply chain 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 build process.

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

As the automotive industry rushed to restructure its operations, our OEM and Tier 1 customers substantially reduced the design support offered to new vehicle launches. Without an adequate level of support, the quality of information provided to tool builders to begin their work dropped significantly. In addition, tool builders' ability to manipulate poor quality information is limited as the appropriate resources to approve the manipulations are not available from the OEM or Tier 1. This introduced significant inefficiencies to the process and impaired the ability of the tool builder to manufacture molds at the same profitability as in the past.

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

As the automotive industry rushed to restructure its operations, services typically provided by our Tier 1 customers in the areas of program management and design feasibility were abandoned to meet internal financial targets. As this layer of oversight and engineering disappeared from our customers, Reko was expected to fill the void. To date, Reko has been able to meet this challenge using 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 to fulfill this role.

Changes in consumer demand for specific vehicles could materially impact our profitability and financial condition.

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 and financial condition.

Although we supply tooling, secondary automation and manufacturing work cells to almost all of the leading automotive manufacturers, a significant majority of our sales are to the Detroit 3. We are attempting to further diversify our customer base, particularly to increase our business with Asian-based and European-based automotive manufacturers. In the short-term, we remain constrained to our exposure with the Detroit 3.

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

Certain of our activities are tied to 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.

The consequences of a decrease in demand after locomotive engine emission standards are changed could materially impact our profitability and financial condition.

Certain of our activities are tied to machining of locomotive engines that meet Tier III emission standards in North America. Market expectations are that demand will continue at an artificial level up to the date of implementation of Tier IV emission standards in North America. Thereafter demand is expected to fall. Depending on the sourcing decisions made by our customers on implementation of the Tier IV emission standards and the impacts on demand thereafter our profitability and financial condition could be materially impacted.

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.

Like our Tier 1 customers, we continue to invest in technology and innovation. 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.

Our dependence upon key personnel could materially impact our profitability and financial condition.

The success of Reko is dependent on our design engineers, control engineers, machinists and our management team. The experience and talents of these individuals is 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.

Our inability to utilize tax losses could materially impact our profitability and financial condition.

We 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.

We could record impairment charges in the future, which could materially impact our profitability and financial condition.

Annually, we must test our capital assets, future income taxes and any other long-lived assets for impairment or 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 and financial condition.

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 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.

Our manufacturing facilities are subject to risks which could materially impact our profitability and financial condition.

Our manufacturing facilities are subject to risks associated with natural disasters, including fires and floods. The occurrence of any of these natural disasters could cause the total or partial destruction of a manufacturing facility, thus preventing us from supplying products to our customers and disrupting production at their facilities for an indeterminate period of time. The inability to promptly resume the supply of products following a natural disaster at a manufacturing facility could have a material adverse effect on our operations, profitability and financial condition.

Significant changes in law, government regulations or accounting regulations could materially impact our profitability and financial condition.

A significant change in the current regulatory environment in our principal markets could impact future profitability. 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 and 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 significantly in excess of amounts we have reserved.

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 62.7% 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.

CONTINUING OPERATIONS AND LIQUIDITY RISKS

In prior years, the Company experienced reduced revenues and significant operating losses caused primarily by the temporary decline in capital equipment markets occurring concurrent with a global recession. The financial losses posed challenges to the Company's continued operations and its ability to meet its obligations as they fell due. In addition, the Company continues to work with its primary lender under reduced financial covenants. Management is addressing and has actively addressed this condition, as discussed in the following paragraphs.

Operating losses
The Company needed to reduce and eliminate its operating losses. Through the recovery of the capital equipment market and the implementation of the Company's business transformation project, the Company addressed both reduced revenues and more appropriately matched its cost structure to its current level of revenues.

Continued support of its primary lender
While the Company's profitability and debt services costs have changed sufficiently for the Company to have met its previous debt service coverage ratio at the end of year, the Company continues to operate under a monthly EBITDA target covenant with its primary lender. Despite the Company's ability to meet its previous debt service coverage ratio, the Company needs to maintain the continued support of its primary lender, through the lender's willingness to work with the Company, when and if, issues arise with its financial covenants.

To address the continued support of its primary lender, the Company has built and will continue to build a proactive and open relationship with the lender, involving timely and frequent dialogue and a strategy of analyzing the Company based on rolling six month intervals as opposed to more traditional one year intervals.

As at July 31, 2012, the Company was in compliance with all of its financial covenants in effect on that date.

