

## **Reko International Group Inc.**

### **Interim Condensed Consolidated Financial Statements** *(unaudited)*

*For the six months ended January 31, 2018 and 2017*

#### **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, 2018 have been prepared by Management and approved by the Board of Directors on March 1, 2018. 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, 2018	July 31, 2017
<b>ASSETS</b>		
Current		
Cash	\$ 249	\$ 4,740
Accounts receivable	13,064	7,318
Non-hedging financial derivatives (Note 4)	253	749
Work-in-progress	11,466	13,019
Prepaid expenses and other current assets	1,200	704
	<b>26,232</b>	26,530
Capital assets (Note 5)	26,950	23,027
Embedded derivative (Note 6)	50	50
Deferred income taxes	3,483	3,466
	<b>\$ 56,715</b>	<b>\$ 53,073</b>
<b>LIABILITIES</b>		
Current		
Bank indebtedness	\$ 3,491	\$ 1,618
Accounts payable and accrued liabilities	4,005	2,890
Unearned revenue on work-in-progress	758	8
Current portion of unearned revenue	120	120
Current portion of long-term debt (Note 8)	3,876	4,288
	<b>12,250</b>	8,924
Long-term debt (Note 8)	653	996
Unearned revenue	10	38
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	18,824	18,803
Contributed surplus	1,847	1,856
Retained earnings	23,131	22,456
	<b>43,802</b>	43,115
	<b>\$ 56,715</b>	<b>\$ 53,073</b>

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, 2016	\$ 18,819	\$ 1,876	\$ 21,201	\$ --	\$ 41,896
Share-based payments	25	(20)	--	--	5
Net income	--	--	1,425	--	1,425
Dividends paid	--	--	(1,289)	--	(1,289)
Balance at January 31, 2017	\$ 18,844	\$ 1,856	\$ 21,337	\$ --	\$ 42,037
<b>Balance at July 31, 2017</b>	<b>\$ 18,803</b>	<b>\$ 1,856</b>	<b>\$ 22,456</b>	<b>\$ --</b>	<b>\$ 43,115</b>
<b>Share-based payments</b>	<b>21</b>	<b>(9)</b>	<b>--</b>	<b>--</b>	<b>11</b>
<b>Net income</b>	<b>--</b>	<b>--</b>	<b>675</b>	<b>--</b>	<b>675</b>
<b>Balance at January 31, 2018</b>	<b>\$ 18,824</b>	<b>\$ 1,847</b>	<b>\$ 23,131</b>	<b>\$ --</b>	<b>\$ 43,802</b>

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**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, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Sales	\$ 11,529	\$ 11,213	\$ 20,290	\$ 21,573
Costs and expenses				
Cost of sales	9,216	8,438	15,834	16,239
Amortization	772	752	1,569	1,510
	<b>9,988</b>	<b>9,190</b>	<b>17,403</b>	<b>17,749</b>
Gross profit	<b>1,541</b>	2,023	<b>2,887</b>	3,824
Selling and administrative	<b>1,132</b>	956	<b>2,137</b>	2,055
Income before other items	<b>409</b>	1,067	<b>750</b>	1,769
Foreign exchange loss (gain)	55	24	82	(117)
Other income	(100)	(46)	(146)	(104)
Loss (gain) on sale of capital assets	3	(15)	3	(15)
Interest on long-term debt	56	75	117	157
Interest on other interest-bearing obligations	19	2	35	2
	<b>33</b>	<b>40</b>	<b>91</b>	<b>(77)</b>
Income before income taxes	<b>376</b>	1,027	<b>659</b>	1,846
Income tax provision (recovery)	<b>(44)</b>	238	<b>(16)</b>	421
Net income and comprehensive income	<b>\$ 420</b>	\$ 789	<b>\$ 675</b>	\$ 1,425
Earnings per common share (Note 11)				
Basic	<b>\$ 0.07</b>	\$ 0.12	<b>\$ 0.11</b>	\$ 0.22
Diluted	<b>\$ 0.06</b>	\$ 0.12	<b>\$ 0.10</b>	\$ 0.21

