Reko International Group Inc.

Interim Condensed Consolidated Financial Statements

(unaudited)

For the six months ended January 31, 2024 and 2023

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, 2024 have been prepared by Management and approved by the Board of Directors on March 7, 2024. 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, 2024	July 31, 2023
ASSETS		
Current		
Cash	$ 5,545	$ 12,139
Accounts receivable	14,755	8,658
Non-hedging financial derivatives (Note 4)	54	143
Work-in-progress	10,370	10,230
Prepaid expenses and other current assets	1,107	1,186
	31,831	32,356
Capital assets (Note 5)	27,317	28,137
Deferred income taxes	2,410	2,295
	61,558	62,788
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,149	4,163
Unearned revenue on work-in-progress	273	655
Current portion of long-term debt and lease liabilities (Note 6)	1,497	1,448
Long-term debt subject to demand provisions (Note 6)	2,744	2,799
	8,663	9,065
Long-term debt and lease liabilities (Note 6)	7,241	7,816
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	16,235	16,436
Contributed surplus (Note 8)	804	1,270
Retained earnings	28,615	28,201
	45,654	45,907
	$ 61,558	$ 62,788

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

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

	Share capital	Contributed surplus	Retained earnings	Total equity
Balance at July 31, 2022	**$ 16,332**	**$ 1,769**	**$ 28,311**	**$ 46,412**
Net share-based transactions	(260)	65	--	(195)
Dividends	--	--	(1,432)	(1,432)
Net income	--	--	1,187	1,187
Balance at January 31, 2023	**$ 16,072**	**$ 1,834**	**$ 28,066**	**$ 45,972**
Balance at July 31, 2023	**$ 16,436**	**$ 1,270**	**$ 28,201**	**$ 45,907**
Net share-based transactions	(201)	(466)	--	**(667)**
Dividends	--	--	--	**--**
Net income	--	--	414	**414**
Balance at January 31, 2024	**$ 16,235**	**$ 804**	**$ 28,615**	**$ 45,654**

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

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

	For the three months ended		For the six months ended	
	January 31, 2024	**January 31, 2023**	**January 31, 2024**	**January 31, 2023**
Sales	**$ 11,948**	$ 11,666	**$ 25,651**	$ 25,462
Costs and expenses				
Cost of sales	**9,454**	8,463	**20,172**	19,061
Depreciation	**992**	976	**1,998**	1,947
	10,446	9,439	**22,170**	21,008
Gross profit	**1,502**	2,227	**3,481**	4,454
Selling and administrative	**1,453**	1,569	**2,993**	3,141
Income before the following items	**49**	658	**488**	1,313
Foreign exchange loss (gain)	**68**	176	**(71)**	(98)
Other (income) expense	**(42)**	(50)	**6**	(75)
Loss on sale of capital assets	**58**	--	**112**	--
Interest on long-term debt and leases	**120**	115	**244**	233
Interest income, net	**(38)**	(60)	**(102)**	(115)
	166	181	**189**	(55)
Income (loss) before income taxes	**(117)**	477	**299**	1,368
Deferred income tax (recovery) expense	**(219)**	(6)	**(115)**	181
Net income and comprehensive income	**$ 102**	$ 483	**$ 414**	$ 1,187
Earnings per common share (Note 9)				
Basic	**$ 0.02**	$ 0.08	**$ 0.07**	$ 0.21
Diluted	**$ 0.02**	$ 0.08	**$ 0.07**	$ 0.20

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

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

	For the six months ended January 31, 2024	For the six months ended January 31, 2023
OPERATING ACTIVITIES		
Net income for the period	**$ 414**	$ 1,187
Adjustments for:		
Depreciation	**1,998**	1,947
Income tax provision	**(115)**	181
Interest expense	**142**	118
Change in non-hedging financial derivatives	**89**	(75)
Unrealized foreign exchange loss	**146**	294
Share-based compensation	**18**	68
Loss on sale of capital assets	**112**	--
	2,804	3,720
Net change in non-cash working capital	**(6,554)**	(1,756)
Interest paid	**(142)**	(118)
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(3,892)**	1,846
FINANCING ACTIVITIES		
Payment of dividends	**--**	(1,432)
Cost of repurchase of capital stock	**(685)**	(263)
Repayments of long-term debt and lease liabilities	**(727)**	(667)
CASH USED IN FINANCING ACTIVITIES	**(1,412)**	(2,362)
INVESTING ACTIVITIES		
Investment in capital assets	**(1,701)**	(440)
Proceeds on sale of capital assets	**411**	--
CASH USED IN INVESTING ACTIVITIES	**(1,290)**	(440)
Net change in cash	**(6,594)**	(956)
Cash, beginning of period	**12,139**	14,023
Cash, end of period	**$ 5,545**	$ 13,067

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

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

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

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

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

Statement of compliance

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2024.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with the accounting policies and methods as those used in the Company's audited consolidated annual financial statements for the year ended July 31, 2023 except as noted below.

