



EXCO TECHNOLOGIES LIMITED

2008 ANNUAL INFORMATION FORM

December 15, 2008

Throughout this document the annual report of the Company for the fiscal year ended September 30, 2008 including the financial statements and notes thereto and management's discussion and analysis will be referred to as 'Annual Report'. The financial statements of the Company and notes thereto appearing in the Annual Report will be referred to as 'Financial Statements'. Management's discussion and analysis appearing in the Annual Report will be referred to as 'MD&A'.

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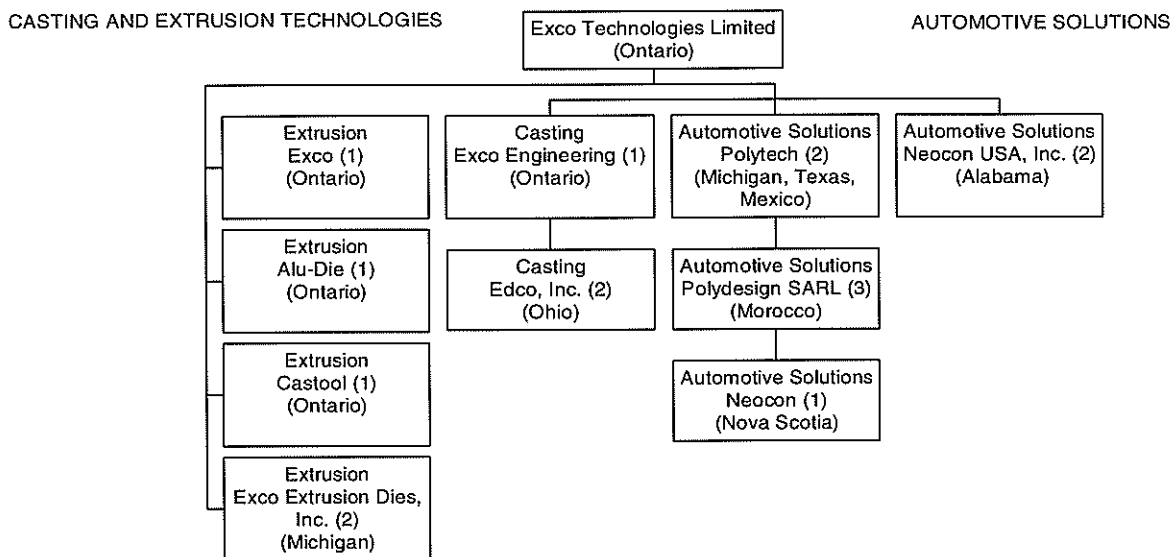
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ORGANIZATION OF THE COMPANY

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

Exco is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through its eleven strategic locations, Exco employs 1,950 people and services a diverse and broad customer base. Each operation constitutes an autonomous profit centre within the Company, but draws upon Exco's pool of expertise and technology. During fiscal 2003, Exco purchased Neocon International Inc. and Bancroft Lasing Technologies Inc., both of which operate in the Automotive Solutions group. In fiscal 2004 Exco exited the Bancroft Lasing Technologies Inc. business. On October 1, 2005 Exco amalgamated with its wholly owned subsidiary Techmire Limited and operated the Techmire business as a division until September 28, 2007 when the business was sold in an asset transaction. Techmire's US subsidiary which distributed Techmire machines was dissolved in September 2005. On October 1, 2007 Exco amalgamated with its wholly owned subsidiary Exco Automotive Solutions Canada Inc. which operated the Neocon International business and now operates the Neocon business in Canada as a division. The diagram below designates the business of each operation i.e. Extrusion and Casting Technologies and Automotive Solutions, and where the operation is located.



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

DESCRIPTION OF CAPITAL STRUCTURE

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

DIVIDENDS

The Company initiated paying quarterly cash dividends on its common shares in the amount of \$0.0125 per share in the second quarter of fiscal 2003. In the first quarter of fiscal 2007 the dividend was raised to \$0.015 per share for the quarter and has continued at that level until the second quarter of fiscal 2008 at which time the dividend was raised to \$0.0175 per share per quarter. It has since remained at this level. The Company expects to continue this practice for the next fiscal year but retains the discretion to make modifications as circumstances may dictate.

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

NORMAL COURSE ISSUER BID

On May 5, 2005 the Toronto Stock Exchange approved the Corporation's request to implement a normal course issuer bid. During the 2005 fiscal year the Corporation purchased 8,800 common shares at a price of \$4.00 per share. During the 2006 fiscal year the Corporation purchased 183,400 common shares at an average price of \$3.79 per share. During the 2007 fiscal year the Corporation purchased 156,700 common shares at an average price of \$3.86 per share. During the 2008 fiscal year the Corporation purchased 530,200 common shares at an average price of \$3.45 per share. After year-end the Corporation purchased an additional 274,100 common shares at an average price per share of \$1.90. All shares will be cancelled. The normal course issuer bid expires on May 6, 2009 and may be renewed at that time for another year.

