Reko International Group Inc.

Interim Condensed Consolidated Financial Statements

(unaudited)

For the six months ended January 31, 2022 and 2021

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, 2022 have been prepared by Management and approved by the Board of Directors on March 10, 2022. 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, 2022	July 31, 2021
ASSETS		
Current		
Cash	$ 10,834	$ 6,209
Accounts receivable	9,530	9,617
Short-term investments	--	4,500
Work-in-progress	12,140	10,846
Prepaid expenses and other current assets	838	1,155
	33,342	32,327
Grants receivable (Note 12)	--	300
Capital assets (Note 5)	26,867	27,141
Deferred income taxes	2,086	2,593
	$ 62,295	$ 62,361
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 4,617	$ 4,750
Unearned revenue on work-in-progress	236	1,337
Non-hedging financial derivatives (Note 4)	26	138
Current portion of long-term debt (Note 6)	789	448
Long-term debt subject to demand provisions (Note 6)	5,284	5,380
	10,952	12,053
Long-term debt (Note 6)	4,530	3,252
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	17,392	17,418
Contributed surplus (Note 8)	1,865	1,944
Retained earnings	27,556	27,694
	46,813	47,056
	$ 62,295	$ 62,361

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

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

	Share capital	Contributed surplus	Retained earnings	Total equity
Balance at July 31, 2020	**$ 18,210**	**$ 1,869**	**$ 26,830**	**$ 46,909**
Net share-based transactions	(492)	--	--	(492)
Net income	--	42	(428)	(386)
Balance at January 31, 2021	**$ 17,718**	**$ 1,911**	**$ 26,402**	**$ 46,031**
Balance at July 31, 2021	**$ 17,418**	**$ 1,944**	**$ 27,694**	**$ 47,056**
Net share-based transactions	(26)	(79)	--	**(105)**
Dividends	--	--	(1,504)	**(1,504)**
Net income	--	--	1,366	**1,366**
Balance at January 31, 2022	**$ 17,392**	**$ 1,865**	**$ 27,556**	**$ 46,813**

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, 2022	January 31, 2021	**January 31, 2022**	January 31, 2021
Sales	**$ 13,419**	$ 10,982	**$ 25,525**	$ 17,825
Costs and expenses				
Cost of sales	**10,421**	9,130	**19,909**	14,839
Depreciation	**774**	777	**1,557**	1,570
	11,195	9,907	**21,466**	16,409
Gross profit	**2,224**	1,075	**4,059**	1,416
Selling and administrative	**1,291**	1,073	**2,515**	3,042
Income (loss) before other items	**933**	2	**1,544**	(1,626)
Foreign exchange (gain) loss	**(164)**	422	**(236)**	442
Other income	**(118)**	(739)	**(242)**	(1,328)
(Gain) loss on sale of capital assets	**--**	--	**(16)**	48
Interest on long-term debt	**89**	92	**180**	168
Interest on other interest-bearing obligations	**(15)**	(13)	**(20)**	(6)
	(208)	(238)	**(334)**	(676)
Income (loss) before income taxes	**1,141**	240	**1,878**	(950)
Deferred income tax (recovery) provision	**269**	(228)	**512**	(522)
Net income (loss) and comprehensive income (loss)	**$ 872**	$ 468	**$ 1,366**	$ (428)
Earnings (loss) per common share (Note 9)				
Basic	**$ 0.15**	$ 0.07	**$ 0.23**	$ (0.07)
Diluted	**$ 0.14**	$ 0.07	**$ 0.22**	$ (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, 2022	For the six months ended January 31, 2021
OPERATING ACTIVITIES		
Net income (loss) for the period	**$ 1,366**	$ (428)
Adjustments for:		
Depreciation	**1,557**	1,570
Income tax expense	**512**	(522)
Interest expense	**160**	162
Change in non-hedging financial derivatives	**(112)**	286
Unrealized foreign exchange loss (gain)	**89**	(158)
Share-based compensation	**34**	42
Loss on sale of capital assets	**(16)**	48
	3,590	1,000
Net change in non-cash working capital	**(2,129)**	4,352
Interest paid	**(160)**	(162)
CASH PROVIDED BY OPERATING ACTIVITIES	**1,301**	5,190
FINANCING ACTIVITIES		
Payment of dividends	**(1,504)**	--
Net cost of repurchase of capital stock	**(139)**	(492)
Advances of long-term debt	**1,675**	--
Repayments of long-term debt	**(241)**	(215)
CASH USED IN FINANCING ACTIVITIES	**(209)**	(707)
INVESTING ACTIVITIES		
Investment in capital assets	**(1,321)**	(463)
Proceeds from sale of capital assets	**54**	--
Proceeds from sale of short-term investments	**4,500**	500
Change in grant receivable	**300**	(30)
CASH USED IN INVESTING ACTIVITIES	**3,533**	7
Net change in cash	**4,625**	4,490
Cash, beginning of period	**6,209**	4,441
Cash, end of period	**$ 10,834**	$ 8,931

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

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.

