Reko International Group Inc.

Interim Condensed Consolidated Financial Statements

(unaudited)

For the six months ended January 31, 2025 and 2024

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 six months ended January 31, 2025 have been prepared by Management and approved by the Board of Directors on March 6, 2025. 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, 2025	July 31, 2024
ASSETS		
Current		
Cash	**$ 18,160**	$ 11,434
Accounts receivable	**11,733**	12,286
Work-in-progress	**4,316**	5,561
Prepaid expenses and other current assets	**1,180**	822
	35,389	30,103
Capital assets (Note 5)	**24,139**	25,855
Deferred income tax	**43**	-
	$ 59,571	$ 55,958
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 3,333**	$ 2,895
Unearned revenue on work-in-progress	**3,109**	301
Non-hedging financial derivatives (Note 4)	**1,035**	43
Current portion of long-term debt and lease liabilities (Note 6)	**1,648**	1,565
	9,125	4,804
Long-term debt and lease liabilities (Note 6)	**8,805**	9,394
Deferred income tax	**-**	379
	17,930	14,577
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**16,084**	16,235
Contributed surplus (Note 8)	**850**	839
Retained earnings	**24,707**	24,307
	41,641	41,381
	$ 59,571	$ 55,958

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, 2023	**$ 16,436**	**$ 1,270**	**$ 28,201**	**$ 45,907**
Share based compensation (Notes 7 and 8)	157	(49)	-	108
Share repurchases (Note 7)	(358)	(417)	-	(775)
Net income	-	-	414	414
Balance at January 31, 2024	**$ 16,235**	**$ 804**	**$ 28,615**	**$ 45,654**
Balance at July 31, 2024	**$ 16,235**	**$ 839**	**$ 24,307**	**$ 41,381**
Share based compensation (Notes 7 and 8)	19	11	-	**30**
Share repurchases (Note 7)	(170)	-	-	**(170)**
Net income	-	-	400	**400**
Balance at January 31, 2025	**$ 16,084**	**$ 850**	**$ 24,707**	**$ 41,641**

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, 2025	**January 31, 2024**	**January 31, 2025**	**January 31, 2024**
Sales	**$ 10,786**	$ 11,948	**$ 21,025**	$ 25,651
Costs and expenses				
Cost of sales	**8,142**	9,570	**15,388**	20,426
Depreciation	**990**	992	**1,986**	1,998
	9,132	10,562	**17,374**	22,424
Gross profit	**1,654**	1,386	**3,651**	3,227
Selling and administrative	**1,552**	1,337	**3,046**	2,739
Income before the following items	**102**	49	**605**	488
Foreign exchange loss (gain)	**338**	68	**731**	(71)
Other (income) expense	**(79)**	(42)	**(105)**	6
(Gain) loss on sale of capital assets	**(1)**	58	**(1)**	112
Interest on long-term debt and lease liabilities	**122**	120	**244**	244
Interest income	**(128)**	(38)	**(243)**	(102)
	252	166	**626**	189
(Loss) income before income taxes	**(150)**	(117)	**(21)**	299
Income tax provision				
Deferred income tax recovery	**(463)**	(219)	**(421)**	(115)
Net income and comprehensive income	**$ 313**	$ 102	**$ 400**	$ 414
Earnings per common share (Note 9)				
Basic	**$ 0.05**	$ 0.02	**$ 0.07**	$ 0.07
Diluted	**0.05**	0.02	**0.07**	0.07

