Reko International Group Inc.

Interim Condensed Consolidated Financial Statements

(unaudited)

For the six months ended January 31, 2020 and 2019

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Reko International Group Inc. for the three months and six months ended January 31, 2020 have been prepared by Management and approved by the Board of Directors on March 5, 2020. The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

REKO INTERNATIONAL GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(in 000's, except for per share amounts)

	January 31, 2020	July 31, 2019
ASSETS		
Current		
Cash	**$ 7,080**	$ 5,448
Accounts receivable	**8,234**	12,522
Non-hedging financial derivatives (Note 5)	**--**	25
Work-in-progress	**10,885**	8,605
Prepaid expenses and other current assets	**1,302**	1,286
Embedded derivative (Note 7)	**12**	24
	27,513	27,910
Grants receivable (Note 15)	**271**	237
Capital assets (Note 6)	**28,972**	29,340
Deferred income taxes	**3,138**	2,864
	$ 59,894	$ 60,351
LIABILITIES		
Current		
Bank indebtedness (Note 8)	**$ --**	$ --
Accounts payable and accrued liabilities	**3,358**	3,417
Unearned revenue on work-in-progress	**377**	255
Non-hedging financial derivatives (Note 5)	**3**	--
Current portion of unearned revenue	**19**	47
Current portion of long-term debt (Note 9)	**409**	741
Long-term debt subject to demand provisions (Note 9)	**6,061**	6,244
	10,227	10,704
Long-term debt (Note 9)	**3,166**	3,229
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**18,394**	18,531
Contributed surplus	**1,843**	1,820
Retained earnings	**26,264**	26,067
	46,501	46,418
	$ 59,894	$ 60,351

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

REKO INTERNATIONAL GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in 000's, except for per share amounts)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at July 31, 2018	$ 18,824	$ 1,865	$ 24,492	$ --	$ 45,181
Share-based payments	14	(20)	--	--	(6)
Net income	--	--	442	--	442
Balance at January 31, 2019	$ 18,838	$ 1,845	$ 24,934	$ --	$ 45,617
Balance at July 31, 2019	**$ 18,531**	**$ 1,820**	**$ 26,067**	**$ --**	**$ 46,418**
Share-based payments	**(137)**	**23**	**--**	**--**	**(114)**
Net income	**--**	**--**	**197**	**--**	**197**
Balance at January 31, 2020	**$ 18,394**	**$ 1,843**	**$ 26,264**	**$ --**	**$ 46,501**

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

REKO INTERNATIONAL GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in 000's, except for per share amounts)

	For the three months ended		For the six months ended	
	January 31, 2020	**January 31, 2019**	**January 31, 2020**	**January 31, 2019**
Sales	**$ 9,538**	$ 11,615	**$ 18,888**	$ 23,053
Costs and expenses				
Cost of sales	**7,604**	9,098	**14,503**	17,848
Depreciation	**933**	939	**1,866**	1,835
	8,537	10,037	**16,369**	19,683
Gross profit	**1,001**	1,578	**2,519**	3,370
Selling and administrative	**1,226**	1,395	**2,463**	2,703
Income before other items	**(225)**	183	**56**	667
Foreign exchange (gain) loss	**(171)**	(232)	**(10)**	(107)
Other income	**(89)**	(26)	**(102)**	(52)
(Gain) loss on sale of capital assets	**3**	--	**3**	(2)
Interest on long-term debt	**90**	104	**188**	209
Interest on other interest-bearing obligations	**9**	5	**15**	45
	(158)	(149)	**94**	93
Income before income taxes	**(67)**	332	**(38)**	574
Deferred income tax (recovery) provision	**(124)**	60	**(235)**	132
Net income and comprehensive income	**$ 57**	$ 272	**$ 197**	$ 442
Earnings per common share (Note 12)				
Basic	**$ 0.01**	$ 0.04	**$ 0.03**	$ 0.07
Diluted	**$ 0.01**	$ 0.04	**$ 0.03**	$ 0.07

