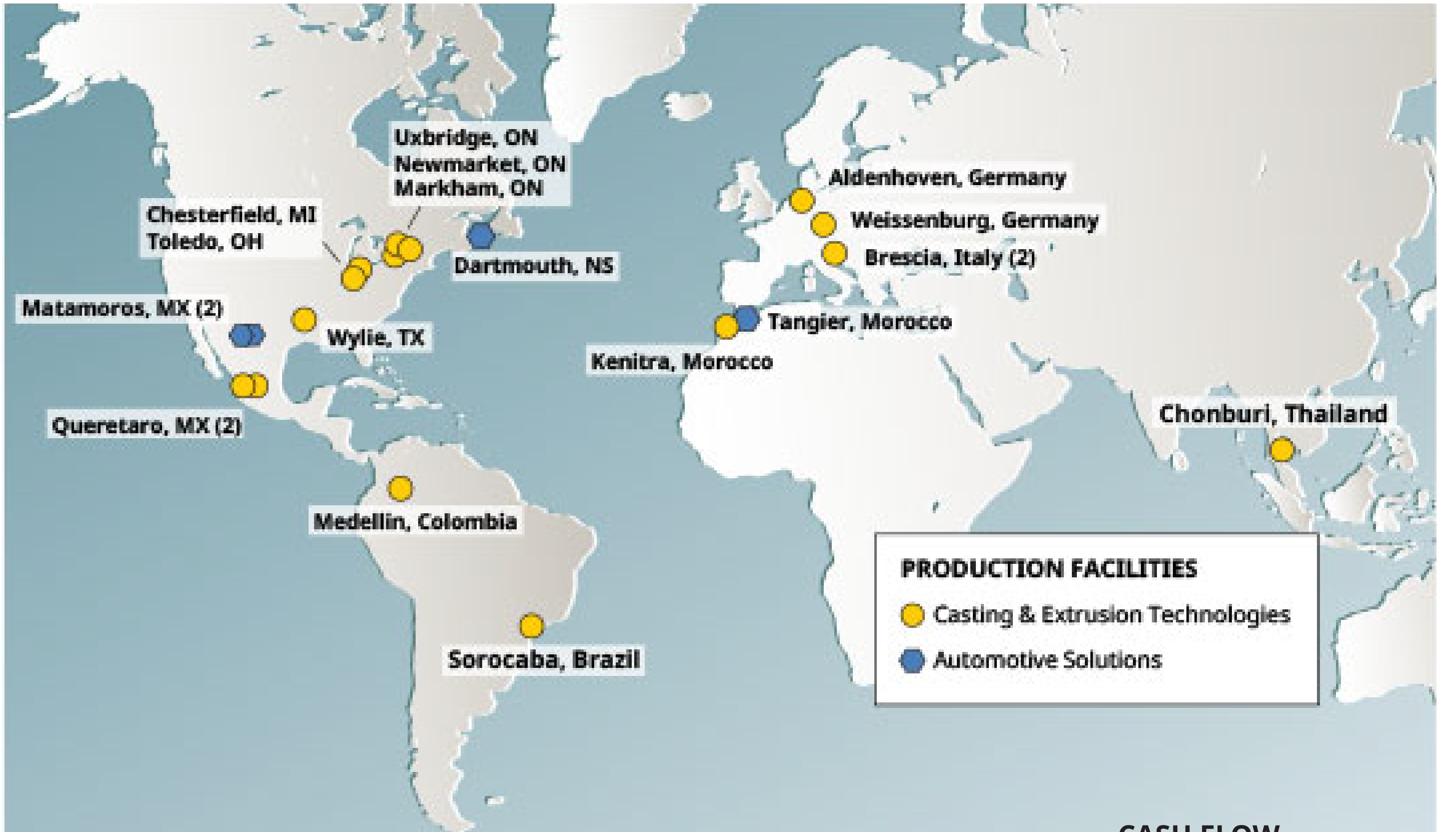
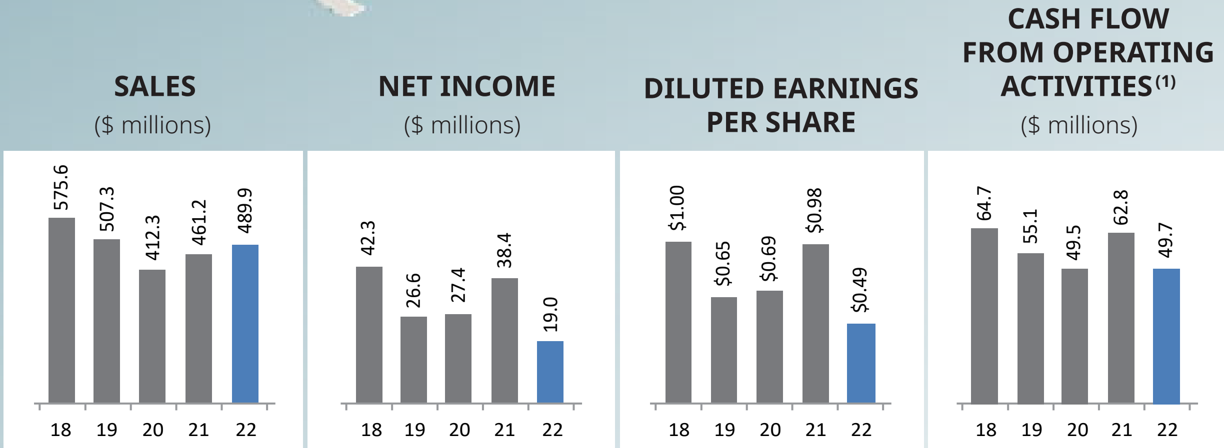
Technologies Limited

Tradition of Excellence

2022 Annual Report

Technologies Limited





(1) Before net change in non-cash working capital.

LETTER TO STAKEHOLDERS F2022

Tradition of Excellence

Measured solely by our earnings, F2022 was certainly not the year we envisioned. We grappled with extreme macro factors, foremost of which was the constrained and erratic volumes of OEM vehicle production caused by global microchip shortages. But we also faced significant inflationary pressures, widespread labour shortages, logistical hurdles, rising energy costs and many other supply chain challenges in the aftermath of COVID-19 and Russia's invasion of Ukraine. All told, we recorded a 6% increase in sales and delivered $0.49 of earnings per share compared to $0.98 last year.

Yet, F2022 was also a resounding success in so many other aspects as we celebrated our 70th year of operations, building on our tradition of excellence. We bolstered the foundation that will sustainably drive our future growth through our acquisition of Halex's extrusion die business in Europe, obtained key program wins, realized significant productivity gains and continued to make sizeable capital investments as we execute on our ambitious growth agenda. As well, we demonstrated positive trends throughout the year, with our quarterly revenues and EBITDA showing sequential improvement.

Looking forward, vehicle production volumes are expected to grow in F2023 and beyond as supply chain pressures ease, dealer inventories are replenished and pent-up consumer demand is satisfied. As well, start-up losses associated with current investment activity should reduce and the benefits from recent price increases and various efficiency initiatives will continue to take hold. While there will no doubt be new challenges, with these factors in mind, we remain very optimistic that our earnings will be substantially stronger in the years ahead.

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. Moreso, electric vehicles make extensive use of aluminum components to reduce weight and therefore maximize battery range. Our Casting and Extrusion segment is especially well positioned to benefit from this transition, as we are the 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-cast components.

More recently, die-cast aluminum components and associated tooling have been increasing significantly in both size and complexity. OEMs are increasingly using die casting machines that are much larger than those used previously. This enables the casting of entire vehicle subframes rather than assembling numerous stamped metal components, creating significant manufacturing efficiency gains. The tooling required to facilitate this process is also much larger and more complex which plays directly into Exco's strengths and technical expertise. We expect more and more OEMs will ultimately adopt the use of these larger diecast machines, and we are making significant additional investments in our people, equipment and processes to remain the leading supplier in this market.

Our Automotive Solutions group, which manufac-

tures 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. 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.

Growth-Oriented Capital Investment Program

We remain focused on our capital asset investment and growth strategies, and we again made great progress executing this agenda in F2022.

In May of 2022 we closed the acquisition of the extrusion die business of Halex Holdings, which operates four key manufacturing locations – two in Germany and two in Italy. Halex is the second largest manufacturer of aluminum extrusion dies in Europe and the continent's leading supplier of complex extrusion dies. Halex complements our six existing extrusion die operations in Canada, USA, Mexico, Colombia and Brazil. This acquisition provides us with well-established and high-quality operations and more extensive opportunities to better support our global customers. While the energy crises and weak economic conditions in Europe have presented unexpected early challenges, we remain excited by the potential over the long term. We are already seeing good synergies through the sharing of best practices and leveraging of greater global scale.

We are also pursuing an aggressive capital agenda within our Casting and Extrusion Segment, to capture significant growth opportunities. This is especially evident in our Castool division, which manufactures and sells consumable tooling components and related capital equipment for light metal die cast machines and extrusion presses globally. Castool's products significantly increase the productivity, safety and energy efficiency of its customers, which is particularly important as tooling becomes larger and more complex. In November 2021 Castool opened its third production facility – in Morocco – to better serve its customers in Europe, the Middle East, and Africa. In F2023, Castool will open its fourth facility in Mexico to further increase capacity and better serve the local market in Latin America and the Southern US. An additional, major project within Castool includes a new energy efficient heat treatment plant in Newmarket, which became operational in F2022. This new investment represents vertical integration for a critical process within Castool. It will reduce customer delivery times, improve quality control and provide unmatched capabilities for large sized tooling, all while enhancing our cash flows and minimizing emissions through the supply chain.

