



EXCO TECHNOLOGIES LIMITED

2015 ANNUAL INFORMATION FORM

For the Fiscal Year Ended September 30, 2015

December 16, 2015

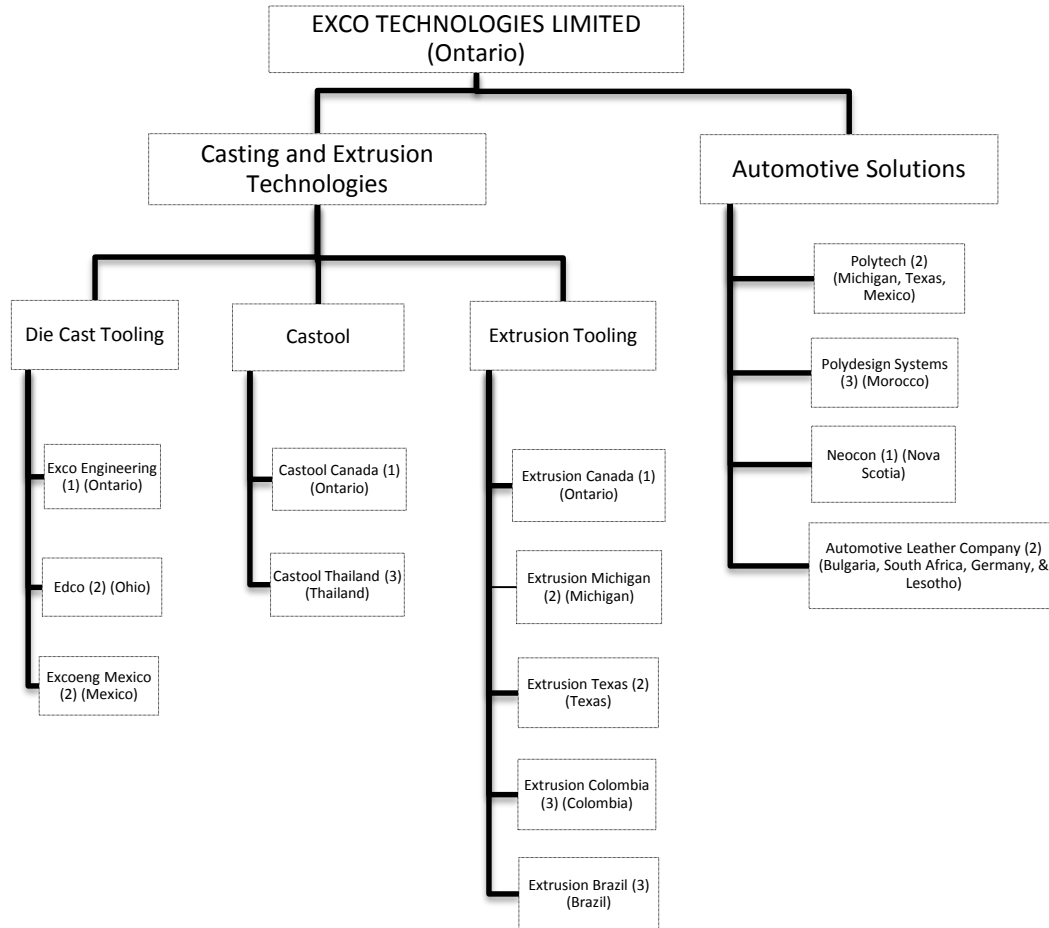
Throughout this document the annual report of the Company for the fiscal year ended September 30, 2015 including the financial statements and notes thereto and management's discussion and analysis will be referred to as 'Annual Report'. The financial statements of the Company and notes thereto appearing in the Annual Report will be referred to as 'Financial Statements'. Management's discussion and analysis appearing in the Annual Report will be referred to as 'MD&A'.

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ORGANIZATION OF THE COMPANY

Exco Technologies Limited (“**Exco**” or the “**Company**”) was formed by articles of amalgamation dated July 28, 1986 under the *Business Corporations Act* (Ontario) amalgamating Exco Holdings Inc. and two other holding companies with Extrusion Machine Co. Limited (“Extrusion”) and Qualitool Inc. Extrusion was founded by H.H. Robbins, the father of the current President and Chief Executive Officer of the Company, and has carried on business since 1952 under the trade name Exco. Exco carries on business through 16 operating entities as indicated on the following organization chart. The Company’s registered and principal office is at 130 Spy Court, 2nd Floor, Markham, Ontario, L3R 5H6.

Exco is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through its 18 strategic locations, Exco employs 5,302 people and services a diverse and broad customer base. Each operation constitutes an autonomous profit centre within the Company, but draws upon Exco’s pool of expertise and technology. During fiscal 2003, Exco purchased Neocon International Inc. and Bancroft Lasing Technologies Inc., both of which operated in the Automotive Solutions group. In fiscal 2004 Exco exited the Bancroft Lasing Technologies Inc. business. On October 1, 2005 Exco amalgamated with its wholly owned subsidiary Techmire Limited and operated the Techmire business as a division until September 28, 2007 when the business was sold in an asset transaction. Techmire’s US subsidiary which distributed Techmire machines was dissolved in September 2005. On December 31, 2007, Exco closed its Extec division and moved the equipment to a new wholly owned indirect subsidiary in Queretaro, Mexico called Excoeng de Mexico S. de R.L. de C.V. On October 1, 2007 Exco amalgamated with its wholly owned subsidiary Exco Automotive Solutions Canada Inc. which operated the Neocon International business and now operates the Neocon business in Canada as a division. On August 31, 2009, Exco closed its Neocon USA subsidiary. In September 2010 Exco announced the consolidation of its AluDie extrusion die production facility into the Company’s two other extrusion die plants in Markham, Ontario and Chesterfield, Michigan. On October 14, 2010 Exco purchased Allper AG, a Swiss company with a sales and distribution facility in Duding, Switzerland. On December 31, 2010 AluDie was closed and ultimately sold in September, 2011. On September 19, 2011 Exco purchased the tool shop machinery and equipment of Emma y Cie S.A. and Alumino Nacional S.A. in Medellin, Colombia. On January 11, 2013, Exco purchased the tool shop and machinery/equipment of BE&H Extrusion Dies Inc. in Wylie, Texas. On March 1, 2014, Exco purchased all the shares of Automotive Leather Company Group (Pty) Limited (“**ALC**”) with operations in Rosslyn (South Africa), Maputsoe (Lesotho), Musachevo and Ihtiman (Bulgaria) and Landshut (Germany). The following diagram designates the business of each operation i.e. Extrusion and Casting Technologies and Automotive Solutions, and where the operation is located.



1. Division of Exco Technologies Limited.
2. Indirect wholly-owned subsidiary of Exco Technologies Limited. The Company also indirectly wholly-owns, where applicable, all non-voting securities.
3. Wholly-owned subsidiary of Exco Technologies Limited.

DESCRIPTION OF CAPITAL STRUCTURE

The Company has one class of common shares. There is no limit on the amount of common shares that may be issued. Each common share is entitled to one vote and there are no restrictions on voting rights other than those imposed by law. All shareholders participate equally, in proportion with their share ownership, in the dividends declared and paid by the Company and upon dissolution or wind up of the Company. There are no constraints imposed on the ownership of securities of Exco intended to ensure that Exco has a required level of Canadian ownership. Since 1987, the Company has had no preferred shares issued or outstanding.

Dividends

The Company initiated paying quarterly cash dividends on its common shares in the amount of 1.25 cents per share in the second quarter of fiscal 2003. The complete quarterly dividend history is as follows:

	Cents per share
Q2-2003 to Q4-2006	1.25
Q1-2007 to Q1-2008	1.50
Q2-2008 to Q1-2010	1.75
Q2-2010 to Q4-2010	2.00
Q1-2011 to Q3-2011	2.50
Q4-2011 to Q2-2012	3.00
Q3-2012 to Q1-2013	3.75
Q2-2013 to Q1-2014	4.50
Q2-2014 to Q1-2015	5.00
Q2-2015 to Present	6.00

The Company expects to continue this dividend performance for the next fiscal year and retains the discretion to make modifications as earnings may dictate.

On February 19, 2003 the Company paid a stock dividend of one additional share for each share held to shareholders of record on February 12, 2003. The stock dividend had the same effect as a 2 for 1 stock split and increased the Company's outstanding common shares at the payment date from 20,068,136 to 40,136,272. There have been no stock splits or consolidations since that time.

Normal Course Issuer Bid

On May 5, 2005 the Toronto Stock Exchange approved the Corporation's request to implement a normal course issuer bid. The complete issuer bid share purchase history for each fiscal year since inception is as follows:

Fiscal Year	Shares Purchased	\$ Per Share	\$ Paid
2005	8,800	\$4.00	\$35,200
2006	183,400	\$3.79	\$695,086
2007	156,700	\$3.86	\$604,862
2008	530,200	\$3.45	\$1,829,190
2009	282,100	\$1.88	\$530,348
2010	11,600	\$2.08	\$24,128
2011*	-	-	-
2012	777,180	\$3.53	\$2,743,445
2013	-	-	-
2014	-	-	-
2015	-	-	-
Total	1,949,980		\$6,462,259

**The issuer bid was allowed to lapse on May 9, 2011 and was reinstated on October 5, 2011.*

The normal course issuer bid expired on October 6, 2014 and was not renewed. Since inception of the normal course issuer bid an average price of \$3.31 per share was paid to repurchase Exco shares. All shares were cancelled.