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

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

	For the six months ended January 31, 2020	For the six months ended January 31, 2019
OPERATING ACTIVITIES		
Net income for the period	**$ 197**	$ 442
Adjustments for:		
Depreciation	**1.866**	1,835
Income tax expense	**(235)**	132
Interest expense	**203**	254
Change in value of embedded derivative	**12**	10
Change in non-hedging financial derivatives	**28**	--
Unrealized foreign exchange gain (loss)	**(4)**	25
Share-based compensation	**23**	48
Gain on sale of capital assets	**3**	(2)
	2,093	2,744
Net change in non-cash working capital	**1,988**	2,983
Interest paid	**(203)**	(256)
CASH PROVIDED BY OPERATING ACTIVITIES	**3,878**	5,446
FINANCING ACTIVITIES		
Proceeds from bank indebtedness	**--**	(3,815)
Proceeds from issuance of capital stock	**(137)**	(55)
Change in grant receivable	**(34)**	199
Payments on long-term debt	**(574)**	(558)
CASH USED IN FINANCING ACTIVITIES	**(745)**	(4,229)
INVESTING ACTIVITIES		
Investment in capital assets.	**(1,501)**	(1,296)
Proceeds from sale of capital assets	**--**	2
CASH USED IN INVESTING ACTIVITIES	**(1,501)**	(1,294)
Net change in cash	**1,632**	(52)
Cash, beginning of period	**5,448**	6,565
Cash, end of period	**$ 7,080**	$ 6,513

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

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

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

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

Statement of compliance

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2020.

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

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended July 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with the accounting policies and methods as those used in the Company's audited consolidated annual financial statements for the year ended July 31, 2019 except as noted below.

Basis of measurement

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

Basis of consolidation

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

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

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

The Company's subsidiaries are as follows:

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

Leases

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the ease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the relevant index or rate, if there is a change int the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

2. CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2019, the IASB issued IFRS 16, Leases, to supersede IAS 17, Leases. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets).

The Company has adopted IFRS 16 with an effective date of August 1, 2019 using the modified retrospective approach. This adoption has resulted in an increase to capital assets of $39.

The main changes to lease accounting as a result of IFRS 16 includes:

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

- The definition of a lease has changed under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Under IFRS 16, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial directs costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be determined, the lessee uses its incremental borrowing rate. Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company.
- IFRS 16 provides detailed guidance on determining the lease term when the company has an option to extend the lease.
- The new standard includes extensive disclosure requirements that differ from previous requirements.

On transition to IFRS 16, for leases previously classified as finance leases under IAS 17, the Company elected to apply the practical expedient whereby the Company is not required to reassess whether a contract is, or contains, a lease at the date of initial application. As such, the Company applied IFRS 16 only to contracts that were previously identified as leases.

The Company also adopted the recognition exemptions permitted for short-term leases and leases for which the underlying asset has a low value, as well as the following practical expedients permitted on initial adoption, under the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Using the Company's previous assessment of impairment under IAS 37 "Provisions, Contingent Liabilities and contingent Assets" for onerous contracts instead of re-assessing the right-of-use asset for impairment on August 1, 2019;
- Accounting for leases with a remaining term of less than 12 months as at August 1, 2019 as short-term leases;
- Excluding initial directs costs from the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

3. GEOGRAPHIC INFORMATION

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

	Six months ended January 31, 2020	
	Revenues	**Capital assets**
Canada	**$ 18,883**	**$ 28,972**
United States	**5**	**--**
	$ 18,888	**$ 28,972**

	Six months ended January 31, 2019	
	Revenues	Capital assets
Canada	$ 22,936	$ 30,720
United States	117	--
	$ 23,053	$ 30,720

