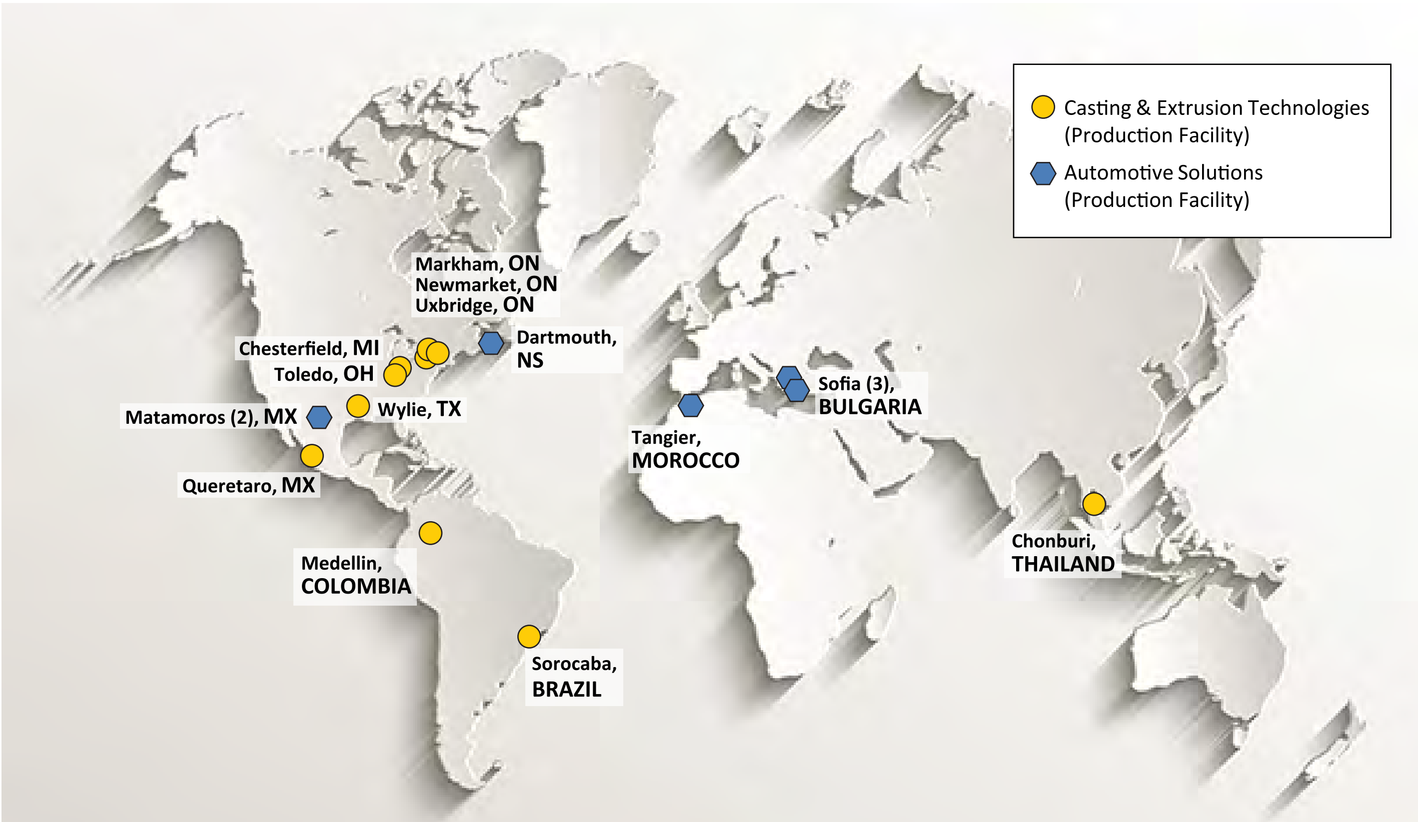
MOULDING OUR FUTURE

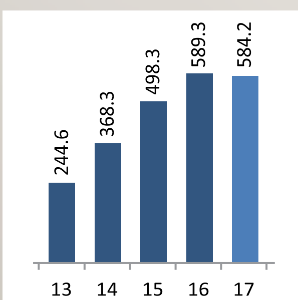
EXCO® Technologies Limited

2017 ANNUAL REPORT

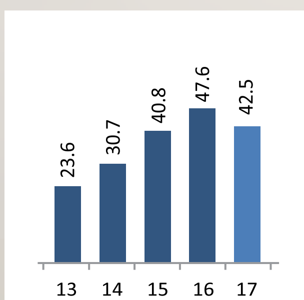
EXCO® Technologies Limited



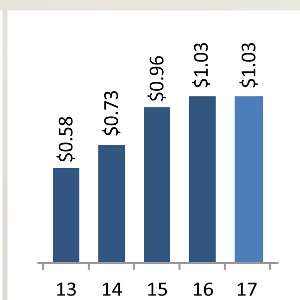
SALES
($ millions)



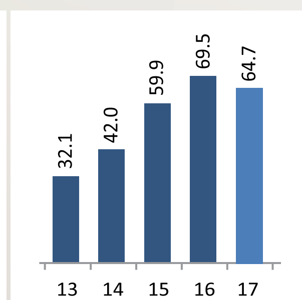
NET INCOME
($ millions)



DILUTED ADJUSTED EARNINGS PER SHARE (1)



CASH FLOW FROM OPERATING ACTIVITIES (2)
($ millions)



(1) Earnings before other income/ expense (2) Before net change in non-cash working capital.

CASTOOL TOOLING SYSTEMS®

ETS EXCO TOOLING SOLUTIONS®

AFX

EXCO ENGINEERING

ALC®

Polydesign EXCO® automotive solutions

Polytech EXCO® automotive solutions

Neocon EXCO® automotive solutions

LETTER TO SHAREHOLDERS

Exco's fiscal 2017 results in many respects mirrored the record performance we achieved in fiscal 2016. Sales of $584.2 million, EBITDA of $83.2 million and adjusted EPS of $1.03 were essentially unchanged from the respective figures the prior year, particularly before the effects of foreign exchange rate movements. Free cash flow however grew by 19% to a record $49.0 million even as we continued to invest in our future. Our strong cash flow supported a 14% increase in Exco's dividend and enabled us to modestly reduce our share count while bolstering our balance sheet, nearly eliminating our net debt position. Notwithstanding these accomplishments, it is hard to say we are overly satisfied with our results given our expectation for earnings growth going into the year. But with a broader economic backdrop that remains generally favorable, ample opportunities to capitalize on, and continued progress on our various operational initiatives we are very optimistic that our earnings will return to growth in fiscal 2018.

Industry Trends Remain Encouraging Despite Pullback in North America

North American industry vehicle sales and production figures during 2017 certainly have the "peak auto" theorists chirping. Indeed, with NAFTA region production off 1% from our prior fiscal year, we certainly felt the impact on our results. More so, overall NAFTA region light vehicle production was off 7% in the second half of our fiscal year, including a 16% decline in passenger car volumes. Nonetheless, these declines occurred after two successive years of industry records, so we hardly think the sky is falling. Conversely, we believe NAFTA region sales and production volumes are more likely to plateau near current levels for the next few years rather than fall further. Underpinning our view are factors that are hard to ignore. US monthly employment gains continue at a strong pace, the average vehicle fleet age remains over 11 years and continues to climb, access to consumer credit remains good, and GDP growth continues to forge ahead, among other factors. As well, regardless of overall volumes, we expect the mix shift towards SUVs and CUVs and away from cars will continue in North America. This is ultimately to our benefit given that the larger size of these vehicles offer more potential for both our interior trim and tooling products.

Over in Europe, the trend of automotive production volumes appears healthier. Production volumes increased modestly over our past fiscal year and are widely expected to head higher again in the year ahead. As well, production continues to grow even faster in Eastern Europe where we have a well-placed presence in Bulgaria. Our Moroccan operations are also well situated in a low-cost jurisdiction to service Western Europe. We established this presence long ago when Morocco's automotive industry was still quite nascent, however the sector in that country is now growing very strongly, as is demand for our various interior trim components and capabilities.

Moulding Our Future Around Our Opportunities

Exco has capitalized on many opportunities over the years, demonstrated by our latest 5-year compounded average annual growth in sales and EBITDA of 19% and 14% respectively. While fiscal 2017 saw a pause in this remarkable trend, we nonetheless remain encouraged by the opportunities we see for future growth – in both our business segments.

In our tooling businesses, "light-weighting" remains a critical theme for auto manufacturers as they strive to meet regulatory requirements to improve fuel economy and reduce emissions. Aluminum – the primary metal of use for our tooling – is key to meeting these requirements given its superior strength-to-weight ratio. Accordingly, aluminum is increasingly replacing various heavier components made from steel in vehicles with an internal combustion engine (ICE). And while we expect the ICE will prevail as the dominate powertrain for a long time, aluminum is also used extensively throughout electric vehicles to minimize weight and therefore maximize battery range performance. Consequently, we expect the trend towards increased aluminum use in the automotive industry is likely to play out rather steadily beyond the next decade in one form or another. This has very positive long-term growth implications for all three of our tooling businesses as more moulds, extrusion dies and consumable components will increasingly be required. Importantly, this strong undercurrent – together with the significant end market diversity of our extrusion tooling business – means a good portion of our Casting & Extrusion segment is well insulated from auto sales cyclicality.

Where we do have greater exposure to the cyclicality of auto volumes - in our interior trim business – we are not just at the mercy of the markets. Over time we have managed to dampen our downside risks – and magnify our upside potential – by dramatically growing our content per vehicle (CPV), a key benchmark of our success. Since fiscal 2012, our CPV has grown by a CAGR of 26% in North America and an even more impressive CAGR of 40% in Europe. Yet, with just $14 of CPV in North America and $7 of CPV in Europe, we have seemingly endless potential for additional content growth.

Executing on Our Initiatives

To capitalize on our opportunities, we continue to execute on several initiatives. In our Casting & Extrusion segment, our initiatives are broadly aimed at i) solidifying our leading positions through investments in technology and productivity and, ii) growing through greenfield investments in new markets. Within our Automotive Solutions segment, we are generally focused on i) improving various measures of diversity, ii) growing our CPV, and iii) actively seeking acquisitions that can further enhance these measures. Two years ago, in the face of increased price competition, we undertook a large capital program to radically transform the way we manufacture our large moulds. Our goals were clear: we would dramatically improve our efficiency, raise our throughput, and enhance our quality to strengthen our competitive position. While our progress has been slower than we initially expected, I'm pleased to say that the implementation of our new manufacturing process is nearing completion, and we are more confident than ever that our goals will be achieved. We are now able to produce moulds in less than half the time it took us just a couple years ago and we expect further improvement over time as we continue to refine our processes. As well, by incorporating 3D printed components into the mould design, our customers can achieve a level of quality and reliability previously impossible. Our large mould results were generally soft again in fiscal 2017 as we continued to absorb persistent pricing pressures and complete the implementation of the new manufacturing process. However, we expect steady improvement from current levels as activity levels pick up and we increasingly harness the benefits of the changes we've made. It goes without saying, we would be materially worse off today had we not pursued this path of innovation and differentiation. Indeed, we believe we have leapfrogged our competition with unrivaled speed, quality and capabilities to the betterment of our future results.

We also continue to invest heavily in our Extrusion group to harmonize our manufacturing process across our five plants and cement our position as the leading extrusion die manufacturer in the Western hemisphere. These efforts have resulted in an improved flow of product through our facilities with better on-time performance despite higher volumes. In turn, we have been able to leverage these improvements with a modest degree of pricing power. Our cost structure is improving too as we can increasingly access labour savings from our operations located in lower-cost jurisdictions and obtain the benefits of fluidity from our multi-plant footprint. With the great strides we've made in our harmonization initiative we expect to realize further gains in fiscal 2018.

Elsewhere in the tooling group, we continue to benefit from the seasoning of our greenfield extrusion operations in Colombia, Texas and Brazil as well as Castool's operations in Thailand. In fiscal 2017 each of these operations recorded improved top and bottom line results and they grew their combined revenue and EBITDA by approximately 20% and 100% respectively from the prior year with only Brazil remaining in a net loss position. We expect our existing greenfields will contribute additional growth in fiscal 2018 with minimal capital requirements and a low blended tax rate supporting the generation of incremental free cash flow. For our next chapter, we are currently considering a greenfield investment in our extrusion business to better service the local market in Mexico.

LETTER TO SHAREHOLDERS

Over in our Automotive Solutions segment, AFX completed its first full year of operations under Exco's ownership. While lower passenger car volumes dampened its results in the second half of fiscal 2017, we remain very satisfied with our latest acquisition. We have no doubt that AFX will succeed in its efforts to expand its business around an endless array of leather-based products that it can provide within its core capabilities, increasing its CPV. At a higher level, after investing significant management time to bring AFX's systems up to Exco standards, we are now exploring ways to beneficially expand AFX's premium leather cutting capabilities and supplier connections into our broader operations.

Its no secret that ALC's operations have proven to be a drag on Exco's results over the past couple of years. While we put some of this pain behind us with the closure of South Africa in late fiscal 2016 and Lesotho in early fiscal 2017, ALC's results continue to lag our expectations. This situation continued through our latest fiscal year as the new Audi A5 seat cover program ramped up to volumes much lower than we initially expected. Nonetheless, we remain undeterred. ALC's Bulgarian operations remain strategically important to us given its low-cost location is well situated to service the growing automotive industry in Eastern Europe. Importantly, we see a path towards restoring profitability through closer integration of ALC and Polydesign's well established operations in Morocco. Specifically, we intend to leverage Polydesign's products, capabilities and customers to increase the volume and diversity of products at ALC. While progress from this initiative is already tangible, we expect it will begin to lead to an improvement in ALC's results through fiscal 2018 and beyond.

Meanwhile our long standing interior trim businesses continue to grow strongly as they focus on products that enhance the appeal of the vehicle with much success. Innovation continues at a strong pace with new flexible netting storage and restraint systems, bumper covers, cargo trays and many other products finding their way into more and more vehicles. On a combined basis, Polydesign, Neocon and Polytech recorded collective growth of 12% during fiscal 2017 despite relatively flattish auto production, indicating a similar growth of CPV. As well, Polydesign absorbed significant front-end inefficiencies associated with its growth, which required completion of a building expansion and headcount growth of 45% through fiscal 2017.

Well Positioned to Return to Earnings Growth in Fiscal 2018

So, its easy to see why we believe we are well positioned to grow our earnings over the coming year. While the renegotiation of the North American Free Trade agreement is likely to remain an overhang on the sector, we are comforted by the fact that our North American operations source very little of their raw material requirements outside the NAFTA region. As well, while we have a sizeable presence in Mexico, these operations pay a significant amount of US tax. This offers the potential for great benefit to Exco if the proposal to reduce the US corporate income tax rate to 20% becomes law.

