

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Interim Condensed Consolidated Financial Statements

For the Three Months Ended

December 31, 2025

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of Reco International Group Inc. have been prepared by and are the responsibility of the Company's management.

The Company's external auditors, Kenway Mack Slusarchuk Stewart LLP, have not performed a review of these interim condensed consolidated financial statements.

"Hugh Zhen"
Signed
Hugh Zhen
President and Chief Executive Officer

"William Harper"
Signed
William Harper
Interim Chief Financial Officer

February 19, 2026

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Interim Condensed Consolidated Statements of Financial Position

December 31, 2025

(Expressed in Canadian Dollars)

	December 31, 2025	September 30, 2025
ASSETS		
Current Assets		
Cash	\$ 16,582	\$ 35,863
Accounts receivable (Note 4)	157,795	479,517
Prepaid expenses and other	21,671	23,610
Contract assets (Note 9)	<u>98,846</u>	<u>-</u>
	294,894	538,990
Deposits	32,414	33,844
Equipment (Note 6)	40,084	42,313
Right-of-use asset (Note 10)	<u>226,504</u>	<u>268,974</u>
	<u>\$ 593,896</u>	<u>\$ 884,121</u>
LIABILITIES		
Current Liabilities		
Bank indebtedness (Note 7)	\$ 219,916	\$ 235,751
Accounts payable and accrued liabilities (Note 8)	1,459,116	1,334,397
Amounts payable to related parties (Note 5)	1,091,750	1,072,437
Contract liabilities (Note 9)	371,540	652,333
Current portion of lease liability (Note 10)	<u>173,226</u>	<u>167,887</u>
	3,315,548	3,462,805
Lease liability (Note 10)	<u>61,871</u>	<u>107,148</u>
	3,377,419	3,569,953
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 11)	2,272,335	2,272,335
Share-based compensation reserve	423,162	423,162
Deficit	<u>(5,479,020)</u>	<u>(5,381,329)</u>
	<u>(2,783,523)</u>	<u>(2,685,832)</u>
	<u>\$ 593,896</u>	<u>\$ 884,121</u>

Reporting entity and going concern (Note 1)

Approved on behalf of the Board

"Hugh Zhen"

Signed

Director

"Hubert Lau"

Signed

Director

See accompanying notes to the interim condensed consolidated financial statements

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
For the Three Months Ended December 31, 2025

(Expressed in Canadian Dollars)

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024
Revenue	<u>\$ 534,109</u>	<u>\$ 955,039</u>
Expenses		
Subcontracts	98,093	641,749
General and administrative	100,608	162,716
Materials and supplies	293,346	214,109
Salaries and benefits	134,736	155,471
Depreciation	44,699	62,991
Finance costs (Note 12)	10,220	3,468
Bad debt (recovery) expense (Note 4)	<u>-</u>	<u>(8,810)</u>
	<u>681,702</u>	<u>1,231,694</u>
Net loss before other income (expense)	(147,593)	(276,655)
Other income (expense)		
Recovery (impairment) of amounts due from related parties (Note 5)	49,260	(2,002)
Other income	<u>642</u>	<u>7,500</u>
	<u>49,902</u>	<u>5,498</u>
Net loss and comprehensive loss	<u>\$ (97,691)</u>	<u>\$ (271,157)</u>
Loss per common share - basic and diluted (Note 13)	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic and diluted (Note 13)	<u>49,635,635</u>	<u>49,635,635</u>

See accompanying notes to the interim condensed consolidated financial statements

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Interim Condensed Consolidated Statements of Changes in Deficiency

For the Three Months Ended December 31, 2025

(Expressed in Canadian Dollars)

	Share Capital		Share-Based	Deficit	Total
	Shares	Amount	Compensation Reserve		
Balance, September 30, 2025	49,635,635	\$ 2,272,335	\$ 423,162	\$(5,381,329)	\$ (2,685,832)
Net loss and comprehensive loss	-	-	-	(97,691)	(97,691)
Balance, December 31, 2025	<u>49,635,635</u>	<u>\$ 2,272,335</u>	<u>\$ 423,162</u>	<u>\$(5,479,020)</u>	<u>\$ (2,783,523)</u>

