

FORM 51-102F1

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") as of February 19, 2026 should be read in conjunction with Reco International Group Inc.'s (the "Company") annual audited consolidated financial statements for the years ended September 30, 2025 and 2024 (the "Annual Financial Statements"), and accompanying notes thereto and the unaudited interim condensed consolidated financial statements for the three months ended December 31, 2025 (the "Interim Financial Statements"), and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated.

IFRS Accounting Standards

The Annual Financial Statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("the IASB"). The Interim Financial Statements are prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the IASB and accordingly certain financial information and disclosures normally included in annual financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed. The disclosure in the Interim Financial Statements are incremental to the disclosure included in the Annual Financial Statements.

The Company's external auditors, Kenway Mack Slusarchuk Stewart LLP, have not performed a review of the Interim Financial Statements.

Core Business

The Company was incorporated under the Alberta Business Corporations Act on October 12, 1999 and is in the business of commercial and residential construction and millwork operating in British Columbia.

Overall Performance

The Company's revenue decreased during the three months ended December 31, 2025 to \$534,109 as compared to \$955,039 in 2024. Total expenses also decreased in the three months ended December 31, 2025 to \$681,702 as compared to \$1,231,694 in 2024. Total other income was \$49,902 during the three months ended December 31, 2025, as compared to \$5,498 in 2024. Overall, there was a net loss of \$97,691 during the three months ended December 31, 2025 as compared to \$271,157 during 2024. The Company is actively seeking more opportunities to provide construction services in the greater Vancouver area as well as across Canada.

Selected Annual Information (in accordance with IFRS Accounting Standards)

	2025 \$	2024 \$	2023 \$
Revenue	2,799,932	3,967,083	3,049,231
Expenses	(4,188,722)	(4,407,915)	(3,659,806)
Other Income (Expense)	(33,535)	1,453	(65,598)
Income Tax (Expense) Recovery	Nil	Nil	Nil
Net Loss and Comprehensive Loss	(1,422,325)	(439,379)	(676,173)
Basic Loss per Common Share	(0.03)	(0.01)	(0.01)
Diluted Loss per Common Share	(0.03)	(0.01)	(0.01)
Total Assets	884,121	1,264,488	1,038,591
Total Long-term Liability	107,148	-	193,282

Selected Quarterly Information (in accordance with IFRS Accounting Standards)

Three months ended December 31,	2025 \$	2024 \$
Revenue	534,109	955,039
Net and comprehensive loss	(97,691)	(271,157)
Net loss per share (basic and diluted)	(0.00)	(0.01)
Cash provided by operating activities	42,762	194,472
Cash provided by (used in) investing activities	49,260	(2,002)
Cash used in financing activities	(95,468)	(74,314)
Total assets	593,896	1,083,394
Working capital deficiency	(3,020,654)	(1,695,827)
Total non-current liabilities	61,871	Nil
Weighted average number of common shares outstanding	49,635,635	49,635,635

Discussion of Operations and Financial Condition

Revenues

Revenue decreased by 44.1% during the three months ended December 31, 2025 to \$534,109 as compared to \$955,039 during 2024.

Revenue is primarily driven by progress made on construction projects and projects for the supply of cabinetry and interior doors. For the three months ended December 31, 2025, the majority of the revenue was recognized on projects for the supply of cabinetry and interior doors. Due to shipping delays during the three months ended December 31, 2025, progress on those projects was slower than originally expected. In addition, the Company had fewer new large contracts, and a greater proportion of work was related to legacy projects.

Subcontracts and Material and Supplies

Subcontracts expenses decreased by 84.7% during the three months ended December 31, 2025 to \$98,093, as compared to \$641,749 during 2024. This represents 18.5% of total revenues during the three months ended December 31, 2025, as compared to 67.2% of total revenues during 2024.

Materials and supplies expenses increased by 37.0% during the three months ended December 31, 2025 to \$293,346, as compared to \$214,109 during 2024. This represents 55.2% of total revenues during the three months ended December 31, 2025, as compared to 22.4% of total revenues during 2024.

The initial stage of a construction project normally requires more subcontracting work to prepare the space, while later in the construction project the costs shift more towards material and supplies expenses which are needed for the installation, decoration and finishings. For the project for the supply of cabinetry and interior doors, the initial costs incurred are primarily materials and supplies and later shift to subcontracting work for installation.