4. FINANCIAL INSTRUMENTS

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

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

Fair Value

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

Accounts receivable, bank indebtedness, accounts payable and accrued liabilities

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

Fair value hierarchy

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

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

	Level 1	**Level 2**	**Level 3**	**January 31, 2020**
Financial assets at FVTPL				
Cash	**$ 7,080**	**$ --**	**$ --**	**$ 7,080**
Embedded derivative	**--**	**12**	**--**	**12**
	$ 7,080	**$ 12**	**$ --**	**$ 7,092**

	Level 1	Level 2	Level 3	July 31, 2019
Financial assets at FVTPL				
Cash	$ 5,448	$ --	$ --	$ 5,448
Non-hedging financial derivative	--	25	--	25
Embedded derivative	--	24	--	24
	$ 5,448	$ 49	$ --	$ 5,497

Non-hedging financial derivatives

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

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

Embedded derivative

The Company's embedded derivative relates to a provision in a long-term supply agreement with a customer. The provision provides that at the end of each six-month period in the five-year contract, the average foreign exchange rate between US dollars and Canadian dollars, during that period, shall be at least $1.09. In the event the average foreign exchange rate is less than $1.09, the customer equalizes the Company based on an average foreign exchange rate of $1.09. The Company's embedded derivative is valued based on valuation models for Asian puts and the closing foreign exchange rate between the Canadian and US dollar.

Long-term debt

The Company's long-term debt of CDN $6,032 and USD $2,791 (currently valued at CDN $3,667) is subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for Government of Canada securities of similar duration. In each period thereafter, the incremental premium is held constant while the Government of Canada security is based on the then current market value to derive the discount rate. At January 31, 2020, the fair value of the Company's long-term debt is CDN $5,154 and USD $2,292 (currently valued at CDN $3,004). At January 31, 2019, Company's long-term debt was CDN $6,300 and USD $2,941.

5. NON-HEDGING FINANCIAL DERIVATIVES

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. As at January 31, 2020, the Company had entered into foreign exchange contracts to sell an aggregate amount of $1,000 (USD). These contracts mitigate the Company's expected exposure to U.S. dollar denominated net assets and mature at, the latest, February 13, 2020, at an average exchange rate of $1.3195 Canadian. The mark-to-market value on these financial instruments as at January 31, 2020 was an unrealized loss of $3, which has been recorded in net income for the period.

As at January 31, 2019	**Maturity**	**Notional value**	**Average rate**	**Notional USD equivalent**	**Carrying & fair value (liability) asset**
Sell USD / Buy CAD	**0 – 6 months**	**$ 997**	**1.3195**	**$ 1,000**	**$ (3)**

As at July 31, 2019	**Maturity**	**Notional value**	**Average rate**	**Notional USD equivalent**	**Carrying & fair value (liability) asset**
Sell USD / Buy CAD	0 – 6 months	$ 7,025	1.3220	$ 7,000	$ 25

6. CAPITAL ASSETS

Capital assets are comprised of:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
Cost or deemed cost						
Balance at July 31, 2018	$ 661	$ 13,650	$ 50,193	$ 587	$ 2,211	$ 67,302
Additions	--	134	--	--	1,688	1,822
Transfers	--	313	3,176	224	(3,713)	--
Disposals	--	--	(63)	--	--	(63)
Balance at July 31, 2019	**$ 661**	**$ 14,097**	**$ 53,306**	**$ 811**	**$ 186**	**$ 69,061**
Additions	**--**	**49**	**39**	**--**	**1,413**	**1,501**
Transfers	**--**	**--**	**773**	**33**	**(806)**	**--**
Disposals	**--**	**--**	**(11)**	**--**	**--**	**(11)**

