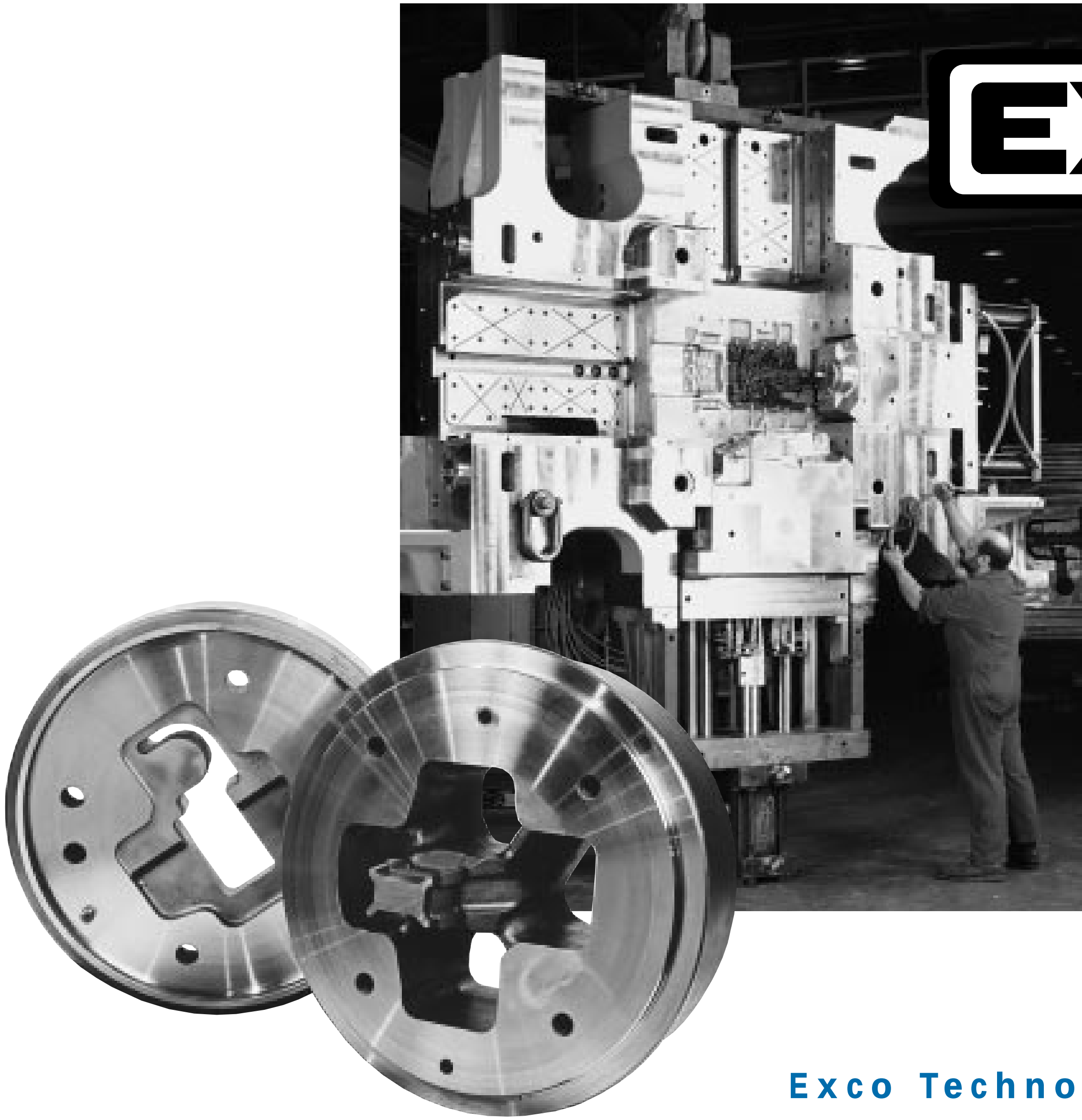


EXCO

1997

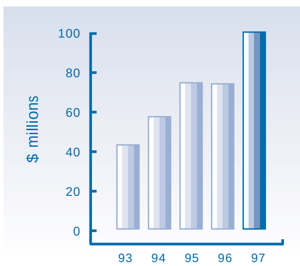
Annual Report

Exco Technologies Limited

Financial Highlights

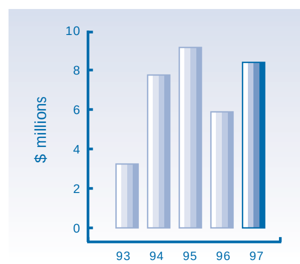
	1997	1996	1995	1994	1993
		(in thousands of dollars except per share amounts)			
Sales	**$ 99,579**	$ 73,403	$ 73,947	$ 56,785	$ 42,505
Net Income	**8,388**	5,880	9,144	7,747	3,238
Fully Diluted Earnings Per Share	**0.63**	0.45	0.71	0.62	0.29
Cash Flow From Operations	**16,499**	11,636	14,384	11,777	7,100
Capital Expenditures and Investments	**23,249**	18,790	13,469	6,360	3,103

sales



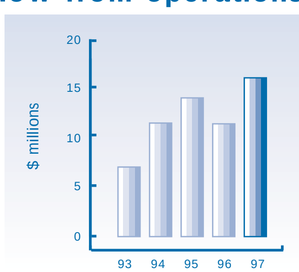
Sales have increased at an average annual rate of 23% per year since 1993. Sales in 1997 increased by 36% over 1996 to $99.6 million.

net income



Net income has increased at an average annual rate of 27% since 1993. In 1997, net income was up 43% over 1996 to $8.4 million.

cash flow from operations



In 1997 cash flow increased by 42% over 1996. Cash Flow has grown at an average annual rate of 23% since 1993.

President's Message

For more than 45 years, Exco's mission has been "to provide engineering solutions to our customers". We are not a build to print company, we design and engineer all of our products and services. Of our 522 employees in Canada and the United States, 25% are engineers or designers. We have transferred their skills to our own manufacturing processes and have developed and advanced computer aided design and manufacturing proficiency.

