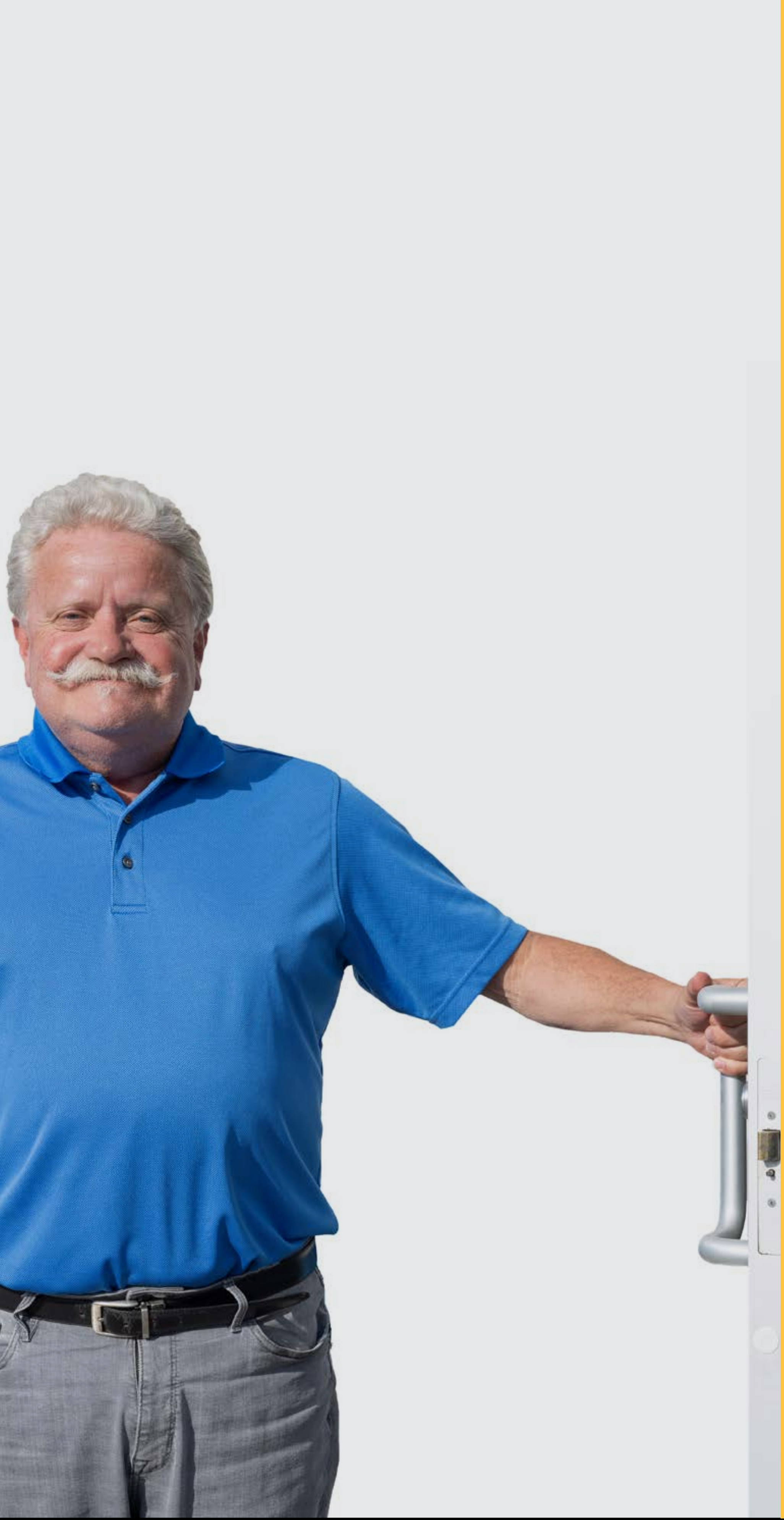
PART OF THE SOLUTION

REKO
INTERNATIONAL GROUP INC.

2022
Annual
Report



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CHIEF EXECUTIVE OFFICER MESSAGE

When you learn to play basketball, one of the many skills that you learn is to pivot. You won't notice a player using this skill when they can run freely while dribbling the ball down the court; it's most useful when you've been stopped in your tracks. You need to keep one foot anchored, but you can spin your body around that anchored foot, giving you an opportunity to pass to another player or to shoot a field goal.