COVID-19 Pandemic

On March 11, 2020, a virus known as COVID-19 was declared a pandemic by the World Health Organization. The pandemic resulted in governments worldwide enacting emergency measures to combat the spread of the virus including the implementation of travel bans, self-imposed quarantine periods and social distancing. These emergency measures caused significant disruption to businesses globally resulting in an economic slowdown that depressed world stock prices, decreased bond yields, and increased the volatility in discount rates at the beginning of the year. To combat the economic slowdown, governments and central banks have since provided significant fiscal and financial assistance and markets have experienced recoveries. For the past several months, Governments have been rolling out mass vaccination campaigns, but it is still difficult to predict the duration and impact of the pandemic.

Statement of compliance

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2022.

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, 2021, 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, 2021 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.

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

An agreement is a lease if the agreement conveys the right to obtain substantially all of the economic benefit from the use of the identified asset and the right to direct the use of the identified asset.

The Company leases certain property, plant and equipment as right-of-use assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Assets and liabilities arising from a lease are initially measured on a present value basis, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities include the present value of fixed and variable payments, residual value guarantees, exercise of purchase options if reasonably certain to be exercised and any penalties for terminating the lease if reasonably certain to terminate. Right-of-use assets are measured at cost comprised of the amount of the initial measurement of the lease liability plus any lease payments made before the lease commencement date, any initial direct costs and restoration costs. Lease payments are allocated between finance charges and a reduction of the outstanding lease obligation. If the underlying right-of-use asset transfers to the lessee at the end of the lease term or the lessee is reasonably certain to exercise a purchase option, the depreciation shall be the useful life of the right-of-use asset in accordance with the Company's depreciation methods and rates based on the class of the right-of-use asset. Otherwise, the right-of-use assets are depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis.

For any contracts with a short-term or if the present value of the right-of-use asset has a low-value, the Company will expense the lease payments as incurred and no right-of-use asset will be recorded.

2. GEOGRAPHIC INFORMATION

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

	Six months ended January 31, 2022	
	Revenues	**Capital assets**
Canada	**$ 22,997**	**$ 26,867**

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

United States	**2,528**	--
	$ 25,525	**$ 26,867**

	Six months ended January 31, 2021	
	Revenues	Capital assets
Canada	$ 16,868	$ 26,105
United States	957	--
	$ 17,825	$ 26,105

3. FINANCIAL INSTRUMENTS

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

Fair Value

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

Accounts receivable, accounts payable and accrued liabilities

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

Fair value hierarchy

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

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

	Level 1	**Level 2**	**Level 3**	**January 31, 2022**
Financial assets at FVTPL				
Cash	$ 10,834	$ --	$ --	$ 10,834
Non-hedging financial derivatives	--	(26)	--	(26)
	$ 10,834	**$ (26)**	**$ --**	**$ 10,808**

	Level 1	Level 2	Level 3	July 31, 2021

Financial assets at FVTPL				
Cash	$ 6,209	$ --	$ --	$ 6,209
Short-term investments	4,500	--	--	4,500
Non-hedging financial derivative	--	(138)	--	(138)
	$ 10,709	$ (138)	$ --	$ 10,571

Non-hedging financial derivatives

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

Long-term debt

The Company's long-term debt of CDN $5,773 and USD $2,490 (currently valued at CDN $3,180) 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, 2022, the fair value of the Company's long-term debt is CDN $5,629 and USD $2,907. At July 31, 2021, the fair value of the Company's long-term debt was CDN $6,045 and USD $2,684.

4. NON-HEDGING FINANCIAL DERIVATIVES

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. During the period, the Company had entered into foreign exchange forward contracts As at January 31, 2022, the Company holds options to buy and sell USD with maturities ranging from 0-6 months and at various exercise prices. The mark to market value of those options is included below.