Moreover, we are investing in additional 3D metal printing machines to meet growing customer demand in that business while we are making significant investments in state-of-the-art heat-treat equipment across our Extrusion group that will enhance capacity, reduce emissions and enable us to further in-source most of our needs.

We also made substantial investments in our large mould business to handle moulds of extreme size which we expect will be increasingly demanded by both traditional and new OEMs, as discussed above. Meanwhile, in our Automotive Solutions segment we added 40,000 square feet of manufacturing space across two of our production facilities in F2022, to provide capacity for several newly awarded key programs, which will contribute over $65 million of annual revenue once fully ramped up in F2023.

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. By F2026 Exco is targeting to generate annual revenue of $750 million and generate EPS of roughly $1.90 from organic means.

ESG Strategic Priorities

We are committed to operating in a socially conscious manner, and above all, to taking great care of our people. We aim to run our facilities as safe and efficiently as possible, delivering innovative, high-quality products with less energy, fewer materials and lower waste. These requirements are also increasingly demanded by our customers as they focus on responsible production processes through their entire supply chains.

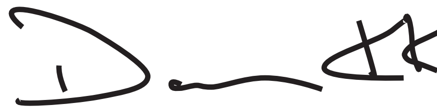
Several of our businesses have achieved ISO 14001 certification, the international standard that specifies requirements for an effective environmental management system. Meanwhile, our multi-plant footprint gives us proximity to market, which contributes to our resilience in the face of climate-related risks, while also reducing our carbon footprint. 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 in our production, while also incorporating closed fluid collection systems, recycling processes and recycled materials where possible, as well as making substantial investments in new, energy efficient equipment. Polydesign's installation of a 1.24 MW solar generation plant at our facility in Morocco made it the first company in Tangier Free Zone to implement green energy solutions. These and other initiatives are discussed in more detail in our 2022 Sustainability Report.

Looking ahead, as 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 not only grow profitably but to contribute positively to the global sustainability movement in the years ahead.

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, 2022. This MD&A has been prepared as of November 29, 2022.

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"). A reconciliation to these non-GAAP measures is provided within this MD&A. 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 management's estimate of the investment in fixed assets that are required for the Company to continue operating at current capacity levels. 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 to include Maintenance Fixed Assets and not total fixed asset purchases. 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. 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.*

CAUTIONARY STATEMENT

Information in this document relating to: projected 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, the impact of the Russian invasion of Ukraine on the global financial, energy and automotive markets, including increased supply chain risks, 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 operating 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, Europe, 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, Europe, 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 to "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 48% 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. Other traditional

OEMs are following Tesla's lead in using these larger die-cast machines "giga presses." 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 design and incorporate 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.

OVERVIEW

Global events drive unpredictable customer volumes and higher costs

The three major influences that decreased order reliability in 2022 were global supply constraints, Russia's attack on Ukraine, and the continued impact of COVID-19. The automotive industry experienced supply constraints, in particular semiconductor chip shortages, which negatively impacted global light vehicle production. Largely due to the supply constraints, our customers' production schedules were at times unpredictable, causing labour and other operational inefficiencies at our facilities. Our results in fiscal 2022 were also negatively impacted by inflationary cost increases in production inputs including commodities, labour and freight.

The Russian attack on Ukraine influenced vehicle production in Europe as critical components manufactured in the Ukraine could not be built or shipped and sanctions on Russian manufacturers affect the supply chain. As well, energy costs increased materially, particularly in Europe, as a result of the war.

The economic impact of COVID-19 on the Company was less severe than in previous years, however the risk of "stay-at-home" orders and operational shut-downs existed around the globe. The Company's operations remained opened throughout the year, however government shut-downs in some countries, particularly China, constrained the supply of raw materials, parts and labour that reduced vehicle production and made orders extremely unpredictable.

These events were major catalysts influencing raw material costs, labour and freight and transportation costs. As a result global inflation rates reached levels not seen for over 40 years which significantly impacted the Company's sales and earnings.

As well, rising global interest rates as central banks try to tame inflation has started to slow economic activity generally, though it has not had a significant impact on Exco's results and markets to-date.

Sales and Earnings

Fiscal 2022 consolidated sales were up 6% compared to the prior year due to a 19% increase in the Casting and Extrusion segment partially offset by a 4% decline in the Automotive Solutions segment.

The Casting and Extrusion segment sales increased sequentially each quarter of fiscal 2022. Extrusion tooling sales were consistent each quarter and the purchase of Halex Holding GmbH ("Halex") on May 2, 2022 contributed 5 months of incremental sales. Die-cast products (Large Mould and Castool) and Automotive Solutions sales were lower in the first half of the year due to lower vehicle production volumes coupled with inventory drawdowns. As vehicle production volumes increased and demand for our products responded and the launch of new programs ramped up, second half die-cast product sales increased over 45% and the Automotive solutions segment's second half sales increased 6% over the first half of fiscal 2022.

Earnings per share were $0.49 in fiscal 2022 compared to $0.98 in fiscal 2021. Pre-tax profits were down at both segments as inflationary pressures increased costs, unpredictable production volumes caused labour and production inefficiencies, significant product mix shifts affected operational efficiencies, and start-up losses at new operations affected operating results.

Capital Asset Expansion and Growth

The Company's various capital asset additions and growth strategies announced in fiscal 2021 continued in fiscal 2022. Investment in capital assets increased 38% in fiscal 2022 as the Company invested $53.5 million in capital assets compared to $38.7 million in the prior year with approximately $39.9 million identified as growth capital expenditures compared to $28.4 million in the prior year. The major capital asset projects in fiscal 2022 include:

- Castool Morocco – this new plant officially opened in November 2021 and it allows Castool to better penetrate the European market.
- Castool Heat treatment - Situated within our existing Newmarket facility, the first phase of production began in the Spring of 2022. The second phase will be completed in the second quarter of fiscal 2023. 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 began construction in fiscal 2022. This facility will be operational in the third quarter of fiscal 2023 and will increase manufacturing capacity and will better penetrate the Mexican market.
- Large Mould – During the year the Large Mould group added a fifth additive machine, increased its crane capacity to 100 tons, and added additional medium and large 5-axis milling machines at its facilities. These expenditures position us to capture growth in the very large die-cast market and to standardize manufacturing processes.
- Extrusion group Heat Treatment – The Company launched three major projects within the Extrusion Group: adding Heat treatment to its plant in Mexico, increasing capacity in Texas, and replacing our Markham Heat

treatment with energy efficient equipment. These three projects are expected to be completed in the first half of fiscal 2023.

- Automotive Solutions - the Polytech and Neocon facilities were expanded (combined 40,000 square feet) to meet the growing demand from our customers' significant program awards.

In addition to the capital projects, the Company acquired Halex on May 2, 2022. Halex was founded in 1997 and operates four key manufacturing locations – two in Germany and two in Italy. Halex is the second largest manufacturer of aluminium extrusion dies in Europe and the continent's leading supplier of complex extrusion dies. Halex complements Exco's existing extrusion die operations. The acquisition provides Exco with well-established and high-quality operations and more extensive opportunities to better support our global customers. The transaction was valued at €40 million on an enterprise value basis and was funded with a combination of cash on hand, available bank lines and assumed liabilities. The results of Halex are reported within the Casting and Extrusion segment, commencing May 2, 2022.

Outlook

Despite current macro-economic challenges, including tightening monetary conditions, the overall outlook is very favorable across Exco's segments into the medium term. Consumer demand for automotive vehicles is currently outstripping supply in most markets, which are constrained by a shortage of semiconductor chips and, to a lesser extent, other raw materials, components and availability of labour. Dealer inventory levels, although increasing slightly, are near record lows, while average transaction prices for both new and used vehicles 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, OEM's are increasingly looking to the sale of higher margin accessory products as a means to enhance their own levels of profitability. 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 for both passenger and commercial vehicles is enticing new market entrants into the automotive 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. Certain new EV manufacturers have adopted the approach of utilizing much larger die-cast machines to cast entire sub-frames of vehicles out of an aluminum based alloy rather than assemble numerous pieces of separately stamped and welded pieces of ferrous metal. Traditional OEMs have started to adopt this trend and Exco is positioning its operations to capitalize accordingly. Beyond the automotive industry, Exco's extrusion tooling supports diverse end markets which are also seeing increased demand for aluminum driven by environmental trends, including energy efficient buildings, solar panels, etc.

On the cost side, inflationary pressures remain elevated while prompt availability of various input materials, components and labour remains 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.

The Russian invasion of Ukraine has added additional uncertainty to the global economy. And while Exco has essentially no direct exposure to either of these countries, Ukraine does feed into the European automotive markets and Europe has significant dependence on Russia for its energy needs.

Exco itself 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 and capacity of our own operations while lowering our own carbon footprint. Our Sustainability Report is available on our corporate website at: www.excocorp.com/leadership/sustainability/.

