

# **Reko International Group Inc.**

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

*For the three months ended October 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 three months ended October 31, 2025 have been prepared by Management and approved by the Board of Directors on December 4, 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)

|                                                                  | October 31, 2025 | July 31, 2025 |
|------------------------------------------------------------------|------------------|---------------|
| <b>ASSETS</b>                                                    |                  |               |
| Current                                                          |                  |               |
| Cash                                                             | \$ 12,504        | \$ 17,996     |
| Accounts receivable                                              | 9,367            | 9,619         |
| Work-in-progress                                                 | 4,437            | 3,670         |
| Prepaid expenses and other current assets                        | 853              | 825           |
|                                                                  | 27,161           | 32,110        |
| Capital assets (Note 5)                                          | 25,699           | 24,024        |
| Deferred income tax                                              | 751              | 790           |
|                                                                  | \$ 53,611        | \$ 56,924     |
| <b>LIABILITIES</b>                                               |                  |               |
| Current                                                          |                  |               |
| Accounts payable and accrued liabilities                         | \$ 4,211         | \$ 4,701      |
| Unearned revenue on work-in-progress                             | 489              | 35            |
| Non-hedging financial derivatives (Note 4)                       | 46               | 18            |
| Income taxes payable                                             | -                | 553           |
| Current portion of long-term debt and lease liabilities (Note 6) | 1,430            | 4,139         |
|                                                                  | 6,176            | 9,446         |
| Long-term debt and lease liabilities (Note 6)                    | 4,948            | 5,264         |
|                                                                  | 11,124           | 14,710        |
| <b>SHAREHOLDERS' EQUITY</b>                                      |                  |               |
| Share capital (Note 7)                                           | 15,957           | 16,014        |
| Contributed surplus (Note 8)                                     | 794              | 848           |
| Retained earnings                                                | 25,736           | 25,352        |
|                                                                  | 42,487           | 42,214        |
|                                                                  | \$ 53,611        | \$ 56,924     |

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     |
|------------------------------------------|------------------|---------------------|-------------------|------------------|
| <b>Balance at July 31, 2024</b>          | <b>\$ 16,235</b> | <b>\$ 839</b>       | <b>\$ 24,307</b>  | <b>\$ 41,381</b> |
| Share based compensation (Notes 7 and 8) | -                | 50                  | -                 | 50               |
| Share repurchases (Note 7)               | (10)             | -                   | -                 | (10)             |
| Net income                               | -                | -                   | 88                | 88               |
| <b>Balance at Oct 31, 2024</b>           | <b>\$ 16,225</b> | <b>\$ 889</b>       | <b>\$ 24,395</b>  | <b>\$ 41,509</b> |
| <b>Balance at July 31, 2025</b>          | <b>\$ 16,014</b> | <b>\$ 848</b>       | <b>\$ 25,352</b>  | <b>\$ 42,214</b> |
| Share based compensation (Notes 7 and 8) | 37               | (54)                | -                 | (17)             |
| Share repurchases (Note 7)               | (94)             | -                   | -                 | (94)             |
| Net income                               | -                | -                   | 384               | 384              |
| <b>Balance at October 31, 2025</b>       | <b>\$ 15,957</b> | <b>\$ 794</b>       | <b>\$ 25,736</b>  | <b>\$ 42,487</b> |

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

**REKO INTERNATIONAL GROUP INC.**
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

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

|                                                  | For the three months ended |                  |
|--------------------------------------------------|----------------------------|------------------|
|                                                  | October 31, 2025           | October 31, 2024 |
| Sales                                            | \$ 9,052                   | \$ 10,238        |
| Costs and expenses                               |                            |                  |
| Cost of sales                                    | 6,602                      | 7,244            |
| Depreciation                                     | 920                        | 996              |
|                                                  | 7,522                      | 8,240            |
| Gross profit                                     | 1,530                      | 1,998            |
| Selling and administrative                       | 1,219                      | 1,495            |
| Income before the following items                | 311                        | 503              |
| Foreign exchange loss                            | 35                         | 394              |
| Other income                                     | (96)                       | (27)             |
| Gain on sale of capital assets                   | (56)                       | -                |
| Interest on long-term debt and lease liabilities | 73                         | 122              |
| Interest income, net                             | (116)                      | (115)            |
|                                                  | (160)                      | 374              |
| Income before income taxes                       | 471                        | 129              |
| Deferred income tax expense                      | 87                         | 41               |
| Income tax expense                               | 87                         | 41               |
| Net income and comprehensive income              | \$ 384                     | \$ 88            |
| Earnings per common share (Note 9)               |                            |                  |
| Basic                                            | \$ 0.07                    | \$ 0.02          |
| Diluted                                          | 0.07                       | 0.02             |

