EXCO® Technologies Limited

2021 Annual Report

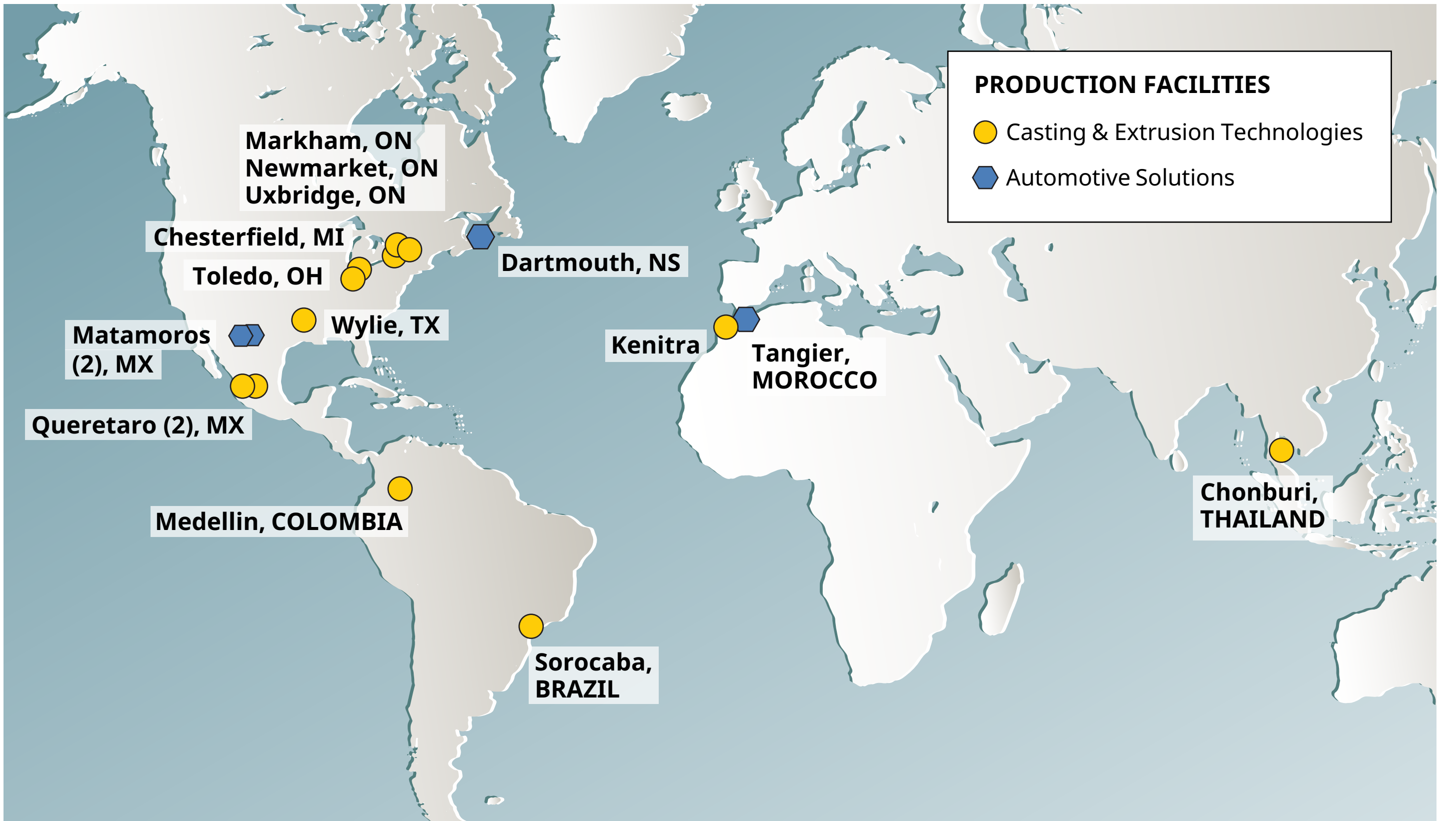
POWERING

THE

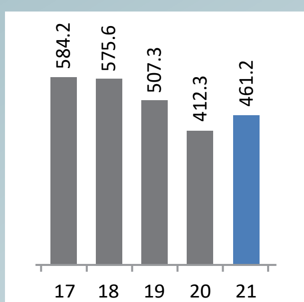
EV

REVOLUTION

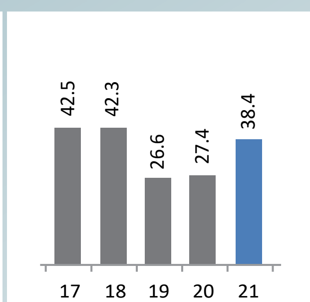
EXCO® Technologies Limited



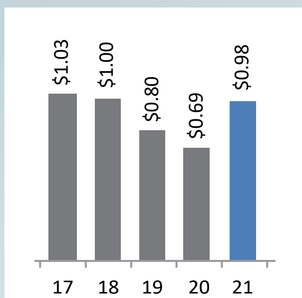
SALES
($ millions)



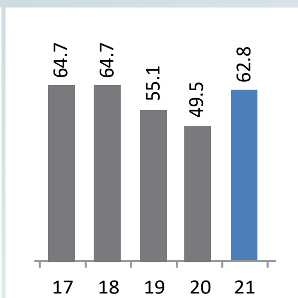
NET INCOME
($ millions)



DILUTED ADJUSTED EARNINGS PER SHARE (1)



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



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

CASTOOL TOOLING SYSTEMS®

ETS EXCO TOOLING SOLUTIONS®

AFX

EXCO ENGINEERING

Polydesign — EXCO® automotive solutions

Polytech — EXCO® automotive solutions

Neocon — EXCO® automotive solutions

LETTER TO STAKEHOLDERS F2021

Powering the EV Revolution

More than eighteen months have passed since the start of the pandemic that fundamentally reshaped the way we live, work and socialize. And although the world is still grappling with its impacts, Exco continues to forge ahead strongly.

In Fiscal 2021, we achieved very good financial results despite severe macroeconomic headwinds that saw microchip shortages and broader supply chain challenges forcefully restrain global automotive vehicle production. As well, we managed through rising input costs and a stronger Canadian dollar, which also crimped our results. Nonetheless, our full year sales were up 12% compared to fiscal 2020, and we delivered $0.98 earnings per share, a 42% improvement compared to $0.69 last fiscal year.

Beyond our financial results, we bolstered the foundation that will drive our future growth once current constraints inevitably ease and as the electric vehicle revolution continues to take hold. We laid out and promoted our core Exco values, we enhanced our employee code of conduct, and published our first sustainability report. We also secured sizeable program wins, realized significant productivity gains and mapped out investment plans and a growth agenda that we expect will enable our revenue, EBITDA, and EPS to more than double in the next five-year period.

ESG Strategic Priorities

Looking ahead, as Environmental, Social and Governance (ESG) initiatives continue to intensify across all industries, I am pleased to say that Exco's ESG strategic priorities are clear. We are very well positioned to grow profitably and to contribute positively to the global sustainability movement in the years ahead.

This year, we engaged in a deeper dialogue about these issues with our stakeholders than ever before, as discussed in our first Sustainability Report published in December 2021. As highlighted in the report, ESG factors are an integral part of our strategic decision making and capital allocation decisions. Our ESG strategic priorities are built upon our core values and are designed to ensure that Exco achieves its vision – to be the benchmark for innovation, efficiency and quality in the industries we serve.

Sustainable Marketplace

Our businesses directly support the electric vehicle revolution and worldwide movement towards reducing emissions. Consequently, as the world continues to push towards social and environmental sustainability, the future for our products has never been brighter. An increase in the use of aluminum across many industries is the primary driver of this tailwind, particularly in the automotive industry, our primary end market.

As the automotive industry adapts to ever-tightening fuel efficiency standards, lightweight metals are increasingly displacing structural steel vehicle components to make conventional (internal combustion engine) vehicles more environmentally friendly. As well, electric vehicles make extensive use of aluminum components to reduce weight and therefore maximize battery range. Exco's Casting and Extrusion segment is especially well positioned to benefit from this transition, as we are a leading producer of tools that shape lightweight metals and we do not manufacture tooling for steel components. Over the next several years, significant growth is expected in the application of both extruded and die-casted components according to a number of independent market studies.

More recently, die-cast aluminum components and associated tooling have been increasing significantly in both size and complexity. Tesla has pushed the envelope on this front, using massive die casting machines (so called Giga presses) that are much larger than those used previously. This enables Tesla to cast entire subframes of the vehicle (so called Giga castings) rather than assembling numerous stamped metal components in the body shop, creating significant manufacturing efficiency gains. The tooling required to facilitate this process is much larger and more complex, limiting the number of players able to compete effectively. Our Castool division is already the primary supplier of all shot-end tooling for Tesla's Giga presses globally, providing a clear indication of the depth our organization has in the design and know-how required to meet the challenges of the industry. We expect traditional OEMs will quickly follow Tesla's lead in using these larger die-cast machines as they transition to an EV future. Consequently, we are making significant additional investments in our people, equipment and processes to remain a leading supplier.

Our Automotive Solutions group, which manufactures products for both the interior and storage areas of passenger vehicles also stands to benefit from sustainability trends. Exco's Automotive Solutions segment typically makes products that are lighter in weight than competing products and electric vehicles generally have more cabin and storage space for which our products are well suited.

In addition to global decarbonization, forces that will drive growth for our Automotive Solutions businesses include higher expected levels of future vehicle production and rising Exco content per vehicle. Helping this growth, OEMs are increasingly looking to the sale of higher margin accessory products as a means to enhance their own profitability and Exco is an industry leader for many of these products.