We possess a great deal of proprietary knowledge and a number of current patents for technology developed by our resident engineers. Our technological competence and superior product quality represent significant entry barriers for current and potential competitors.

Through team work, Exco has maintained controlled growth, continuous improvement and a high level of quality in the products and services supplied to our customers. We are constantly increasing our productivity and output in order to stay competitive in this global marketplace.

Our employees represent a source of enormous strength for us. We recognize the need for investment in technical training and human resource planning and are mindful of providing a safe and healthy work place environment.

We provide incentives for our managers to grow their business and incentives for our employees to contribute creatively. Their commitment to excellence and inherent entrepreneurship are the foundation upon which our success is founded.

During 1997, revenue grew by approximately 40% as did net income. A large percentage of our increased revenue came from new customers and new programs as we substantially broadened our customer base. Such new business is never immediately as profitable as established core business, but improves significantly over time.

We recognize that manufacturing excellence, on a global scale, requires continuous investment in machinery and equipment. This will allow Exco to maintain its technological edge. In 1997, we invested more than $20 million in facilities and equipment. In 1998, we expect to invest a further $30 million. This rate of investment should, however, decline substantially in subsequent years.

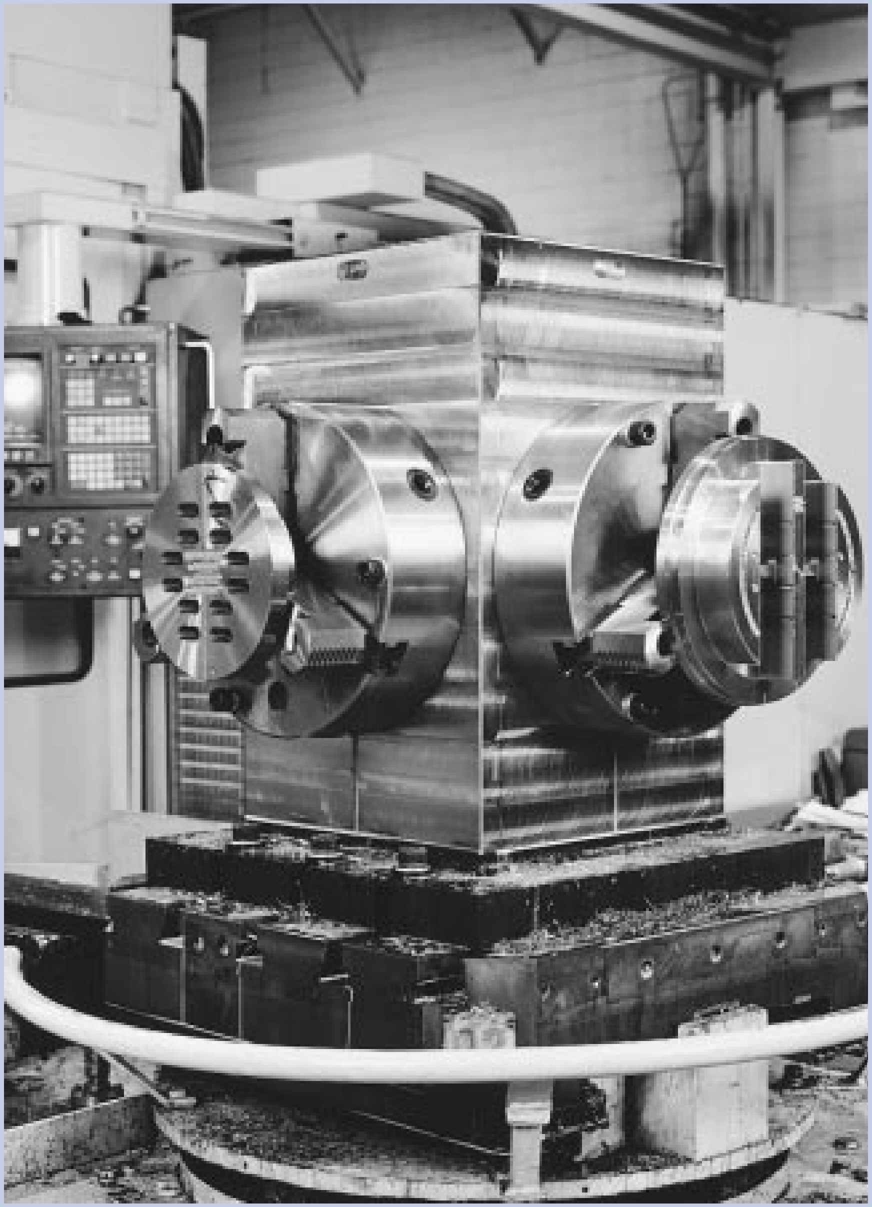
We will continue to maintain a strong balance sheet, yet further strategic acquisitions may be necessary to sustain our development in foreign markets.

Exco's future remains secure as a result of the combined innovation, imagination and dedication of all our employees. We thank them for their excellent performance and ongoing commitment.

Brian A. Robbins
President & Chief Executive Officer

Extrusion Tooling

For almost half a century EXCO has been known as a leading manufacturer of high quality extrusion dies. Active participation in industry associations, technical seminars, workshops and lectures, has kept EXCO close to its roots. This also allows EXCO to share with its customers its knowledge of the latest technological developments and production techniques.

