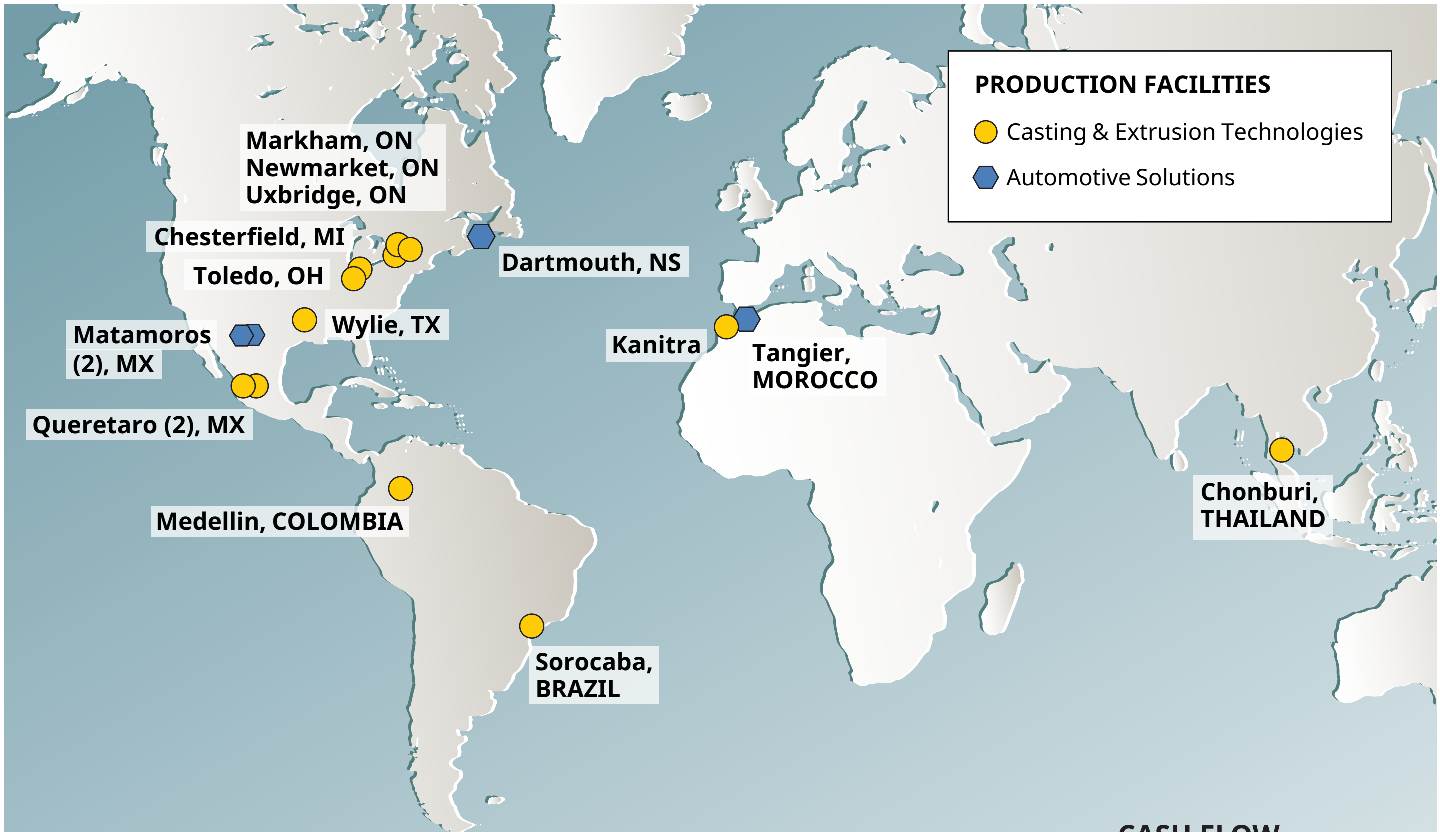
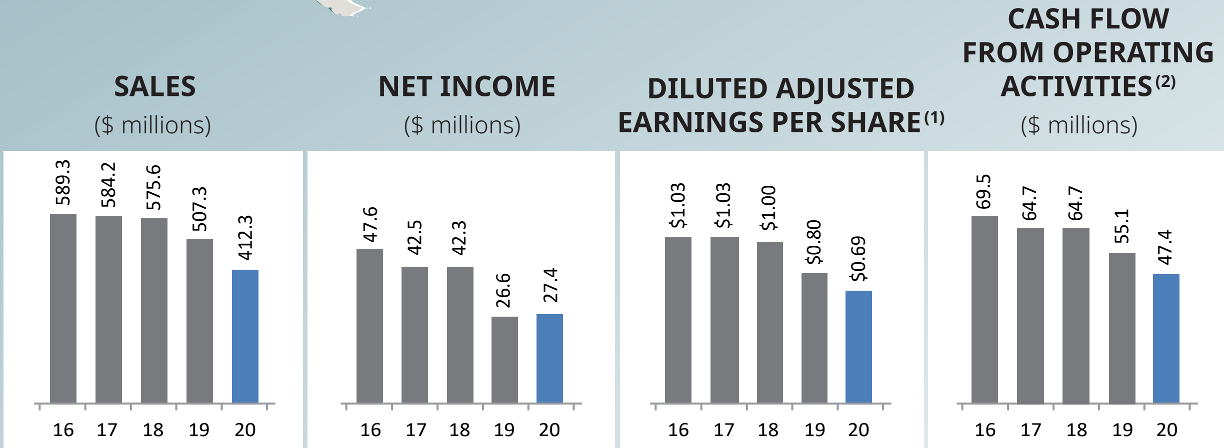
Technologies Limited

Shaping a **Sustainable** Future

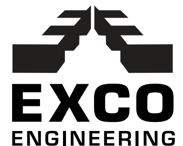
2020 ANNUAL REPORT

Technologies Limited





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



Shaping a Sustainable Future

This year proved to be a test for the world like no other in modern times. Within a few weeks, the COVID-19 global health pandemic changed the way we live, work, and socialize. Certain industries - like aviation – have been dramatically reshaped, perhaps indefinitely. Many industries however have seen underlying trends cemented, and even amplified. The automotive industry – Exco's primary end market is no exception. After initial steep declines as the impact of COVID hit, demand for passenger vehicles rebounded sharply, and has quickly approached pre-pandemic levels. Meanwhile, the trend towards making traditional vehicles lighter and more fuel efficient as well as the movement towards electric vehicles has only gained momentum as OEMs pursue a path to lower emissions. More broadly, sustainability initiatives have intensified across all industries. I am pleased to say Exco is very well positioned to grow profitably – and contribute positively to – these realities in the years ahead.

Fiscal 2020 results

It's no surprise that our results in Fiscal 2020 were adversely impacted by COVID as associated public health risks resulted in automotive production stoppages in our main markets for more than two months. Stay-at home orders for non-essential purposes lasted longer than this in many of the regions we operate. Yet, even through these extreme conditions, the majority of our manufacturing plants continued to operate. Despite a sudden and drastic decline in demand, we still produced positive EBITDA, generated Free Cash Flow, and achieved near-breakeven profitability at the height of these conditions in our third fiscal quarter. I know all our stakeholders appreciate these results were only possible with a lot of extra effort by – and disruption to – each of our employees. I am very thankful for the extra efforts of the entire Exco team, especially for working together to keep each other safe through these difficult times.

For the year, we delivered $0.69 of earnings per share and generated free cash flow of $42 million, of which we paid $15 million in dividends and directed the rest to share buy backs and to further strengthen our balance sheet. We ended the year in a $27 million net cash position which gives us great comfort in times of uncertainty such as these. But it also gives us the ability to take risks where we see opportunity. And we are actively seeking out such investments within our core market segments. But rest assured, we will be conservative and selective in whatever we pursue.

Beyond our financial results in fiscal 2020, we achieved much success operationally, which will be evident in the quarters and years to come. In our tooling group, our new extrusion die plant in Mexico performed extremely well with first full-year results exceeding our expectations. We also advanced our industry leading position in the 3D printing of powdered metal for tooling purposes, upgraded and added equipment across our business, gained several new customers and saw significant productivity gains. As well, we progressed key strategic investments that will see completion in fiscal 2021, including Castool's new greenfield plant in Morocco and a heat treatment facility in our Newmarket location. In our Automotive Solutions segment we continued to develop new innovative products, won sizeable new programs, and are readying for the launch of several key new programs in early fiscal 2021. In both of our business segments, the rise of the electric vehicle is clearly creating new opportunities, which we are actively seizing.

Where's the growth?

Investors have asked Exco in recent years, "where's

the growth?". Granted, we have encountered some recent challenges in this regard, so the question is fair.

COVID-related implications aside, chief among these challenges was the shrinking and then wind-down of ALC's operations, which we completed in the first quarter of fiscal 2019. We've also managed through a transition of reducing an overweight exposure to declining sedan platforms and implemented sizeable wage increases in Mexico to ensure we remain fair to our employees. We are not here to make excuses, but we believe these issues are now firmly behind us. And with their resolution, I have no doubt we will demonstrate our growth potential in the years ahead.

In our Automotive Solutions segment this growth is being driven by a number of factors, including: 1) the trend of OEMs to make their vehicles more appealing and profitable through the greater promotion of accessories and up-trimming vehicle interiors including increased use of leather, 2) increasing consumer demand for larger vehicles that have more cargo and cabin space, and 3) growing acceptance by European automakers that Morocco is a dependable and low-cost supply base. Pursuing these themes has allowed us to increase our content per vehicle and we see further gains ahead. And the increased adoption of electric vehicles is helping our growth prospects as there is generally more space in these vehicles for which our products are well suited. Many of our products are already being sold into electric vehicles and we have clear visibility to further sizeable opportunities in the near-term.

Growth in our Casting and Extrusion segment is being driven by higher demand for aluminum across the economy, but especially within the automotive sector. Automotive OEMs are reducing vehicle weight to curtail emissions in response to consumer demand and government regulations. To meet these requirements, they are making vehicles lighter, improving existing powertrains and accelerating investments in electric vehicles. In all cases, this is presenting incremental opportunity for both our die-cast and extrusion tooling solutions. While our large mould business will inevitably see a decline for demand in internal combustion engine (ICE) powertrain moulds, we expect this will occur slowly only over many years. In the interim, continuous improvements to ICE powertrain components, and an increasing use of aluminum to make structural components for all vehicles is expanding our market potential. As well, there is growing demand for our tooling from new applications, such as battery boxes and electric motor housings. We are already producing a wide range of tooling for many non-powertrain applications, and we see great opportunities ahead for more.