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

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

	For the six months ended January 31, 2025	For the six months ended January 31, 2024
OPERATING ACTIVITIES		
Net income for the period	**$ 400**	$ 414
Adjustments for:		
Depreciation	**1,986**	1,998
Income tax provision	**(421)**	(115)
Interest expense, net	**1**	142
Change in non-hedging financial derivatives	**992**	89
Unrealized foreign exchange loss	**293**	146
Stock-based compensation	**30**	18
(Gain) loss on sale of capital assets	**(1)**	112
	3,280	2,804
Net change in non-cash working capital	**4,686**	(6,554)
Interest paid	**(1)**	(142)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**7,965**	(3,892)
FINANCING ACTIVITIES		
Cost of repurchase of capital stock	**(170)**	(685)
Repayments of long-term debt and lease liabilities	**(800)**	(727)
CASH USED IN FINANCING ACTIVITIES	**(970)**	(1,412)
INVESTING ACTIVITIES		
Investment in capital assets	**(270)**	(1,701)
Proceeds on sale of capital assets	**1**	411
CASH USED IN INVESTING ACTIVITIES	**(269)**	(1,290)
Net change in cash	**6,726**	(6,594)
Cash, beginning of period	**11,434**	12,139
Cash, end of period	**$ 18,160**	$ 5,545

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 6, 2025.

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, 2024, 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, 2024 except as noted below.

Changes in presentation

With respect to the interim condensed consolidated financial statements and notes to the interim condensed consolidated financial statements, the Company has reclassified certain prior year amounts to conform to the current year's interim condensed consolidated financial statement presentation. Prior period reclassifications include labour expenses previously reported within sales and administrative expenses now recorded in cost of sales on the interim condensed consolidated statement of income and comprehensive income.

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, 2025	
	Revenues	**Capital assets**
Canada	**$ 20,938**	**$ 24,139**
United States	**87**	**-**
	$ 21,025	**$ 24,139**

	Six months ended January 31, 2024	
	Revenues	**Capital assets**
Canada	$ 25,645	$ 27,317
United States	6	-
	$ 25,651	$ 27,317

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.

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

Fair value hierarchy

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

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

	LEVEL 1	LEVEL 2	LEVEL 3	January 31, 2025
Cash	$ 18,160	$ -	$ -	$ 18,160
Non-hedging financial derivatives	-	(1,035)	-	(1,035)
	$ 18,160	**$ (1,035)**	**$ -**	**$ 17,125**

	LEVEL 1	LEVEL 2	LEVEL 3	July 31, 2024
Cash	$ 11,434	$ -	$ -	$ 11,434
Non-hedging financial derivatives	-	(43)	-	(43)
	$ 11,434	**$ (43)**	**$ -**	**$ 11,391**

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 $2,892 and USD $2,040 (currently valued at CDN $2,925) 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's non-hedging financial derivatives are the Company's future forward exchange contracts and are subject to fluctuations in foreign exchange rates between the Canadian and US dollar. The Company's non-hedging financial derivatives are valued based on discounting the future cash outflows associated with the contract based on the closing foreign exchange rate between the Canadian and US dollar

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

The mark-to-market value on these financial instruments as at January 31, 2025 was an unrealized loss of $1,035 (July 31, 2024- $43), which has been recorded in net income for the period.

As at January 31, 2025	CURRENCY	NOTIONAL USD EQUIVALENT	FLOOR RATE	CEILING/ BARRIER RATE	FORWARD RATE	CONTINGENT NOTIONAL USD	FAIR VALUE ASSET (LIABILITY)	MATURITY
OPTIONS	Sell USD / Buy CAD	$6,000	1.3520	1.3755	NA	$13,000	($1,035)	0 – 4 months

As at July 31, 2024	CURRENCY	NOTIONAL USD EQUIVALENT	FLOOR RATE	CEILING/ BARRIER RATE	FORWARD RATE	CONTINGENT NOTIONAL USD	FAIR VALUE ASSET (LIABILITY)	MATURITY
OPTIONS	Sell USD / Buy CAD	$3,000	1.3650	1.3925	NA	$6,000	($43)	0 – 3 months

5. CAPITAL ASSETS

Capital assets are comprised of:

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	EQUIPMENT UNDER CONSTRUCTION	TOTAL
Cost						
Balance at July 31, 2023	$ 661	$ 14,919	$ 61,096	$ 859	$ 700	$ 78,235
Additions	-	3	-	-	2,224	2,227
Transfers	-	-	2,680	10	(2,690)	-
Disposals	-	-	(2,558)	-	-	(2,558)
Balance at July 31, 2024	**$ 661**	**$ 14,922**	**$ 61,218**	**$ 869**	**$ 234**	**$ 77,904**
Additions	-	-	-	-	270	270
Transfers	-	-	263	11	(274)	-
Disposals	-	-	(14)	-	-	(14)
Balance at January 31, 2025	**$ 661**	**$ 14,922**	**$ 61,467**	**$ 880**	**$ 230**	**$ 78,160**

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	EQUIPMENT UNDER CONSTRUCTION	TOTAL
Depreciation						
Balance at July 31, 2023	$ -	$ 6,320	$ 43,266	$ 512	$ -	$ 50,098
Depreciation for the year	-	452	3,475	49	-	3,976
Disposals	-	-	(2,025)	-	-	(2,025)
Balance at July 31, 2024	**$ -**	**$ 6,772**	**$ 44,716**	**$ 561**	**$ -**	**$ 52,049**
Depreciation for the period	-	222	1,740	24	-	1,986
Disposals	-	-	(14)	-	-	(14)
Balance at January 31, 2025	**$ -**	**$ 6,994**	**$ 46,442**	**$ 585**	**$ -**	**$ 54,021**
Carrying value						
Balance at July 31, 2024	**$ 661**	**$ 8,150**	**$ 16,502**	**$ 308**	**$ 234**	**$ 25,855**
Balance at January 31, 2025	**$ 661**	**$ 7,928**	**$ 15,025**	**$ 295**	**$ 230**	**$ 24,139**

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

Included in the net book value of machinery and equipment are right of use assets of $4,428 (July 31, 2024- $4,885).

6. LONG-TERM DEBT AND LEASE LIABILITES

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

		January 31, 2025		July 31, 2024
Mortgage payable – 5.63% (July 31, 2024 – 5.63%), repayable $26 monthly including interest, matures April 2038, secured by certain land and building and an assignment of rents on the subject property	$	2,892	$	2,964
Mortgage payable – 3.06% plus a credit spread (July 31, 2024 – 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 $14 USD monthly plus interest, matures August 2038, secured by certain land, buildings, and a general security agreement		2,925		2,925
Equipment lease – 2.78%, repayable $23 USD monthly including interest, due in full January 2027, and secured by the equipment		733		891
Equipment lease – 3.99%, repayable $19 USD monthly including interest, due in full April 2027, and secured by the equipment		702		826
Equipment lease – 5.23%, repayable $18 USD monthly including interest, due in full June 2029, and secured by the equipment		1,113		1,180
Equipment lease – 5.82%, repayable $30 USD monthly including interest, due in full June 2030, and secured by the equipment		2,088		2,173
		10,453		10,959
Deduct - unamortized finance fees		-		-
- principal portion included in current liabilities		1,648		1,565
Long-term portion	$	8,805	$	9,394

Repayments on committed facilities are scheduled as follows:

YEAR		
Next 12 months	$	1,648
2 years		1,655
3 years		1,064
4 years		1,049
5 years		3,188
Thereafter		1,849
Balance of obligation	$	**10,453**

(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	5,518,513	$ 16,084

Share capital transactions during the period were as follows:

	January 31, 2025		July 31, 2024	
	SHARES	AMOUNT	SHARES	AMOUNT
Outstanding, beginning of period	**5,563,413**	**$ 16,235**	5,687,013	$ 16,436
Transactions during period	**(44,900)**	**(151)**	(123,600)	(201)
Outstanding, end of period	**5,518,513**	**$ 16,084**	5,563,413	$ 16,235

During the six-month period, the Company repurchased and cancelled 49,900 common shares under the normal course issuer bid for a net cost of $170.