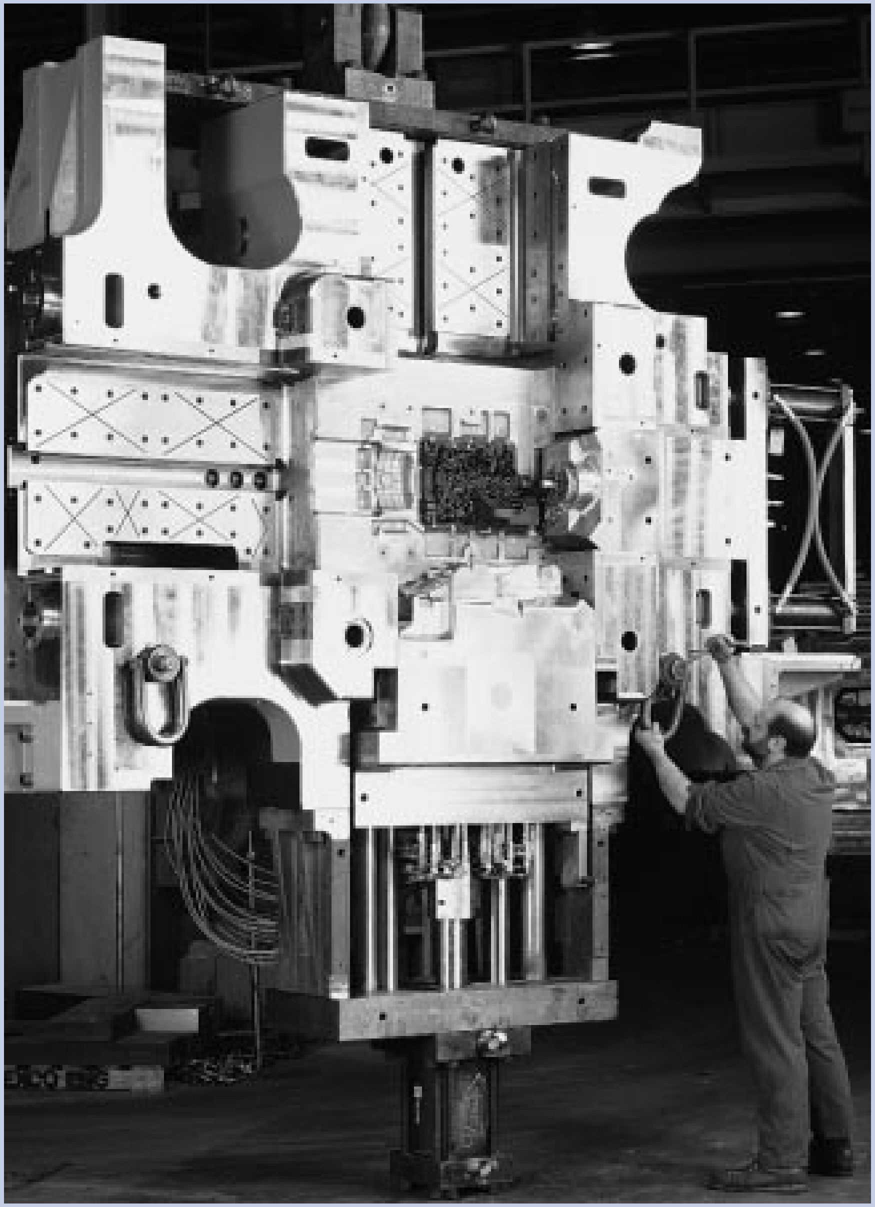


CNC machining of extrusion dies.

EXCO

Die-Cast Moulds

As a long time supplier to the automotive industry, EXCO is at the forefront of applied die-cast mould engineering. Exco's challenge has been to meet and exceed the ever increasing demands of the business; to move the science of die making forward by degrees, creating dies of extraordinary accuracy and durability in less and less time.



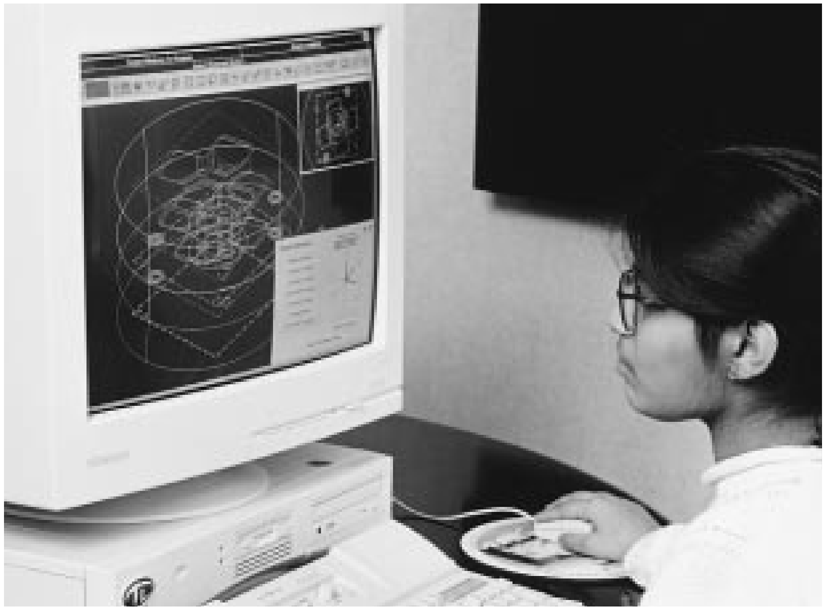
Mould for Ford F-Series truck transmission-case.

Extrusion Tooling

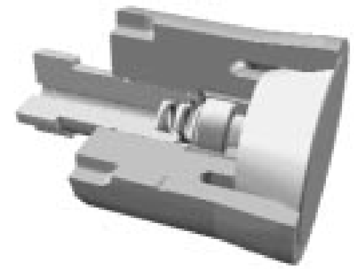
Exco is the largest supplier of aluminum extrusion tools in North America. The unique qualities of aluminum extrusions - lightness, strength, flexibility, durability and cost effectiveness - are crucial to the technological demands of many advanced manufacturing industries.

Aluminum extrusions are used in a variety of key industries. The construction industry currently represents about 35% of the market for aluminum extrusions. These extrusions are used extensively in glazing systems for high rise construction. Designers, who understand materials, realize that aluminum extrusions offer them a freedom from standard shape restrictions that is unrivalled among structural materials. In transportation equipment, extrusions are used in bumpers, chassis and radiator tubing. In aerospace, extrusions are used in airframe components. In electronics, extrusions are used for heatsinks and bases. The markets are diverse, significant and growing.