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

|                                                    | For the three months ended<br>October 31, 2025 | For the three months ended<br>October 31, 2024 |
|----------------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                        |                                                |                                                |
| Net income for the period                          | \$ 384                                         | \$ 88                                          |
| Adjustments for:                                   |                                                |                                                |
| Depreciation                                       | 920                                            | 996                                            |
| Income tax provision                               | 87                                             | 41                                             |
| Interest (income) expense, net                     | (43)                                           | 7                                              |
| Change in non-hedging financial derivatives        | 28                                             | 404                                            |
| Unrealized foreign exchange loss                   | 27                                             | 24                                             |
| Stock-based compensation                           | (17)                                           | 50                                             |
| Gain on sale of capital assets                     | (56)                                           | -                                              |
|                                                    | 1,330                                          | 1,610                                          |
| Net change in non-cash working capital             | (1,180)                                        | 1,345                                          |
| Interest received (paid)                           | 43                                             | (7)                                            |
| <b>CASH PROVIDED BY OPERATING ACTIVITIES</b>       | <b>193</b>                                     | <b>2,948</b>                                   |
| <b>FINANCING ACTIVITIES</b>                        |                                                |                                                |
| Cost of repurchase of capital stock                | (94)                                           | (10)                                           |
| Repayments of long-term debt and lease liabilities | (3,052)                                        | (387)                                          |
| <b>CASH USED IN FINANCING ACTIVITIES</b>           | <b>(3,146)</b>                                 | <b>(397)</b>                                   |
| <b>INVESTING ACTIVITIES</b>                        |                                                |                                                |
| Investment in capital assets                       | (2,651)                                        | (158)                                          |
| Proceeds on sale of capital assets                 | 112                                            | -                                              |
| <b>CASH USED IN INVESTING ACTIVITIES</b>           | <b>(2,539)</b>                                 | <b>(158)</b>                                   |
| Net change in cash                                 | (5,492)                                        | 2,393                                          |
| Cash, beginning of period                          | 17,996                                         | 11,434                                         |
| Cash, end of period                                | \$ 12,504                                      | \$ 13,827                                      |

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

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*Nature of operations*

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 December 4, 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, 2025, 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, 2025 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.

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          |

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

|                                  |          |      |      |
|----------------------------------|----------|------|------|
| 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.

|               | Three months ended October 31, 2025 |                |
|---------------|-------------------------------------|----------------|
|               | REVENUES                            | CAPITAL ASSETS |
| Canada        | \$ 9,050                            | \$ 25,699      |
| United States | 2                                   | -              |
|               | \$ 9,052                            | \$ 25,699      |

|               | Three months ended October 31, 2024 |                |
|---------------|-------------------------------------|----------------|
|               | REVENUES                            | CAPITAL ASSETS |
| Canada        | \$ 10,235                           | \$ 25,017      |
| United States | 3                                   | -              |
|               | \$ 10,238                           | \$ 25,017      |

## 3. FINANCIAL INSTRUMENTS

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

### *Fair Value*

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

### **Accounts receivable, accounts payable and accrued liabilities**

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

### **Fair value hierarchy**

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

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

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

|                                   | LEVEL 1          | LEVEL 2        | LEVEL 3     | October 31, 2025 |
|-----------------------------------|------------------|----------------|-------------|------------------|
| Cash                              | \$ 12,504        | \$ -           | \$ -        | \$ 12,504        |
| Non-hedging financial derivatives | -                | (46)           | -           | (46)             |
|                                   | <b>\$ 12,504</b> | <b>\$ (46)</b> | <b>\$ -</b> | <b>\$ 12,458</b> |

|                                   | LEVEL 1          | LEVEL 2        | LEVEL 3     | July 31, 2025    |
|-----------------------------------|------------------|----------------|-------------|------------------|
| Cash                              | \$ 17,996        | \$ -           | \$ -        | \$ 17,996        |
| Non-hedging financial derivatives | -                | (18)           | -           | (18)             |
|                                   | <b>\$ 17,996</b> | <b>\$ (18)</b> | <b>\$ -</b> | <b>\$ 17,978</b> |

**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 \$2,779 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.

The mark-to-market value on these financial instruments as at October 31, 2025 was an unrealized loss of \$46 (July 31, 2025- \$18), which has been recorded in net loss for the period.

