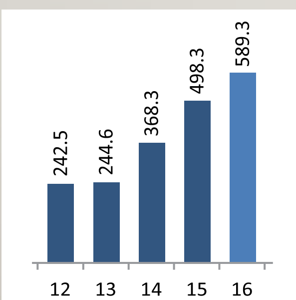
EXCO® Technologies Limited

Sustaining Growth

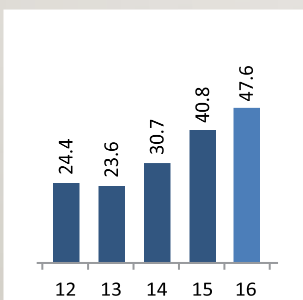
2016 ANNUAL REPORT

EXCO® Technologies Limited

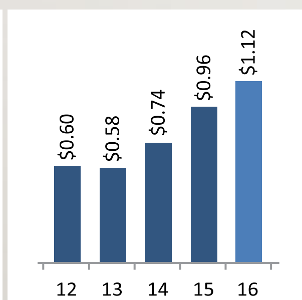
SALES
($ millions)



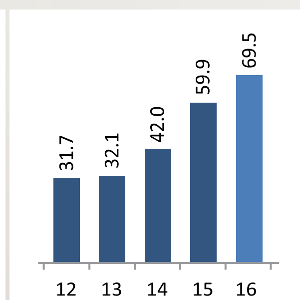
NET INCOME
($ millions)



BASIC EARNINGS PER SHARE



CASH FLOW FROM OPERATING ACTIVITIES*
($ millions)



*Before net change in non-cash working capital.

CASTOOL TOOLING SYSTEMS®

ETS EXCO TOOLING SOLUTIONS®

AFX

EXCO ENGINEERING

ALC®

Polydesign EXCO® automotive solutions

Polytech EXCO® automotive solutions

Neocon EXCO® automotive solutions

LETTER TO SHAREHOLDERS

Fiscal 2016 was another record-setting year for Exco. Aided by six months of contributions from AFX Industries LLC, which we acquired on April 4, 2016, and accompanied by balanced results from our underlying operations, Exco's consolidated sales increased $90.7 million or 18% to a record $589.0 million. Consolidated net income reached a record $47.6 million or $1.12 per share compared to $40.8 million or $0.96 per share in fiscal 2015. Similarly, EBITDA and free cash flow rose to record levels.

Key Initiatives in Fiscal 2016

Exco achieved these results despite investing considerable management time and financial resources to resolve formidable challenges in ALC's operations in South Africa and Lesotho. Specifically, we relocated production out of Rosslyn, South Africa and subsequently closed those facilities at the end of the second quarter. As well, after conducting an assessment of the long-term viability of the remaining operations in Lesotho, we saw no clear path to overcoming the operating and logistical challenges that were hampering the results of that business. Consequently, we wound up ALC's operations in Lesotho subsequent to our year end. Going forward, ALC's results will benefit from the elimination of operating losses that amounted to $3.5 million in fiscal 2016 and $5.2 million in fiscal 2015.

In the Casting and Extrusion segment, we made significant progress at strengthening our long-term competitive position with major machinery and equipment investments in both our Large Mould Group and the Extrusion Tooling Group. In the Large Mould Group, we undertook a $10 million investment program at our Newmarket Ontario facility which, when completed in early 2017, will position it as one of the fastest and most efficient large mould manufacturers in the world. A grant by the Government of Canada for about $4.6 million of the cost of this capital project has significantly mitigated associated financial risks and is greatly appreciated. This investment program includes state-of-the-art additive manufacturing equipment, which will significantly enhance our ability to design and make superior moulds for our customers. The program will also reduce our costs and lead times while increasing our capacity, positioning us strongly to capitalize on significant expected demand growth for aluminum structural component moulds in the coming decade. In turn, it will help alleviate current margin pressures driven by the transition of work towards newer programs that lack the scale - and margin profile - of the established programs they are replacing.

In the Extrusion Tooling Group, we embarked upon a program of integrating and standardizing the design and manufacturing processes among our five extrusion tooling plants. This initiative has coincided with a management succession transition which, when complete, will solidify this group's position as the most precise and efficient manufacturer of extrusion dies in the Americas, with state-of-the-art operations in Canada, the USA, Colombia and Brazil.

Meanwhile, we continued to execute our strategy of making selective acquisitions that leverage Exco's core strengths. The acquisition of AFX, a leading tier 2 supplier of interior trim components to the North American market, has added key leather-cutting capabilities and new products to our existing suite of complementary businesses. This acquisition has been significantly accretive to earnings despite requiring in excess of $1.5 million in transaction costs during 2016. With the acquisition of AFX, our Automotive Solutions business has now grown to include five attractive businesses that have strong competitive positions, good diversity of product and customers and a demonstrated ability to increase their market share over time. These characteristics were evident in fiscal 2016 by the exceptional performance of the segment, which recorded revenue growth of 31% while holding its EBITDA margin constant at an impressive 13.5%.

Outlook

As we begin fiscal 2017 the broader investment community appears to perceive that the automotive market has peaked, and that light vehicle sales will necessarily decline after several years of strong growth. This has caused the share price multiples of automotive component suppliers, including Exco, to contract despite continued growth in earnings. However, while we are quite aware that the automotive industry is cyclical, we also believe that industry fundamentals remain sound, which may support a continuation of current volume levels for the next several years. Among the factors that give us this conviction are low interest rates, good availability of consumer credit, continued job gains in the US, and the high – and rising - average age of vehicles on the road today.

In any event, we believe that Exco benefits from several factors that should protect its performance through the downturn of the automotive industry should it occur. First, regardless of vehicle production levels, we see demand for large moulds increasing through the next several years due to the need for auto OEMs to comply with stringent regulatory emission requirements and fuel efficiency objectives.

Second, demand for our extrusion operations is mostly driven by non-automotive activity in the broader economy, but yet also benefits from the same automotive light-weighting trend as our Large Mould business. This provides a GDP+ growth profile that is magnified by our ability to outpace market growth as our newer operations in Texas, Brazil, Thailand and Colombia continue to season.

Lastly, Exco's Automotive Solutions does not depend solely on higher vehicle production levels for growth. Over the past 5 years, we have gained significant share in our market, with average content per vehicle increasing over fourfold to about $10. Yet, despite this strong growth, our content per vehicle remains relatively small, which means we continue to possess enormous opportunity for growth, both organically and through acquisitions.

Finally, we have the financial strength and flexibility to make the most of our opportunities. Exco entered into a three-year $100 million credit facility during fiscal 2016 to help fund the acquisition of AFX, of which $69 million was drawn down at the close of the transaction. Six months later, at the end of the fiscal year, the balance had been paid down to $47 million and net debt had been reduced to $45 million. With net debt/ EBITDA of just 0.5x and a healthy liquidity position, Exco possesses significant financial capacity to continue to grow through acquisitions. Furthermore, we continue to generate sizeable free cash flow after funding annual maintenance and growth capital expenditures as well a common dividend that has increased consistently since it was first introduced in 2003.

I would like to close by extending a sincere thank you to all of the talented and dedicated employees who have made Exco's performance possible. With your ongoing support, I am confident we will continue to sustain growth for our customers and investors on the road ahead.

Sincerely,

Brian A. Robbins
President and CEO

CONTENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and related notes for the year ended September 30, 2016. This MD&A has been prepared as of November 30, 2016.

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

In this MD&A, reference is made to EBITDA which is not a measure of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates EBITDA as earnings before other income, interest, taxes, depreciation and amortization. EBITDA is used by management, from time to time, to facilitate period-to-period operating comparisons and we believe some investors and analysts use them as well. This measure, as calculated by Exco, may not be comparable to similarly titled measures used by other companies.

CAUTIONARY STATEMENT

Information in this document relating to projected growth 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 and operating efficiencies are forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements found mainly in the Outlook section but also elsewhere throughout this document. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America, Europe and emerging market countries, investment by OEMs in drivetrain architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, raw material prices, economic conditions, currency fluctuations, trade restrictions, our ability to close or otherwise dispose of unprofitable operations in a timely manner, our ability to integrate acquisitions and the rate at which our operations in Brazil, Texas and Thailand 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, our Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.

While Exco believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CORE BUSINESSES

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

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

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

VISION AND STRATEGY

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

The performance of the North American automotive industry remained solid in fiscal 2016, with most OEMs and tier one suppliers having strong sales and improving credit fundamentals. Production of light vehicles continued to grow modestly from historically high levels, supported by low interest rates, low gas prices, an aging fleet and widespread introduction of new vehicle models. Automobile manufacturers continue to invest in the development and production of more innovative and fuel-efficient powertrains in response to consumer demand, as well as U.S. government-mandated Corporate Average Fuel Economy ("CAFE") standards that require fleet average fuel economy of 54.5 miles per gallon by 2025. In Europe comparable legislation requiring co2 emissions to be reduced from 2013 levels of 127g/km to 95g/km by 2021is also driving innovation and improvement in powertrain design. These developments bode well for our large mould business creating promising new opportunities for growth.

