



Expanding Foundations

2024 Management's
Discussion and Analysis





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Transforming Horizons





CHIEF EXECUTIVE OFFICER MESSAGE

REFLECTING ON A YEAR OF CHALLENGES AND PROGRESS

As we close the books on this fiscal year, it's clear that we've faced a range of significant challenges. Irregular sales awards due to unpredictable market conditions have tested our resilience and strategy. Yet, as we look back, it's important to recognize not just the obstacles, but also the notable strides we've made in product innovation, productivity, and new market expansion. These efforts are akin to the sacrifices made during rigorous training or dieting —painful in the short term but crucial for long-term success.

Imagine embarking on a demanding fitness regimen, one that pushes your limits and requires discipline. At the outset, the scale may not reflect the sweat and effort invested. The muscles ache, and the results seem distant. But with each passing day, despite the slow progress, you're building a stronger foundation. This period of hardship and sacrifice is essential for achieving the transformation you seek.

This fiscal year has been our training ground. The market conditions have been tough, and our sales figures haven't met expectations. It's as if we've been running uphill against a strong headwind. Every strategy we've employed to address these market challenges has felt like an extra mile on a grueling run. However, while immediate results haven't been as visible, the real progress lies in the groundwork we've laid for future success.



Diane Reko
Chief Executive Officer



EXPANSION INTO NEW MARKETS: THE STRATEGIC DIVERSIFICATION

One part of our transformation effort has been our expansion into new markets. Entering unfamiliar territories can be likened to exploring new fitness techniques. Initially, there might be uncertainty and a steep learning curve, but these efforts diversify our capabilities and open new avenues for growth. Just as diversifying your workout routine can prevent plateaus and spur new progress, entering new markets broadens our reach and potential.

We've carefully selected new markets that align with our strengths and strategic vision. This move is part of a broader strategy to reduce our dependency on current market conditions and tap into emerging opportunities. While we're still in the early stages of this expansion, the groundwork we've laid will be critical as these markets mature and contribute to our revenue streams. The initial investments and learning processes are akin to the initial challenges faced when trying a new exercise routine—challenging but necessary for future success.

PRODUCT INNOVATION: THE NEW TRAINING REGIMEN

One of our key achievements this year has been our focus on product innovation. Just as a new training regimen is tailored to target specific weaknesses and build strength, our product development efforts have been designed to address market demands and future trends. As an example, we have entered into a joint venture within our partner's industry, an area where we have had no previous involvement. Our partner chose Reko as the designer and creator of unique automation which will improve both productivity and safety. The prototype has been designed and built and is currently in the on-site testing phase.

We've invested time and resources into refining our offerings and incorporating cutting-edge technology. These advancements are akin to the carefully calculated changes in diet and exercise that gradually build endurance and strength.

For instance, our latest product innovation, designed and prototyped amidst these challenging times, has received positive feedback for its enhanced features and anticipated user experience. This represents our commitment to staying ahead of the curve and meeting evolving customer needs. While the market response is yet to be determined, this innovation positions us strongly to solve a persistent customer problem. Just as a rigorous fitness regime eventually yields visible results, our product innovations are set to bear fruit in the coming quarters.



PRODUCTIVITY IMPROVEMENTS: THE STRENGTH BUILDING PHASE

In tandem with product development, we've focused on enhancing productivity across our operations. Think of this as the strength-building phase of our fitness journey. Improving productivity often involves refining processes, investing in new tools, and optimizing team workflows. It's the behind-the-scenes work that isn't always immediately noticeable but is crucial for long-term gains.

This year, we've streamlined our internal processes, adopted more efficient technologies, and restructured teams to better align with our strategic goals. These changes are like the incremental weightlifting that builds muscle strength—each small improvement contributes to our overall capacity and efficiency. By making these enhancements now, we are better prepared to scale our operations and respond to market demands swiftly when conditions turn favourable.

LOOKING AHEAD: THE EXPECTED RESULTS

As we reflect on this fiscal year, it's important to remember that our efforts, though not immediately rewarding, have set the stage for future improvement. The sacrifices and hard work we've invested in product innovation, productivity enhancements, and market expansion are similar to the rigorous training that yields results in the long run. While the scale might not show dramatic changes today, the strength and endurance we're building will become evident as market conditions shift.