It is also important to recognize that our tooling products are getting larger and more complex, which plays to our competitive advantage given our unmatched scale, technical expertise and strong financial position. One only needs to look at the massive die-cast machines Tesla has recently installed to form an entire vehicle sub-structure from a single casting to see where the industry is going. Moreover, our multi-plant footprint gives us proximity to market which is desirable to make supply chains more resilient while reducing our carbon footprint. Minimizing material use while achieving the required strength is also increasingly necessary, which suits our additive manufacturing operations perfectly. With our continued focus on innovation, productivity improvements coupled with investments in our people and new equipment I have no doubt we will stay in front of the market. In Fiscal 2021, we plan to invest heavily in our capital agenda with a budget of about $35 million, which includes over $20 million for growth initiatives.

Operating sustainability

Operating sustainably is another key trend increasingly affecting all companies. At Exco, we are not major greenhouse gases emitters. Nonetheless, we are constantly looking for ways to use natural

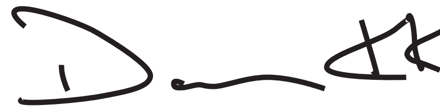
resources more responsibly and reduce the negative impact of emissions, waste generation, energy and water consumption in our operations. In this regard, several of our businesses have achieved ISO 14001 certification, the international standard that specifies requirements for an effective environmental management system. More broadly, we remain focused on employing lean manufacturing principles to reduce and eliminate waste while also making substantial investments in new, energy efficient equipment. In order to further minimize our environmental footprint, we also utilize recycled material and incorporate a material recycling process into our facilities, where possible. Technological advancements are also being employed to help achieve our goals. Such examples include software to manage our energy consumption towards off-peak hours and the adoption of additive manufacturing, which not only improves our existing products, but significantly reduces the use of steel, energy and transportation costs.

Several of the industries we serve also generally promote energy conservation. As discussed above, in our Casting and Extrusion segment, our tools are used to shape lightweight metals for use in the automotive industry, among others. As more aluminum, magnesium and other lightweight metals are increasingly used by global OEM's to reduce the weight of vehicles we are seeing increased opportunities. In our Automotive Solutions segment, the products we produce are generally lighter in weight than the products they aim to displace. These attributes present significant growth opportunities for us while also providing us the ability to contribute to lower emissions generally.

The shape of things to come

As I have said many times, Exco is a diverse collection of leading businesses in niche industries that provide innovative, quality solutions from low-cost operations. Our businesses are collectively "capital light", we have good geographic diversity and exceptional ¬financial strength. Our diverse portfolio of businesses remain exceptionally well positioned to capitalize on opportunities we see within our various market niches. Despite current challenges, we enter fiscal 2021 with solid momentum, a rock-solid balance sheet and high confidence for growth.

The pandemic has reinforced the notion that we are all connected. I am extremely proud of all our employees for their hard work, and commitment to working safely, enabling us to meet the needs of our customers through the most difficult of conditions. I would like to thank all our stakeholders for contributing to our continued success. I have full confidence that with the strength of our partnership we will enjoy a sustainable future.



Darren M. Kirk, MBA, CFA
President and CEO

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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 of Exco Technologies Limited ("Exco", or "Company") for the year ended September 30, 2020. This MD&A has been prepared as of December 2, 2020.

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 Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Adjusted Net Income, Adjusted Pretax Profit and Free Cash Flow which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates ***Adjusted EBITDA*** *as earnings before other income/expense, interest, taxes, depreciation and amortization and* ***Adjusted EBITDA Margin*** *as Adjusted EBITDA divided by sales. Exco calculates* ***Adjusted EPS*** *as earnings before other income/expense divided by the weighted average number of shares.* ***Adjusted Net Income*** *is calculated as net income before other income/expense and* ***Pretax Profit*** *as segmented earnings before other income/expense, interest and taxes.* ***Free Cash Flow*** *is calculated as cash provided by operating activities less interest paid less investment in fixed assets net of proceeds of disposal. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Pretax Profit 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 certain of our operations achieve 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 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 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 its markets which principally consist of North America for die-cast tooling, North, Central and South America for extrusion tooling and globally for consumable tooling parts and related equipment. Across its markets, Exco is focused on further entrenching itself by reducing lead times and manufacturing costs through design and process enhancements. Major capital projects have been implemented in recent years to increase capacity, reduce lead times, further improve quality and reduce 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 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. 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, and Morocco supplying the automotive markets in North America, Europe and to a lesser extent, Asia.

VISION AND STRATEGY

The Company's vision is "to be the benchmark for innovation, efficiency and quality in the industries we serve." The Company's mission is "we enhance the look and functionality of passenger vehicles and tool up light metal industries

for superior performance." Exco has pursued several key strategies to achieve sustainable revenue and earnings growth. These include: (1) strengthening our leadership and competitive position in our chosen markets through automation and technology, (2) minimizing our cost structure, (3) maintaining the bulk of our productive capacity in lower-cost jurisdictions and in close 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.

Exco was founded on a commitment to excellence and a culture of entrepreneurship. We encourage continuance of these traits by providing incentives for our managers to grow their business and giving our employees the latitude to push the envelope on innovation.

2020 RESULTS

Impact of COVID-19 on our business

In response to the unprecedented global COVID-19 pandemic, Exco continues to take the necessary actions to protect the health and safety of our employees, meet the ongoing needs of our customers and minimize the adverse impact on our finances, while making the necessary investments to further strengthen our various businesses for the recovery as it takes hold.

As the COVID-19 virus spread, we developed protocols, assessment tools and documents at each of our facilities. The Company disseminated personal protective gear to employees and installed personal protective equipment where needed. In order to minimize the COVID-19 health and safety risks to our employees, staff have complied with applicable legal requirements and have worked in coordination with public health authorities to promote employee safety and confidence for return to work. Return to work protocols have been communicated. Where possible, the Company engaged in emergency government wage protection programs and workshare programs. Lastly, management provided regular communication to employees to support their needs. We continue to build on the knowledge gained in managing employee health and safety risks and prepare for subsequent waves of COVID-19.

The Company's sales were impacted by COVID-19 differently depending on the business segment. For the Automotive Solutions segment, 3 out of 4 plants were idled for two and a half months in the third quarter dramatically reducing sales in this time frame. Sales subsequently increased to approximately 90% of normalized levels in the fourth quarter. The Casting and Extrusion segments experienced sales declines ranging from 10% to 50% as volumes fluctuated with disrupted timing for customer orders. Customer demand for this segment varied depending on the product. The Extrusion Group experienced lower, but consistent, levels of sales throughout; Castool experienced sharp declines for its die-cast consumable products and then sales of these product rebounded just as fast whereas sales for capital goods remains at lower than normal levels; and the Large Mould group maintained strong activity in the 3rd quarter, but shipments declined early in the 4th Quarter. Customer demand rebounded by the end of the 4th quarter across all business segments.

In response to the reductions in sales volumes from COVID-19, management was required to assess whether there were any indications that an asset was impaired. Each quarter-end, management carried out this assessment for indications that goodwill and other long-lived assets may be impaired. Management did not believe that there would be a continuing adverse long-term impact to its businesses. As part of the review for indicators of impairment, management performed an analysis on its Cash Generating Units and determined there were no adverse impacts that would lead to indicators of impairment. As required, management will continue to assess these assumptions as the evolving COVID-19 situation changes.

Despite impacts of COVID-19 to the Company, the Company believes it maintains sufficient reserves to satisfy its financial obligations and liquidity, measured as net cash and available credit at September 30, 2020. The Company's Free Cash Flow was $41.7 million for the year ended September 30, 2020 (2019 - $36.5 million) and our net cash position was $26.6 million (2019 - $8.7 million). We voluntarily suspended repurchases of common shares for cancellation under our normal course issuer bid ("NCIB") in the second quarter of 2020 and resumed repurchases in September 2020.

Consolidated Results - Sales

Annual sales totalled $412.3 million compared to $507.3 million last year – a decrease of $95.0 million or 19% over last year. The decline reflects the global impact of COVID-19 together with the deconsolidation of ALC in January 2019. The US dollar averaged 1% higher ($1.35 versus $1.33) against the Canadian dollar over the year increasing sales by $3.0 million. The Euro also averaged 1% higher ($1.51 versus $1.50) against the Canadian dollar over the year, increasing sales by $0.5 million.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2020 and 2019. 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)	**2020**	2019
Sales	**$412.3**	$507.3
Net income for the year	**$27.4**	$26.6
Earnings per share from net income		
Basic and diluted	**$0.69**	$0.65
Adjusted earnings per share (Adjusted EPS)		
Basic and diluted	**$0.69**	$0.80
Total assets	**$407.6**	$422.7
Cash dividend paid per share	**$0.38**	$0.36
EBITDA	**$53.5**	$62.6

Segment Sales

- *Automotive Solutions Segment*

Sales in this segment were $231.1 million – a decrease of $72.0 million or 24% from the prior year. The sales decline was driven by COVID-19 and – to a lesser extent – the deconsolidation of ALC from Exco's results following ALC's filing of a voluntary liquidation petition in January 2019, which removed $19.9 million of sales year over year. The appreciation of the US dollar versus the Canadian dollar in fiscal 2020 compared to fiscal 2019 increased segment sales in North America by $1.4 million. The stronger Euro against the Canadian dollar increased segment sales in Europe by $0.5 million year over year. Excluding results from ALC and foreign exchange rate movements, segment sales were lower by $54.0 million, or 19% compared to fiscal 2019. During the year, overall industry vehicle production volumes were lower by roughly 29% in North America and Europe on a combined basis. Despite the challenges from COVID-19 and lower customer demand, segment sales were supported by a number of program launches for both new and existing products, particularly at Polydesign and Neocon. More broadly, the segment's four businesses continue to focus their efforts on higher margin activity. Management sees continuing opportunity for

future growth supported by recent program wins and recent quoting activity for new programs in both North American and Europe.

- *Casting and Extrusion Segment*

Sales in this segment were $181.2 million – a decrease of $23.1 million or 11% from the prior year. Foreign exchange rate movements increased sales by $1.6 million. Sales were impacted by COVID-19 and modestly softer market conditions that existed prior to the emergence of COVID-19. In the first six months of the year sales were down approximately 4% driven by lower demand in our Extrusion and Castool groups whereas sales in the Large Mould group remained consistent with prior year. In the second half of the year all groups within this segment were impacted by COVID-19: the Castool and Extrusion groups' sales down 22% and the Large Mould sales were down 11% compared to the second half of fiscal 2019. The Large Mould group programs tend to be relatively long cycle and continued to advance despite the vehicle production stoppage at all OEM's. A final component of the lower sales relates to lower steel prices and surcharges. As Exco generally aims to pass such amounts on to its customers, they positively impact revenues when higher, but have the opposite impact when lower. Quoting activity is up and we are optimistic we are making the necessary investments to further improve our market share and the productivity of our operations.