	Share Capital		Share-Based	Deficit	Total
	Shares	Amount	Compensation Reserve		
Balance, September 30, 2024	49,635,635	\$ 2,272,335	\$ 423,162	\$(3,959,004)	\$ (1,263,507)
Net loss and comprehensive loss	-	-	-	(271,157)	(271,157)
Balance, December 31, 2024	<u>49,635,635</u>	<u>\$ 2,272,335</u>	<u>\$ 423,162</u>	<u>\$(4,230,161)</u>	<u>\$ (1,534,664)</u>

See accompanying notes to the interim condensed consolidated financial statements

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Interim Condensed Consolidated Statements of Cash Flows

For the Three Months Ended December 31, 2025

(Expressed in Canadian Dollars)

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024
Cash Provided by (Used in):		
Operating Activities		
Net loss	\$ (97,691)	\$ (271,157)
Items not involving cash:		
Depreciation	44,699	62,991
(Recovery) impairment of amounts due from related parties (Note 5)	(49,260)	2,002
Bad debt expense (recovery)	-	(8,810)
Interest on lease liability	5,530	2,840
Net change in non-cash working capital balances (Note 14)	<u>139,484</u>	<u>406,606</u>
	<u>42,762</u>	<u>194,472</u>
Investing Activities		
Advances to related party (Note 5)	(740)	(2,002)
Repayment from related party (Note 5)	<u>50,000</u>	<u>-</u>
	<u>49,260</u>	<u>(2,002)</u>
Financing Activities		
Advance from related party (Note 5)	35,000	-
Repayments to related party (Note 5)	(85,000)	-
Repayment of lease liability (Note 10)	(39,938)	(71,474)
Interest paid on lease liability (Note 10)	<u>(5,530)</u>	<u>(2,840)</u>
	<u>(95,468)</u>	<u>(74,314)</u>
(Decrease) increase in cash	(3,446)	118,156
(Bank indebtedness) cash, beginning of period	<u>(199,888)</u>	<u>134,384</u>
(Bank indebtedness) cash, end of period	<u>\$ (203,334)</u>	<u>\$ 252,540</u>
(Bank indebtedness) cash is composed of:		
Cash	\$ 16,582	\$ 252,540
Bank indebtedness	<u>(219,916)</u>	<u>-</u>
	<u>\$ (203,334)</u>	<u>\$ 252,540</u>

Supplemental Cash Flow Information (Note 15)

See accompanying notes to the interim condensed consolidated financial statements

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2025

(Expressed in Canadian Dollars)

1. Reporting Entity and Going Concern

Reporting Entity

Reco International Group Inc. (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. The Company is traded on the TSX Venture Exchange under the symbol RGI.

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

Going Concern

These interim condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards that are applicable to a going concern 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 3, 2025, the Company incurred a net loss of \$97,691 (2024 - \$271,157) and generated \$42,762 (2024 - \$194,472) in cash from operating activities. 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.

These interim condensed consolidated financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the statement of financial position classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. Basis of Presentation

a) Statement of Compliance

These interim condensed financial statements have been prepared in accordance and compliance with International Accounting Standard 34, ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). 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 herein is incremental to the disclosure included in the annual consolidated financial statements. The interim condensed consolidated financial statement should be read in conjunction with the audited consolidated financial statements for the years ended September 30, 2025 and 2024.

The Board of Directors approved these interim condensed financial statements for issuance on February 19, 2026.

b) Basis of Measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis.

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2025

(Expressed in Canadian Dollars)

2. Basis of Presentation (Continued)

c) Functional Currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

d) Use of Management Critical Judgment, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were:

Accounts Receivable

The valuation of accounts receivable is based on management's best estimate of the lifetime expected credit loss related to these accounts.

Equipment and Right-of-Use Asset

The amounts recorded for depreciation is based on management's best estimate of the useful lives of the assets.

Income Taxes

The amounts recorded for deferred income taxes is based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on the probability of the Company being able to utilize the tax assets.

Going Concern

The assessment of the Company's ability to continue as a going concern through achieving profitable operations, continued financial support from related parties or accessing additional funding involves judgment based on historical experience and expectation of future events.

Revenue

The progress towards the complete satisfaction of the performance obligation on a project is the basis that management uses to determine the recognition of revenue. The revenue recognized is based on the costs incurred on the project in relation to management's estimate of the total costs expected for the project. However, due to unforeseen changes in the nature or cost of the work to be completed, contract profit can differ significantly from earlier estimates.