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**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, 2018	For the six months ended January 31, 2017
<b>OPERATING ACTIVITIES</b>		
Net income for the period	\$ 675	\$ 1,425
Adjustments for:		
Amortization	1,569	1,510
Income tax expense	(16)	421
Interest expense	152	159
Share-based compensation	(9)	20
Loss (gain) on sale of capital assets	3	(15)
	<b>2,374</b>	<b>3,520</b>
Net change in non-cash working capital	<b>(2,346)</b>	1,186
Interest paid	<b>(162)</b>	(162)
<b>CASH USED IN (PROVIDED BY) OPERATING ACTIVITIES</b>	<b>(134)</b>	4,544
<b>FINANCING ACTIVITIES</b>		
Increase in bank indebtedness	1,873	--
Proceeds from issuance of capital stock	21	6
Dividends paid	--	(1,289)
Unrealized foreign exchange gain	(70)	(78)
Payments on long-term debt	(685)	(2,362)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>1,139</b>	(3,723)
<b>INVESTING ACTIVITIES</b>		
Investment in capital assets	(5,496)	(1,904)
Proceeds from sale of capital assets	--	15
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,496)</b>	(1,889)
Net change in cash	<b>(4,491)</b>	(1,068)
Cash, beginning of period	<b>4,740</b>	5,225
Cash, end of period	<b>\$ 249</b>	\$ 4,157

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

**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(in 000's, except for per share amounts)

**1. SIGNIFICANT ACCOUNTING POLICIES**

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*Nature of operations*

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. The registered head office is located at 469 Silver Creek Industrial Drive, Lakeshore, Ontario, Canada.

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

*Statement of compliance*

The Board of Directors approved the unaudited interim condensed consolidated financial statements on March 1, 2018.

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, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with those of the previous year.

*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:

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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 Sales, Inc.	Michigan	100%	Full

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**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, 2018	
	Revenues	Capital assets
Canada	\$20,285	\$26,950
United States	5	--
	<b>\$20,290</b>	<b>\$26,950</b>

  

	Six months ended January 31, 2017	
	Revenues	Capital assets
Canada	\$20,353	\$23,811
United States	1,220	--
	<b>\$21,573</b>	<b>\$23,811</b>

**3. 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.

*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.

**Categories of method of fair valuing cash, non-hedging financial derivatives, embedded derivative and long-term debt**

The following table provides an analysis of cash and non-hedging financial derivatives 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).

**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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	Level 1	Level 2	Level 3	January 31, 2018
<b>Financial assets at FVTPL</b>				
Cash	\$ 249	\$ --	\$ --	\$ 249
Non-hedging financial derivatives	--	253	--	253
Embedded derivative	--	50	--	50
	\$ 249	\$ 303	\$ --	\$ 552
<b>Financial liabilities at amortized cost</b>				
Long-term debt	\$ --	\$ 4,529	\$ --	\$ 4,529
	\$ --	\$ 4,259	\$ --	\$ 4,529

	Level 1	Level 2	Level 3	July 31, 2017
<b>Financial assets at FVTPL</b>				
Cash	\$ 4,740	\$ --	\$ --	\$ 4,740
Non-hedging financial derivatives	--	749	--	749
Embedded derivative	--	50	--	50
	\$ 4,740	\$ 799	\$ --	\$ 5,539
<b>Financial liabilities at amortized cost</b>				
Long-term debt	\$ --	\$ 5,284	\$ --	\$ 5,284
	\$ --	\$ 5,284	\$ --	\$ 5,284

**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.

**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 \$3,211 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.



**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. NON-HEDGING FINANCIAL DERIVATIVES**

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. As at January 31, 2018, the Company had entered into foreign exchange contracts to sell an aggregate amount of \$10,000 (USD). These contracts mitigate the Company's expected exposure to U.S. dollar denominated net assets and mature at, the latest, July 19, 2018, at an average exchange rate of \$1.2546 Canadian. The mark-to-market value on these financial instruments as at January 31, 2018 was an unrealized gain of \$253, which has been recorded in net income for the period.