In any event, Exco's balance sheet remains exceptionally strong with a net debt to EBITDA ratio of just 0.1 times. This financial strength and our solid liquidity position provides us with the capacity to take advantage of our opportunities and weather any unforeseen challenges. Moreover, we expect to continue to generate significant cash flow well in excess of our maintenance and growth capital requirements. We expect to use our free cash flow to fund our very manageable dividend payment – which is just 31% of our 2017 adjusted net income – as well as share repurchases and in support of future acquisition activity.

In closing, I would like to recognize the dedication and hard work of our 6,609 employees. I sincerely thank you for your efforts. With your continued support I am certain Exco will make the most of our future opportunities.

Sincerely,

Brian A. Robbins, President and CEO

CONTENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and related notes for the year ended September 30, 2017. This MD&A has been prepared as of November 29, 2017.

Additional information on Exco, including copies of its continuous disclosure materials such as its Annual Information Form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com .

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 Exco, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference may be made to EBITDA, EBITDA Margin, adjusted EPS and free cash flow which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before other income/expense, interest, taxes, depreciation and amortization and EBITDA Margin as EBITDA divided by sales. Exco calculates adjusted EPS as earnings before other income/expense and free cash flow as cash provided by operating activities less interest paid less investment in fixed assets net of proceeds of disposal. EBITDA, EBITDA Margin, adjusted EPS and free cash flow are used by management, from time to time, to facilitate period-to-period operating comparisons and we believe some investors and analysts use these measures as well when evaluating Exco's financial performance. These measures, as calculated by Exco, do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other issuers.

CAUTIONARY STATEMENT

Information in this document relating to: projected North American light vehicle sales and production, original equipment manufacturer's (OEM) capital investment levels, the rate and intensity of OEM development of all-electric or hybrid powertrain systems, the level of order backlog of the company's business units, contribution of our start-up business units, contribution of awarded programs yet to be launched, margin performance, financial performance of acquisitions and operating efficiencies are forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements found mainly in the MD&A section but also elsewhere throughout this document. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America, Europe and emerging market countries, investment by OEMs in drivetrain architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, raw material prices, economic conditions, currency fluctuations, trade restrictions, our ability to integrate acquisitions and the rate at which our operation in Brazil achieves sustained profitability. These forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in this Annual Report, our Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.

While Exco believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will 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 will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CORE BUSINESSES

Exco is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. The Company reports in two business segments.

The Casting and Extrusion segment designs, develops and manufactures die-casting and extrusion tooling and consumable parts for both aluminum die-casting and aluminum extrusion machines. Operations are based in North America, South America and Thailand and serve automotive and industrial markets around the world. Exco is a leader in most of these markets. In die-casting and extrusion tooling markets, Exco is further entrenching itself by reducing lead times and manufacturing costs through design and process enhancements. In the die-cast tooling group a major equipment capital project is underway that is increasing capacity, reducing lead times, further improving quality and reducing costs. In the machine consumables market, Exco is leveraging its long tradition as a reliable, high-quality supplier of consumable components for the injection system of die-cast machines and aluminum extrusion presses by evaluating, coordinating and ultimately maximizing customers' overall equipment performance and longevity. The Canadian, European, South American and United States markets are Exco's primary focus for die-cast moulds, extrusion dies and machine consumable parts. However, with respect to the latter, we commenced operations of a new facility in Thailand in 2014 which we believe will enable us to better penetrate the European and Asian market for those products.

The Automotive Solutions segment designs, develops and manufactures automotive interior trim components and assemblies primarily for passenger and light truck vehicles. The Polytech and Polydesign businesses manufacture synthetic net and other cargo restraint products, injection-moulded components, shift/ brake boots, related interior trim components and assemblies. Polydesign is also a manufacturer and/or finisher of injection moulded interior trim and instrument panel components, sun visors, seat covers, head rests and other cut and sew products. Automotive Leather Company is a manufacturer of leather/fabric seat covers for automobile interiors and increasingly other wrap and sew components. Neocon is a supplier of soft plastic trunk trays, rigid plastic trunk organizer systems, floor mats and bumper covers. AFX Industries is a tier 2 supplier of leather and leather-like interior trim components to the North American automotive market. AFX also supplies die cut leather sets for seating and many other interior trim applications as well as injection-molded, hand-sewn, machine-sewn and hand-wrapped interior trim components of all sorts. Automotive Solutions manufacturing facilities are located in Canada, the United States, Mexico, Bulgaria, and Morocco supplying the automotive markets in North America, Europe and to a lesser extent, Asia.

VISION AND STRATEGY

For the past few years, Exco has pursued several key strategies designed to achieve sustainable revenue and earnings growth. These include: (1) strengthening our technological leadership and competitive position in our chosen markets through automation and technology, (2) minimizing our cost structure, (3) shifting our productive capacity to low-cost jurisdictions in closer proximity to our customers' operations, (4) diversifying our revenue base with new products and services that leverage our competitive strengths, and (5) capitalizing on organic and inorganic growth opportunities in both our existing and select developing markets.

The North American automotive industry remained generally solid in fiscal 2017, with most OEMs and tier one suppliers having strong sales and improving credit fundamentals. Production of light vehicles however appears to have plateaued and there is an increasing separation of trends between passenger cars and light trucks (including sport utility vehicles) whereby demand for the former has been declining and demand for the latter is holding fairly steady or declining very slightly. Nonetheless, volumes remain near historical highs supported by low interest rates, low gas prices, an aging fleet and widespread introduction of new vehicle models. As well, automobile manufacturers continue to invest in the development and production of more innovative and fuel-efficient powertrains in response to consumer demand, as well as U.S. government-mandated Corporate Average Fuel Economy ("CAFE") standards, although these standards are under review in the 2021 to 2025 timeframe. In Europe comparable legislation requiring co2 emissions to be reduced is similarly driving innovation to reduce vehicle weight and improvement in powertrain design. These developments provide meaningful growth opportunities for our tooling businesses, but also for some of our interior trim businesses, which often sell components that are generally lighter in weight than the products they aim to displace.

During fiscal 2017, Exco continued to solidify its technological leadership with the production of die-cast moulds for light-weight structural parts that use advanced aluminum alloys such as silafont. To date, Exco has shipped numerous such moulds. As well, quoting activity and new order flow for various additional structural part programs is increasingly robust. Exco believes moulds for structural aluminum components will increasingly be a significant driver of growth for the foreseeable future and that this demand will occur regardless of prevailing powertrain developments. To point, reducing weight in an electric vehicle is critical to extend the range of the battery. This business unit has also landed orders for nine and ten speed transmission cases and numerous four and three cylinder engine block programs which are at the vanguard of OEM efforts to improve vehicle fuel efficiency. Offsetting these positive benefits however is the maturation of certain established programs that have benefited Exco's large mould group over the past several years. Some of these programs were long-running requiring a high number of moulds that have similar or identical configurations. Typically, programs such as these provide a larger base over which to absorb any engineering/ development costs and also provide Exco with the opportunity to become more efficient with each successive mould produced. Recently, automotive OEM's have increased the speed at which they alter powertrain designs in order to achieve their fuel efficiency and emission reduction goals. This provides Exco with less opportunity to leverage the efficiency measures as noted in the forgoing. In response to - and in anticipation of - these trends continuing, Exco has invested significant capital in new machinery and equipment to reduce costs, increase efficiency, meet shorter lead times, further enhance the quality of its products and expand capacity.

Demand for extrusion dies remains generally firm as end market applications for extruded aluminum components are quite diverse and correlate well with GDP, which continues to grow modestly in North America, our largest market for extrusion dies. As well, demand for extruded aluminum components within the automotive end market continues to grow above market rates owing to the same light-weighting trends noted above. Moreover, anti-dumping and/or countervailing duties against Chinese imports into Canada and the US on aluminum extrusions remain in place following completion of the 2016 sunset review.

Over the past several years Exco has expanded its footprint in the Americas to gain increased exposure to markets that the Company expects will have higher growth prospects over the longer term. These investments have included a new extrusion die production facility in Medellin, Colombia, which commenced operations in January 2012 and a new extrusion die production facility near Sao Paulo, Brazil, which commenced operations in June 2014. These investments produced mixed results in fiscal 2017 with our Colombia operations performing very strongly while our Brazilian operations remain challenged by the weak economic environment in that country. Nonetheless, the financial performance of our Brazilian operations improved compared to fiscal 2016 and we continue to grow from a small base, while we hone our skills and capabilities, positioning ourselves for the economic recovery when it eventually takes place.

In addition to its investments in South America, Exco has expanded its presence in the North America extrusion die market to provide increased growth in a distinct market segment where proximity to customers is a key element to success. In 2013, the Company acquired and subsequently expanded an existing toolshop in Wylie Texas to better service the south-central region of the United States. Exco is now focused on harmonizing the manufacturing process of its various extrusion die plants and implementing various changes in order to improve the growth prospects and the efficiency of these operations.

Our Castool business also has solid growth prospects, globally. Demand growth for Castool's machine consumable parts prompted us to build a production facility in 2014 in Thailand to more efficiently serve our customers while taking advantage of lower production and shipping costs to Asia and Europe. This facility has been producing since July 2014 and is now generating consistent profitability.

Over the past few years, strong vehicle production volumes in both North American and Europe have helped fuel sales and profit growth in our Automotive Solutions interior trim segment. Furthermore, particularly in North America, a good proportion of the vehicles produced are refreshed or completely new models with a growing representation of SUV's and light trucks, which have greater cabin and cargo areas. Meanwhile, we continue to expand our capabilities and broaden our product offerings. All of this helps us to increase our content per vehicle and replace older programs which have been 'costed down' over the years with new programs reflecting current costs and better margins. Cost inflation of raw materials has also remained muted in recent years, in keeping with commodities in general.

While we believe North American and European automobile production volumes appear sustainable near current levels for the next few years, we believe prospects for further growth are limited by several structural trends. These include: a steadily aging population and historically high levels of consumer and government debt. As a result, it is likely that the US and the Euro zone economies will, over the long term, underperform the economies of most developing countries – particularly, in Latin and South America and Southeast Asia. Admittedly emerging economies are currently under pressure. Brazil is a case in point. However, over the long term we believe the underlying structural trends will reassert themselves.

Exco remains committed to establishing a larger presence in these markets to plant the seeds of revenue and earnings growth for future years. Our focus has been traditionally on relatively low-risk opportunities in markets that are already familiar to us, and which leverage our technological leadership and existing product and service capabilities – such as South America and Asia. Exco has exported to these emerging markets for many years and we are familiar with the customers and the general business climate. We have also operated several large plants in low-cost jurisdictions such as Mexico and Morocco for many years with exceptional performance and financial results. The increasingly sophisticated customers in these emerging markets are looking for superior quality, innovative product solutions and the benefit of local sourcing, product development and service. By manufacturing locally, we also significantly reduce transportation costs and mitigate the effect of unfavorable currency trends.

Notwithstanding Exco's investment in developing markets, we also continue to look for selective acquisitions that will bolster our position and enhance profitability in North America and Europe. On March 1, 2014 we purchased Automotive Leather Company which specializes in the manufacture and export of luxury leather interior trim components to the middle and luxury automotive sector. The primary customer is BMW and its tier one supplier Faurecia although other German OEMs and their tiers are also customers. This acquisition provided us with a facility in Eastern Europe, to which European automotive manufacturing continues to migrate, and a central European technical and service centre from which we can better serve our European customers. ALC's operations in South Africa and Lesotho were less compelling. Consequently, Exco closed its operations in South Africa in fiscal 2016 and ceased production in Lesotho in November 2016. ALC is seeking to diversify its products and customers in Bulgaria by leveraging its customer relationships, capabilities and products from Polydesign's Morroccan operations.

On April 4, 2016 we acquired AFX Industries LLC for consideration of US$73.4 million excluding US$4.4 million of assumed debt. The acquisition builds on Exco's significant leather-based interior trim stable of products while also providing new customers, suppliers, products and capabilities in a region that is very familiar to us. AFX is based in Port Huron, Michigan with manufacturing operations in Matamoros, Mexico. The company is a tier 2 supplier of leather and leather-like interior trim components to the North American automotive market. AFX supplies die-cut leather sets for seating and many other interior trim applications as well as injection-molded, hand sewn, machine-sewn and hand-wrapped interior components of all types.

2017 RESULTS

Consolidated Results - Sales

Annual sales totalled $584.2 million compared to $589.0 million last year – a decrease of $4.8 million or 1% over last year. The US dollar averaged 1% lower ($1.31 versus $1.32) against the Canadian dollar over the year reducing sales by $2.1 million. The Euro was essentially unchanged versus the Canadian dollar over the year on average ($1.46), although a degree of rounding and fluctuations in the exchange rate throughout the year caused sales to be lower by $0.8 million.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2017 and 2016. This financial data should be read in conjunction with the Company's audited consolidated financial statements for these years:

(in $ millions except per share amounts)	**2017**	2016
Sales	**$584.2**	$589.0
Net income for the year	**$42.5**	$47.6
Earnings per share from net income		
Basic	**$1.00**	$1.12
Diluted	**$1.00**	$1.11
Earnings per share from adjusted net income (Adjusted EPS)		
Basic	**$1.03**	$1.04
Diluted	**$1.03**	$1.03
Total assets	**$431.2**	$452.9
Cash dividend paid per share	**$0.31**	$0.27
EBITDA	**$83.2**	$83.4

Segment Sales

- *Automotive Solutions Segment*

Sales in this segment were $401.0 million – an increase of $4.0 million or 1% from the prior year. AFX contributed $104.5 million to sales in the current year compared to $66.9 million last year, when only six months of sales were recorded. Excluding AFX, segment sales totalled $296.5 million – a decrease of $33.4 million or 10% from the prior year. This sales reduction was primarily driven by the loss of sales associated with the voluntary closure of ALC's money-losing operations in South Africa in fiscal 2016 and Lesotho in early fiscal 2017. Combined, these operations contributed $37.2 million of sales in fiscal 2016 and $5.4 million in 2017 for a net reduction of $31.8 million year over year. Sales were also lower at ALC's remaining operations in Bulgaria due to the wind-down of the BMW 5-Series seat cover program by February 2017, which were only partially compensated by revenues from the launch of new business, including the Audi A5 seat cover program. Elsewhere, Polytech and Neocon recorded growth on a combined basis helped by new product launches and modestly higher production of light truck vehicles in North America, for which each of these businesses have meaningful exposure. Passenger car production however was down in North America, which had a modest negative impact on the performance of Polytech and Neocon but a larger negative impact on the performance of AFX, which has greater concentration of its products on these types of vehicles. Lastly, sales were materially higher at Polydesign driven mostly by new program launches and aided by slightly higher European vehicle production volumes. The appreciation of the Canadian dollar versus the US dollar in fiscal 2017 compared to fiscal 2016 reduced sales at Polytech, Neocon and AFX by a total of $1.3 million compared to the prior year. Fluctuations in the Euro against the Canadian dollar reduced segment sales by $0.8 million year over year.