MARKET FOR SECURITIES

The Common Shares of Exco Technologies Limited are traded on the Toronto Stock Exchange under the symbol XTC. The trading price and volume is indicated in the table below.

Month Ended	High (\$ per share)	Low (\$ per share)	Close (\$ per share)	Volume Traded
09/08	2.49	1.80	1.80	48,197
08/08	2.60	2.20	2.30	169,693
07/08	3.20	2.50	2.69	45,406
06/08	3.38	2.86	3.20	49,709
05/08	3.70	3.10	3.10	111,365
04/08	4.21	3.50	3.70	85,444
03/08	3.55	3.35	3.55	181,263
02/08	4.01	3.35	3.50	236,947
01/08	3.90	2.78	3.85	195,786
12/07	4.50	3.50	3.94	1,095,472
11/07	4.49	3.50	4.20	647,075
10/07	4.99	4.20	4.20	103,798

TRANSFER AGENT

The Company's transfer agent since November 1, 2004 is Equity Transfer & Trust Company 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1. Prior to that date the transfer agent was CIBC Mellon Trust Company.

LEGAL PROCEEDINGS

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

CONFLICT OF INTEREST

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

DESCRIPTION OF COMPANY

The Company's head office staff consists of four persons who have responsibility for the collection of financial data, budgetary controls, corporate philosophy and policy. Each of Exco's plants is operated as an autonomous profit centre and is part of either the Casting and Extrusion Technology reporting segment or the Automotive Solutions reporting segment.

The profit centre basis enables the Company to reward individual managers and employees for results generated directly by their performance. The maintenance of focussed divisions enables the Company to respond quickly to customer requirements and encourages innovation. As well, the independence of each plant allows Exco to react quickly to new business opportunities. This organizational structure allows decision-making and cost control to occur at the operational level.

The Company has a Deferred Profit Sharing Plan ("DPSP") for most employees of the Company based on a distribution of 5% of pre-tax profits to participants according to years of service and salary level. Effective fiscal 2008 the DPSP has been amended so that distribution is limited to 5% of pre tax profit from Canadian and US operations since only Canadian and US employees participate in the DPSP. As well, distribution to individual employees is limited for fiscal 2008 and beyond to the lesser of 1% of base salary or the normal service and salary criteria for all employees of a division that was not profitable in the year. The DPSP does not include senior divisional and corporate management. The full amount of an individual's award is invested according to the individual's election from an offered pool of managed investment products and Company common shares. All funds and Company stock invested in the DPSP is purchased, held and managed by a third party trustee. Purchases of Company stock, to the extent required by the DPSP, are made on the open market through the facilities on the Toronto Stock Exchange by the trustee. Exco also has an Employee Stock Purchase Plan.

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

The distribution of Exco's 2008 sales of \$201,681 by segment is as follows:

Casting and Extrusion Technology	\$111,493
Automotive Solutions.....	<u>\$ 90,188</u>
	\$201,681

Total sales to the United States, accounted for approximately 56% of the Company's sales with approximately 26% of sales to Europe and approximately 12% of the Company's sales being in Canada. The balance of 6% of sales is to other countries. Exco's markets are well defined and sales are developed through target marketing. During fiscal 2008, sales to our largest customer (Honda and its tiers) accounted for approximately 17% (2007 - 13%) of total sales.

EXTRUSION AND CASTING TECHNOLOGY - THE INDUSTRY

Exco operates two related tooling and equipment businesses, namely: (i) extrusion technology, which involves the design and manufacture of extrusion dies and peripheral equipment and tooling used in the manufacture of aluminium extrusions and (ii) casting technology, which comprises the design and manufacture of moulds for aluminium and magnesium die castings. This segment represented 55% of Exco's revenue in fiscal 2008.

Extrusion Technology (Exco, Alu-Die, Exco Michigan)

Structure

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

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

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

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

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

Extrusion tooling is produced by the Exco division located in Markham, Ontario, the Alu-Die division located in Newmarket, Ontario, and by the Company's subsidiary, Exco Michigan, located in Chesterfield, Michigan. These divisions employ approximately 271 people. Approximately 65 of these employees are salaried and 206 are hourly non-union employees. They each design and manufacture aluminium extrusion dies, and supply them to aluminium in North America, Central and South America, the Far East and Europe. Significant customers include Indalex, Signature, Bon L, Hydro and Alcoa (Kawneer). Exco has been involved in designing and supplying extrusion dies for over 50 years.