Sustainable Operations

Exco is committed to running its facilities as efficiently as possible, de¬livering the same innovative, high-quality products to our customers with less energy, fewer materials and lower waste. As discussed below, we are investing significant capital to improve the efficiency of our own operations, lower our own carbon footprint, and ensure responsible and efficient use of materials. We are also committed to operating in a socially conscious manner, and above all, to taking great care of our people. Several of our businesses have achieved ISO 14001 certification, the international standard that specifies requirements for an effective environmental management system. Our additive manufacturing process serves to minimize material use while delivering increased value to our customers, directly supporting their own sustainability goals. 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. Moreover, our multi-plant footprint gives us proximity to market, which we believe contributes to the resilience of our supply chains, while reducing our carbon emissions.

Growth-oriented Capital Investment Program

We remain focused on our capital asset and growth strategies, and we made great progress in our key strategic investments in fiscal 2021.

We are pursuing an aggressive capital agenda within our Casting and Extrusion Segment, to capture significant growth opportunities in the markets we serve. This is especially evident in our Castool division, which in November 2021 announced the opening of our latest production facility in Kenitra, Morocco. This new facility will enable Castool to better serve its customers in Europe, the Middle East, and Africa, and provide increased capacity to meet the growing global demand for larger and more complex tooling, driven by the electric vehicle revolution and emission reduction goals.

Other projects within Castool include a new energy efficient heat treatment plant located in our existing Newmarket facility, which is expected to begin operations in the Spring of 2022. As well, Castool is moving forward with the construction of a new greenfield facility in Mexico, which will further increase manufacturing capacity and allow us to better serve the local market in Latin America.

During the year, our Large Mould Group made several investments in new equipment to align the manufacturing processes within the group and to position us to capture growth in the very large die-cast segment. Installation of this equipment began in fiscal 2021 and will continue throughout fiscal 2022. In addition, this year, our Board approved three new projects to enhance the Extrusion Group's heat treatment capabilities, all which will further minimize our environmental footprint, enhance quality, and enable a reduction in lead times once completed in fiscal 2022.

In our Automotive Solutions segment we are adding 40,000 square feet of manufacturing space to accommodate the production of several new key programs, which will together contribute over $65 million of annual revenue once fully ramped up by the end of fiscal 2022. Over and above this growth we expect to maintain our longer-term track record of content per vehicle growth in the 5-10% range. Of particular note, much of the segment's growth is being driven by content on electric vehicles, which as I mentioned are exceptionally well suited to our products.

With the benefit of these investments, the launch of new programs, general market growth and also market share gains consistent with our history, we expect to achieve substantial growth. Over the next 5 years Exco is currently targeting a compounded average annual growth rate of approximately 10% for revenues and slightly higher levels for EBITDA and Net Income. If achieved – as we expect – Exco's annual revenue would grow to $750 million and generate EPS of roughly $1.90 in fiscal 2026. Consequently, you should expect our capital expenditures will remain elevated in the next few years to position us for this significant anticipated growth. Fortunately, our cash flows remain strong and our balance sheet retains exceptional financial strength, which provides support for our goals.

Our people will always be our greatest strength

Since our inception some 70 years ago, Exco has become not just global, but world class. Despite current industry challenges, our future looks very bright.

Our vision is to be the benchmark for innovation, efficiency and quality in the industries we serve. Our mission is to enhance the look and functionality of passenger vehicles and tool up light metal industries for superior performance. Needless to say, we know that our continued success in achieving our mission and vision is only possible because of our employees. And we have some of the most committed, talented and high performing people. At Exco, our people will always be our greatest strength – and I am deeply grateful to our employees for their hard work, shared belief in our core values, entrepreneurial spirit, and commitment to always working safely.

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, 2021. This MD&A has been prepared as of December 1, 2021.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Exco, including copies of its continuous disclosure materials such as its Annual Information Form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference may be made to EBITDA, EBITDA Margin, Pretax Profit, Free Cash Flow and Maintenance Fixed Asset Additions which are not defined measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates ***EBITDA*** *as earnings before interest, taxes, depreciation and amortization and* ***EBITDA Margin*** *as EBITDA divided by sales. Exco calculates* ***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 and* ***Maintenance Fixed Asset Additions****. Maintenance Fixed Asset Additions represents investment in fixed assets that are required to continue current capacity levels. EBITDA, EBITDA Margin, 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. Given the Company's elevated planned capital spending on fixed assets for growth initiatives (including additional Greenfield locations, energy efficient heat treatment equipment and increased capacity) through the near term, the Company has modified its calculation of Free Cash Flow. This change is meant to enable investors to better gauge the amount of generated cash flow that is available for these investments as well as acquisitions and/or returns to shareholders in the form of dividends or share buyback programs.*

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. We use words such as "anticipate", "may", "will", "should", "expect", "believe", "estimate", "5-year target" and similar expressions to identify forward-looking information and statements especially with respect to growth, outlook and financial performance 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, liquidity, operating efficiencies, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, production sales, margin, earnings, earnings per share, including the outlook for 2026.

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, the impact of the global semiconductor shortage on automotive production volumes, the global economic recovery from the COVID-19 pandemic and containment of any future or similar outbreak of epidemic, pandemic, or contagious diseases that may emerge in the human population, which may have a material effect on how we and our customers operate our businesses and the duration and extent to which this will impact our future operating results, assumptions about the number of automobiles produced in North America and Europe, production mix between passenger cars and trucks, 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 in response to rising climate risks, raw material prices, supply disruptions, economic conditions, inflation, currency fluctuations, trade restrictions, our ability to integrate acquisitions, our ability to continue increasing market share, or launch of new programs and the rate at which our current and future greenfield operations in Mexico and Morocco 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, Thailand and Morocco 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 while pushing the envelope on innovation. Exco's expansion into producing tooling components additively in recent years is a good example of this. The Company is now a clear industry leader in the design, engineering and manufacturing of 3D printed tooling components globally. 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 – see "Marketplace opportunities and efficiency initiatives", below.

Exco was founded on a commitment to excellence and a culture of entrepreneurship and dedication to ethical business practices. 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 while adhering to our Code of Conduct.

MARKETPLACE OPPORTUNITIES AND EFFICIENCY INITIATIVES

In the automotive sector, Original Equipment Manufacturers (OEMs) continue to move towards electric vehicles and to make their vehicles lighter in weight for higher fuel efficiency. Exco's products form an integral part of this industry transformation.

Lightweight metals such as aluminum are increasingly displacing steel in order to make conventional (internal combustion engine) vehicles more environmentally friendly. As well, electric vehicles make extensive use of aluminum components to reduce weight and therefore maximize battery range. Exco's Casting and Extrusion segment, which comprises 43% of our revenues, is especially well positioned to benefit from this ongoing transition.

More recently, die-cast aluminum components and associated tooling has been increasing significantly in both size and complexity. Tesla has pushed the envelope in this regard, using die casting machines that are much larger than those used previously. This enables Tesla to cast entire subframes of the vehicle rather than assembling numerous stamped metal components in the body shop, creating significant manufacturing efficiency gains. We expect traditional OEMs will ultimately follow Tesla's lead over time in using these larger die-cast machines, and we are making significant additional investments in our people, equipment and processes to remain a leading supplier in this market.

Our customers are also increasingly focused on improving their own productivity and our products are actively helping in this regard. For example, we are now regularly designing and incorporating 3D printed components into our moulds which greatly enhances the overall quality and performance of the die-cast process while reducing the use of steel, energy and transportation costs. Similarly, Castool has evolved their systems to provide less expensive, longer lasting, more energy efficient and safer products. The group focuses on making components and accessories that will increase the customers' tooling life while ensuring less scrap and energy consumption. In doing so, we promote a higher energy and material efficiency in the value chain of production, while the same service is being delivered to the end-consumer.

Our Automotive Solutions group, which manufactures products for the interior passenger compartments and trunks of vehicles, is also a contributor to vehicle lightweighting trends. Exco's Automotive Solutions segment typically makes products that are lighter in weight than competing products. For example, Neocon offers lightweight material options that are an ideal fit for vehicles regardless of powertrain. By incorporating a foaming additive during the extrusion process and creating air voids in the base layer, Neocon created a thermoplastic rubber (TPR) product that is 45% lighter than a traditional thermoplastic elastomer (TPE) injection molded floormat alternative.

Exco is committed to running its facilities as efficiently as possible, delivering the same innovative, high-quality products to our customers with less energy, fewer materials and lower waste. 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. As well, our multi-plant footprint with standardized manufacturing processes provides superior capacity utilization and gives proximity to market which reduces carbon emissions through reduced transportation requirements. Several other technological advancements and initiatives are being employed throughout the organization to help achieve our goals.

2021 OVERVIEW

COVID-19

The economic impact of COVID-19 on the Company was less severe in fiscal 2021 compared to fiscal 2020. The risk of "stay-at-home" orders and operational shut-downs existed around the globe, however, the majority of our operations operated without such shut-downs. Our operations benefited from high vaccination adoption rates amongst employees globally, governments and health care systems managing COVID-19 caseloads and contact tracing, and continued focus within our operations to ensure the safety of our employees by developing policies and procedures to ensure continuous operations and reduce the threat of potential outbreaks.

Sales and Earnings

Fiscal 2021 began with strong operational results from all divisions within both segments. North American and European automotive production levels rebounded in late Q4 of fiscal 2020 as OEMs replenished historically low inventory levels and ramped up production to meet consumer demands. This was reflected in the Company's Q1 and Q2 sales and earnings. Fiscal 2021 H1 sales and earnings were up 41% and 128% respectively compared to fiscal 2020 H2.