Exco is currently targeting a compounded average annual growth rate (excluding acquisitions) of approximately 10% for revenues and slightly higher levels for EBITDA and Net Income through fiscal 2026, which is expected to produce an annual EPS of roughly $1.90 by the end of this timeframe. 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 balance of the fiscal year in order to position the Company for the significant growth opportunities we see.

RESULTS

Consolidated Results - Sales

Annual sales totalled $489.9 million compared to $461.2 million last year – an increase of $28.7 million or 6%. The increase reflects five months sales from Halex, continued strength in our Castool and Extrusion divisions partially offset by lower sales in the automotive solutions segment as the impact from supply chain disruptions continued. The US dollar averaged 2% higher ($1.28 versus $1.26) against the Canadian dollar over the year increasing sales by $4.6 million. The Euro averaged 9% lower ($1.38 versus $1.51) against the Canadian dollar over the year reducing sales by $10.8 million.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2022 and 2021. 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)	**2022**	2021
Sales	**$489.9**	$461.2
Net income for the year	**$19.0**	$38.4
Earnings per share from net income		
Basic and diluted	**$0.49**	$0.98
Purchase Capital Assets (net)	**$52.7**	$38.3
Total assets	**$576.3**	$430.1
Cash dividend paid per share	**$0.42**	$0.40
EBITDA	**$53.0**	$70.1

Segment Sales

- *Automotive Solutions Segment*

Sales in this segment were $253.9 million – a decrease of $9.3 million or 4% from the prior year. The net effect of changes in exchange rates (Euro, US, and Canadian dollar) reduced sales $2.0 million compared to the prior year. The sales decrease is due to supply chain shortages of semiconductor microchips and other global supply chain challenges affecting vehicle production volumes. The impact of the supply chain challenges was neither linear nor smooth. Customers allocated production to different platforms unevenly which had a dramatic impact to product mix and sales performance at the Company's operations. In general, the negative impacts were greater in the first half of the year and gradually improved throughout the year. The modest quarterly improvements allowed for slightly better planning and managing customer demand. Polytech and AFX met or exceeded sales compared to the prior year. Neocon and Polydesign experienced lower sales compared to fiscal 2021. Polytech benefited from new programs with high customer demand and AFX benefited from a rebound from positive product mix on high volume models. Neocon's product mix was significantly impacted by supply chain disruptions and Polydesign's volumes were impacted by supply chain issues and the impact of the Russian conflict with Ukraine as this conflict affected vehicle production throughout Europe.

During the year, overall industry vehicle production volumes decreased by roughly 4% in North America and Europe on a combined basis. Overall the segment's 3% decrease in sales (foreign exchange adjusted) is better than the industry due to new program launches. Despite the challenges from the semiconductor shortage on vehicle production, and 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 and pricing action to protect margins.

- *Casting and Extrusion Segment*

Sales in this segment were $236.0 million – an increase of $38.0 million or 19% from the prior year. Excluding the adverse impact of foreign exchange, segment sales increased $42.1 million or 21% compared to fiscal 2021. The Halex acquisition contributed $21.2 million, the launch of Castool 90 (Morocco), the Extrusion group's original six locations and Castool's extrusion related products contributed to the higher sales levels in fiscal 2022. The Large Mould and Die-cast consumable tooling sales were down in the beginning of the year as the impact of the semiconductor chips and other supply chain issues negatively impacted vehicle production. However, demand stabilized in the second half of the year and sales in these groups rebounded. 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. Where possible, the Casting and Extrusion segment took pricing actions to protect margins.

Cost of Sales

On a consolidated basis, cost of sales totalled $392.7 million – an increase of $40.7 million or 12% from the prior year. Cost of sales as a percentage of sales increased from 76% in fiscal 2021 to 80% in the current year partly due to sales mix. 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. Management took pricing actions such as negotiating price increases and surcharges to partially offset the impact of cost increases. The success of these actions varied based on the type and length of the contract and the extent of the cost increases incurred. Direct labour wage increases were partially offset by manufacturing improvements and strategic fixed asset purchases to improve

productivity. Therefore direct labour as a percentage of sales remained constant for both operational segments. Overhead costs increased with higher sales volume and inflation including increased indirect wages, benefits, transportation and energy costs.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year increased to $44.4 million from $39.2 million last year, an increase of 13%. Current year Selling, General and Administrative expenses increased due to the addition of Halex, higher selling, tradeshows and related travel costs, higher compensation, acquisition closing costs partially offset by lower incentive bonus expenses and foreign exchange gains.

Depreciation and Amortization

Consolidated depreciation expense was $21.4 million compared to $17.4 million the prior year. Depreciation expense within the Casting and Extrusion segment totalled $18.2 million in fiscal 2022 versus $14.0 million in fiscal 2021 and depreciation expense within the Automotive Solutions segment totalled $3.1 million versus $3.4 million last year. Amortization expense of $3.9 million in fiscal 2022 increased from $3.7 million from 2021. The carrying value of total intangible assets amounted to $34.4 million as at September 30, 2022 – up from $25.8 million a year ago. The intangible asset increase is due to the Halex acquisition. The Company expects the annual amortization and depreciation expense will total approximately $4.5 million and $27.2 million respectively in fiscal 2023. Depreciation expense is anticipated to increase due to a full year impact of Halex, the launch of our Castool facility in Mexico and the completion of our Heat treatment expansion programs (in Newmarket, Markham, Texas and Mexico).

Interest

Net interest expense in the current year totalled $2.4 million compared to $0.4 million in fiscal 2021. The increase is due to the Company drawing on its committed credit facility compared to average cash balances in fiscal 2021. The increased debt is the result of the Halex acquisition, the increased capital asset purchases and lower operating results in fiscal 2022.

Income Taxes

Exco's effective income tax rate was 24.7% in fiscal 2022 compared to an effective income tax rate of 20.9% in fiscal 2021. The change in income tax rate is due to non-deductible start-up losses from our Castool Morocco facility, geographic distribution, and foreign tax rate differentials.

Net Income

- *Consolidated*

The Company reported consolidated net income of $19.0 million or basic and diluted earnings of $0.49 per share in fiscal 2022, compared to consolidated net income of $38.4 million or basic and diluted earnings of $0.98 per share the prior year.

- *Automotive Solutions Segment - Pretax profit*

The Automotive Solutions segment recorded Pretax profit of $20.9 million for the year compared to $30.7 million last year – a decrease of $9.8 million or 32%. The largest contributors to the lower pretax profits in this segment were the disruptions caused by significant negative product mix experienced at Neocon and Polydesign combined with the impact of higher raw material costs (resins, polypropylene yarns, and rubber), increased labour costs, transportation

and other overhead costs. Management worked diligently to contain expenses but 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 margins. As customer orders stabilized and improved slightly during the year, management benefited from more consistent production scheduling, reduced expedited shipping, and improved margins. Where possible, the Company benefited from price adjustments to offset inflationary pressures. Although there exists uncertainty relating to how the global supply chain challenges, the Russian war, 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 low vehicle inventory levels, strong customer demand for new vehicles, new program launches, and sustained existing program wins combined with decent quoting activity for new business at favourable margins.

- *Casting and Extrusion Segment - Pretax profit*

Casting and Extrusion Pretax profit was $12.0 million for the year compared to $25.7 million last year – a decrease of $13.7 million or 53%. The reduction in pretax profit is a result of a $5 million increase in depreciation and amortization due to the launch of new facilities and capital asset additions; start-up costs at Castool Morocco, Castool Heat treat, and temporary outsourcing costs from Extrusion Heat treat expansion; the impact of semiconductor chips on production volumes; and inflationary increases on steel, labour, and transportation costs. These costs were partially offset by pricing adjustments including surcharges and improvements to manufacturing efficiencies due to the purchase of new more efficient capital equipment. Although quoting activity remained strong and the Large Mould group's backlog remains near record levels with a more diversified customer base with traditional OEM and new automotive customers, its earnings were down compared to the prior year. The Large Mould group is continuing its standardization of manufacturing processes and capital assets across all three locations and leveraging certain management functions. Generally, management remains focused on reducing this segment's overall cost structure, improving manufacturing efficiencies and completing our new greenfield operations. Such activities together with higher sales and seasoning of newer operations generally are expected to lead to improved segment profitability over time.

- *Corporate Segment – Pretax loss*

Corporate expense in the current year amounted to $5.2 million compared to $7.4 million in the prior year. The year over year decrease was primarily driven by foreign exchange gains realized on the strengthening US dollar, lower incentive bonus and stock option expenses, partially offset by Halex acquisition costs.

EBITDA

EBITDA in the current year amounted to $53.0 million compared to $70.1 million the prior year – a decrease of $17.1 million or 24%. EBITDA margin decreased to 10.8% compared to 15.2% from the prior year. EBITDA in the Casting and Extrusion segment was $30.9 million, which was $9.3 million lower than fiscal 2021. Casting and Extrusion segment EBITDA margin decreased to 13.1% from 20.3% the prior year. The Automotive Solution segment EBITDA was $27.2 million, which was lower by $10.0 million, or 27% compared to fiscal 2021. The Automotive Solution segment EBITDA margin decreased to 10.7% in fiscal 2022 compared to 14.1% 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, 2022:

($ thousands except per share amounts)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Sales	$140,411	$129,250	$119,303	$100,979
Net income	$5,569	$5,563	$5,098	$2,736
Earnings per share				
Basic	$0.14	$0.14	$0.13	$0.07
Diluted	$0.14	$0.14	$0.13	$0.07

($ 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

Exco typically experiences softer sales and profits in the first and fourth fiscal quarters, which coincides with our customers' plant shutdowns during the holiday season and summer months. This pattern was disrupted in the eight quarters above due to recovery from COVID-19 in H1 of fiscal 2021, the impact of the semiconductor chip shortage H2 fiscal 2021 and H1 fiscal 2022 and finally, the purchase of Halex in H2 fiscal 2022.