During fiscal 2016, Exco continued to solidify its technological leadership with the production of die-cast moulds for light-weight structural parts that use advanced aluminum alloys such as silafont. To date, Exco has shipped numerous such moulds and has received orders for various additional programs. Exco believes moulds for structural aluminum components will increasingly be a significant driver of growth for the foreseeable future and that this demand will occur regardless of prevailing powertrain developments. This business unit has also landed orders for nine and ten speed transmission cases and numerous four and three cylinder engine block programs which are at the vanguard of OEM efforts to improve vehicle fuel efficiency. Offsetting these positive benefits however is the maturation of certain established programs that have benefited Exco's large mould group over the past several years. Some of these programs were long-running requiring a high number of moulds that have similar or identical configurations. Typically, programs such as these provide a larger base over which to absorb any engineering costs and also provide Exco with the opportunity to become more efficient with each successive mould produced. Recently, automotive OEM's have increased the speed at which they alter powertrain designs in order to achieve their fuel efficiency and emission reduction goals. This provides Exco with less opportunity to leverage the efficiency measures as noted in the forgoing. In response to - and in anticipation of - these trends, Exco is currently concentrating investment in new machinery and equipment to reduce costs, increase efficiency, meet shorter lead times, further enhance the quality of its products and expand capacity.

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

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

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

Our Castool business also continues to grow globally. Solid demand growth for Castool's machine consumable parts prompted us to build a production facility in 2014 in Thailand to more efficiently serve our customers while taking advantage of lower production and shipping costs to Asia and Europe. This facility has been producing since July 2014, and despite relative softness in China, this plant is building a solid operational base for profitable growth.

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

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

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

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

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

Looking ahead, light vehicle production in North America is projected to remain robust in 2017 despite the gradual rate of growth in the global economy. Market fundamentals remain firm with low interest rates and affordable consumer credit in both North America and Europe. There is still significant demand for new automobiles as the average age of cars on the road in the US continues to climb. At the same time, increasingly stringent mileage and co2 emission requirements are expected to keep fuelling the steady pace of new model and global platform introductions in both North America and Europe in the year ahead. These developments will continue to benefit both our Casting and Extrusion and Automotive Solutions segments.

2016 RESULTS

Consolidated Results - Sales

Annual sales totalled $589.0 million compared to $498.3 million last year – an increase of $90.7 million or 18% over last year. Included in the current year results was six months of sales in the amount of $66.9 million from AFX, which was acquired on April 4, 2016. Excluding sales from AFX, annual sales totalled $522.1 million – an increase of $23.8 million or 5% over last year. Over the year, the US dollar averaged 7% higher ($1.32 versus $1.24) against the Canadian dollar contributing $15.2 million in sales to the current year. Similarly, the Euro averaged 5% higher ($1.46 versus $1.41) against the Canadian dollar contributing $5.7 million to sales.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2016 and 2015. 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)	**2016**	2015
Sales	**$589.0**	$498.3
Net income for the year	**$47.6**	$40.8
Earnings per share from net income		
Basic	**$1.12**	$0.96
Diluted	**$1.11**	$0.96
Total assets	**$452.9**	$342.8
Cash dividend paid per share	**$0.27**	$0.23
EBITDA	**$83.4**	$77.0

Segment Sales

- *Automotive Solutions Segment*

Sales in this segment were $396.8 million – an increase of $93.6 million or 31% from the prior year. AFX, which was acquired in April 2016 contributed $66.9 million to sales in the current year. Excluding AFX, segment sales totalled $329.9 million – an increase of $26.8 million or 9% from the prior year. In North America, positive growth was recorded by both Polytech and Neocon helped by modest vehicle unit sales growth as well as new product launches for refreshed, redesigned and entirely new vehicle models. Similarly in Europe, sales of both Polydesign and ALC increased over the prior year driven by higher vehicle volumes and new program launches. The appreciation of the US dollar against the Canadian dollar boosted sales at Polytech and Neocon by $7.6 million compared to the prior year. Also, fluctuations in the Euro against the Canadian dollar as described above increased sales of the segment's European operations by $5.5 million.

- *Casting and Extrusion Segment*

Sales for this segment were $192.2 million – a decrease of $2.9 million or 2% from the prior year. The slight sales decline was driven by lower revenues in the large mould group which was mostly offset by higher sales in the Company's Castool and Extrusion groups. Large mould revenue declines reflect lower sales of moulds and maintenance work on established programs countered by an increase of "first-off" and "one-off" moulds associated with recently launched powertrain and structural part programs. These newer programs typically have a much lower level of efficiency relative to mature programs, resulting in lower throughput, which adversely impacts revenues and margins. Castool sales reflect ongoing market penetration of the group's innovative product offerings together with reasonably good market conditions in North America, South America and Asia. Notably, sales from Castool Thailand which commenced production in the last fiscal quarter of 2014 grew 35% over fiscal 2015. The sales increase in the Extrusion group was supported by relatively stable top line results from the group's flagship operations in Markham and Michigan and the ongoing benefit of its newer operations in Texas, Brazil and Colombia, which recorded collective revenue growth of 31% compared to the prior year. The appreciation of the US dollar against the Canadian dollar contributed $7.5 million to sales in this segment in the current year. The change of the Euro against the Canadian dollar described in 'Consolidated Results – Sales' above had a positive impact of $158 thousand on sales in this segment in the current year.

Cost of Sales

Cost of sales totalled $460.1 million – an increase of $80.6 million or 21% from the prior year. Cost of sales as a percentage of sales increased to 78% from 76% driven by a higher intensity of direct materials, which increased to 54% of sales ($318.4 million) this year compared to 51% of sales ($256.5 million) last year. The inclusion of AFX drove most of this increase with margin deterioration in the large mould business and relative mix shift between the Company's other various businesses explaining most of the difference. Inflationary pressures remain muted for Exco's major input materials – petroleum/natural gas based resin and plastic products in the Automotive Solutions segment and tool grade steel in the Casting and Extrusion segment, where a focus on global sourcing has also helped contain costs. The other components of cost of sales, namely direct labor and overhead, decreased slightly as a percentage of sales to a combined percentage of 24% ($141.7 million) compared to 25% ($123.0 million) last year.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year increased to $45.9 million from $41.6 million last year, an increase of 10%. However, as a percentage of sales, these expenses decreased to 7.8% from 8.4% the prior year. Included in the current year were $2.5 million of selling, general and administrative expenses related to AFX as well as about $1.5 million of transaction costs required to complete the AFX acquisition.

Depreciation and Amortization

Consolidated depreciation in fiscal 2016 totalled $14.8 million compared to $13.5 million last year driven by higher depreciation arising from our increased investment in the Casting and Extrusion Segment in recent years as well as the acquisition of AFX in 2016. The increase in amortization expense was attributable to $43.3 million of the AFX acquisition classified as intangible assets, mostly reflecting the fair value of customer relationships. The carrying value of total intangible assets amounted to $45.6 million as at September 30, 2016. The Company expects the associated annual amortization expense will total approximately $4.0 million in fiscal 2017.

With respect to segmentation, depreciation expense increased to $11.5 million in the Casting and Extrusion segment from $10.0 million last year while depreciation expense in the Automotive Solutions segment reduced to $3.2 million from $3.5 million last year despite the inclusion of AFX. Amortization of intangible assets remained stable at $0.7 million in the Casting and Extrusion segment but increased to $2.5 million from $0.9 million last year within the Automotive Solutions segment driven by the AFX acquisition and continuation of the amortization related to ALC's intangible assets.

Interest

Net interest expense in the current year totalled $1.3 million compared to $0.9 million the prior year. The increase in the interest expense was mainly caused by the higher debt associated with funding the acquisition of AFX in April 2016 as well as the lower average utilization of higher cost debt at ALC's operations.

Income Taxes

Exco's effective income tax rate was 29.7% compared to an effective income tax rate of 33.0% in fiscal 2015. Included in the current year's income tax expense was $0.9 million of withholdings taxes paid on the repatriation of surplus from a subsidiary. Included in last year results was $1.9 million for the write-off of deferred tax assets in South Africa and $0.7 million withholding tax paid on the repatriation of surplus from a subsidiary. Excluding these tax charges, Exco's adjusted effective income tax rate in the current year would have been 28.4% compared to 28.8% in the prior year. The effective income tax rates for both years incorporate higher tax jurisdictions such as the USA and Canada (see note 14 to the 2016 Consolidated Financial Statements) and the impact of losses not being tax-affected in Brazil, South Africa and Lesotho.

