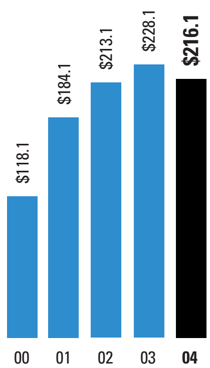
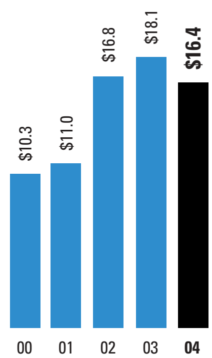
EXCO TECHNOLOGIES LIMITED **2004** ANNUAL REPORT

Financial Highlights

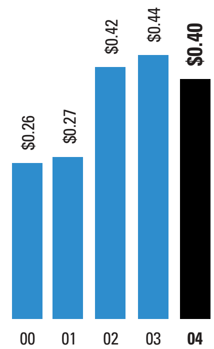
Sales*
($ millions)



Income*
($ millions)

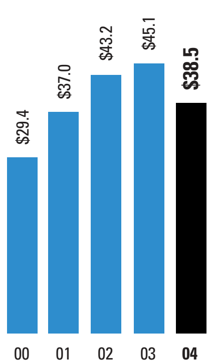


Diluted earnings per share*

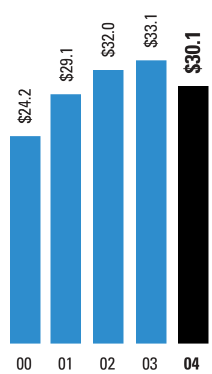


These graphs illustrate Exco's strong financial performance. Since 2000, compound annual growth is 16% and 15% for sales and net income, respectively.

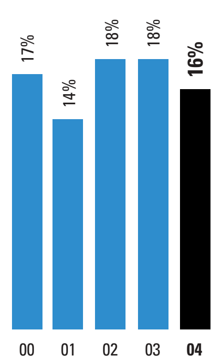
EBITDA*°
($ millions)



Cash flow from operations*
($ millions)



Return on capital employed*



*From continuing operations

°EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations: taxes, net interest, depreciation and amortization.

We have a smart, integrated and strategic plan in place to meet our goal of becoming a half-billion dollar company by 2010. By building on five key drivers, Exco will continue to meet or exceed the expectations of our customers, employees and our shareholders.

AT A GLANCE

Exco Technologies is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 13 strategic locations, we employ 1,950 people and service a diverse and broad customer base.

CASTING AND EXTRUSION TOOLING SOLUTIONS

casting

Exco Engineering

Products & Services: From prototype dies to production tooling, Exco dies are designed for casting quality, cost effectiveness, productivity, uptime and ease of maintenance. Exco Engineering incorporates innovative concepts and patented features into the design of its dies. Interchangeable subassemblies, pioneered by Exco, target customer requirements for competitively priced tooling, maintenance ease and reduced spare parts inventory.

Location: 135,000 sq. ft. facility – Newmarket, Ontario

Customers/Markets: Exco's target market is all major automakers. Exco supplies tooling to Canada, United States and Europe.

Edco

Products & Services: Edco supplies medium to large die-cast dies to all major automakers. Edco's goal is to develop concepts and solutions to enhance the value of the die over its lifetime. Edco creates 3-dimensional solid models of their assembled tool, which provide the basis for each phase of the build process including analysis, design, manufacturing, inspection and assembly.

Location: 45,000 sq. ft. facility – Toledo, Ohio

Customers/Markets: Edco's customers are domestic and foreign domestic automakers in North America.

extrusion

Exco

Products & Services: Exco is the largest supplier of extrusion dies in North America and a major force in the extrusion industry. Exco's manufacturing facilities are unmatched, and because of this, Exco is able to provide dies that are designed to produce high quality, precision extrusions at maximum speed. Exco's production procedures ensure the quality of its dies is world class.

Location: 36,000 sq. ft. facility – Markham, Ontario

Customers/Markets: Exco serves customers primarily in North America in the construction, electronics and automotive industries.

Exco USA

Products & Services: Exco USA replicates the abilities of its sister company in Canada enabling it to be more responsive to our growing U.S. customer base. Exco is well positioned near Detroit, Michigan, which allows it to respond rapidly to the ever-shrinking lead times in the industry.

Location: 36,000 sq. ft. facility – Chesterfield, Michigan

Customers/Markets: Exco USA serves customers primarily in North America in the construction, electronics and automotive industries.

AUTOMOTIVE SOLUTIONS

Polytech

Products & Services: Polytech produces flexible restraint and storage systems for the automotive sector. Its products include cargo nets for trunks and storage nets for the back of driver and passenger seats.