Fourth Quarter

In the fourth quarter, consolidated sales were $140.4 million – an increase of $34.0 million or 32% from the prior year. Foreign exchange rate movements were negligible reducing sales by $0.6 million in the quarter.

The Automotive Solutions segment experienced a 16% increase in sales, or an increase of $9.2 million, to $66.0 million from $56.8 million in the fourth quarter of 2021. Excluding the impact of foreign exchange, segment sales increased $10.1 million, or 18%. The sales increase was driven by higher vehicle production volumes and fewer program launch delays as supply chain disruptions eased in the quarter. North American vehicle production was up 24% compared to a year ago and European vehicle production was up 20%. Sales increased at all four of the segment's operations as we benefited from higher production volumes and the continued ramp up in new programs. This outweighed negative mix and lost shipping days at Neocon which was impacted by Hurricane Fiona at year end. Looking forward, OEM vehicle production volumes are expected to increase as the semiconductor chip shortage continues to improve. While industry growth may be tempered by rising interest rates and emerging indicators of a global recession, there remains significant pent-up customer demand for new vehicles and dealer inventory levels are expected to be replenished from historically low levels. As well, Exco will benefit from recent and future program launches that are expected to provide growth in our content per vehicle. Quoting activity remains encouraging and we believe there is ample opportunity to achieve our targeted growth objectives.

The Casting and Extrusion segment recorded sales of $74.4 million in the fourth quarter compared to $49.6 million last year – an increase of $24.8 million or 50%. Excluding the impact of foreign exchange movements, the segment's sales were up 47% for the quarter. Included in the quarter was the first full quarter of Halex sales. Halex sales of

$12.3 million were up compared to Q3, but remained below potential due to European summer holidays, the Russian conflict in Ukraine, and weakening economic conditions in Europe. Demand for our extrusion tooling (i.e. dies, dummy blocks, stems, etc.) and associated capital equipment (die ovens, containers, etc.) outside of Europe remained strong due to both industry growth and ongoing market share gains. Management remains focused on standardizing manufacturing processes, enhancing engineering depth and centralizing some support functions across its various plants. These initiatives have reduced lead times, enhanced product quality, expanded product breadth and increased capacity, all of which has supported market share gains. In the die-cast market, which primarily serves the automotive industry, demand and order flow for new moulds, associated consumable tooling (shot sleeves, rods, rings, tips, etc.) and rebuild work has recently picked up as industry vehicle production recovers and new electric vehicles and more efficient internal combustion engine/transmission platforms are launched. As well, customer inventory levels have begun to be rebuilt as expectations for higher vehicle production volumes improves. In addition, demand for Exco's industry leading additive (3D printed) tooling has continued to gain significant traction as customers focus on greater efficiency with the size and complexity of die cast tooling continuing to increase. Sales in the quarter were also aided by price increases, which were implemented in order to protect margins from higher input costs. Quoting activity remains very robust and our backlogs remain firm, which is expected to bode well for sales into fiscal 2023.

The Company's fourth quarter consolidated net income decreased to $5.6 million or earnings of $0.14 per share compared to $7.1 million or earnings of $0.18 per share in the same quarter last year – a decrease of 22%. The effective income tax rate was 26% in the current quarter compared 27% in the same quarter last year.

Fourth quarter pre-tax earnings in the Automotive Solutions segment totalled $6.5 million, an increase of $2.0 million or 44% over the same quarter last year. Fourth quarter Automotive sales are traditionally lower due to summer shutdowns and in the current year our quarterly sales increased due to a reduced impact of the semiconductor shortage and new product launches. Nonetheless, some of our plants continued to experience disruptions by the semiconductor shortage, which can continue to be 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. As discussed earlier, Neocon was shutdown for 3 days due to the impact of Hurricane Fiona which negatively impacted the segment's pretax profit. Management is cautiously optimistic that its overall cost structure will return to relatively normal levels in future quarters as scheduling and predictability improves with strengthening volumes.

Fourth quarter pre-tax earnings in the Casting and Extrusion segment totalled $2.6 million, a decrease of $3.4 million or 57% over the same quarter last year. The pretax profit decline was driven by $2.2 million higher depreciation, start-up costs at Castool Morocco and Castool's heat treatment operations in Newmarket, temporary outsourced heat treat costs in Markham as new equipment is installed, and higher raw material, freight and labour costs due to inflation. Many of these costs are one-time or temporary costs. Management expects to generate higher sales or eliminate these costs over the coming quarters through efficiency improvements and has taken pricing action to recapture lost margin where possible. The higher depreciation relates to Halex and the Company's investment in new capital that will improve operations and provide access to new geographies to increase our market share. Many of these assets became "ready for use" in the quarter, without realizing the improvements in operating efficiencies and or higher sales. The Castool Morocco ramp is proceeding favorably, but has been slower than anticipated due to the supply chain constraints, inflation, and the Russian invasion of Ukraine.. 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 $0.1 million compared to $0.7 million last year due to foreign exchange gains and lower compensation expenses in the current quarter. As a result of the foregoing,

consolidated EBITDA in the quarter was $16.5 million (11.8% of sales) compared to $15.3 million (14.4% of sales) last year.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Operating cash flow before net changes in non-cash working capital was $49.7 million in fiscal 2022 compared to $62.8 million in fiscal 2021. The $13.1 million year over year decrease was primarily driven by lower net income in fiscal 2022 partially offset by $6.4 million increase in depreciation, amortization and interest costs. Net change in non-cash working capital was $26.2 million cash used in fiscal 2022 compared to $15.0 million cash used last year. The year over year cash working capital variance was driven by higher accounts receivable associated with the addition of Halex and higher sales, increased inventory partially offset by increased accounts payable. The negative working capital variance reduced cash from operating activities to $23.5 million in fiscal 2022.

Cash Flows from Financing Activities

Cash provided by financing activities amounted to $80.0 million compared to a use of $16.9 million in fiscal 2021 for a year over year change of $96.9 million. The $80.0 million cash provided reflects the $95.0 million increase in long-term debt associated with the purchase of Halex and the Company's capital asset expansion strategy partially offset by dividends of $16.2 million, repurchase of shares of $3.4 million and $2.4 million in interest payments.

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 19 of its 20 manufacturing facilities and materially all of its production equipment. The Company also leases sales and support centers in Troy and Port Huron, Michigan, a warehouse in Brownsville, Texas, and the operating facility in Weissenburg Germany. 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	$12,363	$12,363	-	-
Trade accounts payable	51,359	51,359	-	-
Long-term debt	95,000	-	95,000	-
Lease commitments	7,435	718	918	5,799
Purchase commitments	51,311	51,311	-	-
Capital expenditures	5,060	5,060	-	-
	$222,528	$120,811	$95,918	$5,799

∗ 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 $110.4 million compared to $38.3 million last year. The increase reflects the $57.6 million purchase of Halex and $53.5 million for purchase of capital assets. The increase in capital asset purchases reflect the completion of our Castool Morocco facility, investments in the heat treatment facility

in Newmarket, upgrades to the Extrusion group's heat treatment assets and various other capital improvement projects across the company to support growth initiatives.

In fiscal 2023, Exco plans to invest approximately $46.9 million in capital expenditures of which roughly $27.8 million is for growth capital expenditures and $19.1 million is for maintenance capital expenditures. Included in the 2023 estimate is $18.0 million in carryforward projects including completion of the Heat treat installations in Newmarket, Markham, Texas and Mexico, and the new Castool facility in Mexico.

Financial Position and Cash Balance

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 debt was $90.3 million at September 30, 2022 compared to net cash of $18.6 million as at September 30, 2021, representing a change of $108.9 million. The Company generated Free Cash Flow of $7.4 million and paid dividends of $16.2 million, repurchased shares for $3.4 million, acquired Halex for $57.6 million and had Growth capital expenditures of $39.9 million (an increase of $11.5 million from the prior year). As a result, the Company accessed its committed credit facility for $95 million.

As at September 30, 2022, Exco retained access to $20.0 million of its $127 million committed banking facilities. 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, 2022. Effective November 7, 2022, the Company increased its credit facilities by $25 million to $152 million with no changes to the terms.

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)	
	2022	2021
Net income	**$18,966**	$38,420
Provision for income tax	**6,233**	10,157
Pretax Profit	**25,199**	48,577
Depreciation	**21,445**	17,412
Amortization	**3,927**	3,670
Net interest expense	**2,446**	405
EBITDA	**53,017**	70,064
Sales	**$489,943**	$461,171
EBITDA margin	**10.8%**	15.2%

Cash provided by operating activities	**$23,473**	$47,790
Interest expense, net	**(2,446)**	(405)
Maintenance fixed asset additions	**(13,625)**	(10,067)
Free Cash Flow	**$7,402**	$37,318

Outstanding Share Capital

As of September 30, 2022, the Company had 38,912,464 common shares outstanding. In addition, as of September 30, 2022, the Company had outstanding stock options for the purchase of up to 1,046,500 common shares at exercise prices ranging from $8.29 to $10.15 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 Consolidated 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 (as determined by the Black-Scholes option pricing model) is amortized to earnings over the remaining vesting period. 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 adopted during the year ended September 30, 2022. Refer to Note 2 to the consolidated financial statements for information pertaining to the accounting changes and issued accounting pronouncements effective in future years.