The first significant challenge to our Automotive Segment results was the February Texas winter storm that shut down operations, reduced oil production for a number of weeks, and created resin shortages and premium pricing. This created challenges in procuring resins and similar polymer products. The storm impacted sales and earnings in the second quarter and increased resin prices for months to follow.

The global semiconductor chip supply chain shortage negatively impacted automotive production around the world. Virtually every OEM, every platform and model has been impacted by this issue. OEM production lines were idled for weeks and months as they struggled to receive semiconductor chips. Customer releases to suppliers changed daily. The impact of the semiconductor shortage did not materially impact the Automotive Segment until mid-March and continued throughout the year. The Automotive segment sales dropped 20% between the first and second half of fiscal 2021 primarily due to the semiconductor chip shortage.

The Casting and Extrusion segment remained consistent all year. Negative impacts from the semiconductor chip shortage were offset by strength in the Extrusion group and Castool's ability to increase market share and develop new customers. This segment was supported by a higher demand for aluminum globally driven by automotive light-weighting, building construction, green energy, and a run-up in demand for consumer durables.

Additional challenges impacting Exco's overall results include freight and transportation challenges, inflationary price pressures and a strengthening Canadian dollar. Freight costs increased and shortages of trucks, containers and drivers negatively challenged delivery dates. Inflationary price pressure on raw materials (steel, copper, leather goods and resins), components and labour were experienced at various levels at all Exco operations.

In spite of these global manufacturing challenges and recessionary conditions caused by COVID-19, full year sales and earnings were up 12% and 42% respectively compared to fiscal 2020 as we benefited from the recovery from COVID-19 shut downs, sizeable past and ongoing investments, significant efficiency gains, market share gains, and new product launches.

Capital Asset Expansion and Growth

As Exco rebounded from the COVID-19 challenges throughout fiscal 2021, the Company remained focused on its capital asset and growth strategies. Investment in capital assets increased 65% in fiscal 2021 as the Company invested $38 million in capital assets compared to $23 million in the prior year with approximately $28.4 million identified as growth capital expenditures compared to $7.8 million in the prior year. The major projects identified during fiscal 2021 include:

- Castool Morocco – this new plant which was substantially completed by the end of the year will allow Castool to better penetrate the European market. Although COVID-19 delayed the opening of this facility, management estimates the delay was approximately 3-4 months.
- Castool Heat treatment - Situated within our existing Newmarket facility, management expects production will begin in the Spring of 2022. This facility gives us the ability to process regular and oversized components, reduce shipping and scheduling conflicts with third party suppliers, ensure faster delivery to our customers, increase quality control, mitigate risks of relying on a third-party supplier for an essential process and the energy efficient equipment reduces the Company's carbon dioxide footprint.
- Castool Mexico – This greenfield facility was approved in fiscal 2021 and will begin construction in fiscal 2022. This facility will be operational in fiscal 2023 and will increase manufacturing capacity and will better penetrate the market in Mexico.
- Large Mould – During the year, the Large Mould group added a fourth additive machine and ordered small, medium and large 5 axis machines for all locations to commonize manufacturing processes within the group and positions us to capture growth in the very large die-cast segment. Installation of this equipment began in fiscal 2021 and will continue throughout fiscal 2022.

- Extrusion group Heat Treatment – During fiscal 2021, management evaluated the Extrusion group's heat treatment capabilities and approved three projects: adding Heat treatment in Mexico, increasing capacity in Texas, and replacing our Markham Heat treatment with energy efficient equipment. These changes will be completed in fiscal 2022.
- Automotive Solutions - the Polytech and Neocon facilities will be expanded (combined 40,000 square feet) to meet the growing demand from our customers' significant program awards. These projects were launched in fiscal 2021 and will be completed during fiscal 2022.

Outlook

The overall outlook is favorable across Exco's various businesses. Consumer demand for automotive vehicles is outstripping supply in most markets, constrained by a shortage of microchips and to a lesser extent other raw materials and components. Dealer inventory levels remain near record lows, while average transaction prices are at record highs and the average age of the broader fleet has continued to increase to an all-time high. This bodes well for higher levels of future vehicle production and the sales opportunity of Exco's various automotive components and accessories once supply chains normalize. In addition, OEMs are selling higher margin accessory products that Automotive Solutions develops as a means to enhance OEM profitability levels. Exco's Automotive Solutions segment derives a significant amount of activity from such products and is a leader in the prototyping, development and marketing of the same. Moreover, the rapid movement towards an electrified fleet is enticing new market entrants into the automotive OEM market while causing traditional OEM incumbents to further differentiate their product offerings, all of which is driving above average opportunities for Exco.

With respect to Exco's Casting and Extrusion segment, the intensifying global focus on environmental sustainability is creating significant growth drivers that are expected to persist through at least the next decade. Automotive OEMs are looking to light-weight metals such as aluminum to reduce vehicle weight and reduce carbon dioxide emissions. This trend is evident regardless of powertrain design - whether internal combustion engines, electric vehicles or hybrids. As well, a renewed focus on the efficiency of OEMs in their own manufacturing process is creating higher demand for advanced tooling that can contribute towards their profitability and sustainability goals. Tesla, in particular, has adopted the approach of utilizing much larger die cast machines to cast entire vehicle sub-frames from an aluminum based alloy rather than assemble numerous pieces of separately stamped and welded components of ferrous metal. Exco expects traditional OEMs will follow this trend and is positioning its operations to capitalize accordingly.

On the cost side, inflationary pressures have intensified in recent quarters while prompt availability of various input materials and components has become more challenging. We are offsetting these dynamics through various efficiency initiatives and taking pricing action where possible although there is typically several quarters of lag before the counter measures are evident.

Exco is also looking inwards with respect to ESG and sustainability trends to ensure its own operations are sustainable. We are investing significant capital to improve the efficiency of our own operations and lower our own carbon footprint.

Over the next 5 years Exco is currently targeting a compounded average annual growth rate of approximately 10% for revenues and slightly higher levels for EBITDA and Net Income during this timeframe, producing annual EPS of roughly $1.90 in fiscal 2026. This target is expected to be achieved through the launch of new programs, general market growth, and also market share gains consistent with the Company's operating history. Capital investments will remain elevated in the next few years in order to position the Company for the significant growth opportunities we anticipate.

Consolidated Results - Sales

Annual sales totalled $461.2 million compared to $412.3 million last year – an increase of $48.9 million or 12% over last year. The increase reflects the economic recovery from the global impact of COVID-19 partially offset by constraints to automotive production volumes due to supply chain disruptions. The US dollar averaged 7% lower ($1.26 versus $1.35) against the Canadian dollar over the year decreasing sales by $22.4 million. The Euro remained relatively unchanged against the Canadian dollar over the prior year.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2021 and 2020. 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)	**2021**	2020
Sales	**$461.2**	$412.3
Net income for the year	**$38.4**	$27.4
Earnings per share from net income		
Basic and diluted	**$0.98**	$0.69
Total assets	**$430.1**	$409.8
Cash dividend paid per share	**$0.40**	$0.38
EBITDA	**$70.1**	$53.5

Segment Sales

- *Automotive Solutions Segment*

Sales in this segment were $263.2 million – an increase of $32.1 million or 14% from the prior year. The sales increase was driven by the market recovery from COVID-19 partially offset by the supply chain shortages of semiconductor microchips and other global supply chain challenges. In fiscal 2021 there were no operations idled due to COVID-19 whereas three of the segment's four businesses were completely shut down for two and a half months due to COVID-19 government executive orders in fiscal 2020. The strengthening of the Canadian dollar versus the US dollar in fiscal 2021 compared to fiscal 2020 decreased segment sales in North America by $12.3 million. There was minimal impact to European sales when converting the Euro to Canadian dollars in fiscal 2021 compared to fiscal 2020. Excluding foreign exchange rate movements segment sales were higher by $44.4 million, or 19% compared to fiscal 2020. During the year, overall industry vehicle production volumes were higher by roughly 4% in North America and Europe on a combined basis as the rebound from COVID-19 was countered by the semiconductor chip shortage. Overall Exco's 19% increase in sales versus the industries 4% increase in production reflects the Company's strong platform and product mix. Despite the challenges from the semiconductor shortage on vehicle production, COVID-19, global supply chain and freight challenges, segment sales were supported by a number of program launches for both new and existing products, particularly at Polytech and Neocon. More broadly, the segment's four businesses continue to focus their efforts on launching substantial programs, quoting significant new opportunities from EV and new market entrants, customer diversification and higher margin activity. Management sees continuing opportunity for future growth supported by recent program wins and quoting activity for new programs in both North American and Europe.

- *Casting and Extrusion Segment*

Sales in this segment were $198.0 million – an increase of $16.8 million or 9% from the prior year. Excluding the adverse impact of foreign exchange, segment sales increased $26.9 million or 15% compared to fiscal 2020. Sales in the Extrusion and Castool groups exceeded the prior year. There was considerable demand for extruded products, particularly in the construction, auto and consumer goods industries, that drove up Extrusion group sales. The Extrusion group increased its capacity through standardization which allowed it to move orders within the group to ensure customer demands were met. In addition to winning market share from existing customers, the Castool group continues to see significant growth from new customers using new large die-cast machines. Sales in the Large Mould group in the first half of 2021 were down compared to the prior year, but second half sales rebounded and exceeded second half 2020 sales and H1 fiscal 2021 sales. Timing of orders, COVID-19 challenges and vehicle production delays due to semiconductor shortages negatively influenced the Large Mould group's fiscal 2021 sales. Quoting activity in the Large Mould group remains strong with the group diversifying its customer base. Double digit sales growth from the Additive department continued as new and existing customers realized the benefits of additive components. Additive parts improve the efficiency of our existing moulds. Where possible, the Casting and Extrusion group took pricing actions to protect margins.