As at January 31, 2022	Maturity	Notional value	Average rate	Notional USD equivalent	Carrying & fair value liability
Sell USD / Buy CAD forwards	**0 – 6 months**	**$ 974**	**1.2800**	**$ 1,000**	**$(26)**
As at July 31, 2021	**Maturity**	**Notional value**	**Average rate**	**Notional USD equivalent**	**Carrying & fair value liability**
Sell USD / Buy CAD forwards	0 – 6 months	$ 6,862	1.2370	$ 7,000	$(138)

5. CAPITAL ASSETS

Capital assets are comprised of:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total

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

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
Cost or deemed cost						
Balance at July 31, 2020	$ 661	$ 14,146	$ 53,646	$ 844	$ 417	$ 69,714
Additions	--	384	--	--	2,709	3,093
Transfers	--	--	1,071	--	(1,071)	--
Disposals	--	--	(1,185)	--	--	(1,185)
Balance at July 31, 2021	**$ 661**	**$ 14,530**	**$ 53,532**	**$ 844**	**$ 2,055**	**$ 71,622**
Additions	--	26	--	--	1,295	1,321
Transfers	--	29	576	--	(605)	--
Disposals	--	--	(500)	--	--	(500)
Balance at January 31, 2022	**$ 661**	**$ 14,585**	**$ 53,608**	**$ 844**	**$ 2,745**	**$ 72,443**
Amortization and impairment losses						
Balance at July 31, 2020	$ --	$ 5,052	$ 37,033	$ 369	$ --	$ 42,454
Amortization for the year	--	410	2,657	53	--	3,120
Disposals	--	--	(1,093)	--	--	(1,093)
Balance at July 31, 2021	**$ --**	**$ 5,462**	**$ 38,597**	**$ 422**	**$ --**	**$ 44,481**
Amortization for the year	--	213	1,321	22	--	1,556
Disposals	--	--	(461)	--	--	(461)
Balance at January 31, 2022	**$ --**	**$ 5,675**	**$ 39,457**	**$ 444**	**$ --**	**$ 45,576**
Carrying value						
Balance at July 31, 2021	**$ 661**	**$ 9,068**	**$ 14,935**	**$ 422**	**$ 2,055**	**$ 27,141**
Balance at January 31, 2022	**$ 661**	**$ 8,910**	**$ 14,151**	**$ 400**	**$ 2,745**	**$ 26,867**

Right of use assets of $1,456 are included in machinery and equipment above (July 31, 2021 - $Nil).

6. LONG-TERM DEBT

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

	January 31, 2022	July 31, 2021
Mortgage payable – 2.04% (July 31, 2021 – 2.04%), repayable $23 monthly including interest, due in full April 2023, secured by certain land and building and an assignment of rents on the subject property	**$ 3,328**	$ 3,399
Mortgage payable – 4.31% (July 31, 2021 – 4.31%), repayable $21 monthly including interest, due in full August 2023, secured by certain land and building and general security agreement, subject to demand provisions	**2,446**	2,520
Mortgage payable – 3.06% plus a credit spread (July 31, 2021 – 3.06%), which may vary over the life of facility to a maximum of 275, currently at 175 for an all-in rate of 5.00%, repayable USD $14 monthly plus interest, due in full August 2025, secured by certain	**3,180**	3,197

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

land, buildings, and a general security agreement, subject to demand provisions		
Equipment lease – 2.78%, repayable US $23 monthly including interest, due in full January 2027.	**1,675**	--
	10,629	9,116
Deduct - unamortized finance fees	**26**	36
- principal portion included in current liabilities	**6,073**	5,828
Long-term portion	**$ 4,530**	$ 3,252

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, 2022, $815 is due within the next twelve months under normal repayment terms and an additional $5,284 is not expected to be due in the next year but is subject to demand provisions.

During the period, the Company entered into a sales leaseback transaction related to its equipment lease. There was no gain or loss recorded on the transaction.

Total bank credit facilities are as follows:

Year	**Bank Credit Facilities**
Next 12 months	$ 815
2 years	5,995
3 years	529
4 years	2,950
5 years	340
Thereafter	--
Balance of obligation	$ 10,629

7. SHARE CAPITAL

Share capital is comprised of:

	Authorized	**Issued Shares**	**Amount**
Class A preference shares	Unlimited	Nil	$ --
Class B preference shares	Unlimited	Nil	--
Common shares – no par value	Unlimited	5,996,850	$ 17,392

Share capital transactions during the period were as follows:

	January 31, 2022		**July 31, 2021**	
	Shares	**Amount**	Shares	Amount

Outstanding, beginning of year	**6,003,850**	**$ 17,418**	6,242,650	$ 18,210
Stock options exercised during the period	**57,800**	**288**	--	--
Repurchase of shares during the period	**(64,800)**	**(314)**	(238,800)	(792)
Outstanding, end of period	**5,996,850**	**$ 17,392**	6,003,850	$ 17,418

During the period, the Company repurchased and cancelled 35,800 common shares under the normal course issuer bid for a net cost of $177.