The word pivot has been used excessively during the recent pandemic but, it has always been a requirement for a sustainable business. There are the pivots that happen as part of regular operations, such as modifying your offerings to meet customer needs, moving away from customers that don't pay their bills, and finding a new supplier when the previous one has disappointed you. There are also the pivots which are driven by outside influences or by being "stopped in your strategic tracks". After much contemplation and analysis, Reko made one of these pivots during fiscal 2022. Reko's original business in 1976 was the design and manufacture of plastic injection molds. People around town still call us "Reko Tool", even though our footprint in robotic automation, via our Reko Automation division and in machining, via our Concorde Precision Machining division have been dominant for many years. Since our big restructuring in 2011, we have attempted to right-size and find the appropriate niche market for our mold business so that it could be sustainable. With an experienced and dedicated team, we diversified our capabilities and had some successes in pivoting over the years. In April of this year, we realized that we had only one pivot position left because of the consolidation that has been happening in the North American mold industry.

THE PIVOT.

Reko will now offer 3 and 5 axis machining services (including but not limited to those required for mold cores, cavities and other components) but will no longer design and provide complete mold production and support.

While it was the best decision for the company, it was a difficult one to make. Some of our team members have transitioned to other parts of our business. The rest received generous severance compensation and because of their experience and need in the market, have moved on to positions with other companies. It's still very difficult to say goodbye, however, and I want to thank them for their commitment through our various pivots and wish them all the best in their new roles. Each of these people deserve the opportunity to grow and unfortunately, we could no longer offer them that.

WHAT WILL THIS PIVOT MEAN FOR REKO INTERNATIONAL?

As you can see from the increase in sales over fiscal 2021, we have seen a significant increase in demand. Once we have completed and re-organized the space currently occupied with mold assembly, it will be available to support some of this demand. Additionally, we expect an improvement in gross profit and cash flow per share as we pivot away from commoditized products and PPAP payment terms.

Another interesting thing about a pivot is that one foot must remain anchored in place. Reko did so by making investments to strengthen our machining and robotic automation offerings. During the year, we invested in several new milling machines. With pallet changers and the most current technology, they will greatly improve operational efficiency by increasing spindle uptime. In addition to providing much needed capacity, they will assist with the challenge of finding skilled machinists by allowing more automated production and the ability for a single machinist to run multiple machines. Additionally, we deployed a number of different team members from our Automation division to perform research and development with collaborative robots in hopes of providing solutions for a number of our customers' manufacturing and resource problems.

Our balance sheet at year end reflects a healthy cash balance as a result of operational efficiency, close attention to collections and prudent financing. We continue to carefully evaluate the many options for the deployment of the company's capital. As of today, we have been able to purchase 291,000 of the 300,837 Reko shares permitted under our Normal Course Issuer Bid which expires on December 30, 2022. These purchases represented a good return on the investment of some of our available cash. This action fits well with our goal to improve cash flow per share and ensure Reko's sustainability for the benefit of all stakeholders.

SPEAKING OF SUSTAINABILITY...

Although technically after our year end, we are excited and looking forward to formally measuring, monitoring and disclosing our ESG efforts with Socialsuite after signing a contract to utilize their software and consulting services. Reko believes in the importance of sustainable manufacturing and production, which means ESG sits at the core of our business operations.

We will continue to execute our strategy as we move down the court, and we will watch for the need to pivot. It happens all the time in our ordinary course of business to deal with risks and opportunities that arise. With the state of the world right now, I expect that we may be using this skill more frequently than ever before.

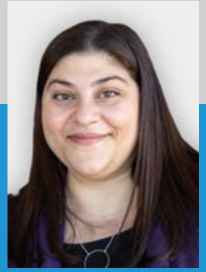
"Diane Reko"
Diane Reko
Chief Executive Officer
Officer Message

We will continue to execute our strategy as we move down the court, and we will watch for the need to pivot.