As at January 31, 2018	Maturity	Notional value	Average rate	Notional USD equivalent	Carrying & fair value asset
Sell USD / Buy CAD	0 – 6 months	\$ 10,253	1.2546	\$ 10,000	\$ 253

  

As at July 31, 2017	Maturity	Notional value	Average rate	Notional USD equivalent	Carrying & fair value liability
Sell USD / Buy CAD	0 – 6 months	\$ 11,749	1.3121	\$ 11,000	\$ 749

**5. CAPITAL ASSETS**

Capital assets are comprised of:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
<b>Cost or deemed cost</b>						
Balance at July 31, 2016	\$ 661	\$ 8,406	\$ 48,305	\$ 587	\$ 407	\$ 58,366
Additions	--	41	--	--	2,658	2,699
Transfers	--	--	2,281	--	(2,281)	--
Disposals	--	--	(5,118)	--	--	(5,118)
<b>Balance at July 31, 2017</b>	<b>\$ 661</b>	<b>\$ 8,447</b>	<b>\$ 45,468</b>	<b>\$ 587</b>	<b>\$ 784</b>	<b>\$ 55,947</b>
<b>Additions</b>	<b>--</b>	<b>6</b>	<b>--</b>	<b>--</b>	<b>5,489</b>	<b>5,496</b>
<b>Transfers</b>	<b>--</b>	<b>--</b>	<b>131</b>	<b>--</b>	<b>(131)</b>	<b>--</b>
<b>Disposals</b>	<b>--</b>	<b>--</b>	<b>(53)</b>	<b>--</b>	<b>--</b>	<b>(53)</b>
<b>Balance at January 31, 2018</b>	<b>\$ 661</b>	<b>\$ 8,453</b>	<b>\$ 45,546</b>	<b>\$ 587</b>	<b>\$ 6,142</b>	<b>\$ 61,389</b>
<b>Amortization and impairment losses</b>						
Balance at July 31, 2016	\$ --	\$ 3,503	\$ 31,283	\$ 163	\$ --	\$ 34,949
Amortization for the year	--	271	2,774	44	--	3,089
Transfer	--	--	--	--	--	--
Disposals	--	--	(5,118)	--	--	(5,118)
<b>Balance at July 31, 2017</b>	<b>\$ --</b>	<b>\$ 3,774</b>	<b>\$ 28,939</b>	<b>\$ 207</b>	<b>\$ --</b>	<b>\$ 32,920</b>
<b>Amortization for the year</b>	<b>--</b>	<b>136</b>	<b>1,411</b>	<b>22</b>	<b>--</b>	<b>1,569</b>
<b>Transfers</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Disposals</b>	<b>--</b>	<b>--</b>	<b>(50)</b>	<b>--</b>	<b>--</b>	<b>(50)</b>
<b>Balance at January 31, 2018</b>	<b>\$ --</b>	<b>\$ 3,910</b>	<b>\$ 30,300</b>	<b>\$ 229</b>	<b>\$ --</b>	<b>\$ 34,439</b>
<b>Carrying value</b>						
Balance at July 31, 2017	\$ 661	\$ 4,673	\$ 16,529	\$ 380	\$ 784	\$ 23,027
<b>Balance at January 31, 2018</b>	<b>\$ 661</b>	<b>\$ 4,543</b>	<b>\$ 15,246</b>	<b>\$ 358</b>	<b>\$ 6,142</b>	<b>\$ 26,950</b>

**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(in 000's, except for per share amounts)

**6. 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, 2018	July 31, 2017
Embedded derivative, beginning of year	\$ 50	\$ 50
Additions during the year	--	--
Fair value change, during the year	--	--
Embedded derivative, end of period	<b>\$ 50</b>	<b>\$ 50</b>

**7. 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, 2018	July 31, 2017
Canadian dollar bankers' acceptance bearing interest at 2.98% due in less than 30 days	\$ 1,000	\$ --
U.S. dollar LIBOR bearing interest at 3.3075% due in less than 30 days	1,000	1,300
Foreign exchange on U.S. dollar LIBOR	232	318
Line of credit bearing interest at 3.00%	1,259	--
	<b>\$ 3,491</b>	<b>\$ 1,618</b>

The bank indebtedness is secured by a general assignment of book debts and work-in-progress together with a second collateral mortgage of \$85,000 on all land and buildings. At January 31, 2018, the Company's available operating lines of credit of \$20,000, was fully available based on lender defined margining capabilities

**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. LONG-TERM DEBT**

The long-term debt is comprised of:

	January 31, 2018	July 31, 2017
Mortgage payable – 6%, repayable \$62 monthly including interest, due in full February 11, 2018, secured by land, buildings and certain machinery, and a second position on a general assignment of book debts and work-in-progress	\$ 3,211	\$ 3,482
Loan payable – U.S. Base Rate plus 275 basis points (\$114 USD), \$18 USD monthly plus interest, paid in full in January 2018 prior to the scheduled maturity of October 2018, secured by equipment	--	141
Loan payable – 6.50% repayable \$20 monthly including interest due in full August 2017, secured by equipment	--	1
Loan payable – \$1,070 USD, US dollar LIBOR (\$1,205 USD) plus applicable margin from 175 to 250 basis points, \$45 USD monthly plus interest, due in full in March 2020, secured by general assignment of book debts and work-in-progress, together with a second collateral mortgage	1,318	1,668
	<b>4,529</b>	5,292
Deduct - unamortized finance fees	--	8
- principal portion included in current liabilities	<b>3,876</b>	4,288
Long-term portion	<b>\$ 653</b>	\$ 996

Total bank credit facilities are as follows:

Year	Bank Credit Facilities
Next 12 months	\$3,876
2 years	653
3 years	--
4 years	--
5 years	--
Balance of obligation	<b>\$4,529</b>

Subsequent to the end of the quarter, the mortgage payable in the amount of \$3,211 which matured on February 11, 2018 was repaid in full and a commitment received for a new mortgage facility in the amount of \$3,500 with a rate of 3.95%, repayable in blended monthly installments of \$21 and due in full March 2023. The new mortgage is secured by certain land and buildings and a second position on a general assignment of book debts and work in process as well as an assignment of certain rents.

Also during the quarter, the term loan secured by certain equipment of the Company and bearing interest at the US base rate plus 275 points was repaid in full, without penalty, prior to its scheduled maturity.

**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. 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	6,434,920	\$ 18,803

Share capital transactions during the period were as follows:

	January 31, 2018		July 31, 2017	
	Shares	Amount	Shares	Amount
Outstanding, beginning of year	6,434,920	\$18,803	6,439,920	\$ 18,819
Transactions during the period	5,000	21	(5,000)	(16)
Outstanding, end of period	6,439,920	\$18,824	6,434,920	\$ 18,803

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, 2018 were exercised:

Common shares outstanding at January 31, 2018	6,439,920
Stock options	286,000
	6,725,920

**10. CONTRIBUTED SURPLUS**

Contributed surplus is comprised of:

	January 31, 2018	July 31, 2017
Balance, beginning of year	\$ 1,856	\$ 1,876
Amounts charged to contributed surplus in respect of exercised stock options	(15)	(20)
Amounts charged to contributed surplus in respect of the stock based compensation	6	--
Balance, end of year	\$ 1,847	\$ 1,856

**REKO INTERNATIONAL GROUP INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(in 000's, except for per share amounts)

**11. EARNINGS PER SHARE**

The calculation of basic earnings per share at January 31, 2018 was based on the net income attributable to common shareholders of \$420 and a weighted average number of common shares outstanding of 6,434,920 calculated as follows:

	January 31, 2018	January 31, 2017
<b>Basic earnings per share:</b>		
Net income for the three-month period	\$420	\$ 789
Average number of common shares outstanding during the period	6,435,525	6,443,018
Basic earnings per share	<b>\$0.07</b>	\$ 0.12
<b>Diluted earnings per share:</b>		
Net earnings available to common shareholders	\$420	\$ 789
Average number of common shares outstanding during the period	6,435,525	6,443,018
'In the money' stock options outstanding during the period	286,000	311,000
	6,721,525	6,754,018
Diluted earnings per share	<b>\$0.06</b>	\$ 0.12
<b>Basic earnings per share:</b>		
Net income for the six-month period	\$675	\$ 1,425
Average number of common shares outstanding during the period	6,435,222	6,441,469
Basic earnings per share	<b>\$0.11</b>	\$ 0.22
<b>Diluted earnings per share:</b>		
Net earnings available to common shareholders	\$675	\$ 1,425
Average number of common shares outstanding during the period	6,435,222	6,441,469
'In the money' stock options outstanding during the period	286,000	311,000
	6,721,222	6,752,469
Diluted earnings per share	<b>\$0.10</b>	\$ 0.21