Cost of Sales

Cost of sales totalled $323.8 million – a decrease of $76.7 million or 19% from the prior year due to lower material, labour and overhead costs associated with sales. Cost of sales as a percentage of sales remained stable at 79% as lower direct materials were offset by slightly higher direct labor and factory overhead. Raw material costs in the Automotive Solutions segment (petroleum/natural gas-based resin, leather goods and plastic products) were generally stable over the past year while tool grade steel prices in the Casting and Extrusion segment decreased throughout the year. Direct labour increased moderately due to the continuance of labour costs for certain production workers in Mexico where there is limited ability to temporarily lay-off employees onto government support programs. While overhead costs were down due to management's focus on cost saving initiatives, as a percentage of sales they were up due to lost absorption of overheads and other fixed costs arising from sharply lower sales.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year decreased to $35.2 million from $44.4 million last year, a reduction of 21%. As referenced in Note 18 of the Notes to the Financial Statements, the Company recognized $7.0 million in government assistance due to the impact of COVID-19. These subsidies were booked against Selling, General and Administrative expenses. After adjusting for these subsidies, Selling, General and Administrative expenses were down $2.2 million compared to 2019 due to reductions in variable costs (commissions, selling and travel costs), lower incentive and severance expenses, partially offset by foreign exchange losses and bad debt provisions.

Depreciation and Amortization

Consolidated depreciation expense in fiscal 2020 increased to $17.4 million from $15.4 million expense last year. The increase reflects the depreciation from leased "right of use assets", a full year depreciation from our Extrusion Mexico facility compared to six months last year, and the additions to Castool's Uxbridge facility in late 2019. Depreciation expense within the Casting and Extrusion segment totalled $13.8 million in fiscal 2020 versus $12.5 million in fiscal 2019 and depreciation expense within the Automotive Solutions segment totalled $3.5 million versus $2.8 million last year. Amortization expense of $4.0 million in fiscal 2020 remained unchanged from 2019. The carrying value of total intangible assets amounted to $30.5 million as at September 30, 2020. The Company expects the annual amortization

and depreciation expense will total approximately $4.0 million and $17.9 million respectively in fiscal 2021, although this could vary depending on USD/ CAD exchange rates.

Interest

Net interest expense in the current year totalled $0.6 million in fiscal 2020 compared to $0.8 million in fiscal 2019. The reduction is primary attributable to lower average debt levels in fiscal 2020 compared to fiscal 2019.

Income Taxes

Exco's effective income tax rate was 12.7% in fiscal 2020 compared to an effective income tax rate of 26.0% in fiscal 2019. The lower effective income tax rate in fiscal 2020 was driven by the reversal of a $2.3 million deferred tax liability relating to ALC as a result of a resolved tax exposure in the 4th quarter and the recognition of research and development tax credits in the current year. After adjusting for these items, the effective tax rate is 22.0% which is consistent with expectations. The 2019 effective tax rate at 26.0% was higher due to the recognition of de-consolidation expenses of $6.4 million which were not deductible for tax purposes. Excluding the ALC charge, the effective tax rate was 22.0% in fiscal 2019.

Net Income

- *Consolidated*

The Company reported consolidated net income of $27.4 million or basic and diluted earnings of $0.69 per share in fiscal 2020, compared to consolidated net income of $26.6 million or basic and diluted earnings of $0.65 per share or Adjusted earnings of $0.80 per share the prior year.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded operating earnings of $21.0 million for the year compared to $31.9 million last year – a decrease of $10.9 million or 34%. The most significant factor impacting operating earnings in the year was the impact of COVID-19. As previously discussed, 3 out of 4 facilities were idled in the 3rd quarter with limited ability for these plants to reduce labour costs in these periods due to limited government support in Mexico and Morocco. Volumes increased throughout the remaining months of the year to eventually reach 88% of prior year fourth quarter sales revenue. Even with the significant drop in revenue, management was successful in flexing costs and managing discretionary spending and benefiting from government support payments where possible in the current year. Expenses in 2019 were higher due to 1st quarter losses incurred from ALC, Mexican labour settlement bonuses and start-up costs incurred at Polydesign, Neocon, and AFX. As a result, gross margins were consistent year over year and operating earnings margins in 2020 were 9% compared to 11% in 2019.

Despite the market uncertainty associated with COVID-19 and uncertain vehicle production volumes in the year ahead, management remains optimistic on the segment's prospects for returning to growth. This view is supported by current reported North American and European production volumes and recent program wins combined with decent quoting activity for new business where our efforts are directed to adding new business that maximizes our profitability. Management also expects cost improvements will be achieved in fiscal 2021 as inefficiencies associated with the ramp up of several new programs during fiscal 2020 recede however these improvements will be partially offset by a significant number of new programs launching within the segment during fiscal 2021.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion operating earnings were consistent with prior year at $18.0 million. The Large Mould group continued its rebound in profitability during the year despite lower revenues due to COVID-19. The Extrusion Group

and Castool profitability was down in the year as a result of lower sales due to COVID-19. Extrusion Colombia profitability was hardest hit by COVID-19 and one of its customers declared bankruptcy impacting earnings by $0.5 million. Although the new Mexican extrusion facility incurred losses for the year, it generated positive EBITDA. Castool's revenues were down in both consumable and capital equipment goods for the year as manufacturers responded to COVID-19 by reducing production. Overall segment profitability was supported by continued progress with efficiency initiatives, a favourable mix shift toward higher margin programs in the Large Mould group, lower steel prices and the receipt of R&D credits. As well, management reduced the impact of lower sales volumes during the second half of the year by implementing work-share, reducing expenditures and availing itself of government support programs where available. Generally, management remains focused on reducing its overall cost structure, improving manufacturing efficiencies and building out new greenfield operations. Such activities are expected to lead to improved segment profitability over time.

- *Corporate Segment (Operating Expense)*

Corporate expense in the current year amounted to $6.9 million compared to $6.7 million in the prior year. The year over year increase was primarily driven by higher foreign exchange expenses offset by lower incentive compensation and professional fees in 2020 relative to 2019.

EBITDA

EBITDA in the current year amounted to $53.5 million compared to $62.6 million the prior year – a decrease of $9.1 million or 15%. The EBITDA margin increased to 13.0% compared to 12.3% the prior year. EBITDA in the Casting and Extrusion segment was $32.4 million, which was $1.2 million higher than in fiscal 2019. Casting and Extrusion segment EBITDA margin increased to 17.9% from 15.3% the prior year. The Automotive Solution segment EBITDA was $27.9 million, which was lower by $10.2 million, or 27% compared to fiscal 2019. The Automotive Solution segment EBITDA margin declined modestly to 12.1% in fiscal 2020 compared to 12.6% 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, 2020:

($ thousands except per share amounts)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Sales	$100,680	$70,962	$120,244	$120,423
Net income	$10,719	($848)	$9,495	$8,058
Earnings per share				
Basic	$0.27	($0.02)	$0.24	$0.20
Diluted	$0.27	($0.02)	$0.24	$0.20

($ thousands except per share amounts)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Sales	$121,815	$119,944	$123,465	$142,124
Net income	$6,773	$7,477	$8,564	$3,818
Earnings per share				
Basic	$0.17	$0.18	$0.21	$0.09
Diluted	$0.17	$0.18	$0.21	$0.09

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.

Current year quarterly comparisons varied from these common trends due to the impact of COVID-19 and the 2019 deconsolidation of ALC. Sales in the first quarter of fiscal 2020 were lower due to $19.9 million ALC sales recognized in 2019. Net income in the first quarter of fiscal 2019 was reduced by $6.4 million ($0.15 per share) due to charges associated with the liquidation of ALC and $2.1 million of operating losses. Sales and net income were considerably lower in the third quarter fiscal 2020 due to the impact of COVID-19 with three of four of our Automotive plants virtually idled and operations across all other plants down approximately 20%. The fourth quarter of fiscal 2020 improved from the third quarter, but sales remain lower compared to fiscal 2019 due to the impact of COVID-19. Our operations, however, are gaining traction with increased demand.

Fourth Quarter

In the fourth quarter, consolidated sales were $100.7 million – a decrease of $21.1 million or 17% from the prior year. Over the quarter the average USD/CAD exchange rate was 1% higher ($1.33 versus $1.32 last year) increasing sales by $0.2 million. The average EUR/ CAD exchange rate was 8% higher ($1.57 versus $1.46 last year) increasing sales by $1.1 million compared to the fourth quarter of fiscal 2019.

The Automotive Solutions segment experienced a 12% decrease in sales, or a reduction of $8.2 million, to $61.2 million from $69.4 million in the fourth quarter of 2019. The decrease was driven by lower vehicle production volumes, the delay in certain new customer programs ramping up due to COVID-19 related disruptions and timing of accessory sales, which do not always correlate well with OEM production volumes. In North America, overall vehicle production was relatively flat during the quarter compared to a year ago while European vehicle production was down about 7%. Looking forward, OEM vehicle production volumes appear likely to improve slightly near term while Exco will additionally benefit from several new program launches as well as destocked inventory levels of accessory products in customer channels. . Quoting activity remains encouraging and we see ample opportunity to maintain our longer term trend of increasing our content per vehicle across our portfolio of businesses.

The Casting and Extrusion segment recorded sales of $39.5 million in the fourth quarter compared to $52.4 million last year – a decrease of $13.0 million or 25%. The sales decline was mainly driven by the deterioration of general economic conditions due to the impact of COVID-19, changes in product mix and delivery timing as well as lower steel costs generally. Within the segment, Extrusion group sales declined due to reduced market demand across most industry verticals for aluminum extrusions somewhat offset by stronger volumes contributed from the new Mexican operation. The Large Mould and Castool group sales were lower during the quarter due mostly to the timing of shipments and changes in product mix. More specifically, the Large Mould group recognizes sales based on a Complete Contract basis, contributing to fluctuations in sales from quarter to quarter given the relatively large size of their individual programs. As well, activity within the Large Mould group saw a delayed impact from the OEM production stoppages which occurred through much of the third quarter of fiscal 2020. The Large Mould group continued to work on certain programs during this time while reduced activity for die rebuilds associated with these lower volumes only occurred during the current quarter. Sales withing the Castool Group were dampened by a slowdown in the extrusion end market but also due to a change in product mix which was weighted significantly more towards consumable tooling components relative to larger capital products such as die-ovens and extrusion containers, which have greater raw material requirements.. Looking forward, quoting activity within all groups in this segment is strong, particularly within the Large Mould group which is seeing heightened interest from both new and existing customers arising from its leading industry position.