Exco has three facilities producing extrusions dies, two in Canada and one in the United States. In addition to supplying the North American market, we export these tools extensively to South and Central America, Asia, Japan and Europe.



EXCO



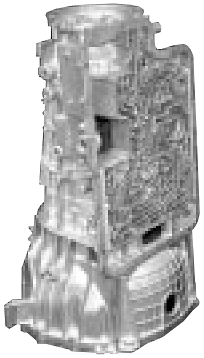
Exco manufactures all tooling required by aluminum extruders. This dummy block is a patented design.

We have built our business on service, quality and technology. We focus on building a close working relationship with our customers, identifying their needs and problems, and supplying them with engineering solutions. The value we offer our customers is production and quality improvement. This is accomplished by providing tools that are designed to run cooler and faster and maintain closer tolerance.

Exco's engineers are not only the most creative but our workforce is also the most productive. We produce more complex tools per employee than any of our competitors.

It is our intention to grow this business dramatically over the next 5 years. Our market focus will continue to be the United States and will be supported by our recently acquired facility in Fraser, Michigan. We are currently in the process of re-equipping this facility and applying our manufacturing methods.

There is a growing market for aluminum extrusion tools with a consolidating supply base. We intend to be the dominant supplier.



This Ford F-Series truck transmission-case was produced by a mould designed and manufactured at Exco.

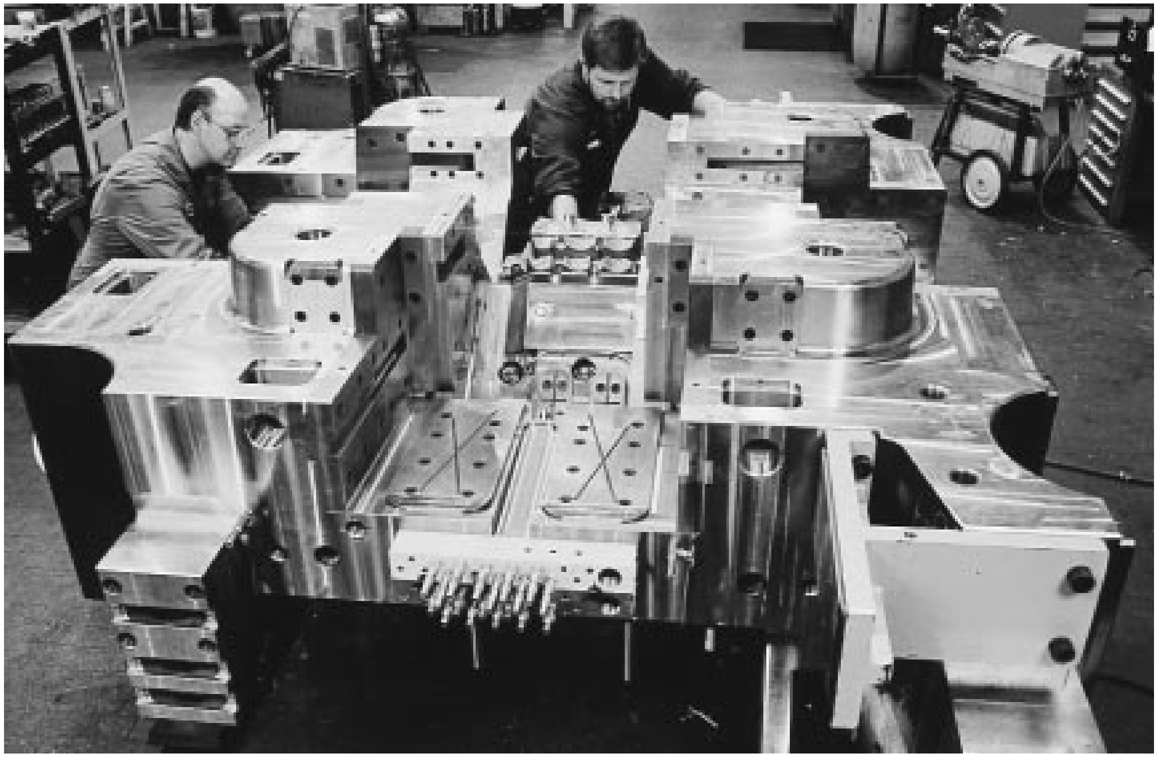
Die-Cast Moulds

Exco supplies complex moulds for die-casting of both aluminum and magnesium. We supply these tools to the automotive industry, primarily to the three large North American automakers as well as to several of the "foreign domestics". Most of these extremely large moulds are used for manufacturing transmission-cases and engine blocks. Exco has pioneered much of today's technology and maintains an ongoing research and development team.

In supplying such vital tools to our customers, Exco provides engineering solutions. Exco supplies tools that not only out-perform the competition but meet or exceed our customers' expectations. We have introduced computer-aided-design and computer-aided-manufacturing to our industry. We possess a great deal of proprietary knowledge and patented solutions which we employ on our customers' behalf.

Lead times on automobile model changes have shrunk. Exco has extensive engineering and manufacturing capacity required to meet these shortened lead times. Exco demonstrated its ability to undertake a major program by successfully engineering an initial unique mould for General Motors new V6 aluminum engine block in less than 12 months. Modelling software, developed by Exco, enabled us to simulate the entire die-cast process for this first-of-kind product in North America. Aluminum engine block moulds is a major growth area in which we have a significant technological lead.

Exco's three facilities are located in Markham, Ontario, Newmarket, Ontario and Toledo, Ohio. To support ongoing growth in both service and new tooling, the Toledo plant is being enlarged by 50% and extensively re-equipped. The Newmarket plant is being



expanded by 25% and a new 3,500 ton die-casting machine will be put into operation in January 1998.

This will give the Newmarket facility the capacity to conduct testing and trial production of all new tools produced by Exco and to develop new parts and applications in conjunction with the automakers.

Exco is already the largest supplier of die-cast moulds in North America and intends to become the dominant supplier globally. We are pursuing opportunities in South America and Europe and will support this growth with local presence when appropriate.