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, 2025 were exercised:

Common shares outstanding at January 31, 2025	5,518,513
Stock options	120,200
	5,638,713

8. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	January 31, 2025	July 31, 2024
Balance, beginning of period	**$ 839**	$ 1,270
Amounts in respect of exercised stock options	**(2)**	(66)
Amounts in respect of the share-based compensation	**13**	53
Amounts in respect of share repurchases	**-**	(418)
Balance, end of period	**$ 850**	**$ 839**

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

9. EARNINGS PER SHARE

The calculation of basic earnings per share at January 31, 2025 was based on the net profit attributable to common shareholders and a weighted average number of common shares outstanding as follows:

	January 31, 2025	January 31, 2024
Basic earnings per share:		
Net income for the three-month period	**$ 313**	$ 102
Average number of common shares outstanding during the period	**5,546,446**	5,591,346
Basic earnings per share	**$ 0.05**	$ 0.02
Diluted earnings per share:		
Net income for the three-month period	**$ 313**	$ 102
Average number of common shares outstanding during the period	**5,546,446**	5,591,346
'In the money' stock options outstanding during the period	**120,200**	200,500
	5,666,646	5,791,846
Diluted earnings per share	**$ 0.05**	$ 0.02

	January 31, 2025	January 31, 2024
Basic earnings per share:		
Net income for the six-month period	**$ 400**	$ 414
Average number of common shares outstanding during the period	**5,554,430**	5,625,563
Basic earnings per share	**$ 0.07**	$ 0.07
Diluted earnings per share:		
Net income for the six-month period	**$ 400**	$ 414
Average number of common shares outstanding during the period	**5,554,430**	5,625,563
'In the money' stock options outstanding during the period	**120,200**	200,500
	5,674,630	5,826,063
Diluted earnings per share	**$ 0.07**	$ 0.07

10. STOCK-BASED COMPENSATION

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

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

As at January 31, 2025, the following options were outstanding:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY
95,500	$ 2.80	2026
10,000	$ 4.59	2027
10,000	$ 4.90	2027
50,000	$ 4.65	2028
60,000	$ 4.80	2029
25,000	$ 4.70	2029
15,000	$ 4.55	2029
59,000	$ 3.20	2030

The weighted average of the options is as follows:

	January 31, 2025		January 31, 2024	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of period	**295,500**	**$ 4.03**	256,800	$ 3.41
Expired during the period	**-**	**-**	(39,600)	2.90
Issued during the period	**69,000**	**3.20**	70,000	4.80
Exercised during the period	**(5,000)**	**3.20**	(31,700)	2.90
Cancelled during the period	**(35,000)**	**3.97**	-	-
Outstanding at end of period	**324,500**	**$ 3.87**	255,500	$ 3.93
Exercisable at the end of the period	**120,200**	**$ 3.80**	200,500	$ 3.71

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, 2025	January 31, 2024
Expected life	**5 years**	5 years
Expected dividends	**$ Nil**	$ Nil
Expected volatility – based on a 60-month historical average	**35.39%**	30.06%
Risk free rate of return	**1.35%**	1.63%
Expected forfeiture rate	**0%**	0%
Total compensation cost recognized in income for stock-based employee compensation awards	**$ 13**	$ 18

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

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 4.0% of base salary. Company contributions under the plan will match 100% of the employee contributions. During the period, the Company expensed contributions of $133 to the defined contribution plan in Canada for all employees, including key management personnel.

Key management personnel and directors compensation comprised of:

	January 31, 2025	January 31, 2024
Salaries and cash bonuses	**$ 496**	$ 587
Short-term employment benefits	**23**	13
Post-employment benefits	**15**	9
	$ 534	$ 609

Key management personnel and director transactions

Directors of the Company control 3.6% of the voting shares of the Company. Individuals related to a director own, directly or indirectly, 69.87% of the voting shares of the Company.

12. SUBSEQUENT EVENT

On March 4, 2025, tariffs on certain Canadian-origin goods imported into the United States came into effect following an executive order issued by the President of the United States. These tariffs impose an additional 25% duty on most Canadian-origin products. The same day retaliatory tariffs were implemented by Canada. At this time, specific additional actions remain uncertain. The extent of the impact on the Company, the duration of these tariffs, and any potential changes to the measures remain uncertain. The Company is evaluating the potential financial and operational impacts of these tariffs. While the extent of the impact cannot be quantified at this time, these measures may have an adverse effect on the Company's operations.