The Company's fourth quarter consolidated net income increased to $10.7 million or earnings of $0.27 per share compared to $6.8 million or earnings of $0.17 per share in the same quarter last year – an EPS increase of 59%. The effective income tax rate was negative 3% in the current quarter compared to 16% in the same quarter last year. The effective tax rate in the current period was improved by the reversal of $2.3 million of deferred tax liabilities from resolved tax exposures and $0.3 million of R&D tax credits net of certain foreign tax adjustments. Excluding these items, the effective tax rate was 22% in the current quarter.

Fourth quarter pre-tax earnings in the Automotive Solutions segment totalled $7.3 million, an improvement of $2.3 million or 46% over the same quarter last year. Despite lower sales, pre-tax profits increased in the quarter, benefiting from management's efforts to control costs, improved efficiencies and a shift in demand to higher margin programs. In addition, current period results benefited from the Canadian wage subsidy program while the prior year results were adversely impacted by higher labour costs at Polytech and AFX, significant inefficiencies associated with program launches higher severance costs and inefficiencies related to the General Motors strike. Management is optimistic that its overall cost structure will be sustained or improved upon in future quarters as cost containment efforts are continued while volumes are anticipated to strengthen.

Pre-tax earnings in the Casting and Extrusion segment improved by $0.2 million or 5% over the same quarter last year to $4.2 million. The earnings improvement was driven by increased contributions from the Extrusion and Castool groups and benefits from the Canadian Government wage subsidy program. Margins in the Extrusion group benefited from lower raw material prices, increased operational efficiencies and improved absorption in Mexico, partially offset by a write-down of a customer receivable of $0.5 million. Although Castool's sales were lower than the prior year quarter, profits similarly benefited from lower raw material costs, cost containment efforts as well as strong demand for higher value-added products. The Large Mould group profitability was negatively affected by lower activity and the timing of shipments. This was partially offset by increased operational efficiencies generated from capital investments from prior years and gradual increases in sales for additive manufacturing components through the quarter. Management remains focused on reducing its overall cost structure and improving manufacturing efficiencies and expects such activities together with its sales efforts should lead to improved segment profitability over time.

The Corporate segment in the fourth quarter recorded expenses of $1.1 million compared to $0.9 million last year mainly due to foreign exchange losses in the current quarter compared to gains last year's quarter, partially offset by lower compensation, travel, and professional fees incurred in the current quarter. As a result of the forgoing, consolidated EBITDA in the quarter increased to $15.8 million (15.7% of sales) compared to $13.3 million (11% 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 was $49.5 million in fiscal 2020 compared to $55.1 million in fiscal 2019. The $5.6 million year over year reduction was primarily driven by lower adjusted net income in fiscal 2020 net of ALC and changes to deferred income taxes. Net change in non-cash working capital was $14.9 million cash provided in fiscal 2020 compared to $9.7 million cash provided last year. The year over year cash increase provided from working capital of $5.2 million was primarily driven by reduction in accounts receivable due to lower sales and timing of receipts, lower inventories due to volume decreases partially offset by decreases in accounts payables and accruals due to lower sales and timing of payments. The positive working capital variance boosted cash provided by operating activities to $64.4 million in fiscal 2020, which was similar to last year.

Cash Flows from Financing Activities

Cash used by financing activities amounted to $36.0 million compared to a use of $41.4 million in fiscal 2019 for a year over year decrease of $5.4 million. The lower use of cash in fiscal 2020 is mainly attributable $3.1 million less cash used to repurchase share capital, and $11.2 million of debt reduction compared to $14.5 million the prior year. Higher dividends of $14.9 million in fiscal 2020 compared to $14.6 million last year also contributed to the variance.

In addition to the obligations disclosed on its consolidated statements of financial position, Exco also enters into lease arrangements from time to time. Exco owns all of its 15 manufacturing facilities and materially all of its production equipment. The Company also leases sales and support centers in Troy and Port Huron, 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:

(000's)	Total	< 1 year	1-3 years	Over 3 years
Bank indebtedness	$3,418	$3,418	-	-
Trade accounts payable	32,873	32,873	-	-
Long-term debt	3,093	93	3,000	-
Lease commitments	1,331	510	808	13
Purchase commitments	29,844	29,844	-	-
Capital expenditures	2,594	2,594	-	-
	$73,153	$69,332	$3,808	$13

∗ 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 $22.1 million compared to $27.5 million last year. Most of the difference is explained by lower capital spending in the current year of $23.1 million compared to $27.4 million last year. Capital spending in 2019 included approximately $9.5 million to construct a new extrusion tooling facility in Mexico and $2.3 million building expansion of Castool Uxbridge. The balance of the capital spending in both years is mostly related to machinery and equipment needed to maintain or upgrade our production capacity. Cash flow from Investing Activities was favourably impacted by $1.4 million in proceeds from the disposal of property, plant and equipment in the current year compared to $0.5 million the prior year.

In fiscal 2021, Exco plans to invest approximately $33.0 million in capital expenditures of which roughly $9.5 million is for maintenance and ongoing equipment upgrades in our Casting and Extrusion segment, about $9.0 million is for the construction and build-out of a greenfield facility in Morocco, $7.0 million is for adding a Heat Treating division in Canada, and the remaining capital is for maintenance expenditures and targeted capacity additions in the Automotive Solutions segment.

We expect that in fiscal 2021 our cash flow from operations will exceed anticipated capital expenditures. Together with our cash deposits and our unused credit lines we believe we have ample financial resources to fund 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 balance sheet was in a $26.6 million net cash position at September 30, 2020 compared to net cash of $8.7 million as at September 30, 2019, for an improvement of $17.9 million. This primarily occurred through the generation of $41.7 million of Free Cash Flow less dividends paid of $14.9 million and net share repurchases of $9.2 million during fiscal 2020.

In addition to its cash balances of $33.1 million, Exco retains access to $47.0 million of its $50.0 million committed credit facility, which matures February 2023. 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, 2020.

Non-IFRS Measures

The following table provides a reconciliation of net income for the periods to adjusted net income, adjusted pretax profit, adjusted EBITDA, adjusted basic earnings per share as well as a reconciliation of cash provided by operating activities to free cash flow.

	Twelve Months ended September 30	
	(in $ thousands)	
	2020	2019
Net income	**$27,424**	$26,632
Other expense	**-**	6,409
Adjusted net income	**27,424**	33,041
Provision for (recovery of) income tax	**3,999**	9,344
Adjusted Pretax Profit	**31,423**	42,385
Depreciation	**17,424**	15,398
Amortization	**4,032**	4,062
Net interest expense	**617**	790
Adjusted EBITDA	**53,496**	62,635
Sales	**$412,309**	$507,348
Adjusted EBITDA margin	**13.0%**	12.3%
Weighted average basic shares outstanding	**39,943**	41,245
Adjusted EPS	**$0.69**	$0.80
Cash provided by operating activities	**$64,418**	$64,816
Interest	**(617)**	(790)
Investment in Fixed assets net of proceeds of disposal	**($22,109)**	($27,518)
Free Cash Flow	**41,692**	36,508

Outstanding Share Capital

As at September 30, 2020, the Company had 39,268,997 common shares outstanding. In addition, as at September 30, 2020, the Company had outstanding stock options for the purchase of up to 957,000 common shares at exercise prices ranging from $8.56 to $14.58 per share.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies", to the consolidated financial statements included in this Report. 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.

Management estimates and expenses the fair value of stock-based compensation. 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 reductions in profitability, budget shortfalls, 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

IFRS 16, Leases ("IFRS 16")
The company has adopted IFRS 16 using the modified retrospective approach effective October 1, 2019. The adoption of IFRS 16 did not have a material impact on the consolidated financial statements. In accordance with the transitional provisions in the standard, comparative figures have not been restated. Application of IFRS 16 resulted in an increase in liabilities and assets from the recognition of right to use assets and lease liabilities, as well as a decrease in cost of sales and selling, general and administrative expenses and an increase in interest expense and depreciation.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial 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 and Chief Financial 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 full effect and longer-term impacts of COVID-19 may not be reflected in our results of operations and overall financial performance until future periods. It is difficult to accurately assess the continuing magnitude, outcome and duration of the pandemic. However, a prolonged pandemic, including as a result of subsequent waves, could:

- deteriorate economic conditions, resulting in lower consumer confidence which typically translates into lower vehicle sales and production levels;
- reduce our customers' production volumes, including as a result of continued or intermittent facility shutdowns;
- elevate the financial pressure on our customers, which could lead to an OEM insolvency, and would likely increase pricing pressure on us and the entire automotive supply chain;
- reduce our production levels, including as a result of continued or intermittent shutdowns of our manufacturing facilities;
- cause potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;
- lead to prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or
- result in governmental regulation adversely impacting our business.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations. Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date are likely to affect household income and wealth beyond 2020, which would directly affect vehicle sales and thus production as well.

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), the rate at which the electric vehicle is more widely adopted and the level of automobile production. These factors 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.

A significant portion of Exco's receivables are with automotive customers. These customers have varying degrees of financial strength which could ultimately impact the collectability of the respective receivable. 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.

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 has a significant number of employees worldwide and accordingly availability of labour is critical and wages are a major manufacturing input cost. While real wage increases have been relatively muted over the last decade, especially in low-cost countries, this may not continue to be the case. In Mexico particularly, where Exco has approximately half its employees at four production facilities, all of which are represented by national labor unions, real wage increases may materially impact the Corporation's financial performance.

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 new programs will be awarded or that if awarded, the pricing and margin will be comparable to those of programs ending.

The Casting and Extrusion segment is a capital goods business. Interest rates, exchange rates, corporate capital spending, the general economic climate, business confidence and the financial strength of our customers 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 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. Generally, 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. Furthermore, USA/China trade negotiations have taken longer and appear more contentious than originally expected and are currently ongoing. If 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 increasing adverse financial impact 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 while our Canadian operations are exposed to fluctuations in the value of the Canadian dollar relative to the U.S. dollar on U.S. dollar sales less purchases. For fiscal 2021, it is estimated that Exco's total corresponding U.S. dollar foreign exchange risk exposure before tax will amount to approximately US$71.6 million. Therefore, if the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2021 from a baseline level of $1.33 USD/CAD, it is estimated that pre-tax profit would change by about $716 thousand or about $566 thousand after tax. These estimates are based on historical norms and may be materially different in 2021 if customers deviate from their past practices.

Exco's has four 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 2021, we estimate our pesos exposure net of hedges and pesos denominated sales to be approximately 386 million pesos. If the Mexican pesos were to strengthen or weaken by 1% versus the US dollar from a baseline USD/MEX rate of 20:1, and further assuming the Canadian dollar strengthens or weakens against the US dollar also by 1% from a baseline USD/CAD rate of 1.33, we estimate pre-tax profit would change by $257 thousand or about $167 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2021 if customers deviate from their past practices.