The coming year holds promise. The foundation we've established through our innovations and strategic moves will enable us to capitalize on opportunities as they arise. Just as a committed fitness regimen eventually leads to a healthier, stronger self, our ongoing efforts will lead to improved performance and growth.

In closing, let's embrace the lessons of this year and carry forward the determination and resilience we've developed. The road has been challenging, but our commitment to progress and excellence will drive us toward a more successful future. Together, we've laid the groundwork for a stronger, more competitive position in the market. Let's look forward with confidence and continue to build on the progress we've made.

I would like to extend my heartfelt thanks to our dedicated employees, whose hard work and commitment have been instrumental in our achievements. To our shareholders, customers, vendors, advisors, and fellow board members your trust and support are invaluable, and we are committed to delivering sustained value and performance.





Reaching New Heights





Strengthening
our Core

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 audited consolidated financial statements for the year ended July 31, 2024 and the audited consolidated financial statements and MD&A for the years ended July 31, 2023 and July 31, 2022 included in our 2023 Annual Report to Shareholders. The audited consolidated financial statements for the years ended July 31, 2024 and July 31, 2023 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Reko's Chief Executive Officer and Chief Financial Officer have signed a statement outlining management's responsibility for financial information in the annual consolidated financial statements and MD&A. The statement, which can be found on page 27, also explains the roles of the Audit Committee and Board of Directors in respect of that financial information. When we use the terms "we", "us", "our", "Reko", or "Company", we are referring to Reko International Group Inc. and its subsidiaries.

This MD&A contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "anticipate," "plan", "may", "will", "should", "expect", "believe", "estimate" and similar expressions to identify forward-looking information and statements. Such forward-looking information and statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be relevant and appropriate in the circumstances. Readers are cautioned not to place undue reliance on forward-looking information and statements, as there can be no assurance that the assumptions, plans, intentions or expectations upon which such statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed, implied or anticipated by such information and statements. These risks are described in the Company's MD&A and, from time to time, in other reports and filings made by the Company with securities regulators.

While the Company believes that the expectations expressed by such forward-looking information and statements are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors, which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update publicly or otherwise revise any such factors of any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Reko International Group Inc., including copies of our continuous disclosure materials, is available on our website at www.rekointl.com or through the SEDAR+ website at www.sedarplus.com.

In this MD&A, reference is made to earned revenue, which is not a measure of financial performance under IFRS Accounting Standards. The Company calculates earned revenue as sales less the cost of materials and subcontracting. The Company included information concerning this measure because it is used by management as a 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 a similarly titled measure 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 October 10, 2024

OVERVIEW

Reko International Group Inc. is a diversified, technology-driven manufacturing organization. Our mission is to be a pillar and protector of the North American manufacturing industry. We provide support to manufacturers and producers as their “go-to” supplier in automation equipment and machining services so that they can be more successful.

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

For the transportation and power generation industries, the Company machines customer supplied metal castings to customer indicated specifications. For the automotive industry, the Company conceptualizes, designs and builds innovative solutions to manufacturing challenges, including specialty machines for plastic punch and weld assembly equipment; unique material handling applications; and work cell solutions. Across our target industries, Reko is known for outstanding quality and customer focus and for an unwavering commitment to exceeding customer expectations and deliverables while striving for constant improvement across all our chosen metrics.