During the three months ended December 31, 2025, total subcontracts and materials and supplies expense decreased by 54.3% compared to the same period in 2024, which is consistent with the 44.4% decrease in revenue during the same periods. In addition, the mix of projects during the current quarter included a higher proportion of cabinetry and interior door supply contracts, as compared to construction projects in the prior year. As a result, a greater portion of costs were incurred as materials and supplies rather than subcontract expenses, reflecting the nature of these projects and delays in the shipment of materials, which in turn deferred installation activities that typically involve a higher proportion of subcontracting costs.

General and administrative

General and administrative expenses decreased by 38.2%, to \$100,608 during the three months ended December 31, 2025 as compared to \$162,716 during the same period in 2024.

The decrease was primarily attributable to the termination of certain contractors, reduced rental expenses resulting from the relocation of the Company's office premise, and the implementation of general cost-control measures across administrative functions.

Salaries and benefits

Salaries and benefits decreased by 13.3% during the three months ended December 31, 2025 to \$134,736, as compared to \$155,471 during 2024.

The decrease during the period is primarily a result of staff departures and the Company's decision not to replace those positions.

Depreciation

Depreciation decreased by 29.0% during the three months ended December 31, 2025 to \$44,699, as compared to \$62,991 during 2024.

The decrease during the period was primarily due to the Company entering into a smaller and shorter-term office lease, which resulted in the recognition of a lower right-of-use asset compared to the prior period.

Finance costs

Finance costs increased by 194.7% during the three months ended December 31, 2025 to \$10,220 as compared to \$3,468 in the same period in 2024.

Finance costs increased primarily due to interest on the Company's lease liability and bank indebtedness. On May 2, 2025, the Company entered into a new office lease, and interest expense on the related lease liability is higher in the earlier stages of the lease term. During the three months ended December 31, 2025, the Company also incurred interest expense on outstanding bank indebtedness, whereas there was no bank indebtedness in the comparative period in 2024.

Bad debt

The Company performs continuous evaluation of its accounts receivable and records an expected credit loss based on recoverability of receivable balances from each customer taking into account historic collection of past due accounts. There was a recovery of bad debt expense of \$8,810 during the three months ended December 30, 2024 as the Company re-evaluated its assessment of expected credit losses due to payments made on outstanding balances.

Recovery (impairment) of amounts due from related parties

During the three months ended December 31, 2025, the Company advanced \$740, as unsecured advances, and received a repayment of \$50,000 from Reco Central Alberta Inc., a company that has common management and directors with the Company (see Transactions with Related Parties section below for more details) and recorded a net recovery of \$49,260.

During the three months ended December 31, 2024, the Company advanced \$2,002, as unsecured advances, to Reco Central Alberta Inc. (see Transactions with Related Parties section below for more details) and recorded an allowance for impairment for the full amount advanced due to the uncertainty of repayment.

Other income

Other income during the year ended December 31, 2025 was \$642 (2024 - \$7,500) and was not significant. The rental income during 2024 was related to the rental of certain equipment and the agreement was terminated during the year ended September 30, 2025.

Total assets

Total assets decreased by 32.8% to \$593,896 as at December 31, 2025, as compared to \$884,121 as at September 30, 2025. This decrease was primarily due to a decrease in accounts receivable (from customer collections) and the continued depreciation of the right-of-use asset and was partially offset by an increase in contract asset related to progress on a project for the supply of cabinetry and interior doors.

Non-current liabilities

Non-current liabilities as at December 31, 2025 and September 30, 2025 consisted of the long-term portion of the lease liability. The Company entered into a new office premises lease on May 2, 2025 (see Liquidity and Capital Resources section below for more details).

Summary of Quarterly Results (in accordance with IFRS Accounting Standards)

	Dec. 31, 2025	Sep. 30, 2025	Jun. 30, 2025	Mar. 31, 2025	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024
Revenue	\$ 534,109	\$ 547,276	\$ 948,686	\$ 348,931	\$ 955,039	\$ 1,542,712	\$ 1,554,874	\$ 441,795
Expenses	\$ 681,702	\$ 1,020,191	\$ 1,310,938	\$ 625,899	\$ 1,231,694	\$ 1,523,380	\$ 1,655,207	\$ 592,685
Other income (expense)	\$ 49,902	\$ (13,856)	\$ (13,953)	\$ (11,224)	\$ 5,498	\$ (6,202)	\$ 22,497	\$ (5,528)
Income taxes	\$ Nil							
Net income (loss)	\$ (97,691)	\$ (486,771)	\$ (376,205)	\$ (288,192)	\$ (271,157)	\$ 13,130	\$ (77,836)	\$ (156,418)
Basic and diluted income (loss) per common share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.00)

Revenue and expenses vary from quarter to quarter based on project activity which tends to generally increase in the summer and winter months and is affected by the number of projects in progress, the receipt of necessary permits, the successful completion of required inspections, and progress to completion, which may not be consistent. The Company has recognized impairment of amounts due from related companies which has been included in other income (expense). During Q1 2026 there was a recovery of \$49,260 of this impairment. Also included in other income is income from the rental of certain equipment of \$42,000 in Q3 2024, \$9,000 in Q4 2024 and \$7,500 in Q1 2025.