PART OF THE TEAM

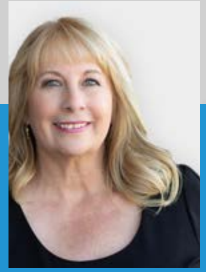
Greg Yzerman
Chief Operating Officer

Jason Pongracz
Director, Automation

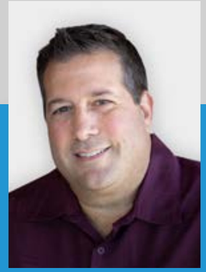


Christine Ferrari CPA, CMA
Controller

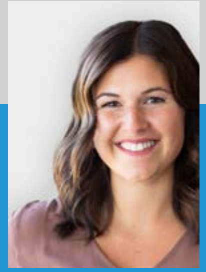
Ernie Stajduhar
Director, Technology



Diane Reko
Chief Executive Officer



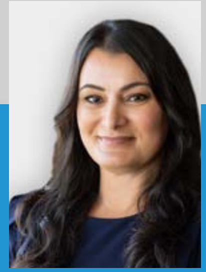
Gennaro Pignanelli
Engineering Manager



Lauren Brummell-Beaudoin
Director, Corporate Human Resources

Peter Gobel
Director, Concorde Precision Machining

Dave Romanello
Director, Tooling Division



Caterina Longo CPA, CMA
Chief Financial Officer

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 audited consolidated financial statements for the year ended July 31, 2022 and the audited consolidated financial statements and MD&A for the years ended July 31, 2021 and July 31, 2020 included in our 2021 Annual Report to Shareholders. The audited consolidated financial statements for the years ended July 31, 2022 and July 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Reko's Chief Executive Officer and Chief Financial Officer have signed a statement outlining management's responsibility for financial information in the annual consolidated financial statements and MD&A. The statement, which can be found on page 33, also explains the roles of the Audit Committee and Board of Directors in respect of that financial information. 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., including copies of our continuous disclosure materials, is available on our website at www.rekointl.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to earned revenue, 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 a 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 a similarly titled measure 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 October 14, 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 integration; and high precision, custom machining of very large critical components and assemblies. While many of our customers are in the automotive market, the Company has diversified beyond automotive and 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; and work cell solutions. 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.

SUMMARY OF RESULTS

Reko International Group Inc. had a profitable fiscal year and experienced a large boost in sales volumes. Strategically, the Company made a decision to move from designing and building tooling to a more concentrated effort on machining. As in previous years, the Company had a strong balance sheet throughout the year and ended the fiscal with a strong cash position.

RECONCILIATION OF NON-IFRS MEASURES

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

		2022		2021
Sales	$	53,884	$	39,196
Less: Material		16,949		12,343
Subcontracting		5,387		1,992
Inventory adjustments		325		375
Earned revenue	**$**	**31,223**	**$**	**24,486**

MANAGEMENT'S DISCUSSION AND ANALYSIS (in 000's, except for per share amounts) 13

RESULTS OF OPERATIONS

REVENUES

Revenues for the year ended July 31, 2022 increased by 37.5%, or $14,689, to $53,884 compared to the prior year. The increase in sales volume is a result of a number of our strategic actions. Investments in machinery and in our new automation facility contributed to this sales growth. Additionally, the development of innovative flexible automation equipment allowed us to quote and win larger projects, thus growing sales.

Foreign exchange fluctuations continue to affect revenues and is an inherent risk when doing business in other currencies. Overall, the fluctuation and increase in foreign exchange for the U.S. dollar sales had a positive impact in the fiscal.

EARNED REVENUE

Earned revenue is not a standard IFRS measurement. The Company's explanation of how it measures earned revenue is noted previously. Earned revenue effectively measures that portion of total revenue available to pay for the Company's employees, fixed and operating costs, and to earn a profit. The Company believes that earned revenue is an effective measurement of how it's performing.

For 2022, earned revenue increased by 27.5%, or $6,737, to $31,223, or 57.9% of sales, compared to earned revenue of $24,486, or 62.5% of sales, in 2021.

GROSS PROFIT

Gross profit for fiscal 2022 increased $3,863 to $8,726, or 16.2% of sales, compared to 12.3% of sales in 2021. The increase in sales volumes had a positive effect on the gross profit, with increases in material costs negatively impacting the gross margin.