| <b>As at October 31, 2025</b> |                       |                               |               |                 |                 |                               |                                    |              |
|-------------------------------|-----------------------|-------------------------------|---------------|-----------------|-----------------|-------------------------------|------------------------------------|--------------|
|                               | CURRENCY              | NOTIONAL<br>USD<br>EQUIVALENT | FLOOR<br>RATE | CEILING<br>RATE | FORWARD<br>RATE | CONTINGENT<br>NOTIONAL<br>USD | FAIR VALUE<br>ASSET<br>(LIABILITY) | MATURITY     |
| FORWARDS                      | Sell USD / Buy<br>CAD | \$1,150                       | NA            | NA              | 1.3841          | NA                            | (\$18)                             | 0 – 3 months |
| OPTIONS                       | Sell USD / Buy<br>CAD | \$1,250                       | 1.3700        | 1.4000          | NA              | \$1,600                       | (\$28)                             | 0 – 3 months |

| <b>As at July 31, 2025</b> |                       |                               |               |                 |                 |                               |                                    |              |
|----------------------------|-----------------------|-------------------------------|---------------|-----------------|-----------------|-------------------------------|------------------------------------|--------------|
|                            | CURRENCY              | NOTIONAL<br>USD<br>EQUIVALENT | FLOOR<br>RATE | CEILING<br>RATE | FORWARD<br>RATE | CONTINGENT<br>NOTIONAL<br>USD | FAIR VALUE<br>ASSET<br>(LIABILITY) | MATURITY     |
| OPTIONS                    | Sell USD / Buy<br>CAD | \$1,625                       | 1.3700        | 1.4000          | NA              | \$2,500                       | (\$18)                             | 0 – 5 months |

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

**5. CAPITAL ASSETS**

Capital assets are comprised of:

|                                    | LAND   | BUILDINGS | MACHINERY<br>AND<br>EQUIPMENT | LEASEHOLD<br>IMPROVEMENTS | EQUIPMENT<br>UNDER<br>CONSTRUCTION | TOTAL     |
|------------------------------------|--------|-----------|-------------------------------|---------------------------|------------------------------------|-----------|
| Cost                               |        |           |                               |                           |                                    |           |
| <b>Balance at July 31, 2024</b>    | \$ 661 | \$ 14,922 | \$ 61,218                     | \$ 869                    | \$ 234                             | \$ 77,904 |
| Additions                          | -      | -         | 487                           | -                         | 2,396                              | 2,883     |
| Transfers                          | -      | -         | 388                           | 53                        | (441)                              | -         |
| Disposals                          | -      | -         | (3,604)                       | -                         | -                                  | (3,604)   |
| <b>Balance at July 31, 2025</b>    | \$ 661 | \$ 14,922 | \$ 58,489                     | \$ 922                    | \$ 2,189                           | \$ 77,183 |
| <b>Additions</b>                   | -      | -         | -                             | -                         | 2,651                              | 2,651     |
| <b>Transfers</b>                   | -      | -         | 847                           | -                         | (847)                              | -         |
| <b>Disposals</b>                   | -      | -         | (238)                         | -                         | -                                  | (238)     |
| <b>Balance at October 31, 2025</b> | \$ 661 | \$ 14,922 | \$ 59,098                     | \$ 922                    | \$ 3,993                           | \$ 79,596 |

  

|                                    | LAND   | BUILDINGS | MACHINERY<br>AND<br>EQUIPMENT | LEASEHOLD<br>IMPROVEMENTS | EQUIPMENT<br>UNDER<br>CONSTRUCTION | TOTAL     |
|------------------------------------|--------|-----------|-------------------------------|---------------------------|------------------------------------|-----------|
| Depreciation                       |        |           |                               |                           |                                    |           |
| <b>Balance at July 31, 2024</b>    | \$ -   | \$ 6,772  | \$ 44,716                     | \$ 561                    | \$ -                               | \$ 52,049 |
| Depreciation for the year          | -      | 443       | 3,373                         | 50                        | -                                  | 3,866     |
| Disposals                          | -      | -         | (3,006)                       | -                         | -                                  | (3,006)   |
| Impairment                         | -      | -         | 250                           | -                         | -                                  | 250       |
| <b>Balance at July 31, 2025</b>    | \$ -   | \$ 7,215  | \$ 45,333                     | \$ 611                    | \$ -                               | \$ 53,159 |
| Depreciation for the period        | -      | 107       | 799                           | 14                        | -                                  | 920       |
| Disposals                          | -      | -         | (182)                         | -                         | -                                  | (182)     |
| Impairment                         | -      | -         | -                             | -                         | -                                  | -         |
| <b>Balance at October 31, 2025</b> | \$ -   | \$ 7,322  | \$ 45,950                     | \$ 625                    | \$ -                               | \$ 53,897 |
| Carrying value                     |        |           |                               |                           |                                    |           |
| <b>Balance at July 31, 2025</b>    | \$ 661 | \$ 7,707  | \$ 13,156                     | \$ 311                    | \$ 2,189                           | \$ 24,024 |
| <b>Balance at October 31, 2025</b> | \$ 661 | \$ 7,600  | \$ 13,148                     | \$ 297                    | \$ 3,993                           | \$ 25,699 |

Included in the net book value of machinery and equipment are right of use assets of \$3,728 (July 31, 2025- \$3,954).