RECO INTERNATIONAL GROUP INC.

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Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2025

(Expressed in Canadian Dollars)

2. Basis of Presentation (Continued)

d) Use of Management Critical Judgment, Estimates and Assumptions (Continued)

Lease Liability

The incremental borrowing rate is based on estimates made by management taking into consideration economic environment, terms, and underlying risk inherent to the asset. The carrying balance of the right of use asset, lease obligation and interest expense may vary due to changes in market conditions.

Share-based Compensation

The fair value of stock options granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the stock options, the expected volatility of the Company's shares, the expected life of the stock options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical volatility of its common shares. The expected life of the stock options is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of stock options that will be forfeited, and the rate is adjusted to reflect the actual number of stock options that vest.

3. Summary of Material Accounting Policies

The material accounting policies applied by the Company in these interim condensed consolidated financial statements are the same as those applied by the Company in its audited consolidated financial statements for the years ended September 30, 2025 and 2024.

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 consolidated financial statements of such pronouncements. Pronouncements that are not applicable or are not expected to have a significant impact on the Company's consolidated 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.

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Notes to the Interim Condensed Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. Accounts Receivable

Accounts receivable is comprised of the following items:

	<u>December 31,</u> <u>2025</u>	<u>September 30,</u> <u>2025</u>
Trade accounts receivable	\$ 291,741	\$ 628,810
Allowance for doubtful accounts	<u>(152,546)</u>	<u>(152,546)</u>
	139,195	476,264
Sales taxes receivable	<u>18,600</u>	<u>3,253</u>
	<u>\$ 157,795</u>	<u>\$ 479,517</u>

During the three months ended December 31, 2025, the Company recorded a bad debt expense of \$Nil (2024 – recovery of bad debt expense of \$8,810).

5. Related Party Balances and Related Party Transactions

- a) During the three months ended December 31, 2025, the Company advanced \$740 (2024 - \$2,002) to a company that has common management and directors with the Company. The advances 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 a company that has common management and directors with the Company.

As a result, the Company recorded a recovery of impairment on the amounts due from related parties of \$49,260 during the three months ended December 31, 2025 (Note 16). During the three months ended December 31, 2024, the Company recorded impairment expense of \$2,002 on the amounts advanced, due to the uncertainty of repayment.

- b) During the three months ended December 31, 2025, the Company received advances from the Chief Executive Officer (“CEO”) of \$35,000 (2024 - \$Nil) and made repayments of \$85,000 to the CEO and a company controlled by the CEO (2024 - \$Nil).
- c) As at December 31, 2025, amounts payable to related parties includes:
- i) \$1,052,778 for advances from and management fees owed to a company controlled by the Chief Executive Officer (“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;
 - ii) \$4,698 for consulting fees owed to the Interim Chief Financial Officer (“CFO”) (September 30, 2025 - \$7,035); and
 - iii) \$33,900 and \$374 for consulting fees owed to a company controlled by a close family member of a director of the Company and a close family member of a director of the Company, respectively (September 30, 2025 - \$33,900 and \$374, respectively).

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(Expressed in Canadian Dollars)

5. Related Party Balances and Related Party Transactions (Continued)

- d) During the three months ended December 31, 2025 and 2024, key management includes senior executives and directors of the Company. 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 (recovery)	\$ (100)	\$ 1,463
Management fees	<u>71,650</u>	<u>71,650</u>
	<u>\$ 71,550</u>	<u>\$ 73,113</u>

6. Equipment

	Cost						
	Balance at September 30, 2024	Additions	Disposals	Balance at September 30, 2025	Additions	Disposals	Balance at December 31, 2025
Equipment	\$ 575,118	\$ 1,831	\$ -	\$ 576,949	\$ -	\$ -	\$ 576,949
Office furniture	87,214	-	-	87,214	-	-	87,214
Computer equipment	79,388	-	-	79,388	-	-	79,388
Vehicles	170,973	-	-	170,973	-	-	170,973
	<u>\$ 912,693</u>	<u>\$ 1,831</u>	<u>\$ -</u>	<u>\$ 914,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 914,524</u>