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



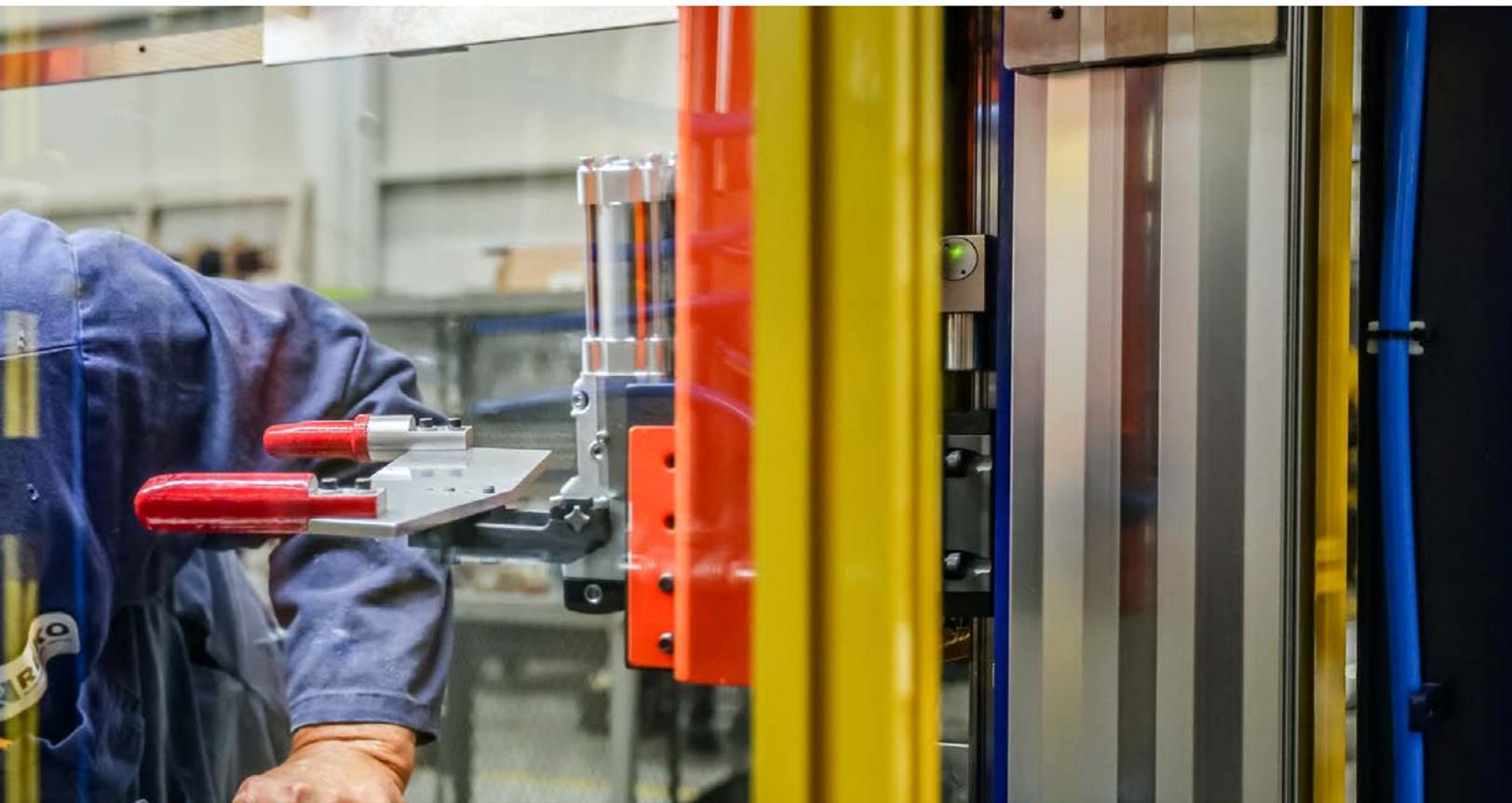
SUMMARY OF RESULTS

Fiscal 2024 was challenging, with underperformance in top-line sales due to ongoing instability in the automotive sector. This volatility affected key customer awards and led to underutilized capacity in certain areas of our operations. Our relatively fixed cost structure made it difficult to consistently manage these sales variations effectively. Additionally, fixed-price projects that kicked off late in the fourth quarter of Fiscal 2023 proved more complex than expected, putting further pressure on margins compared to the previous year.

Delays in executing our more selective go-to-market strategy were partially driven by uncertainty surrounding upcoming elections in Canada and the United States, as well as broader economic conditions. Efforts to shift a portion of our operating capacity toward non-automotive sectors have also been slower to generate meaningful results than expected. However, the time and resources invested thus far are anticipated to positively impact financial performance in the coming fiscal year.

In addition to challenging operating results, and due to shifting strategic priorities and evolving market conditions, the Company has derecognized certain deferred tax assets as it is not more likely than not that they will be realized before expiry. These derecognized assets may be reinstated in future periods when greater certainty around their realizability is achieved.

Our balance sheet remains strong, with no new debt added during this fiscal year, low leverage, and good liquidity. This positions us to navigate near-term challenges while pursuing long-term sustainable growth.