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

**6. LONG-TERM DEBT AND LEASE LIABILITIES**

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

|                                                                                                                                                                                                                                                         | October 31,<br>2025 | July 31, 2025   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------|
| Mortgage payable – 5.63% (July 31, 2025 – 5.63%), repayable \$26 monthly including interest, matures April 2038 with an interest rate reset date of April 2026, secured by certain land and building and an assignment of rents on the subject property | \$ 2,779            | \$ 2,817        |
| Mortgage payable – 3.06% plus a credit spread (July 31, 2025 – 3.06%), paid in full August 11, 2025                                                                                                                                                     | -                   | 2,721           |
| Equipment lease – 2.78%, repayable \$23 USD monthly including interest, due in full January 2027, and secured by the equipment                                                                                                                          | 433                 | 522             |
| Equipment lease – 3.99%, repayable \$19 USD monthly including interest, due in full April 2027, and secured by the equipment                                                                                                                            | 454                 | 526             |
| Equipment lease – 5.23%, repayable \$18 USD monthly including interest, due in full June 2029, and secured by the equipment                                                                                                                             | 922                 | 966             |
| Equipment lease – 5.82%, repayable \$30 USD monthly including interest, due in full June 2030, and secured by the equipment                                                                                                                             | 1,790               | 1,851           |
|                                                                                                                                                                                                                                                         | <b>6,378</b>        | <b>9,403</b>    |
| Deduct - unamortized finance fees                                                                                                                                                                                                                       | -                   | -               |
| - principal portion included in current liabilities                                                                                                                                                                                                     | <b>1,430</b>        | <b>4,139</b>    |
| Long-term portion                                                                                                                                                                                                                                       | <b>\$ 4,948</b>     | <b>\$ 5,264</b> |

Repayments on committed facilities are scheduled as follows:

| YEAR                         |                 |
|------------------------------|-----------------|
| Next 12 months               | \$ 1,430        |
| 2 years                      | 960             |
| 3 years                      | 810             |
| 4 years                      | 889             |
| 5 years                      | 2,289           |
| <b>Balance of obligation</b> | <b>\$ 6,378</b> |

**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  | 5,484,913     | \$ 15,957 |

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**REKO INTERNATIONAL GROUP INC.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

Share capital transactions during the period were as follows:

|                                  | October 31, 2025 |           | July 31, 2025 |           |
|----------------------------------|------------------|-----------|---------------|-----------|
|                                  | SHARES           | AMOUNT    | SHARES        | AMOUNT    |
| Outstanding, beginning of period | 5,499,113        | \$ 16,014 | 5,563,413     | \$ 16,235 |
| Transactions during period       | (14,200)         | (57)      | (64,300)      | (221)     |
| Outstanding, end of period       | 5,484,913        | \$ 15,957 | 5,499,113     | \$ 16,014 |

During the three-month period, the Company repurchased and cancelled 24,200 common shares under the normal course issuer bid for a net cost of \$94.

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding, as at October 31, 2025 were exercised:

|                                               |           |
|-----------------------------------------------|-----------|
| Common shares outstanding at October 31, 2025 | 5,484,913 |
| Stock options                                 | 34,000    |
|                                               | 5,518,913 |

**8. CONTRIBUTED SURPLUS**

Contributed surplus is comprised of:

|                                                    | October 31, 2025 | July 31, 2025 |
|----------------------------------------------------|------------------|---------------|
| Balance, beginning of period                       | \$ 848           | \$ 839        |
| Amounts in respect of exercised stock options      | (63)             | (4)           |
| Amounts in respect of the share-based compensation | 9                | 13            |
| Balance, end of period                             | \$ 794           | \$ 848        |

**9. EARNINGS PER SHARE**

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

|                                                               | October 31, 2025 | October 31, 2024 |
|---------------------------------------------------------------|------------------|------------------|
| <b>Basic earnings per share:</b>                              |                  |                  |
| Net income for the three month period                         | \$ 384           | \$ 88            |
| Average number of common shares outstanding during the period | 5,494,380        | 5,562,413        |
| Basic earnings per share                                      | \$ 0.07          | \$ 0.02          |

**Diluted earnings per share:**

|                                                               |           |           |
|---------------------------------------------------------------|-----------|-----------|
| Net income for the three month period                         | \$ 384    | \$ 88     |
| Average number of common shares outstanding during the period | 5,494,380 | 5,562,413 |