We are gearing up for a rapidly growing market to accommodate the greater use of aluminum and magnesium over the next five years.

Management Discussion and Analysis

OPERATING RESULTS

Exco's sales increased by 36% in 1997 to $99.6 million from $73.4 million in 1996. All product areas achieved significant sales growth.

Extrusion tooling sales increased by 44% over 1996. The acquisition of Nova Tool & Die, Inc., ("Nova"), an extrusion tooling facility located in Fraser, Michigan, accounted for approximately one third of the sales increase. Extrusion tooling sales outside Canada increased by 68% in 1997. Sales outside North America, primarily to South and Central America and the Far East, increased and now represent 16% of total extrusion tooling sales.

Exco is focused on developing its export markets. The fragmented U.S. extrusion tooling market represents a significant opportunity as it rationalizes and consolidates. Exco estimates that it has approximately 5% of the U.S. market. Markets outside North America value Exco's technology and pricing.

Exco's die-cast mould business also achieved significant success in 1997, growing by 32%. During 1997, Exco delivered a number of moulds for new General Motors and Ford programs, including Exco's first engine block moulds.

Mould standards sales continue to grow. With its relatively fixed overhead structure, modest sales growth results in improvement to margins and profitability.

Gross margin, 34% for 1997, showed moderate improvement over 1996. During 1997, the commissioning of new machinery and expansion of several of our facilities was, on occasion, disruptive to operations. In addition, a number of the die-cast mould programs were new in fiscal 1997. New programs tend to have lower margins initially, improving with each mould manufactured. Accordingly, Exco expects gross margins to improve in 1998.

Selling, general and administrative expenses increased to $11.7 million, representing 11.8% of sales as compared to $9.1 million or 12.4% of sales. The increase in this expense in 1997 relates primarily to higher employee and management profit sharing costs, Nova's selling, general and administrative expenses and higher costs to support the increase in the level of business.

Depreciation expense increased by $2 million to $7.7 million. This reflects Exco's significant investment in fixed assets in 1997 of $22 million and a full year's depreciation charge on the 1996 fixed asset investment of $20 million.

Interest on long-term debt decreased in 1997, reflecting the reduction of long-term debt outstanding in 1997 as compared to 1996. Other interest represents interest paid on Exco's operating lines. During 1997, Exco was borrowing to finance its working capital requirements. In 1996, however, Exco had excess cash which was invested in interest earning deposits. Accordingly, other interest in 1996 was comprised of interest earned on these deposits.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations, before changes in non-cash working capital, was $16.5 million, an increase of $4.9 million. This increase is a result of both higher net income and higher non-cash expenses. Cash invested in non-cash working capital increased by $0.9 million as a result of the increase in sales volume.

Exco invested $23.2 million (net of proceeds of disposition of fixed assets) during 1997. Equipment purchases and plant expansion costs totalled $14 million for the die-cast mould operations and $7.7 million for the extrusion tooling operations. In addition, Exco purchased Nova for $1.5 million. Nova gives Exco's extrusion tooling business a U.S. base which will enhance Exco's growth potential in the United States.

In 1998, Exco will invest approximately $31 million. This expenditure includes completion of several significant capital projects including construction and equipping of a new extrusion tooling facility in Newmarket, Ontario, expansion of our Newmarket and Toledo, Ohio die-cast mould facilities and a new 3,500 ton die-casting machine for testing the largest moulds we manufacture for both aluminum and magnesium castings.

Exco financed its 1997 capital expenditures from cash flow, its operating lines and a small private placement of 138,453 shares issued to the vendor of Nova on its acquisition.

In 1998, Exco will finance its capital expenditures from cash flow and its operating lines. Exco's excellent financial position provides significant flexibility. At September 30, 1997, long-term debt was $2.3 million or as a ratio to shareholder's equity .03:1.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. In addition, Exco purchases material in Canadian and U.S. dollars and German deutschmarks. Exco reviews its net exposure to these currencies and enters into foreign exchange contracts in order to manage the financial risk associated with fluctuations in the relative value of the currencies. These foreign exchange contracts extend for up to two years from the balance sheet date.

OUTLOOK

Market conditions and Exco's prominent place in the industry are very favourable.

Exco's die-cast mould customers are currently adding significant manufacturing capacity to meet the increasing demand for aluminum and magnesium automotive components. Die-cast moulds are required to manufacture these components and Exco is well positioned to win this new business.

Exco's extrusion tooling operations continue to grow in North and South America and overseas. Although Exco is the largest manufacturer of extrusion tooling in North America, our market share is very small (approximately 5% in the United States). The acquisition of Nova will allow Exco to more quickly penetrate the U.S. market. The streamlining of our manufacturing facilities and advancements in CAD/CAM in the current year have increased productivity.

These factors contribute to management's optimism. 1998 will demonstrate a continuation of Exco's growth trend. We expect revenue to approach $120 million and, with anticipated margin improvement, the financial results should be very positive.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Exco Technologies Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board, and a majority of its members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of external auditors.

The consolidated financial statements have been audited by Ernst & Young, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young has full and free access to the Audit Committee.

November 7, 1997 Exco Technologies Limited

Auditors' Report

To the Shareholders of Exco Technologies Limited:

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 1997 and 1996 and the consolidated statements of income and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada,
November 7, 1997.