Market for Securities

The common shares of Exco are traded on the Toronto Stock Exchange under the symbol XTC. The trading price and volume is indicated in the table below.

Month Ended	High (\$ per share)	Low (\$ per share)	Close (\$ per share)	Volume Traded
2015/09	15.72	13.74	14.54	1,559,241
2015/08	17.40	11.36	14.54	1,754,110
2015/07	18.17	15.39	17.40	2,930,389
2015/06	15.44	14.00	15.31	1,386,965
2015/05	15.50	14.05	14.38	1,684,714
2015/04	17.12	14.70	15.35	1,372,745
2015/03	15.70	13.09	14.85	1,342,673
2015/02	15.77	13.475	15.58	2,772,699
2015/01	13.75	11.39	13.40	1,907,592
2014/12	11.94	10.10	11.79	591,283
2014/11	12.20	10.58	11.945	641,590
2014/10	11.05	8.89	10.97	926,163

Transfer Agent

The Company's transfer agent since November 1, 2004 is TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1. Prior to that date the transfer agent was CIBC Mellon Trust Company.

LEGAL PROCEEDINGS

There are no legal proceedings against the Company or, to the knowledge of management, contemplated against the Company or its assets which either individually or in the aggregate exceed ten percent of the current assets of the Company.

CONFLICT OF INTEREST

There is no existing or potential material conflict of interest between the Company and any of its subsidiaries or between any Company's director or officer and the Company or any of its subsidiaries.

DESCRIPTION OF COMPANY

The Company's head office staff consists of seven persons who have responsibility for the collection of financial data, budgetary controls, banking, treasury, insurance, corporate philosophy and policy. The Company reports the corporate office as a reporting segment. Each of Exco's plants is operated as an autonomous profit centre, with the exception of its *maquiladora* operation in Matamoros Mexico and the operation in Maputsoe Lesotho, and is part of either the Casting and Extrusion Technology reporting segment or the Automotive Solutions reporting segment.

The profit centre basis enables the Company to reward individual managers and senior employees for results generated directly by their performance. The maintenance of focused divisions enables the Company to respond quickly to customer requirements, shifts in the market and encourages innovation. As well, the independence of

each plant allows Exco to react quickly to new business opportunities. This organizational structure allows decision-making and cost control to occur at the operational level.

The Company has a Deferred Profit Sharing Plan (“DPSP”) for certain employees of the Company based on a distribution of the lesser of 1% of the eligible earnings of Canadian and US eligible employees of the Company or 5% of pre-tax profits to participants according to years of service and eligible earnings. Effective fiscal 2008 the DPSP has been amended so that distribution is limited to 5% of pretax profit from Canadian and US operations since only Canadian and US employees participate in the DPSP. As well, distribution to individual employees is limited for fiscal 2008 and beyond to the lesser of 1% of base salary or the normal service and salary criteria for all employees of a division that was not profitable in the year. The DPSP does not include senior divisional and corporate management. The full amount of an individual’s award is invested according to the individual’s election from an offered pool of managed investment products and, in Canada only, Company common shares. Effective Fiscal 2011 the US DPSP was amended by deleting the requirement that US plan participants invest in the Corporation’s common shares and as of September 30, 2012 the US DPSP contained no Exco shares. All funds and Company stock invested in the Canadian DPSP is purchased, held and managed by a third party trustee. Purchases of Company stock, to the extent required by the Canadian DPSP, are made on the open market through the facilities on the Toronto Stock Exchange by the third party trustee.

Management believes that the personal and financial rewards offered to employees have resulted in a very stable and highly skilled work force, which includes a significant number who are engineers, toolmakers and machinists. In addition, it is the Company’s belief that separate operating divisions lead to better employee relations, as management is able to work individually with employees on a daily basis.

The distribution of Exco’s sales by segment is as follows:

	2015	2014
Casting and Extrusion Technology	\$195,152	\$169,446
Automotive Solutions	303,143	198,812
	\$498,295	\$368,258

Sales by geography (destination) are as follows:

Sales	2015	2014
Canada	\$21,221	\$26,668
United States	243,886	184,670
Europe	190,624	127,708
Mexico	24,883	12,660
South America	6,368	6,273
Asia	6,400	773
Other	4,913	9,506
	\$498,295	\$368,258

Exco’s markets are well defined and sales are developed through target marketing. During fiscal 2015, sales to our largest customers as percentages of total sales are as follows:

	2015	2014
BMW	21%	16%
FCA	9%	13%
Faurecia	9%	5%

EXTRUSION AND CASTING TECHNOLOGY SEGMENT - THE INDUSTRY

Exco operates three related tooling and equipment businesses, namely: (i) Extrusion Technology, which involves the design and manufacture of dies for aluminum extrusions, (ii) Casting Technology, which comprises the design and manufacture of moulds for aluminum and magnesium die castings and (iii) extrusion and casting equipment technology (Castool), which involves the design and manufacture of components for the injection system of extrusion presses and die casting machines and other peripheral equipment. This segment represented 39% of Exco's revenue in fiscal 2015.

Extrusion Technology (Exco Canada, Exco Michigan, Exco Texas, Exco Colombia, Exco Brazil)

- ***Structure***

The Company manufactures a range of tooling products used by its customers in the aluminum extrusion industry. Aluminum extrusion dies are the most significant product area, complemented by other products, allowing the Company to offer an aluminum extrusion system.

Aluminum extrusion dies are made of round discs of high nickel chrome alloy tool steel which are machined by a combination of turning, drilling, milling and electric discharge machining ("EDM") and subsequently heat treated to a hardened state. Typical extrusion dies range in diameter from eight inches to twenty-two inches, in thickness from one to ten inches and in weight from 50 to 1,000 pounds. The Company has the capability to make dies up to diameters of 40".

Aluminum extrusion dies are used in the production of aluminum extrusions. In this process, a preheated aluminum billet is forced through an aperture in the extrusion die at the end of a cylinder causing the metal to assume the shape of the aperture in the extrusion die.

Each extrusion die must be individually designed. This involves a combination of science and art is employed. The design and manufacture of extrusion dies has become increasingly complex as extruders require thinner wall thickness and finer tolerances.

The majority of extrusion dies are custom-designed, with the balance being repeat shapes. Orders are received on a daily basis from the aluminum extruders, as their products are usually delivered on short notice. In turn, extrusion toolmakers must respond with the design and delivery of dies within one to three weeks of being ordered.

Extrusion tooling is produced by: 1) Exco Canada a division located in Markham, Ontario, 2) Exco Michigan an indirect subsidiary of the Company located in Chesterfield, Michigan, 3) Exco Texas an indirect subsidiary of the Company located in Wylie, Texas, 4) Exco Colombia a direct subsidiary of the Company located in Medellin, Colombia and 5) Exco Brazil a direct subsidiary of the Company located in Sorocaba, Brazil. These divisions employ approximately 346 people. Approximately 72 of these employees are salaried and 274 are hourly employees. None of these production facilities are unionized except for 25 production employees at our Brazil facility who are represented by *Sindicato Dos Metalurgicos De Sorocaba E Regiao*. They each design and manufacture aluminum extrusion dies, and supply them to aluminum extruders in North America, Central and South America, the Far East and Europe. Significant customers include SAPA, Western Extrusion, Extrudex and Alcoa (Kawneer). Exco has been involved in designing and supplying extrusion dies for over 60 years.

- ***Manufacturing Methods***

Aluminum extrusion dies are designed and manufactured with the aid of computer-aided design/computer-aided manufacturing ("CAD/CAM") and computer numerical control ("CNC") machining centres and EDM, particularly wire EDM.

EDM is the controlled vaporizing or disintegration of the die steel utilizing electrical spark. Conventional EDM uses a precision machined spark generator to control the ultimate finished shape, whereas wire EDM uses a travelling wire whose path is CNC controlled. The advent of this technology has made it possible to produce more complex shapes and achieve finer tolerances. As a result, extrusion tooling is at the forefront of metalworking technology.

These developments, which involve significant capital costs and require highly trained staff, have made it increasingly difficult for new companies to enter and compete in the extrusion die manufacturing industry.

- *Customers and the Market*

Extrusion tooling customers include vertically integrated aluminum producers as well as independent extruders who in turn supply aluminum extrusions to custom fabrication companies or to their own captive fabrication divisions. Aluminum extrusions are used in an increasing number of applications. The most significant application is as a building material, specifically for window framing, architectural facings of buildings and in the industrial truck and trailer market. However, the complexity and configuration of possible extrusions is virtually infinite. Applications of complex extruded components are used in the computer, electronic and aerospace industries as well as the rapidly growing automotive industry. The individual die is a critical and necessary portion of the overall aluminum extrusion manufacturing process. Since the cost of the extrusion die is a relatively insignificant portion of the total cost of the extrusion manufacturing process, there continues to be a strong demand for extrusion dies.

