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 April 30, 2016 and the audited consolidated financial statements and MD&A for the year ended July 31, 2015 included in our 2015 Annual Report to Shareholders. The unaudited interim condensed consolidated financial statements for the period ended April 30, 2016 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 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 June 2, 2016.

OVERVIEW

Reko designs and manufactures a variety of engineered products and services for original equipment manufacturers ("OEMs") and their Tier 1 suppliers. These products include custom machining of very large castings and assemblies to high precision tolerances, specialty machines and lean cell factory automation, compression molds, hydroform dies, plastic injection molds, fixtures and gauges. Customers are typically OEMs or their Tier 1 suppliers. Subsidiaries of Reko are generally invited to bid upon programmes comprised of a number of custom products used by the customer to produce a complete assembly or product.

For the transportation and oil and gas industry, the Company machines customer supplied metal castings to customer indicated specifications. For the automotive industry, the Company concepts, designs and builds innovative solutions to manufacturing challenges, including specialty machines for gas tank assembly lines, work cell solutions for compression molds, plastic secondaries, as well as compression molds, hydroform dies, and plastic injection molds. Reko has extensive experience and knowledge in mold design and material flow and the impact of pressure on segments of the mold/die.

Our design and manufacturing operations are carried on in two manufacturing plants located in Lakeshore, Ontario a suburb of the City of Windsor in Southwestern Ontario.

INDUSTRY TRENDS AND RISKS

Historically, our success has been primarily dependent upon the levels of new model releases of cars and light trucks by North American OEMs and our ability to source molding and automation programmes with them. OEM new model releases 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 issues.

In respect of the year ended July 31, 2015, the economic, industry and risk factors discussed in our Annual Report each remain substantially unchanged for the nine months ended April 30, 2016. However, the most significant of these are repeated below.

Current outsourcing and in-sourcing trends could materially impact our profitability and financial condition

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 upon the depth and breadth of the current economic climate, Reko may experience reductions in outsourced work orders.

The consequences of a decrease in the world's energy reduction programs could materially impact our profitability and financial condition

Certain of our activities are tied to machining of energy efficient locomotive engines. An adverse change in the current worldwide economic demand for energy efficient locomotive engines could result in reduction in the demand for our machining operations.

Continued support of our lenders could have a material impact on our profitability, financial condition and continued sustainability

The Company operates in a capital-intensive business, has significant financing requirements placed on it by its customers and its financial resources are less than the financial resources of our customer base. There can be no assurance that, if, as 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 at all. Additional equity financings may result in dilution to existing shareholders.

Significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition

Although, our financial results are reported in Canadian dollars, a significant portion of our sales are realized in U.S. dollars. Our profitability is affected by movements in the U.S. dollar against the Canadian dollar. As a result of our hedging program, foreign currency transactions are not fully impacted by movements in exchange rates. Our hedging program is designed to hedge our accounting risk (the risk associated with our foreign exchange balances on our balance sheet at any point in time) but does not hedge our economic risk (the risk associated with all of 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 80% of the Company's sales and 20% of its costs are incurred in U.S. dollars. In addition, the Company operates a sales office in the U.S., where it maintains working capital.

In order to minimize exposure to the impacts of changes in the foreign exchange rate, the Company maintains a forward foreign exchange hedging programme ("Programme"). Reko's Programme is based on maintaining our net exposure to the U.S. dollar (total U.S. exposure less forward foreign exchange contracts) between positive and negative $2,000. This Programme is designed to control the Company's exposure to foreign exchange risks over the mid-term. As a consequence of this mid-term exposure protection, the Company is subject to short-term paper gains and losses on its net exposure to the U.S. dollar, most particularly during periods when net exposure to the U.S. dollar is outside of our target exposure. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the U.S. dollar, regardless of the net exposure to the U.S. dollar, the Company can generate significant gains or losses, which will 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
Q3 – 2016	$ 9,113	$ 8,000	$ 1,113
Q2 – 2016	$ 9,694	$ 7,500	$ 2,194
Q1 – 2016	$ 7,059	$ 7,500	$ (441)
Q4 - 2015	$ 8,739	$ 8,500	$ 239

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.