**REKO INTERNATIONAL GROUP INC.**  
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**12. 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, 2018, the following options were outstanding:

<b>Number of Options</b>	<b>Exercise price</b>	<b>Expiry</b>
30,000	\$ 1.15	2019
256,000	\$ 2.00	2020
100,000	\$ 3.90	2022
10,000	\$ 3.70	2023

The weighted average of the options is as follows:

	<b>January 31, 2018</b>		January 31, 2017	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the period	<b>414,000</b>	<b>\$ 2.39</b>	326,000	\$ 1.90
Expired during the period	--	--	--	--
Exercised during the period	<b>(5,000)</b>	<b>\$ 1.15</b>	(5,000)	\$ 1.15
Issued during the period	<b>10,000</b>	<b>\$ 3.70</b>	--	--
Cancelled during the period	<b>(23,000)</b>	<b>\$2.00</b>	(10,000)	\$ 2.00
Outstanding at the end of the period	<b>396,000</b>	<b>\$ 2.46</b>	311,000	\$ 1.90
Exercisable at the end of the period	<b>30,000</b>	<b>\$ 1.15</b>	35,000	\$ 1.15

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:

	<b>January 31, 2018</b>	January 31, 2017
Expected life	<b>5 years</b>	5 years
Expected dividends	<b>\$ Nil</b>	\$ Nil
Expected volatility – based on a 60-month historical average	<b>50.49%</b>	57.16%
Risk free rate of return	<b>0.60%</b>	0.64%
Expected forfeiture rate	<b>83.3%</b>	62.2%
Total compensation cost recognized in income for stock-based employee compensation awards	<b>\$ --</b>	\$ --

**13. RELATED PARTY TRANSACTIONS**

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*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:

	<b>January 31, 2018</b>	January 31, 2017
Salaries and cash bonuses	<b>\$ 396</b>	\$ 318
Short-term employment benefits	<b>15</b>	10
Post-employment benefits	<b>2</b>	2
	<b>\$ 413</b>	\$ 330

*Key management personnel and director transactions*

Directors of the Company control 3.5% of the voting shares of the Company. Relatives of a director own, directly or indirectly, 59.5% of the voting shares of the Company.

## **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, 2018 and the audited consolidated financial statements and MD&A for the year ended July 31, 2017 included in our 2017 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended January 31, 2018 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 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](http://www.rekointl.com) or through the SEDAR website at [www.sedar.com](http://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 1, 2018.*

### **OVERVIEW**

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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 two manufacturing plants located in Lakeshore, Ontario a suburb of the City of Windsor in Southwestern Ontario. In March, 2018, the Company will open a third manufacturing facility on land adjacent to its two existing buildings.

### **INDUSTRY TRENDS AND RISKS**

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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 cars and light trucks by OEMs and our ability to secure tooling and automation programs from them through their Tier suppliers. New model releases 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.



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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, 2017, remain substantially unchanged in respect of the three months ended January 31, 2018, 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, application of additive manufacturing capabilities 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.

*Inability to diversify our sales*

Although we supply factory automation, molds, gauges, and fixtures to all the leading automobile manufacturers, a significant majority of our sales are 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, there is no assurance we will be successful. Inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

*Difficulties 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, Russia, and other developing markets. While we continue to investigate opportunities to expand our manufacturing sources, with a view to taking advantage of these lower cost countries, we cannot guarantee that we will be able to fully realize such opportunities. The inability to quickly adjust our manufacturing sources to take advantage of opportunities in these markets could harm our ability to compete with our suppliers operating in or from such markets, which could have an adverse effect on our profitability and financial condition.

*A movement towards more isolationist trade policies by countries into which we export goods*

There is a shift in the political climate occurring throughout a number of jurisdictions (but particularly in the United States) towards a more restrictive trade policy environment. If enacted by legislators, these changes could significantly affect our ability to export our products to these countries – even if such changes were challenged under World Trade Organization regulations or similar international bodies. Given that a sizeable majority of our sales relate to goods which are exported, a shift in the scope and terms of certain trade agreements, particularly NAFTA and Buy American provisions, could have a significant adverse impact on our sales and profitability.