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

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
Balance at January 31, 2020	**$ 661**	**$ 14,146**	**$ 54,107**	**$ 844**	**$ 793**	**$ 70,551**
Amortization and impairment losses						
Balance at July 31, 2018	$ --	$ 4,100	$ 31,693	$ 250	$ --	$ 36,043
Amortization for the year	--	470	3,214	46	--	3,730
Disposals	--	--	(52)	--	--	(52)
Balance at July 31, 2019	**$ --**	**$ 4,570**	**$ 34,855**	**$ 296**	**$ --**	**$ 39,721**
Amortization for the year	**--**	**236**	**1,600**	**30**	**--**	**1,866**
Disposals	**--**	**--**	**(8)**	**--**	**--**	**(8)**
Balance at January 31, 2020	**$ --**	**$ 4,806**	**$ 36,447**	**$ 326**	**$ --**	**$ 41,579**
Carrying value						
Balance at July 31, 2019	$ 661	$ 9,527	$ 18,451	$ 515	$ 186	$ 29,340
Balance at January 31, 2020	**$ 661**	**$ 9,340**	**$ 17,660**	**$ 518**	**$ 793**	**$ 28,972**
Net book value of right of use assets as at August 1, 2019	**--**	**--**	**$39**	**--**	**--**	**$39**
Net book value of right of use assets as at January 31, 2020	**--**	**--**	**$36**	**--**	**--**	**$36**

7. EMBEDDED DERIVATIVE

During the first quarter of 2015, the Company entered into a long-term supply agreement with one of its customers. One of the terms of that agreement included an embedded derivative, establishing a foreign exchange rate floor of $1.09 on sales by the Company to the customer. This floor is measured every six months during the term of the agreement and is based on the average foreign exchange rate during the period under measurement.

The embedded derivative is comprised of:

	January 31, 2020	**July 31, 2019**
Embedded derivative, beginning of year	**$ 24**	$ 48
Fair value change, during the period	**(12)**	(24)
Embedded derivative, end of period	**$ 12**	$ 24

8. BANK INDEBTEDNESS

The bank indebtedness is payable over various maturities, not exceeding 30 days, with interest at various amounts ranging from LIBOR plus 175 basis points to bank prime plus 50 basis points, as follows:

	January 31, 2020	**July 31, 2019**
Bank overdraft – bearing interest at 5.25%	**$ --**	$ --
Canadian dollar bankers' acceptance bearing interest at 2.30% due in less than 30 days	**--**	--
U.S. dollar LIBOR bearing interest at 3.63% due in less than 30 days	**--**	--
Foreign exchange on U.S. dollar LIBOR	**--**	--
	$ --	$ --

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

The bank indebtedness is secured by a general assignment of book debts and work-in-progress together with a second collateral mortgage of $8,500 on all land and buildings. At January 31, 2020, the Company's available operating lines of credit of $15,886 was fully available based on lender defined margining capabilities.

9. LONG-TERM DEBT

The long-term debt is comprised of:

	January 31, 2020	**July 31, 2019**
Mortgage payable – 3.97%, repayable $21 monthly including interest, due in full April 2023, secured by certain land and building and an assignment of rents on the subject property	**$ 3,292**	$ 3,352
Mortgage payable – 4.42%, repayable $21 monthly including interest, due in full August 2023, secured by certain land and building and general security agreement, subject to demand provisions	**2,741**	2,815
Mortgage payable – 3.06% plus a credit spread, which may vary over the life of facility to a maximum of 275, currently at 175 for an all-in rate of 4.81%, repayable USD $14 monthly plus interest, due in full August 2025, secured by certain land, buildings and a general security agreement, subject to demand provisions	**3,667**	3,778
Loan payable – US dollar LIBOR (USD $800) plus applicable margin from 175 to 250 basis points, USD $45 monthly plus interest, due in full in March 2020, secured by general assignment of book debts and work-in-progress, together with a collateral mortgage, subject to demand provisions	**--**	342
	9,700	10,287
Deduct - unamortized finance fees	**64**	73
- principal portion included in current liabilities	**6,470**	6,985
Long-term portion	**$ 3,166**	$ 3,229

Notwithstanding the fact that certain facilities listed above are subject to demand provisions and are classified as current liabilities as a result, the Company expects to repay the principal over the entire scheduled term of the loans and these payments are outlined below. At January 31, 2020, $473 is due within the next twelve months under normal repayment terms and an additional $6,061 is not expected to be due in the next year but is subject to demand provisions.