Basis of measurement

These unaudited interim 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

These unaudited interim consolidated financial statements represent the accounts of Reko and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when Reko 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. All significant intercompany balances and transactions have been eliminated.

Intragroup balances, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

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

Reko's subsidiaries are as follows:

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

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, 2024

	Revenues	Capital assets
Canada	**$ 25,645**	**$ 27,317**
United States	**6**	**--**
	$ 25,651	**$ 27,317**

Six months ended January 31, 2023

	Revenues	Capital assets
Canada	$ 25,455	$ 27,517
United States	7	--
	$ 25,462	$ 27,517

3. FINANCIAL INSTRUMENTS

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

Fair Value

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

Accounts receivable, accounts payable and accrued liabilities

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

Fair value hierarchy

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

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

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

	Level 1	Level 2	Level 3	January 31, 2024
Financial assets at FVTPL				
Cash	$ 5,545	$ --	$ --	$ 5,545
Non-hedging financial derivatives	--	54	--	54
	$ 5,545	**$ 54**	**$ --**	**$ 5,599**
	Level 1	Level 2	Level 3	July 31, 2023
Financial assets at FVTPL				
Cash	$ 12,139	$ --	$ --	$ 12,139
Non-hedging financial derivative	--	143	--	143
	$ 12,139	$ 143	$ --	$ 12,282

Non-hedging financial derivatives

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

Long-term debt

The Company's long-term debt of CDN $3,035 and USD $2,190 (currently valued at CDN $2,945) 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.

4. NON-HEDGING FINANCIAL DERIVATIVES

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. During the period, the Company had entered into foreign exchange forward contracts. As at January 31, 2024, the Company holds options to buy and sell USD with maturities ranging from 0-6 months and at various exercise prices. The mark to market value of those options is included below.

As at January 31, 2024	Maturity	Notional value	Average rate	Notional USD equivalent	Carrying & fair value asset
Sell USD / Buy CAD forwards	**0 – 6 months**	**$ 3,054**	**1.3583**	**$ 3,000**	**$ 54**
As at July 31, 2023	**Maturity**	**Notional value**	**Average rate**	**Notional USD equivalent**	**Carrying & fair value asset**
Sell USD / Buy CAD forwards	0 – 6 months	$ 3,143	1.3550	$ 3,000	$ 143

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

5. CAPITAL ASSETS

Capital assets are comprised of:

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
Cost or deemed cost						
Balance at July 31, 2022	$ 661	$ 14,591	$ 58,697	$ 844	$ 1,463	$ 76,256
Additions	--	328	246	--	2,863	3,437
Transfers	--	--	3,611	15	(3,626)	--
Disposals	--	--	(1,458)	--	--	(1,458)
Balance at July 31, 2023	**$ 661**	**$ 14,919**	**$ 61,096**	**$ 859**	**$ 700**	**$ 78,235**
Additions	--	3	-	--	1,698	1,701
Transfers	--	--	893	10	(903)	--
Disposals	--	--	(2,289)	--	--	(2,289)
Balance at January 31, 2024	**$ 661**	**$ 14,922**	**$ 59,700**	**$ 869**	**$ 1,495**	**$ 77,647**

	Land	Buildings	Machinery and equipment	Leasehold improvements	Equipment under construction	Total
Amortization and impairment losses						
Balance at July 31, 2022	$ --	$ 5,887	$ 40,879	$ 466	$ --	$ 47,232
Depreciation for the year	--	433	3,439	46	--	3,918
Disposals	--	--	(1,052)	--	--	(1,052)
Balance at July 31, 2023	**$ --**	**$ 6,320**	**$ 43,266**	**$ 512**	**$ --**	**$ 50,098**
Depreciation for the year	--	227	1,746	25	--	1,998
Disposals	--	--	(1,766)	--	--	(1,766)
Balance at January 31, 2024	**$ --**	**$ 6,547**	**$ 43,246**	**$ 537**	**$ --**	**$ 50,330**
Carrying value						
Balance at July 31, 2023	**$ 661**	**$ 8,599**	**$ 17,830**	**$ 347**	**$ 700**	**$ 28,137**
Balance at January 31, 2024	**$ 661**	**$ 8,375**	**$ 16,454**	**$ 332**	**$ 1,495**	**$ 27,317**

Included in the net book value of machinery and equipment are right of use assets of $5,341 (2023- $5,767).