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, 2022 were exercised:

Common shares outstanding at January 31, 2022	5,996,850
Stock options	239,800
	6,236,650

8. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	January 31, 2022	July 31, 2021
Balance, beginning of period	**$ 1,944**	$ 1,869
Amounts in respect of exercised stock options	**(113)**	--
Amounts in respect of the stock-based compensation	**34**	75
Balance, end of period	**$ 1,865**	$ 1,944

9. EARNINGS PER SHARE

The calculation of basic earnings per share at January 31, 2022 was based on the net profit attributable to common shareholders of $872 and a weighted average number of common shares outstanding of 6,015,983 calculated as follows:

	January 31, 2022	**January 31, 2021**
Basic earnings per share:		
Net income for the three-month period	**$ 872**	$ 468
Average number of common shares outstanding during the period	**6,019,250**	**6,175,617**
Basic earnings per share	**$ 0.15**	$ 0.07
Diluted earnings per share:		
Net income for the three-month period	**$ 872**	$ 468
Average number of common shares outstanding during the period	**6,019,250**	6,175,617
'In the money' stock options outstanding during the period	**239,800**	165,900

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

	6,259,050	6,341,517
Diluted earnings per share	**$ 0.14**	$ 0.07

	January 31, 2022	**January 31, 2021**
Basic earnings per share:		
Net income for the six-month period	$ 1,366	$ (428)
Average number of common shares outstanding during the period	6,015,983	6,205,617
Basic earnings per share	$ 0.23	$ (0.07)
Diluted earnings per share:		
Net income for the six-month period	$ 1,366	$ (428)
Average number of common shares outstanding during the period	6,015,983	6,205,617
'In the money' stock options outstanding during the period	239,800	--
	6,255,783	6,205,617
Diluted earnings per share	$ 0.22	$ (0.07)

10. STOCK-BASED COMPENSATION

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

As at January 31, 2022, the following options were outstanding:

Number of Options	Exercise price	Expiry
80,000	$ 3.90	2022
76,300	$ 2.90	2024
10,000	$ 3.50	2025
114,500	$ 2.80	2026
10,000	$ 4.59	2027

The weighted average of the options is as follows:

	January 31, 2022		**January 31, 2021**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**

Outstanding at the beginning of the period	**342,900**	**$ 3.14**	202,900	$ 3.37
Expired during the period	**(1,800)**	**$ 2.90**	--	--
Issued during the period	**10,000**	**$ 4.59**	140,000	$ 2.80
Exercised during the period	**(57,800)**	**$ 3.03**	--	--
Cancelled during the period	**(2,500)**	**$ 2.90**	--	--
Outstanding at the end of the period	**290,800**	**$ 3.21**	342,900	$ 3.14
Exercisable at the end of the period	**239,800**	**$ 3.25**	165,900	$ 2.86

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, 2022	**January 31, 2021**
Expected life	5 years	5 years
Expected dividends	$ Nil	$ Nil
Expected volatility – based on a 60-month historical average	32.62%	39.46%
Risk free rate of return	0.33%	(0.07)%
Expected forfeiture rate	100.0%	100.0%
Total compensation cost recognized in income for stock-based employee compensation awards	$ 34	$ 37

11. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to its executive officers and contributes to a post-employment defined contribution benefit plan on their behalf. In accordance with the terms of the plan, executive officers are entitled to receive up to a maximum of 2.5% of base salary. Company contributions under the plan will match 100% of the employee contributions. During the period, the Company expensed contributions of $138 to the defined contribution plan in Canada for all employees, including key management personnel. 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, 2022	**January 31, 2021**
Salaries and cash bonuses	**$ 371**	$ 303
Short-term employment benefits	**26**	12
Post-employment benefits	**17**	2
	$ 414	$ 317

Key management personnel and director transactions

Directors of the Company control 4.4% of the voting shares of the Company. Relatives of a director own, directly or indirectly, 64.59% of the voting shares of the Company.