Locations: 10,000 sq. ft. engineering facility – Troy, Michigan

100,000 sq. ft. manufacturing facility – Matamoros, Mexico

Customers/Markets: Polytech services all domestic and foreign domestic automakers in North America.

Polydesign

Products & Services: Polydesign replicates our Polytech division to serve the European market for the flexible restraint and storage system product lines. Polydesign has leveraged its unique capabilities to expand its product offerings to include seat covers, tire covers, and many other innovative storage solutions.

Location: 75,000 sq. ft. facility – Tangier, Morocco

Customers/Markets: Polydesign services major OEMs and Tier 1 companies in Europe.

Extec

Products & Services: Extec supplies small- to medium-size die-cast dies to all major automakers and automotive industry suppliers. Extec supports complete design, development and testing capabilities to fulfill the die-cast product cycle.

Location: 25,000 sq. ft. facility – Markham, Ontario

Customers/Markets: Extec's customers are domestic and foreign domestic automakers and their suppliers in North America.

Techmire

Products & Services: Techmire is the world leader in the design and manufacture of multiple-slide die-casting systems for precision components in zinc, lead and magnesium alloys. Techmire has full turnkey system capability, including design, manufacture, testing and installation of die-casting machines and tooling, training of customers' operators and maintenance personnel, and comprehensive after-sales service.

Location: 85,000 sq. ft. facility – Montreal, Quebec

Customers/Markets: Techmire supplies a variety of customers in the electronics, automotive, telecommunications, construction and consumer products industries, in more than 30 countries.

Alu'Die

Products & Services: Alu'Die has grown to be a leading supplier of extrusion dies in North America as well as an exporter to more than a dozen countries abroad. Alu'Die is the choice of aluminum extruders because of their ability to assist their customers in achieving maximum productivity. The new Alu'Die plant houses the industry's most advanced computer-driven facilities for designing and producing extrusion dies.

Location: 45,000 sq. ft. facility – Newmarket, Ontario

Customers/Markets: Alu'Die is a global supplier to customers in the construction, electronics and automotive industries.

Castool

Products & Services: Castool provides essential production tooling required by both extruders and die-casters. Castool tooling is found almost everywhere that aluminum extrusion or die-casting is done around the world. Castool is at the forefront of technological development and holds several critical patents to protect this intellectual property.

Location: 38,000 sq. ft. facility – Scarborough, Ontario

Customers/Markets: Castool is a global supplier to customers in the construction, electronics and automotive industries.

Neocon

Products & Services: Neocon is a designer and manufacturer of cargo management systems for all major automakers. Neocon has focused on interior products that provide interior convenience and protection such as flooring products, multi-positional dividers, pre-formed and lockable compartments and much more.

Location: 90,000 sq. ft. facility – Dartmouth, Nova Scotia

Customers/Markets: Neocon services all major domestic and import automakers in North America.

Neocon USA

Products & Services: Neocon USA is an extension of our Dartmouth, N.S. facility. Neocon is a manufacturer of cargo management systems for all major automakers. Neocon USA has added state-of-the-art thermoforming and blow moulding equipment to enhance its capabilities in supplying interior convenience, protection products and flooring solutions.