- *Casting and Extrusion Segment*

Sales in this segment were $183.3 million – a decrease of $8.9 million or 5% from the prior year. The sales decline was driven by lower revenues in the large mould group and to a lesser extent the Castool group, partially compensated by higher sales in the Extrusion group. Large mould revenue declines continue to reflect a difficult pricing environment as well as lower sales of moulds and maintenance work on established programs countered by an increase of "first-off" and "one-off" moulds associated with recently launched powertrain and structural part programs. These newer programs typically have a much lower level of efficiency relative to mature programs, resulting in reduced throughput, which adversely impacts revenues and margins. However, despite the lower sales, volumes and quoting activity for new large mould programs generally remained robust throughout the year and backlog levels are strong and building. Castool sales reflect ongoing market penetration of the group's innovative product offerings together with reasonably good market conditions for consumable equipment in North America, South America and Asia. The sales decline in fiscal 2017 arose mostly from reduced demand for certain of Castool's capital equipment in North America as well as incremental pricing pressure due to intensifying competition. However, sales from Castool Thailand, which commenced production in the last fiscal quarter of 2014 grew strongly over fiscal 2016. The sales increase in the Extrusion group was widespread and supported by stronger results from each of the group's flagship operations in Markham and Michigan together with the ongoing benefit of its newer operations in Texas, Brazil and Colombia which recorded collective revenue growth of 17% compared to the prior year. The lower average value of the US dollar compared to the Canadian dollar reduced sales by $0.8 million in this segment in the current year. The change of the Euro against the Canadian dollar described in 'Consolidated Results – Sales' above had a negligible impact on sales in this segment in the current year.

Cost of Sales

Cost of sales totalled $454.2 million – a decrease of $5.9 million or 1% from the prior year. Cost of sales as a percentage of sales remained stable at 78% as slightly lower direct material costs were offset by slightly higher direct labor and factory overhead costs. This, in turn, is largely driven by a mix shift between the company's various businesses and business segments. Inflationary pressures remain muted for Exco's major input materials – petroleum/natural gas based resin and plastic products in the Automotive Solutions segment and tool grade steel in the Casting and Extrusion segment, where a focus on global sourcing has also helped contain costs.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year increased to $46.8 million from $45.9 million last year, an increase of 2%. As a percentage of sales, these expenses increased to 8.0% from 7.8% the prior year. Fiscal 2017 selling, general and administrative expenses were higher mainly due to a full year of related expenses at AFX and slightly higher selling expenses at the Castool and Extrusion groups. These increases were partially offset by a reduction in expenses related to the closure of ALC's operations in South Africa and Lesotho. Fiscal 2016 expenses included $1.5 million of transaction costs required to complete the AFX acquisition, which expenses were not repeated in fiscal 2017.

Depreciation and Amortization

Consolidated depreciation in fiscal 2017 totalled $15.8 million compared to $14.8 million last year driven by higher depreciation arising from our increased investment in the Casting and Extrusion Segment in recent years as well as full year of depreciation expense associated with the acquisition of AFX. The increase in amortization expense to $4.8 million in fiscal 2017 from $3.2 million the prior year was attributable to a full year of AFX as a portion of the AFX acquisition was classified as intangible assets, mostly reflecting the fair value of customer relationships. The carrying value of total intangible assets amounted to $39.8 million as at September 30, 2017. The Company expects the associated annual amortization expense will total approximately $4.5 million in fiscal 2018, although could vary depending on USD/ CAD exchange rates.

With respect to segmentation, depreciation expense increased to $12.4 million in the Casting and Extrusion segment from $11.5 million last year while depreciation expense in the Automotive Solutions segment increased to $3.3 million from $3.2 million last year. Amortization of intangible assets increased very modestly to $0.8 million in the Casting and Extrusion segment but increased to $4.0 million from $2.5 million last year within the Automotive Solutions segment driven by a full year of amortization related to AFX's intangible assets.

Interest

Net interest expense in the current year totalled $1.3 million which was unchanged from the prior year. Average debt levels were modestly higher in fiscal 2017 compared to fiscal 2016 as fiscal 2017 essentially included a full year of AFX related acquisition debt compared to a half year in fiscal 2016. The pay down of debt in fiscal 2017 with cash flow however muted this impact. A rise in benchmark interest rates during fiscal 2017 compared to fiscal 2016 also contributed very modestly to the interest expense.

Income Taxes

Exco's reported income tax rate was 29.2% compared to a reported income tax rate of 29.7% in fiscal 2016. Included in the prior year's income tax expense was $0.9 million of withholdings taxes paid on the repatriation of surplus from a subsidiary. Excluding this tax charge as well as the $3.4 million of settlement gain, Exco's adjusted income tax rate in the prior year would have been 29.9%. Comparatively, excluding the $1.2 million in ALC closure costs in fiscal 2017, the adjusted income tax rate in current fiscal year would have been 28.6%. The lower adjusted income tax rate in fiscal 2017 reflects an increased proportion of earnings from jurisdictions which have a lower tax rate.

Net Income

- *Consolidated*

The Company reported consolidated net income of $42.5 million or basic and diluted earnings of $1.00 per share compared to consolidated net income of $47.6 million or basic and diluted earnings of $1.12 and $1.11 per share respectively – a decrease of $5.1 million or 11%. Net income in fiscal 2017 and fiscal 2016 was impacted by non-recurring items. These items consist of a $1.2 million ($0.03 per share) charge to earnings in fiscal 2017 related to the permanent closure of ALC's operations in Lesotho and a $3.4 million ($0.08 per share) gain recorded in fiscal 2016 related to the settlement of a commercial arbitration dispute. Excluding these two items, net income would have been $43.7 million ($1.03 per basic and diluted share) in fiscal 2017 and $44.1 million ($1.04 per basic and $1.03 per diluted share, respectively) in fiscal 2016.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded operating earnings of $51.1 million for the year compared to $48.0 million last year – an increase of $3.1 million or 6%. Segment results benefited from a full year of contributions from AFX as well as higher combined earnings at Polytech, Neocon and Polydesign. Each of these businesses continued to introduce new product launches and benefited from stable costs for metal subcomponents, resin sheet and other plastic raw material inputs. ALC continued to experience operating losses in fiscal 2017 despite the closure of its South African and Lesotho operations due to losses at ALC's Bulgarian operations. These operations were adversely impacted in fiscal 2017 by lost volumes from the wind-down of BMW 5-Series program, start up costs associated with the launch of new programs and inventory obsolescence charges.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion operating earnings decreased to $18.0 million from $24.7 million in the prior year – a difference of $6.7 million or 27%. This decrease was primarily driven by the large mould group which continued to face a shift in its volume away from higher margin mature contracts towards newer lower margin "first-off" contracts as well as lower absorption rates of overhead associated with reduced demand for spare parts. As well, results were negatively affected by the initial inefficiencies associated with the implementation of new equipment/ processes that management expects will further enhance the company's competitiveness. Front end inefficiencies with ramping up the new equipment are compounded by higher depreciation expense and the need to continue running with older equipment/ processes for some time, resulting in the duplication of certain operating costs. Management expects these costs will begin to recede through the first few quarters of fiscal 2018. Within the Castool group, profitability was lower in fiscal 2017 compared to the prior year driven by reduced demand for certain capital equipment, costs associated with machinery reconfiguration to improve Castool's operating efficiencies, higher sales/ marketing costs and increased pricing pressure. Partially offsetting the reduced operating earnings of the large mould and Castool groups were stronger results from the Extrusion group where earnings improved in each of the group's five plants. Stronger results were driven by higher sales and achieved despite ongoing disruption from the harmonization of manufacturing processes at the group's various plants. Management expects these initiatives will lead to further improvement in results over time. The stronger Canadian dollar also negatively impacted this segment by decreasing the value of US dollar denominated earnings from US operations. This segment's three plants in Canada were also negatively impacted from the stronger Canadian dollar by decreasing the value of US dollar denominated sales – for greater discussion of foreign exchange see 'Segment Sales – Casting and Extrusion Segment' above.

- *Corporate Segment (Operating Expense)*

Corporate expense in the current year amounted to $6.5 million compared to $7.3 million in the prior year. The year over year reduction was primarily driven by lower incentive compensation expense in 2017, the non-recurring nature of the $1.5 million transaction costs associated with the AFX acquisition in fiscal 2016 partially offset by foreign exchange translation losses of $0.1 million in fiscal 2017 compared to a gain of $0.3 million the prior year.

EBITDA

EBITDA in the current year amounted to $83.2 compared to $83.4 million in the prior year – a decrease of $0.2 million or 0% although the EBITDA margin remained stable at 14.2%. EBITDA in the Casting and Extrusion segment was $31.2 million, which was lower by $5.8 million, or 16% compared to fiscal 2016. The segment EBITDA margin declined to 17.0% in fiscal 2017 compared to 19.2% the prior year. The Automotive Solution segment EBITDA was $58.5 million, which was higher by $4.8 million, or 9% compared to fiscal 2016. The segment EBITDA margin improved to 14.6% in fiscal 2017 compared to 13.5% the prior year. Corporate cash expenses declined to 1.1% of sales compared to 1.2% the prior year.

Quarterly Results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2017:

($ thousands except per share amounts)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016[1]
Sales	$131,416	$145,909	$153,783	$163,034
Net income	$7,521	$10,933	$12,602	$10,514
Earnings per share				
Basic	$0.18	$0.26	$0.30	$0.27
Diluted	$0.18	$0.26	$0.30	$0.27

($ thousands except per share amounts)	September 30, 2016	June 30, 2016[2]	March 31, 2016	December 31, 2015
Sales	$163,034	$161,671	$133,383	$130,901
Net income	$10,514	$16,226	$8,989	$11,828
Earnings per share				
Basic	$0.25	$0.38	$0.21	$0.28
Diluted	$0.25	$0.38	$0.21	$0.28

[1] *Net income in the first quarter of fiscal 2017 was reduced by $1.2 million ($0.03 per share) due to charges associated with the closure of ALC's operations in Lesotho.*
[2] *Net income in the third quarter of fiscal 2016 was boosted by $3.4 million ($0.08 per share) from a commercial arbitration settlement.*

Exco typically experiences softer sales and profit in the first fiscal quarter, which coincides with our customers' plant shutdowns in North America during the Christmas season. Exco also experiences a slowdown in the fourth fiscal quarter as North American customers typically schedule summer plant shutdowns and Exco's European customers typically curtail releases during the month of August to accommodate vacations. Contributions from the acquisition of AFX boosted results beginning in the third fiscal quarter of 2016 however sales and profitability have generally trended down in more recent quarters as a result of the closure of ALC's operations in South Africa in the first fiscal quarter of 2017 and lower vehicle production in North America.

Fourth Quarter

In the fourth quarter, consolidated sales were $131.4 million – a decrease of $31.6 million or 19% from the prior year. Over the quarter the average USD/CAD exchange rate was 5% lower ($1.25 versus $1.31 last year) reducing sales by

$4.0 million. The average EUR/ CAD exchange rate was nominally higher ($1.48 versus $1.46 last year) increasing sales by $0.3 million compared to the fourth quarter of fiscal 2016.

The Automotive Solutions segment experienced a 26% decrease in sales, or $30.6 million, to $87.1 million from $117.7 million in the fourth quarter of 2016. The decline was mainly due to the closure of ALC's operations in South Africa in late fiscal 2016 and Lesotho in early fiscal 2017 coupled with the wind-down of the BMW 5-Series seat cover program by February 2017 which was only partially compensated by the launch of new programs. AFX also contributed to the lower sales driven by reduced vehicle production volumes of passenger cars in North America. As well, Polytech and Neocon recorded modestly lower combined sales year over year arising mainly from reduced production volumes of light trucks (including SUVs and CUV's) where each of these businesses have meaningful exposure. These factors were compounded by the timing of program launches at the segment's various businesses and, management believes, destocking within inventory channels which can occur at the front end of vehicle production declines. Partially offsetting these factors were higher sales at Polydesign due mainly to ongoing program launches. The lower average value of the US dollar compared to the Canadian dollar reduced segment sales by $2.5 million in the current quarter. The higher value of the Euro compared to the Canadian dollar increased segment sales by $0.3 million in the current quarter.

The Casting and Extrusion segment recorded sales of $44.3 million compared to $45.3 million last year – a decrease of $1 million or 2%. This was driven mostly by lower sales from the Castool group arising from reduced demand for capital equipment as well as increased pricing pressure for certain consumable components, particularly in North America. Large mould segment sales were also modestly lower compared to the prior year quarter however sales were higher in the Extrusion group driven by increases from each of that business units five operating plants. The lower average value of the US dollar compared to the Canadian dollar reduced segment sales by $1.5 million in the current quarter. Fluctuations between the Canadian dollar and Euro did not meaningfully impact segment sales in the quarter.

The Company's fourth quarter consolidated net income decreased to $7.5 million or earnings of $0.18 per share compared to $10.5 million or earnings of $0.25 per share in the same quarter last year – an EPS decrease of 28%. The effective income tax rate was 27.4% in the current quarter compared to 35.0% in the same quarter last year. The effective tax rate in the current period was improved by the proportion of earnings generated in lower tax rate jurisdictions. Also, last years tax expense included withholding taxes of $0.9 million ($0.02 per share) as summarized in 'Income Taxes' above.

Fourth quarter pretax earnings in the Automotive Solutions segment totalled $8.9 million, a decrease of $5.5 million or 38% over the same quarter last year. This deterioration was driven primarily driven by the lower sales volumes compounded by margin weakness caused by reduced absorption of factory overhead expenses and unfavorable product mix shifts. These trends were particularly true at AFX and to a lesser extent Polytech and Neocon during the quarter. As well, ALC losses increased compared to the prior year driven by weaker than expected volumes from the Audi A5 seat cover program, inventory write-down charges and the non-recurring nature of a $0.6 million asset disposal gain recognized in the prior year quarter. Polydesign recorded both strong top line growth and margin expansion during the quarter compared to the same quarter last year.

Fourth quarter pretax earnings in the Casting and Extrusion segment fell by $1.1 million or 29% over the same quarter last year to $2.8 million. The earnings decrease was mainly due to lower sales, unfavorable product mix shifts and reduced absorption of fixed costs in both the large mould and Castool businesses, partially offset by stronger results in the Extrusion group. Casting and Extrusion depreciation and amortization expenses totalled $3.3 million in both the fourth quarter of 2017 and 2016.

The Corporate segment in the fourth quarter recorded expenses of $0.9 million compared to $1.6 million last year with the lower amount mainly due to reduced incentive compensation expense. As a result of the forgoing, EBITDA in the quarter decreased to $15.8 million (12.0% of sales) compared to $22.2 million (13.6% of sales) last year.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Operating cash flow before net changes in non-cash working capital decreased by $4.9 million, or 7% to $64.7 million from $69.5 million in fiscal 2016. This decrease is primarily the result of the lower Net Income in fiscal 2017 for reasons described in the Net Income section, above. Other factors explaining the variance include a reduction in deferred tax amounts compared to an increase the prior year, higher Depreciation and Amortization expense in fiscal 2017 and $0.7 million of the $1.2 million in ALC closure costs that were non-cash in nature.