Cost of Sales

On a consolidated basis, cost of sales totalled $352.0 million – an increase of $28.2 million or 9% from the prior year. Cost of sales as a percentage of sales decreased from 79% in fiscal 2020 to 76% in the current year. Raw materials including petroleum/natural gas-based resins, leather goods, plastic products, and tool grade steel prices increased due to inflationary and macro economic pressures. Raw material costs as a percentage of sales were consistent to the prior year because of product and sales mix variances within the Company's operating segments. Direct labour wage increases were offset by manufacturing improvements and strategic fixed asset purchases that improve productivity. Therefore direct labour as a percentage of sales remained constant for both operational segments. Overhead costs increased with higher sales volume and activity, however with continued cost savings initiatives and improved overhead absorption, overhead as a percentage of sales declined.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year increased to $39.2 million from $35.2 million last year, an increase of 11%. Current year Selling, General and Administrative expenses increased due to higher compensation, incentives, commissions, severance expenses, and foreign exchange losses from a strengthening Canadian dollar. These higher expenses were offset by lower selling and travel expenses for the year and the reversal of bad debt provisions booked in fiscal 2020. Finally, fiscal 2020 Selling, General and Administrative expenses included government subsidies of $7.0 million relating to COVID-19 assistance (as disclosed in Note 17) which reduced the overall costs in 2020. The fiscal 2021 subsidies were only $0.5 million.

Depreciation and Amortization

Consolidated depreciation expense in fiscal 2021 of $17.4 million is consistent with the prior year. Depreciation expense within the Casting and Extrusion segment totalled $14.0 million in fiscal 2021 versus $13.8 million in fiscal 2020 and depreciation expense within the Automotive Solutions segment totalled $3.4 million versus $3.5 million last year. Amortization expense of $3.7 million in fiscal 2021 decreased slightly from $4.0 million from 2020. The carrying value of total intangible assets amounted to $25.8 million as at September 30, 2021 - down from $30.5 million. The Company expects the annual amortization and depreciation expense will total approximately $3.6 million and $20.3 million respectively in fiscal 2022. Depreciation expense is anticipated to increase due to the launch of our Castool facility in Morocco and the Heat treatment expansion program (in Newmarket, Markham, Texas and Mexico).

Interest

Net interest expense in the current year totalled $0.4 million in fiscal 2021 compared to $0.6 million in fiscal 2020. This reduction is primary attributable to lower average debt levels in fiscal 2021 compared to fiscal 2020.

Income Taxes

Exco's effective income tax rate was 20.9% in fiscal 2021 compared to an effective income tax rate of 12.7% in fiscal 2020. 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. After adjusting for the fiscal 2020 year items, the effective tax rate in 2020 was 22.0% which is consistent with fiscal 2021.

Net Income

- *Consolidated*

The Company reported consolidated net income of $38.4 million or basic and diluted earnings of $0.98 per share in fiscal 2021, compared to consolidated net income of $27.4 million or basic and diluted earnings of $0.69 per share the prior year.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded Pretax income of $30.7 million for the year compared to $21.0 million last year – an increase of $9.7 million or 46%. Included in the fiscal 2020 segment earnings was $2.3 million in COVID-19 subsidies. Excluding these subsidies, earnings increased 64% compared to the prior year. The key contributors to the increase in profitability include the partial recovery of automotive production volumes following the impact of COVID-19 in 2020, the launch of new programs (mainly at Neocon and Polytech) offset by the global supply chain issues including the semiconductor shortage, freight and transportation challenges, and increased raw material costs impacting resins and leather. In fiscal 2020, 3 out of 4 production facilities were idled in the 3rd quarter with limited ability for these plants to reduce labour costs in these periods due to a lack of government support in Mexico and Morocco. Although in fiscal 2021 the segment experienced major fluctuations in production due to supply chain challenges, our plants operated throughout the entire year. Furthermore, Polytech and Neocon launched significant programs in the current year that contributed both to the top and bottom line of these divisions. AFX and Polydesign also had new launches, however they were impacted more significantly by the supply chain disruption due to their product mix and geographic location. Segment sales and profitability were very strong in the first and second quarter of fiscal 2021 as the global economy filled pent up demand due to the impact of COVID-19 on production in fiscal 2020. There was high demand and the vehicle inventories were low so sales were very strong in these quarters. Starting in our third quarter, the impact of the semiconductor chip shortage and other supply chain challenges began to emerge and our operations experienced unreliable volumes, customer releases were sporadic and orders were constantly changing. Management worked diligently to contain expenses, was forced to increase inventory to be able to react quickly to changing customer demands and endeavored to increase production efficiencies where possible to maintain and grow margins.

Although there exists uncertainty relating to how the global supply chain challenges and COVID-19 will affect the recovery of global automotive production volumes and the impact inflation may have on raw material and other costs in the year ahead, management remains optimistic on the segment's prospects for continued profitable growth. This view is supported by extremely low vehicle inventory levels, strong customer demand for new vehicles, new material program launches already won, and sustained existing program wins combined with decent quoting activity for new business that maximizes our profitability.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion Pretax income was $25.7 million for the year compared to $18.0 million last year – an increase of $7.7 million or 43%. Included in the fiscal 2020 segment earnings was $4.6 million in COVID-19 subsidies. Excluding these subsidies, earnings increased 92% compared to the prior year. The Extrusion group operating earnings were strong at all six locations. This growth is due to the steady performance at our flagship locations in Markham and Michigan, in addition, the smaller locations grew significantly. These results validate historical capital asset investments and centralizing procedures to ensure efficiencies and demonstrate the power of absorbing fixed costs with steady sales performance. The Extrusion group was able to keep up with demand growth through the ability to move manufacturing between operations based on capacity. Castool's performance benefited from strong sales with existing and new customers, timely capital asset investments which increased capacity and redesigning manufacturing processes that allowed for operating efficiencies in the face of competition and pricing pressure. Although quoting activity remained strong and the Large Mould group continued to diversify its customer base with traditional OEM and new automotive customers, its earnings were down compared to the prior year. The group began the process of standardizing manufacturing processes and capital assets across all three locations and centralizing management functions. Generally, management remains focused on reducing this Segment's overall cost structure, improving manufacturing efficiencies and building new greenfield operations. Such activities together with higher sales generally are expected to lead to improved segment profitability over time.

- *Corporate Segment (Operating Expense)*

Corporate expense in the current year amounted to $7.4 million compared to $6.9 million in the prior year. The year over year increase was primarily driven by increased incentive compensation, stock option, and foreign exchange expenses in 2021 relative to 2020.

EBITDA

EBITDA in the current year amounted to $70.1 million compared to $53.5 million the prior year – an increase of $16.6 million or 31%. EBITDA margin increased to 15.2% compared to 13.0% from the prior year. EBITDA in the Casting and Extrusion segment was $40.2 million, which was $7.8 million higher than in fiscal 2020. Casting and Extrusion segment EBITDA margin increased to 20.3% from 17.9% the prior year. The Automotive Solution segment EBITDA was $37.2 million, which was higher by $9.3 million, or 34% compared to fiscal 2020. The Automotive Solution segment EBITDA margin increased to 14.1% in fiscal 2021 compared to 12.1% 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, 2021:

($ thousands except per share amounts)	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Sales	$106,442	$114,967	$118,360	$121,402
Net income	$7,088	$8,682	$11,734	$10,916
Earnings per share				
Basic	$0.18	$0.22	$0.30	$0.28
Diluted	$0.18	$0.22	$0.30	$0.28

($ 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

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 trends due to the impact of COVID-19 and the weakness in automotive production due to the semiconductor supply issues. The first two quarters of the current year showed a strong rebound in sales and profitability as the economy bounced back from the impacts of COVID-19 from the third and fourth quarters in Fiscal 2020. The negative impact of the semiconductor shortage on automotive production and the strengthening of the Canadian dollar resulted in lower sales and profitability in the third and fourth quarter compared to the first two quarters in Fiscal 2021.

Fourth Quarter

In the fourth quarter, consolidated sales were $106.4 million – an increase of $5.7 million or 6% from the prior year. Over the quarter the average USD/CAD exchange rate was 5% lower ($1.26 versus $1.33 last year) decreasing sales by $4.2 million. The average EUR/ CAD exchange rate was 6% lower ($1.48 versus $1.57 last year) decreasing sales by $0.8 million compared to the fourth quarter of fiscal 2020.

The Automotive Solutions segment experienced a 7% decrease in sales, or a reduction of $4.4 million, to $56.8 million from $61.2 million in the fourth quarter of 2020. Excluding the impact of foreign exchange, segment sales dropped $1.4 million or 2%. The sales decrease was driven by lower vehicle production volumes and the delay of program launches due to supply chain disruptions including semiconductor chip shortages and transportation challenges. Considering North American vehicle production was down 25% during the quarter compared to a year ago and European vehicle production was down about 30%, this demonstrates the segment's strength in terms of customer, vehicle, and product mix. Polytech and Neocon sales were up compared to the prior year quarter due to the strength of new program launches and product/vehicle mix. The supply chain disruption impacted Polydesign and AFX's sales to a greater extent due to product and vehicle mix at these operations. Looking forward, OEM vehicle production volumes are likely to increase as the semiconductor chip shortage appears to be improving. Exco will additionally benefit from several new program launches as well as de-stocked 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 $49.6 million in the fourth quarter compared to $39.5 million last year – an increase of $10.1 million or 26%. Excluding the negative impact of foreign exchange movements, the segment's sales were up 31% for the quarter. The Extrusion group experienced higher sales at all locations, reflecting pricing action, demand for extrusion tools across all industry segments particularly in the building, automotive, consumer durable goods and green energy sectors together with operational improvements that have continued to reduce lead times contributing to market share gains. The Castool group's revenues were higher for the quarter as demand for die-cast consumable tooling and extrusion products was solid, with a slightly stronger demand for the die-cast consumable tooling solutions leading the quarter. Castool growth was being driven by electric vehicle production and held up despite lower industry vehicle production. Also, extrusion customers ordered capital equipment to keep up with strong demand for aluminum extruded products. Castool continues to invest heavily in new equipment and advance its proprietary tooling solutions which are increasingly required by customers as their manufactured components increase in size and complexity and as they focus on improving their own productivity and efficiency. The Large Mould group sales were up 34% from the prior year quarter with a mixture of new tools, die rebuilds and solid additive sales representing key drivers of the results. New business from current and new customers was awarded in the quarter; as a result, inventories and backlog continue to grow. Looking forward, quoting activity within all groups in this segment is strong and will benefit as automotive production rebounds.