Total bank credit facilities are as follows:

Year	**Bank Credit Facilities**
Next 12 months	$ 473
2 years	478
3 years	484
4 years	3,247
5 years	2,340

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

Thereafter	2,678
Balance of obligation	$ 9,700

10. SHARE CAPITAL

Share capital is comprised of:

	Authorized	Issued Shares	Amount
Class A preference shares	Unlimited	Nil	$ --
Class B preference shares	Unlimited	Nil	--
Common shares – no par value	Unlimited	6,312,750	$ 18,394

Share capital transactions during the period were as follows:

	January 31, 2020		July 31, 2019	
	Shares	**Amount**	Shares	Amount
Outstanding, beginning of year	**6,351,620**	**$ 18,531**	6,439,920	$ 18,824
Transactions during the period	**(38,870)**	**(137)**	(88,300)	(293)
Outstanding, end of period	**6,312,750**	**$ 18,394**	6,351,620	$ 18,531

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding, as at January 31, 2020 were exercised:

Common shares outstanding at January 31, 2020	6,312,750
Stock options	79,740
	6,392,490

11. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	January 31, 2020	**July 31, 2019**
Balance, beginning of period	**$ 1,820**	$ 1,865
Amounts in respect of exercised stock options	**23**	(69)
Amounts in respect of the stock-based compensation	**--**	24
Balance, end of period	**$ 1,843**	$ 1,820

12. EARNINGS PER SHARE

The calculation of basic earnings per share at January 31, 2020 was based on the net income attributable to common shareholders of $197 and a weighted average number of common shares outstanding of 6,341,607 calculated as follows:

	January 31, 2020	**January 31, 2019**
Basic earnings per share:		
Net income for the three-month period	**$ 57**	$ 272
Average number of common shares outstanding during the period	**6,349,263**	6,451,498
Basic earnings per share	**$ 0.01**	$ 0.04

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

Diluted earnings per share:		
Net earnings available to common shareholders	**$ 57**	$ 272
Average number of common shares outstanding during the period	**6,349,263**	6,451,498
'In the money' stock options outstanding during the period	**79,740**	313,000
	6,659,133	6,764,498
Diluted earnings per share	**$ 0.01**	$ 0.04

	January 31, 2020	January 31, 2019
Basic earnings per share:		
Net income for the six-month period	$ 197	$ 442
Average number of common shares outstanding during the period	6,341,607	6,449,994
Basic earnings per share	$ 0.03	$ 0.07

Diluted earnings per share:		
Net earnings available to common shareholders	$ 197	$ 442
Average number of common shares outstanding during the period	6,341,607	6,449,994
'In the money' stock options outstanding during the period	79,740	313,000
	6,421,347	6,762,994
Diluted earnings per share	$ 0.03	$ 0.07

13. STOCK-BASED COMPENSATION

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

As at January 31, 2020, the following options were outstanding:

Number of Options	Exercise price	Expiry
90,000	$ 3.90	2022
107,900	$ 2.90	2024
10,000	$ 3.50	2025

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

The weighted average of the options is as follows:

	January 31, 2020		January 31, 2019	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the period	**462,000**	**$ 2.60**	401,000	$ 2.46
Expired during the period	**(253,470)**	**$ 2.00**	--	--
Issued during the period	**10,000**	**$ 3.50**	120,000	$ 2.90
Exercised during the period	**(630)**	**$ 2.90**	(30,000)	$ 1.15
Cancelled during the period	**(10,000)**	**$ 3.16**	--	--
Outstanding at the end of the period	**207,900**	**$ 3.36**	491,000	$ 2.66
Exercisable at the end of the period	**79,740**	**$ 2.93**	57,000	$ 2.90