Net change in non-cash working capital was $1.7 million cash provided compared to $4.1 million cash used last year. The improvement year over year primarily reflects the lower sales levels and a focus on more efficient use of working capital generally. Consequently, cash provided by operating activities rose 1% to $66.4 million compared to $65.5 million last year.

Cash Flows from Financing Activities

Cash used by financing activities amounted to $41.0 million compared to a source of $32.3 million in fiscal 2016. The variance year over year is mainly attributable to the use of bank debt to partially fund the acquisition of AFX in fiscal 2016, which was subsequently reduced with generated cash flow in fiscal 2017. The Company also paid higher dividends of $13.2 million in fiscal 2017 compared to $11.5 million last year and spent $1.5 million to repurchase its share capital in fiscal 2017 compared to nil the prior year.

In addition to the obligations disclosed on its consolidated statements of financial position, Exco also enters into operating lease arrangements from time to time. Exco owns 14 of its 17 manufacturing facilities and most of its production equipment. Leased facilities consist of ALC's operations in Bulgaria. Exco acquired AFX's operations in Mexico subsequent to the end of fiscal 2017. The Company also leases a sales and support center in Troy, Michigan and a warehouse in Brownsville, Texas. The following table summarizes the Company's significant short-term and long-term commitments on an undiscounted basis:

	Total	< 1 year	1-3 years	Over 3 years
Bank indebtedness	$15,717	$15,717	$-	$-
Trade accounts payable	48,369	48,369	-	-
Long-term debt	31,093	3,959	27,047	87
Operating leases	4,896	1,724	3,015	157
Purchase commitments	40,920	40,920	-	-
Capital expenditures	398	398	-	-
	$141,393	$111,087	$30,062	$244

∗ Exco leases facilities, automotive, material handling vehicles and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms but occasionally it may purchase the assets at the end of the lease terms when the purchase options are favorable. Exco does not expect any material liquidity or capital resource impacts from these possible purchases.

Cash Flows from Investing Activities - Capital Expenditures

Cash used in investing activities in the current year totalled $16.0 million compared to $104.9 million last year. Included last year was $82.0 million cash paid for the acquisition of AFX compared to no such expenditures in fiscal 2017. This accounts for the major part of the investing activities reduction. Capital spending in the current year was $16.3 million compared to $23.9 million last year. Capital spending in the prior year included $5.5 million for new equipment related to our machinery upgrade project in the large mould facility in Newmarket Ontario, net of Government grants of $2.9 million ($1.0 million of Government grants were received in fiscal 2017). The balance of the capital spending is mostly related to machinery and equipment needed to maintain or upgrade our production capacity.

In fiscal 2018, Exco plans to invest approximately $28.6 million in capital expenditures of which roughly $18.0 million is for maintenance and ongoing equipment upgrade in the Casting and Extrusion segment, approximately $6.0 million is for maintenance expenditures and targeted capacity additions in the Automotive Solutions segment and $4.6 million is to purchase AFX's leased building where its manufacturing operations are located.

We expect that in fiscal 2018 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, our cash deposits and our credit lines will be more than sufficient to meet our operating and capital requirements.

Financial Position and Cash Balance

Exco's financial position and liquidity remains strong. The Company's conservative financial policies have served it well throughout the years and has allowed it to take advantage of acquisition opportunities and further organic growth as circumstances permit.

Exco's net debt totalled $10.9 million as at September 30, 2017 compared to net debt of $44.6 million as at September 30, 2016, for a reduction of $33.7 million during the year. This reduction primarily occurred through the generation of $49.0 million of free cash flow less dividends paid of $13.2 million and share repurchases of $1.5 million during fiscal 2017.

In addition to its cash balances of $35.9 million, Exco retains access to $20.1 million of its $50.0 million committed credit facility, which matures February 2019. Pursuant to the terms of the credit facility, Exco is required to maintain compliance with certain financial covenants. The Company was in compliance with these covenants as at September 30, 2017.

Outstanding Share Capital

As at September 30, 2017, the Company had 42,499,391 common shares outstanding. In addition, as at September 30, 2017, the Company had outstanding stock options for the purchase of up to 754,340 common shares.

CRITICAL ACCOUNTING POLICIES

The preparation of Exco's financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenue and expenses during the reporting period.

Exco recognizes revenue upon percentage of completion of long-term contracts in the large die-cast moulds business and upon product completion for all other businesses. For short-term contracts in the large die-cast moulds business and all contracts in the extrusion and other tooling products and the Automotive Solutions segment products, completion is defined as shipment to customers.

Management estimates and expenses the fair value of stock-based compensation granted after January 1, 2002. This fair value is amortized to earnings over the remaining vesting period using the Black-Scholes option pricing model. The Company believes that the estimate of stock-based compensation is a "critical accounting estimate" because management is required to make significant forward-looking assumptions including expected stock volatility, the change in expected dividend yields and the expected option term. Currently the compensation expense is recorded in the selling, general and administration category in the consolidated statements of income and comprehensive income.

We evaluate property, plant and equipment and other long-lived assets for impairment whenever indicators of impairment exist. Indicators of impairment include prolonged operating losses or a decision to dispose of, or otherwise change the use of, an existing fixed or other long-lived asset.

We believe that accounting estimates related to goodwill, property, plant and equipment and other long-lived asset impairment assessments are "critical accounting estimates" because: (i) they are subject to a significant measurement uncertainty and are susceptible to changes as management is required to make forward-looking assumptions regarding the impact of improvement plans on current operations, in-sourcing and other new business opportunities, program price and cost assumptions on current and future business, the timing of new program launches and future forecasted production volumes; and (ii) any resulting impairment loss could have a material impact on our consolidated net income and on the amount of assets reported on our consolidated statements of financial position.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

Refer to Note 2 to the consolidated financial statements for information pertaining to the accounting changes and issued accounting pronouncements effective in 2017 and future years.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, together with other members of management, after evaluating the effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective in ensuring that material information relating to the Company and its consolidated subsidiaries would have been known to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, together with other members of management, after having designed internal controls over financial reporting and conducted an evaluation of its effectiveness based on the integrated framework issued by the Committee of Sponsoring Organization of the Treadway Commission to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with generally accepted accounting principles, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The Casting and Extrusion segment is a capital goods business. Interest rates, exchange rates, corporate capital spending, the general economic climate, business confidence and our customer's financial strength affect the demand for Exco's dies, moulds and consumable parts for die-cast and extrusion machines. Abrupt changes in these factors often bring about dramatic changes in demand and pricing. Exco believes that its broad product line, geographic diversification and leadership position in its niche markets mitigate against this risk but some risk remains.

Exco's Automotive Solutions segment services automotive component suppliers (and Tier 1 suppliers) around the world. The results of this segment depend on demand for automobiles, the type of automobiles (which demand has been shifting away from passenger cars towards SUV/ CUV's in North America) and the level of automobile production, which can fluctuate significantly with consumer confidence, general economic conditions, the cost and/or availability of consumer credit and gasoline, as well as, the market share of individual OEM customers. Contraction and slowing GDP growth in emerging economies, North America and Europe may also have a dampening effect on consumer demand for automobiles in these regions.

Exco sells to its automotive customers pursuant to purchase orders which typically sets out price per unit but not volumes or fixed terms. These purchase orders may be terminated at any time with limited recourse for compensation or damages and pricing is typically adjusted downward from time to time in the form of 'cost downs'. Termination of purchase orders and 'cost downs' may impact Exco's margin and overall earnings if not contemporaneously offset by new business at better margin or cost reductions. Furthermore, in any given year, any number of programs will be expiring. While Exco is constantly quoting on replacement programs or new programs, there is no assurance that these will be awarded or that if awarded, the pricing and margin will be comparable to those of programs ending.
In some cases, OEMs can decide to design the Company's products out of the automobile ("de-contented") or reduce the trim level on which the Company's products are installed for either aesthetic, cost or product redesign reasons. While Exco believes its focus on evolving from component supplier to a designer and integrator of small assemblies and sub-assemblies used in automotive and trunk interiors reduces the risk of de-contenting and trimming down decisions, some of Automotive Solutions products are not critical components and may still be de-contented.

OEMs or their tiers may have excess production capacity or collective agreements which preclude efficient capacity reduction during times of declining sales. In these cases OEMs and/or their tiers may choose to fill their excess capacity by taking production from their suppliers and manufacturing the parts themselves. This process of 'in-sourcing' may have the impact of reducing the amount of business available to suppliers such as Exco.

Exco is a global manufacturer which has organized its global production and logistics footprint based on, among other things, the extent of duties/levies imposed on the import/export of our products and raw material inputs. As a general rule governments have been encouraging greater trade and more liberal access to their markets by reducing or eliminating tariffs. This has benefited Exco over the years. More recently, certain governments have postured with a more protectionist tone. In particular, NAFTA is currently being renegotiated and the outcome is uncertain. In the event that governments pursue protectionist trade practises with respect to automotive components or their raw materials or subassemblies, Exco may be prejudiced.

Exco has in 2010, 2011, 2013, 2014 and 2016 made five acquisitions (Allper AG, Exco Colombia, Extrusion Texas, Automotive Leather Company and AFX Industries) and may make others in the future. Acquisitions inherently involve risk. While Exco has concluded many acquisitions that have been very successful, there have also been disappointing acquisitions which have adversely impacted earnings.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars and Euro. We also purchase, where we can, raw material in these currencies. U.S. dollar and Euro purchases provide a natural hedge against U.S. dollar and Euro sales of Exco's Canadian operations. As for the remaining foreign exchange exposure in these currencies not naturally hedged, Exco does not enter into forward contracts but prefers to incur U.S. dollar or Euro debt, from time to time as appropriate. Despite these measures, Exco is structurally a net seller of U.S. dollars and, to a lesser extent Euro, with foreign exchange losses increasing as the U.S. dollar and Euro decline in value against the Canadian dollar. While Exco has made considerable progress in reducing its reliance on U.S. dollar sales, markets which Exco currently services may experience rising competition from imports which have become more competitive as a result of foreign exchange movements.

Exco's U.S. operations earn profits in U.S. dollars. A stronger Canadian dollar results in lower Canadian dollar profit on translation. This does not, however, affect the competitiveness of our US operations within the U.S. market or other U.S. dollar-denominated markets. For fiscal 2018, it is estimated that Exco's U.S. operations will be exposed to foreign exchange risk on the translation of pre-tax profit of about US$32.0 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2018 from a baseline level of $1.30 USD/CAD, it is estimated that pre-tax profit would change by about $320 thousand or about $208 thousand after tax. These estimates are based on historical norms and may be materially different in 2018 if customers deviate from their past practices.

To mitigate against the risk of adverse foreign exchange rate movements we are focused on a number of initiatives. Wherever possible, throughout its Canadian operations, the Company is attempting to sell in Canadian dollars and source inputs and equipment in U.S. dollars, thereby improving its natural hedge. It is very difficult to dislodge the dominance of U.S. dollars as the commercial currency of choice. In addition, pricing in Canadian dollars may make the Company's products uncompetitive and result in lost business. For further discussion of exchange rate impacts see Note 9 to the Consolidated Financial Statements.

For fiscal 2018, we estimate our Canadian operations will be exposed to fluctuation in the value of the Canadian dollar relative to the U.S. dollar on about US$44.5 million of sales less purchases. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2018 from a baseline level of $1.30 USD/CAD, we estimate pre-tax profit would change by $450 thousand or about $338 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2018 if customers deviate from their past practices.

Exco's has three manufacturing operations in Mexico and accordingly incurs a portion of its labour and other expenses in Mexican pesos. In turn, these Mexican pesos expenses are incurred to mainly support US dollar denominated sales. Consequently, any strengthening of the Mexican pesos against the US dollar reduces our profitability, all other things equal. In recognition of this risk, Exco hedges a portion of its Mexican pesos/ US dollar exposure with various foreign exchange contacts and options. For fiscal 2018, we estimate our pesos exposure net of hedges and pesos denominated sales to be approximately 225 million pesos. If the Mexican pesos were to strengthen or weaken by 1% versus the US dollar from a baseline USD/MEX rate of 18:1, and further assuming the Canadian dollar strengthens or weakens against the US dollar also by 1% from a baseline USD/CAD rate of 1.30, we estimate pre-tax profit would change by $185 thousand or about $120 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2018 if customers deviate from their past practices.

Exco also has manufacturing facilities in Colombia, Brazil, Thailand, Bulgaria and Morocco and Exco's presence in jurisdictions such as these has generally been increasing in recent years. Some of these operations incur labor costs and often other operating expenses in local currency. In several of these countries, sales contracts and major purchases such as material and equipment are negotiated in U.S. dollars or Euro. In other countries, sales contracts and major purchases are negotiated in local functional currencies as well. Major long-term fluctuations in the value of the local currencies against the U.S. dollar and Euro have the potential to affect Exco's operating results, retained earnings and value of its investment in these countries. Exco may enter into forward contracts or ‘collar’ contracts from time to time in order to protect itself from currency fluctuations. These contracts are derivative instruments which, depending on their structure, may not qualify for hedge accounting treatment and accordingly may be ‘marked to market’ each quarter and expensed if necessary. It is difficult to anticipate fluctuations in these local currencies in the event of major economic, fiscal or political instability in these countries.

The cost of manufacturing our products is a critical factor in determining our success over the long term. Manufacturing has generally expanded to developing countries where competing technologies and lower labor-cost structures exist. Exco must compete against companies doing business in these developing countries. Exco has met this challenge by manufacturing some labour-intensive products in Mexico, Thailand, Bulgaria and Morocco; however, many of our operations based in Canada and the U.S. must compete with products manufactured in lower-cost environments.