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**REKO INTERNATIONAL GROUP INC.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

|                                                            |                  |           |
|------------------------------------------------------------|------------------|-----------|
| 'In the money' stock options outstanding during the period | <b>34,000</b>    | 140,200   |
|                                                            | <b>5,528,380</b> | 5,702,613 |
| Diluted earnings per share                                 | \$ <b>0.07</b>   | \$ 0.02   |

**10. STOCK-BASED COMPENSATION**

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

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

| NUMBER OF OPTIONS | EXERCISE PRICE | EXPIRY |
|-------------------|----------------|--------|
| 10,000            | \$ 4.90        | 2027   |
| 45,000            | \$ 4.65        | 2028   |
| 45,000            | \$ 4.80        | 2029   |
| 25,000            | \$ 4.70        | 2029   |
| 15,000            | \$ 4.55        | 2029   |
| 51,500            | \$ 3.20        | 2030   |
| 90,000            | \$ 3.70        | 2030   |

The weighted average of the options is as follows:

|                                      | October 31, 2025     |                                       | October 31, 2024     |                                       |
|--------------------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
|                                      | NUMBER OF<br>OPTIONS | WEIGHTED<br>AVERAGE<br>EXERCISE PRICE | NUMBER OF<br>OPTIONS | WEIGHTED<br>AVERAGE<br>EXERCISE PRICE |
| Outstanding at beginning of period   | 295,500              | \$ 3.91                               | 295,500              | \$ 4.03                               |
| Expired during the period            | (92,000)             | 3.21                                  | -                    | -                                     |
| Issued during the period             | 90,000               | 3.20                                  | 69,000               | 3.20                                  |
| Exercised during the period          | (10,000)             | 2.80                                  | -                    | -                                     |
| Cancelled during the period          | (2,000)              | 3.20                                  | -                    | -                                     |
| Outstanding at end of period         | 281,500              | \$ 4.11                               | 364,500              | \$ 3.87                               |
| Exercisable at the end of the period | 213,000              | \$ 3.20                               | 282,200              | \$ 3.81                               |

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:

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

|                                                                                           | October 31, 2025 | October 31, 2024 |
|-------------------------------------------------------------------------------------------|------------------|------------------|
| Expected life                                                                             | 5 years          | 5 years          |
| Expected dividends                                                                        | \$ Nil           | \$ Nil           |
| Expected volatility – based on a 60-month historical average                              | 39.05%           | 31.68%           |
| Risk free rate of return                                                                  | 1.63%            | 1.53%            |
| Expected forfeiture rate                                                                  | 0%               | 0%               |
| Total compensation cost recognized in income for stock-based employee compensation awards | \$ 9             | \$ 50            |

# 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 \$50 to the defined contribution plan in Canada for all employees, including key management personnel.

Key management personnel and directors compensation comprised of:

|                                | October 31, 2025 | October 31, 2024 |
|--------------------------------|------------------|------------------|
| Salaries and cash bonuses      | \$ 215           | \$ 246           |
| Short-term employment benefits | 8                | 11               |
| Post-employment benefits       | 8                | 10               |
|                                | \$ 231           | \$ 267           |

## Key management personnel and director transactions

Directors of the Company control 3.7% of the voting shares of the Company. Individuals related to a director own, directly or indirectly, 70.30% 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 October 31, 2025 and the audited consolidated financial statements and MD&A for the year ended July 31, 2025 included in our 2025 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended October 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](http://www.rekointl.com) or through the SEDAR+ website at [www.sedarplus.com](http://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 further references adjusted earnings per share ("adjusted EPS"), which represents basic earnings per share excluding items not considered reflective of ongoing operations. The Company includes information on earned revenue, adjusted EBITDA and adjusted EPS 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 December 4, 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 of automation equipment and machining services so that they can be more successful.