	Accumulated Depreciation						
	Balance at September 30, 2024	Additions	Disposals	Balance at September 30, 2025	Additions	Disposals	Balance at December 31, 2025
Equipment	\$ 534,177	\$ 8,695	\$ -	\$ 542,872	\$ 1,704	\$ -	\$ 544,576
Office furniture	85,252	393	-	85,645	78	-	85,723
Computer equipment	74,187	2,260	-	76,447	221	-	76,668
Vehicles	165,950	1,297	-	167,247	226	-	167,473
	<u>\$ 859,566</u>	<u>\$ 12,645</u>	<u>\$ -</u>	<u>\$ 872,211</u>	<u>\$ 2,229</u>	<u>\$ -</u>	<u>\$ 874,440</u>

	Net Book Value	
	Balance at December 31, 2025	Balance at September 30, 2025
Equipment	\$ 32,373	\$ 34,077
Office furniture	1,491	1,569
Computer equipment	2,720	2,941
Vehicles	<u>3,500</u>	<u>3,726</u>
	<u>\$ 40,084</u>	<u>\$ 42,313</u>

RECO INTERNATIONAL GROUP INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2025

(Expressed in Canadian Dollars)

7. Bank Indebtedness

Up to March 31, 2025, the Company had an available line of credit of \$100,000 bearing interest at prime plus 3.5%, secured by a general security agreement and which 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.

As at December 31, 2025, the Company has drawn \$219,916 (September 30, 2025 - \$235,751) on the line of credit.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following items:

	December 31, 2025	September 30, 2025
Trade payables	\$ 1,388,050	\$ 1,121,494
Accrued liabilities	71,066	201,901
Sales taxes payable	-	11,002
	<u>\$ 1,459,116</u>	<u>\$ 1,334,397</u>

9. Contract Liabilities and Major Customers

During the three months ended December 31, 2025, revenues from two (2) customers of the Company (2024 – three (3) customers) represented \$496,772 or 94% of the Company's total revenues (2024 – \$883,620 or 93%).

As at December 31, 2025, the Company has six (6) construction contracts (September 30, 2025 – six (6) construction contracts) in progress and the following is financial information for the contracts in progress:

	Three Months Ended December 31, 2025	Year Ended September 30, 2025
Balance, beginning of year	\$ 652,333	\$ 564,541
Add – amounts billed during the year	189,685	1,956,762
Deduct – amounts recognized in revenue	<u>(569,324)</u>	<u>(1,868,970)</u>
Balance, end of year	<u>\$ 272,694</u>	<u>\$ 652,333</u>

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Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2025

(Expressed in Canadian Dollars)

9. Contract Liabilities and Major Customers (Continued)

	Three Months Ended December 31, 2025	Year Ended September 30, 2025
Deferred (accrued) revenue		
Contract assets	\$ (98,846)	\$ -
Contract liabilities	<u>371,540</u>	<u>652,333</u>
	<u>\$ 272,694</u>	<u>\$ 652,333</u>

The construction contracts in progress are expected to be completed within the next twelve (12) months.

10. Lease Liability and Right-of-Use Asset

Effective June 1, 2022, the Company extended its office premises lease for an additional three (3) years. The office premises lease expired on May 31, 2025. The associated lease liability and right-of-use asset were calculated using an incremental borrowing rate of 6.7%.

On May 2, 2025, the Company entered into a lease for a new office premise. The lease has a term of two (2) years and expires on May 14, 2027. The associated lease liability and right-of-use asset have been calculated using an incremental borrowing rate of 8.45%

The right-of-use asset and lease liability are summarized below:

	Three Months Ended December 31, 2025	Year Ended September 30, 2025
Right-of-use Asset		
Balance, start of period	\$ 268,974	\$ 159,922
Addition	-	339,757
Less – depreciation	<u>(42,470)</u>	<u>(230,705)</u>
Balance, end of period	<u>\$ 226,504</u>	<u>\$ 268,974</u>
Lease Liability		
Balance, start of period	\$ 275,035	\$ 193,282
Addition	-	339,757
Less - lease payments	(45,468)	(273,949)
Add - finance costs	<u>5,530</u>	<u>15,945</u>
Balance, end of period	<u>\$ 235,097</u>	<u>\$ 275,035</u>
Less - current portion	<u>(173,226)</u>	<u>(167,887)</u>
	<u>\$ 61,871</u>	<u>\$ 107,148</u>

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Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2025

(Expressed in Canadian Dollars)

10. Lease Liability and Right-of-Use Asset (Continued)

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

2026	\$	186,551
2027		62,964
Future finance costs		<u>(14,418)</u>
	\$	<u>235,097</u>

11. Share Capital

Authorized:

Unlimited common voting shares

Unlimited redeemable, retractable, non-voting preferred shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares and determine the designation, rights and privileges attached to each series of shares.