12. GOVERNMENT GRANT

Southwestern Ontario Development Fund

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, 2022, the Company has received $900 in cash funding from SWODF and accrued an additional amount receivable of $600 (included in accounts receivable) in total eligible expenditures of $15,000. 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.

Canada Emergency Wage Subsidy

In March 2020, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS) to support employers that are hardest hit by the pandemic and protect the jobs Canadians depend on. The CEWS program provides a wage subsidy on eligible remuneration, subject to limits per employee, and based on demonstrated revenue declines as a result of COVID-19.

The Company reviews its eligibility under the CEWS program monthly and applies for assistance when it determines that it would be eligible. The Company recognizes the CEWS amount as other income in the financial statements. During the fiscal year, the Company received $88 of funding under the CEWS program. At January 31, 2022, the Company did not have additional accruals for the CEWS program.

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, 2022 and the audited consolidated financial statements and MD&A for the year ended July 31, 2021 included in our 2021 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended January 31, 2022 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 10, 2022.

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.

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, 2022	**January 31, 2021**	**January 31, 2022**	**January 31, 2021**
Sales	$ 13,419	$ 10,982	$ 25,525	$ 17,825
Less: Materials	4,452	4,346	8,127	5,411
Sub-contracting	1,329	621	2,627	1,021
Inventory adjustments	3	183	(50)	505
	$ 7,635	$ 5,832	$ 14,821	$ 10,888

RESULTS OF OPERATIONS

Sales

Sales for the three months ended January 31, 2022 increased $2,437, or 22.2%, to $13,419, compared to $10,982 in the same period in the prior year. Sales for the six months ended January 31, 2022 increased $7,700, or 43%, to $25,525, compared to $17,825 in the same period in the prior year. The increase in sales is attributable to a rebound from the negative effects the COVID-19 pandemic had on sales efforts during the first half of last year. Momentum has picked up, and our teams are busy quoting and kicking off new work.

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, 2022, earned revenue increased by 31%, to $7,636 compared to $5,832 in the same period in the prior year, due to the increase in sales volumes. For the six months ended January 31, 2022, earned revenue increased by 36.1%, to $14,821 compared to $10,888 in the same period in the prior year, due to the increase in sales volumes. Overall, earned revenue for the six months was 58% of sales, compared to 61% of sales for the first six months of the prior year.

Gross profit

The gross profit for the three months ended January 31, 2022 increased $1,149, to $2,224, compared to $1,075 in the same period in the prior year. Gross profit as a percentage of sales of 16.6% for the three months, better than 9.8% during the same period in the prior year. The gross profit for the six months ended January 31, 2022 increased $2,642, to $4,059, compared to $1,416 in the same period in the prior year. Improved sales volumes contributed to the increase, as did a continued focus on operational efficiencies. These increases were partly offset, however, by continued increase in material and labour costs, as well as shipping.

Selling, general and administration

Selling, general and administration expenses ("SG&A") increased by $219 to $1,291 for the three months ended January 31, 2022, compared to $1,073 for the same period in the prior year. SG&A expenses for the six months of the year totalled $2,515, compared to $3,042 in the prior year. The decrease in year-to-date costs compared to last year are mostly due to severance payments accounted for in Q1 of last year as a result of the corporate restructure that took place at that time.

Earnings overview

The net income for the three months ended January 31, 2022 was $872, or $0.15 per share, compared to $468, or $0.07 per share, in the same period of the prior year. Year to date net income totalled $1,366, or $0.23 per share, compared to a net loss of $428, or $(0.07) per share, during the same six months of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for the period was $1,301 as compared to $5,190 in the same period of the previous year. The decrease in cash flow provided by operations is primarily a result of decrease in net change of non-cash working capital.

Financial covenants

The Company continues to meet its financial covenants, including the first quarter of fiscal 2022.

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, 2022, the Company invested $1,321 in capital assets.

Cash resources/working capital requirements

As at January 31, 2022, Reko had cash on hand of $10,834, compared to $6,209 at July 31, 2021, and compared to $8,931 at January 31, 2021.

At January 31, 2022 the Company did not have any outstanding bank indebtedness.