UNUSUAL ITEMS

ADOPTION OF IFRS
For Reko's financial year ended July 31, 2012, Reko is no longer reporting its financial results using Canadian GAAP, as a result of changes announced by The Canadian Institute of Chartered Accountants in March 2008. Instead it is reporting its financial results using IFRS. This change affects all entities that are considered publicly accountable entities. Reko is considered a publicly accountable entity due to its listing on the TSX Venture 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.

As part of the transition to IFRS for the year ended July 31, 2012, the Company restated its IFRS opening balance sheet, as at August 1, 2010, and its 2011 fiscal year results to reflect IFRS. The Company previously reported the impacts of all of the changes associated with implementing IFRS in its First Quarter 2012 Management's Discussion and Analysis.

RECOVERY OF DEFERRED TAX ASSET

Under IFRS, Reko maintains deferred income tax asset accounts by jurisdiction. Each reporting period Reko assesses the probable net recovery of its Canadian non-capital losses and its U.S. net operating losses. As a result of the assessment on July 31, 2012, Reko determined that it was probable that its expected recovery of its U.S. net operating losses would be $Nil. Accordingly, Reko reduced its U.S. deferred tax asset balance by $900. This resulted in Reko recording a $900 income tax expense in the Company's fourth quarter. Also, as a result of the assessment on July 31, 2012, Reko determined that it was probable that its expected recovery of its Canadian non-capital losses had increased by $1,300. This resulted in Reko recording a $1,300 income tax recovery in the Company's fourth quarter.

As a result of the two changes, Reko is reporting a net income tax recovery of $400 as at July 31, 2012.

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

Reko is exposed to the impacts of changes in the foreign exchange rate between Canadian and United States ("U.S.") dollars. More specifically, approximately 80% of the Company's sales and 20% of its costs are incurred in U.S. dollars. In addition, the Company maintains certain working capital in the U.S. and holds a 50% membership interest in an Alabama Limited Liability Company, where it maintains an out-sourcing business and working capital.

In order to minimize our exposure to the impacts of changes in the foreign exchange rate, the Company maintains a forward foreign exchange hedging programme ("Programme"). Reko's Programme is based on maintaining our net exposure to the U.S. dollar (total U.S. exposure less forward foreign exchange contracts) between positive and negative $2,000. 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 net exposure to the U.S. dollar, most particularly during periods when our net exposure to the U.S. dollar is outside of our target exposure. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the U.S. dollar, regardless of our net exposure to the U.S. dollar, the Company can generate significant gains or losses, which will materially impact financial results. These significant gains or losses are entirely related to mark-to-market accounting rules and represent the product of our net exposure to the U.S. dollar and the change during any given month of the value of the U.S. dollar in relation to the Canadian dollar.

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

FISCAL PERIOD	TOTAL U.S. EXPOSURE BEFORE HEDGING PROGRAMME	FORWARD FOREIGN EXCHANGE CONTRACTS BOOKED	NET EXPOSURE TO THE U.S. DOLLAR
Q4 - 2012	$ 13,590	$ 13,500	$ 90
Q3 - 2012	$ 15,352	$ 14,200	$ 1,152
Q2 - 2012	$ 13,519	$ 13,200	$ 319
Q1 - 2012	$ 13,413	$ 14,200	$ (787)

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

	FOR THE THREE MONTHS ENDED JULY 31,				FOR THE YEAR ENDED JULY 31,			
	2012		2011		2012		2011	
	ACTUAL	REKO EFFECTIVE	ACTUAL	REKO EFFECTIVE	ACTUAL	REKO EFFECTIVE	ACTUAL	REKO EFFECTIVE
U.S. Dollar equals Canadian Dollar	1.0169	1.0093	0.9676	1.0323	1.0080	1.0177	0.9950	1.0422

The Company's FFECs represent agreements with an intermediary to trade a specific amount of U.S. dollars for Canadian dollars at a specific rate on a specific date. Currently, the date is between one (1) and seven (7) months after the date on which the FFEC is booked. The specific rate entered into is not necessarily indicative of what either the intermediary or Reko believes the foreign exchange rate will be on the date the settlement of the trade occurs, rather it is a rate set by the intermediary which Reko can either accept or reject.

At the end of the year, we held FFECs of $13,500 compared to $16,000 at the end of the prior year. During fiscal 2012, on average, we held FFECs of $13,900, compared to $23,500 during the prior year.