A significant portion of Exco’s receivables are with automotive customers. These customers have varying degrees of financial strength. These receivables are subject to varying degrees of collectability. The majority of these receivables are with U.S. entities that can avail themselves of Chapter 11 protection from creditors in certain circumstances and avoid payment of the Company’s receivables that are over 20 days from the date of the Chapter 11 filing. Exco’s receivables may also be with highly leveraged customers that may have recently merged or chosen to leverage their balance sheet for tax purposes or otherwise increase their investment yield. Doing business with such customers typically increases the risk of default and filing for bankruptcy protection. The Company uses its best efforts to collect accounts receivable under 60 days but in some cases the terms may be notably longer and often in other currencies thereby requiring Exco to bear the exchange rate risk. The Company often has the benefit of statutory or common law liens on its products, however, it is not uncommon for significant receivables to be outstanding for considerable periods, particularly in the large mould business.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Exco Technologies Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Exco Technologies Limited, which comprise the consolidated statements of financial position as at September 30, 2017 and 2016, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Exco Technologies Limited as at September 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 29, 2017

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
$(000)'s

	As at September 30, 2017	As at September 30, 2016
ASSETS		
Current		
Cash and cash equivalents	**$35,876**	$27,509
Accounts receivable (note 9)	**94,332**	107,900
Unbilled revenue (note 8)	**20,207**	19,214
Inventories (note 10)	**59,782**	67,192
Prepaid expenses and deposits	**2,532**	3,352
Income taxes recoverable	**3,646**	1,601
Total current assets	**216,375**	226,768
Property, plant and equipment, net (notes 5 and 17)	**111,524**	114,695
Intangible assets, net (notes 6 and 17)	**39,849**	45,586
Goodwill (notes 6 and 17)	**62,091**	64,071
Deferred tax assets (note 14)	**1,382**	1,821
Total assets	**$431,221**	$452,941
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (notes 4 and 9)	**$15,717**	$13,469
Trade accounts payable (note 9)	**48,369**	64,948
Accrued payroll liabilities	**12,720**	13,275
Other accrued liabilities	**10,088**	8,690
Derivative instruments (note 9)	**314**	4,158
Provisions (note 7)	**1,339**	1,382
Customer advance payments	**3,223**	1,654
Long-term debt - current portion (notes 4, 9 and 17)	**3,959**	4,173
Total current liabilities	**95,729**	111,749
Long-term debt - long-term portion (notes 4, 9 and 17)	**27,134**	54,514
Deferred tax liabilities (note 14)	**7,100**	7,273
Total liabilities	**129,963**	173,536
Shareholders' equity		
Share capital (note 3)	**51,707**	51,366
Contributed surplus (note 3)	**3,998**	3,566
Accumulated other comprehensive income (note 3)	**4,232**	11,190
Retained earnings	**241,321**	213,283
Total shareholders' equity	**301,258**	279,405
Total liabilities and shareholders' equity	**$431,221**	$452,941

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

Brian A. Robbins
Director,
President and
Chief Executive Officer

Laurie T.F. Bennett
Director,
Chairman of
the Board

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
$(000)'s except for income per common share

	Years ended September 30	
	2017	2016
Sales (notes 8 and 12(A))	**$584,205**	$588,989
Cost of sales	**454,172**	460,119
Selling, general and administrative expenses (notes 3 and 12(B))	**46,838**	45,864
Depreciation (note 5)	**15,774**	14,787
Amortization (note 6)	**4,831**	3,150
Loss (gain) on disposal of property, plant and equipment (note 5)	**7**	(389)
Interest expense, net (note 18)	**1,327**	1,289
Other expense (income) (note 19)	**1,223**	(3,440)
	524,172	521,380
Income before income taxes	**60,033**	67,609
Provision for (recovery of) income taxes (note 14)		
Current	**18,543**	17,420
Deferred	**(1,029)**	2,632
	17,514	20,052
Net income for the year	**$42,519**	$47,557
Other comprehensive income (loss)		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized gain (loss) on derivatives designated as cash flow hedges (notes 3 and 9)	**2,784**	(1,173)
Unrealized loss from foreign currency translation (note 3)	**(9,742)**	(2,006)
	(6,958)	(3,179)
Comprehensive income	**$35,561**	$44,378
Income per common share		
Basic	**$1.00**	$1.12
Diluted	**$1.00**	$1.11
Weighted average number of common shares outstanding (note 13)		
Basic	**42,600**	42,497
Diluted	**42,675**	42,693

The accompanying notes are an integral part of these consolidated financial statements.

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
$(000)'s

				Accumulated other comprehensive income (loss)			
	Share capital	**Contributed surplus**	**Retained earnings**	Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	**Total accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance, September 30, 2015	$50,060	$3,283	$177,209	($1,844)	$16,213	$14,369	$244,921
Net income for the year	-	-	47,557	-	-	-	47,557
Dividends paid (note 3)	-	-	(11,483)	-	-	-	(11,483)
Stock option grants (note 3)	-	682	-	-	-	-	682
Issuance of share capital (note 3)	1,306	(399)	-	-	-	-	907
Other comprehensive loss (note 3)	-	-	-	(1,173)	(2,006)	(3,179)	(3,179)
Balance, September 30, 2016	51,366	3,566	213,283	(3,017)	14,207	11,190	279,405
Net income for the year	-	-	42,519	-	-	-	42,519
Dividends paid (note 3)	-	-	(13,201)	-	-	-	(13,201)
Stock option grants (note 3)	-	591	-	-	-	-	591
Issuance of share capital (note 3)	525	(159)	-	-	-	-	366
Repurchase of share capital (note 3)	(184)	-	(1,280)	-	-	-	(1,464)
Other comprehensive income (loss) (note 3)	-	-	-	2,784	(9,742)	(6,958)	(6,958)
Balance, September 30, 2017	**$51,707**	**$3,998**	**$241,321**	**($233)**	**$4,465**	**$4,232**	**$301,258**

The accompanying notes are an integral part of these consolidated financial statements.

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
$(000)'s

	Years ended September 30	
	2017	2016
OPERATING ACTIVITIES:		
Net income for the year	**$42,519**	$47,557
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 5)	**15,774**	14,787
Amortization (note 6)	**4,831**	3,150
Stock-based compensation expense (note 3)	**509**	504
Deferred income taxes recovery (note 14)	**(1,029)**	2,632
Net interest expense	**1,327**	1,289
Non-cash cost of ALC plant closures (note 19)	**730**	-
Loss (gain) on disposal of property, plant and equipment	**7**	(389)
	64,668	69,530
Net change in non-cash working capital (note 15)	**1,738**	(4,060)
Cash provided by operating activities	**66,406**	65,470
FINANCING ACTIVITIES:		
Increase in bank indebtedness	**2,248**	113
Financing from long-term debt (note 4)	**-**	69,000
Repayment of long-term debt (note 4)	**(27,594)**	(24,941)
Interest paid, net	**(1,327)**	(1,289)
Dividends paid (note 3)	**(13,201)**	(11,483)
Repurchase of share capital	**(1,464)**	-
Issuance of share capital (note 3)	**366**	907
Cash provided by (used in) financing activities	**(40,972)**	32,307
INVESTING ACTIVITIES:		
Business acquisition, net of cash acquired (note 17)	**-**	(82,024)
Purchase of property, plant and equipment (note 5)	**(15,295)**	(22,654)
Purchase of intangible assets (note 6)	**(991)**	(1,292)
Proceeds from liquidation of ALC capital assets	**85**	-
Proceeds on disposal of property, plant and equipment	**163**	1,066
Cash used in investing activities	**(16,038)**	(104,904)
Effect of exchange rate changes on cash	**(1,029)**	(360)
Net increase (decrease) in cash during the year	**8,367**	(7,487)
Cash and cash equivalents, beginning of year	**27,509**	34,996
Cash and cash equivalents, end of year	**$35,876**	$27,509

The accompanying notes are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Exco Technologies Limited (the "Company") is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 17 strategic locations in 8 countries, the Company services a diverse and broad customer base. The Company is incorporated and domiciled in Canada. The registered office is located at 130 Spy Court, Markham, Ontario, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are outlined below:

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements and accompanying notes as at and for the year ended September 30, 2017 were authorized for issue by the Board of Directors on November 29, 2017.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, its subsidiaries. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all of the following: power over the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Functional and presentation currency
Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange at the consolidated statement of financial position dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statements of income and comprehensive income.

Translation of foreign operations
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated statements of financial position; and
- Income and expenses for each statement of income and comprehensive income are translated at the exchange rates prevailing at the dates of the transactions.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recorded in other comprehensive income.

When a foreign operation is sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of income and comprehensive income as part of the gain or loss on sale.

Segment reporting
Management has determined the operating segments based on the information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Company's chief operating decision maker, which is the chief executive officer. Factors used to identify reportable segments include product categories, customers served and geographical region of operations. The chief operating decision maker evaluates the financial performance of its operating segments primarily based on net income before interest, income taxes, depreciation and amortization.

Interest in joint arrangement
The Company has an interest in a joint operation, whereby the joint operators have a contractual arrangement that establishes joint control over the economic activities of the individual entity. The Company recognized its share of the joint operation's assets, liabilities, revenues and expenses in the consolidated financial statements. The financial statements of the joint operation are prepared for the same reporting period as the Company.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations,* are recognized at their fair values at the acquisition date. Acquisition costs are expensed as incurred.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a CGU or group of CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the group of CGU retained.

Revenue recognition
Revenue is recognized when it can be measured reliably, the significant risks and rewards of ownership are transferred to the customer, and it is probable that future economic benefits will flow to the Company. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties.

- Revenue from short-term casting contracts, extrusion and other tooling, and Automotive Solutions segment products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon shipment or acceptance by customers.

- Revenue from long-term large die-cast mould contracts is recognized using the percentage of completion method according to IAS 11, *Construction Contracts,* under which:

  - When the outcome of a contract can be reliably estimated, revenue and costs associated with a contract are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract at the consolidated statement of financial position dates. The stage of completion is determined by the percentage of the costs incurred to date to the total estimated cost.

  - When the outcome of a contract cannot be reliably estimated, revenue is recognized only to the extent of contract costs incurred. When the uncertainties that prevented reliable estimation of the outcome of a contract no longer exist, contract revenue and expenses are recognized using the percentage of completion method.

- If the expected outcome of a contract is a loss, it is recognized immediately regardless of whether or not work has commenced on the contract.

- For contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, a gross amount due from customers for contract work is recognized as unbilled revenue − an asset in the consolidated statements of financial position. For all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses), a gross amount due to customers for contract work is recognized as customer advance payments − a liability in the consolidated statements of financial position.

Share-based payments
The Company grants stock options to buy common shares of the Company to officers and employees. The Board of Directors grants such options for periods of up to 10 years, with vesting periods determined at its sole discretion and at prices equal to the average closing market prices for the five days preceding the date on which the options were granted.

The Company follows the fair value based method of accounting for stock-based compensation. The fair value of the options is recognized as compensation expense in selling, general and administrative expenses in the consolidated statements of income and comprehensive income over the vesting period with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as the options are exercised, and the amount initially recorded for the options in contributed surplus is credited to share capital, along with the proceeds received on exercise.

On November 18, 2005, the Board of Directors adopted a Deferred Share Unit ("DSU") plan for Independent Directors. The DSU plan replaces the past practice of granting eligible directors stock options under the Stock Option Plan. Under the DSU plan, a portion of the quarterly remuneration of a director is credited to the director's DSU account in the form of deferred share units on the last business day of the quarter. The number of DSUs credited to the director's account is determined by dividing the portion of a director's quarterly remuneration allocated to DSUs by the weighted average price of the common share value traded in the last five business days of the quarter. DSUs are fully vested upon being credited to a director's DSU account. The DSUs will be redeemed by the Company in cash payable 60 days after the Independent Director departs from the Board of Directors at the fair market value at the payment date. The Company uses the fair value based method of accounting for DSUs. The fair value of DSUs is recognized as compensation expense in selling, general and administrative expenses in the consolidated statements of income and comprehensive income with the corresponding credit or debit to other accrued liabilities.

Income taxes
Income tax expense consists of current and deferred income taxes. Income tax expense is recognized in the consolidated statements of income and comprehensive income.

Current income tax expense is the expected income taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income taxes payable with regards to previous years.

Deferred income taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible timing differences can be utilized.

Deferred income taxes are charged or credited in the consolidated statements of income and comprehensive income, except when they relate to items credited or charged directly to equity, in which case the deferred income taxes are also recorded in equity.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred income tax asset will be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the benefit will be recovered.

Other comprehensive income

Other comprehensive income is the change in the Company's net assets that results from translations, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income, such as foreign currency gains or losses on the translation of the financial statements of foreign operations and foreign exchange gains or losses on the fair valuation of foreign exchange contracts designated as cash flow hedges. The Company's other comprehensive income, components of other comprehensive income and cumulative translation adjustments are presented in the consolidated statements of income and comprehensive income and the consolidated statements of changes in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at their acquisition date of three months or less.

Property, plant and equipment

(i) *Machinery and equipment*

Machinery and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. All direct costs related to the acquisition and installation of machinery and equipment are capitalized until the properties to which they relate are capable of carrying out their intended use. Machinery and equipment are depreciated using the diminishing balance method based on their estimated useful lives, which range from 4 to 20 years.

(ii) *Other assets*

Other assets are recorded at cost less accumulated depreciation and accumulated impairment losses and are depreciated using the straight-line method based on estimated useful lives of the assets, which generally range from 3 to 10 years, with the exception of buildings, which have estimated useful lives of 30 years. Land is not depreciated.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects are capitalized and no depreciation is recorded until the asset is brought to a working condition for its intended use.

The costs of day-to-day servicing are expensed as incurred. These costs are more commonly referred to as "maintenance and repairs".

The depreciation methods and useful lives are assessed annually or when critical events occur that may affect the useful lives and expected pattern of consumption of economic benefits embodied in the asset.

(iii) *Subsequent costs*

The cost of replacing part of an item within property, plant and equipment is capitalized when the cost is incurred or if it is probable that the future economic benefits will flow to the business unit and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs are expensed as incurred.

Intangible assets

An intangible asset is defined as being identifiable, able to bring future economic benefits to the Company and controlled by it. Intangible assets are recorded initially at cost and relate primarily to computer software, production and technology rights and customer relationships. An intangible asset is recognized when it is probable that the expected future economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided based on the following estimated useful lives using the straight-line method:

- Customer relationships: 5 to 15 years
- Computer software and production and technology rights: 2 to 4 years
- Non-compete agreements: 5 years
- Trade name: 7 years

Intangible assets acquired in a business acquisition are primarily customer relationships and are initially recorded at fair value and subsequently at cost less amortization and impairment losses. Other intangible assets are comprised of computer software and production and technology rights.

Identifiable intangible assets are recognized separately from goodwill.

Impairment of long-lived assets and goodwill

(i) *Impairment of long-lived assets*

The Company's property, plant and equipment and intangible assets are reviewed for indicators of impairment as at each consolidated statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment loss is recognized in income or loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

The Company bases its impairment calculation on detailed budgets that are prepared for each of the CGUs and generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(ii) *Impairment of goodwill*

Goodwill is allocated to a CGU or a group of CGUs for the purpose of impairment testing based on the level at which it is monitored by management. The Company manages its goodwill at the level of its two operating segments, Automotive Solutions and Casting and Extrusion. Goodwill is tested for impairment annually during the fourth quarter of the year or whenever there is an indicator that the CGU group in which it resides may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU group to which the goodwill relates. Where the recoverable amount of the CGU group is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amounts of the CGU groups are determined based on the greater of fair value less costs to sell or value in use.

Inventories
Inventories, comprising raw materials, work in process, finished goods and production supplies, are valued at the lower of cost and net realizable value. Cost is determined substantially on a first-in, first-out basis and an appropriate portion of normal overhead expenditure and labour. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving stock is identified and written down. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

Determination of fair value
The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement on a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Government grants
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant.

Financial instruments
As defined under IAS 39, *Financial Instruments,* financial assets and liabilities are recognized in the Company's consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company no longer has the rights to such cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial instruments recognized in the consolidated statements of financial position comprise cash and cash equivalents, accounts receivable, trade accounts payable, bank indebtedness, other accrued liabilities, customer advance payments, derivative instruments and long-term debt.

Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held to maturity or financial liabilities classified as loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method.