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

6. LONG-TERM DEBT AND LEASE LIABILITES

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

	January 31, 2024	July 31, 2023
Mortgage payable – 5.63% (July 31, 2023 – 5.63%), repayable $26 monthly including interest, due in full April 2026, secured by certain land and building and an assignment of rents on the subject property	**$ 3,035**	$ 3,104
Mortgage payable – 3.06% plus a credit spread (July 31, 2023 – 3.06%), which may vary over the life of facility to a maximum of 275, currently at 175 for an all-in rate of 5.00%, repayable USD $14 monthly plus interest, due in full August 2025, secured by certain land, buildings, and a general security agreement, subject to demand provisions	**2,945**	2,997
Equipment lease – 2.78%, repayable US $23 monthly including interest, due in full January 2027, and secured by the equipment	**1,044**	1,198
Equipment lease – 3.99%, repayable $19 USD monthly including interest, due in full April 2027, and secured by the equipment	**946**	1,068
Equipment lease – 5.23%, repayable $18 USD monthly including interest, due in full June 2029, and secured by the equipment	**1,248**	1,323
Equipment lease – 5.82%, repayable $30 USD monthly including interest, due in full June 2030, and secured by the equipment	**2,264**	2,373
	11,482	12,063
Deduct - unamortized finance fees	**--**	--
- principal portion included in current liabilities	**4,241**	4,247
Long-term portion	**$ 7,241**	$ 7,816

Notwithstanding the fact that certain facilities listed above are subject to demand provisions and are classified as current liabilities as a result, the Company expects to repay the principal over the entire scheduled term of the loans and these payments are outlined below. At January 31, 2024, $1,497 is due within the next twelve months under normal repayment terms and an additional $2,744 is not expected to be due in the next year but is subject to demand provisions.

Total credit facilities are as follows:

	Credit Facilities
Next 12 months	$ 1,497
2 years	4,097
3 years	3,945
4 years	651
5 years	1,176
Thereafter	116
Balance of obligation	$ 11,482

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

7. SHARE CAPITAL

Share capital is comprised of:

	Authorized	Issued Shares	Amount
Class A preference shares	Unlimited	Nil	$ --
Class B preference shares	Unlimited	Nil	--
Common shares – no par value	Unlimited	5,563,413	$ 16,235

Share capital transactions during the period were as follows:

	January 31, 2024		July 31, 2023	
	Shares	**Amount**	Shares	Amount
Outstanding, beginning of period	**5,687,013**	**$ 16,436**	5,780,350	$ 16,332
Stock options exercised during the period	**31,700**	**157**	--	104
Repurchase of shares during the period	**(155,300)**	**(358)**	(93,337)	--
Outstanding, end of period	**5,563,413**	**$ 16,235**	5,687,013	$ 16,436

During the six-month period, the Company repurchased and cancelled 155,300 common shares under the normal course issuer bid for a net cost of $775.

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, 2024 were exercised:

Common shares outstanding at January 31, 2024	5,563,413
Stock options	200,500
	5,763,913

8. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	January 31, 2024	July 31, 2023
Balance, beginning of period	**$ 1,270**	$ 1,769
Amounts in respect of exercised stock options	**(67)**	(35)
Amounts in respect of the stock-based compensation	**18**	104
Amounts in respect of share repurchases	**(417)**	(568)
Balance, end of period	**$ 804**	$ 1,270

9. EARNINGS PER SHARE

The calculation of basic earnings per share at January 31, 2024 was based on the net profit attributable to common shareholders and a weighted average number of common shares outstanding as follows:

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

	January 31, 2024	January 31, 2023
Basic earnings per share:		
Net income for the three-month period	**$ 102**	$ 483
Average number of common shares outstanding during the period	**5,591,346**	5,728,280
Basic earnings per share	**$ 0.02**	$ 0.08
Diluted earnings per share:		
Net income for the three-month period	**$ 102**	$ 483
Average number of common shares outstanding during the period	**5,591,346**	5,728,280
'In the money' stock options outstanding during the period	**200,500**	236,800
	5,791,846	5,965,080
Diluted earnings per share	**$ 0.02**	$ 0.08

	January 31, 2024	January 31, 2023
Basic earnings per share:		
Net income for the six-month period	**$ 414**	$ 1,187
Average number of common shares outstanding during the period	**5,625,563**	5,745,659
Basic earnings per share	**$ 0.07**	$ 0.21
Diluted earnings per share:		
Net income for the six-month period	**$ 414**	$ 1,187
Average number of common shares outstanding during the period	**5,625,563**	5,745,659
'In the money' stock options outstanding during the period	**200,500**	236,800
	5,826,063	5,982,459
Diluted earnings per share	**$ 0.07**	$ 0.20

10. STOCK-BASED COMPENSATION

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

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

As at January 31, 2024, the following options were outstanding:

Number of Options	Exercise price	Expiry
105,500	$ 2.80	2026
10,000	$ 4.59	2027
10,000	$ 4.90	2027
60,000	$ 4.65	2028
70,000	$ 4.80	2029

The weighted average of the options is as follows:

	January 31, 2024		January 31, 2023	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the period	**256,800**	**$ 3.41**	230,800	$ 3.12
Expired during the period	**(39,600)**	**$ 2.90**	--	--
Issued during the period	**70,000**	**$ 4.80**	70,000	$ 4.65
Exercised during the period	**(31,700)**	**$ 2.90**	(2,500)	$ 2.90
Cancelled during the period	--	--	(2,500)	$ 2.90
Outstanding at the end of the period	**255,500**	**$ 3.93**	295,800	$ 3.49
Exercisable at the end of the period	**200,500**	**$ 3.71**	236,800	$ 3.18

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

	January 31, 2024	**January 31, 2023**
Expected life	5 years	5 years
Expected dividends	$ Nil	$ Nil
Expected volatility – based on a 60-month historical average	30.36%	31.27%
Risk free rate of return	1.63%	1.14%
Expected forfeiture rate	0%	0%
Total compensation cost recognized in income for stock-based employee compensation awards	$ 18	$ 68

11. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to its executive officers and contributes to a post-employment defined contribution benefit plan on their behalf. In accordance with the terms of the plan, executive officers are entitled to receive up to a maximum of 2.5% of base salary. Company contributions under the plan will match 100% of the employee contributions. During the period, the Company expensed contributions of $39 to the defined contribution plan in Canada for all employees, including key management personnel. The above contribution plans are identical to the contribution plans provided to all Canadian employees of the Company.

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

Key management personnel and directors' compensation comprised of:

	January 31, 2024	January 31, 2023
Salaries and cash bonuses	**$ 587**	$ 456
Short-term employment benefits	**13**	11
Post-employment benefits	**9**	12
	$ 609	$ 478

Key management personnel and director transactions

Directors of the Company control 5.18% of the voting shares of the Company. Individuals related to a director own, directly or indirectly, 69.43% 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, 2024 and the audited consolidated financial statements and MD&A for the year ended July 31, 2023 included in our 2023 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended January 31, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). When we use the terms "we", "us", "our", "Reko", or "Company", we are referring to Reko International Group Inc. and its subsidiaries.

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

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

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Reko International Group Inc., including copies of our continuous disclosure materials, is available on our website at www.rekointl.com or through the SEDAR+ website at www.sedarplus.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 the cost of materials and subcontracting. 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 March 7, 2024

OVERVIEW

Reko International Group Inc. is a diversified, technology-driven manufacturing organization. Our mission is to be a pillar and protector of the North American manufacturing industry. We provide support to manufacturers and producers as their "go-to" supplier in automation equipment and machining services so that they can be more successful.

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 including aerospace, rail, power generation and capital equipment.

For the transportation and power generation 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 plastic punch and weld assembly equipment; 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 operations are carried out in three manufacturing plants located on adjacent parcels of land in Lakeshore, Ontario - a suburb of the City of Windsor in Southwestern Ontario.