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

	January 31, 2020	**January 31, 2019**
Expected life	**5 years**	5 years
Expected dividends	**$ Nil**	$ Nil
Expected volatility – based on a 60-month historical average	**38.81%**	45.59%
Risk free rate of return	**0.14%**	0.69%
Expected forfeiture rate	**100.0%**	93.0%
Total compensation cost recognized in income for stock-based employee compensation awards	**$ --**	$ 48

14. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to its executive officers and contributes to a post-employment defined contribution benefit plan on their behalf. In accordance with the terms of the plan, executive officers are entitled to a receive a $1 contribution to the Company's Group RRSP annually, once they have completed 5 years of service to the Company (or as otherwise, negotiated). During the period, the Company expensed contributions of less than $1 to the defined contribution plan in Canada. The above contribution plans are identical to the contribution plans provided to all Canadian employees of the Company of key management personnel.

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

Key management personnel compensation comprised:

	January 31, 2020	**January 31, 2019**
Salaries and cash bonuses	**$ 338**	$ 340
Short-term employment benefits	**11**	14
Post-employment benefits	**1**	2
	$ 350	$ 356

Key management personnel and director transactions

Directors of the Company control 3.7% of the voting shares of the Company. Relatives of a director own, directly or indirectly, 61.37% of the voting shares of the Company.

15. GOVERNMENT GRANT

Effective August 1, 2017, the Company entered into a contract with the Ontario Ministry of Economic Growth and Development to receive funding of $300 per year for five successive years under the Southwestern Ontario Development Fund (SWODF). The contract provides a non-repayable grant in the amount of 10% of approved capital expenditures incurred in connection with the expansion of the Company's manufacturing capabilities during the period from May 1, 2017 through July 31, 2021 and is contingent upon the Company meeting agreed upon job creation targets.

The funding relates primarily to capital acquisitions and as a result, related assets are recorded net of the applicable grant amount - with the net amount being amortized over the useful life of each individual asset.

As of January 31, 2020, the Company has received $600 in cash funding from SWODF and accrued an additional amount receivable of $571 on total eligible expenditures of $11,707. The current portion of $300 is included in accounts receivable with the remainder of $271 being disclosed as long-term grant receivable at January 31, 2020. Grant amounts will be paid in accordance with the funding contract over the period of the agreement as long as job creation targets and certain reporting and other obligations are fulfilled on an annual basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of operations and financial position ("MD&A") and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the period ended January 31, 2020 and the audited consolidated financial statements and MD&A for the year ended July 31, 2019 included in our 2019 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended January 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). When we use the terms "we", "us", "our", "Reko", or "Company", we are referring to Reko International Group Inc. and its subsidiaries.

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

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

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

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

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

This MD&A is current to March 5, 2020.

OVERVIEW

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

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

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

Our design and manufacturing operations are carried on in three manufacturing plants located on adjacent parcels of land in Lakeshore, Ontario – a suburb of the City of Windsor in Southwestern Ontario. This includes a new state of the art automation facility which was opened in April 2018.

RECONCILIATION OF NON-IFRS MEASURES

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

	Three months ended		Six months ended	
	January 31, 2020	**January 31, 2019**	**January 31, 2020**	**January 31, 2019**
Sales	$ 9,538	$ 11,615	$ 18,888	$ 23,053
Less: Materials	2,439	3,472	4,392	6,743
Sub-contracting	387	449	886	1,286
Inventory adjustments	359	33	(15)	(85)
	$ 6,353	$ 7,661	$ 13,625	$ 15,109

RESULTS OF OPERATIONS

Sales

Sales for the three months ended January 31, 2020 decreased $2,077, or 17.3%, to $9,538, compared to $11,615 in the same period in the prior year. Sales for the six months ended January 31, 2020 decreased $4,165, or 18.1%, to $18,888, compared to $23,053 in the same period in the prior year.