Manufacturing Methods

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

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

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

Customers and the Market

Extrusion tooling customers include primary aluminium producers as well as independent extruders who in turn supply aluminium extrusions to custom fabrication companies or to their own captive fabrication divisions. Aluminium extrusions are used in an increasing number of applications. The most significant application is as a building material, specifically for window framing and architectural facings of buildings. However, the complexity and configuration of possible extrusions is virtually infinite. Applications of complex extruded components are used in the computer, electronic, automotive and aerospace industries. Since the individual die cost is a relatively insignificant part of the final extrusion cost, there continues to be a strong demand for extrusion dies.

The Company estimates that the extrusion tooling market in North America is approximately \$U.S. 225 million annually. Exco believes that it is currently the largest supplier in the Canadian extrusion tooling market and that it accounts for approximately 30% of sales in the North American market. The Company believes that it is one of the largest producers of extrusion dies in North America. Exco Extrusion Dies, Inc., located in Michigan, was acquired in 1994 to provide a base from which the Company can advance its penetration of the U.S. market. Sales to the United States are growing due to a focused marketing effort and the Company believes there is opportunity to expand its presence in this market.

The North American extrusion tooling industry is comprised of a few large players and thirty to forty very small operations. These businesses are all privately owned. The North American market has experienced consolidation over the last few years in response to an increasing demand for quality, faster delivery and very competitive pricing which require a significant investment in technology. This trend is continuing although at a more moderate pace. Exco continues to make the investment it believes is necessary to remain a leading supplier in

this market. Given Exco's size and access to capital markets, Exco management believes that it is in a better position than its competitors to prosper under these changing conditions.

Over the last several years extruders of certain aluminium products have moved their operations to China and other low cost locations. These products are typically simple, yet high volume, consumer products distributed through North America by mass retailers such as Wal Mart and Home Depot. Tooling to these extruders, in many cases, was resourced to tool shops located near the new extruding operation. This trend appears to have run its course. Exco has adjusted to this trend by equipping itself to produce more complicated dies for relatively shorter run products used in industrial and commercial construction applications rather than consumer products.

In the last several years steel surcharges have been fluctuating but overall increasing steadily. In 2008, steel surcharges fluctuated dramatically and peaked in the last half of the fiscal year. Subsequently, surcharges have dropped and availability of tool steel is now good.

The market in Central and South America is also significant and should continue to grow as those countries develop their infrastructure and economies. Exports to the United States, Central and South America, Europe, and the Far East collectively represent about 75% of sales of the Company's extrusion technology business. In order to meet strong demand in the United States the Company in 2008 added approximately 25,000 square feet to its existing facility in Michigan.

The Company believes that its best marketing tools are its engineering capability, its broad reputation for quality and reliability and its ability to design, manufacture and ship dies typically within 10 days. Management and marketing is now handled on a divisional group basis with all divisions coordinating their marketing efforts. Sales contact continues to be maintained through each division's engineering department. The Company employs sales agents in Central and South America.

Casting Technology (Exco Engineering, Extec, Edco,)

Structure

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

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

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

Participants in the automotive transmission case and engine block mould-making sector in North America are Exco, Delaware Machinery and Tool Co. and OEM in-house mould shops. For the rest of the mould making sector participants are diverse and generally small owner-operated businesses. Business is derived by quoting in response to customer invitation.

Moulds are produced at the Company's Exco Engineering division in Newmarket, Ontario, and Edco located in Toledo, Ohio. These divisions employ approximately 158 people. Approximately 44 are salaried and 114 are hourly. In December 2007 the Company's Extec division was closed and its equipment was moved to other Company locations or stored pending the construction of a new mould maintenance facility in Querétaro, Mexico. Its production facility was sold in May 2008.

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

Edco was acquired early in fiscal 1995. It is located in a 48,000 square foot facility in Toledo, Ohio. Edco builds and repairs large die cast moulds primarily for the automotive industry. Demand for its products was adversely impacted in the late 1990's by the bankruptcy of a major customer. Since then Edco has focused on developing business with the North American Tier 1 die casting supply base and foreign domestic automakers. It has succeeded in developing a strong relationship with one Tier 1 die caster in particular which accounts for over 50% of its sales. In 2008 sales have been weak and the financial condition of its customers does not promise significant improvement in the near future. Given this fact management may need to give serious consideration to downsizing or closing this business.

