

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, 2024 and the audited consolidated financial statements and MD&A for the year ended July 31, 2024 included in our 2024 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended October 31, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). When we use the terms "we," "us", "our", "Reko", or "Company", we are referring to Reko International Group Inc. and its subsidiaries.

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

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

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Reko International Group Inc., including copies of our continuous disclosure materials, is available on our website at www.rekointl.com 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. 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 December 5, 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 the 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.

RECONCILIATION OF NON-IFRS MEASURES

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

	Three months ended	
	October 31, 2024	October 31, 2023
Sales	\$ 10,238	\$ 13,703
Less: Materials	1,693	3,907
Sub-contracting	389	1,459
Earned revenue	\$ 8,156	\$ 8,337
Income before income taxes	\$ 129	\$ 415
Add: depreciation	996	1,007
net interest expense	7	62
EBITDA	1,132	1,484
Add: change in fair value on foreign exchange contracts	404	479
Add/(Deduct): other net FX movements	(10)	(619)
Add/(Deduct): restructuring costs	2	9
Adjusted EBITDA	\$ 1,528	\$ 1,353

RESULTS OF OPERATIONS

Sales

Sales for the three months ended October 31, 2024 decreased by 25.3%, or \$3,465, to \$10,238 compared to \$13,703 in the same period of the prior year. The reduction in sales was primarily attributed to the early stage of completion for certain projects in progress, 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 strengthening of the U.S dollar has had a positive impact on reported sales in the quarter.

Earned Revenue

Earned revenue is a non-standard IFRS measurement. The Company's explanation of how it measures earned revenue is noted previously. Earned revenue effectively 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 the three months ended October 31, 2024, earned revenue as a percentage of sales increased by 18.8%, reaching 79.7%, compared to 60.8% in the same period last year. This improvement was driven by a favourable customer mix and a lower proportion of material and subcontracting costs for completed or ongoing projects, aligning with the Company's strategic initiatives in addition to a year-on-year fluctuations in project volume and stage of completion for projects in process.

Gross Profit

Gross profit for the three months ended October 31, 2024 improved to 19.5% of sales, compared to 14.4% of sales in the same period of the prior year. Despite the decline in sales, gross profit dollars increased by \$19 to \$1,998 compared to \$1,979 in the prior year as a result of the improvement in earned revenue.

Selling and Administration

Given the fixed nature of expenses within selling and administrative ("SG&A") costs, these expenses have increased to 14.6% of sales compared to 11.2% of sales in the same quarter of the prior year. On a dollar basis, SG&A has decreased by \$45K, or 2.9%, compared to the first quarter of fiscal 2024.

EBITDA/Adjusted EBITDA

EBITDA for the first quarter of fiscal 2025 was \$1,132, compared to \$1,484 in the same period of fiscal 2024. This quarter's EBITDA included a non-cash foreign exchange loss of \$404, compared to \$479 in the prior year, both related to mark-to-market adjustments on foreign exchange contracts held at quarter-end. The prior year's EBITDA also benefited from a \$619 foreign exchange gain, driven by a 6% strengthening of the USD against the CAD during that quarter—a factor not applicable in the current year—leading to reduced foreign exchange gains on settlements and translations. Excluding the impact of foreign exchange and other non-operating expenses, adjusted EBITDA increased by \$175, or 12.9%, to \$1,528, compared to \$1,353 in the same quarter of the prior year.

Earnings Overview

Net income for the three months ended October 31, 2024 was \$88, or \$0.02 per share, compared to net earnings of \$311, or \$0.05 per share, in the first quarter of the prior fiscal year.

Included in net income is a non-cash foreign exchange loss of \$404 or \$0.08 per share relating to the mark-to-market adjustment on foreign exchange contracts held at quarter end. Adding back the impact of this non-cash loss, earnings per share was \$0.10 or \$0.05 improved over the first quarter of fiscal 2024.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations was \$2,948 compared to cash used by operations of \$2,394 in the same period of the previous year. The year-over-year change is driven from a reduction in work-in-progress and an increase in unearned revenue which fluctuates based on the status of projects as at the reporting date and customer terms.

The Company continues to meet its financial covenants, including the first quarter of fiscal 2025.

The Company believes it has sufficient operating room with respect to its financial covenants and does not anticipate being in breach throughout the remainder of the fiscal year.

While not expected, continued customer delays may impact financial covenants, however, the Company expects to remain cash positive throughout fiscal 2025, requiring no draws against revolver.

Capital assets and investment spending

For the three months ended October 31, 2024, the Company invested \$158 in capital assets.

Cash resources/working capital requirements

As at October 31, 2024, the Company had cash on hand of \$13,827, an improvement of \$2,393 compared to the quarter ended July 31, 2024. Amounts owing from certain Production Part Approval Process "PPAP" receivables were collected during the quarter, contributing to the increase in liquidity and enhancing the Company's working capital position.

Reko has a \$20,000 demand revolving facility available. However, based on our current lender defined margining capabilities, our borrowings are limited to \$12,110. There were no draws against the revolver during the quarter.

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 during the quarter.