The Company estimates that the extrusion tooling market in North America is approximately \$US250 million annually. Exco believes that it is currently the largest supplier in the Canadian and U.S. extrusion tooling markets and that it accounts for approximately 30% of sales in the North American market. Exco Michigan located in Chesterfield, Michigan, was acquired in 1994 to provide a base from which the Company can advance its penetration of the U.S. market. Sales to the United States have grown due to a focused marketing effort. In 2008, this facility was expanded and in January 2013, Exco Texas was acquired to service the south-central region of the United States. Exco Texas will be moving to a larger facility in Wylie Texas at the end of 2015. The Company believes there is opportunity to further expand its presence in this market.

The North American extrusion tooling industry is comprised of a few large players and approximately 20 very small operations. These businesses are all privately owned. The North American market has experienced consolidation over the last few years in response to an increasing demand for quality, faster delivery and very competitive pricing which require a significant investment in technology. This trend is continuing although at a more moderate pace. Exco continues to make the investment it believes is necessary to remain a leading supplier in this market. Given Exco's size and access to capital markets, Exco management believes that it is in a better position than its competitors to prosper under these changing conditions.

Over the last decade extruders of certain aluminum products have moved their operations to China and other low cost locations. These products are typically simple, yet high volume, consumer products distributed throughout North America by mass retailers such as Wal Mart and Home Depot. Tooling required by these extruders, in many cases, was resourced to tool shops located near the new extruding operations in China and other low cost locations. This trend appears to have stabilized and in fact in the last few years has been reversing as many extruders are returning to North America after the imposition of anti-dumping duties on Chinese imports in 2010. These duties are for 5 years and range from 6% to 143%. The average rate is expected to be approximately 25%.

In the last several years steel surcharges have been fluctuating but overall were increasing steadily up to 2011. Subsequently, surcharges have dropped and have stabilized over the past 2 to 3 years. Steel prices overall have stabilized and the availability of tool steel is good. Pricing is not expected to increase for at least our next fiscal year. The Company passes on steel surcharges to its customers thereby causing revenue to increase or decrease as surcharges fluctuate.

The market in Central and South America is also significant and should continue to grow as those countries mine significant quantities of bauxite and aluminum. Their efforts to develop their infrastructure and economies should also increase demand for aluminum extrusions. Sales to the United States, Central and South America, Europe, and the Far East collectively represent about 83% of sales of the Company's extrusion technology business. In order to more closely align production with our markets, the Company expanded Exco Michigan and acquired Exco Texas (as described above) and closed an Ontario production facility called AluDie in the last decade. In 2011 the Corporation purchased a tool shop in Medellin, Colombia to service the Colombian, Latin and South American, excluding Brazil, markets. Also, in January 2014, the Corporation completed the construction of a 30,000 sq. ft.

production facility in Sorocaba, Brazil and intends to service the Brazilian market from that location. The facility started production in July 2014. These Central and South American markets had been serviced by Exco Canada.

The Company believes that its best marketing tools are its engineering capability, its broad reputation for quality and reliability and its ability to design, manufacture and ship dies typically within 10 days. Management and marketing is now primarily conducted at the divisional group level with all divisions coordinating their marketing efforts. Sales contact continues to be maintained through each division's engineering department.

Casting Technology (Exco Engineering, Edco, Excoeng Mexico)

- ***Structure***

The Company manufactures die-cast moulds. Moulds produced by Exco are used to produce aluminum and magnesium die-castings. The die-castings are produced by forcing molten aluminum or magnesium into the mould under extremely high pressure, with the resultant die-casting precisely reflecting the detailed shape of the mould.

The moulds are made of high nickel chrome alloy tool steel and are produced through a combination of machining techniques including turning, milling, boring, drilling, tapping and EDM. They are heat treated to a hardened state.

Moulds produced range in size from several cubic feet to several hundred cubic feet and from approximately 10 tons to 75 tons in weight. These moulds may be used to produce such products as automotive parts, consumer appliances and industrial products.

Participants in the automotive transmission case, engine block, and large structural component mould-making sector are Exco, OEM in-house mould shops and several other companies situated in the USA, Europe and Japan (for the rest of the mould making sector participants are diverse and generally small owner-operated businesses). Recent years have seen greater global sourcing of large tools from a more crowded vendor base, though we believe none of our competitors have the design and development capability of our large mould businesses. Additionally, while a handful of tool shops market similar delivery capacity to Exco, nearly all rely on extensive subcontracting in order to do so, outsourcing the most highly engineered and longest lead time components, which Exco typically produces in house.

Over the last few years Exco's most prominent competitors have generally been tool shops located in Western Europe. These organizations have struggled in their home markets in Europe where economic conditions have been poor. The weakening Euro against the US dollar has also made their exports to Europe more competitive. In North America they have largely competed on the basis of price, without offering the level of engineering, design or production support Exco typically offers.

Moulds are produced and maintained at the Company's Exco Engineering division in Newmarket, Ontario and Edco located in Toledo, Ohio and also maintained at the Excoeng Mexico located in Querétaro, Mexico. These divisions currently employ approximately 232 people. Approximately 55 are salaried and 177 are hourly. Excoeng Mexico has 27 hourly production staff represented by *Sindicato Nacional De Trabajadores, Empleados, Operadores, de la Industria Automotriz*. The Company believes that it is the largest independent manufacturer of aluminum die-cast moulds in North America.

The Exco Engineering division is located in a 135,000 square foot facility. It has machines with travels up to 22 feet and lift capacities of up to 70 tons. Exco Engineering supplies some of the largest and most complex moulds produced in the world. It has developed and applied many new techniques to this industry. Exco is able to engineer and accurately machine mould components, thereby reducing cost and the need for specially produced spare parts. Moulds supplied by Exco Engineering are used primarily in the automotive industry to produce transmission case castings, engine blocks and, more recently, structural parts.

Edco was acquired early in fiscal 1995. It is located in a 48,000 square foot facility in Toledo, Ohio. Edco builds and repairs large die cast moulds for the automotive industry. Demand for its products was adversely impacted in the late 1990's by the bankruptcy of a major customer. Since then Edco has focused on developing business with

the North American Tier 1 die casting supply base and foreign domestic automakers. It has succeeded in developing a strong relationship with several Tier 1 die casters in particular which account for a significant portion of its sales.

In the summer of 2008 Exco decided to establish Excoeng Mexico, a mould facility in Querétaro Mexico in order to service the growing number of die casters establishing operations in Central Mexico. The facility is approximately 15,000 sq. ft. Sales started in 2011. All sales were to a local die caster and the business has been able to cash flow since 2012. This business is now actively engaged in expanding its customer base among the numerous automotive die casters clustered in the region and environs around Queretaro, Mexico. The facility has the ability to maintain and rebuild moulds and has matured to the point where it now produces many highly technical components in house; components that formerly would have been supplied by the Exco Engineering or Edco businesses. Apart from Excoeng Mexico (as described above) no other production facility in the Casting Technology group is unionized.

- ***Manufacturing Methods***

As the moulds required by customers have become larger and more complex, the methods of design and manufacture have also become more complex. The moulds are produced by a combination of milling, boring, drilling, turning, tapping, EDM and polishing. CNC machining and CAD/CAM have been extensively applied to these processes resulting in more precisely finished moulds with improved tolerances.

CAD/CAM equipment and CNC machinery have brought the mould making industry to the leading edge of technology. The high capital costs, the requirement for special facilities and the need for a skilled workforce inherent in utilizing advanced technology and equipment are constraints for all companies in the business, particularly newly established companies.

Exco operates its own 3,500 ton die-casting machine and foundry in its Newmarket plant to test customer products. This in house foundry has robotic process management and three dedicated furnaces to deliver standard die cast aluminium alloy, structural aluminium alloy (A365 – discussed below) and magnesium. In addition to verifying dies as they are built, the operating experience and data acquired during this testing process is used to resolve production problems for its customers. In 2012, the ability to cast A365 aluminum alloys (used for structural components) was added. Our ability to test tools by forming A365 castings in house represents a significant value to our customers and a formidable collection of proprietary experience and know how. We know of no other tool shop globally with the ability to cast three distinct lightweight alloys on a state of the art 3500 ton die cast machine and believe it is a key to sustaining our leadership in tool engineering and design.

Exco's mode of operation is to work closely with the OEMs to assist in the design of next generation fuel efficient powertrain systems (engines, transmissions and other powertrain components) and to locate its operations near its customers. Exco employs the latest technology in manufacturing and quality assurance with the assistance of 3, 4, and 6-axis CNC machine tools and both traditional and optical coordinate measuring equipment both of which are interfaced with the Company's in house CAD/CAM capability. This interfacing permits a closed loop production cycle in which the components can be initially detailed using data and specifications supplied by the customer and subsequently manufactured and inspected in a digitally-linked system. Exco has also moved toward global sourcing of its specialty steel requirements, allowing it to control its steel cost and dramatically reduce delivery time.