Net Income

- *Consolidated*

The Company reported consolidated net income of $47.6 million or basic and diluted earnings of $1.12 and $1.11 per share respectively compared to consolidated net income of $40.8 million or basic and diluted earnings of $0.96 per share – an increase of $6.8 million or 17%. The increase in consolidated net income in fiscal 2016 was assisted by a $3.4 million ($0.08 per share) gain associated with the settlement of a commercial arbitration related to the acquisition of ALC recorded in the third fiscal quarter of 2016. Without this settlement, net income would have been $44.1 million or $1.04 per share. The acquisition of AFX contributed strongly to consolidated net income while lower losses at ALC's South African/ Lesotho operations ($3.5 million in fiscal 2016 compared to $5.2 million in fiscal 2015) also benefited results year over year. Fiscal 2015 net income was adversely impacted by the write-off of $1.9 million of deferred tax assets in South Africa consistent with the plan to cease manufacturing in this location.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded operating earnings of $48.0 million for the year compared to $36.6 million last year – an increase of $11.5 million or 31%. The acquisition of AFX contributed strongly to the segment's results while earnings were higher at each of Polytech, Neocon and Polydesign as these businesses continued to introduce new product launches and benefits from stable costs for metal subcomponents, resin sheet and other plastic raw material inputs. In addition, as indicated above, results at ALC's South Africa/ Lesotho operations improved following the closure of the South African operations at the end of the second quarter of 2016.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion operating earnings decreased to $24.7 million from $32.4 million in the prior year – a difference of $7.7 million or 24%. This decrease was primarily driven by the large mould group which faced a shift in its volume away from higher margin mature contracts towards newer lower margin "first-off" and "one-off" contracts as well as operational disruption caused by the installation of new machinery in the Newmarket facility. To a lesser extent, profitability declined in the Extrusion group owing to higher levels of depreciation in the recently expanded Texas plant, continuing challenging economic conditions in Brazil and operational changes required to harmonize manufacturing processes at the various plants of the Extrusion group, which is having a temporary adverse impact on profitability. Partially offsetting these factors was strong performance from both our Colombian extrusion operations and Castool group as well as a favorable raw material pricing environment – particularly for steel as described in the 'Cost of Sales' section above. The weak Canadian dollar also favorably impacted this segment by increasing the value of US dollar denominated earnings from US operations. This segment's three plants in Canada also benefited from the weaker Canadian dollar by increasing the value of US dollar denominated sales – for greater discussion of foreign exchange see 'Segment Sales – Casting and Extrusion Segment' above.

- *Corporate Segment (Operating Expense)*

Corporate expense in the current year amounted to $7.3 million compared to $7.1 million in the prior year. Corporate expenses in fiscal 2016 included $1.5 million of transaction costs associated with the AFX acquisition and $0.5 million of non-cash stock option expense, which was partially offset by the reversal of accruals in the amount of $0.8 million related to the plant closure in South Africa and foreign exchange translation gains of $0.3 million. Corporate expenses in fiscal 2015 included $1 million of non-cash stock option expense and $0.8 million of accruals related to the plant closure in South Africa offset by foreign exchange translation gains totalling $0.8 million.

EBITDA

EBITDA in the current year amounted to $83.4 compared to $77.0 million in the prior year – an increase of $6.4 million or 8%. EBITDA as a percentage of sales decreased to 14.2% compared to 15.4% last year. This deterioration in EBITDA margin is attributable to the Casting and Extrusion segment where the EBITDA margin declined to 19.2% from 22.1% last year as well as the change in relative contributions between the Company's two segments. The Automotive Solution segment EBITDA margin remained constant at 13.5% while Corporate expenses declined to 1.2% of sales compared to 1.4% 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, 2016:

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

($ thousands except per share amounts)	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Sales	$130,984	$121,930	$125,484	$119,897
Net income	$10,293	$9,956	$10,872	$9,638
Earnings per share				
Basic	$0.24	$0.24	$0.26	$0.23
Diluted	$0.24	$0.23	$0.26	$0.23

Exco typically experiences softer sales and profit in the first quarter, which coincides with our customers' plant shutdowns in North America during the Christmas season. Exco also experiences a slowdown in the fourth quarter as North American customers typically schedule summer plant shutdowns and Exco's European customers typically curtail releases during the month of August to accommodate vacations. However, in the current year, Exco's North American customers tended to work through the summer to meet surging demand. The situation this year in Europe continued to generally follow the typical pattern described above.

Fourth Quarter

In the fourth quarter, consolidated sales were $163.0 million – an increase of $32.0 million or 24% from the prior year. The acquisition of AFX closed April 4, 2016 and added $35.9 million to sales in the quarter. Over the quarter the average USD/CAD exchange rate was 1% lower ($1.31 versus $1.32 last year) reducing sales by $0.6 million. The average EUR/ CAD exchange rate was nominally lower ($1.46 versus $1.47 last year) reducing sales by $0.2 million.

The Automotive Solutions segment experienced a 50% increase in sales from $78.5 million last year to $117.7 million in the fourth quarter of 2016 driven primarily by the acquisition of AFX. Excluding AFX, the Automotive Solutions segment's sales were $81.8 million – an increase of $3.3 million or 4% over the same quarter last year. Contributing to this improvement were higher sales at ALC, Polydesign and Neocon partially offset by modestly lower sales at Polytech. The Casting and Extrusion segment recorded sales of $45.3 million compared to $52.5 million last year – a decrease of 14%, driven mostly by lower sales in the large mould segment and to a lesser extent lower sales in the extrusion group.

The Company's fourth quarter consolidated net income increased to $10.5 million or earnings of $0.25 per share compared to $10.3 million or earnings of $0.24 per share in the same quarter last year – an EPS increase of 4%. In the fourth quarter of fiscal 2016 consolidated net income was reduced by withholding taxes of $0.9 million ($0.02 per share) as described in 'Income Taxes' above and an additional $0.3 million of amortization related to an adjustment of AFX's intangible assets. Last years consolidated net income was negatively impacted by the write-off of $1.9 million ($0.05 per share) in deferred tax assets.

Fourth quarter pretax earnings in the Automotive Solutions segment totalled $14.4 million, an increase of $4.3 million or 43% over the same quarter last year. This improvement was driven primarily by the acquisition of AFX and stronger performance at ALC's South African/Lesotho operations where earnings improved to a modest income position aided by a $0.6 million asset disposal gain compared to operating losses of $2.0 million last year. ALC's Bulgarian operations however experienced weaker performance in the current quarter compared to the prior year. Included in the segment results was a combined increase in depreciation and amortization expenses of $2.2 million compared to $1.0 million last year, with the increase attributable to the amortization of AFX's intangible assets.

Fourth quarter pretax earnings fell in the Casting and Extrusion segment by $5.7 million or 59% over the same quarter last year. The earnings decrease was due to lower sales and reduced absorption of fixed costs in the large mould business, operational disruption caused by the installation of new equipment in the Newmarket facility, margin compression in the extrusion business due to front end investments associated with harmonizing the production processes of the various facilities, partially offset by stronger results in the Castool group. Casting and Extrusion depreciation and amortization expenses totalled $3.3 million in the fourth quarter of 2016 compared to $3.1 million last year.

The Corporate segment in the fourth quarter recorded expenses of $1.6 million compared to $1.8 million last year. As a result of the forgoing, EBITDA in the quarter increased to $22.2 million (13.6% of sales) compared to $21.9 million (16.7% of sales) last year.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Operating cash flow before net changes in non-cash working capital increased by $9.6 million, or 16% to $69.5 million from $59.9 million in fiscal 2015. This increase is primarily the result of a 17% increase in Net Income and 18% increase in depreciation and amortization as explained in the ‘Net Income’ and ‘Depreciation and Amortization’ sections above. Other factors included a $0.5 million increase in deferred income taxes and $0.5 million reduction in stock based compensation, which is a non-cash expense linked to the valuation of outstanding stock options and deferred stock units.

Net change in non-cash working capital was $4.1 million cash used compared to $17.8 million cash used last year. The improvement year over year primarily reflects the faster collection of accounts receivables and more efficient use of working capital generally. Nonetheless, a modest amount of cash was used consistent with the organic growth in sales during the year. Consequently, cash provided by operating activities rose 56% to $65.5 million compared to $42.1 million last year.

Cash Flows from Financing Activities

Cash provided by financing activities amounted to $32.3 million compared to a use of $22.7 million in fiscal 2015. The variance year over year is mainly attributable to the use of debt to partially fund the acquisition of AFX in fiscal 2016 compared to a reduction in bank indebtedness in fiscal 2015. The Company also paid higher dividends of $11.5 million in 2016 compared to $9.7 million last year. The issuance of share capital remained constant year over year at $0.9 million.