RECONCILIATION OF NON-IFRS MEASURES

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

	Three months ended		Six months ended	
	January 31, 2024	January 31, 2023	January 31, 2024	January 31, 2023
Sales	$ 11,948	$ 11,666	25,651	25,462
Less: Materials	2,871	2,213	6,829	6,296
Subcontracting	1,212	1,125	2,621	2,644
Earned revenue	$ 7,865	$ 8,328	16,201	16,522

RESULTS OF OPERATIONS

Sales

Sales for the three months ended January 31, 2024 increased by 2.4%, or $282, to $11,948 compared to $11,666 in the same period of the prior year.

Foreign exchange fluctuations continue to affect sales and are an inherent risk when doing business in other currencies. Overall, the fluctuation and increase in foreign exchange on U.S. dollar sales has had a positive impact, however, on a year-to-date basis the volume of USD sales compared to the prior year was 6.9% or $1,030 less, resulting in less reported revenue on account of foreign exchange.

Earned Revenue

Earned revenue is a non-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 cover the Company's labour expenses and compensation for employees, fixed and operating costs, and to earn a profit and is considered to be an effective measurement of performance.

For the three months ended January 31, 2024, earned revenue decreased by 5.6%, or $463, to $7,865, or 65.8% of sales, compared to earned revenue of $8,328, or 71.4% of sales, in the same period of 2023. Year to date earned revenue decreased by $321 or 1.9% to $16,201 compared to $16,522 in the previous fiscal year.

Certain projects that were either in process or shipped during the quarter required a greater proportion of purchased materials and components compared to the previous year's job mix, consequently affecting earned revenue margins.

Gross Profit

Gross profit for the three months ended January 31, 2024 decreased $725 to $1,502 or 12.6% of sales, compared to 19.1% of sales in the same period of the prior year.

The gross margin was negatively affected due to job mix, a reduction in earned revenue, efficiency losses during the training of new hires and unexpected challenges necessitating additional investment in jobs costs to successfully complete certain projects. Rising production costs, influenced by labour market dynamics and inflation, remain a challenge.

The Company continues to be committed to proactive cost management initiatives and exploring innovative solutions to safeguard and improve margins including the training and development of new hires aimed at improving operational efficiencies in the long-term.

Selling and Administration

As a percentage of sales, selling and administrative costs were 12.2% in the second quarter of fiscal 2024, improved $116 or 7.4% over the same period in the prior year, primarily due to a reduction in labour costs.

Earnings Overview

Net income for the three months ended January 31, 2024 was $102, or $0.02 per share, compared to $483, or $0.08 per share, in the second quarter of the prior fiscal year.

Net income for the six months ended January 31, 2024 was $414, or $0.07 per share, compared to $1,187, or $0.21 per share for the six months ended January 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow used in operations was $3,892, compared to cash provided by operations of $1,846 in the same period of the previous year. The year-over-year change is primarily driven from a decrease in net income and an increase in non-cash working capital, primarily from accounts receivable.

The Company continues to meet its financial covenants, including the second quarter of fiscal 2024.

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

Capital assets and investment spending

For the six months ended January 31, 2024, the Company invested $1,701 in capital assets.

Cash resources/working capital requirements

As at January 31, 2024, the Company had cash on hand of $5,545, compared to $12,139 at July 31, 2023 and $13,067 at January 31, 2023. The decline in cash subsequent to year end is the result of an increase in working capital, primarily certain accounts receivables tied to "PPAP" terms which are expected to be collected before the end of fiscal 2024.

Reko has a $20,000 revolver available of which the full amount was available at the end of the quarter based on our current lender defined margining capabilities.

There were no draws against the revolver during the quarter.

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	$ 8,536	$ 1,295	$ 5,298	$ 1,826	$ 117
Long-term debt subject to demand provisions *	2,946	202	2,744	-	-
Lease liabilities	33	8	18	7	-
Total contractual obligations	**$ 11,515**	**$ 1,505**	**$ 8,060**	**$ 1,833**	**$ 117**

* Notwithstanding the fact that certain facilities listed above are subject to demand provisions, the Company expects to repay the principal over the entire scheduled term of the loans.

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

The Company does not maintain any off-balance sheet financing.