The Company's fourth quarter consolidated net income decreased to $7.1 million or earnings of $0.18 per share compared to $10.7 million or earnings of $0.27 per share in the same quarter last year – an EPS decrease of 33%. The effective income tax rate was 27% in the current quarter compared to negative 3% in the same quarter last year. The effective tax rate in the current period reflects the impact of non-taxable expenses in foreign jurisdictions and the payment of franchise and state taxes. The tax rate in the prior year quarter reflects 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 prior year quarter.

Fourth quarter pre-tax earnings in the Automotive Solutions segment totalled $4.5 million, a decrease of $2.8 million or 38% over the same quarter last year. Included in the prior year fourth quarter was COVID-19 wage subsidies of $1.3 million. Fourth quarter Automotive sales are traditionally lower due to summer shutdowns and in the current year quarter these were lower with the impact of the semiconductor shortage. In the prior year quarter, summer sales were stronger due to increased volumes as the economy began to recover from COVID-19 and supply chains needed to be re-stocked. The disruptions caused by the semiconductor shortage were unpredictable, making it very difficult to manage operations efficiently. Our plants often build products based on releases only to be informed of cancelations or delays. Other times, releases would be accelerated causing our operations to work overtime and incur expedited shipping costs. These production and shipping challenges also created inefficiencies that increased overhead and direct labour costs during the quarter. Furthermore, the segment incurred severance costs as lower demand for some products required reorganization of labour. Management is optimistic that its overall cost structure will return to relatively normal levels in future quarters as scheduling and predictability improves with strengthening volumes.

Pre-tax earnings in the Casting and Extrusion segment improved by $1.7 million or 40% over the same quarter last year to $5.9 million. The earnings improvement was driven by increased contributions from the Extrusion and Castool groups. The prior year quarter also included $2.7 million in COVID-19 subsidies. Excluding the impact of the COVID-19 subsidies, the improvement over the prior year quarter is $4.4 million. The Extrusion group experienced higher steel costs that were, in part, offset by direct labour improvements and increased absorption of overheads from increased sales as manufacturing efficiencies flowed to the bottom line. Castool and the Large Mould group's stronger sales and product mix increased absorption of fixed costs to generate increased earnings. 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 $0.7 million compared to $1.1 million last year mainly due to foreign exchange gains in the current quarter compared to losses in the prior year period, partially offset by higher compensation expenses incurred in the current quarter. As a result of the foregoing, consolidated EBITDA in the quarter was $15.3 million (14.4% of sales) compared to $15.8 million (15.7% 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 $62.8 million in fiscal 2021 compared to $49.5 million in fiscal 2020. The $13.3 million year over year increase was primarily driven by higher net income in fiscal 2021. Net change in non-cash working capital was $15.0 million cash used in fiscal 2021 compared to $14.9 million cash provided last year. The year over year cash working capital variance was driven by higher inventories due to rising costs, strong customer orders, new product launches and increasing quantities on hand to manage fluctuations due to supply chain issues. Increases in accounts receivable were somewhat offset by increases in accounts payable and accruals. The negative working capital variance reduced cash from operating activities to $47.8 million in fiscal 2021. This change in working capital was expected considering the significant reduction in working capital experienced in fiscal 2020 due to the impact of COVID-19.

Cash Flows from Financing Activities

Cash used in financing activities amounted to $16.9 million compared to a use of $36.0 million in fiscal 2020 for a year over year decrease of $19.1 million. The $16.9 million cash used reflects the dividend payment of $15.5 million and an overall debt reduction of $1.0 million. The $19.1 million decrease in cash used in financing reflects the voluntary suspension of the Normal Course Issuer Bid (fiscal 2020 the Company purchased $9.2 million in shares) and a $10.0 million reduction in debt.

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 16 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	$5,540	$5,540	-	-
Trade accounts payable	33,793	33,793	-	-
Lease commitments	864	418	417	29
Purchase commitments	36,036	36,036	-	-
Capital expenditures	20,059	20,059	-	-
	$96,292	$95,846	$417	$29

∗ *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 $38.3 million compared to $22.1 million last year. The increase in investing activities reflect the construction of our Castool Morocco facility, investments in the heat treatment facility in Newmarket, upgrades to the Extrusion group's heat treatment assets and other capital improvement projects across the company to support growth initiatives.

In fiscal 2022, Exco plans to invest approximately $55.0 million in capital expenditures of which roughly $12.0 million is for maintenance capital expenditures and $43.0 million is for growth capital expenditures. The growth capital expenditures include: new and expanded energy efficient Extrusion heat treatment equipment in multiple locations, Castool energy efficient heat treatment equipment in Newmarket, Castool's construction of a new plant in Mexico, building expansion at Neocon's existing plant in Halifax to support awarded business, upgraded machinery and equipment within the Casting group to standardize group operations and enhance capabilities in anticipation of larger and more complex die-cast tooling and components, as well as several other capital improvement projects.

We expect that in fiscal 2022 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 investments as circumstances permit.

Exco's net cash position was $18.6 million at September 30, 2021 compared to net cash of $26.6 million as at September 30, 2020, representing a reduction of $8.0 million. The Company generated strong Free Cash Flow of $37.3 million and paid dividends of $15.5 million. Fiscal 2021 Growth capital expenditures of $28.4 million increased $20.6 million from $7.8 million in the prior year thereby reducing net cash at year end.

In addition to its cash balances of $24.1 million, Exco retains access to 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 of September 30, 2021.

Non-IFRS Measures

The following table provides a reconciliation of EBITDA, EBITDA margin and Free Cash Flow for the periods to the Company's IRFS measures as well as a reconciliation of cash provided by operating activities to free cash flow.

	Twelve Months ended September 30	
	(in $ thousands)	
	2021	2020
Net income	**$38,420**	$27,424
Provision for income tax	**10,157**	3,999
Pretax Profit	**48,577**	31,423
Depreciation	**17,412**	17,424
Amortization	**3,670**	4,032
Net interest expense	**405**	617
EBITDA	**70,064**	53,496
Sales	**$461,171**	$412,309
EBITDA margin	**15.2%**	13.0%

Cash provided by operating activities	**$47,790**	$64,418
Interest	**(405)**	(617)
Maintenance fixed asset additions	**(10,067)**	(15,299)
Free Cash Flow	**$37,318**	$48,502

Outstanding Share Capital

As of September 30, 2021, the Company had 39,270,497 common shares outstanding. In addition, as of September 30, 2021, the Company had outstanding stock options for the purchase of up to 1,006,000 common shares at exercise prices ranging from $8.29 to $10.48 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

There were no accounting policy changes during the fiscal year ended September 30, 2021.

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 as of September 30, 2021 in ensuring that material information relating to the Company and its consolidated subsidiaries would have been known to them.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent period, there have been no changes in the Company’s existing policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, together with other members of management, have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its compliance with the integrated framework issued by the Committee of Sponsoring Organization of the Treadway Commission in its consolidated financial statements. The CEO and the CFO have supervised management in the evaluation of the design and effectiveness of the Company’s internal controls over financial reporting as at September 30, 2021 and believe the design and effectiveness of the internal controls to be effective.

RISKS AND UNCERTAINTIES

OEMs have experienced strong consumer demand for vehicles in key markets as COVID-related restrictions have eased. Yet global shortage of semiconductor chips continues to negatively impact global automotive production volumes. The combination of strong sales and reduced production has resulted in low inventories of new vehicles. OEMs have taken a number of actions in response to the semiconductor chip shortage, including: unplanned shutdowns of production lines and/or plants; reductions in their vehicle production plans; and changes to their product mix. These responses can result in a number of consequences at Exco such as: lower sales; production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities; premium freight costs to expedite shipments; and/or other unrecoverable costs. Furthermore, Tier 1 and 2 suppliers such as Exco may face price increases from suppliers. While we expect to recover some of the lost production volumes, it remains unclear when supply and demand for automotive semiconductor chips will rebalance and it continues to be difficult to predict the full impact of the chip shortage.

There is a greater risk of inflationary price increases as economic activity rebounds in our primary production markets and supply chains, especially for products sourced from Asia. During the year, we witnessed increasing commodity costs for steel, aluminum and resin, as well as wage pressures in certain markets. These trends are expected to continue in coming quarters and could expand to other areas. In some cases inputs may not be available in a timely manner. The inability to offset inflationary price increases through continuous improvement actions, price increases or adjustments on our own products or otherwise, could have an adverse effect on our earnings.