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, 2025 and the audited consolidated financial statements and MD&A for the year ended July 31, 2024 included in our 2024 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended January 31, 2025 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 also references adjusted EBITDA, which is defined as earnings before interest, taxes, depreciation, and amortization, adjusted for certain items that management believes are not indicative of ongoing operational performance. The Company includes information on earned revenue and adjusted EBITDA because these metrics are used by management to assess performance, and management believes they are also used by certain investors and analysts to evaluate the Company's financial performance. These measures are not necessarily comparable to similarly titled measures used by other companies.

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

This MD&A is current to March 6, 2025

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 the 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, offsite construction, infrastructure 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 non-IFRS measures in accordance with IFRS is provided in the following table:

	Three months ended		Six months ended	
	1/31/2025	**1/31/2024**	**1/31/2025**	**1/31/2024**
Sales	**$10,786**	$11,948	**$21,025**	$25,651
Less: Materials	**2,153**	2,871	**3,846**	6,829
Sub-contracting	**843**	1,213	**1232**	2,621
Earned revenue	**$7,790**	$7,864	**$15,947**	$16,201
(Loss) income before income taxes	**$ (150)**	$ (117)	**$ (21)**	$ 299
Add: depreciation	**990**	992	**1,986**	1,998
net interest (income) expense	**(6)**	81	**1**	142
EBITDA	**834**	956	**1,966**	2,439
Add: loss (gain) on change in fair value of foreign exchange contracts	**588**	389	**992**	(89)
Add: other net FX losses (gains)	**(250)**	(321)	**(261)**	18
Add: non-recurring expenses due to insurance claim	**34**	-	**34**	-
Add: restructuring costs	**7**	11	**10**	21
Adjusted EBITDA	**$ 1,213**	$1,035	**$2,741**	$2,389

RESULTS OF OPERATIONS

Sales

Sales for the three months ended January 31, 2025 decreased by 9.7%, or $1,162, to $10,786 compared to $11,948 in the same period of the prior year. The Company recognizes revenue on a percentage-of-completion basis, resulting in sales fluctuations based on the number of projects in progress and their stage of completion as at the reporting date. In the current period, the Company had a lower volume of projects, primarily in the automotive sector, with a greater proportion at earlier stages of completion compared to the prior year, impacting reported sales.

The Company remains focused on stabilizing sales through targeted initiatives while also actively pursuing growth in alternative sectors including offsite construction and infrastructure where rising demand coupled with Reko's capabilities presents significant opportunity for long-term success and market expansion.

Foreign exchange fluctuations continue to affect sales and are an inherent risk when doing business in other currencies. Overall, the strengthening of the U.S dollar has had a positive impact on reported sales in the quarter.

Earned Revenue

The Company defines earned revenue as the portion of total revenue available to cover labour expenses and other fixed and operating costs, and generate profit. This metric is considered an effective indicator of the Company's performance.

For the three months ended January 31, 2025, earned revenue as a percentage of sales increased to 72.2% compared to 65.8% in the same period last year. This improvement was driven by a favorable customer mix, strategic purchasing decisions, and the stage of in-progress projects at quarter-end, which influenced the timing of material purchases compared to the prior year.

Gross Profit

Despite the decline in sales, gross profit dollars increased by $268 to $1,654 compared to $1,386 in the prior year, largely as a result of the improvement in earned revenue. Gross profit for the three months ended January 31, 2025 is 15.3% of sales compared to 11.6% of sales in the same period of the prior year.

Selling and Administration

Selling and administrative costs increased by 16.0% to $1,552 up from $1,337 in the second quarter of fiscal 2024. This increase is primarily due to an increase in professional fees related to efforts to resolve an outstanding past due receivable from a customer of the Company's former tooling division.