Issued and outstanding:

	<u>Number of Common Shares</u>	<u>Amount</u>
Balance, September 30, 2024 and 2025, and December 31, 2025	<u>49,635,635</u>	<u>\$ 2,272,335</u>

Share-Based Compensation Plan

Under the Company's Share-based Compensation Plan, options to purchase common shares of the Company may be granted to directors, officers, key employees and consultants of the Company. These options entitle the holder to purchase one common share at a subscription price that shall not be less than that which may be acceptable to any stock exchange on which the Company's shares are traded. Options expire between two and five years after being issued or ninety days after an employee ceases employment with the Company. The Board of Directors has the discretion to extend the expiration period on cessation of employment. The terms and vesting period of each option is at the discretion of the Board of Directors.

The maximum number of common shares authorized for issuance by the Board of Directors under the plan is limited to 20% of the total issued and outstanding common shares of the Company.

There was no activity related to stock options during the three months ended December 31, 2025 and the year ended September 30, 2025.

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(Expressed in Canadian Dollars)

11. Share Capital (Continued)

Share-Based Compensation Plan (Continued)

The following table summarizes information on stock options outstanding and exercisable at December 31, 2025:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Expiry date</u>
\$ 0.05	5,300,000	5,300,000	July 3, 2027

As at September 30, 2025, the weighted average life remaining of the total number of outstanding and exercisable stock options was 1.50 years.

12. Finance Costs

The components of finance costs are as follows:

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024
Other Interest expense	\$ 4,690	\$ 628
Interest on lease liability	<u>5,530</u>	<u>2,840</u>
	<u>\$ 10,220</u>	<u>\$ 3,468</u>

13. Loss Per Share

The basic loss per share is based on the weighted average number of common shares outstanding during the three months ended December 31, 2025 of 49,635,635 (2024 – 49,635,635). The diluted loss per share is calculated using the weighted average number of common shares of 49,635,635 (2024 – 49,635,635) and does not include the stock options which were anti-dilutive.

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14. Non-Cash Working Capital Balances

The net change in non-cash working capital balances consists of:

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024
Accounts receivable	\$ 321,722	\$ 243,136
Prepaid expenses and other	1,939	1,933
Deposits	1,430	-
Accounts payable and accrued liabilities	124,719	100,108
Amounts payable to related parties	69,313	52,988
Contract assets	(98,846)	-
Contract liabilities	(280,793)	8,441
	<u>\$ 139,484</u>	<u>\$ 406,606</u>

15. Supplemental Cash Flow Information

	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024
Interest paid	<u>\$ 4,690</u>	<u>\$ 628</u>

16. 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.

RECO INTERNATIONAL GROUP INC.

(Unaudited)

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16. Financial Instruments (Continued)

Financial risk management (Continued)

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.

- a) The credit risk for cash is mitigated with the Company holding cash with major financial institutions.
- b) 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:

	<u>December 31,</u> <u>2025</u>	<u>September 30,</u> <u>2025</u>
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>

- c) The Company recognized a recovery of impairment on the amounts due from related parties (Note 5) of \$49,260 during the three months ended December 31, 2025 (2024 – impairment expense of \$2,002). As at December 31, 2025, the cumulative allowance for impairment on amounts due from related parties is \$333,159 (September 30, 2025 - \$382,419).

RECO INTERNATIONAL GROUP INC.

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16. **Financial Instruments** (Continued)

Financial risk management (Continued)

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 - \$35,863), 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 (Note 7). 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 in Note 10.

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.

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(Unaudited)

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17. 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, totaling \$211,291 plus interest. The Company had previously recorded the related liability in accounts payable and accrued liabilities. The Company is currently engaged in settlement discussions with the vendor, and the final terms and timing of the settlement are not yet determined.

18. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include sustaining continuing operations. The Company includes shareholders' deficiency of \$2,783,523 (September 30, 2025 – \$2,685,832) and certain amounts payable to related parties of \$1,052,778 (September 30, 2025 - \$1,031,128) in the definition of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

Historically, funding for the Company's plan was primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. The Company is not subject to externally imposed capital requirements.