Exco's manufacturing time on new tooling ranges from 16-36 weeks depending on the complexity of the tooling and the (often variable) lead time associated with suppliers of our key materials and components.

- ***Customers and the Market***

The primary customers of the mould-making sector are the major automakers and Tier 1 die casters. As well as doing their own die casting, the automakers purchase some of their requirements from independent custom die casters. Aluminum die cast moulds are also used in the production of non-automotive products.

The main application of die casting in the automobile industry is in the manufacture of engine and transmission components such as transmission housings, engine blocks, water pumps, oil pumps, differential housings and instrument panels. The recent finalization of new US automotive fuel efficiency standards requiring mileage improvements of 5% in each year starting in 2017 through to 2025 when 54.5 mpg is achieved is having a dramatic

effect on this industry. In Europe the same dynamic is at work. The European Union is requiring that average CO2 emissions from new cars sold in Europe are reduced to 95 grams per km by 2021 – down from about 132 g/km in 2012. This European target equates to fuel use of 4.1 litres per 100kms for gas cars. Most of the innovation required for automakers to achieve these levels of mileage improvement will come from improvements to the internal combustion engine and powertrain. Specifically, the move from 5 and 6 speed automatic transmissions to 9 and 10 speed automatic transmissions, in redesigned form, will continue to dominate the North American powertrain landscape well into and beyond 2025. This is also the preferred powertrain architecture for hybrid vehicles. Redesigned four cylinder engines will also increase in dominance in North America. The new fuel efficiency standards are also placing renewed emphasis on reducing the overall weight of automobiles including engines and transmissions.

The Company expects to benefit from these developments in two ways. First, the focus on light weighting should generally translate into increased aluminium content in future vehicles, meaning more die cast tooling generally and a broad-based benefit to tool builders like Exco. Second, to the extent the fuel economy targets mean all new engines and transmissions these programs are a strong fit with Exco's ability to deliver the required tool and represent a barrier for tool shops that generally focus on building tooling to existing designs.

The complexity and intricacy of the moulds have increased as designers incorporate more features into the die cast components. Dies are also becoming smaller as engine design is moving to smaller displacement three and four cylinder engines and transmission housings. This trend may be offset by the rise in structural components, which in many cases, require larger tools and a greater emphasis on flow characteristics and flexibility rather than rigidity. As quality requirements have increased, the die making and designing process has become increasingly complex and sophisticated.

The Company estimates that the North American market for mould making and repair for automotive transmission case and engine block programs is approximately \$175 million annually depending on new programs and how many vehicles are sold in any given year. However, as mentioned previously, the market for other large die-cast transmissions and engine blocks is increasing as aluminum replaces other materials and technologies (such as cast iron and sand casting, for example) and as OEMs increasingly redesign their powertrain systems in order to achieve higher fuel efficiency. An emerging trend is the use of aluminum to make structural automotive components. While a more complicated die-cast process requiring an alloy known as A365 aluminum (discussed earlier), the process can create much lighter parts than traditionally achievable with steel. This opens an entirely new market for Exco as the size of the moulds required and the complexity of the process are uniquely suited to Exco's crane and milling equipment capacity, our in house foundry, and engineering/ design talent. The Company believes this market may eventually be larger than that of the traditional powertrain products.

Its competitors are all private companies and the largest such competitor Exco believes to be Delaware Dynamics. However, two other North American competitors, Strohwig Industries and Fisher Tool and Die Corp., are believed to be of generally comparable size to Delaware Dynamics.

Exco believes that the American and Mexican markets represent a significant opportunity for it currently. As virtually the only toolshop in Mexico capable of working on large die cast tooling we are well positioned to participate in the country's growing automotive die cast sector. While competitors will surely join us in Mexico at some point we know from experience that it will take them several years to establish a credible presence and competitive threat. In the United States there are substantial die cast foundry investments being made by a number of our customers and we are very well positioned to participate in this growth. The current order backlog at all three Exco large mould businesses is as strong as or stronger than it has ever been previously. In the past the Company has also supplied Daimler and its tiers in Germany as well as Ferrari in Italy.

Castool

- *Structure*

The Company's Castool division designs, manufactures and sells consumable tooling for the injection systems of both light metal die cast machines and extrusion presses. The die cast tooling system includes thermally controlled shot sleeves, proprietary plunger tips, plunger rods, lubrication and vacuum valve and controller. The extrusion

tooling system includes a proprietary container and dummy block, stem, lubrication and single cell die ovens. In the last year Castool has further evolved their systems to include a new vacuum valve and controller, high pressure dummy block, air cooled container, radiant die oven that is approximately 40% faster than the prior model, and a visual optimizing system with extrusion die management. Patents applications have been submitted for most of these items. The visual optimizing system allows the extrusion press operator to learn from a large back-lit monitor if all critical temperatures and speeds are at or near the desired levels at any time during production.

All these components relate to the mechanisms in die cast machines and extrusion presses that heat the light metal and deliver it in liquid or semi-solid form to the die or mould. Castool also provides both production tooling and technical advice to leading extruders and die casters globally. Castool also manufactures die ovens which heat dies to the appropriate temperature before insertion into extrusion presses and most of its products are now either thermally controlled or managed by PLC/computer systems. Castool believes it is the only company to provide single sourcing and undivided responsibility for these tooling systems. It also provides technical advice to all customers and industries served through direct contact, articles in trade journals and trade association conventions.

- ***Manufacturing Methods***

Castool manufactures these products at its 60,000 sq. ft. state of the art production facility in Uxbridge, Ontario which was built in January 2007. An additional 5,000 sq. ft. of warehouse space was added at this facility in 2010. In 2013, another 5,000 sq. ft. of production space was constructed and in 2014 a final 6,000 sq. ft. of production space was added. Also in 2013, the Corporation started the construction of a 30,000 sq. ft. production facility in Chonburi, Thailand. The facility started production in July 2014 and is intended to service the Asian and European markets. These divisions currently employ approximately 152 people. Approximately 47 are salaried and 105 are hourly. Neither location is unionized.

Castool designs and manufactures with the use of CAD/CAM, CNC equipment and several powerful modelling tools. CNC equipment includes 9-axis milling/turning centres, horizontal mills, vertical and horizontal lathes and various custom machines designed to make Castool products very efficiently. Castool designs and develops software programs that are primarily related to thermal regulation of the above referenced accessories and components.

- ***Customers and the Market***

Castool not only services the same customer base as the Extrusion Technology and Casting Technology businesses but it also sells to other customers in the global market which the Extrusion Technology and Casting Technology businesses do not currently sell to. While the latter two business groups focus on manufacturing and marketing dies and moulds that will make a high quality part, the Castool business focuses on making components and accessories that will increase the customers' extrusion press and die-cast machine uptime (longer tooling life) and yields (less scrap and energy consumption). Since the 2009 global financial crisis, both industries have become much more aware of production inefficiencies. This is an ideal market climate for Castool since both its tooling systems offer customers an attractive return on capital invested in Castool products.

Both the extrusion and die casting industries are becoming increasingly competitive. Their customers are demanding products that are larger, more complex, and with more precise tolerances than ever before. The advanced technology of Castool products allows both extruders and die casters to respond to these needs.

On October 15, 2010 the Company purchased Allper AG, a Swiss designer and global distributor (with primary market share in Europe) of plunger tips and other die cast machine consumable components. Allper AG also had, since 1993, licensed its proprietary technology to Castool in North America. With this acquisition Castool is now owner of all aspects of its product offerings. Allper AG products are now marketed by Castool in North and South America and by sales agents throughout the rest of the world. The Swiss sales office and distribution centre was closed in March 2013 as these functions were reassigned to other Castool distributors in Europe.

Castool services its North American customers with its in house sales staff. It also has sales agents, sales representatives and salaried sales staff in most markets in the world managing customer relationships in those countries. These include but are not limited to the European Union, South America, Japan, Korea, China, Thailand,

Indonesia and India. Castool also presents technical papers at most international congresses and trade shows in the extrusion and die cast industries.

- ***Human Resources***

Overall, the Casting and Extrusion Technology segment has approximately 730 employees, approximately 174 of which are salaried and include design engineers and technicians. Approximately 556 are hourly employees of which 52 in Mexico and Brazil are unionized (see above for details).

None of these employees are subject to a collective bargaining agreement except for the Excoeng Mexico operation (see above) and Exco believes employee relations are good. Exco provides rewards to these employees through a combination of financial benefits and personal recognition.

Exco encourages further education of these employees and is an active participant in apprenticeship programmes. In addition, the Company co-operates with and supports several local community colleges from which it typically draws its design engineers.

AUTOMOTIVE SOLUTIONS

Exco operates four businesses in the Automotive Solutions segment; Polytech, Polydesign, Neocon and Automotive Leather Company (Pty) Limited ('ALC'). Polytech and Polydesign are leading, world-class providers of flexible restraint and storage solutions for the global automotive market. Neocon is the premier designer and manufacturer of trays and rigid cargo organizer products for OEMs. ALC is a premier cut, sew and assembler of leather and/or fabric seat covers for automobiles.