Exco also has manufacturing facilities in Colombia, Brazil, Thailand 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 and Morocco; however, many of our operations based in Canada and the U.S. must compete with products manufactured in lower-cost environments.

Although we have established and continue to enhance security controls intended to protect our IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyber attacks. A significant breach of our IT systems could: result in theft of funds; cause disruptions in our manufacturing operations; lead to the loss, destruction or inappropriate use of sensitive data; or result in theft of our, our customers' or our suppliers' intellectual property or confidential information. The occurrence of any of the foregoing could adversely affect our operations and/or reputation and could lead to claims against us that could have a material adverse effect on our profitability.

Independent auditor's report

To the Shareholders of Exco Technologies Limited

Opinion

We have audited the consolidated financial statements of Exco Technologies Limited and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of income and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and Annual Report prior to the date of this auditor's report. If based on the work we have performed, we conclude that there is a misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness for of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Blake Langill.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 2, 2020

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

	As at September 30, 2020	As at September 30, 2019 (note 2)
ASSETS		
Current		
Cash and cash equivalents (note 8)	**$33,124**	$26,488
Accounts receivable (note 8)	**82,222**	93,552
Inventories (note 9)	**61,158**	73,260
Prepaid expenses and deposits	**2,787**	2,874
Income taxes recoverable (note 13)	**2,761**	1,875
Total current assets	**182,052**	198,049
Property, plant and equipment, net (note 5)	**131,029**	126,787
Intangible assets, net (note 6)	**30,535**	33,891
Goodwill (note 6)	**64,980**	62,834
Deferred tax assets (note 13)	**1,184**	1,174
Total assets	**$409,780**	$422,735
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (notes 4 and 8)	**$3,418**	$578
Trade accounts payable (note 8)	**32,873**	44,183
Accrued payroll liabilities (note 8)	**11,391**	12,643
Other accrued liabilities (note 8)	**11,381**	8,041
Derivative instruments (note 8)	**1,758**	278
Provisions (note 7)	**2,902**	2,672
Customer advance payments (note 8)	**3,557**	1,747
Long-term debt - current portion (notes 4 and 8)	**93**	93
Total current liabilities	**67,373**	70,235
Long-term debt - long-term portion (notes 4 and 8)	**3,000**	17,093
Deferred tax liabilities (note 13)	**8,401**	8,920
Total liabilities	**78,774**	96,248
Shareholders' equity		
Share capital (note 3)	**48,968**	50,538
Contributed surplus (note 3)	**4,718**	4,349
Accumulated other comprehensive income (note 3)	**10,356**	9,480
Retained earnings	**266,964**	262,120
Total shareholders' equity	**331,006**	326,487
Total liabilities and shareholders' equity	**$409,780**	$422,735

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

On behalf of the Board:

Darren M. Kirk
President and
Chief Executive Officer

Brian A. Robbins
Director,
Executive Chairman

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

	Years ended September 30	
	2020	2019
Sales (note 11(A))	**$412,309**	$507,348
Cost of sales	**323,761**	400,494
Selling, general and administrative expenses (notes 3 and 18)	**35,244**	44,445
Depreciation (note 5)	**17,424**	15,398
Amortization (note 6)	**4,032**	4,062
Gain on disposal of property, plant and equipment (note 5)	**(192)**	(226)
Interest expense, net (note 16)	**617**	790
Other expense (note 17)	**-**	6,409
	380,886	471,372
Income before income taxes	**31,423**	35,976
Provision for (recovery of) income taxes (note 13)		
Current	**4,790**	7,598
Deferred	**(791)**	1,746
	3,999	9,344
Net income for the year	**$27,424**	$26,632
Other comprehensive income (loss)		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized loss on derivatives designated as cash flow hedges (notes 3 and 8)	**(1,091)**	(779)
Unrealized gain (loss) on foreign currency translation (note 3)	**1,967**	(636)
	876	(1,415)
Comprehensive income	**$28,300**	$25,217
Income per common share		
Basic	**$0.69**	$0.65
Diluted	**$0.69**	$0.65
Weighted average number of common shares outstanding (note 12)		
Basic	**39,943**	41,245
Diluted	**39,943**	41,253

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, 2018	$51,230	$4,391	$263,647	$572	$10,323	$10,895	$330,163
Adjustment to Opening Retained earnings (note 2)			($2,994)				($2,994)
Net income for the year	-	-	26,632	-	-	-	$26,632
Dividends paid (note 3)	-	-	(14,597)	-	-	-	($14,597)
Stock option expense (note 3)	-	270	-	-	-	-	$270
Issuance of share capital (note 3)	1,041	(312)	-	-	-	-	$729
Repurchase of share capital (note 3)	(1,733)	-	(10,568)	-	-	-	($12,301)
Other comprehensive income (note 3)	-	-	-	(779)	(636)	(1,415)	($1,415)
Balance, September 30, 2019	50,538	4,349	262,120	(207)	9,687	9,480	326,487
Net income for the year	-	-	27,424	-	-	-	27,424
Dividends paid (note 3)	-	-	(14,946)	-	-	-	(14,946)
Stock option expense (note 3)	-	369	-	-	-	-	369
Repurchase of share capital (note 3)	(1,570)	-	(7,634)	-	-	-	(9,204)
Other comprehensive loss (note 3)	-	-	-	(1,091)	1,967	876	876
Balance, September 30, 2020	**$48,968**	**$4,718**	**$266,964**	**($1,298)**	**$11,654**	**$10,356**	**$331,006**

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	
	2020	2019
OPERATING ACTIVITIES:		
Net income for the year	**$27,424**	$26,632
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 5)	**17,424**	15,398
Amortization (note 6)	**4,032**	4,062
Stock-based compensation expense	**453**	305
Deferred income tax expense (recovery) (note 13)	**(221)**	1,746
Net interest expense (note 16)	**617**	790
Non-cash cost of ALC plant closures (note 17)	**-**	6,409
Gain on disposal of property, plant and equipment	**(192)**	(226)
	49,537	55,116
Net change in non-cash working capital (note 14)	**14,881**	9,700
Cash provided by operating activities	**64,418**	64,816
FINANCING ACTIVITIES:		
Decrease in bank indebtedness	**2,840**	(9,356)
Financing from long-term debt (note 4)	**20,000**	-
Repayment of long-term debt (note 4)	**(34,093)**	(5,103)
Interest paid, net	**(617)**	(790)
Dividends paid (note 3)	**(14,946)**	(14,597)
Repurchase of share capital (note 3)	**(9,204)**	(12,301)
Exercise of stock options (note 3)	**-**	729
Cash used in financing activities	**(36,020)**	(41,418)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (note 5)	**(23,092)**	(27,401)
Purchase of intangible assets (note 6)	**(403)**	(567)
Proceeds on disposal of property, plant and equipment	**1,386**	450
Cash used in investing activities	**(22,109)**	(27,518)
Effect of exchange rate changes on cash	**347**	229
Increase (decrease) in cash during the year	**6,636**	(3,891)
De-consolidation of ALC cash (note 17)	**-**	(964)
Cash, beginning of year	**26,488**	31,343
Cash, end of year	**$33,124**	$26,488

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 15 strategic locations in 7 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").

Effective October 1, 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers, ("IFRS 15") in accordance with the modified retrospective approach. During the first quarter of fiscal 2020 management identified an error related to the adoption of IFRS 15. Specifically, in evaluating its long-term large die cast mould contracts, certain cancelation provisions do not meet the requirements and as a result, the Company should have recognized revenue for these contracts at a point in time (i.e. completed contract) rather than over time (i.e. percentage of completion). Management evaluated the quantitative and qualitative aspects of this change and determined that the impact was not material to the fiscal 2019 annual consolidated financial statements nor to the fiscal 2019 interim condensed consolidated financial statements. The Company recorded an adjustment to October 1, 2018 retained earnings of $2,994 to reflect the IFRS 15 transition adjustment. In addition, in the September 30, 2019 consolidated statement of financial position the Company recorded a decrease to deferred tax liabilities of $1,052, reclassified progress billings of $737 from unbilled revenue to customer advance payments and reclassified the remaining $15,410 of unbilled revenues to inventories.

The consolidated financial statements and accompanying notes as at and for the year ended September 30, 2020 were authorized for issue by the Board of Directors on December 2, 2020.

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 statements 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 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 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 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, other income (expense) and income tax expense.

Interest in joint arrangement
The Company has an interest in a joint arrangement, whereby the parties to the arrangement have a contractual arrangement that establishes joint control over the economic activities of the individual entity. As the arrangement is considered to be a joint operation for accounting purposes, 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 has been allocated to a Cash-Generating Unit ("CGU") or group of CGUs 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.

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 Company's critical accounting estimates are affected as a result of the various ongoing economic and social impacts of the COVID-19 global pandemic. There continues to be significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact COVID-19 will have on the Company, its financial position, and the results of operations in the future. The Company is monitoring the future impact of the pandemic on all aspects of its business. Each quarter-end, management carries out this assessment for indications that goodwill and other long-lived assets may be impaired. As part of this assessment management performed an analysis on its CGUs and determined there were no adverse impacts that would lead to indicators of impairment. As required, management will continue to assess these assumptions as the evolving COVID-19 situation changes.

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 inventories, property, plant and equipment, contingent liabilities, income taxes, fair value of financial instruments and stock option valuation.

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 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.

Revenue recognition
The Company recognizes revenue primarily from two categories of goods: production contracts (including finished production parts and assemblies, short-term die cast tooling contracts, extrusion and other tooling), and long-term large die cast mould contracts.

Revenue for production contracts is recognized at the point in time control of the goods is transferred to the customer. Control of finished production parts, assemblies and tooling transfers when the goods are shipped from the Company's manufacturing facilities to the customer.
Revenue for long-term large die cast mould contracts are also recognized at the point in time control of the goods is transferred to the customer. Point in time recognition is used since these contracts do not contain an enforceable right to payment that includes a reasonable profit margin.

A receivable is recognized when control of the goods transfer to the customer, as indicated above, and consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from invoice date.

A customer advance payment is recognized if a payment is received or payment is due (whichever is earlier) from a customer before the Company transfers control of the production parts or large die cast moulds.

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.

The Company has a Deferred Share Unit ("DSU") plan for Independent Directors. 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 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 liability method. Under the 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.

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
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 declining balance method based on their estimated useful lives, which range from 4 to 20 years.

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.

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.

Subsequent costs
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. 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 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.