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, 2022 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, 2022 and believe the design and effectiveness of the internal controls to be effective.

LIMITATION ON SCOPE OF DESIGN

The scope of design of internal controls over financial reporting and disclosure controls and procedures excluded the controls, policies, and procedures of Halex, which was acquired on May 2, 2022. The CSA's National Instrument 52-109 provide an exemption whereby companies undergoing acquisitions can exclude the acquired business in the year of acquisition from the scope of testing and assessment of design and operational effectiveness of internal controls over financial reporting. Due to the complexity associated with assessing internal controls during integration efforts, the Company plans to utilize the scope exemption as it relates to this acquisition in its management report on internal controls over financial reporting for the year ended September 30, 2022. Halex's contribution to our consolidated statements of income and comprehensive income for the year ended September 30, 2022, was less than 5% of total revenues and less than 5% of total net income. Additionally, as at September 30, 2022, Halex current assets and current liabilities were less than 5% of consolidated current assets and current liabilities, The amounts recognized for the assets acquired and liabilities assumed at the date of acquisition of Halex are described in note 18 of the consolidated financial statements for the year ended September 30, 2022.

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.

In response to Russia's invasion of Ukraine, a number of countries, including the U.S. and European Union member states, have taken actions against Russia, such as: imposition of sanctions on Russian and certain Russian leaders and other individuals; restrictions on certain sectors of the Russian economy; expulsion of some Russian banks from the SWIFT global banking payment system; and other measures, with further restrictions likely as the conflict continues. Exco does not have manufacturing operations in Russia, nor does the Company have customers or suppliers from Russia or Ukraine. However, the conflict and restrictive measures against Russia could exacerbate a number of risks described elsewhere in these Risk Factors, including: disruption of vehicle production and supply chains; worsening the current semiconductor chip shortage (since Russia and Ukraine are global suppliers of neon gas and palladium used in chip production); exacerbating energy shortages and driving energy prices higher (particularly oil and natural gas); constraining the supply of aluminum, palladium or other commodity metals required in automotive production; and increased cybersecurity threats.

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 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 suppliers 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 suppliers 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 this risk.

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 made six acquisitions in the last 12 years (Allper AG, Exco Colombia, Extrusion Texas, Automotive Leather Company, AFX Industries and Halex) 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 2023, it is estimated that Exco's total corresponding U.S. dollar foreign exchange risk exposure before tax will amount to approximately US$81.6 million. Therefore, if the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2023 from a baseline level of $1.26 USD/CAD, it is estimated that pre-tax profit would change by about $816 thousand or about $637 thousand after tax. These estimates are based on historical norms and may be materially different in 2023 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 2023, we estimate our pesos exposure net of hedges and pesos denominated sales to be approximately 162 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 1.26, we estimate pre-tax profit would change by $230 thousand or about $150 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2023 if customers deviate from their past practices.

Exco also has manufacturing facilities in Colombia, Brazil, Thailand, Morocco and Europe 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, U.S. and Europe 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, 2022 and 2021, 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, 2022 and 2021 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 matters

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 each 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 these matters. 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 matters 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	
As described in Note 6 to the consolidated financial statements, the Group has a goodwill balance of $88.7 million as at September 30, 2022, of which $62.6 million was allocated to the group of cash generating units ("CGUs") comprising the Automotive Solutions operating segment and $26.1 million to the Extrusion group of CGUs. The Group assesses at least annually, or more frequently if an indicator of impairment exists, whether there has been an impairment in the carrying value of goodwill. An impairment is recognized if the recoverable amount is less than the carrying amount of the group of CGUs to which goodwill is allocated. The Group also disclosed in Note 6 that a CGU with a carrying amount of $39.4 million had an indicator of impairment, and therefore an impairment test was performed. The recoverable amount was in excess of the carrying amount and thus no impairment was recorded. For all impairment tests, the Group determines the recoverable amount using a value in use approach. Auditing the Group's impairment tests was complex, given the degree of subjectivity in evaluating the Group's estimates and assumptions in determining the various recoverable amounts. Significant assumptions included forecasted revenues and profit margins, terminal growth rate, and the discount rate all of which are affected by expectations about future market and economic conditions.	To test the estimated recoverable amounts in the impairment tests, we performed the following procedures, among others: - We assessed the reasonableness of forecasted revenues and profit margins by comparing to supporting documentation such as customer contracts where available, approved budgets and historical performance; - We assessed the historical accuracy of estimates of forecasted revenue and profit margins to actual performance; - We evaluated the terminal growth rate by comparing to long term inflation expectations with the assistance of our valuation specialists; - We involved our valuation specialists to assess the appropriateness of the Group's model and valuation methodology applied. They also assessed the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company capital structures, as well as Group and cash-flow specific risk premiums; and - We assessed the adequacy of the disclosures included in Note 6 of the consolidated financial statements in relation to this matter.
Valuation of customer relationship intangibles in the business combination	
As described in Note 18 to the consolidated financial statements, the Group completed the acquisition of 100% of Halex Holding GmbH for consideration of $60.2 million. The fair value of the acquired intangible assets was $9.6 million, of which $8.1 million relates to the customer relationship intangibles. Auditing the valuation of customer relationship intangibles was complex due to the subjective nature of estimating the fair values. The fair value of customer relationship intangibles is determined by management using subjective inputs such as estimated customer attrition, discount rates, projected revenues and gross profit.	To test the reasonableness of assumptions used by the Group in determining the fair value of customer relationship intangibles, we performed the following procedures, among others: - We benchmarked customer attrition estimates to comparable operations in the extrusion industry; - We involved our valuation specialists to assess the appropriateness of the valuation methodology applied to estimate the fair value of the customer relationship intangibles, and to assess the discount rate by referencing current industry, economic, and comparable company capital structures, as well as Group and cash-flow specific risk premiums; - We performed a sensitivity analysis on the discount rate and attrition rate to evaluate the impact on the fair value; and - We assessed the reasonableness of forecasted revenues and profit margins by comparing to historical performance.

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 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.

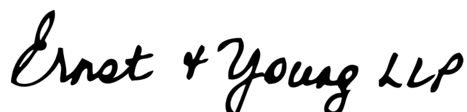
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 29, 2022

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

	As at September 30, 2022	As at September 30, 2021
ASSETS		
Current		
Cash and cash equivalents (note 8)	**$17,024**	$24,098
Accounts receivable (note 8)	**113,940**	83,130
Inventories (note 9)	**97,962**	77,759
Prepaid expenses and deposits	**4,322**	3,418
Derivative instruments (note 8)	**2,066**	546
Income taxes recoverable (note 13)	**9,114**	2,741
Total current assets	**244,428**	191,692
Property, plant and equipment, net (note 5)	**207,103**	149,474
Intangible assets, net (note 6)	**34,446**	25,783
Goodwill (note 6)	**88,699**	61,861
Deferred tax assets (note 13)	**1,640**	1,317
Total assets	**$576,316**	$430,127
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (notes 4 and 8)	**$12,363**	$5,540
Trade accounts payable (note 8)	**51,359**	33,793
Accrued payroll liabilities (note 8)	**15,859**	13,793
Other accrued liabilities (notes 5 and 8)	**18,682**	11,454
Provisions (note 7)	**6,445**	3,936
Customer advance payments (note 8)	**3,169**	4,814
Total current liabilities	**107,877**	73,330
Lease liabilities - long-term portion (note 8)	**6,650**	420
Long-term debt - long-term portion (notes 4 and 8)	**95,000**	-
Deferred tax liabilities (note 13)	**18,280**	11,319
Total liabilities	**227,807**	85,069
Shareholders' equity		
Share capital (note 3)	**48,767**	48,983
Contributed surplus (note 3)	**5,431**	5,087
Accumulated other comprehensive income (note 3)	**4,618**	1,116
Retained earnings	**289,693**	289,872
Total shareholders' equity	**348,509**	345,058
Total liabilities and shareholders' equity	**$576,316**	$430,127

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

On behalf of the Board:

Darren M. Kirk	Brian A. Robbins
President and	Director,
Chief Executive Officer	Executive Chairman

EXCO TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

$(000)'s except for income per common share

	Years ended September 30	
	2022	2021
Sales (note 11(A))	**$489,943**	$461,171
Cost of sales	**392,673**	351,960
Selling, general and administrative expenses (notes 3 and 17)	**44,432**	39,245
Depreciation (note 5)	**21,445**	17,412
Amortization (note 6)	**3,927**	3,670
Gain on disposal of property, plant and equipment	**(179)**	(98)
Interest expense, net (note 16)	**2,446**	405
	464,744	412,594
Income before income taxes	**25,199**	48,577
Provision for income taxes (note 13)		
Current	**3,448**	7,749
Deferred	**2,785**	2,408
	6,233	10,157
Net income for the year	**$18,966**	$38,420
Other comprehensive income (loss)		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized gain on derivatives designated as cash flow hedges (notes 3 and 8)	**1,119**	1,699
Unrealized gain (loss) on foreign currency translation (note 3)	**2,383**	(10,939)
	3,502	(9,240)
Comprehensive income	**$22,468**	$29,180
Income per common share		
Basic	**$0.49**	$0.98
Diluted	**$0.49**	$0.98
Weighted average number of common shares outstanding (note 12)		
Basic	**39,085**	39,270
Diluted	**39,089**	39,293