At times, our teams successfully managed these pricing challenges by better negotiating with suppliers or buying in bulk. Other times, our contracted pricing with customers was negotiated prior to significant cost increases, and the company had to absorb the full impact of these pricing increases.

To manage the effect of these pricing pressures, the teams focused on operational efficiencies. Project financial performance is reviewed frequently to help the Company manage potential negative impacts to a project's bottom line. Overall, this focus on project efficiency has helped to offset some of the impacts of the material increases.

SELLING AND ADMINISTRATION

Selling and administration expenses ("SG&A") during 2022 increased to $6,398, or 11.8% of sales, compared to $5,405, or 13.8% of sales during 2021. Restructuring costs of $0.9 during the year were the main reason for the dollar increase. Other costs have remained at similar levels compared to the previous fiscal year.

EARNINGS OVERVIEW

Fourth quarter net income was $664, or $0.11 per share, compared to $491, or $0.08 per share, in the final quarter of fiscal 2021. Net income for the year ended July 31, 2022 was $2,121, or $0.36 per share, compared to net income of $864, or $0.14 per share, for the year ended July 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations increased from $5,782 in the prior year to $7,805 in the current year. The increase is primarily a result of an increase in sales and in non-cash working capital.

The Company met its financial covenants at all times during the year.

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

CAPITAL ASSETS AND INVESTMENT SPENDING

For the year ended July 31, 2022, the Company invested $5,364 in capital assets.

CASH RESOURCES/WORKING CAPITAL REQUIREMENTS

As at July 31, 2022, Reko had cash on hand of $14,023 compared to $6,209 at July 31, 2021 and $6,759 at April 30, 2022.

Reko has a $20,000 revolver available. However, based on our current lender defined margining capabilities, our borrowings are limited to $16,174, all of which was unused and available at the end of the year.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET FINANCING

		PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS
Long-term debt	$ 7,516	$ 4,037	$ 3,014	$ 465	$ --
Long term debt subject to demand provisions	5,469	340*	5,129*	--	--
Lease liabilities	22	10	12	--	--
Total contractual obligations	**$ 13,007**	**$ 4,387**	**$ 8,155**	**$ 465**	**$ --**

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 5,780,350 common shares outstanding at July 31, 2022.

OUTSTANDING SHARE DATA

DESIGNATION OF SECURITY	NUMBER OUTSTANDING	MAXIMUM NUMBER ISSUABLE IF CONVERTIBLE, EXERCISABLE OR EXCHANGEABLE FOR COMMON SHARES
Common Shares	5,780,350	
Stock options outstanding	230,800	
Stock options exercisable	159,800	
Total (maximum) number of common shares		6,011,150

MANAGEMENT'S DISCUSSION AND ANALYSIS (in 000's, except for per share amounts) 17

QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the fourth quarter of fiscal 2022, ended July 31, 2022. The information has been derived from the Company's unaudited condensed consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this Annual Report and include all adjustments necessary for a fair presentation of the information presented. Past performance is not a guarantee of future performance and this information is not necessarily indicative of results for any future period.

F2021	OCT/20	JAN/21	APR/21	JULY/21
Sales	$ 6,844	$ 10,982	$ 12,413	$ 8,957
Net income	(896)	468	801	491
Earnings per share: Basic	(0.14)	0.07	0.13	0.08
Diluted	(0.14)	0.07	0.13	0.08
F2022	**OCT/20**	**JAN/22**	**APR/22**	**JULY/22**
Sales	$ 12,106	$ 13,419	$ 13,357	$ 15,002
Net income	493	872	92	664
Earnings per share: Basic	0.08	0.15	0.02	0.11
Diluted	0.08	0.14	0.02	0.11

PART OF THE BIGGER PICTURE

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 cars and light trucks by OEMs and on the construction, expansion or retooling of production facilities and our ability to secure 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 and safety considerations. 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 following additional risk factors, as well as the other information contained in this MD&A, for the year ended July 31, 2022 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS (in 000's, except for per share amounts) 19

OPERATIONAL RISK

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 pays particular attention to the emergence of new technologies and updates our investments in these emerging technologies accordingly.

DIVERSIFICATION OF OUR SALES

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.