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

FISCAL PERIOD	CONTRACT VALUE BOOKED (000'S)	EFFECTIVE AVERAGE RATE
Q4 - 2012	$ 13,500	1.0119
Q1 - 2013	$ 8,000	1.0134
Q2 - 2013	$ 2,000	1.0340

The Company notes that at current levels of FFECs and U.S. dollar denominated assets and liabilities, an increase in the value of the U.S. dollar against the Canadian dollar results in the Company recording gains and an increase in the value of the Canadian dollar against the U.S. dollar results in 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 unrealized foreign exchange gain (loss).

Additional information with respect to financial instruments is provided in Note 1, Note 4 and Note 6 to Reko's audited consolidated financial statements, which by this reference are hereby incorporated herein.

RECONCILIATION OF NON-IFRS MEASURES

The reconciliation of gross profit to sales in accordance with IFRS is provided in the following table:

	2012	2011
Sales	$ 42,091	$ 39,863
Less: Cost of sales	32,890	34,141
Amortization	2,010	2,755
	$ 7,191	$ 2,967

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

	2012	2011
Sales	$ 42,091	$ 39,863
Less: Material	14,191	10,117
Subcontracting	1,697	4,970
Inventory adjustments	439	(793)
	$ 25,764	$ 25,569

The reconciliation of adjusted net income (loss) to net income (loss) in accordance with IFRS is provided in the following table:

	2012	2011
Net income (loss)	$ 1,267	$ (9,666)
Plus: Business transformation expenses	248	2,359
Asset impairment	--	3,795
Less: Gain on sale of capital assets subject to business transformation project	687	226
	$ 828	$ (3,738)

RESULTS OF OPERATIONS

Sales

Sales for the year ended July 31, 2012 increased $2,228, or 5.6%, to $42,091 compared to $39,863 in the prior year.

The increase in sales was largely related to:

— Increases in the amount earned per hour by our facilities, largely caused by improving conditions in the general economy and the capital equipment market;

— Increased material and subcontracting as a component of the projects we accepted; and,

— Increases in the volume of work processed for the capital equipment market.

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Items offsetting the decrease in sales discussed previously include:

— Decreased sales volume on work performed in the plastic injection molded interior parts portion of the automotive industry.

Earned revenue

The earned revenue for the year ended July 31, 2012, increased $195 to $25,764, compared to $25,569 in the prior year.

The increase in earned revenue was largely related to:

— Increases in the amount earned per hour by our facilities, largely caused by improving conditions in the general economy and the capital equipment market; and,

— Increases in the volume of work processed for the capital equipment market.

Items offsetting the increase in earned revenue included:

— Decreased volume of work performed in the plastic injection molded interior parts portion of the automotive industry.

Gross profit

The gross profit for the year ended July 31, 2012 increased $4,224 to $7,191 or 17.1% of sales, compared to $2,967, or 7.5% of sales, in the previous fiscal year.

The increase in gross profit was largely related to:

— Increased sales level during the year;

— Reduction in fixed overhead costs as a result of implementing our business transformation project;

— Reduction in wages and benefits as a result of implementing our business transformation project; and,

— Productivity and efficiency improvements implemented as part of our business transformation project.

Selling and administration

Selling and administration expenses ("S,G&A") decreased by $360, or 6.1%, to $5,509, or 13.1% of sales for the year ended July 31, 2012, compared to $5,869, or 14.7% of sales in the prior year. The decrease in S,G&A was produced by savings achieved as a result of:

— Reductions in wages and benefits as a result of the implementation of our business transformation project; and,

— Reductions in the costs of commissioned sales representatives, as a result of a change in our sales mix.

These factors were partially offset by:

— Increased insurance costs, related to accounts receivable insurance, as the credit worthiness of our customers increased sufficiently to allow us to insure their balances; and,

— Increased costs of professional fees associated with our lenders and the prior year's refinancing of our mortgage payable.

Adjusted net income

The adjusted net income for the year ended July 31, 2012 was $828, or $0.13 per share, compared to adjusted net loss of $3,738, or $0.58 per share in the prior year.

Earnings overview

The net income for the year ended July 31, 2012 was $1,267, or $0.20 per share, compared to a net loss of $9,666, or $1.51 per share, in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations decreased from cash provided by operations of $6,071 in the prior year to cash used in operations of $740 in the current year.

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

— Increases in our investment in accounts receivable and work in progress, net of accounts payable, as we rebounded from significant lows in the prior year; and,

— Severance payments made during the year.