In the summer of 2008 Exco decided to establish a mould facility in Querétaro Mexico in order to service the growing number of die casters establishing operations in Central Mexico. The facility will be approximately 15, 000 sq. ft and should be operational by May 2009. The facility will largely utilize equipment made available by the closure of Extec.

Manufacturing Methods

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

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

Exco operates its own 3,500 ton die-casting machine in its Newmarket plant to test customer products. In addition to verifying dies as they are built, the operating experience and data acquired during this testing process is used to resolve production problems for its customers.

Exco's engineers often work closely with the Company's customers during the initial design of the die-cast product. Exco's engineers are not only responsible for design but also are an integral part of the manufacturing processes. They have an ongoing input into manufacturing by means of advising and proposing modes of manufacture and equipment employed. Exco's engineering capability is employed as a successful marketing tool.

Exco's strategy is to work closely with the OEM's to assist in the design of next generation fuel efficient powertrain systems (engines and transmissions) and to locate its operations near its customers. Exco then employs the latest technology in quality assurance with the assistance of CNC co-ordinate measuring equipment, which has been interfaced with the Company's in-house CAD/CAM capability. This interfacing permits a closed loop production cycle in which the components can be initially detailed, using data and specifications supplied by the customer, on the computer, utilizing CAD, and subsequently manufactured and inspected by CNC in conjunction with the CAM capability. Exco has also moved to global sourcing of its specialty steel requirements. This has allowed it to control its steel cost and dramatically reduce delivery time.

Customers and the Market

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

The main application of die casting in the automobile industry is in the manufacture of engine and transmission components such as transmission housings, engine blocks, water pumps, oil pumps, instrument panels and differential housings. With the trend to improving fuel economy, inspired initially by escalating energy costs, aluminium, particularly die cast aluminium, is continuing to be the choice of designers. As a result, aluminium is being used to manufacture an increasing number of automobile components. In addition, recent years have witnessed a migration to magnesium die-casting, which is even lighter weight than aluminium. The Company is also servicing this market and is positioned to grow as this migration continues. The company is also moving its production facilities closer to its North American customers.

The complexity and intricacy of the moulds have increased as designers incorporate more features into the die cast components. Dies have become larger and heavier as multiple

components have been redesigned into single complex castings. It is possible with this moulding process to control tolerances with a high degree of precision.

As quality requirements have increased, the die making and designing process has become increasingly complex and sophisticated. Production time for moulds ranges from 12 to 48 weeks.

The Company estimates that the transmission and engine mould making market in North America is approximately \$130 million annually depending on new programs and how many vehicles are sold in any given year. However, as mentioned previously, the market for other large die-cast components such as engine blocks is increasing as aluminium replaces other materials. The Company believes that it is the largest independent manufacturer of aluminium die-cast moulds in North America. Its competitors are all private companies.

Exco believes that the European and Mexican markets represent a significant opportunity for it currently. In fiscal 2003, the Company completed engine block moulds to be supplied to Daimler-Chrysler in Stuttgart, Germany. Exco has benefited from the commitment of North American automakers to producing six speed transmissions. These transmissions will require the design and production of new moulds. In January 2004 Exco announced that it had received tooling orders for 30 tools for four new six speed transmission programs totalling approximately \$30 million over the next two years. These moulds have been supplied in 2005 and 2006. Throughout 2006 and 2007 Exco was hopeful that it would secure additional business however, the North American OEMs were all in varying degrees of financial distress. This impacted the profitability of our large mould business. In 2008 much design work took place, however, release of production was delayed by growing financial distress among our customers. There are also considerable 6 speed transmission programs to be released in 2009, however, there continues to be considerable uncertainty surrounding the viability of Chrysler and the other North American OEMs.

The delay is coming to an end as customers, in 2007, have released major programs such as the Chrysler Phoenix engine block program to Exco. Exco announced, in June 2007, over \$75 million in new business over the next five years for the large mould business.

Castool

Structure

The Company's Castool division produces consumable components and accessories for light metal die cast machines and extrusion presses. These components and consumables include plunger tips and rings, plunger rods and sleeves for die cast machines and dummy blocks, stems and containers for extrusion presses. All these components relate to the mechanisms in die cast machines and extrusion presses that heat the light metal and deliver it in liquid or semi-solid form to the die or mould. Castool also manufactures accessories and provides consulting services relating to thermal control of these components. Such products include die ovens which heat dies to the appropriate temperature before insertion into extrusion presses and electrical

control devices and panels used to regulate the temperature of containers, shot sleeves and plunger tips.

Castool manufactures these products at its 52,000 sq. ft. state of the art production facility in Uxbridge, Ontario which was built in January 2007.