THE CONSEQUENCES OF THE AUTOMOTIVE INDUSTRY'S DEPENDENCE ON CONSUMER SPENDING AND GENERAL ECONOMIC CONDITIONS

The global automotive industry is cyclical and largely tied to general economic conditions. As our customers revisit their business models and make design changes to existing models and new vehicle introductions, the market for factory automation may decline. However, management feels that the existence of multiple product lines in our should serve to moderate the impact of any such declines.

THE FINANCIAL VIABILITY OF OUR SUPPLY BASE

While our exposure to individual entities in our supply chain is limited, we are still exposed to multiple relatively small niche market players whose declining financial viability may present challenges for securing the necessary inputs to our manufacturing process. Management continues to monitor the strength of our supply base and restricts the development of single source suppliers for any significant inputs into our production process.

CHANGES IN CONSUMER DEMAND FOR SPECIFIC VEHICLES

The global automotive industry is cyclical and consumer demand for automobiles is sensitive to changes in economic and political conditions, including interest rates, energy prices, employment levels, and international conflicts, including acts of terrorism. Automotive production and, more importantly for Reko, the frequency of automotive model changes, is affected by consumer demand and may be impacted by macro-economic factors. As a result of these and other factors, some of our customers are currently experiencing, and/or may experience in the future, reduced consumer demand for all or a portion of their vehicles, leading to reduced product offerings.

RELIANCE ON KEY PERSONNEL AND SUCCESSFULLY RECRUITING TALENT IN CRITICAL AREAS

The success of Reko is dependent on many people including our design engineers, control engineers, machinists, and our management team. The experience and talents of these individuals is a significant factor in the Company's continued growth and success. While the Company continues to develop appropriate succession plans for these positions, the loss of one or more of these individuals without adequate replacement, or the inability to recruit appropriate talent in a competitive labour market, could have a material adverse effect on the Company's operations and business prospects. Management has implemented several innovative recruitment and retention strategies to effectively reduce the risks in this area.

THE SECURITY OF OUR INFORMATION TECHNOLOGY (IT) SYSTEM

While the Company has established (and continues to monitor and enhance) security controls and has appropriate employee training in order to protect the Company's IT systems, there is no guarantee that these measures will be effective in preventing unauthorized access or cyberattacks. A significant failure or breach of the Company's IT systems could cause disruption to manufacturing processes; loss, destruction or inappropriate use of data; or result in the theft of intellectual property or confidential information of the Company or its key customers. While the Company carries what it considers to be an adequate amount of cybersecurity insurance coverage and continuously monitors its system, the consequences of these events could have a material adverse effect on the Company, its profitability, and financial condition.

FINANCIAL AND CAPITAL MANAGEMENT RISK

CONTINUED UNCERTAIN ECONOMIC CONDITIONS

A rise in economic uncertainty or a deterioration of the global economy, particularly in the wake of the current COVID-19 global pandemic, could have a material adverse effect on our profitability and financial condition.

Global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the recent invasion of Ukraine by Russia in February 2022. In response to such invasion, the North Atlantic Treaty Organization ("NATO") deployed additional military forces to eastern Europe, and many countries have announced various sanctions and restrictive actions against Russia.

The extent and duration of the Russian invasion of Ukraine, resulting sanctions and any related market disruptions are impossible to predict, but could be substantial. The conflict would lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions.

PRICING PRESSURES AND PRESSURE TO ABSORB ADDITIONAL COSTS

We face significant pricing pressure, as well as pressure to absorb costs related to machine design and program management, as well as other items previously paid for directly by automobile manufacturers and non-automotive OEMs (such as support in remote production facility locations). These pressures are expected to continue. The continuation or intensification of these pricing pressures and pressure to absorb additional costs and assume additional design, engineering, and management responsibilities 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. While 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), the Company continues to enjoy strong banking relationships and support from major charter banks. Any additional equity financing to raise new capital 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 US dollars. Movements in the US 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 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, has 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 current discussion surrounding a possible "fourth wave" brought on by newly found variants of the virus, border and 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.