EBITDA/Adjusted EBITDA

EBITDA for the second quarter of fiscal 2025 was $834, compared to $956 in fiscal 2024. Included in EBITDA is a non-cash foreign exchange loss of $588, compared to $389 in the prior year, both from mark-to-market adjustments on foreign exchange contracts held at quarter-end. These losses were partially offset by net foreign exchange gains of $250 in fiscal 2025 and $321 in fiscal 2024, driven by balance sheet translation and realized FX gains on USD cash sales. The overall net foreign exchange impact was a loss of $338 or $0.06 per share in the second quarter of fiscal 2025, compared to a loss of $68 or $0.01 per share in the same quarter of fiscal 2024.

Year-to-date, net FX movements resulted in a loss of $731 for the six months ended January 31, 2025, versus a gain of $71 in the prior year, reflecting an unfavorable swing of $802 or $0.15 per share.

Earnings Overview

Net earnings for the quarter ended January 31, 2025, were $313, or $0.05 per share, compared to $102, or $0.02 per share, in same period last year. Included in net earnings is a net foreign exchange loss of $338 or $0.06 per share, compared to a net foreign exchange loss of $68 or $0.01 per share in the second quarter of fiscal 2024. Also included in net earnings is the recognition of deferred tax assets of $456 or $0.08 per share, compared to $232 or $0.04 per share in the prior year resulting from the recognition of deferred tax assets relating to Scientific Research and Experimental Development ("SRED") tax credits.

After adjusting for net foreign exchange losses and SRED tax credits, second-quarter earnings per share were $0.03, compared to a loss of $0.01 per share in the prior year—an improvement of $0.04 when compared to the second quarter of fiscal 2024

LIQUIDITY AND CAPITAL RESOURCES

Cash on hand

As at January 31, 2025, the Company had cash on hand of $18,160, an increase of $6,726 from the fourth quarter of fiscal 2024.

For the six months ended January 31, 2025, cash flow generated from operations was $7,965, primarily reflecting favourable net changes in non-cash working capital. Unearned revenue increased by $2,808, driven by fluctuations in project volume and customer terms, while work-in-progress decreased by $2,808 due to a lower volume of projects in process, and their stage of completion, when compared to the same period of the prior year.

Cash balances held in $USD were revalued at the reporting date exchange rate of $1.4336, which was $0.05 higher than the year end closing rate at July 31, 2024.

Cash used in investing activities

For the six months ended January 31, 2025, the Company invested $269 in capital assets, a decline of $1,021 over the same period of the prior year.

Credit facilities

The Company continues to meet its financial covenants, including the second quarter of fiscal 2025. The Company believes it has sufficient operating room with respect to its financial covenants and does not anticipate being in breach throughout the remainder of the fiscal year

Reko has a $20,000 demand revolving facility available. However, based on our current lender defined margining capabilities, our borrowings are limited to $9,654. There were no draws against the revolver during the quarter and no balances against this facility as at the reporting date.

The Company also has an equipment facility available up to a maximum of $1,500 to finance investments in machinery and equipment. There are no outstanding balances against this facility as at the reporting date.

Contractual obligations and off-balance sheet financing

		PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-term debt	$ 10,453	$ 1,648	$ 2,719	$ 4,237	$ 1,849
Lease liabilities	23	9	14	-	-
Total contractual obligations	**$ 10,476**	**$ 1,657**	**$ 2,733**	**$ 4,237**	**$ 1,849**

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 5,518,513 common shares outstanding at January 31, 2025. A total of 324,500 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	5,518,513	
Stock options exercisable	242,200	
Total (maximum) number of common shares		5,760,713

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 2025, ended January 31, 2025. 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, 2024, 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/23	Jull/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
	Apr/24	**Jul/24**	**Oct/24**	**Jan/25**
Sales	$9,606	$9,019	$10,238	10,786
Net (loss) income	(849)	(3,459)	88	313
Earnings per share: Basic	(0.15)	(0.62)	0.02	0.05
Diluted	(0.15)	(0.59)	0.02	0.05

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, federal elections, 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 including upcoming elections, 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, 2024 remain substantially unchanged in respect to the three months ended January 31, 2025, 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.

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.