Share capital

The Company had 5,563,413 common shares outstanding at January 31, 2024. A total of 255,500 options are outstanding as at quarter end.*Outstanding share data*

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	5,563,413	
Stock options exercisable	200,500	
Total (maximum) number of common shares		5,763,913

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 2024, ended January 31, 2024. 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 the Annual Report for the year ended July 31, 2023, 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/22	July/22	Oct/22	Jan/23
Sales	$13,357	$ 15,002	$ 13,796	$ 11,666
Net income	92	664	704	483
Earnings per share: Basic	0.02	0.11	0.13	0.08
Diluted	0.02	0.11	0.12	0.08
	Apr/23	**July/23**	**Oct/23**	**Jan/24**
Sales	$10,307	$ 10,982	13,703	11,948
Net income	55	80	312	102
Earnings per share: Basic	0.01	0.01	0.05	0.02
Diluted	0.01	0.01	0.05	0.02

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 power generation sectors. Demand in these areas can be affected by many factors, including general economic and political conditions, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The economic, industry and risk factors discussed in our Annual Report for the year ended July 31, 2023 remain substantially unchanged in respect to the three months ended January 31, 2024, however, the most significant of these are repeated below.

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 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 artificial intelligence, 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. The inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

Challenges successfully competing against suppliers with operations in developing markets

Many of our customers have sought and will likely continue to seek to take advantage of lower operating costs in Mexico, China, India, Southeast Asia, and other developing markets. We continue to investigate opportunities to expand our manufacturing sources, with a view to taking advantage of these lower cost countries. However, we cannot guarantee that we will be able to fully realize such opportunities. The inability to quickly adjust our manufacturing sources to take advantage of opportunities in these markets could harm our ability to compete with competitors and suppliers operating in or from such markets, which 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 automotive focused divisions should serve to moderate the impact of any such declines.

Changes in consumer demand for specific vehicles including electric 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.

The market for electric vehicles ("EV") remains volatile with anticipated short-term softening of demand. While a small proportion of Reko's overall sales are derived from programs directly tied to EV production, prolonged softening may affect vehicle production volumes. This, in turn, may influence the financial stability of our Tier customers, subsequently affecting the timing of new contract awards, project margins and the financial terms offered.

As a result of these and other factors, some of our customers are currently experiencing, and/or may experience in the future, reduced OEM demand for the parts and subassemblies that they supply due to lower consumer demand. Continued lower consumer demand could lead to model and project delays and cancellations by our customers.

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

Geopolitical tensions following Russia's invasion of the Ukraine and the escalating war between Israel and Hamas in Gaza could lead to prolonged market disruptions, volatility in commodity prices and other supply chain interruptions. Given that the majority of the markets we supply to and purchase from are primarily North American based, we currently believe our exposure to this conflict to be insignificant. However, the duration of and extent of such conflicts remain unpredictable.

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.

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 and options, 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.

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, between 60% and 70% 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 program ("FFEC Program"). Reko's Program 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 Program 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 program	Forward foreign exchange contracts booked	Net exposure to the U.S. dollar
Q2 - 2024	$ 9,847	$ 7,000	$ 2,847
Q1 - 2024	$ 10,250	$ 11,500	$ (1,250)
Q4 - 2023	$ 11,252	$ 10,000	$ 1,252
Q3 - 2023	$ 13,798	$ 10,000	$ 3,798

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 January 31				For the six months ended January 31			
	2024		2023		2024		2023	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate
U.S. Dollar equals Canadian Dollar	1.3547	1.3594	1.3494	1.3482	1.3551	1.3562	1.3380	1.3338

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.

During the second quarter, the Company recorded a pre-tax gain of approximately $390 related to the fair value of its U.S dollar exposures.

At the end of the quarter, the Company held $3,000 of FFECs at an effective average rate of 1.3583 compared to $6,000 at the end of the quarter in the prior year. Additionally, the Company entered into options to sell USD and buy CAD. These options have varying exercise rates ranging between 1.340 and 1.393 over the next 4 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).

NORMAL COURSE ISSUER BID

On January 5, 2023, the Company announced the approval of a normal course issuer bid to purchase up to 286,420 of its outstanding common shares on the TSX Venture Exchange during the twelve-month period which expired on January 8, 2024. A total of 215,700 shares were purchased under this bid, of which 71,800 were purchased during the second quarter of fiscal 2024.

On January 5, 2024, the Company announced the approval of another normal course issuer bid to purchase up to 278,170 of its outstanding common shares on the TSX Venture Exchange during the twelve-month period commenced on January 9, 2024 and ending on January 8, 2025.

The 278,170 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.