

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, 2022 and the audited consolidated financial statements and MD&A for the year ended July 31, 2022 included in our 2022 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended October 31, 2022 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. is available on our website at www.rekointl.com or through the SEDAR website at www.sedar.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 materials, sub-contracting, and inventory adjustments. The Company included information concerning this measure because it is used by management as measure of performance, and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. This measure is not necessarily comparable to 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 1, 2022.

OVERVIEW

Reko International Group Inc. is a diversified, technology-driven manufacturing organization. Our touchstone philosophy is "Strengthening Communities by Advancing Manufacturing" which epitomizes our commitment to using our distinctive blend of technology and skills to improve the lives of our team members, our customers, our shareholders, as well as our local and global communities.

Reko designs and manufactures a variety of engineered products and services for original equipment manufacturers ("OEMs") and their Tier suppliers. These products include design and construction of unique specialty machines and lean cell factory automation solutions and robotics integration; and high precision, custom machining of very large critical components and assemblies. While many of our customers are in the automotive market, the Company has diversified beyond automotive into a number of sectors.

For the transportation and oil and gas 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 gas tank assembly lines; 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our design and manufacturing operations are carried on in three manufacturing plants located on adjacent parcels of land in Lakeshore, Ontario – a suburb of the City of Windsor in Southwestern Ontario.

RECONCILIATION OF NON-IFRS MEASURES

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

	Three months ended	
	October 31, 2022	October 31, 2021
Sales	\$ 13,796	\$ 12,106
Less: Materials	4,084	3,675
Sub-contracting	1,519	1,298
Inventory adjustments	--	(53)
	\$ 8,193	\$ 7,186

RESULTS OF OPERATIONS

Sales

Sales for the three months ended October 31, 2022 increased \$1,690, or 14%, to \$13,796, compared to \$12,106 in the same period in the prior year. The increase in sales was largely related to persistent efforts by the sales and estimating teams, which resulted in a steady flow of work. Increased pricing to help relieve some supply chain costs helped the top line, as did an increase in the average foreign exchange rate.

Earned revenue

Earned revenue is a non-IFRS measure. The Company's explanation of how it measures earned revenue is located in the previous section. Earned revenue effectively measures that portion of our total revenue available to the Company to pay its workers, pay for its fixed and operating costs and earn a profit. The Company believes that earned revenue is a more effective measurement of how the Company is performing.

For the three months ended October 31, 2022, earned revenue increased by 14%, to \$8,193 compared to \$7,186 in the same period in the prior year.

Gross profit

The gross profit for the three months ended October 31, 2022 totaled \$2,227, compared to \$1,835 in the same period in the prior year. Gross profit as a percentage of sales of 16.1% for the three months was an improvement in margin compared to 15.2% during the same period in the prior year. All levels within the organization are focused on project performance; this regular attention has contributed positively to an improvement in overall efficiency, allowing team members to react quickly to operational inefficiencies. Navigating a very tough cost environment continues to be a daily challenge.

Selling, general and administration

Selling, general and administrative expenses ("SG&A") for the three months ended October 31, 2022 totaled \$1,572 compared to \$1,225 for the same period in fiscal 2022. An increase in recruiting costs to fill some positions contributed to the increase in SG&A. Retaining skilled labour is also crucial, particularly during these times when finding skilled labour can be challenging. The company invested in its workforce by offering wage increases and the opportunity to earn a performance bonus.

Earnings overview

MANAGEMENT'S DISCUSSION AND ANALYSIS

The net income for the three months ended October 31, 2022 was \$704, or \$0.12 per share, compared to \$493, or \$0.08 per share, in the same period of the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow used by operations for the period was \$2,052 as compared to cash flow provided by operations of \$214 in the same period of the previous year. The decrease in cash flow provided by operations is primarily a result of decrease in net change of non-cash working capital, driven by an increase in receivables and work-in-process, and a decrease in payables.

Financial covenants

The Company continues to meet its financial covenants, including the first quarter of fiscal 2023.

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

Capital assets and investment spending

For the three months ended October 31, 2022, the Company invested \$87 in capital assets.

Cash resources/working capital requirements

As at October 31, 2022, Reko had cash on hand of \$11,281, compared to \$14,023 at July 31, 2022, and compared to \$5,621 at October 31, 2021.