In addition to the obligations disclosed on its consolidated statements of financial position, Exco also enters into operating lease arrangements from time to time. Exco owns 13 of its 18 manufacturing facilities and most of its production equipment. Leased facilities consist of ALC’s operations in Lesotho and Bulgaria and AFX’s operations in Mexico. The Company also leases a sales and support center in Troy, Michigan and Munich Germany and a warehouse in Brownsville, Texas. The following table summarizes the Company’s significant short-term and long-term commitments on an undiscounted basis:

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

∗ 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 $104.9 million compared to $20.0 million last year. Included this year was $82.0 million cash paid for the acquisition of AFX compared to no such expenditures in 2015. This accounts for the major part of the investing activities reduction. Capital spending in the current year was $23.9 million compared to $20.6 million last year. Capital spending in the current year included $5.5 million for new equipment related to our machinery upgrade project in the large mould facility in Newmarket Ontario, net of Government grants of $2.9 million. Prior year expenditures included $0.9 million to complete the Castool Thailand greenfield facility, $1.1 million to complete the Extrusion Brazil greenfield facility and $6.3 million for the construction of a new production facility for Extrusion Texas. The balance of the capital spending is mostly related to machinery and equipment needed to maintain or upgrade our production capacity.

In fiscal 2017, Exco plans to invest approximately $22.0 million in capital expenditures of which $0.5 million is for major equipment upgrade in the large mould business (net of remaining expected Government grants) and approximately $6 million is for building capacity additions in the Automotive Solutions segment. The remainder of the spending will be on machinery and equipment to maintain or upgrade capacity at Exco's existing plants in both segments.

We expect that in fiscal 2017 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, our cash deposits and our credit lines will be more than sufficient to meet our operating and capital requirements.

Financial Position and Cash Balance

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

Exco's net debt totalled $44.6 million as at September 30, 2016 after spending $82.0 million to acquire AFX and $23.9 million on capital expenditures during the year. This compared to a net cash position of $24.5 million as at September 30, 215.

In addition to its cash balances of $27.5 million, Exco retains access to $52.6 million of its $100.0 million committed credit facility, which matures February 2019. Pursuant to the terms of the credit facility, Exco is required to maintain compliance with certain financial covenants. The Company was in compliance with these covenants as at September 30, 2016.

Outstanding Share Capital

As at September 30, 2016, the Company had 42,568,175 common shares outstanding. In addition, as at September 30, 2016, the Company had outstanding stock options for the purchase of up to 626,657 common shares.

CRITICAL ACCOUNTING POLICIES

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

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

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

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

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

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

Refer to Note 2 to the consolidated financial statements for information pertaining to the accounting changes and issued accounting pronouncements effective in 2016 and future years.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

RISKS AND UNCERTAINTIES

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

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

Exco sells to its automotive customers pursuant to purchase orders which typically sets out price per unit but not volumes or fixed terms. These purchase orders may be terminated at any time with limited recourse for compensation or damages and pricing is typically adjusted downward from time to time in the form of 'cost downs'. Termination of purchase orders and 'cost downs' may impact Exco's margin and overall earnings if not contemporaneously offset by new business at better margin or cost reductions. Furthermore, in any given year, any number of programs will be expiring. While Exco is constantly quoting on replacement programs or new programs, there is no assurance that these will be awarded or that if awarded, the pricing and margin will be comparable to those of programs ending.

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

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 not naturally hedged, Exco does not enter into forward contracts but prefers to incur U.S. dollar or Euro debt, from time to time as appropriate. Despite these measures, Exco is structurally a net seller of U.S. dollars and, to a lesser extent Euro, with foreign exchange losses increasing as the U.S. dollar and Euro decline in value against the Canadian dollar. While Exco has made considerable progress in reducing its reliance on U.S. dollar sales, markets which Exco currently services may experience rising competition from imports which have become more competitive as a result of foreign exchange movements.

Exco's U.S. operations earn profits in U.S. dollars. A stronger Canadian dollar results in lower Canadian dollar profit on translation. This does not, however, affect the competitiveness of our US operations within the U.S. market or other U.S. dollar-denominated markets. For fiscal 2017, it is estimated that Exco's U.S. operations will be exposed to foreign exchange risk on the translation of pre-tax profit of about US$32.4 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2017, it is estimated that pre-tax profit would change by about $337 thousand or about $236 thousand after tax. These estimates are based on historical norms and may be materially different in 2017 if customers deviate from their past practices.

During fiscal 2016 on average, the Canadian dollar depreciated by about 7% relative to the US dollar compared to fiscal 2015. Although this was favorable to Exco in 2016 there can be no assurance that in future years the exchange rate will not reverse and be unfavorable to Exco. To mitigate this risk we are focused on a number of initiatives. Wherever possible, throughout its Canadian operations, the Company is attempting to sell in Canadian dollars and source inputs and equipment in U.S. dollars, thereby improving its natural hedge. It is very difficult to dislodge the dominance of U.S. dollars as the commercial currency of choice. In addition, pricing in Canadian dollars may make the Company's products uncompetitive and result in lost business. For further discussion of exchange rate impacts see Note 9 to the Consolidated Financial Statements.

For fiscal 2017, we estimate our Canadian operations will be exposed to fluctuation in the value of the Canadian dollar relative to the U.S. dollar on about US$68.2 million of sales less purchases. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2017, we estimate pre-tax profit would change by $710 thousand or about $533 thousand after tax. These estimates are based on historical norms and may be materially different in fiscal 2017 if customers deviate from their past practices.

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

In some cases, OEMs can decide to design the Company's products out of the automobile ("de-contented") or reduce the trim level on which the Company's products are installed for either aesthetic, cost or product redesign reasons. While Exco believes its focus on evolving from component supplier to a designer and integrator of small assemblies and sub-assemblies used in automotive and trunk interiors reduces the risk of de-contenting and trimming down decisions, some of Automotive Solutions products are not critical components and may still be de-contented.

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

Exco has manufacturing facilities in Mexico, Colombia, Brazil, Thailand and Bulgaria and Morocco. 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. Exco may enter into forward contracts or 'collar' contracts from time to time in order to protect itself from currency fluctuations. These contracts are derivative instruments which, depending on their structure, may not qualify for hedge accounting treatment and accordingly may be 'marked to market' each quarter and expensed if necessary. It is difficult to anticipate fluctuations in these local currencies in the event of major economic, fiscal or political instability in these countries.

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

With the acquisition of Extrusion Colombia, Automotive Leather Company, AFX Industries, the greenfields in Brazil and Thailand and the operation of numerous subsidiaries in US, Europe, Mexico and Morocco, Exco is increasingly conducting business in diverse countries and in diverse functional currencies. Given the size and persistence of global trade imbalances, sovereign debt concerns and political instability, various currencies in which Exco and its subsidiaries carry on business may experience high volatility from time to time. This may materially impact Exco's earnings, retained earnings and the value of its investment in these countries.

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Exco Technologies Limited

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Exco Technologies Limited, which comprise the consolidated statements of financial position as at September 30, 2016 and 2015, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Exco Technologies Limited as at September 30, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 30, 2016

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

	As at September 30, 2016	As at September 30, 2015
ASSETS		
Current		
Cash and cash equivalents	**$27,509**	$34,996
Accounts receivable (note 9)	**107,900**	98,823
Unbilled revenue (note 8)	**19,214**	17,293
Inventories (note 10)	**67,192**	55,401
Prepaid expenses and deposits	**3,352**	2,397
Income taxes recoverable	**1,601**	-
Total current assets	**226,768**	208,910
Property, plant and equipment, net (notes 5 and 17)	**114,695**	104,251
Intangible assets, net (notes 6 and 17)	**45,586**	3,769
Goodwill (notes 6 and 17)	**64,071**	23,852
Deferred tax assets (note 14)	**1,821**	2,034
Total assets	**$452,941**	$342,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (notes 4 and 9)	**$13,469**	$9,973
Trade accounts payable (note 9)	**64,948**	46,421
Accrued payroll liabilities	**13,275**	9,083
Other accrued liabilities	**8,690**	12,484
Derivative instruments (note 9)	**4,158**	2,486
Provisions (note 7)	**1,382**	1,810
Income taxes payable	**-**	6,559
Customer advance payments	**1,654**	3,013
Long-term debt - current portion (notes 4, 9 and 17)	**4,173**	119
Total current liabilities	**111,749**	91,948
Long-term debt - long-term portion (notes 4, 9 and 17)	**54,514**	409
Deferred tax liabilities (note 14)	**7,273**	5,538
Total liabilities	**173,536**	97,895
Shareholders' equity		
Share capital (note 3)	**51,366**	50,060
Contributed surplus (note 3)	**3,566**	3,283
Accumulated other comprehensive income (note 3)	**11,190**	14,369
Retained earnings	**213,283**	177,209
Total shareholders' equity	**279,405**	244,921
Total liabilities and shareholders' equity	**$452,941**	$342,816