Ernst & Young
Chartered Accountants

CONSOLIDATED BALANCE SHEETS

$ (000)'S

	As at September 30	
	1997	1996
ASSETS		
CURRENT		
Cash	**$ –**	$ 287
Accounts receivable	**26,765**	19,095
Inventories (note 2)	**14,473**	13,149
Prepaid expenses and deposits	**389**	667
Total current assets	**41,627**	33,198
Fixed assets (notes 3 and 5)	**62,001**	45,232
	$103,628	$ 78,430
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank Indebtedness (note 4)	**$ 7,490**	$ –
Accounts payable & accrued liabilities	**10,316**	8,651
Income taxes payable	**2,189**	563
Customer advance payments	**14,112**	9,750
Current portion of long-term debt (note 5)	**714**	1,898
Total current liabilities	**34,821**	20,862
Long-term debt (note 5)	**1,544**	1,655
Deferred income taxes	**2,670**	2,181
Total liabilities	**39,035**	24,698
SHAREHOLDERS' EQUITY		
Share capital (note 6)	**23,150**	20,791
Retained earnings	**41,404**	33,016
Currency translation adjustment	**39**	(75)
Total shareholders' equity	**64,593**	53,732
	$103,628	$ 78,430

See accompanying notes

On behalf of the Board:

Director,
President and
Chief Executive Officer

Director,
Chairman of the Board

EXCO

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

$ (000)'s except for earnings per share

	Years Ended September 30	
	1997	1996
Sales	**$ 99,579**	$ 73,403
Cost of sales and operating expenses before the following (note 8)	**66,174**	49,028
Selling, general and administrative	**11,717**	9,096
Depreciation and amortization	**7,730**	5,756
Interest on long-term debt	**304**	756
Other interest	**253**	(513)
	86,178	64,123
Income before income taxes	**13,401**	9,280
Provision for income taxes (note 7)		
Current	**4,632**	3,400
Deferred	**381**	–
	5,013	3,400
Net income for the year	**8,388**	5,880
Retained earnings, beginning of year	**33,016**	27,136
Retained earnings, end of year	**$ 41,404**	$ 33,016
Earnings per common share (note 10)		
Basic	**$ 0.66**	$ 0.47
Fully diluted	**$ 0.63**	$ 0.45

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

$ (000)'s except for cash provided by operating activities

	Years Ended September 30 1997	1996
OPERATING ACTIVITIES		
Net income for the year	**$ 8,388**	$ 5,880
Add items not involving a current outlay of cash		
Depreciation and amortization	**7,730**	5,756
Deferred income taxes	**381**	–
	16,499	11,636
Net change in non-cash working capital balances related to operations	**(859)**	(5,867)
Cash provided by operating activities	**15,640**	5,769
FINANCING ACTIVITIES		
Decrease in long-term debt	**(2,146)**	(5,362)
Net bank indebtedness assumed on purchase of subsidiary	**(495)**	–
Issue of share capital	**2,359**	1,104
Currency translation adjustment	**114**	84
Cash used in financing activities	**(168)**	(4,174)
INVESTING ACTIVITIES		
Investment in fixed assets	**(22,105)**	(20,005)
Acquisition of subsidiary (note 12)	**(1,522)**	–
Sale of fixed assets (net)	**378**	1,215
Cash used in investing activities	**(23,249)**	(18,790)
Decrease in cash during the year	**(7,777)**	(17,195)
Cash and short-term investments, beginning of year	**287**	17,482
Cash (bank indebtedness), end of year	**$ (7,490)**	$ 287
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital balances related to operations (note 10)		
Basic	**$ 1.29**	$ 0.93
Fully diluted	**$ 1.22**	$ 0.88

See accompanying notes

EXCO

Notes to Consolidated Financial Statements

September 30, 1997
$(000)'s
(except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of the Company's wholly-owned subsidiaries.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour and the applicable share of manufacturing overhead.

Fixed Assets

Fixed assets are recorded at historical cost, net of related investment tax credits and accumulated depreciation. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets, retired or otherwise disposed of and the related accumulated depreciation, are removed from the accounts with the net gain or loss being included in income.

Depreciation and amortization are provided over the estimated useful lives of the fixed assets as follows:

Buildings	4% declining balance
Machinery and equipment	20% to 30% declining balance
Tools	25% straight-line
Leasehold improvements	straight-line over the terms of the leases
Aircraft	variable charge based on flying hours for the engine and 10% straight-line for the airframe

Financial Instruments

Financial instruments recognized in the consolidated balance sheets comprise accounts receivable, bank indebtedness, accounts payable and accrued liabilities, customer advance payments, income taxes payable, and long-term debt. The carrying value of these instruments approximates their fair value.

The Company also has forward foreign exchange contracts denominated in U.S. dollars and German deutschmarks. These contracts are used to hedge the Company's foreign exchange exposure inherent in sales in U.S. dollars and purchases in German deutschmarks. Foreign exchange contracts are negotiated with Canadian banks with credit ratings of R1 (mid) as determined by the Dominion Bond Rating Service. The Company does not anticipate non-performance by the banks which are counterparties to these contracts.

A substantial portion of the foreign exchange contracts were negotiated at rates which are reasonable approximations of current market rates and, accordingly, the closing of these contracts would not result in a significant gain or loss.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Revenue and expense transactions denominated in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions. All of the Company's foreign operations are self-sustaining. The assets and liabilities of foreign subsidiaries are translated using the exchange rate in effect at the balance sheet date. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are deferred as a separate component of shareholders' equity.

Other gains and losses resulting from movements in exchange rates are reflected in the consolidated statement of income and retained earnings except for gains and losses on foreign exchange forward contracts used to hedge specific future foreign currency transactions. Gains or losses on these contracts are accounted for as a component of the related hedged transaction.

Notes to Consolidated Financial Statements
continued

September 30, 1997
$(000)'s
(except per share amounts)

Revenue Recognition

Revenue from the sale of manufactured products is recognized upon shipment to customers.

Research and Development Expenditures

Research and development expenditures are expensed as incurred.

Income Taxes

The Company follows the deferral method of income tax allocation in accounting for income taxes whereby the tax effects of timing differences between accounting and taxable income result in the recording of deferred income taxes.

Deferred income taxes have arisen as a result of certain charges against income for income tax purposes exceeding those recorded for financial reporting purposes. These differences relate primarily to depreciation and amortization. These taxes may become payable in future years when charges to income for accounting purposes exceed those taken for income tax purposes.