Amplifying
our Strengths

RECONCILIATION OF NON-IFRS ACCOUNTING STANDARDS MEASURES

The reconciliation of earned revenue to sales in accordance with IFRS Accounting Standards is provided in the following table:

	2024	2023
Sales	\$ 44,277	\$ 46,751
Less: Materials	10,532	10,577
Sub-contracting	3,620	4,033
Earned revenue	\$ 30,125	\$ 32,141

RESULTS OF OPERATIONS

SALES

Sales for the year ended July 31, 2024 decreased by 5.3%, or \$2,474, to \$44,277 compared to the prior year. The reduction in sales was primarily attributed to lower volumes in certain sectors and delays in program kickoffs primarily in the automotive sector.

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

Foreign exchange fluctuations continue to affect sales and are an inherent risk when doing business in other currencies. Overall, the fluctuation and increase in foreign exchange for the U.S. dollar sales had a positive impact in the fiscal year.

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 measures that portion of total revenue available to cover the Company's labour expenses and compensation for employees, fixed and operating costs, and to earn a profit and is considered to be an effective measurement of performance.

For 2024, earned revenue decreased by 6.3%, or \$2,016, to \$30,125 compared to earned revenue of \$32,141 in 2023 driven by unfavourable sales performance when compared to the prior year.

GROSS PROFIT

Gross profit for fiscal 2024 decreased \$2,236 to \$4,851 or 11.0% of sales, compared to 15.2% of sales in 2023. The gross margin was impacted by a decline in sales volume during the second half of the year while fixed labor costs remained relatively constant. Certain fixed-price automotive projects encountered unforeseen challenges, leading to lower-than-expected margins. Moreover, persistent pressures stemming from a tight skilled labour market have driven up labour costs including recruitment expenses, while efficiency losses during new employee training continue to impact overall profitability.

To improve margins, the Company has refined its estimating and project management processes to better anticipate and mitigate unforeseen risks on fixed-price projects. In addition, automation and process improvements are being explored to alleviate pressure on labour costs. The Company is also continuing to streamline recruitment and training programs to enhance workforce efficiency and reduce the time required for new hires to reach full productivity.

SELLING AND ADMINISTRATION

Selling and administration expenses during 2024 decreased to \$5,758, or 13.0% of sales, compared to \$5,831, or 12.5% of sales during 2023. Net labour related costs including variable compensation and commissions is favourable to fiscal 2023 by \$359, partly offset by investments made in non-recurring business development and marketing costs not applicable in the prior year.

EARNINGS OVERVIEW

In line with our updated business strategy, we have recorded an adjustment to the value of our deferred tax assets by \$4,282 which resulted in a tax effected provision of \$3,160, or a loss of (\$0.55) per share, primarily related to our Tooling division which was closed in 2022. The anticipated realization of these assets, initially planned through various strategic initiatives including potential acquisitions, has been delayed due to shifts in our strategy and evolving market conditions. We will recognize the benefits of these tax assets once their realization becomes more certain.

Fourth quarter net loss was (\$3,459), or (\$0.62) per share, compared to \$80, or \$0.01 per share, in the final quarter of fiscal 2023. Fourth quarter loss, before the tax effected impact of the adjustment to deferred tax assets, was a loss of (\$0.07) per share.

Net income, including the tax effected impact of the adjustment to deferred tax assets, for the year ended July 31, 2024 was (\$3,894), or (\$0.70) per share, compared to net income of \$1,322, or \$0.23 per share, for the year ended July 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided from operations was \$3,244, compared to \$4,474 in the prior year, largely reflecting a decrease in net income and increase in non-cash working capital primarily from accounts receivable which fluctuates based on customer terms, project specific milestones and status of projects as at the reporting date and a decline in work-in-progress which is driven by lower sales volumes in the second half of fiscal 2024.

The Company met its financial covenants at all times during the year. The Company's financial covenants are calculated on a trailing twelve-month basis. Continued customer delays or other market disruptions, combined with prior year results, may affect compliance at certain measurement dates during the next fiscal year. However, the Company expects to remain cash positive, requiring no draws against the revolver throughout that period.

During the year the Company entered into an amended credit agreement which converted a mortgage payable of \$2,925 from a demand facility to a non-revolving committed real estate facility.

CAPITAL ASSETS AND INVESTMENT SPENDING

For the year ended July 31, 2024, the Company invested \$2,227 in capital assets.