Polytech and Polydesign

- ***Structure***

Polytech and Polydesign have three principal products: 1) flexible storage systems, 2) flexible restraint systems and 3) plastic injection moulded consoles, gearshift boots and componentry. Polydesign has also added additional product lines which include the cutting and sewing of seat covers, headrests, instrument panels, sun visors and door panels. Flexible storage systems are found in trunks, seat backs, door panels, visors, centre consoles and any area of a vehicle where convenient accessible storage can be provided. Flexible storage systems are designed as convenience products for the interior passenger compartment and trunks of vehicles. While these are largely cosmetic netting products these parts are highly engineered in order to meet flammability, ultra violet degradation, fogging/gassing and elasticity specifications. Often this product is sold with an injection moulded part which secures the net to an interior or trunk surface.

Flexible restraint systems are designed and tested as safety restraining devices. Accordingly, they are highly engineered and technically demanding. They are positioned in the vehicle between the passenger compartment and cargo area, typically in sport utility vehicles, vans and station wagons. They prevent baggage from moving from the cargo area to the passenger compartment and becoming dangerous projectiles in a collision. Consoles and gearshift boots are typically injection moulded components but may also require cutting and sewing of fabric or leather to form the boot. These products must meet the same specifications identified above.

In North America these products are manufactured by Polytech. They are designed and engineered at its offices in Troy, Michigan, manufactured in Matamoros, Mexico and then mostly shipped to its warehouse in Brownsville Texas for pick up by customers. The Matamoros facility is located in a free trade zone with the USA. Accordingly, raw material and equipment is shipped to Matamoros duty free, converted to finished product and shipped back to the US market duty free. A small portion of Polytech's products are sold to customers in Mexico.

Polydesign commenced production in 2002. Its products are designed, engineered and manufactured at its facility in Tangier, Morocco. Polydesign has the same capabilities as Polytech and in addition, has the capability of manufacturing seat and headrest covers. Products manufactured by Polydesign in Tangier, Morocco are then shipped

directly to Europe by overland freight utilizing commercial ferry to cross the Strait of Gibraltar and the English Channel, if required. Polydesign is located in a free trade zone with the European Economic Union. Accordingly, products can be shipped duty-free to member countries.

From 2007 to 2012 Polydesign engaged in full commercial production of seat and headrest covers. These parts are made by cutting either fabric or leather and sewing the cut part into a final shape specified by the customer. The cover is then packaged and shipped to Tier 1 seat assemblers who fit the cover over preformed seating foam or inject liquefied foam into the headrest cover which then expands to fill the cavity. In 2013 seat cover production ceased to be a major product line at Polydesign. Polydesign is also cutting and wrapping leather and applying it over instrument panel, door panel, centre console and steering wheel substrates. This operation is primarily performed at its production facility, however, when the parts exceed a certain size, as is the case with instrument panels, the work is performed at a leased facility near Paris France owned by a subsidiary of Polydesign. This facility in France ceased operations in July, 2014 when a contract with a European OEM expired. Most recently, Polydesign has also engaged in the production of sun visor assemblies by cutting and sewing fabric and assembling them with metal and electronic components.

- ***Manufacturing Methods***

Polytech's manufacturing is carried out in a 130,000 square foot facility in Matamoros, Mexico, located in close proximity to Polytech's warehouse in Brownsville, Texas. This facility was purchased in April 2007. Using polypropylene yarn, computer controlled braiders, weavers and knitters are used to manufacture the bungee, webbing and netting which are subsequently sewn into restraint and storage systems.

Polytech also manufactures consoles, instrument panel components and the plastic attachment hardware using plastic injection moulding presses. This vertical integration, i.e. manufacture of materials and components required in the end products, allows Polytech to control its material costs and quality.

Polytech's manufacturing operations are in Matamoros, Mexico where it employs approximately 133 salaried and 1,048 hourly production employees. The hourly employees are represented by the *Sindicato De Jornaleros Y Obreros Industriales De La Industria Maquiladora*. The monetary provisions of the collective agreement expired in January 2016. The Company expects the negotiated settlement to be in line with its plans. It is required in this region of Mexico for employees of organizations of this size to be represented by a national union. The work force is very stable and, although unionized, there has never been a strike since Polytech initiated operations in Matamoros in the early 1990's.

Polydesign completed construction of a 100,000 sq. ft. manufacturing facility in April 2002. In 2009, it completed the construction of an 85,000 sq. ft. addition to this facility. In 2009, Polydesign leased a 3,000 sq. ft. production facility in the Paris France area in order to leather wrap instrument panels. This facility ceased production in July 2014. It employs similar manufacturing processes as those carried out by Polytech and described above, however, has a greater emphasis on 'cut and sew' products and has launched seat cover and headrest business. The Tier 1 customer or 'directed source' supplier supplies seat cover fabric to Polydesign. Polydesign cuts and sews the fabric to precise dimensions and ships the seat covers back to the Tier 1 in Europe for assembly. Polydesign has also begun leather wrapping of steering wheels, instrument panels, door panels and consoles.

Polydesign's manufacturing operations are in Tangier, Morocco. The work force is comprised of 75 salaried staff and 712 hourly production employees and is very stable and is not unionized. The nature of Polydesign's operations, working with textiles, is a common trade of the Moroccan people and, accordingly, the work force is well suited to Polydesign's operations.

- ***Customers and the Market***

Flexible storage systems were first introduced into the market in the mid-1980's. Polytech initially developed the netting for this market. Polytech's products can be found in hundreds of different automotive models on the roads today.

The primary customers for Polytech's products are the North American and certain foreign automobile manufacturers ("OEMs") or the OEM's Tier 1 suppliers. Currently, Polytech supplies approximately 15 OEMs and dozens of Tier One suppliers throughout the world. The Company believes that it is the largest supplier in North America for flexible restraint and storage systems, with the majority of the market. The market is mature; however, sales are impacted by reduced production of automobiles and trucks by most of our customers. Polytech also manufactures plastic injection moulded consoles and gear shift boots. This product broadening further expands Polytech's automotive interior product line and potential market.

Polydesign was established to penetrate the European market. Prior to the establishment of Polydesign, the European market was supplied by Polytech from Mexico. Given the size of the potential market, warehousing, shipping and duty charges, Exco determined that a facility closer to the European market was necessary. Tangier, Morocco was chosen because of its proximity to Europe, its free trade agreement with the European Economic Community, the skills of its people, competitiveness of wage rates relative to Europe and the stability of its government.

Exco believes that the size of the European market is traditionally as large as or larger than the North American market. Given the advantages offered by the Tangier, Morocco location, the manufacturing skills of Exco and the successful launch of new programs with virtually all European OEMs and major Tiers, Exco is confident about Polydesign's future regardless of current market conditions. The addition of approximately 85,000 sq. ft. was completed in 2012 and almost doubled the prior capacity of Polydesign.

Neocon

- ***Structure***

Neocon manufactures and designs plastic thermoformed trays and trunk organizers for the interior compartment of automobiles. Neocon has two product categories: 1) cargo organizer systems and 2) flooring and protective systems.

The cargo organizer system focuses on organization, protection and flexibility to divide space within the open cargo area of sport utility vehicles, vans and trucks, as well as open trunk spaces in cars.

The flooring and protective systems provide a custom cargo area fit, low rise retaining walls around the perimeter of the trays (for containing slush, snow, water or any other fluids/debris that may drop off cargo stored in the sedan trunk or SUV) and flexible and friction enhanced materials that are easy to clean. Neocon's products are designed, engineered, and produced at its full service facility in Dartmouth, Nova Scotia.

- ***Manufacturing Methods***

Neocon's manufacturing is carried out in a 77,000 square foot facility. Product design and engineering use state of the art CAD systems and design software, which fully support solid modeled parts and assemblies. The primary processing includes heavy gauge thermoforming with secondary assembly of injection and blow moulded components as well as other unique OEM compression moulded panels and assorted hardware. Neocon experiments extensively with different gauges and blends of material in order to optimize the look and feel of the product and has recently expanded its product offering to include carpeted materials which consist of a carpeted fabric being laminated to a plastic sheet.

Neocon's manufacturing operation in Dartmouth, Nova Scotia has a very stable work force comprised of approximately 25 salaried and 147 hourly production employees is not unionized. The nature of Neocon's operation involves mostly lesser skilled production employees to load plastic sheet into thermoform machines and thereafter extract the formed part and then trimming excess plastic from the perimeter of the part with a cutting instrument. Accordingly, temporary and outsourced staff is employed from time to times as production volumes rise and fall.