Reko has a $20,000 revolver available. At January 31, 2022, the Company's available operating lines of credit of $17,912 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	$ 3,326	$ 149	$ 3,178	--	--
Long-term debt subject to demand provisions *	$ 5,626	$ 342	$ 2,679	$ 2,605	--
Lease liabilities	$ 1,693	$ 334	$ 673	$ 685	--
Total contractual obligations	**$ 10,645**	**$ 825**	**$ 6,530**	**$ 3,290**	**--**

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 5,996,850 common shares outstanding at January 31, 2022.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	5,996,850	
Stock options issued	290,800	
Stock options exercisable	239,800	
Total (maximum) number of common shares		6,287,650

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, 2021, remain substantially unchanged in respect of the six months ended January 31, 2022, however, the most significant of these are repeated below, with the most notable and significant impact related to the COVID-19 global pandemic.

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 good portion of our sales are still to the Detroit 3. 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.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. This outbreak, which has spread globally, have adversely affected workforces, economies, and financial markets globally. While the recent events are potentially leading to an economic downturn, governments and central banks have implemented significant monetary and fiscal interventions designed to stabilize the economic conditions.

COVID-19 has resulted in wide-spread and extended shutdowns of businesses throughout the world. Such disruptions have included temporary closures of third-party supplier facilities, restrictions on the export or shipment of product, or unavailability of key components sourced from affected manufacturers or suppliers. The outbreak has also impacted customer demand, either temporarily or permanently. While the effects of the pandemic did have a negative impact on the Company's financial results, the Company cannot determine the ultimate financial impacts at this time. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, and in particular, the duration of the outbreak, including the impact of the variants of the virus, travel restrictions, business disruptions and the effectiveness of actions taken in Canada and other countries to contain and treat the disease, as well as the success of the global vaccination efforts.

On March 23, 2020, the Government of Ontario announced that certain manufacturers and their suppliers were deemed essential businesses due to their importance to the Ontario economy. As Reko has maintained full operations during this unprecedented time, the Company implemented several measures aimed at protecting the health and safety of our employees, and customers, and limiting the exposure and spread of the virus. The Company will continue to evaluate all developments and make any necessary modifications and enhancements to our COVID-19 response. We continuously monitor the updates provided by public health authorities and by all levels of government and will modify our response as new information is provided. Our efforts with respect to this pandemic are ongoing and include our top executive and operational management team continually monitoring changes in best practices and regulations, and their impact on the safety of our employees, our operations and our customers and suppliers. While it is unclear how long the economic recovery from COVID-19 will take, we are committed as a Company to make every effort to succeed.

In March 2020, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS) to support employers that are hardest hit by the pandemic and protect the jobs Canadians depend on. The CEWS program provides a subsidy to qualifying employers on eligible remuneration, subject to limits per employee, and based on demonstrated revenue declines as a result of COVID-19.

The Company reviews its eligibility under the CEWS program monthly and applies for assistance when it determines that it would be eligible. Details are noted in Note 12 of the Company's financial statements.

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 - 2022	$ 14,961	$ 6,000	$ 8,961
Q1 - 2022	$ 10,946	$ 6,000	$ 4,946
Q4 - 2021	$ 8,438	$ 7,000	$ 1,438
Q3 - 2021	$ 12,480	$ 7,400	$ 5,080

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				For the six months ended January 31			
	2022		2021		2022		2021	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate
U.S. Dollar equals Canadian Dollar	1.2650	1.2700	1.2875	1.2968	1.2614	1.2687	1.3048	1.3326

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 $164 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 $5,500 at the end of the quarter in the prior year.

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

Fiscal Period	Contract value booked (000's)	Effective average rate
Q2 - 2022	$ 1,000	1.2800

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

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

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

QUARTERLY RESULTS

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 2022, ended January 31, 2022. 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, 2021, 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/20	July/20	Oct/20	Jan/21
Sales	$ 9,985	$ 11,353	$ 6,844	$ 10,982
Net income	65	501	(896)	468
Earnings per share: Basic	0.01	0.08	(0.14)	0.07
Diluted	0.01	0.08	(0.14)	0.07
	Apr/21	**July/21**	**Oct/21**	**Jan/22**
Sales	$ 12,413	$ 8,957	$ 12,106	$ 13,419
Net income	801	491	494	872
Earnings per share: Basic	0.13	0.08	0.08	0.15
Diluted	0.13	0.08	0.08	0.14

NORMAL COURSE ISSUER BID

On December 28, 2021, 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 300,837 of its common shares during the twelve-month period which commenced December 31, 2021. The 300,837 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, 2022, Reko purchased and subsequently cancelled 35,800 shares under the provision of the normal course issuer bid.