	For the three months ended April 30,				For the nine months ended April 30,			
	2016		2015		2016		2015	
	Actual	Reko effective	Actual	Reko effective	Actual	Reko effective	Actual	Reko effective
U.S. Dollar equals Canadian Dollar	1.3314	1.3281	1.2489	1.1803	1.3404	1.3201	1.1722	1.1308

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 third quarter, the Company recorded a pre-tax loss of approximately $503 related to the fair value of its U.S. dollar exposures. At the end of the quarter, we held FFECs of $8,000 compared to $9,500 at the end of the quarter in the prior year. During fiscal 2016, on average, we held FFECs of $8,222 compared to $10,600 during 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
Q3 - 2016	$ 8,000	1.3060

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 losses and an increase in the value of the Canadian dollar against the U.S. dollar results in recording gains 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).

(in 000's, except for per share amounts)

RECONCILIATION OF NON-IFRS MEASURES

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

	Three months ended		Nine months ended	
	April 30, 2016	**April 30, 2015**	**April 30, 2016**	**April 30, 2015**
Sales	**$ 12,572**	$ 13,519	$ 36,717	$ 37,428
Less: Materials	**3,330**	2,711	10,873	9,348
Sub-contracting	**383**	982	1,483	2,422
Inventory adjustments	**715**	131	157	342
	$ 8,144	$ 9,695	$ 24,204	$ 25,316

RESULTS OF OPERATIONS

Sales

Sales for the three months ended April 30, 2016 decreased $947 or 7.0%, to $12,572, compared to $13,519 in the same period in the prior year.

The decrease in sales was largely related to:

– Continuing slowdown in the oil and gas and transportation sectors

– Lower order volume from the automotive industry

This decrease was partially offset by

- An increase in the average foreign exchange rate when compared to the same period last year

For the nine month period ended April 30, 2016, sales decreased $711 or 1.9% to $36,717 compared to $37,428 in the same period in the prior year. The decrease was the result of a lower order volume in certain sectors partly offset by the positive impact of foreign exchange fluctuations.

Earned revenue

Earned revenue is not a standard IFRS measurement. 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 than its sales metric, as the sales metric includes inherent differences in individual project sizes that may or may not indicate a difference in the amount of work the Company is going to perform based solely on the materials or sub-contracting associated with the project.

The earned revenue for the three months ended April 30, 2016 decreased $1,551 or 16.0% to $8,144 compared to $9,695, in the same period of the previous fiscal year.

The decrease in earned revenue was largely related to:

– Decreased hourly rates earned on sales;

– Increased US denominated purchases of materials on a number of programs; and

– Decreased demand in the oil & gas and transportation sectors of our business.

For the nine month period ended April 30, 2016, earned revenue decreased $1,112 or 4.4% to $24,204 compared to $25,316 in the same period the prior year. The overall decrease was a result of decreased hourly rates earned on sales, decreased demand in the oil and gas and transportation sectors offset by the net effect of increased foreign exchange rates on U.S. dollar sales.

Gross profit

The gross profit for the three months ended April 30, 2016 decreased $933 to $3,199 or 25.4% of sales, compared to $4,132, or 30.6% of sales, in the same period of the previous fiscal year.

The decrease in gross profit was largely related to:

- Lower demand in the oil and gas and transportation sectors in the quarter;
- Higher material costs on certain jobs; and,
- Relatively fixed cost of manufacturing overhead.

These factors were offset by:

- Improved pricing as a result of lower Canadian dollar.

The gross profit for the nine month period ended April 30, 2016 decreased $14 to $8,883 or 24.2% of sales, compared to $8,897 or 23.8% of sales, in the same period in the prior year. The decrease in the gross profit for the nine month period was due to the same factors which decreased the gross profit in the three month period.

Selling and administration

Selling and administration expenses ("S,G&A") decreased by $1,198, or 52.4%, to $1,087 or 8.6% of sales for the three months ended April 30, 2016, compared to $2,285, or 16.9% of sales for the same period in the prior year. The decrease in S,G&A was a result of:

- Decrease in selling and administrative wages and benefits in the quarter; and,
- Decreases in bad debts, office costs, professional fees and accounts receivable insurance.