Manufacturing Methods

Castool designs and manufactures with the use of CAD/CAM and CNC equipment. CNC equipment includes milling/turning centres and horizontal and vertical mechanical turning centres. Castool designs and develops software programs that are primarily related to thermal regulation of the above referenced accessories and components. Castool employs 86 employees of which 28 are salaried and 58 are non union hourly workers.

Customers and the Market

Castool services the same customer base as the Extrusion Technology and Casting Technology businesses. While the latter two business groups focus on marketing dies and moulds that will make a high quality part, the Castool business focuses on making components and accessories that will increase our customers' extrusion press and die cast machine uptime (longer lasting consumable parts) and increasing yields (less scrap).

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

Castool leverages its marketing relationships with the Extrusion Technology and Casting Technology businesses in Canada and the USA. However, it also markets in Europe, Asia, Mexico and South America through sales agents and manufacturer representatives.

Human Resources

The Casting and Extrusion Technology segment has approximately 515 employees, approximately 20% of which are design engineers and technicians.

None of these employees are subject to a collective bargaining agreement and Exco believes employee relations are good. Exco provides rewards to these employees through a combination of financial benefits and personal recognition.

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

Techmire (Discontinued Operations)

During fiscal 2001, the Company purchased Techmire Ltd. Techmire designs and manufactures multi-slide die casting machines for precision zinc and magnesium components used in the electronic, automotive, telecommunications and consumer products industries. It also designs and manufacturers moulds for these machines. During fiscal 2002, Techmire completed the research and development process for multi slide magnesium die-casting machines, which operate much faster and can produce a broader range of casting products than conventional systems. Throughout 2004 some 20 machines were sold, primarily in Asia. The magnesium machine was, in 2005, upgraded and marketed throughout the world. These machines were primarily designed to produce structural parts. In 2006 it was adapted to the manufacture of high polish, thin walled magnesium parts for use in cell phones and other electronics applications. The Company also attempted to apply this technology to aluminium die-casting. Prototype completion was completed in mid fiscal 2006. The results, although helpful in advancing Exco's understanding of multi slide aluminium die casting, was not sufficiently promising to warrant continued development of this technology.

The market for Techmire's core product – zinc die-cast machines –stabilized in fiscal 2007 after several years of contraction. In the last few years North American die-casters have been closing or migrating production to low cost locations such as Asia. This made it more expensive for Techmire to obtain and thereafter service these accounts from Montreal. Also, demand for zinc components declined as the properties of other lighter metals such as magnesium and aluminium are more desirable for electronic and communication products. The magnesium development programs discussed above were designed to improve the competitive position of our customers' and increase their share of the die casting market.

In 2006 Techmire completed construction of a new production facility in Montreal, Quebec. This facility is approximately 85,000 square feet and employed on September 28, 2007 approximately 65 people. As a result of this business' poor performance in the last several years and the impact of the persistently strong Canadian dollar management sold the assets of this business (excluding the production facility) on September 28, 2007 in an all cash deal for \$4.6 million plus the assumption of \$2.1 million in trade payables, accruals and other liabilities.

The sale transaction involved an escrow arrangement whereby \$500,000 of the sale proceeds was deposited into a trust account for a period of one year as security for various representations and warranties given by the Company. In October 2008 the full amount of the trust account was released to the Company and no claims have been asserted against the Company. The production facility is currently held for sale and is being actively marketed.

AUTOMOTIVE SOLUTIONS

Exco operates four businesses in the Automotive Solutions segment; Polytech, Polydesign SARL, Neocon International (acquired after year-end, on October 1, 2002), and Neocon USA (formerly Exco Advanced Products). Polytech and Polydesign are leading, world-class providers of flexible restraint and storage solutions for the global automotive market. Neocon manufactures and designs trays and rigid cargo organizer products for the OEMs.

Neocon USA, while continuing to manufacture advanced ceramic products is also supplying trays and rigid cargo organizer products to OEMs in the automotive cluster in southeastern USA.

Polytech and Polydesign

Structure

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

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

In North America these products are manufactured by Polytech. They are designed and engineered at its offices in Troy, Michigan, manufactured in Matamoras Mexico and then mostly shipped to its warehouse in Brownsville Texas for pick up by customers. The Matamoras facility is located in a free trade zone with the USA. Accordingly, raw material and equipment is shipped to Matamoras duty free, converted to finish product and shipped back to the US market duty free. A small portion of Polytech's products are sold to customers in Mexico. Polytech employs approximately 677 people.