Reko designs and builds engineered products and solutions for a wide range of customers, including original equipment manufacturers and their tier suppliers, and other industrial manufacturers and contractors. Our capabilities include the design and construction of specialty machines, lean cell factory automation systems, robotics integration, and the high-precision machining of very large, critical components and assemblies. The Company has established a diversified customer base across multiple sectors, including automotive, aerospace, rail, power generation, offsite construction, mining, 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 |                 |
|-----------------------------------------------------------------|--------------------|-----------------|
|                                                                 | 10/31/2025         | 10/31/2024      |
| Sales                                                           | \$9,052            | \$10,238        |
| Less: Materials                                                 | 1,099              | 1,693           |
| Sub-contracting                                                 | 640                | 389             |
| <b>Earned revenue</b>                                           | <b>\$7,313</b>     | <b>\$8,156</b>  |
| <b>Income before income taxes</b>                               | <b>\$ 471</b>      | <b>\$ 129</b>   |
| Add: depreciation                                               | 920                | 996             |
| Add: net interest (income) expense                              | (43)               | 7               |
| <b>EBITDA</b>                                                   | <b>1,348</b>       | <b>1,132</b>    |
| Add: loss on change in fair value of foreign exchange contracts | 28                 | 404             |
| Add: other net FX losses (gains)                                | 7                  | (11)            |
| <b>Adjusted EBITDA</b>                                          | <b>\$ 1,383</b>    | <b>\$ 1,526</b> |
| <b>Basic earnings per share as reported</b>                     | <b>\$ 0.07</b>     | <b>\$ 0.02</b>  |
| Add: net adjustments to deferred tax valuation allowance        | (0.01)             | -               |
| Add: net FX losses                                              | -                  | 0.07            |
| <b>Adjusted earnings per share<sup>(1)</sup></b>                | <b>\$ 0.06</b>     | <b>\$ 0.09</b>  |

<sup>(1)</sup>Per-share adjustments of less than one cent have been omitted from the table above, as their impact is not considered to be material

## **RESULTS OF OPERATIONS**

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### ***Sales***

Sales for the three months ended October 31, 2025 decreased by 11.6%, or \$1,186, to \$9,052 compared to \$10,238 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 pursuing diversification into new sectors such as offsite construction and infrastructure. At the same time, Reko continues to invest in its long-standing customer relationships, including within power generation, to ensure it can respond to growing demand and evolving needs. Management remains committed to disciplined execution of its strategy, supporting both diversification and the long-term growth of its core markets.

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***

Earned revenue is a non-standard IFRS measurement. The Company's explanation of how it measures earned revenue is noted previously. Earned revenue effectively reflects the portion of total revenue available to cover labour expenses and employee compensation, fixed and operating costs, and to generate profit. Management believes it is an effective measure of performance.

For the three months ended October 31, 2025, earned revenue as a percentage of sales increased to 80.8% compared to 79.7% in the same period last year. The increase was largely attributable to lower material purchases, resulting from a higher proportion of sales generated from non-automotive customers, which historically carry lower material requirements than automotive programs.

### ***Gross Profit***

Gross profit declined by \$468, or 23.4%, to \$1,530 from \$1,998 in the same quarter of the prior year, primarily driven by lower revenue. The impact of lower revenue was partially offset by fixed cost savings, principally in labour, reflecting management's initiatives to align fixed labour costs with current sales levels and contributing to a year-over-year reduction in labour-related expenses of \$362.

### ***Selling and Administration***

Selling and administrative expenses declined by 18.5% to \$1,219, or 13.5% of sales, from \$1,495, or 14.6% of sales, in the same quarter of the prior year. The reduction reflects management's ongoing initiatives to optimize the Company's cost structure while maintaining support for core operations and strategic priorities.



### ***Profitability***

EBITDA for the current quarter of fiscal 2026 was \$1,348, compared to \$1,132 in the same quarter of the prior year. The prior year included a non-cash foreign exchange loss of \$404, compared to \$28 in the current year, both related to mark-to-market adjustments on foreign exchange contracts held at quarter-end. Adjusting for these non-cash foreign exchange impacts and other net FX movements, adjusted EBITDA decreased to \$1,383 from \$1,526 in the prior year, primarily reflecting lower sales volumes.

Net income for the three months ended October 31, 2025 was \$384, or \$0.07 per share, compared to \$88, or \$0.02 per share, in the same quarter of the prior year. Included in earnings is a \$0.01 per share benefit from the re-recognition of certain deferred tax assets, not applicable to the prior year. After removing this item, earnings for the first quarter of fiscal 2026 would have been \$0.06 per share. After further adjusting the prior-year results for the non-cash foreign exchange loss discussed above, comparable earnings for the prior period would have been \$0.09 per share, or \$0.03 favourable to the current year.

## **LIQUIDITY AND CAPITAL RESOURCES**

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### ***Cash on hand***

As at October 31, 2025, the Company had cash on hand of \$12,504, a decline of \$5,492 from the fourth quarter of fiscal 2025, driven primarily from the repayment of a mortgage debt in the amount of in the amount of \$2,721 (USD \$1,965) and progress payments of \$2,152 toward new machinery and equipment scheduled for installation during the fourth quarter fiscal 2026. The Company continues to assess financing alternatives to support this investment and maintain adequate liquidity for operations.

### ***Cash used in investing activities***

During the three months ended October 31, 2025, the Company invested \$2,651 in capital assets, the majority of which consisted of deposits on new machinery and equipment as part of its ongoing capital investment program aimed at enhancing capacity and operational efficiency.

