

## 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, 2017 and the audited consolidated financial statements and MD&A for the year ended July 31, 2016 included in our 2016 Annual Report to Shareholders. The audited consolidated financial statements for the year ended July 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 26, 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 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](http://www.rekointl.com) or through the SEDAR website at [www.sedar.com](http://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 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 13, 2017.*



Our focus is on  
the future and  
people in it

## OVERVIEW

---

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

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

For the transportation and oil and gas industries, the Company machines customer supplied metal castings to customer indicated specifications. For the automotive industry, the Company conceptualizes designs and builds innovative solutions to manufacturing challenges, including specialty machines for gas tank assembly lines; unique material handling applications; work cell solutions as well as compression molds and plastic injection molds. 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 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

---

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 our ability to secure tooling and 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 oil and gas sectors. Demand in these areas can be affected by many factors, including general economic and political conditions, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The following additional risk factors, as well as the other information contained in this MD&A, for the year ended July 31, 2017 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 and 2 customers, we continue to invest in technologies and innovations, which the Company believes are critical to long-term growth. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products on a timely basis using such technologies will be a significant factor in our ability to remain competitive. Current technological shifts in the industry would include the application of the Internet of Things 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.

### ***INABILITY TO DIVERSIFY OUR SALES***

---

Although we supply factory automation, molds, gauges, and fixtures to all of the leading automobile manufacturers, a significant majority of our sales are to the Detroit 3. In addition, although we supply machined locomotive crankcases to each of the leading locomotive manufacturers, a significant majority of our sales are to one locomotive OEM. While we have diversified our customer base in recent years, and continue to attempt to further diversify, there is no assurance we will be successful. Inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

### ***DIFFICULTIES 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 China, India, Brazil, Indonesia, Russia, Mexico, and other developing markets. While we continue to investigate opportunities to expand our manufacturing sources, with a view to taking advantage of these lower cost countries, 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 our suppliers operating in or from such markets, which could have an adverse effect on our profitability and financial condition.

## ***A MOVEMENT TOWARDS MORE ISOLATIONIST TRADE POLICIES BY COUNTRIES INTO WHICH WE EXPORT GOODS***

---

There is a shift in the political climate occurring throughout a number of jurisdictions (but particularly in the United States and Europe) towards a more restrictive trade policy environment and the renegotiation of the North American Free Trade Agreement (“NAFTA”) is currently in progress. If more isolationist policies are enacted by legislators or if the revised provisions of NAFTA are injurious to the industries in which we operate, these changes could significantly affect our ability to export our products to these countries – even if such changes were challenged under World Trade Organization regulations or similar international bodies. Given that a sizeable majority of our sales relate to goods which are exported, a shift in the scope and terms of NAFTA and certain other trade agreements could have a significant adverse impact on our sales and profitability.

## ***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 tooling and factory automation may decline.

## ***THE FINANCIAL VIABILITY OF OUR SUPPLY BASE***

---

While our exposure to individual entities in our supply chain is limited, we are still exposed to multiple relatively small niche market players whose declining financial viability may present challenges for securing the necessary inputs to our manufacturing process.

## ***CHANGES IN CONSUMER DEMAND FOR SPECIFIC 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. As a result of these and other factors, some of our customers are currently experiencing, and/or may experience in the future, reduced consumer demand for all or a portion of their vehicles, leading to reduced product offerings.

## ***OUR DEPENDENCE UPON 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 is 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.

## ***A SIGNIFICANT FAILURE OR BREACH OF OUR INFORMATION TECHNOLOGY (IT) SYSTEM***

---

While the Company has established (and continues to monitor and enhance) security controls 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, the consequences of these events could have a material adverse effect on the Company, its profitability, and financial conditions.