Liquidity and Capital Resources

As at December 31, 2025, the Company's cash totaled \$16,582 (September 30, 2025 –\$35,863), there was bank indebtedness of \$219,916 (September 30, 2025 - \$235,751), and the Company had a working capital deficiency of \$3,020,654 (September 30, 2025 – \$2,923,815).

- Cash provided by operating activities during the three months ended December 31, 2025 was \$42,762 (2024 –\$194,472). The decrease was primarily due to changes in non-cash working capital.
- Cash provided by investing activities during the three months ended December 31, 2025 was \$49,260 (2024 – cash used of \$2,002). The increase is primarily due to a repayment of \$50,000 from Reco Central Alberta Inc. (see Transactions with Related Parties section below for more details).
- Cash used in financing activities for the three months ended December 31, 2025 was \$95,468, compared to \$74,314 in the same period in 2024. The increase in cash used was primarily due to repayments of \$35,000 to Hugh Zhen, the CEO and director of the Company, and \$50,000 to 1327909 B.C. Ltd., a company controlled by the CEO and director of the Company (see the Transactions with Related Parties section below for further details). This was partially offset by an advance of \$35,000 from the CEO and director of the Company and lower lease payments following the Company's entry into a new office premises lease at a reduced amount.

The Interim Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and settlement of liabilities in the normal course of operations. There are material uncertainties that may cast significant doubt on the validity of this assumption. During the three months ended December 31, 2025, the Company incurred a net loss of \$97,691 (2024 - \$271,157) and generated \$42,762 in cash from operating activities (2024 – \$194,472). As at December 31, 2025, the Company had a working capital deficiency of \$3,020,654 (September 30, 2025 - \$2,923,815) and an accumulated deficit of \$5,479,020 (September 30, 2025 - \$5,381,329). The Company's ability to continue as a going concern is dependent on continued support from related parties and generating a profit from operations.

Management believes the Company has sufficient access to financial resources to support ongoing operations and implement its business improvement plan, with the objective of reducing net losses in future periods. This assessment is based on the following factors:

- During Q1 2026, the Company generated cash from operations even though it incurred a net loss and comprehensive loss. Management continues to actively oversee working capital to conserve cash. Although revenues declined in Q1 2026 relative to Q1 2025, management has taken steps to reduce costs and improve profitability on projects. This is evidenced by the improved net loss in Q1 2026 as compared to Q1 2025.
- The Company increased its available line of credit to \$250,000, maintaining additional liquidity to support its operational and strategic initiatives (see further details below).

The Company may seek to raise additional capital to support its operations, fund growth initiatives, or meet working capital requirements. Sources of additional capital may include equity or debt financings, credit facilities, or other financial instruments. There can be no assurance, however, that such capital will be available when needed, or on terms that are acceptable or favorable to the Company. Market conditions, investor sentiment, the Company's financial performance, and other factors outside of the Company's control may impact its ability to secure financing.

On May 2, 2025, the Company entered into a new office premise lease, with a term commencing on May 15, 2025, for a period of two (2) years. The annual base rent is \$133,418 in the first year and \$140,440 in the second year.

Lease commitments for the years ended December 31 – undiscounted cash flow:

2026	\$ 186,551
2027	<u>62,964</u>
	<u>\$ 249,515</u>

Up to March 31, 2025, the Company had available a line of credit of \$100,000 bearing interest at prime plus 3.5%, secured by a general security agreement and that was due on demand. Effective March 31, 2025, the Company renewed the available line of credit of \$100,000. Upon renewal, the line of credit bore interest at prime plus 4.0%, was due on demand and was secured by a general security agreement and an unconditional personal guarantee by the CEO and director of the Company. Effective June 4, 2025, the Company amended the line of credit to increase the credit limit to \$250,000. The amended line of credit bears interest at prime plus 3.5%, is due on demand and is secured by a general security agreement and an unconditional personal guarantee by the CEO and director of the Company. The Company has drawn \$219,916 on the line of credit as at September 30, 2025 (September 30, 2025 - \$235,751).