The Company remains focused on maintaining a strong liquidity position through disciplined working capital management and prudent capital allocation to support future growth initiatives.

### ***Credit facilities***

Reko has a \$20,000 demand operating facility available. However, based on our current lender defined margining capabilities, borrowings are limited to \$13,986. There were no draws against the operating loan during the quarter and no balances against this facility as at the reporting date. The Company continues to meet its financial covenants, including the first quarter of fiscal 2026. 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

The Company also has an equipment facility available to a maximum of \$7,500 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

| CONTRACTUAL OBLIGATIONS              | PAYMENTS DUE BY PERIOD |                     |                 |                 |                  |
|--------------------------------------|------------------------|---------------------|-----------------|-----------------|------------------|
|                                      | TOTAL                  | LESS THAN<br>1 YEAR | 2-3 YEARS       | 4-5 YEARS       | AFTER 5<br>YEARS |
| Long-term debt                       | \$ 6,378               | \$ 1,430            | \$ 1,770        | \$ 3,178        | \$ -             |
| Lease liabilities                    | 17                     | 10                  | 7               | -               | -                |
| <b>Total contractual obligations</b> | <b>\$ 6,395</b>        | <b>\$ 1,440</b>     | <b>\$ 1,777</b> | <b>\$ 3,178</b> | <b>\$ -</b>      |

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

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

### Share capital

The Company had 5,484,913 common shares outstanding at October 31, 2025. A total of 281,500 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                           | 5,484,913          |                                                                                       |
| Stock options exercisable               | 213,000            |                                                                                       |
| Total (maximum) number of common shares |                    | 5,697,913                                                                             |

## QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the first quarter of fiscal 2026, ended October 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, 2025, 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.

|                           | Jan/24   | Apr/24   | Jul/24   | Oct/24   |
|---------------------------|----------|----------|----------|----------|
| Sales                     | \$11,948 | \$9,606  | \$9,019  | \$10,238 |
| Net income (loss)         | 102      | (849)    | (3,459)  | 88       |
| Earnings per share: Basic | 0.02     | (0.15)   | (0.62)   | 0.02     |
| Diluted                   | 0.02     | (0.15)   | (0.59)   | 0.02     |
|                           | Jan/25   | Apr/25   | Jul/25   | Oct/25   |
| Sales                     | \$10,786 | \$10,348 | \$10,781 | \$9,052  |
| Net income (loss)         | 313      | (352)    | 996      | 384      |
| Earnings per share: Basic | 0.05     | (0.06)   | 0.18     | 0.07     |
| Diluted                   | 0.05     | (0.06)   | 0.18     | 0.07     |

## 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, 2025 remain substantially unchanged in respect to the three months ended October 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.

### 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 increase our sales to non-traditional customers or the speed upon which we can successfully do so could have an adverse effect on our profitability and financial condition.

#### *Customer Concentration*

A significant portion of the Company's sales and accounts receivable are concentrated with a limited number of customers. The loss of, or a significant reduction in business with, any of these customers, or a material deterioration in their financial condition, could adversely affect the Company's sales, results of operations, and financial position.

#### *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. Management believes that their diversification strategy, focused on reducing reliance on the automotive industry, will help moderate the impact of potential declines.

#### *Changes in consumer demand for specific vehicles including electric vehicles*

The demand for electric vehicles remains volatile, with leading automakers adjusting production schedules in response to affordability constraints, supply chain pressures including battery raw materials, and infrastructure limitations. These adjustments are contributing to softer near-term order backlog, including programs with delayed launches. While only a portion of Reko's sales are tied directly to EV programs, prolonged softness in this segment could reduce vehicle production volumes, affect the financial health of Tier customers, and negatively impact the timing or margins of new contract awards. The Company is responding by monitoring EV program schedules with customers, adjusting product mix where possible, and seeking opportunities in non-EV growth sectors to balance demand risk.

#### 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.

#### Shortage of skilled labour in the manufacturing sector

The manufacturing sector is currently facing a significant shortage of skilled labour which has intensified competition for qualified workers, necessitating strategic investments in recruitment and retention efforts which have also adversely impacted the cost of labour. Reko is increasingly focused on upskilling, reskilling and other initiatives to bridge the skills gap and ensure that our operations remain efficient and competitive.