- ***Customers and the Market***

Neocon was founded in 1993 in response to the growth of sport utility vehicles in the North American automotive market. The primary customers for Neocon's products are foreign domestic OEMs. These customers employ a relatively unique process for accessorizing their vehicles. The main feature involves segregating a predetermined portion of vehicles rolling off the assembly line into a holding area at the assembly plant or port-of-entry, in the case of importation of vehicles. These segregated vehicles are then accessorized with Neocon, as well as other, components and products. In this way, vehicles are fully accessorized to the requirement of various trim levels required by the dealer network before they leave the assembly plant or port-of-entry. Accordingly, Neocon ships its products to OEM distribution centres which are typically in the New England states. The customer then draws Neocon product from the distribution centres for delivery to its assembly plants or port-of-entry. This differs from North American and other OEMs in that they rely more heavily on their dealer 'parts and service' departments to accessorize vehicles.

Neocon's product line complements the flexible storage products offered by Polytech and Polydesign and further strengthen the Automotive Solutions segment. The Company believes that the consumer trend to conveniently organize and store items in vehicles will result in further growth in the market. Neocon continues to gain new programs as it has, over the years, adapted its market strategy from SUVs to crossover utility vehicles (CUVs) and hybrid vehicles. Neocon's products have achieved high market acceptance. High raw material content has been mitigated by developing plastic sheet blends that are lighter, stronger and less costly. These are mostly proprietary blends developed also to meet ever changing consumer preferences. It has improved its product offering to include alternate materials with a carpet finish as opposed to plastic commonly referred to as Neolux in order to be more suitable for luxury vehicles. In addition, it has begun selling bumper covers to its customer base. Bumper covers have a chrome finish and are mounted on the exterior of the vehicle atop the bumper cover.

Automotive Leather Company (ALC)

- ***Structure***

The Company manufactures seat covers for automotive OEMs or their Tier 1 suppliers. Leather, fabric and/or vinyl are sourced from suppliers and stitched into finish seat covers by the Company. In the case of leather the Company receives pre-cut leather pieces from suppliers who have been designated by the OEM. The Company stitches these leather pieces into a finish seat cover. In the case of fabric or vinyl the Company cuts these materials into the required sizes by use of computer numeric laser or blade cutting machines and then stitches these pieces into a finish seat cover. The completed seat covers are shipped to the OEM customer or its Tier 1 supplier who then pulls the seat cover over the padded seat frame in order to complete the seat assembly process.

The Company has historically specialized in the sewing of all-leather seat covers but it is typical for leather seat covers to contain fabric or vinyl components on remote extremities of the covers. These are known as 'combination' seat covers. The Company also has several programs for all fabric/vinyl seat covers. The process of sewing leather is much more challenging and requires more skill than fabric or vinyl as once the leather is punctured by the stitching needle it is not possible to rework the leather in the event of flawed stitching. This makes rework difficult and complicated. With respect to fabric or vinyl the material is much more forgiving and rework can be readily undertaken.

- ***Manufacturing***

Seat covers are manufactured at the Company's ALC subsidiaries in Musachevo and Ihtiman Bulgaria, Rosslyn South Africa and Maputsoe Lesotho. Cutting and sewing takes place in the Company's operations in Bulgaria and South Africa and at the present time only sewing takes place in Lesotho. These facilities are all rented and are of the following size: 1) Musachevo, Bulgaria – 6,000 square meters, 2) Ihtiman, Bulgaria – 4,000 square meters, 3) Rosslyn, South Africa – 8,200 square meters and 4) Maputsoe, Lesotho – 6,000 square meters. These buildings are of typical ceiling height ranging from 4 to 6 meters and have light to average electricity requirements. Since the acquisition of the ALC business by the Company on March 1, 2014 the Company has continued the process of moving sewing production from Rosslyn to Maputsoe where electricity supply is more abundant and reliable and labor costs are more affordable.

These operations are staffed by employees who are very dexterous and proficient at sewing. Typically they have prior sewing experience and training usually requires three to four weeks. Production workers are usually recruited through temporary worker agencies and thereafter employed by ALC upon successful completion of training and after determination that full time staffing is required. Employment levels at these facilities are as follows:

	Salaried	Hourly	Total
ALC Bulgaria	50	1,451	1,501
ALC South Africa/Lesotho	51	867	918
ALC Germany	7	-	7
Total	108	2,318	2,426

These staffing levels fluctuate, often dramatically, as production volumes fluctuate in unison with OEM automobile production levels and program awards. ALC South Africa has 185 hourly employees represented by the National Union of Metalworkers of South Africa ('NUMSA'). Prior to the acquisition of ALC by Exco there were numerous strikes and the current three year collective agreement which expires on August 31, 2016 includes wage increases of approximately 10% in each year of the collective agreement. ALC has announced plans to discontinue cutting and sewing of seat covers in South Africa and close the production facility in Rosslyn. Accordingly, ALC is currently engaged in the mediation process with NUMSA as required by local labor laws.

- ***Customers and Market***

Participants in the seat cover sector consist of Tier 1 suppliers to the automotive OEMs who make the entire automobile seating assembly from frame to covers. They are commonly known as integrators as they take responsibility for the entire integrated assembly. It is common for these Tier 1 integrators to outsource portions of the seating process (such as sewing the seat covers) in order to have labor intensive functions performed in low wage locations or to reduce logistic costs or to reduce the risk of disruption from natural disasters, labor strife or simply to have a dual supply source. Principal Tier 1 integrators of seating assemblies include Johnson Control, Lear, Visteon, IAC and Faurecia; although recent transactions suggest that several of these integrators are exiting the interior trim business. Those who are awarded the outsourced portions of the seating process are known as Tier 2 suppliers to the OEMs. In the European seat cover industry there are approximately half a dozen such Tier 2 suppliers. They are all private and relatively small in scale and in some cases are leather or fabric/vinyl manufacturers. In some cases OEMs make their own seating assemblies instead of outsourcing them to a Tier 1 integrator. In these cases the OEM typically contracts out the stitching of seat covers. The seat cover supplier in this scenario becomes a Tier 1 supplier to that OEM.

At the present time the ALC's sole customer for seat covers is BMW. ALC is a Tier 1 supplier on the 1 Series, 3 Series and 5 Series programs and the parts are shipped to BMW assembly plants in Germany. ALC is a Tier 2 supplier on all Mini programs and the parts are shipped to Faurecia, the Tier 1 integrator, at its seating assembly plant in Oxfordshire, UK. The market is mature with pricing now established on a global basis rather than 'cost plus'. Sales levels are also impacted by fluctuations in OEM production of light vehicles. The Company expects to diversify its customer base to include other luxury brand OEMs.

- ***Human Resources***

Overall, the Automotive Solutions segment has approximately 4,566 employees of which 341 are salaried and 4,225 are hourly. None of these employees are subject to a collective bargaining agreements except for the Polytech production facility in Matamoros Mexico and the ALC production facility in Rosslyn South Africa (as described above). Apart from the discussions currently taking place with the union relating to the closure of the Rosslyn facility, Exco believes employee relations are positive.

At several Exco locations where design and engineering capabilities are integral parts of the business model Exco encourages further education of employees and is an active participant in apprenticeship programmes. In addition,

the Company co-operates with and supports several local community colleges from which it typically draws its design engineers.

OUTLOOK

See the Section entitled 'Outlook' in the MD&A of the Company's 2015 Annual Report.

HISTORY OF THE COMPANY

Background

The Company commenced business in 1952 when Herbert Henry Robbins founded Extrusion Machine Co. Limited as a machine shop, and shortly thereafter became a custom manufacturer of aluminium extrusion dies for Canadian aluminium extruders. Over the years, the Company has evolved from a "family style" machine shop into a sophisticated tooling company.

During the 1960's, divisions were established in England, France, Germany and Australia expressly for the production of aluminium extrusion dies for the developing extrusion industry in those areas. Following the death of H.H. Robbins in 1975, his son Brian Robbins was appointed President of the Company.

As a result of a strategic decision to develop a strong technological base (through the acquisition of advanced technology and machinery) to maximize growth, the Company's foreign interests were sold during the late 1970's and early 1980's. The sale allowed the Company to focus its investment and management efforts in its Canadian operations. During the 1980's the Canadian operation expanded and the concept of profit centres and divisionalization was initiated. The Company's product base grew through the application of the Company's existing and acquired technology to other related industries. The Company's activities expanded to include the design and manufacture of components for military hardware (aircraft, vehicular and marine) and civilian aircraft, intricate components for nuclear reactors, very large moulds for automotive aluminium die casting and the distribution and processing of tool steels and mould makers' supplies.

In 1986, the Company sold common shares to the public through an initial public offering. Subsequently, the Company continued to expand in its established market niches.

The Company withdrew from a non-core tool steel distribution business and closed a small division in 1993, which supplied naval hardware to Unisys for the AEGIS defence program.

The growth of the Company resulted in the commissioning of a new plant in Newmarket, Ontario to house Exco Engineering. In 1997 and 1998, this facility was expanded by 75% (the last phase was completed in the first quarter of 1998). This plant, now 135,000 sq. ft., is more than three times the size of the facility it replaced. As well, it has greater crane capacity and is equipped with larger and more sophisticated machine tools. Included in the facility is an in-house aluminum foundry, which is equipped with a large capacity die casting machine, which is used to sample and verify new dies as they are built. This machine, which can run dies of various sizes, provides a further service to existing customers and enables the export of verified dies to customers.