At October 31, 2022 the Company did not have any outstanding bank indebtedness.

Reko has a \$20,000 revolver available. At October 31, 2022, the Company's available operating lines of credit of \$19,397 was fully available based on lender defined margining capabilities.

Contractual obligations and off-balance sheet financing

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt	\$ 7,519	\$ 4,033	\$ 1,729	\$ 1,324	\$ 433
Long-term debt subject to demand provisions *	5,573*	2,540	3,033	--	--
Lease liabilities	20	10	10	--	--
Total contractual obligations	\$ 13,112	\$ 6,583	\$ 4,772	\$ 1,324	\$ 433

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

Amounts denoted by an asterisk (*) are subject to demand provisions in that the lender is contractually entitled to require payment of the outstanding balance "on demand". The Company is in receipt of correspondence from the lender indicating that there is no expectation that the balances will be called within the next twelve months and it is anticipated that principal and interest payments on these facilities will be made as scheduled throughout the term of the loans. These scheduled payments are reflected in the table above.

Reko does not maintain any off-balance sheet financing.

MANAGEMENT'S DISCUSSION AND ANALYSIS*Share capital*

The Company had 5,728,413 common shares outstanding at October 31, 2022.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	5,728,413	
Stock options issued	295,800	
Stock options exercisable	236,800	
Total (maximum) number of common shares		6,024,213

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 vehicles by OEMs and on the construction, expansion or retooling of production facilities and our ability to secure automation programs as a result of these activities through their Tier suppliers. New model releases in the automotive sector can be impacted by many factors, including general economic and political conditions, interest rates, energy and fuel prices, labour relations' issues, regulatory requirements, infrastructure, legislative changes, environmental emissions, safety considerations and changing technologies. The Company's sales levels are also impacted by demand levels in the transportation and oil and gas sectors. Demand in these areas can be affected by many factors, including general economic and political conditions, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The economic, industry and risk factors discussed in our Annual Report, each in respect of the year ended July 31, 2022, remain substantially unchanged in respect of the three months ended October 31, 2022, however, the most significant of these are repeated below.

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 and 2 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 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 continually monitors the emergence of new technologies and updates our investments in these emerging technologies accordingly.

Diversification of our sales

MANAGEMENT'S DISCUSSION AND ANALYSIS

While we have diversified our customer base in recent years, and continue to attempt to further diversify, we may experience varying degrees of success. Inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

Continued support of our lenders

The Company operates in a capital-intensive business, has significant financing requirements placed on it by its customers, and our financial resources are, in many cases, less than the financial resources of our customer base. There can be no assurance that if and when the Company seeks additional equity or debt financing, it will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms (or to obtain these resources at all). However, the Company maintains a strong relationship with a number of key lenders and keeps them apprised of, not only financial results, but also future plans and challenges. In the event that debt financing was not available at some future date, additional equity financings may result in dilution to existing shareholders.

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 U.S. dollars. Movements in the U.S. dollar against the Canadian dollar affect our profitability. As a result of the purchase of appropriate amounts of forward exchange contracts, 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 all our foreign exchange balances and potential balances regardless of whether those balances and potential balances are on our balance sheet at any one particular time). Despite these measures, significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition and any sustained change could adversely impact our competitiveness.

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

Reko is exposed to the impacts of changes in the foreign exchange rate between Canadian and United States ("U.S.") dollars. More specifically, approximately 85% of the Company's sales and 20% of its costs are incurred in U.S. dollars. In addition, the Company maintains certain working capital balances in U.S. funds.

To minimize our exposure to the impacts of changes in the foreign exchange rate, the Company maintains a forward foreign exchange contract purchasing programme ("FFEC Programme"). Reko's Programme is based on maintaining our approximate net exposure to the U.S. dollar (total U.S. exposure less forward foreign exchange contracts) between positive and negative \$5,000. This Programme is designed to minimize the Company's exposure to foreign exchange risks over the mid-term. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the U.S. dollar, regardless of our net exposure to the U.S. dollar, the Company can generate significant gains or losses, which may materially impact financial results. These significant gains or losses are entirely related to mark-to-market accounting rules and represent the product of our net exposure to the U.S. dollar and the change during any given month of the value of the U.S. dollar in relation to the Canadian dollar.