Despite increasing vaccination levels, the development and spread of highly-transmissible COVID-19 variants such as the "Delta" variant creates continued risk of further disruptions to the automotive industry, including additional mandatory stay-at-home orders or other restrictions. These orders may: restrict consumers' ability to purchase vehicles; restrict production; cause elevated employee absenteeism; and lead to supply chain disruptions. Over the medium- to long-term, the pandemic may result in societal changes that impact the automotive industry, positively or negatively, including as a result of expanded work-from-home practices that reduce consumers' reliance on vehicles; and/or increased reluctance by people to utilize modes of public transit and/or shared mobility.

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. Integration of acquired companies may not be effective or timely especially with respect to operations in countries where Exco has not previously done business.

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 2022, it is estimated that Exco's total corresponding U.S. dollar foreign exchange risk exposure before tax will amount to approximately US$89.9 million. Therefore, if the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2022 from a baseline level of $1.22 USD/CAD, it is estimated that pre-tax profit would change by about $900 thousand or about $701 thousand after tax. These estimates are based on historical norms and may be materially different in 2022 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 2022, we estimate our pesos exposure net of hedges and pesos denominated sales to be approximately 327 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 1.22, we estimate pre-tax profit would change by $296 thousand or about $192 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2022 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, 2021 and 2020, 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, 2021 and 2020 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.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Assessment of impairment of goodwill	
As described in Note 6 to the Consolidated Financial Statements, as at September 30, 2021 the Group has a goodwill balance of $61.9 million related to the group of cash generating units comprising the Automotive Solutions segment. The Group assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill. An impairment is recognized if the recoverable amount is less than the carrying value of the Automotive Solutions segment. The Group determines the recoverable amount using a value in use approach. Auditing the Group's annual goodwill impairment test was complex, given the degree of subjectivity in evaluating the Group's estimates and assumptions in determining the recoverable amount of the Automotive Solutions segment. Significant assumptions included forecasted revenues and profit margins, terminal growth rate, and the discount rate which are affected by expectations about future market and economic conditions.	To test the estimated value in use of the Automotive Solutions segment, our audit procedures included, among others, assessing the reasonableness of forecasted revenues and profit margins. We assessed the historical accuracy of estimates on forecasted revenue and profit margins to actual and historical performance. We assessed the terminal growth rate by comparing to long term inflation market rate. We involved our valuation specialists to assess the Group's model, valuation methodology applied, and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable Group information, as well as Group and cash-flow specific risk premiums. We assessed the adequacy of the disclosures included in Note 6 of the consolidated financial statements in relation to this matter.

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.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 1, 2021

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

	As at September 30, 2021	As at September 30, 2020
ASSETS		
Current		
Cash and cash equivalents (note 8)	**$24,098**	$33,124
Accounts receivable (note 8)	**83,130**	83,193
Inventories (note 9)	**77,759**	60,187
Prepaid expenses and deposits	**3,418**	2,787
Derivative instruments (note 8)	**546**	-
Income taxes recoverable (note 13)	**2,741**	2,761
Total current assets	**191,692**	182,052
Property, plant and equipment, net (note 5)	**149,474**	131,029
Intangible assets, net (note 6)	**25,783**	30,535
Goodwill (note 6)	**61,861**	64,980
Deferred tax assets (note 13)	**1,317**	1,184
Total assets	**$430,127**	$409,780
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (notes 4 and 8)	**$5,540**	$3,418
Trade accounts payable (note 8)	**33,793**	32,873
Accrued payroll liabilities (note 8)	**13,793**	11,391
Other accrued liabilities (note 8)	**11,874**	11,381
Derivative instruments (note 8)	**-**	1,758
Provisions (note 7)	**3,936**	2,902
Customer advance payments (note 8)	**4,814**	3,557
Long-term debt - current portion (notes 4 and 8)	**-**	93
Total current liabilities	**73,750**	67,373
Long-term debt - long-term portion (notes 4 and 8)	**-**	3,000
Deferred tax liabilities (note 13)	**11,319**	8,401
Total liabilities	**85,069**	78,774
Shareholders' equity		
Share capital (note 3)	**48,983**	48,968
Contributed surplus (note 3)	**5,087**	4,718
Accumulated other comprehensive income (note 3)	**1,116**	10,356
Retained earnings	**289,872**	266,964
Total shareholders' equity	**345,058**	331,006
Total liabilities and shareholders' equity	**$430,127**	$409,780

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	
	2021	2020
Sales (note 11(A))	**$461,171**	$412,309
Cost of sales	**351,960**	323,761
Selling, general and administrative expenses (notes 3 and 17)	**39,245**	35,244
Depreciation (note 5)	**17,412**	17,424
Amortization (note 6)	**3,670**	4,032
Gain on disposal of property, plant and equipment (note 5)	**(98)**	(192)
Interest expense, net (note 16)	**405**	617
	412,594	380,886
Income before income taxes	**48,577**	31,423
Provision for (recovery of) income taxes (note 13)		
Current	**7,749**	4,790
Deferred	**2,408**	(791)
	10,157	3,999
Net income for the year	**$38,420**	$27,424
Other comprehensive income (loss)		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized gain (loss) on derivatives designated as cash flow hedges (notes 3 and 8)	**1,699**	(1,091)
Unrealized gain (loss) on foreign currency translation (note 3)	**(10,939)**	1,967
	(9,240)	876
Comprehensive income	**$29,180**	$28,300
Income per common share		
Basic	**$0.98**	$0.69
Diluted	**$0.98**	$0.69
Weighted average number of common shares outstanding (note 12)		
Basic	**39,270**	39,943
Diluted	**39,293**	39,943

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, 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 income (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
Net income for the year	-	-	38,420	-	-	-	38,420
Dividends paid (note 3)	-	-	(15,512)	-	-	-	(15,512)
Stock option expense (note 3)	-	371	-	-	-	-	371
Issuance of share capital (note 3)	15	(2)	-	-	-	-	13
Other comprehensive income (loss) (note 3)	-	-	-	1,699	(10,939)	(9,240)	(9,240)
Balance, September 30, 2021	**$48,983**	**$5,087**	**$289,872**	**$401**	**$715**	**$1,116**	**$345,058**

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	
	2021	2020
OPERATING ACTIVITIES:		
Net income for the year	**$38,420**	$27,424
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 5)	**17,412**	17,424
Amortization (note 6)	**3,670**	4,032
Stock-based compensation expense	**773**	453
Deferred income tax expense (recovery) (note 13)	**2,257**	(221)
Net interest expense (note 16)	**405**	617
Gain on disposal of property, plant and equipment	**(98)**	(192)
	62,839	49,537
Net change in non-cash working capital (note 14)	**(15,049)**	14,881
Cash provided by operating activities	**47,790**	64,418
FINANCING ACTIVITIES:		
Increase in bank indebtedness	**2,122**	2,840
Financing from long-term debt (note 4)	**-**	20,000
Repayment of long-term debt (note 4)	**(3,093)**	(34,093)
Interest paid, net	**(405)**	(617)
Dividends paid (note 3)	**(15,512)**	(14,946)
Repurchase of share capital (note 3)	**-**	(9,204)
Exercise of stock options (note 3)	**13**	-
Cash used in financing activities	**(16,875)**	(36,020)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (note 5)	**(38,426)**	(23,092)
Purchase of intangible assets (note 6)	**(287)**	(403)
Proceeds on disposal of property, plant and equipment	**381**	1,386
Cash used in investing activities	**(38,332)**	(22,109)
Effect of exchange rate changes on cash	**(1,609)**	347
Increase (decrease) in cash during the year	**(9,026)**	6,636
Cash, beginning of year	**33,124**	26,488
Cash, end of year	**$24,098**	$33,124

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 16 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").

Certain comparative figures have been reclassified to conform to the current year's presentation.

The consolidated financial statements and accompanying notes as at and for the year ended September 30, 2021 were authorized for issue by the Board of Directors on December 1, 2021.

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, 2021 and 2020 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.

$(000)'s except per share amounts

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 issued but not yet adopted
All pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards, amendments and interpretations to existing standards may have been issued but are not expected to have a material impact to the Company's financial statements.

IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2022 the IASB issued amendments to IAS 37 to clarify costs to be included when determining if a contract is onerous. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 1 *Presentation of Financial Statements*, IFRS 8 *Definition of Accounting Estimates*
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2023 the IASB issued amendments to IFRS 1 to allow a more general approach in classification of liabilities as current and non current and IFRS 8 to distinguish between accounting policies and accounting estimates. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

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, 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
Issued for cash under Stock Option Plan	1,500	15
Issued and outstanding as at September 30, 2021	**39,270,497**	**$48,983**

$(000)'s except per share amounts

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:

	2021	2020
Opening balance	**$10,356**	$9,480
Net unrealized gain (loss) on derivatives designated as cash flow hedges (1)	**1,699**	(1,091)
Unrealized gain (loss) on currency translation adjustments	**(10,939)**	1,967
Total other comprehensive income (loss) for the year	**(9,240)**	876
Closing balance	**$1,116**	$10,356

(1) Net of deferred taxes of $606 (2020 – $389).