2. INVENTORIES

	1997	1996
Raw materials	$ 1,271	$ 1,024
Work in process and finished goods	13,086	12,007
Supplies and tools	116	118
	$ 14,473	$ 13,149

3. FIXED ASSETS

1997	Cost	Accumulated depreciation & amortization	Net book value
Land	$ 4,106	–	$ 4,106
Buildings	18,082	$ 3,523	14,559
Machinery & equipment	86,415	45,605	40,810
Tools	2,564	2,216	348
Leaseholds	337	217	120
Aircraft	2,576	518	2,058
	$ 114,080	$ 52,079	$ 62,001

1996	Cost	Accumulated depreciation & amortization	Net book value
Land	$ 3,335	–	$ 3,335
Buildings	14,535	$ 2,940	11,595
Machinery & equipment	65,038	37,231	27,807
Tools	2,285	2,034	251
Leaseholds	183	56	127
Aircraft	2,368	251	2,117
	$ 87,744	$ 42,512	$ 45,232

4. BANK INDEBTEDNESS

Bank indebtedness is comprised of utilization of the Company's operating lines of credit. These operating lines are available at prime rate, are unsecured and are due on demand. Prime rate in Canada at year-end was 5.25% and in the United States was 8.75%.

The Company has available unsecured lines of credit totalling $24,294 (1996 - $8,610).

Notes to Consolidated Financial Statements continued

September 30, 1997
$(000)'s
(except per share amounts)

5. LONG-TERM DEBT

	1997	1996
Mortgages payable	$ 705	$ 1,981
U.S. term loans	1,553	1,572
	2,258	3,553
Less current portion	714	1,898
Long-term portion	$ 1,544	$ 1,655

The mortgage payable of $705 bears interest at 10.75% and matures August 11, 2001. The monthly principal and interest payments on this loan are approximately $8 and are based on an amortization period of 25 years. A mortgage payable of $1,255 outstanding at September 30, 1996 was repaid during the year.

The U.S. term loans of $1,553 (1996 - $1,572), are collateralized by certain fixed assets of the Company's U.S. subsidiaries. The interest rates on these loans vary from 7.7% to 10%. The loans mature at various times up to 2001.

Total principal repayment requirements are approximately as follows:

1998	$ 714
1999	427
2000	395
2001	722
	$ 2,258

6. SHARE CAPITAL

The Company's authorized and issued share capital is as follows:

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.

Issued

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

	Common shares	
	Number of shares	Stated value
Issued and outstanding at September 30, 1995	12,466,288	$19,687
Issued for cash under the Stock Option Plan	35,000	151
Issued for cash under the Employee Stock Purchase Plan	16,060	133
Issued to a related party in exchange for certain premises (note 8)	100,000	820
Issued and outstanding at September 30, 1996	12,617,348	$20,791
Issued in exchange for Nova shares on its acquisition (note 12)	138,453	1,522
Issued for cash under the Stock Option Plan	73,000	424
Issued for cash under the Employee Stock Purchase Plan	46,629	413
Issued and outstanding at September 30, 1997	12,875,430	$23,150

Stock Option Plan

The Company has a Stock Option Plan under which common shares may be acquired by employees, officers and directors. The following table shows the changes to stock options outstanding:

	1997	1996
Balance, beginning of year	754,617	758,432
Granted during the year	172,813	31,185
Exercised during the year	(73,000)	(35,000)
Cancelled during the year	(6,000)	–
Balance, end of year	848,430	754,617

EXCO

Notes to Consolidated Financial Statements

continued

September 30, 1997
$(000)'s
(except per share amounts)

The exercise price per share of outstanding options varies from $4.32 to $16.25 (1996 - $4.32 to $10.55) and can be exercised at various dates through 2007. The number of unoptioned shares available at September 30, 1997 was 189,770 (1996 - 356,583).

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan. The plan allows employees to purchase shares annually through payroll deductions at a pre-determined price. During 1997, payroll deductions were initiated supporting the purchase of a maximum of 68,489 shares at $11.07 per share. Employees must decide annually whether or not they wish to take delivery of their shares. During 1997, 46,629 (1996 - 16,060) shares were issued under the terms of this plan.

7. INCOME TAXES

The Company's effective income tax rate is 37.4% (1996 - 36.6%) as a result of the following:

	1997	
Income before income taxes	$13,401	100%
Income taxes at Canadian statutory rates	$ 5,977	44.6%
Manufacturing and processing deduction	(1,206)	(9.0)
Foreign losses not tax effected	272	2.0
Other	(30)	(0.2)
	$ 5,013	37.4%

	1996	
Income before income taxes	$ 9,280	100.0%
Income taxes at Canadian statutory rates	4,139	44.6
Manufacturing and processing deduction	(836)	(9.0)
Tax benefit of foreign losses	(90)	(1.0)
Other	187	2.0
	$ 3,400	36.6%

8. RELATED PARTY TRANSACTIONS

During fiscal 1996, the Company purchased four of its special purpose operating facilities, previously leased from 555319 Ontario Limited, which is owned by a major shareholder of the Company. The purchase price was $4,630 and was financed by the issue of 100,000 shares of the Company to the vendor and the assumption of mortgages on the properties totalling $3,810. Prior to this purchase, the Company was paying rent to 555319 Ontario Limited. In 1996, these rental payments totalled $332. There are no outstanding amounts payable as at September 30, 1997 and 1996.

9. COMMITMENTS

Leases

The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2001.

Future minimum lease payments are as follows:

1998	$ 254
1999	176
2000	52
2001	46
	$ 528

EXCO

Notes to Consolidated Financial Statements

continued

September 30, 1997
$(000)'s
(except per share amounts)

Foreign Exchange Contracts

The Company has commitments, under its U.S. dollar foreign exchange contracts, to deliver to its bankers U.S. $20,775. The contracts require the Company to sell U.S. dollars on a monthly basis during 1998 and 1999 at rates varying from $1.30 to $1.41. In connection with German deutschmark contracts, the Company has commitments to its bankers to purchase 3,000 German deutschmarks during 1998 at rates varying from $0.77 to $0.82.

10. EARNINGS AND CASH PER COMMON SHARE PROVIDED BY OPERATING ACTIVITIES

Basic earnings and cash flow per common share are calculated using the weighted monthly average number of common shares outstanding of 12,798,366 (1996 – 12,534,584). Fully diluted earnings and cash flow per common share are calculated using the weighted monthly average number of common shares outstanding adjusted for stock options as though these options had been exercised and shares issued at the beginning of the year.