Changes in fair value are included in the consolidated statements of income and comprehensive income unless the instrument is included in a cash flow hedge. If the instruments are included in a cash flow hedging relationship that is effective, changes in value are recorded in other comprehensive income. When the hedged forecast transaction occurs, amounts previously recorded in other comprehensive income are recognized in the consolidated statements of income and comprehensive income. Amounts recognized as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast purchase occurs.

Accounts receivable are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of accounts receivable is based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified. Trade accounts payable and customer advance payments are initially recognized at the transaction value and subsequently carried at amortized cost.

The Company uses derivative financial instruments, such as forward foreign currency exchange contracts in the form of put and call option contracts (“Collars”), to hedge cash outflows anticipated to be made in Mexican peso denominated payments against foreign currency fluctuations between US dollars and Mexican pesos. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately to profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Forward foreign exchange contracts have been entered into with JP Morgan Chase with a long-term debt rating of A+ as determined by Standard & Poor’s. The Company does not anticipate non-performance by JP Morgan Chase.

The Company’s financial assets and liabilities recorded at fair value in the consolidated statements of financial position have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data.

Transaction costs are expensed as incurred for financial instruments classified or designated as a derivative or held for trading. Transaction costs for financial assets classified as available for sale are netted against the value of the instruments at the acquisition date. Transaction costs related to other financial liabilities are added to the value of the instrument at the acquisition date and recorded in income using the effective interest rate method.

Provisions

As required under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position dates, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases
As required under IAS 17, *Leases*, assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding amount is recognized as a finance lease liability. The finance lease liability is reduced by lease payments less finance charges, which are expensed as part of interest expense in the consolidated statements of income and comprehensive income. Under operating leases, payments are recognized as an expense over the term of the relevant leases.

Employee future benefits
(i) *Leave pay*
Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at year-end.

(ii) *Termination benefits*
The Company is subject to Mexican statutory laws and regulations governing employee termination benefits. Employee future benefits include statutorily mandated accrued benefits payable to employees in the event of termination in certain circumstances. Termination benefits are recognized as an expense and an associated liability at the discounted value of the expected future payments.

Critical judgments and use of estimates
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, unbilled revenue, inventories, property, plant and equipment, contingent liabilities, income taxes, fair value of financial instruments and stock option valuation.

Measurement for doubtful accounts receivable requires management to make estimates and assumptions based on prior experience and assessment of current financial conditions of customers, as well as the general economic environment and industry sectors in which they operate.

Several divisions engage in the construction of custom-order large die-cast moulds. Such activities fall into the scope of IAS 11, *Construction Contracts*, where revenue is recognized using the percentage of completion method. Under this method, at every reporting date, management is required to estimate the expected outcome on all outstanding contracts as well as measurement of their progress achieved towards their completion. The estimation requires management to make certain assumptions and judgments. These assumptions and judgments are continuously reviewed and updated. If different assumptions are used, it is possible that different amounts would be recognized in the consolidated financial statements.

Net realizable value of inventories is dependent upon the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on prior experience and assessment of current market conditions.

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined with the exercise of judgment. The assessment of any impairment of property, plant and equipment and intangible assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

The estimated useful lives of property, plant and equipment and intangible assets are reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment and intangible assets requires judgment and is based on currently available information. Property, plant and equipment and intangible assets are also reviewed for potential impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy, can result in actual useful lives and future cash flows differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment and intangible assets or future cash flows constitute a change in accounting estimates and are applied prospectively.

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Impairment of non-financial assets exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of the fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are disclosed and further explained in note 6.

Accounting standards issued but not yet applied

The following standards are not yet effective for the year ended September 30, 2017. The Company is in the process of reviewing the standards to determine the impact on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities selected to be measured at fair value. This new standard also includes a new general hedge accounting standard that will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which will be October 1, 2018 for the Company. Earlier application is permitted and the Company does not plan to early adopt IFRS 9.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014 the IASB issued IFRS 15, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under

$(000)'s except per share amounts

IFRS. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has established a cross-functional team to implement the guidance related to the recognition of revenue from contracts with customers. The Company is in the process of evaluating its customer contracts and identifying contractual provisions that may result in a change in the timing, or the amount of revenue recognized in comparison with current guidance. In addition, the Company is assessing the enhanced disclosure requirements of the new guidance and the design of new controls and processes designed to comply with IFRS 15. The Company has not yet selected a transition method and will adopt the new revenue standard effective October 1, 2018.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16 in which lessees will have a single accounting model for all leases, with certain exemptions and lessor accounting is substantially unchanged. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be October 1, 2019 for the Company using a modified retrospective approach with the option to elect certain practical expedients. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

3. SHARE CAPITAL

Authorized
The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares. None of these shares have par value.

Issued
The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common Shares	
	Number of Shares	Stated Value
Issued and outstanding as at October 1, 2015	42,366,906	$50,060
Issued for cash under Stock Option Plan	201,268	907
Contributed surplus on stock options exercised	-	399
Issued and outstanding as at September 30, 2016	42,568,174	51,366
Issued for cash under Stock Option Plan	82,317	366
Contributed surplus on stock options exercised	-	159
Purchased and cancelled pursuant to normal course issuer bid	(151,100)	(184)
Issued and outstanding as at September 30, 2017	**42,499,391**	**$51,707**

Accumulated other comprehensive income
Included in accumulated other comprehensive income in shareholders' equity are gains and losses arising from the translation of the Company's foreign subsidiaries, net gain and loss on derivatives designated as cash flow hedges and reclassification to income of net gain (loss) on cash flow hedges as summarized in the following table:

$(000)'s except per share amounts

	2017	2016
Opening balance	**$11,190**	$14,369
Net unrealized gain (loss) on derivatives designated as cash flow hedges (1)	**2,784**	(1,173)
Unrealized loss on currency translation adjustments	**(9,742)**	(2,006)
Total other comprehensive loss for the year	**(6,958)**	(3,179)
Closing balance	**$4,232**	$11,190

(1) Net of deferred income tax payable of $993 (2016 - recovery of $409).

Cash dividends
During the year, the Company paid four quarterly cash dividends totaling $13,201 (2016 - $11,483). The dividend rate per quarter increased in the second quarter of the year from $0.07 to $0.08 per common share.

Stock Option Plan
The Company has a Stock Option Plan under which common shares may be acquired by employees and officers of the Company. The following table shows the changes to the number of stock options outstanding during the year:

	2017		2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**626,657**	**$10.70**	879,275	$8.92
Granted during the year	**215,000**	**$10.48**	25,000	$14.44
Exercised during the year	**(82,317)**	**$4.44**	(201,268)	$4.50
Expired during the year	**(5,000)**	**$10.48**	(76,350)	$7.72
Balance, end of year	**754,340**	**$11.32**	626,657	$10.70

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2017:

			Options Outstanding		**Options Exercisable**
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$5.33 - $8.85	144,690	1.69 years	$7.03	62,000	$7.09
$8.86 - $11.29	250,000	4.25 years	$10.22	20,000	$8.86
$11.30 - $14.58	359,650	3.25 years	$13.81	137,300	$13.82
$5.33 - $14.58	**754,340**	**3.28 years**	**$11.32**	**219,300**	**$11.46**

The number of common shares available for future issuance of options as at September 30, 2017 is 1,461,688 (2016 - 1,671,688). The number of options outstanding together with those available for future issuance totals 2,216,028 (2016 - 2,298,345) or 5.2% (2016 - 5.4%) of the issued and outstanding common shares. The options are granted for a term of 5 to 10 years, and the options vest at 20% at each anniversary date from the date of grant.

Stock-based compensation
Stock-based compensation resulting from applying the Black-Scholes option pricing model to the Company's Stock Option Plan was $591 for the year ended September 30, 2017 (2016 - $682). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used to measure the fair

$(000)'s except per share amounts

value of stock options and the weighted average fair value of options granted during the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Risk-free interest rates	**0.95%**	0.88%
Expected dividend yield	**2.61%**	1.63%
Expected volatility	**31.07%**	33.37%
Expected time until exercise	**5.50 years**	5.50 years
Weighted average fair value of the options granted	**$2.29**	$3.83

DSU Plan

The Company has a DSU plan under which members of the Company's Board of Directors who are not management receive a portion of their annual retainers and fees in the form of DSUs, which are classified as other accrued liabilities. The DSUs vest on the date they are granted and are settled in cash upon termination of Board service. This is a cash-settled compensation arrangement.

During the year ended September 30, 2017, the Company granted 11,190 DSUs (2016 - 6,510 DSUs) and redeemed 28,966 DSUs. During the year ended September 30, 2017 the Company recorded stock-based compensation income of $82 (2016 - $178 expense) related to awards under the DSU plan with a corresponding debit to other accrued liabilities. As at September 30, 2017, 90,617 DSUs were outstanding with a carrying value of $886 recorded in other accrued liabilities.

Contributed surplus

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. The following is a continuity schedule of contributed surplus:

	2017	2016
Balance, beginning of year	**$3,566**	$3,283
Stock option expense	**591**	682
Exercise of stock options	**(159)**	(399)
Balance, end of year	**$3,998**	$3,566

Normal course issuer bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning February 16, 2017. The Company's Board of Directors authorized the purchase of up to 1,000,000 common shares representing approximately 2% of the Company's outstanding common shares. During the year 151,100 common shares were repurchased (2016 - nil) for a total cost of $1,464. The cost to repurchase the common shares in the year exceeded their stated value by $1,280 which was charged against retained earnings.

4. BANK INDEBTEDNESS AND LONG-TERM DEBT

The operating lines are available in US dollars, Canadian dollars, and Euros at variable rates ranging from prime minus 0.5% to prime plus 0.5%. The Company's North American credit facilities are collateralized by a general security agreement over its North American assets. The Bulgarian credit facilities are collateralized by a security interest over the Company's Bulgarian assets.

$(000)'s except per share amounts

		Utilizations		Unused and
	Facilities	**Current**	**Long-term**	**Available**
JP Morgan, credit facility (Canada, USA)	**$50,000**	$6,853	$23,000	$20,147
JP Morgan, operating line (Europe)	**2,285**	737	-	1,548
DSK Bank, operating lines (Bulgaria)	**8,127**	8,127	-	-
	$60,412	**$15,717**	**$23,000**	**$21,695**

	2017	2016
Prime rate in Canada	**2.95%**	2.70%
Prime rate in USA	**4.25%**	3.50%
Prime rate in Eurozone	**0.00%**	0.00%

On February 18, 2016, the Company closed an agreement for a new $100,000 Committed Revolving Credit Facility with JP Morgan Chase Bank N.A., and on July 24, 2017, the Company elected to reduce the facility to $50,000. As at September 30, 2017, the Company had utilized the facility in the amount of $29,853 (2016 - $47,363). The facility has a three-year term and there are no specific repayment terms prior to maturity. The facility is collateralized by a general security agreement covering all assets of the Company's Canadian and US subsidiaries with the exception of real property.

The Credit Facility is available to fund working capital, capital expenditures and other general corporate purposes of the Company and its subsidiaries, including acquisitions. Interest rates vary based on prime, bankers' acceptance, CDOR or LIBOR base rates plus a relevant margin depending on the level of the Company's net leverage ratio. Pursuant to the terms of the credit agreement, the Company is required to maintain compliance with a net worth covenant. The Company was in compliance with these covenants as at September 30, 2017.

Additionally, the Company maintains a credit facility with JP Morgan Chase Bank N.A. London Branch related to any needs for Euro currency. The facility totals $2,285 (EUR 1.55 million) and bears interest based on LIBOR. The Company had utilized $737 as at September 30, 2017.

On September 15, 2017, the Company renewed a credit facility with DSK Bank in Bulgaria, which expires on July 15, 2018. The committed credit facility totals EUR 5.5 million and is comprised of a loan for EUR 4.0 million and an accounts receivable factoring facility for specified customers to a maximum amount of EUR 1.5 million. Both components of the credit facility bear interest based on Euribor and are demand facilities. The loan is available to fund general working capital needs and capital expenditures in Bulgaria. The Bulgarian credit facilities are collateralized by a security interest over the Company's Bulgarian assets.

On April 4, 2016, the Company entered into promissory Term Notes amounting to US$9,307 in conjunction with the acquisition of AFX Industries L.L.C. ("AFX"). The Term Notes bear interest at a rate equal to the mid-term Applicable Federal Rate in the United States, compounded annually. The principal and interest are payable in three annual payments on the anniversary date of the AFX acquisition. The Term Notes are unsecured.

Further, in the USA, the Company also has a long-term promissory note payable over five years and collateralized by a specific parcel of land purchased as a factory location. The note bears interest at 6%. The interest and principal are forgivable over a five-year period, subject to the Company meeting certain performance criteria for the specific factory location. The note matures and expires in February 2021. As at September 30, 2017 there are no unfulfilled conditions or contingencies attached to this loan.

$(000)'s except per share amounts

The components of long-term debt are as follows:

	September 30, 2017	September 30, 2016
Bank debt	**$23,000**	$46,000
Term notes	**7,744**	12,210
Finance leases	**-**	18
Promissory note	**349**	459
Subtotal	**31,093**	58,687
Less: current portion	**(3,959)**	(4,173)
Long-term debt, long-term portion	**$27,134**	$54,514

5. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	**Tools**	**Buildings**	**Land**	**Assets under Construction**	**Total**
Cost						
Balance as at September 30, 2015	$180,335	$21,279	$60,487	$9,564	$7,339	$279,004
Additions						
Assets acquired	3,325	664	567	-	18,098	22,654
Assets acquired from business acquisition (note 17)	2,738	101	67	-	-	2,906
Reclassification	13,649	755	6,845	78	(21,327)	-
Less: disposals	(13,311)	(1,634)	(176)	-	-	(15,121)
Foreign exchange movement	(472)	(162)	(50)	29	(72)	(727)
Balance as at September 30, 2016	186,264	21,003	67,740	9,671	4,038	288,716
Additions						
Assets acquired	2,031	990	431	596	11,247	15,295
Reclassification	9,850	853	875	-	(11,578)	-
Less: disposals	(2,349)	(1,218)	(35)	-	-	(3,602)
Foreign exchange movement	(3,247)	(516)	(1,447)	(190)	(52)	(5,452)
Balance as at September 30, 2017	**$192,549**	**$21,112**	**$67,564**	**$10,077**	**$3,655**	**$294,957**

$(000)'s except per share amounts

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2015	$130,529	$15,732	$28,492	$-	$-	$174,753
Depreciation for the year	10,477	1,799	2,511	-	-	14,787
Less: disposals	(12,749)	(1,521)	(175)	-	-	(14,445)
Foreign exchange movement	(738)	(134)	(202)	-	-	(1,074)
Balance as at September 30, 2016	127,519	15,876	30,626	-	-	174,021
Depreciation for the year	11,218	1,876	2,680	-	-	15,774
Less: disposals	(2,186)	(1,104)	(35)	-	-	(3,325)
Reclassification	(5)	5	-	-	-	-
Foreign exchange movement	(1,996)	(466)	(575)	-	-	(3,037)
Balance as at September 30, 2017	**$134,550**	**$16,187**	**$32,696**	**$-**	**$-**	**$183,433**
Carrying amounts						
As at September 30, 2016	$58,745	$5,127	$37,114	$9,671	$4,038	$114,695
As at September 30, 2017	**$57,999**	**$4,925**	**$34,868**	**$10,077**	**$3,655**	**$111,524**

As at September 30, 2017, the Company had deposits for machinery and equipment and buildings under construction totalling $3,655 (2016 - $4,038). These assets are not being depreciated because they are under construction and not in use.