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, 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
Net income for the year	-	-	18,966	-	-	-	18,966
Dividends paid (note 3)	-	-	(16,204)	-	-	-	(16,204)
Stock option expense (note 3)	-	384	-	-	-	-	384
Issuance of share capital (note 3)	264	(40)		-	-	-	224
Repurchase of share capital (note 3)	(480)	-	(2,941)	-	-	-	(3,421)
Other comprehensive income (note 3)	-	-	-	1,119	2,383	3,502	3,502
Balance, September 30, 2022	**$48,767**	**$5,431**	**$289,693**	**$1,520**	**$3,098**	**$4,618**	**$348,509**

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	
	2022	2021
OPERATING ACTIVITIES:		
Net income for the year	**$18,966**	$38,420
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 5)	**21,445**	17,412
Amortization (note 6)	**3,927**	3,670
Stock-based compensation expense	**352**	773
Deferred income tax expense (note 13)	**2,759**	2,257
Net interest expense (note 16)	**2,446**	405
Gain on disposal of property, plant and equipment	**(179)**	(98)
	49,716	62,839
Net change in non-cash working capital (note 14)	**(26,243)**	(15,049)
Cash provided by operating activities	**23,473**	47,790
FINANCING ACTIVITIES:		
Increase in bank indebtedness	**6,823**	2,122
Financing from long-term debt (note 4)	**95,000**	-
Repayment of long-term debt (note 4)	**-**	(3,093)
Interest paid, net	**(2,446)**	(405)
Dividends paid (note 3)	**(16,204)**	(15,512)
Repurchase of share capital (note 3)	**(3,421)**	-
Exercise of stock options (note 3)	**224**	13
Cash provided by (used in) financing activities	**79,976**	(16,875)
INVESTING ACTIVITIES:		
Business acquisition, net of cash acquired (note 18)	**(57,616)**	-
Purchase of property, plant and equipment (note 5)	**(52,112)**	(38,426)
Purchase of intangible assets (note 6)	**(1,393)**	(287)
Proceeds on disposal of property, plant and equipment	**765**	381
Cash used in investing activities	**(110,356)**	(38,332)
Effect of exchange rate changes on cash	**(167)**	(1,609)
Decrease in cash during the year	**(7,074)**	(9,026)
Cash and cash equivalents, beginning of year	**24,098**	33,124
Cash and cash equivalents, end of year	**$17,024**	$24,098

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 20 strategic locations in 9 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, 2022 were authorized for issue by the Board of Directors on November 29, 2022.

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 (loss).

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

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

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, geopolitical and social impacts, including the global pandemic, Russian invasion of Ukraine and recessionary conditions. There continues to be significant uncertainty as to the likely effects these items which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact these items will have on the Company, its financial position and the results of operations in the future. The Company is monitoring the future impact of all these items on all aspects of its business. Each reporting period, management carries out this assessment for indications that goodwill and other long-lived assets may be impaired. As required, management will continue to assess these assumptions as the 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.

Property, plant and equipment and intangible assets (including goodwill) are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and, in the case of goodwill, on an annual basis. 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.

Impairment of non-financial assets exists when the carrying value of an asset, CGU or group of CGUs 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 or group of CGUs 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 terminal growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed and further explained in note 6.

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.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities. The estimate of fair value of customer relationships is based on future cash flows derived from expectations of revenue, margins and attrition of acquired customer relationships.

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. Changes in 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
Provision for income tax consists of current and deferred income taxes. Provision for 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
- Trade names: 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.

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 of disposal 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 of disposal, 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.. 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 performs a goodwill impairment test annually as at September 30 or more frequently when there is an indicator that the goodwill may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU group to which the goodwill is allocated. 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 statements 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 statements 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 statements 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:
The Company uses an "expected credit loss" ("ECL") model 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.

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
- ease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

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

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

Employee future benefits

(i) *Leave pay*
Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at each period 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 consolidated 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 consolidated 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. As the Company did not have any significant onerous contracts as at September 30, 2022, the standard is not expected to have

an impact on adoption.

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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
The amendments to paragraphs 69 to 76 of IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on its consolidated financial statements.

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
The amendment narrowed the scope of certain recognition exemptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's 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, 2020	39,268,997	$48,968
Exercise of stock options	1,500	15
Issued and outstanding as at September 30, 2021	39,270,497	48,983
Purchased and cancelled pursuant to normal course issuer bid	(385,033)	(480)
Exercise of stock options	27,000	264
Issued and outstanding as at September 30, 2022	**38,912,464**	**$48,767**

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:

	2022	2021
Opening balance	**$1,116**	$10,356
Net unrealized gain on derivatives designated as cash flow hedges (1)	**1,119**	1,699
Unrealized gain (loss) on currency translation adjustments	**2,383**	(10,939)
Total other comprehensive income (loss) for the year	**3,502**	(9,240)
Closing balance	**$4,618**	$1,116

(1) Net of deferred taxes of $399 (2021 – $606).

Cash dividends
During the year, the Company paid four quarterly cash dividends totaling $16,204 (2021 – $15,512). The dividend rate per quarter increased starting in the second quarter of the year from $0.10 to $0.105 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:

	2022		2021	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**1,006,000**	**$9.22**	957,000	$10.78
Granted	**242,500**	**$9.78**	280,000	$8.29
Exercised	**(27,000)**	**$8.31**	(1,500)	$8.56
Expired	**(175,000)**	**$10.48**	(229,500)	$14.56
Balance, end of year	**1,046,500**	**$9.16**	1,006,000	$9.22

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2022:

	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	524,000	3.14 years	$8.43	136,500	$8.50
$9.01 - $10.00	382,500	3.59 years	$9.81	84,000	$9.87
$10.01 - $10.15	140,000	0.66 years	$10.15	112,000	$10.15
$8.29 - $10.15	**1,046,500**	**2.98 years**	**$9.16**	**332,500**	**$9.40**

The number of common shares available for future issuance of options as at September 30, 2022 is 1,000,338 (2021 – 1,067,838). The number of options outstanding together with those available for future issuance totals 2,046,838 (2021 – 2,073,838) or 5.3% (2021 – 5.3%) 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 $384 for the year ended September 30, 2022 (2021 – $371). 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, 2022 and 2021 are as follows:

	2022	2021
Risk-free interest rates	**1.28%**	0.49%
Expected dividend yield	**4.09%**	4.54%
Expected volatility	**30.48%**	32.96%
Expected time until exercise	**5.50 years**	5.50 years
Weighted average fair value of the options granted	**$1.76**	$1.46

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, 2022, the Company granted 23,134 DSUs (2021 – 12,884 DSUs) and redeemed no DSUs (2021 – no DSUs). During the year ended September 30, 2022 the Company recorded stock-based compensation income of $32 (2021 – $402 expense) related to awards under the DSU plan with a corresponding adjustment to other accrued liabilities. As at September 30, 2022, 116,995 DSUs were outstanding with a carrying value of $904 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:

	2022	2021
Balance, beginning of year	**$5,087**	$4,718
Stock option expense	**384**	371
Exercise of stock options	**(40)**	(2)
Balance, end of year	**$5,431**	$5,087

Normal course issuer bid

In each of February 2022, 2021 and 2020, 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 1,955,000, 1,960,000 and 2,000,000 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, 385,033 common shares were re-purchased under these normal course issuer bids for a total cost of $3,421 (2021– nil). The cost to repurchase the common shares in 2022 exceeded their stated value by $2,941 which was charged against retained earnings.

4. BANK INDEBTEDNESS AND LONG-TERM DEBT

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

		Utilizations		
	Facilities	**Current**	**Long Term**	**Unused and Available**
JP Morgan, credit facility (Canada, U.S.A.)	**$125,000**	$11,828	$95,000	$18,172
JP Morgan, operating line (Europe)	**2,409**	535	-	$1,874
	$127,409	**$12,363**	**$95,000**	**$20,046**

	2022	2021
Prime rate in Canada	**5.45%**	2.45%
Prime rate in USA	**6.25%**	3.25%
Prime rate in Eurozone	**1.25%**	0.00%

On February 23, 2022, the Company closed an amendment to renew and increase the Committed Revolving Credit Facility ("Credit Facility") with JP Morgan Chase Bank N.A. to $125,000, of which $106,828 was utilized as at September 30, 2022 (2021 – $4,948). The Credit Facility has a three-year term and there are no specific repayment terms prior to maturity. The Credit 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 net worth and net leverage ratio covenants. The Company was in compliance with these covenants as at September 30, 2022.

Effective November 7, 2022 the Company closed an amendment to increase the Credit Facility by $25,000 to $150,000 with no changes to terms or conditions.

Additionally, the Company maintains an 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 EUR 1.55 million to EUR 1.8 million. The facility totals $2,409 (EUR 1.8 million) and bears interest based on Euribor. The Company had utilized $535 as at September 30, 2022 (2021 – $592).