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

On behalf of the Board:

Brian A. Robbins	Laurie T.F. Bennett
Director,	Director,
President and	Chairman of
Chief Executive Officer	the Board

EXCO TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Years ended September 30	
	2016	2015
Sales (notes 8 and 12(A))	**$588,989**	$498,295
Cost of sales	**460,119**	379,500
Selling, general and administrative expenses (notes 3 and 12(B))	**45,864**	41,638
Depreciation (note 5)	**14,787**	13,523
Amortization (note 6)	**3,150**	1,621
Loss (gain) on disposal of property, plant and equipment (note 5)	**(389)**	199
Interest expense, net (note 18)	**1,289**	939
Other income (note 19)	**(3,440)**	-
	521,380	437,420
Income before income taxes	**67,609**	60,875
Provision for income taxes (note 14)		
Current	**17,420**	18,266
Deferred	**2,632**	1,850
	20,052	20,116
Net income for the year	**$47,557**	$40,759
Other comprehensive income (loss)		
Items that may be reclassified to net income in subsequent periods:		
Net unrealized loss on derivatives designated as cash flow hedges (notes 3 and 9)	**(1,173)**	(1,357)
Unrealized gain (loss) from foreign currency translation (note 3)	**(2,006)**	11,089
	(3,179)	9,732
Comprehensive income	**$44,378**	$50,491
Income per common share		
Basic	**$1.12**	$0.96
Diluted	**$1.11**	$0.96
Weighted average number of common shares outstanding (note 13)		
Basic	**42,497**	42,285
Diluted	**42,693**	42,615

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 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, October 1, 2014	$48,788	$3,138	$146,183	($487)	$5,124	$4,637	$202,746
Net income for the year	-	-	40,759	-	-	-	40,759
Dividends paid (note 3)	-	-	(9,733)	-	-	-	(9,733)
Stock option grants (note 3)	-	521	-	-	-	-	521
Issuance of share capital (note 3)	1,272	(376)	-	-	-	-	896
Other comprehensive (loss) income (note 3)	-	-	-	(1,357)	11,089	9,732	9,732
Balance, September 30, 2015	50,060	3,283	177,209	(1,844)	16,213	14,369	244,921
Net income for the year	-	-	47,557	-	-	-	47,557
Dividends paid (note 3)	-	-	(11,483)	-	-	-	(11,483)
Stock option grants (note 3)	-	682	-	-	-	-	682
Issuance of share capital (note 3)	1,306	(399)	-	-	-	-	907
Other comprehensive loss (note 3)	-	-	-	(1,173)	(2,006)	(3,179)	(3,179)
Balance, September 30, 2016	**$51,366**	**$3,566**	**$213,283**	**($3,017)**	**$14,207**	**$11,190**	**$279,405**

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	
	2016	2015
OPERATING ACTIVITIES:		
Net income for the year	**$47,557**	$40,759
Add (deduct) items not involving a current outlay of cash		
Depreciation (note 5)	**14,787**	13,523
Amortization (note 6)	**3,150**	1,621
Stock-based compensation expense (note 3)	**504**	1,023
Deferred income taxes (note 14)	**2,632**	1,850
Net interest expense	**1,289**	939
Loss (gain) on disposal of property, plant and equipment	**(389)**	199
	69,530	59,914
Net change in non-cash working capital (note 15)	**(4,060)**	(17,847)
Cash provided by operating activities	**65,470**	42,067
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	**113**	(11,310)
Financing from long-term debt (note 4)	**69,000**	107
Repayment of long-term debt (note 4)	**(24,941)**	(1,698)
Interest paid, net	**(1,289)**	(939)
Dividends paid (note 3)	**(11,483)**	(9,733)
Issuance of share capital (note 3)	**907**	896
Cash provided by (used in) financing activities	**32,307**	(22,677)
INVESTING ACTIVITIES:		
Business acquisition, net of cash acquired (note 17)	**(82,024)**	**-**
Purchase of property, plant and equipment (note 5)	**(22,654)**	(19,989)
Purchase of intangible assets (note 6)	**(1,292)**	(605)
Proceeds on disposal of property, plant and equipment	**1,066**	587
Cash used in investing activities	**(104,904)**	(20,007)
Effect of exchange rate changes on cash	**(360)**	4,378
Net increase (decrease) in cash during the year	**(7,487)**	3,761
Cash and cash equivalents, beginning of year	**34,996**	31,235
Cash and cash equivalents, end of year	**$27,509**	$34,996

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

1. CORPORATE INFORMATION

Exco Technologies Limited (the "Company") is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 16 strategic locations in 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").

The consolidated financial statements and accompanying notes as at and for the year ended September 30, 2016 were authorized for issue by the Board of Directors on November 30, 2016.

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 entities 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 parent company's functional currency.

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

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

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

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

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

Segment reporting

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

Interest in joint arrangement

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations,* are recognized at their net 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. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the groups of cash-generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Identifiable intangible assets are recognized separately from goodwill.

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

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

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

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

(ii) Impairment of goodwill

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

Inventories

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

Determination of fair value

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

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

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

Government grants

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employee future benefits

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

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

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

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

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

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

Several divisions engage in the construction of custom-order large die-cast moulds. Such activities fall into the scope of IAS 11, *Construction Contracts,* where revenue is recognized using the percentage of completion method.

Under this method, at every reporting date, management is required to estimate the expected outcome on all outstanding contracts as well as measurement of their progress achieved towards their completion. The estimation requires management to make certain assumptions and judgments. These assumptions and judgments are continuously reviewed and updated. If different assumptions are used, it is possible that different amounts would be recognized in the consolidated financial statements.

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

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

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

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

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

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

Accounting standards issued but not yet applied

The following standards are not yet effective for the year ended September 30, 2016. The Company is in the process of reviewing the standards to determine the impact on its consolidated financial statements.

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

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity’s own credit risk for liabilities selected to be measured at fair value. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which will be October 1, 2018 for the Company. Earlier application is permitted.

$(000)'s except per share amounts

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")
In May 2014, the IASB issued IFRS 15, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. On July 22, 2015, the IASB confirmed a one-year deferral of the effective date of the revenue standard to January 1, 2018, which will be October 1, 2018 for the Company. Earlier application is permitted. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Lessees will have a single accounting model for all leases, with certain exemptions and lessor accounting is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, which will be October 1, 2019 for the Company. Earlier application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of reviewing the standard to determine the impact on its consolidated financial statements.

3. SHARE CAPITAL

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

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

	Common Shares	
	Number of Shares	Stated Value
Issued and outstanding as at October 1, 2014	42,145,749	$48,788
Issued for cash under Stock Option Plan	221,158	896
Contributed surplus on stock options exercised	-	376
Issued and outstanding as at September 30, 2015	42,366,907	50,060
Issued for cash under Stock Option Plan	201,268	907
Contributed surplus on stock options exercised	-	399
Issued and outstanding as at September 30, 2016	**42,568,175**	**$51,366**

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

$(000)'s except per share amounts

	2016	2015
Opening balance, October 1	**$14,369**	$4,637
Net unrealized loss on derivatives designated as cash flow hedges (1)	**(1,173)**	(1,357)
Unrealized gain (loss) on currency translation adjustments	**(2,006)**	11,089
Total other comprehensive income for the year	**(3,179)**	9,732
Closing balance, September 30	**$11,190**	$14,369

(1) Net of income tax recovery of $409 (2015 - recovery of $471).

Cash dividends
During the year, the Company paid four quarterly cash dividends totaling $11,483 (2015 - $9,733). The dividend rate per quarter increased in the second quarter of the year from $0.06 to $0.07 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:

	2016		2015	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**879,275**	**$8.92**	738,812	$5.10
Granted during the year	**25,000**	**$14.44**	365,000	$13.68
Exercised during the year	**(201,268)**	**$4.50**	(221,158)	$4.06
Expired during the year	**(76,350)**	**$7.72**	(3,379)	$7.15
Balance, end of year	**626,657**	**$10.70**	879,275	$8.92

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2016:

	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**
$1.52 - $5.00	55,625	0.96 years	$3.32	41,625	$3.24
$5.01 - $10.00	211,382	2.83 years	$7.35	55,001	$7.41
$10.01 - $14.58	359,650	4.25 years	$13.81	64,850	$13.85
$1.52 - $14.58	**626,657**	**3.48 years**	**$10.70**	**161,476**	**$8.92**

The number of common shares available for future issuance of options as at September 30, 2016 is 1,671,688 (2015 - 1,620,338). The number of options outstanding together with those available for future issuance totals 2,298,345 (2015 - 2,499,613) or 5.4% (2015 - 5.9%) 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 $682 for the year ended September 30, 2016 (2015 - $521). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used to measure the

$(000)'s except per share amounts

fair value of stock options and the weighted average fair value of options granted during the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Risk free interest rates	**0.88%**	1.00%
Expected dividend yield	**1.63%**	1.67%
Expected volatility	**33.37%**	36.03%
Expected time until exercise	**5.50 years**	5.50 years
Weighted average fair value of the options granted	**$3.83**	$3.86

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, 2016, the Company granted 6,510 DSUs (2015 - 6,624 DSUs) and redeemed no DSUs. During the year ended September 30, 2016 the Company recorded stock-based compensation income of $178 (2015 - $502 expense) related to awards under the DSU plan with a corresponding credit to other accrued liabilities. As at September 30, 2016, 108,393 DSUs were outstanding with a carrying value of $1,305 recorded in other accrued liabilities.