THE POSSIBILITY OF IMPAIRMENT CHARGES IN THE FUTURE

Annually or whenever indicators of impairment exist, we must test our capital assets, future income taxes, and any other long-lived assets for impairment. The bankruptcy of a significant customer could be an indicator of impairment. In addition, to the extent that forward-looking assumptions regarding the impact of improvement plans on current operations, outsourcing, and other new business opportunities are not met, impairment charges could occur.

OUR INABILITY TO UTILIZE TAX LOSSES

Prior to 2011, we incurred tax losses in both Canada and the United States, which we may not be able to fully or partially offset against future income in those countries. The losses which arose in Canada during this period have now largely been applied to taxable income generated through operations. In the case of the United States, we may not be able to utilize these losses if we do not generate profits in the United States.

POTENTIAL VOLATILITY OF REKO'S SHARE PRICES

The market price of the Company's common shares has been, and will likely continue to be, subject to fluctuations in response to a variety of factors, many of which are beyond the Company's control. These fluctuations may be exaggerated if the trading volume of the common shares remains low. In addition, due to the evolving nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating profits, announcements of technological or competitive developments by the Company or its competitors, large short-term fluctuations in foreign exchange rates, acquisitions or entry into strategic alliances by the Company or its competitors, the industry or its customer's industry, and general market and economic conditions.

INTEREST OF THE MAJORITY AND MINORITY SHAREHOLDERS MAY BE IN CONFLICT WITH THE INTERESTS OF THE COMPANY

As of the date of this MD&A, The Reko Family Corporation and individuals related to it, own directly or indirectly 67.53% of the outstanding shares of the Company. Given the number of shares held, the Reko Family Corporation will be able to elect or remove the directors of the Company and to exercise control in certain respects over the Company's affairs.

REGULATORY RISK

SIGNIFICANT CHANGES IN LAW, GOVERNMENT REGULATIONS, OR ACCOUNTING REGULATIONS

A significant change in the current regulatory environment in our principal markets could impact future profitability. Specifically, our profitability could be adversely impacted by significant changes in the tariffs and duties imposed on our products or on our inputs. In addition, we could be affected by changes in tax or other laws, which impose additional costs on automobile manufacturers or consumers, or more stringent or inconsistent fuel economy requirements on manufacturers of sport-utility vehicles, light trucks, and other vehicles from which we derive some of our sales.

We are subject to a wide range of environmental laws and regulations relating to air emissions, wastewater discharge, waste management, and storage of hazardous substances as well as to requirements related to investigation and clean-up of any environmental contamination as defined by these regulations. These environmental laws and regulations are complex, change frequently, and, in Canada, have tended to become more stringent and expensive over time. Therefore, we may not have been, and in the future may not be, in complete compliance with all such laws and regulations, and we may incur material costs or liabilities as a result of such laws and regulations significantly in excess of amounts we have reserved.

PART OF THE PLAN

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

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

In order to minimize our exposure to the impacts of changes in the foreign exchange rate, the Company maintains a forward foreign exchange programme ("FFEC Programme"). Reko's Programme is based on maintaining our net exposure to the US dollar (total US 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 US dollar, regardless of our net exposure to the US 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 US dollar and the change during any given month of the value of the US dollar in relation to the Canadian dollar.

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

FISCAL PERIOD	TOTAL U.S. EXPOSURE BEFORE HEDGING PROGRAMME	FORWARD FOREIGN EXCHANGE CONTRACTS BOOKED	NET EXPOSURE TO THE US DOLLAR
Q4 – 2022	$ 12,225	$ 8,000	$ 4,225
Q3 – 2022	$ 13,166	$ 10,000	$ 3,166
Q2 – 2022	$ 14,961	$ 6,000	$ 8,961
Q1 – 2022	$ 10,946	$ 6,000	$ 4,946

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 US dollar, as detailed above, is subject to change in market foreign exchange rates on a monthly basis and the remainder of its US dollar exposure is subject to foreign exchange risks based on the specific foreign exchange rate contained in its FFECs.

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

	FOR THE THREE MONTHS ENDED JULY 31,				FOR THE YEAR ENDED JULY 31,			
	2022		2021		2022		2021	
	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	ACTUAL	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE
US Dollar equals Canadian Dollar	1.2863	1.2826	1.2275	1.2330	1.2691	1.2731	1.2741	1.2824

The Company's FFECs represent agreements with an intermediary to trade a specific amount of US 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.