The decrease is primarily driven by continued lower volumes in certain sectors. Certain divisions also experienced a delayed timing of kick off and completion for certain jobs, which impacted results in both quarters. The decrease was partially offset by an increase in foreign exchange rates for U.S. dollar sales.

Earned revenue

Earned revenue is not a standard IFRS measurement. The Company's explanation of how it measures earned revenue is located in the previous section. Earned revenue effectively measures that portion of our total revenue available to the Company to pay its workers, pay for its fixed and operating costs and earn a profit. The Company believes that earned revenue is a more effective measurement of how the Company is performing.

For the three months ended January 31, 2020, earned revenue decreased by 17.1%, to $6,353 compared to $7,661 in the same period in the prior year. For the six months ended January 31, 2020, earned revenue decreased by 9.8%, to $13,625 compared to $15,109 in the same period in the prior year. The decrease in earned revenue is due to the overall decrease in revenue.

Gross profit

The gross profit for the three months ended January 31, 2020 decreased $577, or 36.6%, to $1,001, compared to $1,578 in the same period in the prior year. Gross profit for the six months ended January 31, 2020 decreased $851, or 25.3%, to $2,519, compared to $3,370 in the same period in the prior year. The decreased overall sales had an impact on gross profit. As a percentage of sales at 10.5%, gross profit has experienced a decrease during the second quarter. This is mainly due to some additional manpower required on some specialized work to meet customer requirements. Overall, for the six months of the current fiscal year, gross profit as a percentage of sales of 13.3%, compared to 14.6% for the same period last fiscal year, remains relatively consistent.

Selling and administration

Selling and administration expenses ("S&A") decreased by $169 to $1,226 for the three months ended January 31, 2020, compared to $1,395 for the same period in the prior year. S&A for the six months ended January 31, 2020 decreased by $240 to $2,463 compared to $2,703 for the same period last fiscal year. The Company continues to monitor spend and has implemented several cost reduction initiatives during the fiscal year.

Earnings overview

The net income for the three months ended January 31, 2020 was $57, or $0.01 per share, compared to a net income of $272, or $0.04 per share, in the same period of the prior year. For the six months ended January 31, 2020, net income was $197, or $0.03 per share, compared to $442, or $0.07 per share, in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for the period was $3,878 as compared to $5,446 in the same period of the previous year. The decrease in cash flow provided by operations is primarily a result of a decrease in the net change in non-cash working capital.

Financial covenants

The Company continues to meet its financial covenants, including the first quarter of 2020.

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 six months ended January 31, 2020, the Company invested $1,501 in capital assets.

Cash resources/working capital requirements

As at January 31, 2020, Reko had cash on hand of $7,080, compared to $5,448 at July 31, 2019, and compared to $6,513 at January 31, 2019.

At January 31, 2020 the Company did not have any outstanding bank indebtedness.

Reko has a $20,000 revolver available. At October 31, 2019, the Company's available operating lines of credit of $15,886 was fully available based on lender defined margining capabilities.

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	$ 3,290	$ 124	$ 267	$ 2,899	--
Long-term debt subject to demand provisions	6,406*	$ 349*	$ 695*	$ 2,687*	$ 2,675*
Lease liabilities	36	9	19	8	
Total contractual obligations	**$ 9,732**	**$ 482**	**$ 981**	**$ 5,594**	**$ 2,675**

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

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

Reko does not maintain any off-balance sheet financing.

Share capital

The Company had 6,312,750 common shares outstanding at January 31, 2020.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	6,312,750	
Stock options issued	207,900	
Stock options exercisable	79,740	
Total (maximum) number of common shares		6,600,390

INDUSTRY TRENDS AND RISKS

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

affected by many factors, including general economic and political conditions, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The economic, industry and risk factors discussed in our Annual Report, each in respect of the year ended July 31, 2019, remain substantially unchanged in respect of the six months ended January 31, 2020, however, the most significant of these are repeated below.