#### 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**

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#### Changes to trade policies and tariffs

The Company is exposed to risks associated with changes in trade policies, including the introduction or escalation of tariffs. As a significant portion of exports are directed to U.S. markets, such measures could reduce competitiveness through higher costs for customers or import restrictions. Canada has announced the removal of many tariffs on U.S. imports qualifying under the Canada–United States–Mexico Agreement ("CUSMA"), although tariffs on steel, aluminum, and automotive products remain in place. In addition, the scheduled CUSMA review in

2026 introduces further uncertainty that may affect customer investment decisions and supply chain dynamics. Management evaluates these developments on an ongoing basis and considers mitigation strategies to limit potential impacts on financial performance.

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.

Financial covenants and economic conditions

The Company is subject to financial covenants under its credit facilities, which are calculated on a trailing twelve-month basis. Adverse changes in general economic conditions, including economic slowdowns, inflationary pressures or continued political and trade policy uncertainty could negatively impact earnings, which may affect the Company's ability to maintain compliance with its financial covenants. A breach of covenants, if not cured or waived, could result in the acceleration of repayment obligations and have an adverse effect on the Company's liquidity and financial flexibility. Management actively monitors covenant compliance and believes the Company has adequate financial resources in place to mitigate this risk.

## **FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS**

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The Company's operating results and cash flows are sensitive to movements in the Canadian dollar relative to the U.S. dollar, given the significant proportion of sales and costs denominated in U.S. currency. 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 manage a portion of this exposure, the Company enters into financial instruments such as forward contracts and structured foreign exchange options to hedge approximately 50% to 80% of its net exposure. Hedging decisions are based on existing customer contracts, current market conditions, and the Company's past experience. The program is designed to mitigate currency movements over a three-to twelve-month period and is not used for trading or speculative purposes. Contracts are reviewed periodically.

The Company's outstanding structured FX options have predetermined floor and ceiling rates. If the spot rate falls below the floor, the Company must sell the notional amount at the floor rate. If the spot rate exceeds the ceiling,

the Company is required to deliver an additional notional amount at the ceiling rate. If the spot rate remains between the floor and ceiling, the option expires worthless, and the Company may transact at prevailing rates at its discretion.

*A summary of FFEC's held at a quarter end:*

| <b>As at October 31, 2025</b> |                       |                                |                   |                     |                     |                                |                                     |                 |
|-------------------------------|-----------------------|--------------------------------|-------------------|---------------------|---------------------|--------------------------------|-------------------------------------|-----------------|
|                               | <b>CURRENCY</b>       | <b>NOTIONAL USD EQUIVALENT</b> | <b>FLOOR RATE</b> | <b>CEILING RATE</b> | <b>FORWARD RATE</b> | <b>CONTINGENT NOTIONAL USD</b> | <b>FAIR VALUE ASSET (LIABILITY)</b> | <b>MATURITY</b> |
| FORWARDS                      | Sell USD /<br>Buy CAD | \$1,150                        | NA                | NA                  | 1.3841              | NA                             | (\$18)                              | 0 – 3 months    |
| OPTIONS                       | Sell USD /<br>Buy CAD | \$1,250                        | 1.3700            | 1.4000              | NA                  | \$1,600                        | (\$28)                              | 0 – 3 months    |

| <b>As at October 31, 2024</b> |                       |                                |                   |                     |                     |                                |                                     |                 |
|-------------------------------|-----------------------|--------------------------------|-------------------|---------------------|---------------------|--------------------------------|-------------------------------------|-----------------|
|                               | <b>CURRENCY</b>       | <b>NOTIONAL USD EQUIVALENT</b> | <b>FLOOR RATE</b> | <b>CEILING RATE</b> | <b>FORWARD RATE</b> | <b>CONTINGENT NOTIONAL USD</b> | <b>FAIR VALUE ASSET (LIABILITY)</b> | <b>MATURITY</b> |
| OPTIONS                       | Sell USD /<br>Buy CAD | \$6,000                        | 1.3520            | 1.3755              | NA                  | \$13,000                       | (\$447)                             | 0 – 7 months    |

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

| <b>FOR THE THREE MONTHS ENDED OCTOBER 31</b> |               |                            |               |                            |
|----------------------------------------------|---------------|----------------------------|---------------|----------------------------|
|                                              |               | <b>2026</b>                | <b>2025</b>   |                            |
|                                              | <b>ACTUAL</b> | <b>REKO EFFECTIVE RATE</b> | <b>ACTUAL</b> | <b>REKO EFFECTIVE RATE</b> |
| US Dollar equals Canadian Dollar             | 1.3859        | 1.3723                     | 1.3647        | 1.3520                     |

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).

During the quarter, the Company recorded a pre-tax loss of approximately \$28 related to the fair value of its U.S dollar exposures.

## **NORMAL COURSE ISSUER BID**

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. A total of 46,400 shares have been purchased and subsequently cancelled under this bid, of which 24,200 shares were purchased during the first quarter of fiscal 2026.