During each of the last four quarters, the Company's quarter-end exposure to the U.S. dollar has been:

Fiscal Period	Total U.S. exposure before hedging programme	Forward foreign exchange contracts booked	Net exposure to the U.S. dollar
Q1 - 2023	\$ 13,358	\$ 10,000	\$ 3,358
Q4 - 2022	\$ 12,225	\$ 8,000	\$ 4,225
Q3 - 2022	\$ 13,166	\$ 10,000	\$ 3,166
Q2 - 2022	\$ 14,961	\$ 6,000	\$ 8,961

MANAGEMENT'S DISCUSSION AND ANALYSIS

As a result of the Company's purchase of forward foreign exchange contracts ("FFECs"), the Company is subject to changes in foreign exchange rates that may not be consistent with changes in the current quoted foreign exchange rates. More specifically, the Company's foreign exchange risk is split such that its net exposure to the U.S. dollar, as detailed above, is subject to changes in market foreign exchange rates on a monthly basis and the remainder of its U.S. dollar exposure is subject to foreign exchange risks based on the specific foreign exchange rate contained in its FFECs. The table below presents a comparison between actual foreign exchange rates and Reko's effective rate on its booked FFECs.

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

	For the three months ended October 31			
	2022		2021	
	Actual	Reko effective rate	Actual	Reko effective rate
U.S. Dollar equals Canadian Dollar	1.3266	1.3195	1.2578	1.2673

The Company's FFECs represent agreements with an intermediary to trade a specific amount of U.S. dollars for Canadian dollars at a specific rate on a specific date. Currently, the date is between one (1) and six (6) months after the date on which the FFEC is booked. The specific rate entered into is not necessarily indicative of what either the intermediary or Reko believes the foreign exchange rate will be on the date the settlement of the trade occurs, rather it is a rate set by the intermediary which Reko can either accept or reject.

During the first quarter, the Company recorded a pre-tax gain of approximately \$274 related to the fair value of its U.S. dollar exposures. At the end of the quarter, we held FFECs of \$5,000 compared to \$2,000 at the end of the quarter in the prior year.

The following table outlines the level of FFECs presently maintained and the average effective rate of these contracts:

Fiscal Period	Contract value booked (000's)	Effective average rate
Q1 - 2023	\$ 5,000	1.3460

Additionally, the Company entered into a few different options to purchase USD and sell CAD. These options have varying exercise rates.

The Company notes that at current levels of FFECs and U.S. dollar denominated assets and liabilities, an increase in the value of the U.S. dollar against the Canadian dollar results in the Company recording gains and an increase in the value of the Canadian dollar against the U.S. dollar results in recording losses for the Company.

Foreign currency transactions are recorded at rates in effect at the time of the transaction. Forward exchange contracts are recorded at month-end at their fair value, with unrealized holding gains and losses recorded in foreign exchange gain (loss).

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 2023, ended October 31, 2022. The information has been derived from the Company's unaudited consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited

MANAGEMENT'S DISCUSSION AND ANALYSIS

consolidated financial statements contained elsewhere in the Annual Report for the year ended July 31, 2022, 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/21	Apr/21	July/21	Oct/21
Sales	\$ 10,982	\$ 12,413	\$ 8,957	\$ 12,106
Net income	468	801	491	493
Earnings per share: Basic	0.07	0.13	0.08	0.08
Diluted	0.07	0.13	0.08	0.08
	Jan/22	Apr/22	July/22	Oct/22
Sales	\$ 13,419	\$ 13,357	\$ 15,002	\$ 13,796
Net income	872	92	664	704
Earnings per share: Basic	0.15	0.02	0.11	0.12
Diluted	0.14	0.02	0.11	0.12

NORMAL COURSE ISSUER BID

On December 28, 2021, the Company announced the extension of the normal course issuer bid. Under the plan, the Company may purchase on the TSX Venture Exchange up to a total of 300,837 of its common shares during the twelve-month period which commenced December 31, 2021. The 300,837 common shares represent approximately 5% of the total common shares outstanding. The price that the Company will pay for any such shares will be the market price at the time of acquisition and all shares acquired under the bid will be cancelled by the Company.

During the quarter ended October 31, 2022, Reko purchased and subsequently cancelled 54,437 shares under the provision of the normal course issuer bid. All shares available under this current bid have now been repurchased and cancelled.