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

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 statements of financial position date. If indication of impairment exists, the recoverable amount of the asset is calculated in order to determine if an impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. Impairment losses are recorded in the consolidated statements of income in the period in which they occur. 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 or CGUs 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 dispose, 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. A long-term growth rate is calculated and applied to project future cash flows after the third year.

A previous 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. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. The impairment reversal is allocated on a pro-rata basis to the existing long-lived assets of the CGU based on their carrying amounts. Impairment reversals are recorded in the consolidated statements of income in the period in which they occur.

(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 monitors its goodwill at the level of its operating segments and all of the goodwill as at September 30, 2020 and 2019 has been allocated to the Automotive Solutions segment. Goodwill is tested for impairment annually 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.

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
The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification under IFRS 9 as described below:

Amortized cost:
The Company classifies financial assets held to collect contractual cash flows at amortized cost, including trade and other receivables. The Company initially recognizes the carrying amount of such assets on the consolidated statement of financial position at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

Fair value through profit or loss ("FVTPL"):
Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes cash and cash equivalents, and derivative assets and derivative liabilities that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets and liabilities on the consolidated statement of financial position at fair value and recognizes subsequent changes in the consolidated statement of income and comprehensive income. Transaction costs incurred are expensed in the consolidated statement of income and comprehensive income.

Loans and borrowings:
The Company initially recognizes the carrying amount of such liabilities on the consolidated statement of financial position at fair value net of directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Impairment of financial assets:
IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. The ECL model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company's ECL model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and forward-looking information. The Company's allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers. COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for doubtful accounts.

Hedge Accounting:
The Company designates the change in fair value of the entire forward contract in the Company's cash flow hedge relationship in other comprehensive income (loss) to the extent the hedge continues to be highly effective. The related other comprehensive income (loss) amounts are allocated to the consolidated statements of income in the same period in which the hedged item affects earnings.

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 statements 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
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

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 Mexican 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.

Accounting standards adopted in fiscal year 2020

Certain amendments to standards that were adopted on October 1, 2019 are noted below:

IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining whether an arrangement contains a lease. IFRS 16 introduced a single accounting model for lessees unless the underlying asset is of low value or short term in nature. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized an increase to both assets and liabilities on its interim condensed consolidated balance sheet, as well as a decrease in operating rent expense, and increases in finance and depreciation expenses, as recognized in the interim condensed consolidated statement of operations. The standard did not have a significant impact on the Company's overall consolidated operating results.

The Company adopted IFRS 16, effective October 1, 2019, under the modified retrospective approach. Comparatives for 2019 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after October 1, 2019.

Upon initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted at the relevant incremental borrowing rates as at October 1, 2019. For leases previously classified as operating leases under IAS 17, the Company measured right-of-use assets equal to the corresponding lease liabilities adjusted for any accrued payments related to that lease. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

As such, on October 1, 2019, the Company recorded lease liabilities of $1,687 in Other Accrued Liabilities and right-of-use assets of $1,687 are included in Property, plant and equipment, recognized in the interim condensed consolidated balance sheet immediately before the date of initial application, with no net impact on retained earnings.

The Company elected to use the following practical expedients upon initial application in accordance with the provisions of IFRS 16:

- Accounting for all leases with a lease term that ends within 12 months of initial application in the same way as short-term leases;
- Exclusion of initial direct costs from the measurement of the right-of-use asset on the date of initial application; and
- Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, the Company elected to use the recognition exemptions on short-term leases or low-value leases, however, in the future, may choose to elect the recognition exemptions on a class-by-class and lease-by-lease basis.

3. SHAREHOLDERS' EQUITY

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, 2018	41,840,681	$51,230
Issued for cash under Stock Option Plan	103,000	729
Transfer of contributed surplus on stock options exercised	-	312
Purchased and cancelled pursuant to normal course issuer bid	(1,416,018)	(1,733)
Issued and outstanding as at September 30, 2019	40,527,663	50,538
Purchased and cancelled pursuant to normal course issuer bid	(1,258,666)	(1,570)
Issued and outstanding as at September 30, 2020	**39,268,997**	**$48,968**

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 gains and losses on derivatives designated as cash flow hedges and reclassification to income of net gains and losses on cash flow hedges as summarized in the following table:

	2020	2019
Opening balance	**$9,480**	$10,895
Net unrealized loss on derivatives designated as cash flow hedges (1)	**(1,091)**	(779)
Unrealized gain (loss) on currency translation adjustments	**1,967**	(636)
Total other comprehensive income (loss) for the year	**876**	(1,415)
Closing balance	**$10,356**	$9,480

(1) Net of deferred taxes of $389 (2019 – $278).

Cash dividends
During the year, the Company paid four quarterly cash dividends totaling $14,946 (2019 – $14,597). The dividend rate per quarter increased starting in the second quarter of the year from $0.09 to $0.095 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:

	2020		2019	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**785,400**	**$11.49**	880,150	$11.29
Granted	**277,500**	**$8.56**	165,000	$9.87
Exercised	**-**	**-**	(103,000)	$7.09
Expired	**(105,900)**	**$10.25**	(156,750)	$11.55
Balance, end of year	**957,000**	**$10.78**	785,400	$11.49

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2020:

	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**
$8.56 - $10.00	412,500	4.32 years	$9.00	28,000	$9.87
$10.01 - $13.00	315,000	2.10 years	$10.33	161,000	$10.37
$13.01 - $14.58	229,500	0.43 years	$14.56	224,500	$14.58
$8.56 - $14.58	**957,000**	**2.66 years**	**$10.78**	**413,500**	**$12.61**

The number of common shares available for future issuance of options as at September 30, 2020 is 1,118,338 (2019 – 1,289,938). The number of options outstanding together with those available for future issuance totals 2,075,338 (2019 – 2,075,338) or 5.2% (2019 – 5.1%) 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 $369 for the year ended September 30, 2020 (2019 – $270). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used to measure the fair value of stock options and the weighted average fair value of options granted during the years ended September 30, 2020 and 2019 are as follows:

	2020	2019
Risk-free interest rates	**1.50%**	2.29%
Expected dividend yield	**4.12%**	3.579%
Expected volatility	**30.19%**	29.85%
Expected time until exercise	**5.50 years**	5.50 years
Weighted average fair value of the options granted	**$1.55**	$2.01

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, 2020, the Company granted 19,921 DSUs (2019 – 16,155 DSUs) and redeemed no DSUs (2019 – 60,312 DSUs). During the year ended September 30, 2020 the Company recorded stock-based compensation expense of $84 (2019 – $35) related to awards under the DSU plan with a corresponding adjustment to other accrued liabilities. As at September 30, 2020, 80,977 DSUs were outstanding with a carrying value of $534 recorded in other accrued liabilities.

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

	2020	2019
Balance, beginning of year	**$4,349**	$4,391
Stock option expense	**369**	270
Exercise of stock options	**-**	(312)
Balance, end of year	**$4,718**	$4,349

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 18, 2020. The Company's Board of Directors authorized the purchase of up to 2,000,000 common shares representing approximately 5% of the Company's outstanding common shares. During the year, 1,258,666 common shares were repurchased (2019 – 1,416,018) for a total cost of $9,204 (2019 – $12,301). The cost to repurchase the common shares in the year exceeded their stated value by $7,634 (2019 – $10,568) 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 JP Morgan credit facilities are collateralized by a general security agreement over its North American assets.

		Utilizations		Unused and
	Facilities	**Current**	**Long-term**	**Available**
JP Morgan, credit facility (Canada, USA)	**$50,000**	$2,793	$3,000	$44,207
JP Morgan, operating line (Europe)	**2,423**	625	-	1,798
	$52,423	**$3,418**	**$3,000**	**$46,005**

	2020	2019
Prime rate in Canada	**2.45%**	3.95%
Prime rate in USA	**3.25%**	5.00%
Prime rate in Eurozone	**0.00%**	0.00%

On February 7, 2020, the Company closed an amendment to renew the $50,000 Committed Revolving Credit Facility with JP Morgan Chase Bank N.A., of which $5,793 was utilized as at September 30, 2020 (2019 - $17,000). 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, 2020.

Additionally, the Company maintains a operating line facility with JP Morgan Chase Bank N.A. London Branch related to any needs for Euro currency. The facility totals $2,423 (EUR 1.55 million) and bears interest based on LIBOR. The Company had utilized $625 as at September 30, 2019 (2019 – $578).

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, 2020 there are no unfulfilled conditions or contingencies attached to this loan.

The components of long-term debt are as follows:

	September 30, 2020	September 30, 2019
Bank debt	**$3,000**	$17,000
Promissory note	**93**	186
Subtotal	**3,093**	17,186
Less: current portion	**(93)**	(93)
Long-term debt, long-term portion	**$3,000**	$17,093

5. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	Total
Cost							
Balance as at September 30, 2018	$203,981	$22,923	$71,289	$12,012	$2,631	$-	$312,836
Additions	3,182	1,569	456	-	22,194	-	27,401
Reclassification	13,244	1,432	3,562	-	(18,238)	-	-
Less: disposals	(10,118)	(1,028)	-	-	-	-	(11,146)
Less: deconsolidation of ALC (note 17)	(6,962)	(601)	-	-	-	-	(7,563)
Foreign exchange movement	601	112	(44)	(34)	(35)	-	600
Balance as at September 30, 2019	203,928	24,407	75,263	11,978	6,552	-	322,128
Initial recognition of IFRS 16 assets (note 2)	-	-	-	-	-	1,687	1,687
Additions	5,101	916	691	896	15,407	81	23,092
Reclassification	8,076	1,075	3,812	-	(12,963)	-	-
Less: disposals	(9,899)	(3,685)	(37)	-	-	(29)	(13,650)
Foreign exchange movement	(1,362)	(172)	(366)	(290)	(40)	46	(2,184)
Balance as at September 30, 2020	**$205,844**	**$22,541**	**$79,363**	**$12,584**	**$8,956**	**$1,785**	**$331,073**

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	Total
Accumulated depreciation and impairment losses							
Balance as at September 30, 2018	$143,946	$17,893	$33,448	$-	$-	$-	$195,287
Depreciation for the year	10,598	1,768	3,032	-	-	-	15,398
Less: disposals	(9,931)	(991)	-	-	-	-	(10,922)
Less: deconsolidation of ALC (note 17)	(4,269)	(473)	-	-	-	-	(4,742)
Foreign exchange movement	223	97	-	-	-	-	320
Balance as at September 30, 2019	140,567	18,294	36,480	-	-	-	195,341
Depreciation for the year	11,708	1,979	3,172	-	-	565	17,424
Less: disposals	(8,754)	(3,661)	(14)	-	-	(28)	(12,457)
Foreign exchange movement	(286)	(66)	94	-	-	(6)	(264)
Balance as at September 30, 2020	**$143,235**	**$16,546**	**$39,732**	**$-**	**$-**	**$531**	**$200,044**