For the nine month period ended April 30, 2016, selling and administrative expenses decreased $1,579 to $3,529 or 9.6% of sales, compared to $5,108 or 13.7% of sales in the same period in the prior year. The factors leading to this decrease were the same as those referred to above.

Earnings overview

The net income for the three months ended April 30, 2016 was $1,112, or $0.17 per share, compared to a net income of $893, or $0.14 per share, in the same period of the prior year.

The net income for the nine months ended April 30, 2016 was $3,494 or $0.54 per share, compared to a net income of $1,787, or $0.28 per share, in the same period of the prior year.

(in 000's, except for per share amounts)

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations increased to $10,974 from $430 in the same period of the previous year. The increase in cash flow provided by operations is primarily a result of:

- Increased non-cash charges including amortization and income tax expense
- Decrease in work in process.

Financial covenants

The Company met its financial covenants at the end of the third quarter of 2016 and at all times in the last 12 months.

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 April 30, 2016, the Company invested $1,102 in capital assets. For the nine months ended April 30, 2016, the Company invested $2,169 in capital assets.

Cash resources/working capital requirements

As at April 30, 2016, Reko had borrowed $1,192 on its revolving line of credit, net of its cash on hand, compared to $4,997 at January 31, 2016 and $10,216 at April 30, 2015. The revolver borrowings decreased by $3,805 in the quarter and decreased approximately $9,024 for the year. We expect borrowings to continue their overall decrease in the next quarter.

Reko has a $20,000 revolver in place which was fully available to it based on current lender defined margining capabilities. Approximately $14,980 of this revolver was unused and available at the end of the quarter. Under the terms of our credit facilities, Reko must achieve certain financial covenants including a maximum Total Debt to Tangible Net Worth, a minimum Current Ratio and a minimum Debt Service Coverage Ratio. As previously discussed, Reko is confident about its ability to meet these financial covenants over the next fiscal year.

Contractual obligations and off-balance sheet financing

	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long-term debt	$ 9,535	$ 2,396	$ 6,644	$ 495	$ --
Operating leases	31	10	21	--	--
Total contractual obligations	**$ 9,566**	**$ 2,406**	**$ 6,665**	**$ 495**	**$ --**

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.

Reko does not maintain any off-balance sheet financing.

(in 000's, except for per share amounts)

Share capital

The Company had 6,434,920 common shares outstanding at April 30, 2016.

Outstanding share data

Designation of security	Number outstanding	Maximum number issuable if convertible, exercisable or exchangeable for common shares
Common Shares	6,434,920	
Stock options outstanding	335,000	
Stock options exercisable	45,000	
Total (maximum) number of common shares		6,769,920

QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the third quarter of fiscal 2016, ended April 30, 2016. 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 consolidated financial statements contained in the Annual Report for the year ended July 31, 2015 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.

	Jul/14	Oct/14	Jan/15	Apr/15
Sales	$ 10,566	$ 10,586	$ 13,323	$ 13,519
Net income	2,051	366	528	893
Earnings per share: Basic	0.32	0.06	0.08	0.14
Diluted	0.32	0.06	0.08	0.13
	Jul/15	**Oct/15**	**Jan/16**	**Apr/16**
Sales	$ 10,868	$ 10,314	$ 13,831	$12,572
Net income	2,340	1,206	1,176	1,112
Earnings per share: Basic	0.36	0.19	0.18	0.17
Diluted	0.33	0.18	0.17	0.16

NORMAL COURSE ISSUER BID

On December 3, 2015, Reko announced the resumption of a normal course issuer bid. Under the plan, which received the necessary regulatory approval on December 9, 2015, the Company may purchase on the TSX Venture Exchange up to a total of 321,496 of its common shares during the twelve month period commencing December 15, 2015. The 321,496 common shares represent approximately 5% of the total common shares outstanding. The price that Reko will pay for any such shares will be the market prices at the time of acquisition and all shares acquired under the bid will be cancelled by the Company.

During the quarter ended April 30, 2016, Reko did not purchase any shares under the provisions of the normal course issuer bid.

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.