## **FINANCIAL AND CAPITAL MANAGEMENT RISK**

---

### ***CONTINUED UNCERTAIN ECONOMIC CONDITIONS***

---

While a number of world regions appear to have recovered from the 2008-2009 global recession, uncertainty remains about the strength of the recovery in some regions, while other jurisdictions are currently experiencing economic downturns. The continuation of economic uncertainty or deterioration of the global economy for an extended period of time could have a material adverse effect on our profitability and financial condition.

### ***THE CONTINUATION OR INTENSIFICATION OF PRICING PRESSURES AND PRESSURE TO ABSORB ADDITIONAL COSTS***

---

We face significant pricing pressure, as well as pressure to absorb costs related to tooling and machine design and program management, as well as other items previously paid for directly by automobile manufacturers (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.

### ***CONTINUED SUPPORT OF OUR LENDERS***

---

The Company operates in a capital-intensive business, has significant financing requirements placed on it by its customers, and our financial resources are, in many cases, less than the financial resources of our customer base. There can be no assurance that if and when the Company seeks additional equity or debt financing, it will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms (or to obtain these resources at all). Additional equity financings may result in dilution to existing shareholders.

### ***SIGNIFICANT LONG-TERM FLUCTUATIONS IN RELATIVE CURRENCY VALUES***

---

Although, our financial results are reported in Canadian dollars, significant portions of our sales are realized in 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, foreign currency transactions are not fully impacted by movements in exchange rates. Due to this program, our accounting risk (i.e. the

risk associated with our foreign exchange balances on our balance sheet at any point in time) is reduced. This program does not necessarily reduce our economic risk (i.e. the risk associated with all 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.

### ***WE COULD RECORD IMPAIRMENT CHARGES IN THE FUTURE***

---

Annually or whenever indicators of impairment exist, we must test our capital assets, future income taxes, and any other long-lived assets for impairment. The bankruptcy of a significant customer could be an indicator of impairment. In addition, to the extent that forward-looking assumptions regarding the impact of improvement plans on current operations, outsourcing, and other new business opportunities are not met, impairment charges could occur.

### ***OUR INABILITY TO UTILIZE TAX LOSSES***

---

Prior to 2011, we incurred tax losses in both Canada and the United States, which we may not be able to fully or partially offset against future income in those countries. The losses which arose in Canada during this period have now largely been applied to taxable income generated through operations. In the case of the United States, we may not be able to utilize these losses at all if we do not generate profits in the United States.

### ***POTENTIAL VOLATILITY OF REKO'S SHARE PRICES***

---

The market price of the Company's common shares has been, and will likely continue to be, subject to fluctuations in response to a variety of factors, many of which are beyond the Company's control. These fluctuations may be exaggerated if the trading volume of the common shares remains low. In addition, due to the evolving nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating profits, announcements of technological or competitive developments by the Company or its competitors, large short-term fluctuations in foreign exchange rates, acquisitions or entry into strategic alliances by the Company or its competitors, the industry or its customer's industry, and general market and economic conditions.

### ***INTEREST OF THE MAJORITY AND MINORITY SHAREHOLDERS MAY BE IN CONFLICT WITH THE INTERESTS OF THE COMPANY***

---

As of the date of this MD&A, The Reko Family Corporation and individuals related to it, own directly or indirectly 62.3% of the outstanding shares of the Company. Given the number of shares held, the Reko Family Corporation will be able to elect or remove the directors of the Company and to exercise control in certain respects over the Company's affairs.



## REGULATORY RISK

---

### ***SIGNIFICANT CHANGES IN LAW, GOVERNMENT REGULATIONS, OR ACCOUNTING REGULATIONS***

A significant change in the current regulatory environment in our principal markets could impact future profitability. In particular, our profitability could be adversely impacted by significant changes in the tariffs and duties imposed on our products. In addition, we could be affected by changes in tax or other laws, which impose additional costs on automobile manufacturers or consumers, or more stringent fuel economy requirements on manufacturers of sport-utility vehicles, light trucks, and other vehicles from which we derive some of our sales.