Carrying amounts							
As at September 30, 2019	$63,361	$6,113	$38,783	$11,978	$6,552	$-	$126,787
As at September 30, 2020	**$62,609**	**$5,995**	**$39,631**	**$12,584**	**$8,956**	**$1,254**	**$131,029**

As at September 30, 2020, the Company had deposits for machinery and equipment and buildings under construction totalling $8,956 (2019 – $6,552). These assets are not being depreciated because they are under construction and not available for 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, 2018	$21,460	$46,266	$99	$67,825	$62,843
Additions	447	-	120	567	-
Less: disposals	(392)	-	-	(392)	-
Less: deconsolidation of ALC (note 17)	(321)	-		(321)	-
Reclassifications	113	-	(113)	-	-
Foreign exchange movement	19	958	-	977	(9)
Balance as at September 30, 2019	21,326	47,224	106	68,656	62,834
Additions	275	-	128	403	-
Less: disposals	(13,471)	-	-	(13,471)	-
Reclassification	192	-	(192)	-	-
Foreign exchange movement	(32)	330	4	302	2,146
Balance as at September 30, 2020	**$8,290**	**$47,554**	**$46**	**$55,890**	**$64,980**

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2018	$19,797	$11,389	$-	$31,186	$-
Amortization for the year	825	3,237	-	4,062	-
Less: disposals	(392)	-	-	(392)	-
Less: deconsolidation of ALC (note 17)	(273)	-	-	(273)	
Foreign exchange movement	17	165	-	182	-
Balance as at September 30, 2019	19,974	14,791	-	34,765	-
Amortization for the year	755	3,277	-	4,032	-
Less: disposals	(13,471)	-	-	(13,471)	-
Foreign exchange movement	(30)	59	-	29	-
Balance as at September 30, 2020	**$7,228**	**$18,127**	**$-**	**$25,355**	**$-**

Carrying amounts					
As at September 30, 2019	$1,352	$32,433	$106	$33,891	$62,834
As at September 30, 2020	**$1,062**	**$29,427**	**$46**	**$30,535**	**$64,980**

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

Impairment testing of goodwill
The Company performed the annual impairment test of goodwill allocated to the Automotive Solutions segment as at September 30, 2020. The recoverable amount 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 2% growth rate, which represents the expected growth in the global economy. The discount rate applied to future cash flows was 8.1%. As a result of the analysis, management determined there was no impairment.

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 the Automotive Solutions 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 group of 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.

Sensitivity to changes in assumptions
Management has performed sensitivities on the assumptions used in the value in use calculations, and the recoverable amount still exceeds the 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, 2020	September 30, 2019
Severance	**$2,579**	$2,474
Warranties	**323**	198
	$2,902	$2,672

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	Total
Closing balance, as at September 30, 2018	$1,115	$152	$1,267
Additions	2,442	78	2,520
Utilized	(972)	(33)	(1,005)
Reversals	(100)		(100)
Foreign exchange differences	(11)	1	(10)
Closing balance, as at September 30, 2019	$2,474	$198	$2,672
Additions	1,312	124	1,436
Utilized	(683)	-	(683)
Reversals	(387)	-	(387)
Foreign exchange differences	(137)	1	(136)
Closing balance, as at September 30, 2020	**$2,579**	**$323**	**$2,902**

8. 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

Foreign exchange contracts
The Company entered into a series of Collars extending through to September 8, 2023 and designated them as cash flow hedges against Mexican payroll and other local Mexican costs. The total amount of these Collars is 636.0 million Mexican pesos (2019 – 624.0 million Mexican pesos). The selling price ranges from 20.734 to 24.27 Mexican pesos to each US dollar. In addition, there is a series of collars extending through December 14, 2020 to convert $.267 million CAD to USD. These Collars have been designated as a cash flow hedge against capital equipment purchase in USD.

Management estimates that a cumulative loss of $1,758 (2019 – loss of $278) would be realized if these Collars were terminated on September 30, 2020. Net of deferred taxes of $460, the cumulative loss of $1,298 is recorded in other comprehensive income. During the year, the estimated fair value loss of $1,091, net of deferred taxes of $389 (2019 – loss of $779 net of deferred taxes of $278) has been included in other comprehensive income, and the cumulative loss of $1,758 is recorded in the consolidated statements of financial position under the caption derivative instruments.

Risks and uncertainties
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. Allowance for doubtful accounts is estimated using the expected credit loss model. The Company uses historical experience, and considers factors including, the aging of balances, the customer's credit worthiness, updates based on the current economic conditions, expectations of bankruptcies, and the political and economic volatility in the markets/locations of customers to estimate the allowance. 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, 2020, the accounts receivable balance (net of allowance for doubtful accounts) is $82,222 (2019 – $93,552) and the Company's five largest trade debtors accounted for 37.1% of the total accounts receivable balance (2019 – 35.7%).

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

	September 30, 2020	September 30, 2019
Trade accounts receivable	**$83,436**	$91,426
Employee receivable	**323**	232
Sales tax receivable	**2,474**	2,254
Other	**899**	480
Less: allowance for doubtful accounts	**(4,910)**	(840)
Total accounts receivable, net	**$82,222**	$93,552

The aging of trade accounts receivable balances is as follows:

	September 30, 2020	September 30, 2019
Not past due	**$74,229**	$79,685
Past due 1-30 days	**6,654**	8,617
Past due 31-60 days	**1,641**	1,545
Past due 61-90 days	**267**	851
Past due over 90 days	**645**	728
Less: allowance for doubtful accounts	**(4,910)**	(840)
Total trade accounts receivable, net	**$78,526**	$90,586

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

	September 30, 2020	September 30, 2019
Opening balance	**$840**	$2,402
Additions	**4,780**	326
Utilized	**(658)**	(1,949)
Reversal	**(63)**	-
Exchange differences	**11**	61
Closing balance	**$4,910**	$840

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. As at September 30, 2020, the Company has a net cash balance of $26,613 (2019 – $8,724) and unused credit facilities of $46,005 (2019 – $34,660).

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, 2020		
	Total	**< 1 Year**	**1-3 Years**	**Over 3 Years**
Bank indebtedness	**$3,418**	**$3,418**	**$-**	**$-**
Trade accounts payable	**32,873**	**32,873**	**-**	**-**
Long-term debt	**3,093**	**93**	**3,000**	**-**
Operating leases	**1,331**	**510**	**808**	**13**
Purchase commitments	**29,844**	**29,844**	**-**	**-**
Capital expenditures	**2,594**	**2,594**	**-**	**-**
	$73,153	**$69,332**	**$3,808**	**$13**

		September 30, 2019		
	Total	< 1 Year	1-3 Years	Over 3 Years
Bank indebtedness	$578	$578	$-	$-
Trade accounts payable	44,183	44,183	-	-
Long-term debt	17,186	93	17,093	-
Operating leases	772	280	436	56
Purchase commitments	29,426	29,426		
Capital expenditures	7,931	7,931	-	-
	$100,076	$82,491	$17,529	$56

c) Foreign exchange risk

The Company operates in Canada with subsidiaries located in the United States, Mexico, Colombia, Brazil, Thailand, 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 other 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	+/- 853	+/- 8	+/- 2
Other comprehensive income	+/- 3,372	+/- 376	+/- 150

	1% Fluctuation COP vs. CAD	1% Fluctuation BRL vs. CAD
Income before income taxes	+/- 1	+/- 8
Other comprehensive income	+/- 71	+/- 39

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.

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 are 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 statements of financial position dates and are Level 2 instruments.

The estimated fair value of long-term debt approximates its carrying value as the instruments' terms and interest rate are market based.

During the year ended September 30, 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	September 30, 2020		September 30, 2019	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	**$33,124**	**$33,124**	$26,488	$26,488
Accounts receivable	**82,222**	**82,222**	93,552	93,552
Trade accounts payable	**(32,873)**	**(32,873)**	(44,183)	(44,183)
Bank indebtedness	**(3,418)**	**(3,418)**	(578)	(578)
Customer advance payments	**(3,557)**	**(3,557)**	(1,010)	(1,010)
Accrued liabilities	**(22,772)**	**(22,772)**	(20,684)	(20,684)
Derivative instruments	**(1,758)**	**(1,758)**	(278)	(278)
Long-term debt	**($3,093)**	**($3,093)**	($17,186)	($17,186)

9. INVENTORIES

	September 30, 2020	September 30, 2019
Raw materials	**$30,237**	$33,458
Work in process	**19,279**	25,161
Finished goods	**12,326**	13,486
Production supplies	**2,691**	4,418
Less: obsolescence provision	**(3,375)**	(3,263)
	$61,158	$73,260

The movement in the obsolescence provision accounts is as follows:

	September 30, 2020	September 30, 2019
Opening balance	**$3,263**	$7,802
Additions	**1,203**	3,820
Utilized	**(568)**	(8,535)
Reversals	**(584)**	-
Exchange differences	**61**	176
Closing balance	**$3,375**	$3,263

During the year, inventories of $179,652 (2019 – $245,464) were expensed, of which $1,203 was from the write-downs of inventories (2019 – $3,820), with reversal of write-downs of $584 (2019 – nil).

10. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2020, total managed capital amounted to $331,006 (2019 – $326,487), consisting of nil net debt (2019 – nil) and shareholders' equity of $331,006 (2019 – $326,487).

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, 2020	September 30, 2019
Net debt to equity ratio	**0.00:1**	0.00:1
Net debt to Adjusted EBITDA ratio	**0.00:1**	0.00:1

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, 2020	September 30, 2019
Bank indebtedness and long-term debt	**$6,511**	$17,764
Less: cash and cash equivalents	**(33,124)**	(26,488)
Net debt	**nil**	nil

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

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

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, 2020, the Company was in compliance with the required financial covenants.

11. 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.