Cash dividends

During the year, the Company paid four quarterly cash dividends totaling $15,512 (2020 – $14,946). The dividend rate per quarter increased starting in the second quarter of the year from $0.095 to $0.10 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:

	2021		2020	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**957,000**	**$10.78**	785,400	$11.49
Granted	**280,000**	**$8.29**	277,500	$8.56
Exercised	**(1,500)**	**$8.56**	-	-
Expired	**(229,500)**	**$14.56**	(105,900)	$10.25
Balance, end of year	**1,006,000**	**$9.22**	957,000	$10.78

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2021:

		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**
$8.29 - $9.00	551,000	4.16 years	$8.42	53,000	$8.56
$9.01 - $10.00	140,000	2.66 years	$9.87	56,000	$9.87
$10.01 - $10.48	315,000	1.11 years	$10.33	224,000	$10.36
$8.29 - $10.48	**1,006,000**	**3.00 years**	**$9.22**	**333,000**	**$9.99**

$(000)'s except per share amounts

The number of common shares available for future issuance of options as at September 30, 2021 is 1,067,838 (2020 – 1,118,338). The number of options outstanding together with those available for future issuance totals 2,073,838 (2020 – 2,075,338) or 5.3% (2020 – 5.2%) 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 $371 for the year ended September 30, 2021 (2020 – $369). 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, 2021 and 2020 are as follows:

	2021	2020
Risk-free interest rates	**0.49%**	1.50%
Expected dividend yield	**4.54%**	4.12%
Expected volatility	**32.96%**	30.19%
Expected time until exercise	**5.50 years**	5.50 years
Weighted average fair value of the options granted	**$1.46**	$1.55

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, 2021, the Company granted 12,884 DSUs (2020 – 19,921 DSUs) and redeemed no DSUs (2020 – no DSUs). During the year ended September 30, 2021 the Company recorded stock-based compensation expense of $402 (2019 – $84) related to awards under the DSU plan with a corresponding adjustment to other accrued liabilities. As at September 30, 2021, 93,861 DSUs were outstanding with a carrying value of $937 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:

	2021	2020
Balance, beginning of year	**$4,718**	$4,349
Stock option expense	**371**	369
Exercise of stock options	**(2)**	-
Balance, end of year	**$5,087**	$4,718

Normal course issuer bid
In each of February 2021, 2020 and 2019, the Company received approval from the Toronto Stock Exchange for a normal course issuer bid for the following 12-month period. The Company's Board of Directors authorized the purchase of up to 1,960,00, 2,000,000 and 2,100,000 common shares under each of these normal course issuer bids, respectively, which represented approximately 5% of the Company's outstanding common shares at each approval date. During the year, no common shares were re-purchased under these normal course issuer bids. During 2020, under these normal course issuer bids 1,258,666 common shares were re-purchased for a total cost of $9,204. The stated cost to repurchase the common shares in 2020 exceeded their stated value by $7,634 which was charged against retained earnings.

$(000)'s except per share amounts

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		
	Facilities	**Current**	**Long-term**	**Unused and Available**
JP Morgan, credit facility (Canada, USA)	**$50,000**	$4,948	$-	$45,052
JP Morgan, operating line (Europe)	**2,664**	592	-	2,072
	$52,664	**$5,540**	**$-**	**$47,124**

	2021	2020
Prime rate in Canada	**2.45%**	2.45%
Prime rate in USA	**3.25%**	3.25%
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 $4,948 was utilized as at September 30, 2021 (2020 - $5,793). 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 Euribor 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, 2021.

Additionally, the Company maintains a operating line facility with JP Morgan Chase Bank N.A. London Branch related to any needs for Euro currency. In March 2021 the facility was increased from EUR1.55 million to EUR 1.8 million. The facility totals $2,664 (EUR 1.8 million) and bears interest based on Euribor. The Company had utilized $592 as at September 30, 2021 (2020 – $625).

The components of long-term debt are as follows:

	September 30, 2021	September 30, 2020
Bank debt	**$-**	$3,000
Promissory note	**-**	93
Subtotal	**-**	3,093
Less: current portion	**-**	(93)
Long-term debt, long-term portion	**$-**	$3,000

$(000)'s except per share amounts

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, 2019	$203,928	$24,407	$75,263	$11,978	$6,552	$-	$322,128
Initial recognition of IFRS 16 assets	-	-	-	-	-	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
Additions	3,608	1,077	843	-	32,749	149	38,426
Reclassification	17,909	954	744	-	(19,607)	-	-
Less: disposals	(7,380)	(959)	(251)	-	-	(263)	(8,853)
Foreign exchange movement	(3,548)	(432)	(1,626)	(199)	(94)	(71)	(5,970)
Balance as at September 30, 2021	**$216,433**	**$23,181**	**$79,073**	**$12,385**	**$22,004**	**$1,600**	**$354,676**

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	Total
Accumulated depreciation and impairment losses							
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**
Depreciation for the year	11,849	2,029	3,061	-	-	473	17,412
Less: disposals	(7,172)	(954)	(251)	-	-	(197)	(8,574)
Reclassification	62	-	(62)	-	-	-	-
Foreign exchange movement	(2,533)	(391)	(736)	-	-	(20)	(3,680)
Balance as at September 30, 2021	**$145,441**	**$17,230**	**$41,744**	**$-**	**$-**	**$787**	**$205,202**
Carrying amounts							
As at September 30, 2020	$62,609	$5,995	$39,631	$12,584	$8,956	$1,254	$131,029
As at September 30, 2021	**$70,992**	**$5,951**	**$37,329**	**$12,385**	**$22,004**	**$813**	**$149,474**

As at September 30, 2021, the Company had deposits for machinery and equipment and buildings under construction totaling $22,004 (2020 – $8,956). These assets are not being depreciated because they are under construction and not available for use.

$(000)'s except per share amounts

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, 2019	$21,326	$47,224	$106	$68,656	$62,834
Additions	275	-	128	403	-
Less: disposals	(13,471)	-	-	(13,471)	-
Reclassifications	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
Additions	216	-	71	287	-
Less: disposals	(202)	-	-	(202)	-
Reclassification	104	-	(104)	-	-
Foreign exchange movement	(170)	(1,981)	(3)	(2,154)	(3,119)
Balance as at September 30, 2021	**$8,238**	**$45,573**	**$10**	**$53,821**	**$61,861**

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
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	-
Amortization for the year	591	3,079	-	3,670	-
Less: disposals	(198)	-	-	(198)	-
Foreign exchange movement	(157)	(632)	-	(789)	-
Balance as at September 30, 2021	**$7,464**	**$20,574**	**$-**	**$28,038**	**$-**

Carrying amounts					
As at September 30, 2020	$1,062	$29,427	$46	$30,535	$64,980
As at September 30, 2021	**$774**	**$24,999**	**$10**	**$25,783**	**$61,861**

**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, 2021. 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 10.1%. As a result of the analysis, management determined there was no impairment.

$(000)'s except per share amounts

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
- Forecasted revenue and profit margins during the 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, 2021	September 30, 2020
Severance	**$3,492**	$2,579
Warranties	**444**	323
	$3,936	$2,902

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, 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**
Additions	2,117	189	2,306
Utilized	(1,094)	-	(1,094)
Reversals	(127)	(66)	(193)
Foreign exchange differences	17	(2)	15
Closing balance, as at September 30, 2021	**$3,492**	**$444**	**$3,936**

$(000)'s except per share amounts

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 10, 2024 and designated them as cash flow hedges against Mexican payroll and other local Mexican costs. The total amount of these Collars is 648.0 million Mexican pesos (2020 – 636.0 million Mexican pesos). The selling price ranges from 21.646 to 24.27 Mexican pesos to each US dollar. In addition, there is a series of collars extending through January 14, 2023 to convert $9.7 million CAD to USD and Euro. These Collars have been designated as a cash flow hedge against capital equipment purchases in USD and Euro.

Management estimates that a cumulative gain of $546 (2020 – loss of $1,758) would be realized if these Collars were terminated on September 30, 2021. Net of deferred taxes of $145, the cumulative gain of $401 is recorded in other comprehensive income. During the year, the estimated fair value gain of $1,699, net of deferred taxes of $606 (2020 – loss of $1,091 net of deferred taxes of $389) has been included in other comprehensive income, and the cumulative gain of $546 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, 2021, the accounts receivable balance (net of allowance for doubtful accounts) is $83,130 (2020 – $83,193) and the Company's five largest trade debtors accounted for 30.2% of the total accounts receivable balance (2020 – 37.1%).

$(000)'s except per share amounts

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

	September 30, 2021	September 30, 2020
Trade accounts receivable	**$82,193**	$83,436
Employee receivable	**181**	323
Sales tax receivable	**1,843**	2,474
Other	**311**	899
Less: allowance for doubtful accounts	**(1,398)**	(3,939)
Total accounts receivable, net	**$83,130**	$83,193

The aging of trade accounts receivable balances is as follows:

	September 30, 2021	September 30, 2020
Not past due	**$70,409**	$74,229
Past due 1-30 days	**7,969**	6,654
Past due 31-60 days	**2,285**	1,641
Past due 61-90 days	**1,296**	267
Past due over 90 days	**234**	645
Less: allowance for doubtful accounts	**(1,398)**	(3,939)
Total trade accounts receivable, net	**$80,795**	$79,497

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

	September 30, 2021	September 30, 2020
Opening balance	**$3,939**	$840
Additions	**352**	3,809
Utilized	**(186)**	(658)
Reversal	**(2,659)**	(63)
Exchange differences	**(48)**	11
Closing balance	**$1,398**	$3,939

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, 2021, the Company has a net cash balance of $18,558 (2020 – $26,613) and unused credit facilities of $47,124 (2020 – $46,005).

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:

$(000)'s except per share amounts

		September 30, 2021		
	Total	**< 1 Year**	**1-3 Years**	**Over 3 Years**
Bank indebtedness	**$5,540**	**$5,540**	**$-**	**$-**
Trade accounts payable	**33,793**	**33,793**	**-**	**-**
Operating leases	**864**	**418**	**417**	**29**
Purchase commitments	**36,036**	**36,036**	**-**	**-**
Capital expenditures	**20,059**	**20,059**	**-**	**-**
	$96,292	**$95,846**	**$417**	**$29**

		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

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	+/- $1,349	+/- $4	+/- $3
Other comprehensive income	+/- $3,156	+/- $429	+/- $166

	1% Fluctuation COP vs. CAD	1% Fluctuation BRL vs. CAD
Income before income taxes	+/- $10	+/- $1
Other comprehensive income	+/- $78	+/- $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.