Current outsourcing and in-sourcing trends

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

A shift away from technologies in which the Company is investing

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

Diversification of our sales

Although we supply factory automation, molds, gauges, and fixtures to all the leading automobile manufacturers, a majority of our sales are still to the Detroit 3. In addition, although we supply machined locomotive crankcases to each of the leading locomotive manufacturers, a significant majority of our sales in this sector are to one locomotive OEM. While we have diversified our customer base in recent years, and continue to attempt to further diversify, we may experience varying degrees of success. Inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

Challenges successfully competing against suppliers with operations in developing markets

Many of our customers have sought, and will likely continue to seek, to take advantage of lower operating costs in Mexico, China, India, Southeast Asia, and other developing markets. We continue to investigate opportunities to expand our manufacturing sources, with a view to taking advantage of these lower cost countries. However, 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.

Continued support of our lenders

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

Significant long-term fluctuations in relative currency values

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

Economic downturn triggered by potential global pandemic

The new coronavirus threat that originated in China has had a global effect. China's economy, whose manufacturing and production sectors serve as a workshop for much of the world, has taken a severe hit. However, the effect has now expanded to global businesses, many of which are experiencing supply chain issues. The further spread of the virus to other countries has sparked growing concern that the situation has become a pandemic. Should the virus not be contained relatively soon, transport and import costs could rise. Should the virus expand its geographical reach, disruption to global trade demand and consumer spending would trigger a global recession.

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

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

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

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

Fiscal Period	Total U.S. exposure before hedging programme	Forward foreign exchange contracts booked	Net exposure to the U.S. dollar
Q2 - 2020	$ 7,772	$ 1,000	$ 6,772
Q1 - 2020	$ 9,300	$ 4,000	$ 5,300
Q4 – 2019	$ 11,639	$ 7,000	$ 4,639
Q3 – 2019	$ 13,897	$ 10,000	$ 3,897

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

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

	For the three months ended January 31, 2020				For the six months ended January 31, 2020			
	2020		2019		2020		2019	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate

U.S. Dollar equals Canadian Dollar	1.3153	1.3204	1.3299	1.3107	1.3197	1.3186	1.3162	1.3051

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

During the second quarter, the Company recorded a pre-tax gain of approximately $171 related to the fair value of its U.S. dollar exposures. At the end of the quarter, we held FFECs of $1,000 compared to $13,000 at the end of the quarter in the prior year. During fiscal 2020, on average, we held FFECs of $4,000, compared to $11,000 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
Q2 - 2020	$ 1,000	1.3195

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

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

QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the second quarter of fiscal 2020, ended January 31, 2020. The information has been derived from the Company's unaudited consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in the Annual Report for the year ended July 31, 2019, 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.

	Apr/19	July/19	Oct/19	Jan/20
Sales	$ 14,277	$ 10,659	$ 9,350	$ 9,538
Net income	609	526	140	57
Earnings per share: Basic	0.10	0.08	0.02	0.01
Diluted	0.09	0.07	0.02	0.01
	Apr/18	**July/18**	**Oct/18**	**Jan/19**

Sales	$ 11,776	$ 10,206	$ 11,438	$ 11,615
Net income	647	713	170	272
Earnings per share: Basic	0.10	0.11	0.03	0.04
Diluted	0.10	0.10	0.03	0.04

NORMAL COURSE ISSUER BID

On December 27, 2019, the Company announced the extension of the normal course issuer bid. Under the plan, the Company may purchase on the TSX Venture Exchange up to a total of 316,933 of its common shares during the twelve-month period which commenced December 31, 2019. The 316,933 common shares represent approximately 5% of the total common shares outstanding. The price that the Company will pay for any such shares will be the market price at the time of acquisition and all shares acquired under the bid will be cancelled by the Company.

During the quarter ended January 31, 2020, Reko purchased and subsequently cancelled 31,800 shares under the provision of the normal course issuer bid.