We are subject to a wide range of environmental laws and regulations relating to air emissions, wastewater discharge, waste management, and storage of hazardous substances as well as to requirements related to investigation and clean-up of any environmental contamination as defined by these regulations. These environmental laws and regulations are complex, change frequently, and have tended to become more stringent and expensive over time. Therefore, we may not have been, and in the future may not be, in complete compliance with all such laws and regulations, and we may incur material costs or liabilities as a result of such laws and regulations significantly in excess of amounts we have reserved.



## SUBSEQUENT EVENT

### **BUILDING CONSTRUCTION CONTRACT**

On August 2, 2017, the Company signed an agreement to construct a 48,585 square foot building on vacant land owned by Reko which is adjacent to its current production facilities in Lakeshore, Ontario. The total value of the contract is approximately \$5.6 million. Completion of the building is anticipated in the spring of 2018.

### **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, approximately 85% 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 programme (“FFEC Programme”). Reko’s Programme 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 Programme is designed to minimize the Company’s exposure to foreign exchange risks over the mid-term. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the 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:

<b>Fiscal Period</b>	<b>Total U.s. Exposure Before Hedging Programme</b>	<b>Forward Foreign Exchange Contracts Booked</b>	<b>Net Exposure To The Us Dollar</b>
Q4 – 2017	\$ 10,358	\$ 11,000	\$ (642)
Q3 – 2017	\$ 10,907	\$ 10,000	\$ 907
Q2 – 2017	\$ 11,593	\$ 8,500	\$ 3,093
Q1 - 2017	\$ 13,450	\$ 11,500	\$ 1,950

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,			
	2017		2016		2017		2016	
	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate	Actual	Reko effective rate
US Dollar equals Canadian Dollar	1.3160	1.3256	1.2954	1.2920	1.3247	1.3262	1.3291	1.3131

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 eight (8) 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 the year, we held FFECs of \$11,000 compared to \$10,500 at the end of the prior year. During fiscal 2017, on average, we held FFECs of \$9,917, as compared with the \$8,400 held 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
Q1 – 2018	\$ 11,000	1.3121

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 1, Note 3 and Note 5 to Reko's audited consolidated financial statements, which by this reference are hereby incorporated herein.

## RECONCILIATION OF NON-IFRS MEASURES

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

	2017	2016
Sales	\$ 42,967	\$ 50,599
Less: Material	11,581	12,624
Subcontracting	2,844	1,630
Inventory adjustments	160	403
	\$ 28,384	\$ 35,942



## RESULTS OF OPERATIONS

---

### **SALES**

Sales for the year ended July 31, 2017 decreased \$7,632, or 15.1%, to \$42,967 compared to \$50,599 in the prior year.

The decrease in sales was largely related to:

- Impact on sales in the prior year of receipt in July 2016 of one-time payment in lieu of a portion of guaranteed volume under the long-term agreement originally announced September 2014;
- Decreased hourly rates on sales; and,
- Decreased order volume for certain types of work in the industries we serve including transportation and oil and gas.

### **EARNED REVENUE**

The earned revenue for the year ended July 31, 2017, decreased \$7,558 to \$28,384 compared to \$35,942, in the prior year.

The decrease in earned revenue was largely related to:

- Receipt in prior year of a one-time payment in lieu of a portion of the guaranteed volume under our long-term agreement;
- Decreased hourly rates on our sales; and,
- Decreased demand in certain of our markets.

### **GROSS PROFIT**

The gross profit for the year ended July 31, 2017 decreased \$8,143 to \$7,476 or 17.4% of sales, compared to \$15,619, or 30.9% of sales, in the previous fiscal year.

The decrease in gross profit was largely related to:

- Decreased levels of earned revenue during the year;
- Increased production wages and benefits; and
- Higher amortization due to capital acquisitions in the year.

Items offsetting the decrease in gross profit included:

- Decreased fixed overhead costs including small tools expense and repairs and maintenance.