CASH RESOURCES/WORKING CAPITAL REQUIREMENTS

As at July 31, 2024, Reko had cash on hand of \$11,434 compared to \$12,139 at July 31, 2023 and \$7,599 at April 30, 2024.

Reko has a \$20,000 demand revolving facility available. However, based on our current lender defined margining capabilities, our borrowings are limited to \$14,006, all of which was unused and available at the end of the year.

The Company also has an equipment facility available up to a maximum of \$1,500 to finance investments in machinery and equipment. There were no borrowings against this facility as at year end.

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	\$ 10,959	\$ 1,565	\$ 2,978	\$ 2,368	\$ 4,048
Lease liabilities	29	9	18	2	-
Total contractual obligations	\$ 10,988	\$ 1,574	\$ 2,996	\$ 2,370	\$ 4,048

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 5,563,413 common shares outstanding at July 31, 2024. A total of 295,500 options are outstanding as at year end.

Outstanding share data

DESIGNATION OF SECURITY	NUMBER OUTSTANDING	MAXIMUM NUMBER ISSUABLE IF CONVERTIBLE, EXERCISABLE OR EXCHANGEABLE FOR COMMON SHARES
Common Shares	5,563,413	
Stock options exercisable	206,500	
Total (maximum) number of common shares		5,769,913

Driving Innovation



QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the fourth quarter of fiscal 2024, ended July 31, 2024. The information has been derived from the Company's unaudited condensed consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in the Annual Report for the year ended July 31, 2024, and include all adjustments necessary for a fair presentation of the information presented. Past performance is not a guarantee of future performance, and this information is not necessarily indicative of results for any future period.

F2023		Oct/22	Jan/23	Apr/23	Jul/23
Sales		\$ 13,796	\$ 11,666	\$ 10,307	\$ 10,982
Net income		704	483	55	80
Earnings per share:	Basic	0.13	0.08	0.01	0.01
	Diluted	0.12	0.08	0.01	0.01
F2024		Oct/23	Jan/24	Apr/24	Jul/24
Sales		\$ 13,703	\$ 11,948	\$ 9,606	\$ 9,019
Net income (loss)		312	102	(849)	(3,459)
Earnings per share:	Basic	0.05	0.02	(0.15)	(0.62)
	Diluted	0.05	0.02	(0.15)	(0.59)

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, 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, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The following additional risk factors, as well as the other information contained in this MD&A, for the year ended July 31, 2024 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

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.

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 global automotive industry is cyclical and consumer demand for automobiles is sensitive to changes in economic and political conditions, including interest rates, energy prices, employment levels, and international conflicts, including acts of terrorism. Automotive production and, more importantly for Reko, the frequency of automotive model changes, is affected by consumer demand and may be impacted by macro-economic factors.

The market for electric vehicles (“EV”) remains volatile with anticipated short-term softening of demand. While a small proportion of Reko’s overall sales are derived from programs directly tied to EV production, prolonged softening may affect vehicle production volumes. This, in turn, may influence the financial stability of our Tier customers, subsequently affecting the timing of new contract awards, project margins and the financial terms offered.

As a result of these and other factors, some of our customers are currently experiencing, and/or may experience in the future, reduced OEM demand for the parts and subassemblies that they supply due to lower consumer demand. Continued lower consumer demand could lead to model and project delays and cancellations by our customers.

RELIANCE ON KEY PERSONNEL AND SUCCESSFULLY RECRUITING TALENT IN CRITICAL AREAS

The success of Reko is dependent on many people including our design engineers, control engineers, machinists, and our management team. The experience and talents of these individuals are a significant factor in the Company’s continued growth and success. While the Company continues to develop appropriate succession plans for these positions, the loss of one or more of these individuals without adequate replacement, or the inability to recruit appropriate talent in a competitive labour market, could have a material adverse effect on the Company’s operations and business prospects. Management has implemented several innovative recruitment and retention strategies to effectively reduce the risks in this area.

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.

FINANCIAL AND CAPITAL MANAGEMENT RISK

CONTINUED UNCERTAIN ECONOMIC CONDITIONS

Geopolitical tensions following Russia's invasion of the Ukraine and the escalating war between Israel and Hamas in Gaza could lead to prolonged market disruptions, volatility in commodity prices and other supply chain interruptions. Given that the majority of the markets we supply to and purchase from are primarily North American based, we currently believe our exposure to this conflict to be insignificant. However, the duration of and extent of such conflicts remain unpredictable.