				2020
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$189,489**	**$231,613**	**$-**	**$421,102**
Intercompany sales	**(8,274)**	**(519)**	**-**	**(8,793)**
Net sales	**181,215**	**231,094**	**-**	**412,309**
Depreciation	**13,834**	**3,478**	**112**	**17,424**
Amortization	**607**	**3,424**	**1**	**4,032**
Segment pre-tax income (loss) before interest and other income (expense)	**17,998**	**20,970**	**(6,928)**	**32,040**
Net interest expense				**(617)**
Income before income taxes				**31,423**
Initial recognition of right of use assets	**389**	**1,266**	**32**	**1,687**
Property, plant and equipment additions	**20,371**	**2,721**	**-**	**23,092**
Property, plant and equipment, net	**104,498**	**25,189**	**1,342**	**131,029**
Intangible asset additions	**397**	**6**	**-**	**403**
Intangible assets, net	**933**	**29,602**	**-**	**30,535**
Goodwill	**-**	**64,980**	**-**	**64,980**
Total assets	**200,228**	**219,600**	**(10,048)**	**409,780**
Total liabilities	**28,809**	**41,034**	**8,931**	**78,774**

				2019
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$214,214	$311,658	$-	$525,872
Intercompany sales	(9,922)	(8,602)	-	(18,524)
Net sales	204,292	303,056	-	507,348
Depreciation	12,511	2,813	74	15,398
Amortization	682	3,378	2	4,062
Segment pre-tax income (loss) before interest and other income (expense)	17,989	31,867	(6,681)	43,175
Other expense (note 17)	-	(6,409)	-	(6,409)
Net interest expense				(790)
Income before income taxes				35,976
Property, plant and equipment additions	23,475	3,818	108	27,401
Property, plant and equipment, net	101,649	23,738	1,400	126,787
Intangible asset additions	473	94	-	567
Intangible assets, net	1,153	32,738	-	33,891
Goodwill	-	62,834	-	62,834
Total assets	212,240	214,734	(4,239)	422,735
Total liabilities	31,119	43,440	21,689	96,248

Geographic and customer information

Sales	2020	2019
Canada	**$19,906**	$21,752
United States	**255,160**	304,622
Europe	**65,622**	100,138
Mexico	**52,306**	58,249
South America	**6,229**	9,594
Asia	**7,094**	8,257
Other	**5,992**	4,736
	$412,309	$507,348

In 2020 the total revenue to the Company's largest 2 customers accounted for 6.0% and 5.6% (2019 – 6.5% and 6.1%) of total sales. The accounts receivable pertaining to these customers were $5,879 and $4,629 at year-end (2019 – $8,578 and $4,478). The allocation of sales to the geographic categories is based upon the customer location where the product is shipped. In 2020, the Company's largest 2 customers were from the Casting and Extrusion segment and the Automotive Solutions segment (2019 - the Company's largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment).

Property, plant and equipment, net	September 30, 2020	September 30, 2019
Canada	**$50,619**	$44,344
United States	**31,489**	32,396
Mexico	**22,675**	24,317
South America	**6,857**	8,611
Thailand	**6,643**	7,013
Europe	**-**	-
Morocco	**12,746**	10,106
	$131,029	$126,787

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

Intangible assets, net	September 30, 2020	September 30, 2019
Canada	**$717**	$973
United States	**29,553**	32,633
Mexico	**17**	48
South America	**148**	97
Thailand	**8**	3
Europe	**-**	-
Morocco	**92**	137
	$30,535	$33,891

B. EMPLOYEE FUTURE BENEFITS

The Company accrues employee future benefits for its Mexican and Thailand employees. In Mexico 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. In Thailand the severance benefit varies from 1 to 10 months dependent on length of service.

The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments and amounted to $1,877 as at September 30, 2020 (2019 – $2,110) 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, 2020 and 2019 were as follows:

	September 30, 2020	September 30, 2019
Salaries and cash incentives (i)	**$3,329**	$3,644
Directors' fees	**270**	492
Share-based awards (ii)	**130**	133
	$3,729	$4,269

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2020 and 2019.
ii) Share-based payments are director share units granted to directors and the fair value of stock options granted to key management personnel.

12. INCOME PER COMMON SHARE

Income per common share is calculated using net income and the monthly weighted average number of common shares outstanding of 39,942,880 (2019 – 41,245,026). 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 no dilution effect from the outstanding stock options on diluted weighted average number of common shares outstanding for 2020 (2019 – 8,100).

13. INCOME TAXES

The consolidated effective income tax rate for 2020 was 12.7% (2019 – 26.0%) per the following tables. The lower income tax rate was favourably impacted by the reversal of a $2,311 deferred tax liability relating to ALC as a result of a resolved tax exposure in the fourth quarter and the recognition of research and development tax credits. Excluding these items the effective tax rate would have been 22%. In the prior year the effective income tax rate was adversely impacted by the non-deductibility of Other Expense related to the de-consolidation of ALC in the amount of $6,409 (note 17). Excluding ALC, the effective income tax rate for the prior year would have been 22.0%.

	2020	
Income before income taxes	**$31,423**	**100.0%**
Income tax expense at Canadian statutory rates	**8,704**	**27.7%**
Manufacturing and processing deduction	**(302)**	**(1.0%)**
Foreign rate differential	**(266)**	**(0.8%)**
Non-taxable income net of non-deductible expenses	**(2,062)**	**(6.6%)**
Reversal of deferred tax liability	**(2,311)**	**(7.4%)**
Losses not tax effected	**276**	**0.9%**
Other	**(40)**	**(0.1%)**
Reported income tax expense	**$3,999**	**12.7%**

	2019	
Income before income taxes	$35,976	100.0%
Income tax expense at Canadian statutory rates	9,943	27.6%
Manufacturing and processing deduction	(260)	(0.7%)
Foreign rate differential	861	(2.4%)
Non-taxable income net of non-deductible expenses	(1,620)	(4.5%)
Losses not tax effected	536	1.5%
Other	(116)	(0.3%)
Reported income tax expense	$9,344	26.0%

The major components of income tax expense are as follows:

	2020	2019
Current income tax expense		
Based on taxable income for the year	**$4,790**	**$7,598**
Deferred income tax expense (recovery)		
Origination, reversal of temporary differences and losses not recognized	**(791)**	**1,746**
Reported income tax expense	**$3,999**	**$9,344**

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

	2020	2019
Deferred tax assets		
Tax benefit of loss carry forward	**$636**	$692
Items not currently deductible for income tax purposes	**548**	482
	1,184	1,174
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**(5,424)**	(5,913)
Unrealized revenue and foreign exchange	**61**	(645)
Investment in subsidiaries	**(3,038)**	(3,414)
	(8,401)	(9,972)
Net deferred income tax liabilities	**($7,217)**	($8,798)

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2020	2019
Accounts receivable	**$12,287**	$848
Inventories	**12,894**	5,496
Prepaid expenses and deposits	**85**	339
Trade accounts payable	**(11,686)**	3,300
Accrued payroll liabilities	**(1,350)**	(1,105)
Other accrued liabilities	**1,453**	695
Provisions	**230**	1,005
Customer advance payments	**1,854**	(1,855)
Income taxes recoverable	**(886)**	977
	$14,881	$9,700

15. 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 2018, 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. As at September 30, 2020 repayments of $439 were overdue. 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 for the year ended September 30, 2020 amounted to $3,960 (2019 – $5,048) and related liabilities and receivables were not recorded on the Company's consolidated statements of financial position. Repayments made in the current year amounted to $2,856 (2019 – $6,360). As at September 30, 2020 the balance outstanding under the Program was $9,925.

There are no material contingent liabilities as at September 30, 2020 (2019 – nil).

16. INTEREST EXPENSE

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

	September 30, 2020	September 30, 2019
Interest expense on bank indebtedness and long-term debt	**$632**	**$835**
Interest income on deposits	**(15)**	**(45)**
Net interest expense	**$617**	**$790**

17. DECONSOLIDATION OF ALC AND OTHER EXPENSE IN THE PRIOR YEAR

On January 17, 2019, the Company's indirect wholly owned subsidiary ALC Bulgaria EOOD ("ALC") voluntarily filed a liquidation petition in Bulgaria. As a result the Company lost control of and de-consolidated it from the Company's financial statements. The Company had recorded a $6.4 million provision during the prior year in respect to ALC, the result of which was that the net assets of ALC were $nil.

18. GOVERNMENT ASSISTANCE

As a result of the impact of COVID-19, the Company has applied to multiple government assistance programs. During the year ended September 30, 2020 the Company recorded $7,003 of assistance which was recorded as a reduction of selling, general and administrative expense. The amount of assistance receivable as at September 30, 2020 was $648.

CORPORATE INFORMATION

Board of Directors

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

Darren M. Kirk, MBA, CFA
President and CEO of the Company

Robert B. Magee, PEng
Chairman
Woodbridge Group

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

Paul E. Riganelli, MA, MBA, LLB
Executive Vice President of the Company

Brian A. Robbins, PEng
Executive Chairman of the Company

Anne Marie Turnbull
President, AMT Associates Ltd.

Corporate Officers

Brian A. Robbins, PEng
Executive Chairman

Darren M. Kirk, MBA, CFA
President and CEO

Matthew Posno, CPA, CA, MBA
Chief Financial Officer & VP Finance
Secretary

Paul E. Riganelli, MA, MBA, LLB
Executive Vice President

Transfer Agent and Registrar

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Auditors

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Chartered Professional Accountants
Licensed Public Accountants

Stock Listing

Toronto Stock Exchange (XTC)

Corporate Office

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130 Spy Court, 2nd Floor
Markham, Ontario L3R 5H6
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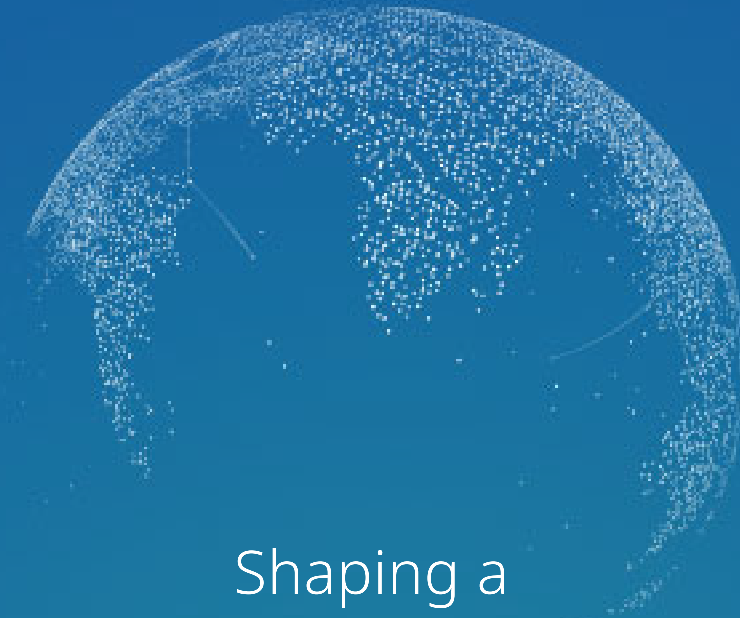
F2020 Annual General Meeting of Shareholders

Tuesday, February 2, 2021
at 4:30 pm. (Toronto Time)

Virtual Meeting: Live Webcast
http://web.lumiagm.com/268494078

Technologies Limited



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