6. INTANGIBLE ASSETS AND GOODWILL

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Cost					
Balance as at September 30, 2015	$24,212	$3,500	-	$27,712	$23,852
Additions					
Assets acquired	658	-	634	1,292	-
Assets acquired from business acquisition (note 17)	356	42,898	-	43,254	39,811
Reclassifications	252	-	(252)	-	-
Less: disposals	(5,618)	-	-	(5,618)	-
Foreign exchange movement	(27)	430	-	403	408
Balance as at September 30, 2016	19,833	46,828	382	67,043	64,071
Additions					
Assets acquired	815	-	176	991	-
Reclassification	132	-	(132)	-	-
Foreign exchange movement	(166)	(2,115)	1	(2,280)	(1,980)
Balance as at September 30, 2017	**$20,614**	**$44,713**	**$427**	**$65,754**	**$62,091**

$(000)'s except per share amounts

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2015	$22,829	$1,114	$-	$23,943	$-
Amortization for the year	863	2,287	-	3,150	-
Less: disposals	(5,618)	-	-	(5,618)	-
Foreign exchange movement	(30)	12	-	(18)	-
Balance as at September 30, 2016	18,044	3,413	-	21,457	-
Amortization for the year	933	3,898	-	4,831	-
Foreign exchange movement	(148)	(235)	-	(383)	-
Balance as at September 30, 2017	**$18,829**	**$7,076**	**$-**	**$25,905**	**$-**
Carrying amounts					
As at September 30, 2016	$1,789	$43,415	$382	$45,586	$64,071
As at September 30, 2017	**$1,785**	**$37,637**	**$427**	**$39,849**	**$62,091**

**Acquisition intangibles are comprised of customer relationships and trade names resulting from business acquisitions and the purchase price allocation thereof (see note 2).

Of the total goodwill disclosed above, $61,820 is allocated to the Automotive Solutions segment and the remainder to the Casting and Extrusion segment.

Of the customer relationships, $3,500 is amortized over 5 years and $37,364 is amortized over 15 years.

Impairment testing of goodwill
The Company performed the annual impairment test of goodwill allocated to the Automotive Solutions segment and the Casting & Extrusion segment as at September 30, 2017. The recoverable amount of each segment has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 1% growth rate, which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to future cash flows was 7.8%. As a result of the analysis, management determined there was no impairment for either business segment.

Key assumptions to value-in-use calculations
The calculation of the value-in-use for the Automotive Solutions segment is most sensitive to the following assumptions:

-Discount rates
-Growth rate to extrapolate cash flows beyond the budget period
-Revenue and margin growth rates during budget period

The discount rate used represents the current market assessment of the risks specific to each business segment, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the CGU's weighted average cost of capital, taking into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's shareholders. The cost of debt is based on the interest-bearing borrowing the Company is obliged to service. Segment-specific risk is incorporated by applying different debt to equity ratios.

$(000)'s except per share amounts

Sensitivity to changes in assumptions
Management believes that within reason, possible changes to any of the above key assumptions, recoverable amounts exceed carrying values.

7. PROVISIONS

The following table outlines the provisions at the dates of the consolidated statements of financial position and changes to the provisions during the reporting periods.

	September 30, 2017	September 30, 2016
Severance	**$1,188**	$1,205
Warranties	**151**	153
Claims and litigation	**-**	24
	$1,339	$1,382

The fair value of the above provisions is management's best estimate based on information available. The ultimate amounts of the payments approximate the provision amounts and the timing of payments is expected to be within the next twelve months. There is no reimbursement expected for any of these provisions.
The movement in the provision accounts is as follows:

	Severance	Warranties	Claims and Litigation	Total
Closing balance, as at September 30, 2015	$1,753	$33	$24	$1,810
Additions	1,003	120	-	1,123
Acquired through business acquisition	557	-	-	557
Utilized	(1,682)	-	-	(1,682)
Reversals	(293)	-	-	(293)
Foreign exchange differences	(133)	-	-	(133)
Closing balance, as at September 30, 2016	$1,205	$153	$24	$1,382
Additions	690	-	-	690
Utilized	(693)	-	(24)	(717)
Foreign exchange differences	(14)	(2)	-	(16)
Closing balance, as at September 30, 2017	**$1,188**	**$151**	**$0**	**$1,339**

8. TOOL CONSTRUCTION CONTRACTS

Contract revenue recognized under the percentage of completion method during the year amounted to $44,293 (2016 - $52,126). For contracts in progress, the following table summarizes the aggregate amount of costs incurred, profits recognized, progress billings from customers for the related contracts and retentions being held to date.

$(000)'s except per share amounts

	September 30, 2017	September 30, 2016
Contracts in progress:		
Aggregate amount of costs incurred to date	**$25,360**	$17,393
Add: profits recognized to date	**4,112**	5,409
Gross: unbilled revenue	**29,472**	22,802
Less: progress billings	**(9,265)**	(3,588)
Net unbilled revenue	**$20,207**	$19,214
Due from customers	**$20,833**	$19,773
Due to customers	**($626)**	($559)
Net unbilled revenue	**$20,207**	$19,214

9. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Cash and cash equivalents	Financial assets – held for trading measured at fair value
Accounts receivable*	Financial assets – measured at amortized cost
Trade accounts payable	Financial liabilities – measured at amortized cost
Bank indebtedness	Financial liabilities – measured at amortized cost
Customer advance payments	Financial liabilities – financial liabilities measured at amortized cost
Accrued liabilities	Financial liabilities – financial liabilities measured at amortized cost
Derivative instruments	Financial liabilities – held for trading measured at fair value
Long-term debt	Financial liabilities – measured at amortized cost

**Recorded net of allowance for doubtful accounts.*

Foreign exchange contracts

The Company entered into a series of Collars extending through to September 25, 2020 and designated them as cash flow hedges against Mexican payroll and other local Mexican costs. The total amount of these Collars is 624.0 million Mexican pesos (September 30, 2016 - 384.0 million Mexican pesos). The selling price ranges from 17.295 to 22.00 Mexican pesos to each US dollar. Management estimates that a cumulative loss of $314 (September 30, 2016 - loss of $4,158) would be realized if these Collars were terminated on September 30, 2017. Net of income tax recovery of $81, the cumulative loss of $233 is recorded in other comprehensive income. During the year, the estimated fair value gain of $2,784, net of deferred income tax payable of $993 (2016 - loss of $1,173 net of income tax recovery of $409) has been included in other comprehensive income, and the cumulative loss of $314 is recorded in the consolidated statements of financial position under the caption derivative instruments.

Financial risk management

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of the risks and how they are managed:

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company's primary credit risk is its outstanding trade accounts receivable. The carrying amount of its outstanding trade accounts receivable represents the Company's estimate of its maximum credit exposure. The Company regularly monitors its credit risk exposure and takes steps such as credit approval procedures, establishing credit limits, utilizing credit assessments and monitoring practices to mitigate the likelihood of these exposures from resulting in an actual loss. The carrying amount of the trade accounts receivable disclosed in the consolidated statements of financial position is net of allowance for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers as well as the general economic environment. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income and comprehensive income. As at September 30, 2017, the accounts receivable balance (net of allowance for doubtful accounts) is $94,332 (2016 - $107,900) and the Company's five largest trade debtors accounted for 37.2% of the total accounts receivable balance (2016 – 34.6%). As at September 30, 2017, accounts receivable of $591 (2016 - $637) are insured against default.

$(000)'s except per share amounts

The following table presents a breakdown of the Company's accounts receivable balances:

	September 30, 2017	September 30, 2016
Trade accounts receivable	**$91,600**	$100,471
Employee receivable	**240**	203
Sales tax receivable	**2,345**	3,595
Other	**791**	4,197
Less: allowance for doubtful accounts	**(644)**	(566)
Total accounts receivable, net	**$94,332**	$107,900

The aging of trade accounts receivable balances is as follows:

	September 30, 2017	September 30, 2016
Not past due	**$75,294**	$87,537
Past due 1-30 days	**8,233**	10,116
Past due 31-60 days	**5,152**	884
Past due 61-90 days	**987**	850
Past due over 90 days	**1,934**	1,084
Less: allowance for doubtful accounts	**(644)**	(566)
Total trade accounts receivable, net	**$90,956**	$99,905

The movement in the allowance for doubtful accounts is as follows:

	September 30, 2017	September 30, 2016
Opening balance	**$566**	$572
Additions	**262**	274
Utilized	**(174)**	(121)
Reversal	**(23)**	(153)
Exchange differences	**13**	(6)
Closing balance	**$644**	$566

b) Liquidity risk
Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously monitoring cash flows from its operating, investing and financing activities. The Company does not carry excess credit facilities due to the stand-by costs charged by its lenders. As at September 30, 2017, the Company has a net debt balance of $10,934 (2016 - $44,647) and unused credit facilities of $21,695 (2016 - $56,123).

$(000)'s except per share amounts

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following tables summarize the Company's significant commitments on an undiscounted basis and corresponding maturities:

		September 30, 2017		
	Total	**< 1 Year**	**1-3 Years**	**Over 3 Years**
Bank indebtedness	**$15,717**	**$15,717**	**$-**	**$-**
Trade accounts payable	**48,369**	**48,369**	**-**	**-**
Long-term debt	**31,093**	**3,959**	**27,047**	**87**
Operating leases	**4,896**	**1,724**	**3,015**	**157**
Capital expenditures	**398**	**398**	**-**	**-**
	$100,473	**$70,167**	**$30,062**	**$244**

		September 30, 2016		
	Total	< 1 Year	1-3 Years	Over 3 Years
Bank indebtedness	$13,469	$13,469	$-	$-
Trade accounts payable	64,948	64,948	-	-
Long-term debt	58,687	4,173	54,514	-
Operating leases	5,549	1,604	3,115	830
Capital expenditures	2,175	2,175	-	-
	$144,828	$86,369	$57,629	$830

c) Foreign exchange risk

The Company operates in Canada with subsidiaries located in the United States, Mexico, Colombia, Brazil, Thailand, Bulgaria and Morocco. It is exposed to foreign exchange transaction and translation risk through its operating activities. Unfavourable changes in the exchange rates may affect the operating results and shareholders' equity of the Company. In order to mitigate the foreign currency exposure, the Company reduces part of its foreign exchange risk by sourcing a significant portion of its manufacturing inputs in the currency that its sales are denominated in. In addition to the above natural hedge, the Company also uses Collars to hedge cash outflows for the Mexican payroll and other local Mexican costs. These Collars are designated as cash flow hedges. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of income and comprehensive income. The Company does not mitigate the translation risk exposure of its foreign operations due to the fact that these investments are considered to be long-term in nature.

With all other variables held constant, the following tables outline the Company's annual foreign exchange exposure at one percent fluctuation between various currencies compared with the average annual exchange rate.

	1 % Fluctuation USD vs. CAD	1 % Fluctuation EUR vs. CAD	1 % Fluctuation MXP vs. CAD
Income before income taxes	+/- 1,186	+/- 44	+/- 4
Other comprehensive income	+/- 2,233	+/- 332	+/- 48

	1 % Fluctuation COP vs. CAD	1 % Fluctuation BRL vs. CAD	1 % Fluctuation ZAR vs. CAD
Income before income taxes	+/- 13	+/- 15	+/- 14
Other comprehensive income	+/- 74	+/- 206	+/- 1

$(000)'s except per share amounts

d) Interest rate risk
The Company's exposure to interest rate risk relates to its net cash position, variable rate credit facilities and variable rate long-term debt. The Company mitigates its interest rate risk exposure by reducing or eliminating its overall debt position. Net income or loss is sensitive to the impact of a change in interest rates on the average balance of interest-bearing financial liabilities during the year. As at September 30, 2017, the Company has a net debt position of $10,934 (2016 - $44,647 net debt).

e) Fair value
Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Presented below is a comparison of the fair value of each financial instrument to its carrying value.

Due to their short-term nature, the fair value of cash and cash equivalents, accounts receivable, trade accounts payable and customer advance payments is assumed to approximate their carrying value.

The fair values of derivative instruments that are not traded in an active market, such as over-the-counter foreign exchange options and Collars, are determined using quoted forward exchange rates as at the consolidated statement of financial position dates and are Level 2 instruments.

During the year ended September 30, 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

The fair values of cash and cash equivalents, bank indebtedness, trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value as the instruments' terms and interest rate are market based.

The carrying value and fair value of all financial instruments are as follows:

	September 30, 2017		September 30, 2016	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	**$35,876**	**$35,876**	$27,509	$27,509
Accounts receivable	**94,332**	**94,332**	107,900	107,900
Trade accounts payable	**(48,369)**	**(48,369)**	(64,948)	(64,948)
Bank indebtedness	**(15,717)**	**(15,717)**	(13,469)	(13,469)
Customer advance payments	**(3,223)**	**(3,223)**	(1,654)	(1,654)
Accrued liabilities	**(22,808)**	**(22,808)**	(21,965)	(21,965)
Derivative instruments	**(314)**	**(314)**	(4,158)	(4,158)
Long-term debt	**($31,093)**	**($31,093)**	($58,687)	($58,687)

10. INVENTORIES

	September 30, 2017	September 30, 2016
Raw materials	**$38,068**	$43,525
Work in process	**7,329**	9,309
Finished goods	**14,106**	14,401
Production supplies	**3,857**	3,273
Less: obsolescence provision	**(3,578)**	(3,316)
	$59,782	$67,192

$(000)'s except per share amounts

The movement in the obsolescence provision accounts is as follows:

	September 30, 2017	September 30, 2016
Opening balance	**$3,316**	$2,424
Additions	**1,243**	1,880
Acquired through business acquisition	**-**	416
Utilized	**(770)**	(1,258)
Reversals	**(94)**	(135)
Exchange differences	**(117)**	(11)
Closing balance	**$3,578**	$3,316

During the year, inventories of $306,306 (2016 - $318,413) were expensed, of which $1,149 was from the write-downs of inventories (2016 - $1,745), net of $94 reversal of write-downs (2016 - $135).

11. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2017, total managed capital amounted to $312,192 (2016 - $324,052), consisting of net debt of $10,934 (2016 - $44,647) and shareholders' equity of $301,258 (2016 - $279,405).

The Company's objectives when managing capital are to:

- utilize short-term funding sources to manage its working capital requirements and fund capital expenditures required to execute its operating and strategic plans; and

- maintain low overall debt levels relative to shareholders' equity with a strong bias for short-term debt in order to minimize the cost of capital and allow maximum flexibility to respond to current and future industry, market and economic risks and opportunities.