$(000)'s except per share amounts

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, 2021, 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, 2021		September 30, 2020	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	**$24,098**	**$24,098**	$33,124	$33,124
Accounts receivable	**83,130**	**83,130**	83,193	83,193
Trade accounts payable	**(33,793)**	**(33,793)**	(32,873)	(32,873)
Bank indebtedness	**(5,540)**	**(5,540)**	(3,418)	(3,418)
Customer advance payments	**(4,814)**	**(4,814)**	(3,557)	(3,557)
Accrued liabilities	**(25,667)**	**(25,667)**	(22,772)	(22,772)
Derivative instruments	**546**	**546**	(1,758)	(1,758)
Long-term debt	**$-**	**$-**	($3,093)	($3,093)

9. INVENTORIES

	September 30, 2021	September 30, 2020
Raw materials	**$38,210**	$30,237
Work in process	**22,741**	19,279
Finished goods	**16,778**	12,326
Production supplies	**3,847**	2,691
Less: obsolescence provision	**(3,817)**	(4,346)
	$77,759	$60,187

$(000)'s except per share amounts

The movement in the obsolescence provision accounts is as follows:

	September 30, 2021	September 30, 2020
Opening balance	**$4,346**	$3,263
Additions	**1,495**	2,174
Utilized	**(1,690)**	(568)
Reversals	**(224)**	(584)
Exchange differences	**(110)**	61
Closing balance	**$3,817**	$4,346

During the year, inventories of $196,415 (2020 – $179,652) were expensed, of which $1,495 was from the write-downs of inventories (2020 – $1,203), with reversal of write-downs of $224 (2020 – $584).

10. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2021, total managed capital amounted to $345,058 (2020 – $331,006), consisting of shareholders' equity of $345,058 (2020 – $331,006).

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, 2021	September 30, 2020
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, 2021	September 30, 2020
Bank indebtedness and long-term debt	**$5,540**	$6,511
Less: cash and cash equivalents	**(24,098)**	(33,124)
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, 2021, the Company was in compliance with the required financial covenants.

$(000)'s except per share amounts

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.

				2021
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$207,449	$265,085	$-	$472,534
Intercompany sales	(9,479)	(1,884)	-	(11,363)
Net sales	197,970	263,201	-	461,171
Depreciation	13,964	3,359	89	17,412
Amortization	487	3,183	-	3,670
Segment pre-tax income (loss) before interest	25,734	30,682	(7,434)	48,982
Net interest expense				(405)
Income before income taxes				48,577
Property, plant and equipment additions	35,300	3,126	-	38,426
Property, plant and equipment, net	124,322	23,899	1,253	149,474
Intangible asset additions	228	59	-	287
Intangible assets, net	664	25,119	-	25,783
Goodwill	-	61,861	-	61,861
Total assets	233,089	208,070	(11,032)	430,127
Total liabilities	36,030	44,246	4,793	85,069

$(000)'s except per share amounts

				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	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

Geographic and customer information

Sales	**2021**	2020
Canada	**$27,309**	$19,906
United States	**284,819**	255,160
Europe	**72,749**	65,622
Mexico	**50,262**	52,306
South America	**8,447**	6,229
Asia	**9,316**	7,094
Other	**8,269**	5,992
	$461,171	$412,309

In 2021 the total revenue to the Company's largest 2 customers accounted for 5.7% and 5.5% (2020 – 6.0% and 5.6%) of total sales. The accounts receivable pertaining to these customers were $3,304 and $2,789 at year-end (2020 – $5,879 and $4,629). The allocation of sales to the geographic categories is based upon the customer location where the product is shipped. In 2021, the Company's largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment (2020 – the Company's largest 2 customers were from the Casting and Extrusion segment and the Automotive Solutions segment).

$(000)'s except per share amounts

Property, plant and equipment, net	September 30, 2021	September 30, 2020
Canada	**$64,243**	$50,619
United States	**30,582**	31,489
Mexico	**23,059**	22,675
South America	**6,015**	6,857
Thailand	**5,878**	6,643
Morocco	**19,697**	12,746
	$149,474	$131,029

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

Intangible assets, net	September 30, 2021	September 30, 2020
Canada	**$441**	$717
United States	**25,139**	29,553
Mexico	**4**	17
South America	**107**	148
Thailand	**4**	8
Europe	**-**	-
Morocco	**88**	92
	$25,783	$30,535

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 $2,314 as at September 30, 2021 (2020 – $1,877) 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, 2021 and 2020 were as follows:

	September 30, 2021	September 30, 2020
Salaries and cash incentives (i)	**$4,241**	$3,329
Directors' fees	**270**	270
Share-based awards (ii)	**130**	130
	$4,641	$3,729

$(000)'s except per share amounts

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2021 and 2020.
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 39,269,959 (2020 – 39,942,880). Any potential common shares for which the effect is anti-dilutive have not been reflected in the calculation of diluted income per share. The dilution effect from the outstanding stock options on diluted weighted average number of common shares outstanding for 2021 is 22,680 (2020 – nil).

13. INCOME TAXES

The consolidated effective income tax rate for 2021 was 20.9% (2020 – 12.7%) per the following tables. The lower income tax rate in 2020 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%.

	2021	
Income before income taxes	**$48,577**	**100.0%**
Income tax expense at Canadian statutory rates	**13,218**	**27.2%**
Manufacturing and processing deduction	**(384)**	**(0.8%)**
Foreign rate differential	**(555)**	**(1.1%)**
Non-taxable income net of non-deductible expenses	**(2,783)**	**(5.7%)**
Losses not tax effected	**350**	**0.7%**
Other	**311**	**0.6%**
Reported income tax expense	**$10,157**	**20.9%**

	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%

$(000)'s except per share amounts

The major components of income tax expense are as follows:

	2021	2020
Current income tax expense		
Based on taxable income for the year	**$7,749**	$4,790
Deferred income tax expense (recovery)		
Origination, reversal of temporary differences and losses not recognized	**2,408**	(791)
Reported income tax expense	**$10,157**	$3,999

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

	2021	2020
Deferred tax assets		
Tax benefit of loss carry forward	**$613**	$636
Items not currently deductible for income tax purposes	**704**	548
	1,317	1,184
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**(7,767)**	(5,424)
Unrealized revenue and foreign exchange	**92**	61
Investment in subsidiaries	**(3,644)**	(3,038)
	(11,319)	(8,401)
Net deferred income tax liabilities	**($10,002)**	($7,217)

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:

	2021	2020
Accounts receivable	**($3,519)**	$12,287
Inventories	**(18,191)**	12,894
Prepaid expenses and deposits	**(668)**	85
Trade accounts payable	**1,795**	(11,686)
Accrued payroll liabilities	**2,742**	(1,350)
Other accrued liabilities	**482**	1,453
Provisions	**1,034**	230
Customer advance payments	**1,317**	1,854
Income taxes recoverable	**(41)**	(886)
	($15,049)	$14,881

$(000)'s except per share amounts

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, 2021 no repayments were overdue ($2020 – $439). 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, 2021 amounted to $2,069 (2020 – $3,960) 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 $5,928 (2020 – $2,856). As at September 30, 2021 the balance outstanding under the Program was $5,393.

There are no material contingent liabilities as at September 30, 2021 (2020 – nil).

16. INTEREST EXPENSE

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

	September 30, 2021	September 30, 2020
Interest expense on bank indebtedness and long-term debt	**$428**	$632
Interest income on deposits	**(23)**	(15)
Net interest expense	**$405**	$617

17. 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, 2021 the Company recorded $500 (2020 – $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, 2021 was nil (2020 – $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

TSX Trust Company
301 – 100 Adelaide Street West
Toronto, Ontario M5H 4H1
Phone: 416.361.0930
www.tsxtrust.com

Auditors

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Stock Listings

TSX: XTC, OTCQX: EXCOF

Corporate Office

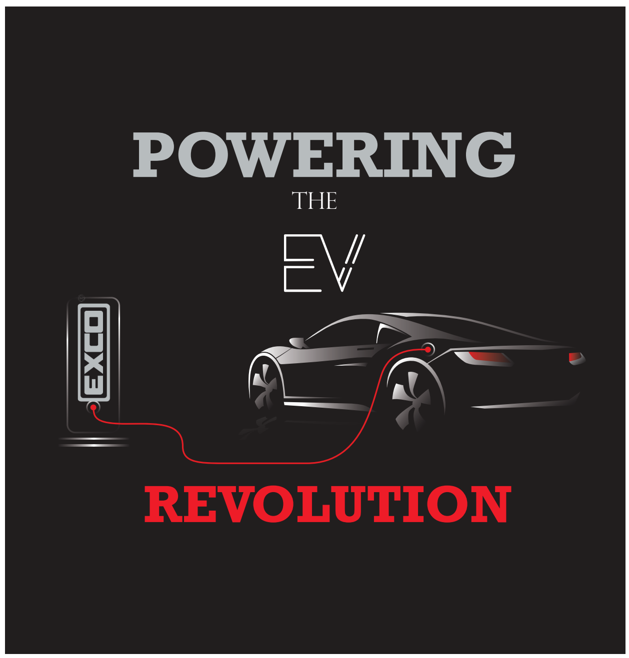
Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario L3R 5H6
Phone: 905.477.3065
www.excocorp.com

F2021 Annual General Meeting of Shareholders

Wednesday, January 26, 2022
at 4:30 pm. (Toronto Time)

Virtual Meeting: Live Webcast
https://virtual-meetings.tsxtrust.com/1235

EXCO Technologies Limited



www.excocorp.com

TSX:**XTC**, OTCQX:**EXCOF**