ELECTION IMPACT ON CAPITAL DECISION MAKING

The upcoming U.S. and Canadian elections introduce a level of uncertainty into the business environment, particularly concerning our customers' capital allocation and strategic direction. The unpredictability surrounding post-election policies and initiatives could lead to delays in investments across key sectors and markets we serve. Additionally, the elections have the potential to induce market instability and broader economic volatility, which could adversely impact our financial performance and operational stability.

PRICING PRESSURES AND PRESSURES TO ABSORB ADDITIONAL COSTS

We face significant pricing pressure, as well as pressure to absorb costs related to machine design and program management, as well as other items previously paid for directly by automobile manufacturers and non-automotive OEMs (such as support in remote production facility locations). These pressures are expected to continue. The continuation or intensification of these pricing pressures and pressure to absorb additional costs and assume additional design, engineering, and management responsibilities could have an adverse effect on our profitability and financial condition.

SIGNIFICANT LONG-TERM FLUCTUATIONS IN RELATIVE CURRENCY VALUES

Although our financial results are reported in Canadian dollars, significant portions of our sales are realized in US dollars. Movements in the US dollar against the Canadian dollar affect our profitability. As a result of the purchase of appropriate amounts of forward exchange contracts and options, foreign currency transactions are not fully impacted by movements in exchange rates. Due to this program, our accounting risk (i.e., the risk associated with our foreign exchange balances on our balance sheet at any point in time) is reduced. This program does not necessarily reduce our economic risk (i.e., the risk associated with our foreign exchange balances and potential balances regardless of whether those balances and potential balances are on our balance sheet at any one particular time). Despite these measures, significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition and any sustained change could adversely impact our competitiveness.

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

Reko is exposed to the impacts of changes in the foreign exchange rate between Canadian and United States (“US”) dollars. More specifically, between 60% and 70% of the Company’s sales and 20% of its costs are incurred in US dollars. In addition, the Company maintains certain working capital balances in US funds.

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

During each of the last four quarters, the Company’s month-end exposure to the US dollar has been:

FISCAL PERIOD	TOTAL U.S. EXPOSURE BEFORE HEDGING PROGRAM	FORWARD FOREIGN EXCHANGE CONTRACTS BOOKED	NET EXPOSURE TO THE U.S. DOLLAR
Q4 - 2024	\$ 5,010	\$ 6,000	\$ (990)
Q3 - 2024	\$ 8,158	\$ 6,000	\$ 2,158
Q2 - 2024	\$ 9,847	\$ 7,000	\$ 2,847
Q1 - 2024	\$ 10,250	\$ 11,500	\$ (1,250)

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 US dollar, as detailed above, is subject to change in market foreign exchange rates on a monthly basis and the remainder of its US 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.

	FOR THE THREE MONTHS ENDED JULY 31				FOR THE YEAR ENDED JULY 31			
	2024		2023		2024		2023	
	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE
US Dollar equals Canadian Dollar	1.3689	1.3390	1.3359	1.3513	1.3587	1.3498	1.3415	1.3425