## ***SELLING AND ADMINISTRATION***

Selling and administration expenses (“S,G&A”) decreased by \$654 or 14.1%, to \$3,972, or 9.2% of sales for the year ended July 31, 2017, compared to \$4,626, or 9.1% of sales in the prior year. The decrease in S,G&A was a result of:

- Decreased non-production wages and benefits due to significant reduction in bonus entitlements and decreased sales commissions due to lower sales;
- Decreased directors’ fees and office expenses; and
- Decreases in the premiums of our accounts receivable insurance.

Items offsetting the decrease in selling and administration included:

- Increases in the professional services expense.

## ***EARNINGS OVERVIEW***

The net income for the year ended July 31, 2017 was \$2,545, or \$0.40 per share, compared to a net income of \$7,601, or \$1.18 per share, in the prior year.



## LIQUIDITY AND CAPITAL RESOURCES

---

Cash flow from operations decreased from \$19,129 in the prior year to \$5,295 in the current year.

The decrease in cash flow from operations is primarily a result of:

- Decline in net income before taxes for the year and the impact of the net change in non-working capital items.

### **FINANCIAL COVENANTS**

The Company met its financial covenants at all times during the year.

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 year ended July 31, 2017, the Company invested \$2,699 in capital assets. The total capital asset investment is comprised of \$2,067 related to growth CAPEX and \$632 related to maintenance CAPEX spending.

### **CASH RESOURCES/WORKING CAPITAL REQUIREMENTS**

As at July 31, 2017, Reko had cash on hand of \$4,740 compared to \$5,225 at July 31, 2016 and \$3,343 at April 30, 2017.

Reko has a \$20,000 revolver available. However, based on our current lender defined margining capabilities, our borrowings are limited to \$17,516 of which \$15,898 was unused and available at the end of the year. Due to a short-term deficit in US denominated cash resources, one LIBOR contract in the amount of \$1,300 USD (\$1,618 CDN) was outstanding at July 31, 2017. 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

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term debt	\$ 5,284	\$ 4,288	\$ 996	--	--
Operating leases	22	10	12	--	--
<b>Total contractual obligations</b>	<b>\$ 5,306</b>	<b>\$ 4,298</b>	<b>\$ 1,008</b>	<b>--</b>	<b>--</b>

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.

## SHARE CAPITAL

The Company had 6,434,920 common shares outstanding at July 31, 2017. During the year, the Company granted an additional 65,000 options to employees, 10,000 options to Ms. Diane Reko (who is both an employee and a director) and 30,000 options to all other directors. During the year, 5,000 options from a previous award were exercised by a director.

Also, during the year, the Company purchased and cancelled 10,000 shares under its normal course issuer bid.

## 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	414,000	
Stock options exercisable	87,500	
Total (maximum) number of common shares		6,848,920



## 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 2017, ended July 31, 2017. 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 this Annual Report 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.

	Oct/15	Jan/16	Apr/16	July/16
Sales	\$ 10,314	\$ 13,831	\$ 12,572	\$ 13,882
Net income	1,206	1,176	1,112	4,107
Earnings per share: Basic	0.19	0.18	0.17	0.64
Diluted	0.18	0.17	0.16	0.61
	Oct/16	Jan/17	Apr/17	July/17
Sales	\$ 10,360	\$ 11,213	\$ 11,697	\$ 9,695
Net income	636	789	560	560
Earnings per share: Basic	0.10	0.12	0.09	0.09
Diluted	0.09	0.12	0.08	0.08



## NOMAL COURSE ISSUER BID

---

On December 12, 2016, the Company announced the extension of the normal course issuer bid. Under the plan, the Company may purchase on the TSX Venture Exchange up to a total of 321,996 of its common shares during the twelve-month period which commenced December 15, 2016. The 321,996 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.

As of July 31, 2017, the Company had purchased and subsequently cancelled 10,000 shares under the provision 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.*