At the end of the year, we held FFECs of $3,000 compared to $7,000 at the end of the prior year. During fiscal 2022, on average, we held FFECs of $2,818, as compared with the $3,050 held during the prior year.

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

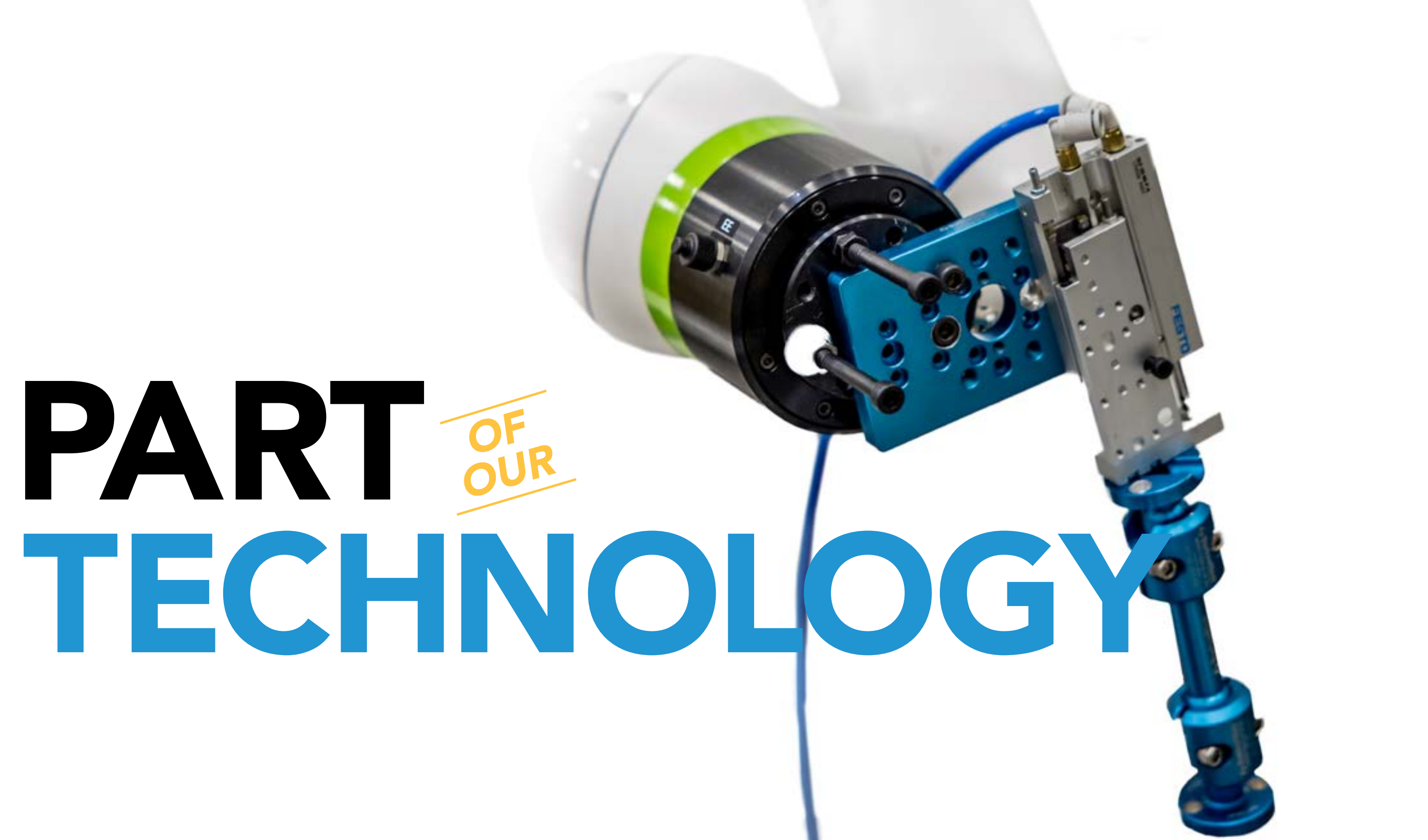
FISCAL PERIOD	CONTRACT VALUE BOOKED (000'S)	EFFECTIVE AVERAGE RATE
Q4 – 2022	$ 3,000	1.2920

Additionally, the Company entered into a few different options to purchase USD and sell CAD. These options have varying exercise rates ranging between 1.27 and 1.33 over the next 6 months.