Contributed surplus

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

	2016	2015
Balance, beginning of year	**$3,283**	$3,138
Stock option expense	**682**	521
Exercise of stock options	**(399)**	(376)
Balance, end of year	**$3,566**	$3,283

4. BANK INDEBTEDNESS AND LONG-TERM DEBT

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

	Facilities	**Utilizations**	**Unused and Available**
JP Morgan, credit facility (Canada, U.S.A.)	$100,000	$47,363	$52,637
JP Morgan London, operating line (Europe)	2,211	733	1,478
Nedbank operating lines (South Africa)	5,255	3,247	2,008
DSK Bank operating lines (Bulgaria)	8,122	8,122	-
	$115,588	**$59,465**	**$56,123**

$(000)'s except per share amounts

	2016	2015
Prime rate in Canada	**2.70%**	2.70%
Prime rate in U.S.A.	**3.50%**	3.25%
Prime rate in Eurozone	**0.00%**	0.05%
Prime rate in South Africa	**10.50%**	9.50%

In addition to the above credit facilities, the Company also has a long-term debt facility of $582, of which $18 is currently utilized, for its capital investment in South Africa at a variable rate of South African prime minus 0.5%. This facility is collateralized by the underlining financed assets.

Further, in the U.S.A., the Company also has a long-term promissory note payable over five years and collateralized by a parcel of land purchased as a factory location. The note bears interest of 6%. The interest and principal are forgivable over a five year period, subject to the Company meeting certain performance criteria for the specific factory location. As at September 30, 2016 there are no unfulfilled conditions or contingencies attached to this loan.

On February 18, 2016, the Company closed an agreement for a new CAD $100,000 Committed Revolving Credit Facility with JP Morgan Chase Bank N.A., of which CAD $47,363 was used as at September 30, 2016. The utilization is comprised of long-term debt in the amount of $46,000 and $1,363 of bank indebtedness. The facility has a three year term and is secured by a general security agreement covering all assets of the Company and its Canadian and US subsidiaries with the exception of real property.

The Credit Facility is available to fund working capital, capital expenditures and other general corporate purposes of the Company and its subsidiaries, including acquisitions. Interest rates vary based on prime, bankers' acceptance, CDOR or LIBOR base rates plus a relevant margin depending on the level of the Company's net leverage ratio. Pursuant to the terms of the credit agreement, the Company is required to maintain compliance with a net worth covenant. The Company was in compliance with these covenants as at September 30, 2016.

Additionally, the Company maintains a credit facility with JP Morgan Chase Bank N.A. London Branch related to any needs for Euro currency. The facility totals CAD $2,211 (EUR 1.5 million) and bears interest based on LIBOR. The Company had utilized CAD $733 as at September 30, 2016.

On April 4, 2016, the Company entered into promissory Term Notes amounting to US$9,307 in conjunction with the acquisition of AFX Industries (see note 17). The Term Notes bear interest at a rate equal to the mid-term Applicable Federal Rate in the United States, compounded annually. The principal and interest is payable in three annual payments on the anniversary date of the AFX acquisition.

The components of long-term debt are as follows:

	September 30, 2016	September 30, 2015
Bank debt	**$46,000**	$-
Term notes	**12,210**	-
Finance leases	**18**	67
Promissory note	**459**	461
Less: current portion	**(4,173)**	(119)
Long-term debt, long-term portion	**$54,514**	$409

	2016
Long-term debt	$58,687
Less: current portion	4,173
Long-term debt, long-term portion	**$54,514**

$(000)'s except per share amounts

5. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Cost						
Balance as at September 30, 2014	$164,932	$18,364	$57,318	$8,976	$5,965	$255,555
Additions						
Assets acquired	2,496	1,474	708	467	14,844	19,989
Reclassification	11,668	1,000	362	-	(13,030)	-
Less: disposals	(4,879)	(878)	(12)	-	(323)	(6,092)
Foreign exchange movement	6,118	1,319	2,111	121	(117)	9,552
Balance as at September 30, 2015	180,335	21,279	60,487	9,564	7,339	279,004
Additions						
Assets acquired	3,325	664	567	-	18,098	22,654
Assets acquired from business acquisition (note 17)	2,738	101	67	-	-	2,906
Reclassification	13,649	755	6,845	78	(21,327)	-
Less: disposals	(13,311)	(1,634)	(176)	-	-	(15,121)
Foreign exchange movement	(472)	(162)	(50)	29	(72)	(727)
Balance as at September 30, 2016	**$186,264**	**$21,003**	**$67,740**	**$9,671**	**$4,038**	**$288,716**

	Machinery and Equipment	Tools	Buildings	Land	Assets under Construction	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2014	$120,677	$13,483	$24,731	$-	$-	$158,891
Depreciation for the year	9,510	1,754	2,259	-	-	13,523
Less: disposals	(4,624)	(679)	(2)	-	-	(5,305)
Foreign exchange movement	4,966	1,174	1,504	-	-	7,644
Balance as at September 30, 2015	130,529	15,732	28,492	-	-	174,753
Depreciation for the year	10,477	1,799	2,511	-	-	14,787
Less: disposals	(12,749)	(1,521)	(175)	-	-	(14,445)
Foreign exchange movement	(738)	(134)	(202)	-	-	(1,074)
Balance as at September 30, 2016	**$127,519**	**$15,876**	**$30,626**	**$-**	**$-**	**$174,021**
Carrying amounts						
As at September 30, 2015	$49,806	$5,547	$31,995	$9,564	$7,339	$104,251
As at September 30, 2016	**$58,745**	**$5,127**	**$37,114**	**$9,671**	**$4,038**	**$114,695**

$(000)'s except per share amounts

As at September 30, 2016, the Company had deposits for machinery and equipment and buildings under construction totalling $4,038 (2015 - $7,339). These assets are not being depreciated because they are under construction and not in use.

As at September 30, 2016, the Company had recorded government grants totaling $2,948 as a contribution to reduce the cost of certain machinery and equipment specified by the grant.

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, 2014	$23,384	$3,500	$-	$26,884	$23,892
Additions					
Assets acquired	605	-	-	605	-
Less: disposals	(40)	-	-	(40)	-
Foreign exchange movement	263	-	-	263	(40)
Balance as at September 30, 2015	24,212	3,500	-	27,712	23,852
Additions					
Assets acquired	658	-	634	1,292	-
Assets acquired from business acquisition (note 17)	356	42,898	-	43,254	39,811
Reclassifications	252	-	(252)	-	-
Less: disposals	(5,618)	-	-	(5,618)	-
Foreign exchange movement	(27)	430	-	403	408
Balance as at September 30, 2016	**$19,833**	**$46,828**	**$382**	**$67,043**	**$64,071**

	Computer Software and Other	Acquisition Intangibles**	Assets under Construction (Software)	Total Intangible Assets	Goodwill
Accumulated amortization and impairment losses					
Balance as at September 30, 2014	$21,699	$408	$-	$22,107	$-
Amortization for the year	915	706	-	1,621	-
Less: disposals	(40)	-	-	(40)	-
Foreign exchange movement	255	-	-	255	-
Balance as at September 30, 2015	22,829	1,114	-	23,943	-
Amortization for the year	863	2,287	-	3,150	-
Less: disposals	(5,618)	-	-	(5,618)	-
Foreign exchange movement	(30)	12	-	(18)	-
Balance as at September 30, 2016	**$18,044**	**$3,413**	**$-**	**$21,457**	**$-**
Carrying amounts					
As at September 30, 2015	$1,383	$2,386	$-	$3,769	$23,852
As at September 30, 2016	**$1,789**	**$43,415**	**$382**	**$45,586**	**$64,071**

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

$(000)'s except per share amounts

Of the total goodwill disclosed above, $63,779 is allocated to the Automotive Solutions segment and the remainder to the Casting and Extrusion segment.