The following ratios are used by the Company to monitor its capital:

	September 30, 2017	September 30, 2016
Net debt to equity ratio	**0.04:1**	0.16:1
Net debt to EBITDA ratio	**0.13:1**	1.87:1

The following table details the net debt calculation used in the net debt to equity ratio as at the years ended as indicated:

	September 30, 2017	September 30, 2016
Bank indebtedness	**$46,810**	$72,156
Less: cash and short-term deposits	**(35,876)**	(27,509)
Net debt	**$10,934**	$44,647

The net debt to EBITDA ratio is calculated by dividing the net debt by EBITDA, and the Company calculates EBITDA as earnings before other income/expense, interest, taxes, depreciation and amortization.

Based on the current funds available and the expected cash flow from operations, management believes that the Company has sufficient funds to meet its liquidity requirements.

$(000)'s except per share amounts

The Company is not subject to any capital requirement imposed by regulators; however, the Company must adhere to a net worth covenant related to the terms of its bank credit facility. As at September 30, 2017, the Company was in compliance with the required financial covenants.

12. OTHER INFORMATION

A. SEGMENTED INFORMATION

Business segments
The Company operates in two business segments: Casting and Extrusion and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 2 to the consolidated financial statements.

The Casting and Extrusion segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for seating, cargo storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

The Company evaluates the performance of its operating segments primarily based on net income before interest, other income (expense) and income tax expense.

The Corporate segment involves administrative expenses that are not directly related to the business activities of the above two operating segments.

				2017
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$190,803**	**$401,959**	**$-**	**$592,762**
Intercompany sales	**(7,557)**	**(1,000)**	**-**	**(8,557)**
Net sales	**183,246**	**400,959**	**-**	**584,205**
Depreciation	**12,404**	**3,324**	**46**	**15,774**
Amortization	**786**	**4,043**	**2**	**4,831**
Segment pre-tax income (loss) before interest and other	**17,967**	**51,100**	**(6,484)**	**62,583**
Other expense	**-**	**(1,223)**	**-**	**(1,223)**
Net interest expense				**(1,327)**
Income before income taxes				**60,033**
Property, plant and equipment additions	**10,505**	**4,743**	**47**	**15,295**
Property, plant and equipment, net	**88,422**	**21,822**	**1,280**	**111,524**
Intangible asset additions	**838**	**153**	**-**	**991**
Intangible assets, net	**1,775**	**38,069**	**5**	**39,849**
Goodwill	**271**	**61,820**	**-**	**62,091**
Total assets	**182,850**	**246,718**	**1,653**	**431,221**
Total liabilities	**29,268**	**65,502**	**35,193**	**129,963**

$(000)'s except per share amounts

				2016
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$197,942	$397,697	$-	$595,639
Intercompany sales	(5,722)	(928)	-	(6,650)
Net sales	192,220	396,769	-	588,989
Depreciation	11,543	3,217	27	14,787
Amortization	696	2,454	-	3,150
Segment pretax income (loss) before interest and other	24,705	48,012	(7,259)	65,458
Other income	-	3,440	-	3,440
Net interest expense				(1,289)
Income before income taxes				67,609
Property, plant and equipment additions	20,057	2,382	215	22,654
Property, plant and equipment acquired through business acquisition	-	2,906	-	2,906
Property, plant and equipment, net	92,644	20,772	1,279	114,695
Intangible asset additions	977	309	6	1,292
Intangibles acquired through business acquisition	-	43,254	-	43,254
Intangible assets, net	1,729	43,851	6	45,586
Goodwill acquired through business acquisition	-	39,811	-	39,811
Goodwill, net	292	63,779	-	64,071
Total assets	181,019	269,233	2,689	452,941
Total liabilities	26,104	76,948	70,484	173,536

Geographic and customer information

Sales	**2017**	2016
Canada	**$18,273**	$22,549
United States	**309,818**	288,853
Europe	**166,314**	208,531
Mexico	**67,073**	49,008
South America	**8,852**	7,883
Asia	**7,169**	7,060
Other	**6,706**	5,105
	$584,205	$588,989

In 2017 the total billings to the Company’s largest 2 customers accounted for 13.4% and 5.1% (2016 - 14.3% and 10.1%) of total sales. The account receivable pertaining to these customers were $9,974 and $5,294 at year- end (2016 - $10,415 and $7,196). The allocation of sales to the geographic categories is based upon the customer location where the product is shipped. In 2017, the Company’s largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment (2016 - the Company’s largest 2 customers were from the Automotive Solutions segment).

$(000)'s except per share amounts

Property, plant and equipment, net	**September 30, 2017**	September 30, 2016
Canada	**$40,061**	$40,667
United States	**31,856**	34,084
Mexico	**8,393**	7,885
South America	**10,843**	11,866
Thailand	**7,904**	9,318
Europe	**3,281**	3,508
Morocco	**9,186**	6,963
South Africa	**-**	404
	$111,524	$114,695

Property, plant and equipment are attributed to the country in which they are located.

Intangible assets, net	**September 30, 2017**	September 30, 2016
Canada	**$1,459**	$1,386
United States	**36,985**	42,207
Mexico	**60**	59
South America	**162**	88
Thailand	**29**	67
Europe	**1,026**	1,750
Morocco	**128**	27
South Africa	**-**	2
	$39,849	$45,586

B. EMPLOYEE FUTURE BENEFITS

The Company accrues employee future benefits for all of its Mexican employees. These benefits consist of a one-time payment equivalent to 12 days of wages for each year of service (at the employee’s most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to vesting of their seniority premium benefit. Under Mexican labour laws, the Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months’ wages upon involuntary termination without just cause.

The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments and amounted to $852 as at September 30, 2017 (2016 - $794) and is recorded under the caption other accrued liabilities on the consolidated statements of financial position. In determining the expected future payments, assumptions regarding employee turnover rates, inflation, minimum wage increases and expected salary levels are required and are subject to review and change.

C. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management personnel during the years ended September 30, 2017 and 2016 were as follows:

$(000)'s except per share amounts

	September 30, 2017	September 30, 2016
Salaries and cash incentives (i)	**$3,907**	$5,009
Directors' fees	**343**	327
Share-based awards (ii)	**120**	90
	$4,370	$5,426

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2017 and 2016.
ii) Share-based payments are director share units granted to directors and the fair value of stock options granted to key management personnel.

13. INCOME PER COMMON SHARE

Income per common share is calculated using net income and the monthly weighted average number of common shares outstanding of 42,600,223 (2016 - 42,497,182). Any potential common shares for which the effect is anti-dilutive have not been reflected in the calculation of diluted income per share. There was an immaterial dilution effect of 74,712 shares from the outstanding stock options on diluted weighted average number of common shares outstanding for 2017 (2016 - 195,863).

14. INCOME TAXES

	2017	
Income before income taxes	**$60,033**	**100.0%**
Income tax expense at Canadian statutory rates	**15,836**	**26.4%**
Manufacturing and processing deduction	**(390)**	**(0.7%)**
Foreign rate differential	**1,020**	**1.7%**
Non-taxable income net of non-deductible expenses	**(1,937)**	**(3.2%)**
Losses not tax effected	**1,923**	**3.2%**
Other	**1,062**	**1.8%**
Reported income tax expense	**$17,514**	**29.2%**

	2016	
Income before income taxes	$67,609	100.0%
Income tax expense at Canadian statutory rates	17,713	26.2%
Manufacturing and processing deduction	(139)	(0.2%)
Foreign rate differential	4,011	5.9%
Non-taxable income net of non-deductible expenses	(3,377)	(5.0%)
Withholding tax on dividend	853	1.3%
Losses not tax effected	266	0.4%
Other	725	1.1%
Reported income tax expense	$20,052	29.7%

$(000)'s except per share amounts

The major components of income tax expense are as follows:

	2017	2016
Current income tax expense		
Based on taxable income for the year	**$18,543**	$16,567
Withholding tax on dividend	**-**	853
	18,543	17,420
Deferred income tax expense (recovery)		
Origination, reversal of temporary differences and losses not recognized	**(1,029)**	2,632
Reported income tax expense	**$17,514**	$20,052

Deferred income tax assets and liabilities consist of the following temporary differences:

	2017	2016
Deferred tax assets		
Tax benefit of loss carry forward	**$803**	$1,239
Items not currently deductible for income tax purposes	**262**	582
Unrealized foreign exchange losses	**317**	-
	1,382	1,821
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**(3,370)**	(4,910)
Unrealized revenue and foreign exchange	**(513)**	(1,090)
Investment in subsidiaries	**(3,217)**	(1,271)
	(7,100)	(7,273)
Net deferred income tax liabilities	**($5,718)**	($5,452)

15. CONSOLIDATED STATEMENTS OF CASH FLOW

Net change in non-cash working capital
The net change in non-cash working capital balances related to operations consists of the following:

	2017	2016
Accounts receivable	**$11,328**	$9,106
Unbilled revenue	**(1,234)**	(2,093)
Inventories	**5,382**	(475)
Prepaid expenses and deposits	**777**	(2,388)
Trade accounts payable	**(15,296)**	2,984
Accrued payroll liabilities	**(352)**	3,307
Other accrued liabilities	**1,748**	(4,550)
Provisions	**(43)**	(428)
Customer advance payments	**1,569**	(1,336)
Income taxes payable	**(2,141)**	(8,187)
	$1,738	($4,060)

16. CONTINGENT LIABILITIES.

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses, and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue.

During 2017, the Company agreed with a customer (the “Customer”) to utilize a government-sponsored third party (the “Third Party”) tool financing program (the “Program”). The Program allows the Company to receive payment from the Third Party in advance (the “Advance Payments”) of either tool delivery or the Customer’s receipt of payment from the Original Equipment Manufacturer (the “OEM”). The Customer is obligated to pay all costs of the Program including principal and interest. The Third Party retains recourse against the Company if the Customer fails to repay the Advance Payments to the Third Party within 24 months of the Advance Payment. The Company has been indemnified by the Customer in this regard and expects recourse against it to be extinguished in the normal course of business upon the Customer’s receipt of payment from the OEM. The Advance Payments paid to the Company under this Program amounted to $3,083 as at September 30, 2017 (2016 - nil) and related liabilities and receivables were not recorded on the Company’s consolidated statements of financial position.

There are no material contingent liabilities as at September 30, 2017 (2016 - nil).

17. BUSINESS ACQUISITION

The Company accounts for acquisitions using the acquisition method of accounting with the results of operations included in the Company’s consolidated financial statements from the respective date of the acquisition.

On April 4, 2016, the Company completed the acquisition of 100% of the ownership interest in AFX Industries L.L.C. (“AFX”) for consideration of US$73,390 (CAD $95,334) excluding US$4,420 (CAD $5,742) of assumed debt. A portion of the consideration amounting to US$9,307 (CAD $12,090) was deferred and payable over three years. Subsequent to closing, the acquisition price was reduced by US$1.07 (CAD $1.39) million to reflect changes in the AFX balance sheet in accordance with the acquisition agreement. This reduction is reflected in the following table depicting the final purchase price allocation. AFX is based in Port Huron, Michigan with manufacturing operations in Matamoros, Mexico. AFX is a Tier 2 supplier of leather and leather-like interior trim components to the North American automotive market. AFX supplies die cut leather sets for seating and many other interior trim applications as well as injection-moulded, hand-sewn, machine-sewn and hand-wrapped interior components of all types. The AFX operations are complementary to the Company's existing automotive interior trim business and will provide the Company with new production capabilities and customer relationships.

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon the estimated fair values at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, and using independent valuations and management’s best estimates.

The final purchase price was allocated to the identifiable assets acquired and liabilities assumed based on the fair value of the total consideration as follows:

$(000)'s except per share amounts

Trade accounts receivable and other	$20,078
Inventories	12,124
Property, plant and equipment	2,906
Bank indebtedness	(3,383)
Trade accounts payable, accrued liabilities and other	(18,666)
Long-term debt	(2,010)
Net identifiable assets	11,049
Intangible assets	43,254
Residual purchase price allocation to goodwill	39,811
Non-monetary net assets acquired	**94,114**
Cash acquired	180
	$94,294

Acquisition funded as follows:	
Cash	$82,024
Term Notes, payable over three years	12,090
	$94,114

Costs related to the AFX acquisition amounted to $1.5 million and were expensed under selling, general and administrative expenses on the consolidated statements of income and comprehensive income.

The fair value of the trade accounts receivable equals the gross amount of the trade accounts receivable less allowance for bad debts and amounts to $19,226. The net contractual amount was considered collectible at the date of acquisition.

AFX's investment in a joint operation has been accounted for in accordance with the joint arrangement accounting policy; see note 2.

The primary factors that contributed to the residual purchase price allocation and resulted in the recognition of goodwill are: the existing AFX business; the acquired workforce; access to growth opportunities with existing customers; and the combined strategic value to the Company's growth plan.

18. INTEREST EXPENSE (INCOME)

The following table outlines the interest expense (income) incurred during the year:

	September 30, 2017	September 30, 2016
Interest expense on bank indebtedness and long-term debt	**$1,338**	$1,391
Interest income on deposits	**(11)**	(102)
Net interest expense	**$1,327**	$1,289

19. OTHER EXPENSE AND INCOME

On November 12, 2016 of the current fiscal year, the Company ceased production in Lesotho and commenced the process of liquidating and winding-up the ALC legal entities in Lesotho and South Africa. Post-production non-operating expenses incurred for the year ended September 30, 2017 amounted to $1,223 (2016 - nil) and included non-cash asset write-downs of $707 and a loss on disposal of capital assets of $23.

On April 7, 2016 of the prior fiscal year, the Company concluded a commercial arbitration that it initiated in 2015. As a result, the Company received a settlement payment of $3,440 during the third quarter of the 2016 fiscal year.

CORPORATE INFORMATION

Board of Directors

Laurie T.F. Bennett, CPA, CA
Corporate Director

Edward H. Kernaghan, MSc
Executive Vice President
Kernaghan & Partners Ltd.

Nicole A. Kirk, BA, MBA
Corporate Director

Robert B. Magee, PEng
Chairman
Woodbridge Group

Philip B. Matthews, MA, CPA, CA
Corporate Director

Brian A. Robbins, PEng
President and CEO of the Company

Colleen M. McMorrow, FCPA, FCA,ICD.d
Corporate Director

Corporate Officers

Brian A. Robbins, PEng
President and CEO

Paul E. Riganelli, MA, MBA, LLB
Senior Vice President and COO

R. Drew Knight, CPA, CA
Chief Financial Officer & VP Finance
Secretary

Darren M. Kirk, MBA, CFA
Executive Vice President

Transfer Agent and Registrar

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Auditors

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Stock Listing

Toronto Stock Exchange (XTC)

Corporate Office

Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario L3R 5H6
Phone: 905.477.3065
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2017 Annual Meeting

The 2017 Annual Meeting for the Shareholders will be held at Magna Golf Club, 14780 Leslie St., Aurora on Wednesday, January 31, 2018 at 4:30 pm.

EXCO® Technologies Limited

www.excocorp.com

TSX-XTC