Polydesign commenced production in 2002. Its products are designed, engineered and manufactured at its facility in Tangier, Morocco. Polydesign has the same capabilities as Polytech and in addition, has the capability of manufacturing seat covers. Products manufactured by Polydesign in Tangier, Morocco are then shipped directly to Europe by overland freight utilizing commercial ferry to cross the Straights of Gibraltar and the English Channel, if required. Polydesign is located in a free trade zone with the European Economic Union. Accordingly, products can be shipped duty-free to member countries. Polydesign employs 628 people.

Since 2007 Polydesign engaged in full commercial production of seat and headrest covers. These parts are made by cutting either fabric or leather and sewing the cut part into a final shape specified by the customer. The cover is then packaged and shipped to Tier 1 seat assemblers who fit the cover over preformed seating foam or inject liquefied foam into the headrest cover which then expands to fill the cavity.

Manufacturing Methods

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

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

Polydesign completed construction of a 100,000 square foot manufacturing facility in April 2002. It employs similar manufacturing processes as those carried out by Polytech and described above, however, has a greater emphasis on 'cut and sew' products and has recently launched seat cover and headrest business. The Tier 1 customer or 'directed source' supplier supplies seat cover fabric to Polydesign. Polydesign cuts and sews the fabric to precise dimensions and ships the seat covers back to the Tier 1 in Europe for assembly. Polydesign has also begun leather wrapping of steering wheels and expects to expand its capabilities to include manufacturing of automotive door panels.

Customers and the Market

Flexible storage systems were first introduced into the market in the mid-1980's. Polytech developed the netting for those first applications more than a decade ago. Polytech's products can be found in hundreds of different automotive models on the roads today.

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

Polydesign was established to penetrate the European market. Prior to the establishment of Polydesign, the European market was supplied by Polytech from Mexico. Given the size of the potential market, warehousing, shipping and duty charges, Exco determined that a facility

closer to the European market was necessary. Tangier, Morocco was chosen because of its proximity to Europe, its free trade agreement with the European Economic Community, the skills of its people, competitiveness of wage rates relative to Europe and the stability of its government.

Exco believes that the size of the European market is as large as or larger than the North American market. Since the introduction of seat and headrest covers at Polydesign its sales have exceeded Polytech levels owing to the high raw material content involved. Given the advantages offered by the Tangier, Morocco location, the manufacturing skills of Exco, and the successful launch of new seat cover business Exco is confident about Polydesign's future. An addition of approximately 80,000 square feet is currently underway and should almost double the current capacity of Polydesign.

Human Resources

Polytech's manufacturing operations are carried out in Matamoras, Mexico. There are currently 502 unionized employees and approximately 135 salaried employees at this location. Polytech also has 30 salaried employees in the USA. The hourly employees are represented by the Sindicato De Jornaleros Y Obreros Industriales De La Industria Maquiladora. The monetary provisions of the collective agreement expire in January 2009. The Company expects the negotiated settlement to be in line with its plans. It is required in this region of Mexico for employees of organizations of this size to be represented by a national union.

Polydesign, operating from Tangier, Morocco, employs approximately 628 people, of which 553 are hourly and 75 are salaried. The work force is very stable and is not unionized. The nature of Polydesign's operations, working with textiles, is a common trade of the Moroccan people and, accordingly, the work force is well suited to Polydesign's operations.

Neocon

Structure

Neocon manufactures and designs plastic thermoformed trays and blow moulded automotive cargo organizer systems. Neocon has three product categories: cargo organizer systems, interior convenience products, and flooring and protective systems. The cargo management system focuses on organization, protection and flexibility to divide space within the open cargo area of sport utility vehicles, vans and trucks, as well as open trunk spaces in cars.

Interior convenience products include door pockets and consoles. These products have features such as pre-formed and lockable compartments, highly engineered materials (non PVC), and styles and grains to complement vehicle interiors.

Flooring and protective systems provide a custom cargo area fit, low rise retaining walls for containing fluids, and flexible and friction enhanced materials that are easy to clean.

Neocon's products are designed, engineered, and produced at its full service facility in Dartmouth, Nova Scotia. Neocon employs approximately 81 people of which 50 are hourly and 31 are salaried.

Manufacturing Methods

Neocon's manufacturing is carried out in a 90,000 square foot facility. Product design and engineering use state of the art CAD systems, which fully support solid modeled parts and assemblies. The primary processing includes heavy gauge thermoforming with secondary assembly of injection and blow moulded components as well as other unique OEM compression moulded panels and assorted hardware. Neocon experiments extensively with different gauges and blends of material in order to optimize the look and feel of the product and has recently expanded its product offering to include carpeted materials.

Customers and the Market

Neocon was founded in 1993 in response to the growth of sport utility vehicles in the North American automotive market. The primary customers for Neocon's products are foreign domestic OEMs, and, to a lesser extent, North American OEMs.