Acquisitions & Divestitures

Since 1994, Exco has made a number of important acquisitions. In July 1994, Exco purchased an extrusion tooling facility located in Markham, Ontario from Alcan Aluminium Limited. This purchase provided the Company with additional capacity in the extrusion tooling sector and proprietary technology. The purchase price was \$700,000 and was paid from Exco's cash resources.

In the first quarter of fiscal 1995, the Company completed the purchase of Edco, Inc. ("**Edco**"), located in Toledo, Ohio. Edco manufactures and repairs transmission case moulds, and is strategically located for servicing the market for these products. The purchase price was \$2,700,000 and was financed by the issuance of 425,602 (adjusted for

stock dividend) Exco common shares to the vendor and cash of \$380,000. In addition, Edco's debt totalling \$1,300,000 was assumed.

In the first quarter of fiscal 1997, the Company purchased Nova Tool & Die, Inc. since renamed Exco Extrusion Dies, Inc. ("**Exco Michigan**"). Exco Michigan manufactures extrusion tooling. In November 1999, Exco Michigan relocated to a new 35,000 square foot facility. The Company believes that Exco Michigan will provide an important platform from which Exco can expand its extrusion tooling business in the United States. The purchase price was \$1,500,000 and was financed by a private placement of 207,653 common shares to the vendor. As part of the purchase, Exco Michigan's operating lines and term debt totalling \$1,400,000 were assumed.

In September 2000, the Company purchased TecSyn International Inc. ("**TecSyn**"). Prior to purchase by Exco, TecSyn was a public company traded on the Toronto Stock Exchange. TecSyn manufactured automotive restraint, storage and other automotive interior components.

The purchase price was \$50,100,000 and was financed with a combination of existing cash resources and the Company's operating lines. This acquisition introduced the Automotive Solutions segment to the Company's operations. The details of net assets acquired are disclosed in Note 2 to the Company's consolidated financial statements included in its 2000 and 2001 annual report.

Pricewaterhouse Coopers LLP ("**PWC**") issued a valuation and fairness opinion dated June 26, 2000 of the fair market value of 100% of the issued and outstanding shares of TecSyn. Subject to the scope, assumptions, restrictions and certain qualifications, PWC estimated the fair market value to be in the range of \$45,500,000 to \$52,600,000 or \$2.53 to \$2.92 per share. Exco paid \$2.70 per share or \$48,600,000 (excludes transaction costs).

Mr. Brian Robbins, the President and Chief Executive Officer of Exco, was a non-management Director and Chairman of the Board of TecSyn at the time of Exco's offer. Mr. Robbins held 486,104 common shares of TecSyn, representing 2.7% of TecSyn's outstanding shares at the time of the offer.

In December 2000, the Company purchased Techmire Ltd. ("**Techmire**"). Prior to purchase by Exco, Techmire was a public company traded on the Toronto Stock Exchange. Techmire designs and manufactures multi-slide die-casting machines for high precision components and services a variety of industries. The purchase price (net of cash acquired) was \$14,800,000 and was financed using the Company's operating lines. The details of the net assets acquired are disclosed in Note 2 to the Company's consolidated financial statements included in its 2001 and 2002 annual report.

With respect to Exco's offer to Techmire's shareholders, National Bank Financial Inc. ("**NBF**") issued a fairness opinion dated November 15, 2000. The opinion concluded that, subject to certain assumptions and limitations, the offer (\$3.85 per common share) was fair, from a financial point of view, to the minority shareholders of Techmire.

Subsequent to Exco's fiscal 2002 year-end, on October 1, 2002, the Company purchased 100% of the outstanding shares of Neocon International Inc. ("**Neocon**"), a private company. Neocon designs and manufactures plastic thermoformed automotive cargo management systems. These systems are supplied to the original equipment manufacturers and are primarily used in the trunk of passenger cars and the cargo area of SUVs. For further details see Note 3 to the 2003 Financial Statements.

The purchase price of the common shares, including transaction costs of \$496,000, was \$11,087,000. In addition, the Company assumed debt, net of cash, of \$4,205,000. The debt assumed includes \$1,839,000, which is interest free. This transaction was financed using the Company's operating lines and by the issuance of 65,000 Exco common shares at \$12.00 per share (\$780,000).

On February 3, 2003, the Company purchased 100% of the outstanding shares of Bancroft Lasing Technologies Limited ("**Bantech**") and certain debt held by shareholders of Bantech. Bantech, founded in 1999, specializes in the production of painted, precision moulded, laser etched plastic parts for automotive interiors. Bantech utilizes a relatively new process that produces 'back-lit' parts.

The purchase price of Bantech, including transaction costs of \$189,000, was \$2,189,000. In addition, the Company assumed debt, net of cash, of \$2,371,000. This transaction was financed by the issuance of 265,746 (post-stock dividend) shares valued at \$2,000,000 (\$7.54 per share).

On August 30, 2004 the Company sold all the assets of Bantech to Emerald Lasing Corporation. The sale price was \$1.5 million payable in cash and assumption of approximately \$800,000 in trade payables. For further details regarding this transaction see Note 2 to the 2005 Financial Statements.

On September 28, 2007 the Company sold all the assets of Techmire (except the production facility) to Dynacast Canada Inc. The sale price was \$4.6 million payable in cash and the assumption of approximately \$2.1 million in trade payables, accrued items and other liabilities of Techmire. For further detail regarding the transaction see Note 15 to the 2007 Financial Statements. The production facility was reclassified as 'Assets Held for Sale' and sold in May 2009 for a net loss of \$1.4 million.

In January 2007 the Company erected a new 63,000 square foot production facility in Uxbridge, Ontario for its Castool division at a cost of approximately \$5 million. In April 2007 the old Castool production facility situated in Scarborough, Ontario was sold for cash of \$2.6 million. In April 2007 the Company's subsidiary Polytech purchased a 130,000 square foot production facility in Matamoros, Mexico at a cost of \$US 1.9 million. This subsidiary then surrendered its leased facility in Matamoros in the summer of 2007.

During 2008 the Company added approximately 25,000 sq. ft. to its existing extrusion die production facility in Chesterfield, Michigan at a cost of approximately \$1.1 million. The addition enabled that business unit to increase production capacity in the large die sector of the market.

In 2008 the Company undertook another construction project to accommodate growing production requirements. In Morocco, Polydesign added 85,000 sq. ft. to its existing 100,000 sq. ft. production facility at a total cost of \$4.0 million.

The Company has also completed, in 2009, the construction of a new 15,000 sq. ft. large mould maintenance facility in Querétaro Mexico at an estimated cost of \$1.5 million. This facility utilizes equipment made available by the closure of Extec. The Extec large mould business was closed in December 2007. The Extec production facility was sold in May 2008 for \$3.4 million including a mortgage back for \$600,000. The mortgage, upon its maturity in May 2010, was renewed for a 3 year term ending in 2013. Since then it was again renewed to June 4, 2016. The mortgage has been subsequently satisfied. For further details see the Company's 2008 Annual Report, 'Dispositions' and Note 18.

On September 30, 2009, the Company closed its Neocon USA subsidiary in Huntsville Alabama. The 46,000 sq. ft. production facility is currently fully leased and will be sold when the market improves. For further details, see the Company's 2010 Annual Report, 'Dispositions' and Note 14.

The Company closed its AluDie extrusion die production facility in Newmarket, Ontario on December 31, 2010 and consolidated all production in the Company's other two extrusion die facilities – Exco Canada in Markham, Ontario and Exco USA in Chesterfield, Michigan. The AluDie plant has been vacated and sold in 2011.

On October 15, 2010 the Company purchased all the outstanding shares of Allper AG (“**Allper**”) for cash of approximately \$2,000,000. Allper is a Swiss designer and global distributor (with primary market share in Europe) of plunger tips and other die cast machine consumable components. Allper also had, since 1993, licensed its proprietary technology to Castool in North America.

On September 19, 2011 Exco purchased the tool shop machinery and equipment of Emma y Cie S.A. and Aluminio Nacional S.A. (“**Exco Colombia**”) in Medellin, Colombia. The acquisition was an asset purchase for a total cash consideration of \$863,000. The Company moved the majority of equipment from AluDie and some from other extrusion plants to this Colombian plant in fiscal 2012. Exco purchased the first part of the 20,000 sq. ft. assumed leased production facility in June 2012 and the remainder in April 2013.

On January 11, 2013 Exco purchased the tool shop machinery and equipment of BE&H Extrusion Dies Inc. (“Exco Texas”) in Wylie, Texas to service the south-central region of the USA. The acquisition was an asset purchase for a total cash consideration of \$1,485,000. The assumed leased production facility is 14,000 sq. ft. and expires on December 31, 2015.

In March 2013, Exco closed Allper’s sales office and warehouse in Switzerland and reassigned these functions to other Castool distributors in Europe.

On March 1, 2014, Exco purchased all the outstanding shares of ALC for cash of \$17,300,000 and the issue of 1,007,711 Exco common shares. ALC is a manufacturer of leather seat covers for the European automotive industry and has leased facilities in Bulgaria, South Africa and Lesotho as well as a technical centre in Germany.