Transactions with Related Parties

During the three months ended December 31, 2025, the Company advanced \$740 to Reco Central Alberta Inc. (2024 - \$1,018) a company that has common management and directors with the Company and \$Nil to Reco Southern Alberta Inc. (2024 - \$984), a company that has common management and directors with the Company. The advances were to provide working capital to these companies and consisted of unsecured advances that bear no interest and have no specific terms of repayment.

During the three months ended December 31, 2025, the Company received repayment of \$50,000 (2024 - \$Nil) from Reco Central Alberta Inc.

As a result, the Company recorded a recovery of impairment on the amounts due from Reco Central Alberta Inc. of \$49,260 during the three months ended December 31, 2025. During the three months ended December 31, 2024, the Company recorded an allowance for impairment of \$2,002 on the amounts advanced, due to the uncertainty of repayment.

As at December 31, 2025, amounts payable to related parties consists of:

- a) \$1,052,778 for advances from and management fees owed to H.Z. Construction Management Ltd., a company controlled by the CEO and director of the Company (September 30, 2025 - \$1,031,128). Amounts are unsecured, bear no interest and have no specific terms of repayment;
- b) \$4,698 for consulting fees owed to William Harper, the interim Chief Financial Officer of the Company (September 30, 2025 - \$7,035); and

- c) \$33,900 for consulting fees owed to 1972888 Alberta Ltd., a company controlled by a close family member of Hubert Lau, a director of the Company (September 30, 2025 - \$33,900), and \$374 for consulting fees owed to Joshua Lau, a close family member of Hubert Lau, a director of the Company (September 30, 2025 - \$374).

Key management during the three months ended December 31, 2025, includes senior executives of the Company, Hugh Zhen (the “CEO”) and William Harper (the “CFO”), the directors of the Company: Hugh Zhen, Hubert Lau, James Smith, David Malicki, and Lyn Jones, and companies controlled by them. The compensation expense of key management and their close family members are as follows:

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024
Consulting fees	\$ (100)	\$ 1,463
Management fee	<u>71,650</u>	<u>71,650</u>
	<u>\$ 71,550</u>	<u>\$ 73,113</u>

Risk Factors

The Company is exposed to a variety of business and other risks and uncertainties including the following:

- Volatility in the market price of the Company’s common shares.
- The ability of the Company to raise sufficient funds to carry on operations.
- The demand for the Company’s services.
- The ability of the Company to achieve profitable operations.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, deposits, bank indebtedness, accounts payable and accrued liabilities, amounts payable to related parties and lease liability.

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is susceptible to interest rate cash flow risk on its bank indebtedness that bears interest at a variable rate.

As at December 31, 2025, the Company had bank indebtedness of \$219,916 (September 30, 2025 - \$235,751). A reasonably possible change of 1% in market interest rates would, all else being equal, increase or decrease net loss and comprehensive loss for the three months ended December 31, 2025 by approximately \$550 (2024 – \$Nil).

Credit risk

The Company's exposure to credit risk relates to cash and accounts receivable and arises from the possibility that the third party does not satisfy its contractual obligations. The carrying amounts of financial assets represent the maximum credit exposure.

The credit risk for cash is mitigated with the Company holding cash with major financial institutions.

The Company minimizes its exposure to credit risk on accounts receivable through a program of credit evaluation of customers or obtaining deposits on projects. The Company performs continuous evaluation of its accounts receivable and records an expected credit loss based on recoverability of receivable balances from each customer taking into account historic collection of past due accounts. As at December 31, 2025, the Company has \$202,236 (September 30, 2025 - \$211,976) of accounts receivable that are past due (over 90 days). An expected credit loss of \$Nil was recorded for accounts receivable during the three months ended December 31, 2025 (2024 – recovery of expected credit losses of \$8,810). As at December 31, 2025, approximately 88% (September 30, 2025 - 97%) of trade accounts receivable are from two (2) customers (September 30, 2025 – three (3) customers).

Trade accounts receivable aging details are as follows:

	December 31, 2025	September 30, 2025
Current	\$ 78,879	\$ 339,940
31 – 90 days	10,626	76,894
Over 90 days	<u>202,236</u>	<u>211,976</u>
	<u>291,741</u>	<u>628,810</u>
Allowance for doubtful accounts	<u>(152,546)</u>	<u>(152,546)</u>
	<u>\$ 139,195</u>	<u>\$ 476,264</u>

The Company recognized a recovery of impairment on the amounts due from Reco Central Alberta Inc. of \$49,260 during the three months ended December 31, 2025 (2024 – impairment expense of \$2,002 on the aggregate amount advanced to Reco Central Alberta

Inc. and Reco Southern Alberta Inc.). As at December 31, 2025, the cumulative allowance for impairment on the aggregate amount due from Reco Central Alberta Inc. and Reco Southern Alberta Inc. is \$333,159 (September 30, 2025 - \$382,419).