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	\$ 10,597	\$ 1,584	\$ 2,796	\$ 4,376	\$ 1,841
Lease liabilities	6	3	2	1	-
Total contractual obligations	\$ 10,603	\$ 1,587	\$ 2,798	\$ 4,377	\$ 1,841

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 5,560,413 common shares outstanding at October 31, 2024. A total of 364,500 options are outstanding as at quarter end.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	5,560,413	
Stock options exercisable	282,200	
Total (maximum) number of common shares		5,842,613

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 2025, ended October 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.

	Jan/23	Apr/23	Jul/23	Oct/23
Sales	\$11,666	\$10,307	\$10,982	\$13,703
Net income	483	55	80	311
Earnings per share: Basic	0.08	0.01	0.01	0.05
Diluted	0.08	0.01	0.01	0.05
	Jan/24	Apr/24	Jul/24	Oct/24
Sales	\$11,948	\$9,606	\$9,019	\$10,238
Net income (loss)	102	(849)	(3,459)	88
Earnings per share: Basic	0.02	(0.15)	(0.62)	0.02
Diluted	0.02	(0.15)	(0.59)	0.02

INDUSTRY TRENDS AND RISKS

While the Company has increased the level of diversification across industries, sales volumes still have a significant dependence upon the levels of new model releases for cars and light trucks by OEMs and on the construction, expansion or retooling of production facilities and our ability to secure automation programs from them through their Tier suppliers. New model releases in the automotive sector can be impacted by many factors, including general economic and political conditions, interest rates, energy and fuel prices, labour relations issues, regulatory requirements, infrastructure, legislative changes, federal elections, environmental emissions, and safety considerations. The Company's sales levels are also impacted by demand levels in the transportation and power generation sectors. Demand in these areas can be affected by many factors, including general economic and political conditions including upcoming elections, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The economic, industry and risk factors discussed in our Annual Report for the year ended July 31, 2024 remain substantially unchanged in respect to the three months ended October 31, 2024, however, the most significant of these are repeated below.

OPERATIONAL RISK

Current outsourcing and in-sourcing trends

During periods of weakened demand, our customers traditionally revisit outsourcing decisions as a method of maintaining their employment levels. Then, during periods of strong demand, they return to previous levels of outsourcing. As a result of this and other factors, our demand levels will swing with general economic activity related to the industries we serve. Depending on how the current economic climate impacts particular customers, Reko may experience reductions in outsourced work orders.

A shift away from technologies in which the Company is investing

Like our OEM and Tier 1 customers, we continue to invest in technologies and innovations, which the Company believes are critical to long-term growth. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products on a timely basis using such technologies will be a significant factor in our ability to remain competitive. Current technological shifts in the industry would include the application of

artificial intelligence, the Internet of Things, integration of additive manufacturing capabilities into our processes and the transition to electric and autonomous vehicles. If there is a movement away from the use of specific technologies that the Company is focused on developing or someone applies these technologies more quickly or effectively, our costs may not be fully recovered. In addition, if other technologies in which our investment is not as great, or our expertise is not as fully developed emerge as the industry-leading technologies, we may be placed at a competitive disadvantage, which could have a material adverse effect on our profitability and financial condition. Management pays particular attention to the emergence of new technologies and updates our investments in these emerging technologies accordingly.

Diversification of our sales

While we have diversified our customer base in recent years, and continue to attempt to further diversify, we may experience varying degrees of success. The inability to successfully grow our sales to non-traditional customers 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. However, management feels that the existence of multiple product lines in our automotive focused divisions should serve to moderate the impact of any such 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.

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.

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.

Changes to trade policies and tariffs

The Company is exposed to risks associated with potential changes in trade policies, including the introduction or escalation of tariffs. As a significant portion of the Company’s exports are directed to U.S. markets, any such changes could make our products less competitive due to increased costs for customers or import restrictions. Furthermore, uncertainty around trade policy could lead to delays in customer purchasing decisions or shifts in supply chain dynamics, impacting demand for our products. Management continues to monitor developments closely and assess mitigation strategies to address potential impacts on the Company’s financial performance.

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
Q1 - 2025	\$ 6,199	\$ 6,000	\$ 199
Q4 - 2024	\$ 5,010	\$ 6,000	\$ (990)
Q3 - 2024	\$ 8,158	\$ 6,000	\$ 2,158
Q2 - 2024	\$ 9,847	\$ 7,000	\$ 2,847

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 OCTOBER 31				
2024			2023	
	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE
US Dollar equals Canadian Dollar	1.3647	1.3520	1.3554	1.3529

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.

During the quarter, the Company recorded a pre-tax loss of approximately \$404 related to the fair value of its U.S dollar exposures.

At the end of the quarter, there were no forward contracts held compared to \$4,500 at the end of the quarter in the prior year. 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 October 31, 2024 the Company held options of \$6,000 at an effective average rate of 1.3520

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).

NORMAL COURSE ISSUER BID

On January 5, 2024, the Company announced the approval of a 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.

During the quarter, the Company purchased and subsequently cancelled 3,000 shares under the provision of the normal course issuer bid.