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.

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 are 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.

Adoption of Artificial Intelligence (AI) and Related Risks

As the Company explores the integration of artificial intelligence ("AI") technologies into its operations, it recognizes the transformative potential of AI to drive efficiencies across key functions, including process optimization, data analytics, and operational decision-making. However, the implementation of AI may present several challenges, including data security and data inaccuracy which could impact decision-making and operational outcomes. Additionally, the speed of AI adoption, if slower than industry peers, could impact competitive position and overall operational efficiency.

The Company is committed to taking a responsible approach to AI adoption, ensuring that its implementation is both ethical and aligned with best practices for data integrity and security. By closely monitoring advancements in AI technology, the Company will adapt its strategy, as needed, to mitigate risks while maximizing the value derived from AI innovations.

FINANCIAL AND CAPITAL MANAGEMENT RISK

Changes to trade policies and tariffs

The Company is exposed to risks associated with potential changes in trade policies, including the introduction or escalation of tariffs. As a significant portion of the Company's exports are directed to U.S. markets, any such changes could make our products less competitive due to increased costs for customers or import restrictions. Additionally, retaliatory measures imposed by Canada in response to U.S. tariffs could increase input costs or disrupt supply chains, further impacting profitability. Furthermore, uncertainty around trade policy could lead to delays in customer purchasing decisions or shifts in supply chain dynamics, affecting demand for our products. Management continues to monitor developments closely and assess mitigation strategies to address potential impacts on the Company's financial performance.

Continued uncertain economic conditions

Ongoing geopolitical tensions, including the conflicts in Ukraine and Gaza, could contribute to market disruptions, commodity price volatility, and supply chain challenges. While our primary markets and suppliers are North American-based, and we currently assess our direct exposure as minimal, the duration and broader economic impact of these conflicts remain uncertain. We continue to monitor the situation closely for potential risks

Pricing pressures and pressures 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.

The company utilizes financial instruments, including forward contracts and foreign exchange options, to manage its exposure to foreign exchange risk. Under the terms of the FX options, a floor and a ceiling exchange rate are predetermined. If the spot rate falls below the floor, the Company will sell the notional amount at the floor rate. If the spot rate exceeds the ceiling, the Company will be required to sell double the notional amount. If the spot rate remains between the floor and ceiling, the option expires worthless, allowing the Company to sell at the prevailing spot rate at its discretion.

A summary of FFEC's held a quarter end:

As at January 31, 2025	CURRENCY	NOTIONAL USD EQUIVALENT	FLOOR RATE	CEILING/ BARRIER RATE	FORWARD RATE	CONTINGENT NOTIONAL USD	FAIR VALUE ASSET (LIABILITY)	MATURITY
OPTIONS	Sell USD / Buy CAD	$6,000	1.3520	1.3755	NA	$13,000	($1,035)	0 – 4 months

As at January 31, 2024	CURRENCY	NOTIONAL USD EQUIVALENT	FLOOR RATE	CEILING/ BARRIER RATE	FORWARD RATE	CONTINGENT NOTIONAL USD	FAIR VALUE ASSET (LIABILITY)	MATURITY
OPTIONS	Sell USD / Buy CAD	$3,000	1.3650	1.3925	NA	$6,000	($43)	0 – 3 months

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			
	2025		2024	
	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE
US Dollar equals Canadian Dollar	1.4160	1.3520	1.3547	1.3594

During the quarter, the Company recorded a pre-tax loss of approximately $588 related to the fair value of its U.S dollar exposures.

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, 2024, the Company announced the approval of a 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. A total of 47,100 shares were purchased under this bid, of which 44,100 shares were purchased during the second quarter of fiscal 2025.

On January 6, 2025, the Company announced the approval of another normal course issuer bid to purchase up to 276,066 of its outstanding common shares on the TSX Venture Exchange during the twelve-month period commenced on January 9, 2025 and ending on January 8, 2026. The 276,066 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, the Company purchased and subsequently cancelled 2,800 shares under the provision of this normal course issuer bid.