During the prior year, the Company renewed its mortgage payable for an additional two year term. As a result, the mortgage, which at the end of 2010 had been classified as a current liability become a long-term liability. The renewed mortgage did not generate funds nor did it utilize any funds from the Company's operating line of credit.

Conversely, as at July 31, 2012 the mortgage, with maturity less than 12 months away became a current liability.

Financial covenants

The Company met its financial covenants as at the end of fiscal 2012.

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

Capital assets and investment spending

For the year ended July 31, 2012, the Company invested $1,981 in capital assets. $307 of this total relates to our business transformation project, $1,100 relates to growth CAPEX spending and $574 relates to maintenance CAPEX spending.

Cash resources/working capital requirements

As at July 31, 2012, Reko had borrowed $11,087 on its revolving line of credit, net of its cash on hand, compared to $9,311 at July 31, 2011 and $13,653 at April 30, 2012. The revolver borrowings decreased by $2,566 in the quarter and increased approximately $1,776 for the year. We expect borrowings to display a slight decreasing trend over the next two quarters.

Reko has a $20,000 revolver available to it; however, based on our current lender defined margining capabilities, our borrowings are limited to $15,650, of which approximately $4,563 was unused and available at the end of the quarter. 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. At the present time, our primary lender has agreed to temporarily waive the minimum Debt Service Coverage Ratio. In its place, our primary lender has instituted a minimum monthly EBITDA target. 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

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS
Long-term debt	$ 10,066	$ 9,359	$ 386	$ 321	--
Capital lease obligations	--	--	--	--	--
Operating leases	35	30	5	--	--
Total contractual obligations	**$ 10,101**	**$ 9,389**	**$ 391**	**$ 321**	**--**

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, 2012. During the year, no options were granted and no options were exercised.

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	46,000	
Stock options exercisable	46,000	
Total (maximum) number of common shares		**6,466,920**

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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 IFRS. 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 judgments 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, an allowance 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 and considers reversal of impairment at each reporting date. 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 discounted future cash flows expected to result from the asset, without interest charges, is less than the carrying 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 recoverable amount of the asset from the carrying value of the asset. The recoverable amount is defined as the higher of: its fair value less its costs to sell; and, its value-in-use.

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

Future tax assets in respect of loss carry forwards and scientific research and experimental design credits relate primarily to legal entities in Canada and the United States. The Company evaluates the realization of its future tax assets by assessing the likelihood of realization. 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.

Provisions

Management estimates the costs associated with provisions based on management's expectations of amounts payable and the likelihood of the payment occurring.

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 2012, 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 will be performed throughout fiscal 2013.

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 2012, ended July 31, 2012. The information has been derived from the Company's unaudited condensed 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/10	JAN/11	APR/11	JULY/11
Sales	$ 9,685	$ 8,255	$ 10,890	$ 11,033
Net loss	(1,127)	(1,107)	(6,806)	(626)
Loss per share: Basic	(0.18)	(0.17)	(1.06)	(0.10)
Diluted	(0.18)	(0.17)	(1.06)	(0.10)

	OCT/11	JAN/12	APR/12	JULY/12
Sales	$10,510	$11,108	$11,388	$ 9,085
Net income	160	160	214	733
Earnings per share: Basic	0.02	0.02	0.03	0.13
Diluted	0.02	0.02	0.03	0.13

The Company's 2012 fourth quarter sales includes a reclassification of sales from previous quarters in the amount of $1,800. The reclassification resulted in a reduction of sales and an equivalent reduction in cost of sales. The reclassification did not impact the Company's earned revenue, gross profit, net income or earnings per share.

NORMAL COURSE ISSUER BID

The Company does not currently have an open Normal Course Issuer Bid.

This MD&A contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "anticipate," "plan," "may," "will," "should," expect," "believe," "estimate" and similar expressions to identify forward-looking information and statements. Such forward-looking information and statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be relevant and appropriate in the circumstances. Readers are cautioned not to place undue reliance on forward-looking information and statements, as there can be no assurance that the assumptions, plans, intentions or expectations upon which such statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed, implied or anticipated by such information and statements. These risks are described in the Company's MD&A and, from time to time, in other reports and filings made by the Company with securities regulators. While the Company believes that the expectations expressed by such forward-looking information and statements are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors, which could cause actual results or events to differ materially from those, indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update publicly or otherwise revise any such factors of any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

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