Neocon's product line complements the flexible storage products offered by Polytech and Polydesign and further strengthen the Automotive Solutions segment. The Company believes that the consumer trend to conveniently organize and store items in vehicles will result in further growth in the market. Throughout the year gas price increases have increased dramatically and dampened demand for full size SUVs and trucks. Neocon however, continues to gain new programs as it adapted its market strategy to crossover utility vehicles (CUVs) which have achieved high market acceptance. Throughout the year raw material costs have also risen while the strong Canadian dollar has put pressure on revenue which is mostly denominated in US dollars. Neocon has responded by developing plastic sheet blends that are lighter, stronger and less costly and sourced sheet and other inputs in US dollars. It has also improved its product offering to include alternate materials with a carpet finish as opposed to plastic.

Neocon USA

Structure

Neocon USA was created to design and manufacture advanced material products with a 46,800 square foot manufacturing plant located in Huntsville, Alabama. Its proprietary cold isostatic compaction process employs patented technology to produce powdered material components. Neocon USA has effectively limited this technology's application to a niche ceramic compaction market which, while profitable, is not intended to grow significantly. This application is non automotive and is organized as a tolling operation.

In fiscal 2004 Exco introduced into this facility assembly of rigid cargo systems of the type described above for Neocon. Blow moulding was introduced into this facility shortly

thereafter. Given the growing volume of business that the Neocon businesses have been generating, integrating the production of blow-moulded parts was expected to reduce operating costs. Also thermoforming was introduced to this operation in 2007. However, disappointing volumes on numerous Chrysler programs in particular and rising raw material costs led to losses in recent years. This has led to significant overhead reductions in late 2008. The 'Manufacturing Methods' and 'Customers and the Market' characteristics of Neocon USA are the same as those described in the Neocon section above. Neocon USA has 22 non union employees of which 17 are hourly and 5 are salaried.

OUTLOOK

See the Section entitled 'Outlook' in the MD&A of the Company's 2008 Annual Report.

HISTORY OF THE COMPANY

Background

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

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

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

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

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

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

Acquisitions & Divestitures

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

In the first quarter of fiscal 1995, the Company completed the purchase of Edco, Inc. ("Edco"), located in Toledo, Ohio. Edco manufactures and repairs transmission case moulds, and is strategically located for servicing the market for these products. The purchase price was \$2,700,000 and was financed by the issuance of 425,602 (adjusted for stock dividend) Exco common shares to the vendor and cash of \$380,000. In addition, Edco's debt totalling \$1,300,000 was assumed.

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

In September 2000, the Company purchased TecSyn International Inc. ("TecSyn"). Prior to purchase by Exco, TecSyn was a public company traded on the Toronto Stock Exchange. TecSyn manufactured automotive restraint, storage and other automotive interior components. The purchase price was \$50,100,000 and was financed with a combination of existing cash resources and the Company's operating lines. This acquisition introduced the Automotive Solutions segment to the Company's operations. The details of net assets acquired are disclosed in Note 2 to the Company's consolidated financial statements included in its 2000 and 2001 annual report.

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

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

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

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

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

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

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

The purchase price of Bantech, including transaction costs of \$189,000, was \$2,189,000. In addition, the Company assumed debt, net of cash, of \$2,371,000. This transaction was

financed by the issuance of 265,746 (post-stock dividend) shares valued at \$2,000,000 (\$7.54 per share).

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

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

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

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

In 2008 the Company also initiated two other construction projects which are still underway. In Morocco, Polydesign is adding 85,000 sq.ft. to its existing 100,000 sq. ft. production facility at an estimated cost of \$4.0 million. This addition should be complete in the first half of fiscal 2009.

The Company is also constructing a new 15,000 sq. ft large mould maintenance facility in Querétaro Mexico at an estimated cost of \$1.5 million. This facility will utilize equipment made available by the closure of Extec. The Extec large mould business was closed in December 2007. The production facility was sold in May 2008 for \$3.4 million including a mortgage back for \$600,000. For further details see the Company's 2008 Annual Report, 'Dispositions' and Note 18.

MATERIAL CONTRACTS

The only material contract outside the normal course of business is the sale of the assets of Techmire. For further information in this regard refer to Note 15 to the 2007 Financial Statements.