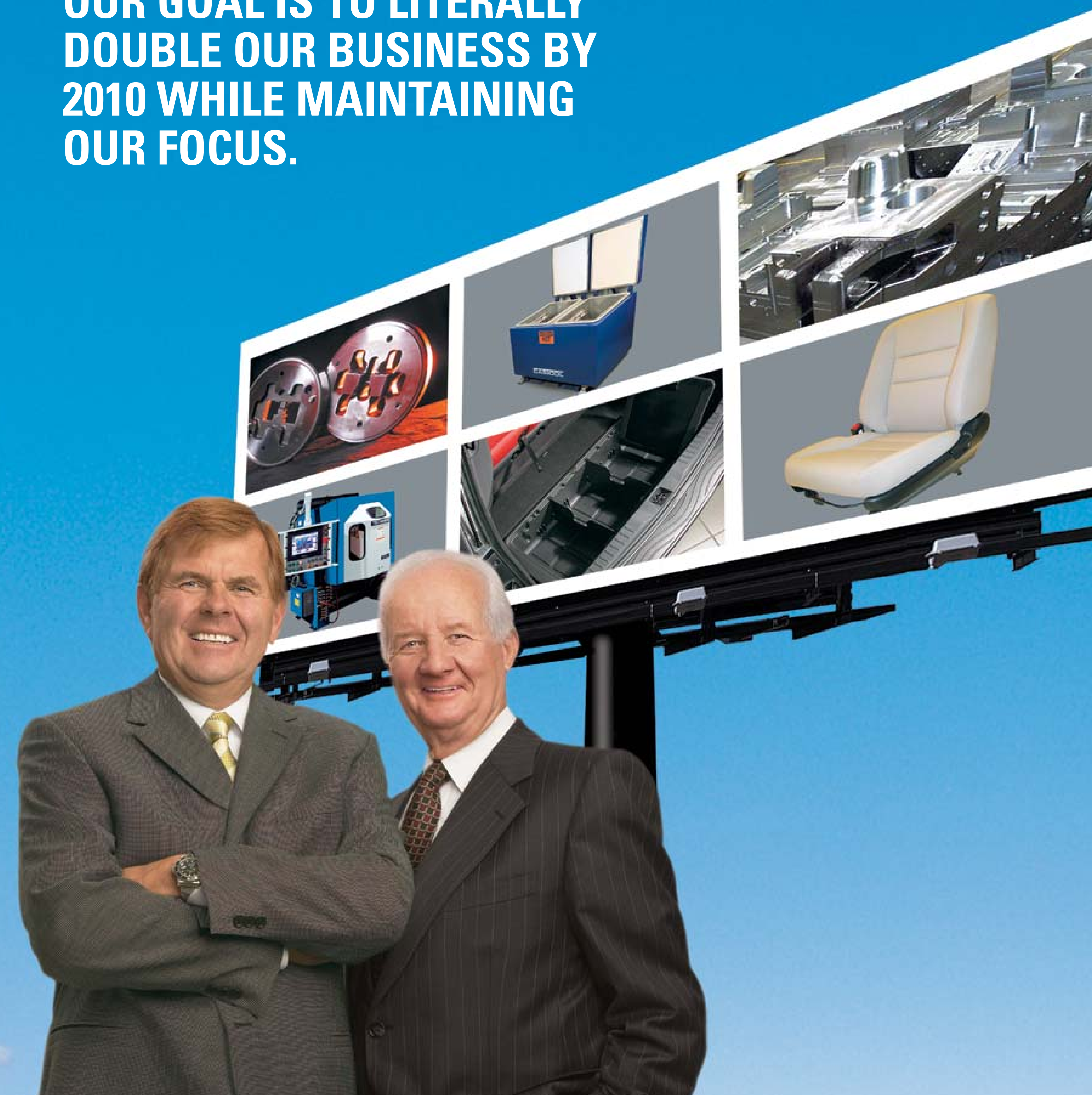
Location: 50,000 sq. ft. facility – Huntsville, Alabama

Customers/Markets: Neocon services all major automakers in North America.

Brian A. Robbins
President and
Chief Executive Officer

Helmut Hofmann
Chairman

OUR GOAL IS TO LITERALLY DOUBLE OUR BUSINESS BY 2010 WHILE MAINTAINING OUR FOCUS.



Our goal is to become a half-billion dollar company by the year 2010. While this is a very bold statement, it is intended to communicate the aggressive plans to build on our existing businesses and acquire new platforms for growth. This annual report will provide some insight into how we plan to achieve our goals and create the future Exco.

In fiscal 2004, we maintained our profitability and continued to implement our growth strategy while successfully addressing a number of challenges. We came under relentless price pressure from our customers. We had to deal with raw material price increases and surcharges. Perhaps most daunting, we dealt with fluctuating exchange rates by diligently reducing costs and managing a more focused labour force. Naturally, these events impacted margins and resulted in our volumes remaining steady rather than growing. By anticipating and proactively dealing with these realities, Exco succeeded in having a year that we would characterize as satisfactory. However, there is much work to be done moving forward.

Our goal is to literally double our business by 2010 while maintaining our focus and, above all, our margins. A combination of strategic acquisitions and disciplined organic growth will get us there, just as it has in the past four years, during which time we also doubled our business.

Acquisitions will continue to drive growth

Acquisitions will continue to be an important part of the growth story at Exco. Our track record on acquisitions has been excellent, with only one disappointment. In the past ten years, we have made five very successful acquisitions that have enhanced our existing businesses and opened new complementary business frontiers.

In fiscal 2003, we acquired Bantech Lasing, a start-up company that in the end did not fit our game plan for growth. In August 2004, we disposed of this business and incurred a one-time write down. While disappointing, we demonstrated the discipline to recognize our mistakes and take quick decisive action.

We are committed to having new acquisitions contribute up to 50% of our growth over the next five years. We have learned something from each acquisition and are moving forward with formalized criteria for selection. The target company must have a proven track record, be well managed and be accretive. It must be related to our core businesses and should be located, or suitable to be relocated, if necessary, in a jurisdiction that enables us to take advantage of lower costs. Finally, the business must have both continued growth opportunity and the potential to become a "best in class" operation. With the strength of Exco's balance sheet and its significant free cash flow, the company has the capacity to complete several "tuck in" acquisitions and/or a very large transaction.