11. SEGMENTED INFORMATION

The Company operates in a single business segment which is the designing, engineering and precision machining of moulds and dies. Its operations are substantially related to the automotive and construction industries in North America. Total sales outside Canada were $76,566 (1996 - $53,676).

12. ACQUISITION OF SUBSIDIARY

Effective December 1, 1996, the Company purchased 100% of Nova Tool & Die, Inc., an extrusion tooling manufacturer located in Fraser, Michigan. The purchase price was $1,522 (U.S. $1,114) and was financed by a private placement of 138,453 shares of the Company. The acquisition has been accounted for using the purchase method.

Net assets acquired at their assigned values are as follows:

Current assets	$ 1,058
Fixed assets	2,767
Other assets	60
Current liabilities	(913)
Deferred income taxes	(104)
	2,868
Bank indebtedness	(495)
Long-term debt	(851)
Purchase price	$ 1,522

EXCO

Analysts' Highlights

MIDLAND WALWYN
BLUE CHIP THINKING™

EQUITY RESEARCH

Exco Technologies Limited

February 4, 1997

Highlights

Next Cycle of New-Model Introductions Approaches

Margin Turnaround

Relative Underperformance versus Peers

Investment Summary

We are upgrading our recommendation from 3-Hold to 2-Accumulate. The beginning of the next "cycle" of new-model introductions, a more-diversified sales base, and underperformance relative to its group and the market from the previous peak in stock prices for auto-parts suppliers in Q1/94 make us view this stock more positively. Exco's margins are gradually starting to improve following two years of declining performance, and we believe there is potential for significant margin expansion, which is what drives stock-price appreciation.

NESBITT BURNS
Member of the Bank of Montreal Group of Companies

Exco Technologies Limited

April 28, 1997
Toronto, Ontario

(XTC - TSE)

Q2/97 Earnings In Line Despite Plant Disruptions;
International Orders Are A Possibility;
We Are Raising Our Target Price and Rating

RBC DOMINION SECURITIES

Volume 13, Number 31
July 31, 1997

RESEARCH JOURNAL

EXCO TECHNOLOGIES LTD.

CONTINUED MARGIN IMPROVEMENT IN F97 Q3
Stock Rank (Recommendation): 2(BUY)
Industry Rank: 4

IMPROVEMENT IN EPS AS EXPECTED

Exco reported Q3/97 results that were in-line with expectations. Revenues increased 42.7% to $25.8MM with strong growth from all of its business units. Gross margins continue to improve, rising from 34.5% in Q3/96 to 36.2% in Q3/97. This resulted in EPS growth of 63.6% to $0.18.

In the first nine months of F97 , Exco posted EPS of $0.44, up 37.5% from the same period in 1996, on a 36.1% revenue increase to $70.7MM.

Exco Technologies Limited

NEWCREST CAPITAL INC.

September 24, 1997

Exco management expected fiscal 1996 financial results to turn out as they did, and communicated this early to the shareholder and investment communities. As a result, Exco stock did not get pounded, and in fact appreciated about 24% over calendar 1996, as investors centred their valuation of Exco stock on expected performance for fiscal 1997 and beyond. We have a favourable view of Exco for a number of reasons:

- Excluding 1996, Exco has generally shown strong revenue and earnings growth. Management is committed to investing for the long run. Margin improvements going forward may be substantial.
- Exco is generally the low-cost producer in the industry for most of its products.
- Management communicates often and openly with the financial community.
- The Company is diversifying its customer base, moving from its traditional reliance on Chrysler. Exco has won substantial contracts with Ford and GM.
- Exco continues to search for strategic acquisitions at home and abroad.
- Management is a significant shareholder.

Loewen, Ondaatje, McCutcheon Limited

Exco Technologies Ltd.

July 25, 1997

Riding the Trend

Exco is tapping into 2 growth opportunities: auto weight reduction and consolidation in the extrusion die industry.

Looking for an investment opportunity that has high growth potential, amongst the highest margins in its industry (Exhibit 1), a strong competitive position, a solid balance sheet and experienced management? Exco (XTC) delivers all of these and enables investors to play two high-potential growth opportunities: 1) the auto industry's drive to reduce vehicle weight through increased use of light-weight materials such as aluminum and magnesium, and 2) a consolidation play in the extrusion die industry.

We believe that XTC will be able to exploit these dynamics to achieve top and bottom line growth in the range of 20% over the next few years. In addition, XTC's strong balance sheet puts it in the ideal position to achieve additional growth through acquisition.

EXCO

Exco Technologies Limited

DIRECTORS

W. Scott Brown,
former President & Chief Executive Officer,
ITT Precision Castings Division

Helmut Hofmann, Chairman,
Devtek Corporation

Arthur A. Kennedy, Chairman of the Board

Richard D. McGraw, President and Chief
Executive Officer, Vitran Corporation

Brian A. Robbins, President and Chief
Executive Officer

Audrey E. Robbins, Honorary Director

OFFICERS

Arthur A. Kennedy,
Chairman of the Board

Brian A. Robbins,
President and Chief Executive Officer

Scott E. Bond,
Vice-President, Finance and
Chief Financial Officer

Jan M. Tesar,
President of the Die-Cast Tooling Division

Lawrence C. Robbins,
President of the Alu-Die Division
and Secretary of the Corporation

Paul H. Robbins,
Vice-President of the Extrusion Tooling
Division and Treasurer of the Corporation

PRINCIPAL BANKERS

The Bank of Nova Scotia,
Markham, Ontario

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust, Toronto, Ontario

STOCK LISTING

Toronto Stock Exchange (XTC)

CORPORATE OFFICE

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1997 ANNUAL MEETING

The 1997 Annual Meeting of the Shareholders will be held at the Design Exchange, 234 Bay Street, Toronto, Ontario on Wednesday, January 28, 1998 at 4:30 pm.

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