MATERIAL CONTRACTS

There are no material contracts outside the normal course of business.

DIRECTORS AND OFFICERS

As at December 16, 2015 the Directors and Officers of the Company were as follows:

Name	Period of Service	Common Shares Owned or Controlled
Brian A. Robbins, Director Aurora, Ontario President and Chief Executive Officer Exco Technologies Limited	January 1972 to date	9,655,178
Laurie T.F. Bennett, Director (1) (2) (3) Meaford, Ontario Retired Partner Ernst & Young, LLP	January 2005 to date	18,500
Robert Magee, Director (1) (2) Caledon, Ontario Chairman, The Woodbridge Group	January 2010 to date	20,000
Peter van Schaik, Director (2) (3) Aurora, Ontario Chairman, Chief Executive Officer Van-Rob Inc.	April 2007 to date	88,100
Nicole Kirk, Director (2) (3) Mississauga, Ontario Corporate Director	January 2013 to date	11,550
Edward Kernaghan, Director (1) (2) Toronto, Ontario Executive Vice President Kernaghan & Partners Ltd.	January 2009 to date	4,766,700
Philip B. Matthews, Director (1) (3) Port Sydney, Ontario Retired Partner Ernst & Young, LLP	February 2011 to date	2,000

Paul E. Riganelli Markham, Ontario Senior Vice-President and Chief Operating Officer Exco Technologies Limited	January 2004 to date	365,190
R. Drew Knight Toronto, Ontario Vice-President and Chief Financial Officer Exco Technologies Limited	May 2015 to date	660
Paul Robbins Uxbridge, Ontario General Manager, Castool Division	May 1975 to date	1,036,319
Jeff, Blackburn Newmarket, Ontario Vice President, General Manager, Casting Technologies	November 2011 to date	4,333
Bonnie M. Cartwright Markham, Ontario President, Exco Tooling Solutions Group	November 1981 to date	28,255
William Schroers Rochester Hills, Michigan CEO, Automotive Solutions Group	1986 to date	75,000

1. Member of the Audit Committee
2. Member of the Human Resources and Compensation Committee
3. Member of the Governance & Nominating Committee

As at December 16, 2015, the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over, approximately 38% of the common shares of the Company. All directors are residents of Canada.

AUDIT COMMITTEE COMPOSITION AND QUALIFICATIONS

The Audit Committee is composed of Laurie Bennett, Edward Kernaghan, Philip Matthews and Robert Magee. The Committee is chaired by Mr. Matthews. All members have been determined to be independent and financially literate by the Board of Directors.

Mr. Bennett and Mr. Matthews are retired partners of Ernst & Young LLP where they were involved with auditing of public companies over the course of their careers. All other members of the Audit Committee are or have been CEO's or senior executives/directors of TSX listed public companies during their careers and as such are familiar with accounting principles applicable to the Company and are capable of assessing the general application of these principles in connection with accounting estimates, accruals, reserves and internal controls.

The Audit Committee has authority to pre-approve all non-audit services provided by the Company's external auditors. The Audit Committee Charter is attached hereto as Schedule A and should be referred to for a complete understanding of the role of the Audit Committee.

Audit Fees – The audit fees paid by the Company for the 2015 fiscal year are discussed in detail in the Management Information Circular at the section entitled 'BUSINESS TO BE TRANSACTED AT THE MEETING – APPOINTMENT OF AUDITOR'.

RISK FACTORS

The risk factors relating to the Company and its businesses are discussed in detail in the MD&A at the section entitled ‘Risks and Uncertainties’ in the 2015 Annual Report.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and the principal holders of Exco’s securities and options to purchase securities is contained in the most recent information circular of Exco prepared in connection with the annual meeting of shareholders held on February 3, 2016. Additional financial information is provided in Exco’s Financial Statements and MD&A. Also additional information is available on SEDAR at www.sedar.com.

This document contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. This information and statements relate to future events, plans and projections of our future performance, including in respect of projected growth, changing market conditions, improvements in productivity and future results and the assumptions underlying same. All statements other than statements of historical fact are forward-looking statements. We use words such as “anticipate”, “plan”, “may”, “will”, “should”, “expect”, “believe”, “estimate” and similar expressions to identify forward-looking information and statements. Such forward-looking information and statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be relevant and appropriate in the circumstances.

Readers are cautioned not to place undue reliance on forward-looking information and statements as there can be no assurance that the assumptions, plans, intentions or expectations upon which these statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed, implied or anticipated in the forward-looking information and statements. Information concerning the risks, uncertainties and assumptions are described in the “Risks and Uncertainties” and “Outlook” sections of this Management’s Discussion and Analysis in our 2015 Annual Report and in other reports and securities filings made by the Company. More information, including Exco’s Annual Report, is available at www.sedar.com or from Exco.

While Exco believes that the expectations expressed by such forward-looking statements and the assumptions underlying such expectations are reasonable, there can be no assurance that they will prove to be correct. In evaluating forward-looking 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 statements. The Company disclaims any obligation to update publicly or otherwise revise any such factors or any forward-looking information or statements contained in this document to reflect subsequent information, events or developments, changes in risk factors or otherwise.

SCHEDULE A

AUDIT COMMITTEE CHARTER

I. Purpose of Audit Committee

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications, independence and performance of the external auditor and the performance of the Company's internal audit function.

II. Audit Committee Composition and Meetings

Audit Committee members shall meet the applicable requirements of the Business Corporations Act (Ontario), Canadian securities regulatory authorities and the Toronto Stock Exchange. The Audit Committee shall comprise of three or more Directors determined by the Board, each of whom shall be outside Directors who are "independent" as such term is defined in NI 52-110 and unrelated, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Committee shall be financially literate, as defined in NI 52-110.

Audit Committee members shall be directors of the Company and shall be appointed by the Board. If an Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the external auditors, and as a committee to discuss any matters that the Committee or any of these groups believe should be discussed.

III. Audit Committee Responsibilities and Duties

The Audit Committee's primary duties and responsibilities are to:

- Provide oversight of the Company's financial reporting process and system of internal controls.
- Monitor the independence and performance of the Company's external auditors and internal auditing practices.
- Provide an avenue of communication among the external auditors, management, the internal auditors and the Board of Directors.
- Report to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external and internal auditors as well as anyone in the organization. The Audit committee has the ability to retain, at the Company's expense subject to Board approval which will not be unreasonably withheld, such legal, accounting, or other consultants or experts relating to specific and discrete matters which it reasonably deems necessary in the performance of its duties (including the authority to set and pay the compensation for any properly approved advisors employed by the Audit Committee).

Review Procedures

1. Review and assess the adequacy of this Charter at least annually and submit any changes to the Charter to the Board of Directors for approval.

2. Review the Company's annual audited financial statements, management discussion and analysis, annual earnings news releases and related documents prior to filing or distribution. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgements.
3. Review with financial management the Company's quarterly financial statements, management discussion and analysis, interim earnings news releases and related documents prior to the release of earnings and/or the Company's quarterly financial statements prior to filing or distribution and recommend approval to the Board. Discuss any significant changes to the Company's accounting principles.
4. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's disclosure of other financial information extracted or derived from the Company's financial statements.
5. Annually, in consultation with management and external auditors, consider the integrity and assess the adequacy of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the external auditors together with management's responses.
6. Review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's view to the Board of Directors.

External Auditors

7. The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall oversee and review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors and their compensation or approve any discharge of auditors when circumstances warrant.
8. Approve the fees and other significant compensation to be paid to external auditors.
9. Pre-approve all non-audit services provided by the external auditors to the Company and its subsidiaries, as services are required. The Audit Committee may pre-approve non-audit services from time to time.
10. On an annual basis, the Committee will review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditor's independence.
11. Review and approve the Company's hiring policies regarding former and present partners and employees of the Company's external auditors.
12. Review the external auditors' audit plan and discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach.
13. Prior to releasing the year – end earnings, discuss the results of the audit with the external auditors. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.
14. Consider the external auditors' judgements about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

Internal Audit Department and Legal Compliance

15. Review and approve management's decisions related to the need for internal auditing.

Dispute Resolution and Complaints Procedure

16. Resolve any disagreements between the Company's management and external auditors regarding financial reporting.
17. Resolve any disputes relating to accounting, internal accounting controls or audit matters among corporate management.
18. The Audit Committee must establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
19. The Audit Committee must establish a procedure for the confidential, anonymous submission of concerns by employees of the Company regarding questionable accounting or auditing matters.

Other Audit Committee Responsibilities

20. Annually review and assess the effectiveness of the committee against the Charter and report the results of the assessment to the Board.
21. Disclose the Charter and other required information relating to the Audit Committee to shareholders as required by applicable Canadian securities laws.
22. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, at the Committee or the Board deems necessary or appropriate.
23. Maintain minutes of meetings and regularly report to the Board of Directors on significant results of the foregoing activities.
24. Review financial and accounting personnel succession planning within the Company.