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk through the management of its working capital and cash flows. As at December 31, 2025, the Company's cash totalled \$16,582 (September 30, 2025 - \$35,637), accounts receivable totalled \$157,795 (September 30, 2025 - \$479,517) and the Company had a working capital deficiency of \$3,020,654 (September 30, 2025 - \$2,923,815). The Company's bank indebtedness of \$219,916 (September 30, 2025 - \$235,751) is due on demand. Accounts payable and accrued liabilities of \$1,459,116 (September 30, 2025 - \$1,334,397) have a contractual maturity in the next 12 months and the amounts payable to related parties of \$1,091,750 (September 30, 2025 - \$1,072,437) is composed of \$38,972 (September 30, 2025 - \$41,309) which has a contractual maturity in the next 12 months and \$1,052,778 (September 30, 2025 - \$1,031,128) due on demand with no formal terms of repayment. The contractual maturity of the Company's lease liability is disclosed above in the Liquidity and Capital Resources section.

Fair value

The fair value of cash, accounts receivables, deposits, bank indebtedness, accounts payable and accrued liabilities and amounts payable to related parties approximate their carrying amounts due to the short-term nature of the financial instruments. The fair value of the lease liability approximates its carrying amount since its terms approximate market terms.

The following provides an analysis of financial instruments that are measured 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.

As at December 31, 2025 and September 30, 2025, the Company does not have any financial instruments measured at fair value.

Contingencies and Provisions

In the normal course of operations, the Company will become subject to a variety of legal and other claims against the Company. Management and the Company's legal counsel evaluate all

claims on their apparent merits and accrue management's best estimate of the estimated costs to satisfy such claims.

On December 18, 2025, the Company received a Notice of Civil Claim from a vendor seeking liquidated damages for an alleged breach of contract related to amounts owing for services provided. Management is currently engaged in settlement discussions with the vendor. Refer to Note 17 of the Interim Financial Statements for additional details.

Off – Balance Sheet Arrangements

As at December 31, 2025, the Company has not entered into any off-balance sheet arrangements.

Share Structure

As at December 31, 2025 and the date of this MD&A, the Company has 49,635,635 common shares and 5,300,000 stock options issued and outstanding and fully diluted share capital of 54,935,635.

Accounting Policies

The material accounting policies applied by the Company in the Interim Financial Statements are consistent with those applicable by the Company in its Annual Financial Statements.

New Accounting Pronouncements

The following IFRS Accounting Standards have been recently issued by the IASB and the Company is currently evaluating the potential impacts on the Financial Statements of such pronouncements. Pronouncements that are not applicable or are not expected to have a significant impact on the Financial Statements have been excluded.

IFRS 18 Presentation and disclosure in the financial statements (replacement of IAS 1)

This new standard maintains many of the current requirements for the presentation of financial statements and adds new requirements concerning the statement of profit or loss, management-defined performance measures, and the principles of aggregation and disaggregation of information.

The new requirements concerning the statement of profit or loss include requiring entities to classify income and expenses included in the statement of profit or loss in one of five categories (operating, investing, financing, income taxes, discontinued operations), and prescribing that subtotals for operating profit or loss and profit or loss before financing and income taxes are presented. The new requirements concerning management-defined performance measures involve explanation of the purpose, calculation of and reconciliation to the most closely related performance measure prescribed in an IFRS accounting standard. Management-defined performance measures are defined as a subtotal of income and expenses used in public communications by entities outside of the financial statements that are not a measure specifically required to be presented or disclosed by an IFRS accounting standard. The amendment is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively.

Forward Looking Information

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical acts and are subject to risks and uncertainties which could cause actual results and the timing of certain events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the company's proposed activities.

Additional Information

Additional information on the Company can be found on SEDAR+ at www.sedarplus.ca.

Shareholder communications information may be obtained here:

Reco International Group Inc. – Shareholder Communications: 1-604-273-2932

Email: hugh@recodeco.com

The Company's shares are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "RGI".

The head office and principal address of the Company is #145, 11920 Forge Place, Richmond, British Columbia, V7A 4V9.