Of the customer relationships, $3,500 is amortized over 5 years and $38,891 is amortized over 15 years.

Impairment testing of goodwill
The Company performed the annual impairment test of goodwill allocated to the Automotive Solutions segment as at September 30, 2016. The recoverable amount of the segment has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 1% growth rate, which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to future cash flows was 6.6%. As a result of the analysis, management determined there was no impairment for this CGU.

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

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

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

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

7. PROVISIONS

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

	September 30, 2016	September 30, 2015
Severance	**$1,205**	$1,753
Warranties	**153**	33
Claims and litigation	**24**	24
	$1,382	$1,810

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

$(000)'s except per share amounts

The movement in the provision accounts is as follows:

	Severance	Warranties	Claims and Litigation	Total
Closing balance, as at September 30, 2014	$1,681	$28	$24	$1,733
Additions	934	-	-	934
Utilized	(862)	-	-	(862)
Reversals	(36)	-	(5)	(41)
Foreign exchange differences	36	5	5	46
Closing balance, as at September 30, 2015	$1,753	$33	$24	$1,810
Additions	1,003	120	-	1,123
Acquired through business acquisition	557	-	-	557
Utilized	(1,682)	-	-	(1,682)
Reversals	(293)	-	-	(293)
Foreign exchange differences	(133)	-	-	(133)
Closing balance, as at September 30, 2016	**$1,205**	**$153**	**$24**	**$1,382**

8. TOOL CONSTRUCTION CONTRACTS

Contract revenue recognized under the percentage of completion method during the year amounted to $52,126 (2015 - $65,259). For contracts in progress, the following table summarizes the aggregate amount of costs incurred, profits recognized, progress billings from customers for the related contracts and retentions being held to date.

	September 30, 2016	September 30, 2015
Contracts in progress:		
Aggregate amount of costs incurred to date	**$17,393**	$13,984
Add: profits recognized to date	**5,409**	7,021
Gross: unbilled revenue	**22,802**	21,005
Less: progress billings	**(3,588)**	(3,712)
Net unbilled revenue	**$19,214**	$17,293
Due from customers	**$19,773**	$18,508
Due to customers	**($559)**	($1,215)

9. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

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

**Recorded net of allowance for doubtful accounts.*

$(000)'s except per share amounts

Foreign exchange contracts

The Company entered into a series of Collars extending through to September 6, 2018 and designated them as cash flow hedges against Mexican payroll and other local Mexican costs. The total amount of these Collars is 384.0 million Mexican pesos (September 30, 2015 - 252.0 million Mexican pesos). The selling price ranges from 13.90 to 18.33 Mexican pesos to each US dollar. Management estimates that a cumulative loss of $4,158 (September 30, 2015 - loss of $2,486) would be realized if these Collars were terminated on September 30, 2016. Net of income tax recovery of $1,141, the cumulative loss of $3,017 is recorded in other comprehensive income. During the year, the estimated fair value loss of $1,173, net of income tax recovery of $409 (2015 - loss of $1,357 net of income tax recovery of $471) has been included in other comprehensive income and the cumulative loss of $4,158 is recorded in the consolidated statements of financial position under the caption derivative instruments.

Financial risk management

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

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company's primary credit risk is its outstanding trade accounts receivable. The carrying amount of its outstanding trade accounts receivable represents the Company's estimate of its maximum credit exposure. The Company regularly monitors its credit risk exposure and takes steps such as credit approval procedures, establishing credit limits, utilizing credit assessments and monitoring practices to mitigate the likelihood of these exposures from resulting in an actual loss. The carrying amount of the trade accounts receivable disclosed in the consolidated statements of financial position is net of allowance for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers as well as the general economic environment. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income and comprehensive income. As at September 30, 2016, the accounts receivable balance (net of allowance for doubtful accounts) is $107,900 (2015 - $98,823) and the Company's five largest trade debtors accounted for 34.6% of the total accounts receivable balance (2015 - 50.1%). As at September 30, 2016, accounts receivable of $637 (2015 - $976) are insured against default.

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

	September 30, 2016	September 30, 2015
Trade accounts receivable	**$100,471**	$94,421
Employee receivable	**203**	183
Sales tax receivable	**3,595**	4,081
Other	**4,197**	710
Less: allowance for doubtful accounts	**(566)**	(572)
Total accounts receivable, net	**$107,900**	$98,823

$(000)'s except per share amounts

The aging of trade accounts receivable balances is as follows:

	September 30, 2016	September 30, 2015
Not past due	**$87,537**	$81,425
Past due 1-30 days	**10,116**	9,924
Past due 31-60 days	**884**	1,343
Past due 61-90 days	**850**	574
Past due over 90 days	**1,084**	1,155
Less: allowance for doubtful accounts	**(566)**	(572)
Total trade accounts receivable, net	**$99,905**	$93,849

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

	September 30, 2016	September 30, 2015
Opening balance	**$572**	$445
Additions	**274**	214
Utilized	**(121)**	(49)
Reversal	**(153)**	(66)
Exchange differences	**(6)**	28
Closing balance	**$566**	$572

b) Liquidity risk
Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously monitoring cash flows from its operating, investing and financing activities. The Company does not carry excess credit facilities due to the stand-by costs charged by its lenders. As at September 30, 2016, the Company has a net debt balance of $44,647 (2015 - $24,495 net cash) and unused credit facilities of $56,123 (2015 - $23,921).

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

$(000)'s except per share amounts

	September 30, 2015			
	Total	< 1 year	1-3 years	over 3 years
Bank indebtedness	$9,973	$9,973	$-	$-
Trade accounts payable	46,421	46,421	-	-
Long-term debt	528	119	409	-
Operating leases	3,326	1,982	1,339	5
Capital expenditures	6,106	6,106	-	-
	$66,354	$64,601	$1,748	$5

c) Foreign exchange risk

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

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

	1 % Fluctuation USD vs. CAD	1 % Fluctuation EUR vs. CAD	1 % Fluctuation MXP vs. CAD
Income before income taxes	+/- 1,248	+/- 48	+/- 1
Other comprehensive income	+/- 1,018	+/- 324	+/- 39

	1 % Fluctuation COP vs. CAD	1 % Fluctuation BRL vs. CAD	1 % Fluctuation ZAR vs. CAD
Income before income taxes	+/- 9	+/- 18	+/- 1
Other comprehensive income	+/- 72	+/- 331	+/- 64

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 earnings or loss is sensitive to the impact of a change in interest rates on the average balance of interest bearing financial liabilities during the year. As at September 30, 2016, the Company has a net debt position of $44,647 (2015 - $24,495 net cash).

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 short-term deposits, trade accounts receivable, trade accounts payable and customer advance payments is assumed to approximate their carrying value.

$(000)'s except per share amounts

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

During the year ended September 30, 2016 there were no transfers between Level 1 and Level 2 fair value measurements.

The fair value of bank indebtedness and long term debt were determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on the Company's credit risk. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

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

	September 30, 2016		September 30, 2015	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash	**$27,509**	**$27,509**	$34,996	$34,996
Total accounts receivable	**107,900**	**107,900**	98,823	98,823
Prepaid expenses and deposits	**3,352**	**3,352**	2,397	2,397
Trade accounts payable	**(64,948)**	**(64,948)**	(46,421)	(46,421)
Bank indebtedness	**(13,469)**	**(13,469)**	(9,973)	(9,973)
Customer advance payments	**(1,654)**	**(1,654)**	(3,013)	(3,013)
Accrued liabilities	**(21,965)**	**(21,965)**	(21,567)	(21,567)
Derivative instruments	**(4,158)**	**(4,158)**	(2,486)	(2,486)
Long-term debt	**($58,687)**	**($58,687)**	($528)	($528)

10. INVENTORIES

	September 30, 2016	September 30, 2015
Raw materials	**$43,525**	$31,479
Work in process	**9,309**	10,295
Finished goods	**14,401**	14,219
Production supplies	**3,273**	1,832
Less: obsolescence provision	**(3,316)**	(2,424)
	$67,192	$55,401

The movement in the obsolescence provision accounts is as follows:

	September 30, 2016	September 30, 2015
Opening balance	**$2,424**	$2,146
Additions	**1,880**	786
Acquired through business acquisition	**416**	-
Utilized	**(1,258)**	(596)
Reversals	**(135)**	(64)
Exchange differences	**(11)**	152
Closing balance	**$3,316**	$2,424

$(000)'s except per share amounts

During the year, inventories of $318,413 (2015 - $256,454) were expensed, of which $1,745 was from the write-downs of inventories (2015 - $722), net of $135 reversal of write-downs (2015 - $64).

11. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2016, total managed capital amounted to $324,052 (2015 - $244,921), consisting of net debt of $44,647 (2015 - nil) and shareholders' equity of $279,405 (2015 - $244,921).

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, 2016	September 30, 2015
Net debt to equity ratio	**0.16:1**	0.00:1
Current ratio	**2.03:1**	2.12:1

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, 2016	September 30, 2015
Bank indebtedness	**$72,156**	$10,501
Less: cash and short-term deposits	**(27,509)**	(34,996)
Net debt	**44,647**	nil

The current ratio is calculated by dividing current assets (excluding cash and short-term deposits) by current liabilities (excluding bank indebtedness).

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

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, 2016, the Company was in compliance with the required financial covenants.

12. OTHER INFORMATION

A. SEGMENTED INFORMATION

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

$(000)'s except per share amounts

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 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.

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

$(000)'s except per share amounts

				2015
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$204,144	$303,825	$-	$507,969
Intercompany sales	(8,992)	(682)	-	(9,674)
Net sales	195,152	303,143	-	498,295
Depreciation	10,020	3,481	22	13,523
Amortization	726	895	-	1,621
Segment income (loss) before interest and income taxes	32,398	36,550	(7,134)	61,814
Net interest expense				(939)
Income before income taxes				60,875
Property, plant and equipment additions	18,181	1,758	50	19,989
Property, plant and equipment, net	83,784	19,374	1,093	104,251
Intangible asset additions	573	32	-	605
Intangible assets, net	1,201	2,568	-	3,769
Goodwill, net	282	23,570	-	23,852
Total assets	188,825	152,645	1,346	342,816
Total liabilities	$25,817	$60,424	$11,654	$97,895

Geographic and customer information

Sales	**2016**	2015
Canada	**$22,549**	$21,221
United States	**288,853**	243,886
Europe	**208,531**	190,624
Mexico	**49,008**	24,883
South America	**7,883**	6,368
Asia	**7,060**	6,400
Other	**5,105**	4,913
	$588,989	$498,295

In 2016, the Company's largest 2 customers were from the Automotive Solutions segment (2015 - the Company's largest 2 customers were from the Automotive Solutions segment). The total billings to these customers accounted for 24.4% (2015 - 30.6%) of total sales. The account receivable pertaining to these customers was $17,611 at year-end (2015 - $21,693). The allocation of sales to the geographic categories is based upon the customer location where the product is shipped.

Property, plant and equipment, net	**September 30, 2016**	September 30, 2015
Canada	**$40,667**	$36,536
United States	**34,084**	29,288
Mexico	**7,885**	5,501
South America	**11,866**	11,370
Thailand	**9,318**	10,063
Europe	**3,508**	3,968
Morocco	**6,963**	6,699
South Africa	**404**	826
	$114,695	$104,251

$(000)'s except per share amounts

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

Intangible assets, net	**September 30, 2016**	September 30, 2015
Canada	**$1,386**	$697
United States	**42,207**	246
Mexico	**59**	47
South America	**88**	127
Thailand	**67**	105
Europe	**1,750**	2,468
Morocco	**27**	18
South Africa	**2**	61
	$45,586	$3,769

B. RESTRUCTURING COST

During the year, the Company recorded severance expense of $710 (2015 - $898) in selling, general and administrative expenses on the consolidated statements of income and comprehensive income relating to staffing reductions throughout its operations.

C. EMPLOYEE FUTURE BENEFITS

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

The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments and amounted to $794 as at September 30, 2016 (2015 - $465) 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.

D. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management personnel during the years ended September 30, 2016 and 2015 were as follows:

	September 30, 2016	September 30, 2015
Salaries and cash incentives (i)	**$5,009**	$4,668
Directors' fees	**327**	316
Share-based awards (ii)	**90**	326
	$5,426	$5,310

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2016 and 2015.
ii) Share-based payments are director share units granted to directors and the fair value of stock options granted to key management personnel.

$(000)'s except per share amounts

13. INCOME PER COMMON SHARE

Income per common share is calculated using net income and the monthly weighted average number of common shares outstanding of 42,497,182 (2015 - 42,284,538). Any potential common shares for which the effect is anti-dilutive have not been reflected in the calculation of diluted income per share. There was a dilution effect of 195,863 shares from the outstanding stock options on diluted weighted average number of common shares outstanding for 2016 (2015 - 330,088).

14. INCOME TAXES

		2016
Income before income taxes	**$67,607**	**100.0%**
Income tax expense at Canadian statutory rates	**17,713**	**26.2%**
Manufacturing and processing deduction	**(139)**	**(0.2%)**
Foreign rate differential	**4,011**	**5.9%**
Non-taxable income net of non-deductible expenses	**(3,377)**	**(5.0%)**
Withholding tax on dividend	**853**	**1.3%**
Losses not tax effected	**266**	**0.4%**
Other	**725**	**1.1%**
Reported income tax expense	**$20,052**	**29.7%**

		2015
Income before income taxes	$60,875	100.0%
Income tax expense at Canadian statutory rates	16,515	27.1%
Manufacturing and processing deduction	(262)	(0.4%)
Foreign rate differential	1,230	2.0%
Non-taxable income net of non-deductible expenses	(1,531)	(2.5%)
Withholding tax on dividend	694	1.1%
Losses not tax effected	2,848	4.7%
Other	622	1.0%
Reported income tax expense	$20,116	33.0%

The major components of income tax expense are as follows:

	2016	2015
Current income tax expense		
Based on taxable income for the year	**$16,567**	$17,572
Withholding tax on dividend	**853**	694
	17,420	18,266
Deferred income tax expense		
Origination, reversal of temporary differences and losses not recognized	**2,632**	1,850
Reported income tax expense	**$20,052**	$20,116

$(000)'s except per share amounts

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

	2016	2015
Deferred tax assets		
Tax benefit of loss carry forward	**$1,239**	$1,261
Items not currently deductible for income tax purposes	**582**	773
Unrealized foreign exchange losses	**-**	-
	1,821	2,034
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	**(4,910)**	(3,060)
Unrealized revenue and foreign exchange	**(1,090)**	(477)
Investment in subsidiaries	**(1,271)**	(2,001)
	(7,273)	(5,538)
Net deferred income tax liabilities	**($5,452)**	($3,504)

15. CONSOLIDATED STATEMENTS OF CASH FLOW

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

	2016	2015
Accounts receivable	**$9,106**	($25,945)
Unbilled revenue	**(2,093)**	(5,905)
Inventories	**(475)**	(9,600)
Prepaid expenses and deposits	**(2,388)**	3,840
Trade accounts payable	**2,984**	8,491
Accrued payroll liabilities	**3,307**	1,678
Other accrued liabilities	**(4,550)**	2,214
Provisions	**(428)**	77
Customer advance payments	**(1,336)**	2,029
Income taxes payable	**(8,187)**	5,274
	($4,060)	($17,847)

16. CONTINGENT LIABILITIES

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses, and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. Other than amounts already provided for in the consolidated financial statements, there are no material contingent liabilities as at September 30, 2016 (2015 - nil).

$(000)'s except per share amounts

17. BUSINESS ACQUISITION

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

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

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

The preliminary allocation of the purchase price at fair value is as follows:

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

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

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

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

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

$(000)'s except per share amounts

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

The impact of AFX on the Company's consolidated statements of income and comprehensive income for the year ended September 30, 2016 is such that the consolidated sales excluding AFX would amount to $522,100 and the consolidated pre-tax income excluding AFX would amount to $60,854.

18. INTEREST EXPENSE (INCOME)

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

	September 30, 2016	September 30, 2015
Interest expense on bank indebtedness and long-term debt	**$1,391**	$1,031
Interest income on deposits	**(102)**	(92)
Net interest expense	**$1,289**	$939

19. OTHER INCOME

On April 7, 2016, the Company concluded a commercial arbitration that it initiated in 2015. As a result, the Company received compensation of $3.44 million during the third quarter of this fiscal year.

CORPORATE INFORMATION

Board of Directors

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

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

Nicole A. Kirk, BA, MBA
Corporate Director

Robert B. Magee, PEng
Chairman
Woodbridge Group

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

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

Peter van Schaik
Founder and Chairman
Van Rob Inc.

Corporate Officers

Brian A. Robbins, PEng
President and CEO

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

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

Darren M. Kirk, CFA
Executive Vice President

Transfer Agent and Registrar

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Auditors

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Stock Listing

Toronto Stock Exchange (XTC)

Corporate Office

Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario L3R 5H6
Phone: 905.477.3065
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2016 Annual Meeting

The 2016 Annual Meeting for the Shareholders will be held at Magna Golf Club, 14780 Leslie St., Aurora on Wednesday, February 1, 2017 at 4:30 pm.

EXCO® Technologies Limited

www.excocorp.com

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