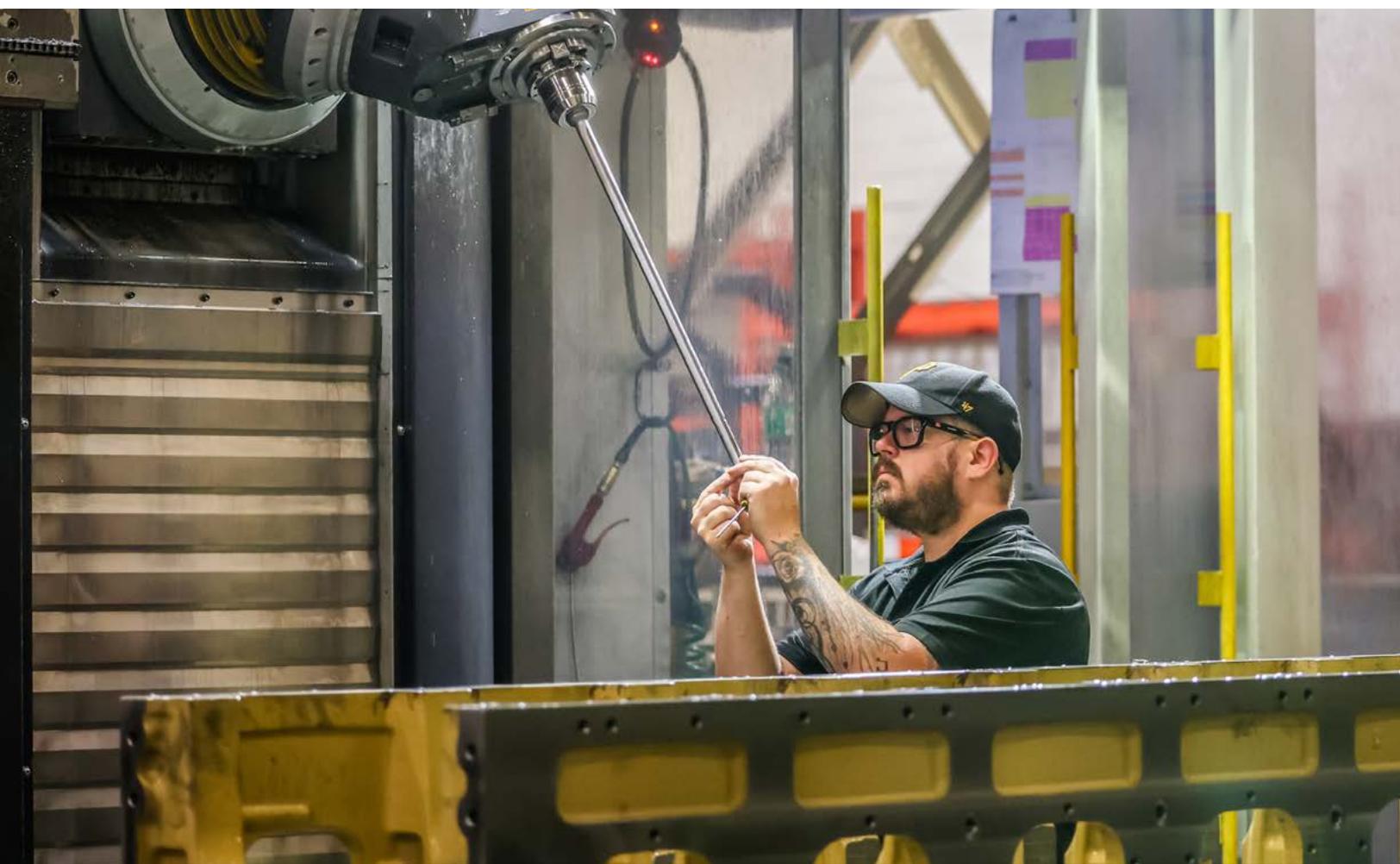
The Company's FFECs represent agreements with an intermediary to trade a specific amount of US dollars for Canadian dollars at a specific rate on a specific date. Currently, the date is between one (1) and six (6) months after the date on which the FFEC is booked. The specific rate entered into is not 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. At the end of fiscal 2024, there were no forward contracts held compared to \$1,000 at the end of fiscal 2023.

Additionally, the Company uses structured FX options that provide the right but not the obligation to exchange \$USD for \$CAD at predetermined rates on specified future dates. At July 31, 2024 the Company held options up to \$6,000 at rates between 1.3650 and 1.3925.

The Company notes that at current levels of FFECs and US dollar denominated assets and liabilities, an increase in the value of the US dollar against the Canadian dollar results in the Company recording gains and an increase in the value of the Canadian dollar against the US dollar results in financial 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).

Additional information with respect to financial instruments is provided in Note 3 and Note 5 to Reko's audited consolidated financial statements, which by this reference are hereby incorporated herein.



NORMAL COURSE ISSUER BID

On January 5, 2023, the Company announced the approval of a normal course issuer bid to purchase up to 286,420 of its outstanding common shares on the TSX Venture Exchange during the twelve-month period which expired on January 8, 2024. A total of 215,700 shares were purchased under this bid, of which 155,300 was purchased during fiscal 2024.

On January 5, 2024, the Company announced the approval of another normal course issuer bid to purchase up to 278,170 of its outstanding common shares on the TSX Venture Exchange during the twelve-month period commenced on January 9, 2024 and ending on January 8, 2025.

The 278,170 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.

No shares were purchased under this bid during the quarter ended July 31, 2024.





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