*Continued support of our lenders*

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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). 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.

**FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS**

Reko is exposed to the impacts of changes in the foreign exchange rate between Canadian and United States ("U.S.") dollars. More specifically, approximately 80% of the Company's sales and 20% of its costs are incurred in U.S. dollars. In addition, the Company maintains certain working capital 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:

<b>Fiscal Period</b>	<b>Total U.S. exposure before hedging programme</b>	<b>Forward foreign exchange contracts booked</b>	<b>Net exposure to the U.S. dollar</b>
Q2 – 2018	\$ 10,853	\$ 10,000	\$ 853
Q1 – 2018	\$ 9,675	\$ 9,000	\$ 675
Q4 – 2017	\$ 10,358	\$ 11,000	\$ (642)
Q3 - 2017	\$ 10,907	\$ 10,000	\$ 907

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.

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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,			
	2018		2017		2018		2017	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate
U.S. Dollar equals Canadian Dollar	1.2680	1.2587	1.3328	1.3173	1.2583	1.2740	1.3214	1.3092

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 \$253 related to the fair value of its U.S. dollar exposures. At the end of the quarter, we held FFECs of \$10,000 compared to \$8,500 at the end of the quarter in the prior year. During fiscal 2018, on average, we held FFECs of \$9,833, compared to \$9,800 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 - 2018	\$ 10,000	1.2546

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).

**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, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Sales	\$11,529	\$11,213	\$20,290	\$21,573
Less: Materials	3,617	3,381	5,300	6,549
Sub-contracting	881	552	1,524	999
Inventory adjustments	181	5	(25)	13
	\$ 6,851	\$ 7,275	\$13,491	\$14,012

## **RESULTS OF OPERATIONS**

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### *Sales*

Sales for the three months ended January 31, 2018 increased \$316, or 2.8%, to \$11,529, compared to \$11,213 in the same period in the prior year.

The increase in sales was largely related to:

- Timing of kick offs for jobs in certain divisions; and,
- Partial recovery of sales levels for customers in certain sectors including oil & gas

These factors were offset by:

- Continuing impact of volume reduction under our long term sales agreement (as reported on July 4, 2016); and,
- Decreased foreign exchange rates for U.S. dollar sales.

For the six-month period ended January 31, 2018, sales decreased \$1,283 or 6.0% to \$20,290, compared to \$21,573 in the same period in the prior year. The decrease was the result of overall lower order volumes in certain sectors; delays in kicking off jobs during the first quarter and the other factors as described above.

### *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 than its sales metric, as the sales metric includes inherent differences in individual project sizes that may or may not indicate a difference in the amount of work the Company is going to perform based solely on the materials or sub-contracting associated with the project.

The earned revenue for the three months ended January 31, 2018 decreased \$424 or 5.8% to \$6,851 compared to \$7,275, in the same period of the previous fiscal year.

The decrease in earned revenue was largely related to:

- Increase in subcontracting expense based on the type of projects undertaken in the quarter and delays encountered in the commissioning of new capital equipment acquired to reduce reliance on third party subcontractors; and,
- Increase in material component on certain programs included in sales.

For the six-month period ended January 31, 2018, earned revenue decreased \$521 or 3.7% to \$13,491 compared to \$14,012 in the same period the prior year. The overall decrease was primarily a result of the increased subcontracting costs for the reasons discussed in the explanation for the decline in the current quarter's earned revenue (which are noted above).

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*Gross profit*

The gross profit for the three months ended January 31, 2018 decreased \$482 to \$1,541 or 13.4% of sales, compared to \$2,023, or 18.0% of sales, in the same period of the previous fiscal year.

The decrease in gross profit was largely related to:

- Decreased earned revenue in the quarter;
- Higher wages & benefits based on the composition of projects undertaken in the quarter; and,
- Higher fixed costs in the quarter.

The gross profit for the six-month period ended January 31, 2018 decreased \$937 to \$2,887 or 14.2% of sales, compared to \$3,824 or 17.7% of sales in the same period in the prior year. The decrease in the gross profit for the six-month period was due to the same factors which affected the gross profit in the three-month period.