DIRECTORS AND OFFICERS

As at December 15, 2008 the Directors and Officers of the Company were as follows:

Name	Period of Service	Common Shares Owned or Controlled
Brian A. Robbins, Director Aurora, Ontario President and Chief Executive Officer Exco Technologies Limited	January 1972 to date	9,301,158
Geoffrey Hyland, Director ^{1,2} Caledon, Ontario Corporate Director	January 2001 to date	141,400
Richard McGraw, Director ^{1,2,3} Toronto, Ontario Chairman of the Board, Exco President Lochan Ora Group of Companies	January 1992 to date	163,900
Laurie Bennett ^{1,2} Mississauga, Ontario Retired Partner Ernst & Young, LLP	January 2005 to date	18,500
Peter van Schaik ^{2,3} Aurora, Ontario Chief Executive Officer Van -Rob Inc.	April 2007 to date	0
Stephen Rodgers ^{1,3} Holland Landing, Ontario President GS Global Solutions	October 2006 to date	0
Paul Riganelli Toronto, Ontario Vice-President, Finance and Chief Financial Officer Exco Technologies Limited	January 2004 to date	33,500

Paul Robbins Markham, Ontario General Manager, Castool division	May 1975 to date	1,263,050
Jan M. Tesar Richmond Hill, Ontario President, Casting Technologies	October 1986 to date	449,190
Bonnie Cartwright Markham, Ontario President, Exco Tooling Solutions Group	November 1981 to date	72,154

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

As at December 15, 2008 the directors and officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over, approximately 28% of the common shares of the Company. All directors are residents of Canada.

AUDIT COMMITTEE COMPOSITION AND QUALIFICATIONS

The Audit Committee is composed of Laurie Bennett (Chairman), Stephen Rodgers, Geoffrey Hyland, and Richard McGraw. All members have been determined to be independent and financially literate by the Board of Directors.

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

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

Audit Fees -For the 2008 fiscal year, the Company was billed the following aggregate fees by its external auditors, Ernst & Young LLP:

	2007	2008
Audit Services	\$287,500	\$299,000
Audit Related Fees	\$ 37,600	\$ 2,000
Tax Fees	\$ 11,160	\$ 12,000
All Other Fees	<u>\$ 12,000</u>	<u>\$ 35,000</u>
Total	\$348,260	\$348,000

RISK FACTORS

The risk factors relating to the Company and its businesses are discussed in detail in the MD&A at the section entitled 'Risks and Uncertainties' in the 2008 Annual Report.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and the principal holders of Exco's securities and options to purchase securities is contained in the most recent information circular of Exco prepared in connection with the annual meeting of shareholders held on January 28, 2009. Additional financial information is provided in Exco's Financial Statements and MD&A. Also additional information is available on SEDAR at www.sedar.com.

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

Readers are cautioned not to place undue reliance on forward-looking information and statements as there can be no assurance that the assumptions, plans, intentions or expectations upon which these statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed, implied or anticipated in the forward-looking information and statements. Information concerning the risks, uncertainties and assumptions are described in the "Risks and Uncertainties" and "Outlook" sections of this Management's Discussion and Analysis in our 2008 Annual Report and in other reports and securities filings made by the Company. More information, including Exco's Annual Report, is available at www.sedar.com or from Exco.

While Exco believes that the expectations expressed by such forward-looking statements and the assumptions underlying such expectations are reasonable, there can be no assurance that they will prove to be correct. In evaluating forward-looking statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking statements. The Company disclaims any obligation to update publicly or otherwise

revise any such factors or any forward-looking information or statements contained in this document to reflect subsequent information, events or developments, changes in risk factors or otherwise.

SCHEDULE A

AUDIT COMMITTEE CHARTER

I. Purpose of Audit Committee

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

II. Audit Committee Composition and Meetings

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

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

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

III. Audit Committee Responsibilities and Duties

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

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

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

Review Procedures

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

6. Review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's view to the Board of Directors.

External Auditors

7. The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall oversee and review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors and their compensation or approve any discharge of auditors when circumstances warrant.
8. Approve the fees and other significant compensation to be paid to external auditors.
9. Pre-approve all non-audit services provided by the external auditors to the Company and its subsidiaries, as services are required. The Audit Committee may pre-approve non-audit services from time to time. If it does so it shall establish policies for such pre-approval provided no such pre-approval will exceed the amount of \$25,000 in any fiscal year.
10. On an annual basis, the Committee will review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditor's independence.
11. Review and approve the Company's hiring policies regarding former and present partners and employees of the Company's external auditors.
12. Review the external auditors' audit plan and discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach.
13. Prior to releasing the year – end earnings, discuss the results of the audit with the external auditors. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.
14. Consider the external auditors' judgements about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

Internal Audit Department and Legal Compliance

15. Review and approve management's decisions related to the need for internal auditing.
16. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or government agencies.

Dispute Resolution and Complaints Procedure

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

Other Audit Committee Responsibilities

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