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

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

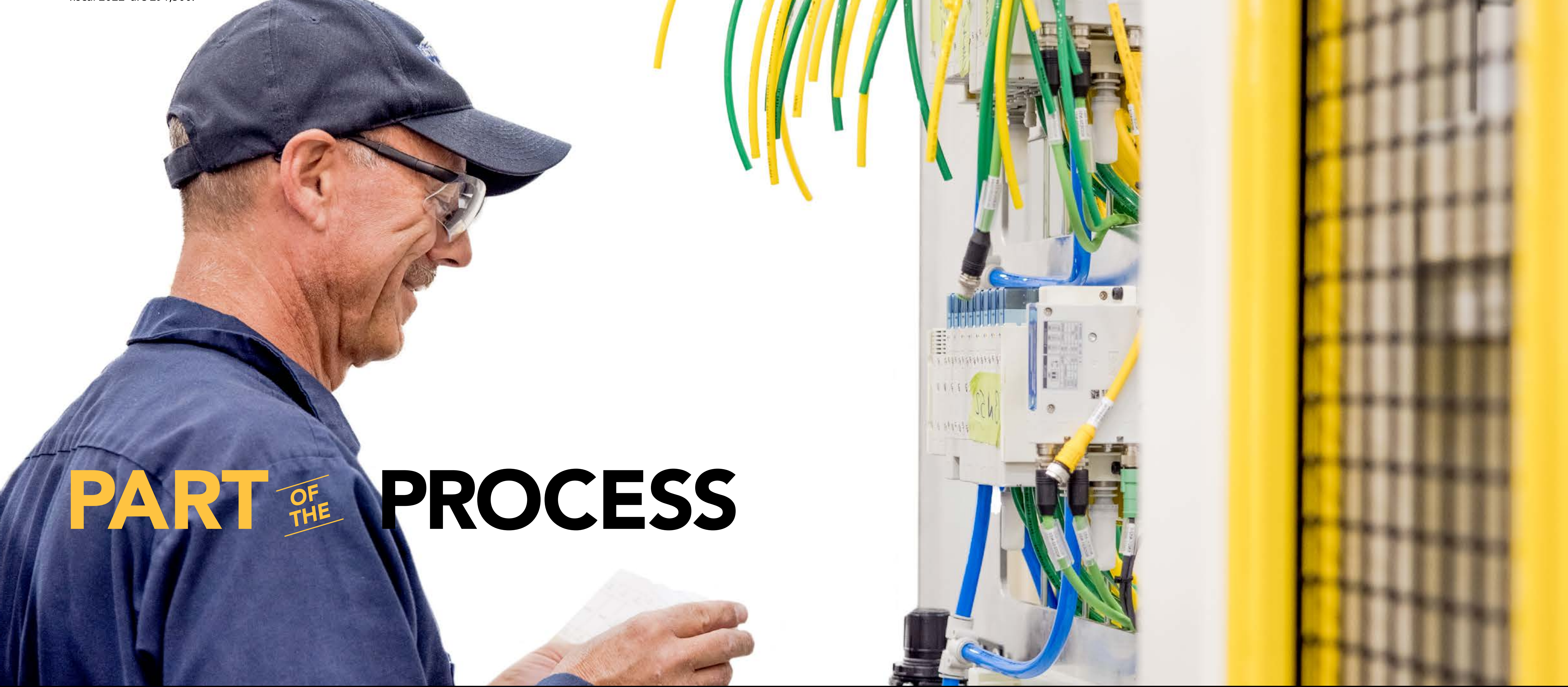
Additional information with respect to financial instruments is provided in Note 3 and Note 5 to Reko's audited consolidated financial statements, which by this reference are hereby incorporated herein.



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 July 31, 2022, Reko purchased and subsequently cancelled 72,900 shares under the provision of the normal course issuer bid. The total amount of shares purchased and cancelled during fiscal 2022 are 291,300.



REKO
INTERNATIONAL GROUP INC.