*Selling and administration*

Selling and administration expenses ("S,G&A") increased by \$176, or 18.4%, to \$1,132 or 9.8% of sales for the three months ended January 31, 2018, compared to \$956, or 8.5% of sales for the same period in the prior year. The increase in S,G&A was a result of:

- Increases in certain group costs; and,
- Increases in bank charges, travel and certain office costs.

These factors were partially offset by

- Decreases in administrative salaries and benefits; and,
- Lower insurance costs.

For the six-month period ended January 31, 2018, selling and administrative expenses increased \$81 to \$2,137 or 10.5% of sales, compared to \$2,055 or 9.5% of sales in the same period in the prior year. The factors leading to this decrease were the same as those referred to above.

*Earnings overview*

The net income for the three months ended January 31, 2018 was \$420, or \$0.07 per share, compared to a net income of \$789, or \$0.12 per share, in the same period of the prior year.

The net income for the six months ended January 31, 2018 was \$675 or \$0.11 per share, compared to a net income of \$1,425, or \$0.22 per share, in the same period of the prior year.

**LIQUIDITY AND CAPITAL RESOURCES**

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Cash flow used in operations increased to \$134 from cash provided by operations of \$4,544 in the same period of the previous year. The decrease in cash flow provided by operations is primarily a result of:

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- Reduced profitability in the quarter; and,
- An increase in the amount of accounts receivable at the end of the quarter which was only partially offset by a decline in work-in-progress.

*Financial covenants*

The Company met its financial covenants at the end of the second quarter of 2018 and at all times in the last 12 months.

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 three months ended January 31, 2018, the Company invested \$3,530 in capital assets. For the six months ended January 31, 2018, the Company invested \$5,496 in capital assets.

*Cash resources/working capital requirements*

As at January 31, 2018, Reko had net cash on hand of \$249, compared to \$715 at October 31, 2017 and compared to \$4,157 at January 31, 2017. The net cash on hand decreased by \$466 in the quarter and approximately \$3,908 for the year. The borrowing under the revolving line of credit increased to \$3,491 at January 31, 2018 compared to \$2,961 at October 31, 2017 and zero at January 31, 2017. We expect short term borrowings to decrease over the next quarter as we begin to collect amounts receivable related to jobs and we put longer term financing in place for certain capital expenditures currently being undertaken.

Reko has a \$20,000 revolver available. Based on our current lender defined margining capabilities, borrowings up to the limit of \$20,000 were allowable of which approximately \$16,509 was unused and available at the end of the quarter. Under the terms of our credit facilities, Reko must achieve certain financial covenants including a maximum Total Debt to Tangible Net Worth, a minimum Current Ratio and a minimum Debt Service Coverage Ratio. As previously discussed, Reko is confident about its ability to meet these financial covenants over the next fiscal year.

*Contractual obligations and off-balance sheet financing*

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt	\$ 4,529	\$ 3,876	\$ 653	\$ --	--
Operating leases	16	10	6	--	--
<b>Total contractual obligations</b>	<b>\$ 4,545</b>	<b>\$ 3,866</b>	<b>\$ 659</b>	<b>\$ --</b>	<b>--</b>

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

Reko does not maintain any off-balance sheet financing.

*Share capital*

The Company had 6,439,920 common shares outstanding at January 31, 2018.

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*Outstanding share data*

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	6,439,920	
Stock options issued	396,000	
Stock options exercisable	30,000	
Total (maximum) number of common shares		6,835,920

**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 2018, ended January 31, 2018. 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, 2017, 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/16	July/16	Oct/16	Jan/17
Sales	\$ 12,572	\$ 13,882	\$ 10,360	\$ 11,213
Net income	1,112	4,107	636	789
Earnings per share: Basic	0.17	0.64	0.10	0.12
Diluted	0.16	0.61	0.09	0.12
	Apr/17	July/17	Oct/17	Jan/18
Sales	\$ 11,697	\$ 9,695	\$ 8,761	\$ 11,530
Net income	560	560	255	420
Earnings per share: Basic	0.09	0.09	0.04	0.07
Diluted	0.08	0.08	0.04	0.06

**NORMAL COURSE ISSUER BID**

On December 18, 2017, 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 321,746 of its common shares during the twelve-month period which commenced December 22, 2017. The 321,746 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, 2018, Reko did not purchase any shares under the provision of the normal course issuer bid.

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*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.*