The components of long-term debt are as follows:

	September 30, 2022	September 30, 2021
Bank debt	**$95,000**	**$-**
Less: current portion	**-**	**-**
Long-term debt, long-term portion	**$95,000**	**$-**

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, 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
Additions	4,527	1,398	887	186	44,867	247	52,112
Acquisition (note 18)	10,615	606	5,938	1,678	-	6,892	25,729
Reclassification	29,330	862	6,005	-	(36,197)	-	-
Less: disposals	(5,629)	(1,897)	(44)	-	-	(200)	(7,770)
Foreign exchange movement	5,048	674	1,336	268	(813)	12	6,525
Balance as at September 30, 2022	**$260,324**	**$24,824**	**$93,195**	**$14,517**	**$29,861**	**$8,551**	**$431,272**

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Right of Use Assets	Total
Accumulated depreciation and impairment losses							
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)
Reclassifications	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
Depreciation for the year	15,374	2,266	3,230	-	-	575	21,445
Less: disposals	(5,203)	(1,829)	(35)	-	-	(117)	(7,184)
Foreign exchange movement	3,298	639	721	-	-	48	4,705
Balance as at September 30, 2022	**$158,910**	**$18,306**	**$45,660**	**$-**	**$-**	**$1,293**	**$224,169**
Carrying amounts							
As at September 30, 2021	$70,992	$5,951	$37,329	$12,385	$22,004	$813	$149,474
As at September 30, 2022	**$101,414**	**$6,518**	**$47,535**	**$14,517**	**$29,861**	**$7,258**	**$207,103**

As at September 30, 2022, the Company had deposits for machinery and equipment and buildings under construction totaling $29,861 (2021 – $22,004). These assets are not being depreciated because they are under construction and not available for use. ROU assets are primarily comprised of Building leases. The current portion of lease liabilities $712 (2021 – $412) is included in Other accrued liabilities on the balance sheet.

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, 2020	$8,290	$47,554	$46	$55,890	$64,980
Additions	216	-	71	287	-
Less: disposals	(202)	-	-	(202)	-
Reclassifications	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
Additions	597	-	796	1,393	-
Acquisitions (note 18)	159	9,490	-	9,649	29,773
Less: disposals	(319)	-	-	(319)	-
Reclassification	781	-	(781)	-	-
Foreign exchange movement	129	3,100	(1)	3,228	(2,935)
Balance as at September 30, 2022	**$9,585**	**$58,163**	**$24**	**$67,772**	**$88,699**

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
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	-
Amortization for the year	544	3,383	-	3,927	-
Less: disposals	(318)	-	-	(318)	-
Foreign exchange movement	162	1,517	-	1,679	-
Balance as at September 30, 2022	**$7,852**	**$25,474**	**$-**	**$33,326**	**$-**

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Carrying amounts					
As at September 30, 2021	$774	$24,999	$10	$25,783	$61,861
As at September 30, 2022	**$1,733**	**$32,689**	**$24**	**$34,446**	**$88,699**

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

Impairment testing

The total goodwill of $88.7 million as at September 30, 2022 is allocated as $26.1 million to the Extrusion group of CGUs and $62.6 million to the Automotive Solutions operating segment. The Company performed its annual impairment test on September 30 and determined that the recoverable amounts for the Extrusion group of CGUs and the Automotive Solutions operating segment exceed their carrying amounts and, as a result, no impairment was recorded.

In addition in the fourth quarter, as part of its assessment of indicators of impairment, the Company determined that a CGU with a book value of $39.4 million had an indicator of impairment but that the recoverable amount was in excess of this and thus no impairment was recorded.

Key assumptions to value-in-use calculations

The recoverable amounts have been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management. Cash flow beyond the budget period was extrapolated using a 2% terminal growth rate, which represents the expected growth in the global economy. The discount rate applied to future cash flows was 7.5%.

The calculation of the value-in-use is most sensitive to the following assumptions:

- Discount rates
- Terminal 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. CGU 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, 2022	September 30, 2021
Severance	**$6,309**	$3,492
Warranties	**136**	444
	$6,445	$3,936

The carrying values of the above provisions are 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, 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**
Additions	2,406	62	2,468
Acquisition	2,300	-	2,300
Utilized	(1,901)	-	(1,901)
Reversals	(69)	(371)	(440)
Foreign exchange differences	81	1	82
Closing balance, as at September 30, 2022	**$6,309**	**$136**	**$6,445**

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 – measured at amortized cost
Accrued liabilities	Financial liabilities – measured at amortized cost
Lease 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 9, 2025 and designated them as cash flow hedges against Mexican payroll and other local Mexican costs. The total amount of these collars is 624.0 million Mexican pesos (2021 – 648.0 million Mexican pesos). The selling price ranges from 22.31 to 24.27 Mexican pesos to each US dollar. In addition, there is a series of collars extending through July 21, 2023 to convert $6.7 million CAD to USD. These collars have been designated as a cash flow hedge against capital equipment purchases in USD.

Management estimates that a cumulative gain of $2,066 (2021 – $546) would be realized if these collars were terminated on September 30, 2022. Net of deferred taxes of $546, the cumulative gain of $1,520 is recorded in other comprehensive income. During the year, the estimated fair value gain of $1,119, net of deferred taxes of $399 (2021 – loss of $1,699, net of deferred taxes of $606) has been included in other comprehensive income, and the cumulative gain of $2,066 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, 2022, the accounts receivable balance (net of allowance for doubtful accounts) is $113,940 (2021 – $83,130) and the Company's five largest trade debtors accounted for 30.1% of the total accounts receivable balance (2021 – 30.2%).

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

	September 30, 2022	September 30, 2021
Trade accounts receivable	**$110,770**	$82,193
Employee receivable	**202**	181
Sales tax receivable	**3,850**	1,843
Other	**1,192**	311
Less: allowance for doubtful accounts	**(2,074)**	(1,398)
Total accounts receivable, net	**$113,940**	$83,130

The aging of trade accounts receivable balances is as follows:

	September 30, 2022	September 30, 2021
Not past due	**$95,164**	$70,409
Past due 1-30 days	**10,514**	7,969
Past due 31-60 days	**2,215**	2,285
Past due 61-90 days	**563**	1,296
Past due over 90 days	**2,314**	234
Less: allowance for doubtful accounts	**(2,074)**	(1,398)
Total trade accounts receivable, net	**$108,696**	$80,795

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

	September 30, 2022	September 30, 2021
Opening balance	**$1,398**	$3,939
Additions	**728**	352
Acquisition	**210**	-
Utilized	**(40)**	(186)
Reversal	**(254)**	(2,659)
Exchange differences	**32**	(48)
Closing balance	**$2,074**	$1,398

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, 2022, the Company has a net debt balance of $90,339 (2021 – net cash $18,558) and unused credit facilities of $20,046 (2021 – $47,124).

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

		September 30, 2022		
	Total	**< 1 Year**	**1-3 Years**	**Over 3 Years**
Bank indebtedness	**$12,363**	**$12,363**	**$-**	**$-**
Trade accounts payable	**51,359**	**51,359**	**-**	**-**
Long-term debt	**95,000**	**-**	**95,000**	**-**
Leases	**7,435**	**718**	**918**	**5,799**
Purchase commitments	**51,311**	**51,311**	**-**	**-**
Capital expenditures	**5,060**	**5,060**	**-**	**-**
	$222,528	**$120,811**	**$95,918**	**$5,799**

		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	-	-
Leases	864	418	417	29
Purchase commitments	36,036	36,036	-	-
Capital expenditures	20,059	20,059	-	-
	$96,292	$95,846	$417	$29

c) Foreign exchange risk
The Company operates in Canada with subsidiaries located in the United States, Mexico, Colombia, Brazil, Thailand, Germany, Italy 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	+/- $972	+/- $46	+/- $4
Other comprehensive income	+/- $3,339	+/- $600	+/- $254

	1% Fluctuation COP vs. CAD	1% Fluctuation BRL vs. CAD
Income before income taxes	+/- $17	+/- $2
Other comprehensive income	+/- $75	+/- $45

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

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

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

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

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

During the year ended September 30, 2022, 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, 2022		September 30, 2021	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and cash equivalents	**$17,024**	**$17,024**	$24,098	$24,098
Accounts receivable	**113,940**	**113,940**	83,130	83,130
Trade accounts payable	**(51,359)**	**(51,359)**	(33,793)	(33,793)
Bank indebtedness	**(12,363)**	**(12,363)**	(5,540)	(5,540)
Customer advance payments	**(3,169)**	**(3,169)**	(4,814)	(4,814)
Accrued liabilities	**(34,541)**	**(34,541)**	(25,667)	(25,667)
Derivative instruments	**2,066**	**2,066**	546	546
Lease liabilities – long term portion	**(6,650)**	**(6,650)**	-	-
Long-term debt	**($95,000)**	**($95,000)**	$-	$-

9. INVENTORIES

	September 30, 2022	September 30, 2021
Raw materials	**$52,213**	$38,210
Work in process	**25,748**	22,741
Finished goods	**16,973**	16,778
Production supplies	**7,898**	3,847
Less: obsolescence provision	**(4,870)**	(3,817)
	$97,962	$77,759

The movement in the obsolescence provision accounts is as follows:

	September 30, 2022	September 30, 2021
Opening balance	**$3,817**	$4,346
Additions	**1,750**	1,495
Utilized	**(376)**	(1,690)
Reversals	**(372)**	(224)
Exchange differences	**51**	(110)
Closing balance	**$4,870**	$3,817

During the year, inventories of $217,473 (2021 – $196,415) were expensed, of which $1,750 was from the write-downs of inventories (2021 – $1,495), with reversal of write-downs of $372 (2021 – $224).

10. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2022, total managed capital amounted to $438,848 (2021 – $345,058), consisting of net debt of $90,339 (2021 – $nil) and shareholders' equity of $348,509 (2021 – $345,058).

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, 2022	September 30, 2021
Net debt to equity ratio	**0.26:1**	0.00:1
Net debt to Adjusted EBITDA ratio	**1.71:1**	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, 2022	September 30, 2021
Bank indebtedness and long-term debt	**$107,363**	$5,540
Less: cash and cash equivalents	**(17,024)**	(24,098)
Net debt	**$90,339**	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, 2022, the Company was in compliance with the required financial covenants.

11. OTHER INFORMATION

A. SEGMENTED INFORMATION

Operating segments
The Company has two operating 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.

				2022
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$253,500**	**$256,056**	**$-**	**$509,556**
Intercompany sales	**(17,466)**	**(2,147)**	**-**	**(19,613)**
Net sales	**236,034**	**253,909**	**-**	**489,943**
Depreciation	**18,216**	**3,135**	**94**	**21,445**
Amortization	**721**	**3,206**	**-**	**3,927**
Segment pre-tax income (loss) before interest	**11,970**	**20,904**	**(5,229)**	**27,645**
Net interest expense				**(2,446)**
Income before income taxes				**25,199**
Property, plant and equipment additions	**40,422**	**11,487**	**203**	**52,112**
Property, plant and equipment additions from business acquisition	**25,729**	**-**	**-**	**25,729**
Property, plant and equipment, net	**173,730**	**32,025**	**1,348**	**207,103**
Intangible asset additions	**1,249**	**144**	**-**	**1,393**
Intangible asset additions from business acquisition	**9,649**	**-**	**-**	**9,649**
Intangible assets, net	**10,713**	**23,733**	**-**	**34,446**
Goodwill	**26,051**	**62,648**	**-**	**88,699**
Total assets	**357,708**	**231,966**	**(13,358)**	**576,316**
Total liabilities	**63,340**	**59,809**	**104,658**	**227,807**

				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

Geographic and customer information

Sales	2022	2021
Canada	**$35,587**	$27,309
United States	**290,175**	284,819
Europe	**81,126**	72,749
Mexico	**52,552**	50,262
South America	**14,767**	8,447
Asia	**9,899**	9,316
Other	**5,837**	8,269
	$489,943	$461,171

In 2022 the total revenue to the Company's largest 2 customers accounted for 5.3% and 5.1% (2021 – 5.7% and 5.5%) of total sales. The accounts receivable pertaining to these customers were $5,404 and $7,533 at year-end (2021 – $3,304 and $2,789). The allocation of sales to the geographic categories is based upon the customer location where the product is shipped. In 2022, the Company's largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment (2021 – the Company's largest 2 customers were from the Automotive Solutions segment and the Casting and Extrusion segment).

Property, plant and equipment, net	September 30, 2022	September 30, 2021
Canada	**$86,436**	$64,243
United States	**32,142**	30,582
Mexico	**32,142**	23,059
South America	**6,665**	6,015
Europe	**26,080**	-
Thailand	**5,709**	5,878
Morocco	**17,929**	19,697
	$207,103	$149,474

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

Intangible assets, net	September 30, 2022	September 30, 2021
Canada	**$1,220**	$441
United States	**23,849**	25,139
Mexico	**3**	4
South America	**52**	107
Thailand	**2**	4
Europe	**9,231**	-
Morocco	**89**	88
	$34,446	$25,783

Intangible assets are attributed to the country in which they are located.

B. EMPLOYEE FUTURE BENEFITS

The Company accrues employee future benefits for its Mexican, Thailand and Italian 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. In Italy the termination benefit is a portion of employee wages that are deferred until termination.

The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments and amounted to $5,392 as at September 30, 2022 (2021 – $2,314) 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, 2022 and 2021 were as follows:

	September 30, 2022	September 30, 2021
Salaries and cash incentives (i)	**$3,463**	$4,241
Directors' fees	**233**	270
Share-based awards (ii)	**204**	130
	$3,900	$4,641

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2022 and 2021.
ii) Share-based payments are director share units granted to directors.

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 39,084,977 (2021 – 39,269,959). 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 2022 is 4,040 (2021 – 22,680).

13. INCOME TAXES

The consolidated effective income tax rate for 2022 was 24.7% (2021 – 20.9%) per the following tables. The change in income tax rate is due to non-deductible start-up losses from the Company's Castool Morocco facility, geographic distribution, and foreign tax rate differentials.

	2022	
Income before income taxes	**$25,199**	**100.0%**
Income tax expense at Canadian statutory rates	**6,857**	**27.2%**
Manufacturing and processing deduction	**(198)**	**(0.8%)**
Foreign rate differential	**107**	**0.4%)**
Non-taxable income net of non-deductible expenses	**(1,855)**	**(7.4%)**
Losses not tax effected	**661**	**2.6%**
Other	**661**	**2.6%**
Reported income tax expense	**$6,233**	**24.7%**

	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%

The major components of income tax expense are as follows:

	2022	2021
Current income tax expense		
Based on taxable income for the year	**$3,448**	$7,749
Deferred income tax expense		
Origination, reversal of temporary differences and losses not recognized	**2,785**	2,408
Reported income tax expense	**$6,233**	$10,157

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

	2022	2021
Deferred tax assets		
Tax benefit of loss carry forward	**$848**	$613
Items not currently deductible for income tax purposes	**792**	704
	1,640	1,317
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**(13,231)**	(7,767)
Unrealized revenue and foreign exchange	**26**	92
Investment in subsidiaries	**(5,075)**	(3,644)
	(18,280)	(11,319)
Net deferred income tax liabilities	**($16,640)**	**($10,002)**

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:

	2022	2021
Accounts receivable	**($18,453)**	($3,519)
Inventories	**(13,165)**	(18,191)
Prepaid expenses and deposits	**(708)**	(668)
Trade accounts payable	**10,204**	1,795
Accrued payroll liabilities	**(1,013)**	2,742
Other accrued liabilities	**4,161**	482
Provisions	**209**	1,034
Customer advance payments	**(1,776)**	1,317
Income taxes recoverable	**(5,702)**	(41)
	($26,243)	($15,049)

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, 2022 no repayments were overdue ($2021 – nil). 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, 2022 amounted to $2,892 (2021 – $2,069) 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 $3,442 (2021 – $5,928). As at September 30, 2022 the balance outstanding under the Program was $5,000 (2021 – $5,393).

There are no material contingent liabilities as at September 30, 2022 (2021 – nil).

16. INTEREST EXPENSE

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

	September 30, 2022	September 30, 2021
Interest expense on bank indebtedness and long-term debt	**$2,475**	$428
Interest income on deposits	**(29)**	(23)
Net interest expense	**$2,446**	$405

17. GOVERNMENT ASSISTANCE

As a result of the impact of COVID-19, the Company applied to multiple government assistance programs. During the year ended September 30, 2022 the Company recorded $nil (2021 – $500) of assistance, which was recorded as a reduction of selling, general and administrative expense.

18. ACQUISITION

On May 2, 2022 the Company completed the acquisition of 100% of the shares of the Halex extrusion operations ("Halex") for consideration of $60.2 million. Halex operates four key manufacturing locations – two in Germany and two in Italy.

Management determined that the assets and processes comprised a business and therefore accounted for the transaction as a business combination using the acquisition method of accounting with the results of operations included in the Company's consolidated financial statements from the date of acquisition. The results of Halex are reported within the Casting and Extrusion segment.

Assets acquired and liabilities assumed have been recorded at their estimated fair value at the date of acquisition as follows:

Cash and cash equivalents	$2,592
Accounts receivable	10,750
Inventories	5,198
Other current assets	153
Property, plant and equipment	25,729
Intangible assets	9,649
Current liabilities	(13,722)
Lease liabilities – long term portion	(6,650)
Deferred tax liability	(3,264)
Net identifiable assets	30,435
Residual purchase price allocated to goodwill	29,773
	$60,208

Acquisition funded as follows:	
Cash	$60,208
	$60,208

The Company incurred acquisition related costs of $584 which were expensed under selling, general and administrative expenses on the consolidated statements of income and comprehensive income.

The fair value of accounts receivable equals the gross amount of the trade accounts receivable less allowance for doubtful accounts and amounts to $9,871. The net contractual amount was considered collectible at the date of acquisition.

The primary factors that contributed to the recognition of goodwill are: the existing Halex business; the acquired workforce; and the combined strategic value to the Company's growth plan.

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

Corporate Officers

Brian A. Robbins, PEng
Executive Chairman

Darren M. Kirk, MBA, CFA
President and CEO

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

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

Transfer Agent and Registrar

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Toronto, Ontario M5H 4H1
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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

F2022 Annual General Meeting of Shareholders

Wednesday, January 25, 2023
at 4:30 pm. (Toronto Time)

Virtual Meeting: Live Webcast
https://virtual-meetings.tsxtrust.com/1410

Technologies Limited

Tradition of Excellence

www.excocorp.com

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