Re-inventing the way we do business to achieve organic growth

The other strategy for growth is organic, where we are confident we have several exceptional opportunities. This year, to re-energize our extrusion tooling business, we launched a comprehensive plan that introduced fundamental structural changes and realigned our divisions to emphasize branding and a focused marketing strategy. With increased alignment between the divisions and the implementation of more sophisticated and integrated systems, we expect to double our North American market share to 40% in five years.

Building on innovation to create new opportunities

Techmire is a world-class small part die-cast machine manufacturer located in Montreal. Historically, the U.S. has been Techmire's largest market, but a combination of currency fluctuations and migration of manufacturing business to the Far East motivated management to dramatically revise the business plan. During the past few years, Techmire has significantly reduced its operating costs, acquired new customers in Asia and continued to develop new innovations for its machines to maintain its technical leadership. We are also in mid-construction of a new plant in Montreal, which will facilitate new economies and efficiencies in our manufacturing process.

In response to the new global trade realities, Techmire initiated a joint venture in the People's Republic of China to both market and service existing machines. To increase market penetration Techmire is concurrently redesigning equipment to better suit the requirements of this emerging market. China represents a substantial growth opportunity for us, as much of Techmire's equipment is employed in the production of electronic components, and the lion's share of world consumption is assembled in that country.

A notable example of utilizing R&D to further organic growth is Techmire's development of a hybrid hot chamber aluminum die-casting machine. This would truly represent a disruptive technology in the world of aluminum die-casting. Its design is expected to enable accelerated cycles of relatively porosity-free die-casting. The benefit is greater productivity with far fewer rejects, just what our customers are demanding. We anticipate having a working prototype of this technology by mid 2005. If this patented technology proves successful, we intend to extrapolate this solution to larger castings such as transmission cases and pump housings. This would obviously have a highly positive impact on our die-cast tooling business.

The management of Techmire is nimble and very determined to make its contribution to Exco's organic growth plan by being highly responsive to its global customer base with continuous innovation.

Staying competitive by adapting to new market realities

Exco acquired the core of the Automotive Solutions group in 2000. Over the last four years, this group has grown 50% by a combination of organic growth and acquisition and it has new opportunities, which give it potential to sustain this growth rate.

Our facility in Matamoros, Mexico continues to grow and thrive. Additionally, our greenfield venture in Morocco, which is patterned after our Matamoros facility, is now profitable and building a substantial backlog with European automobile manufacturers. I am confident that this unit will match or exceed our Mexican operation in the next several years.

Given today's market realities, we must compete with Asian competitors and do so successfully. Both Mexico and Morocco are low-cost jurisdictions and, as such, are ideal for meeting these competitive pressures. Further, our experience in these markets has proven that we can achieve both low costs and high quality standards. We will continue to capitalize on our experience in the future.

Our Neocon facility in Dartmouth, Nova Scotia has doubled in size since we acquired it in 2002 and achieved 50% growth in 2004. As a defence against the devaluing U.S. dollar and to be more responsive to a large customer, management has established an operation in Huntsville, Alabama.

Several factors contribute to this division's potential for continued growth. Neocon's products have a low percentage labour content and therefore continue to be competitive. Although neither Nova Scotia nor Alabama are low-cost in the sense of Mexico, Neocon has developed highly efficient manufacturing processes, which keep the labour component under control.

Another way Neocon has remained more than competitive is by developing new products quickly and regularly listening to customers' needs. We have recently formed a focus group among these divisions to design and develop complete integral storage systems for SUVs and passenger vehicles for both North American and European markets. By coupling our engineering and diverse manufacturing capabilities, we will continue to develop innovative storage solutions and drive further organic growth.

Our people are the key to success

Finally, the key to continued success and growth is our people! We currently employ approximately 1,950 people in 13 strategically located facilities in Canada, U.S., Mexico and Morocco. We pride ourselves in having a stable, dedicated and skilled work force, with employees who share in our success as shareholders.

In order to lay the foundation to support our continued growth, we have enhanced communication procedures and embraced new practices to involve employees. We have incorporated employee surveys, employee newsletters, management retreats, and formalized training programs into our culture to ensure that our employees can contribute to Company growth and remain aligned with Company plans.

Of course, it is our customers that make all this possible. We can only succeed if they succeed! We have a partnership attitude with our customers, and are committed to providing the right equation of cost, quality and delivery that each industry demands.

In closing, we wish to thank our employees for their dedication, our customers for their support, our directors for their guidance and our shareholders for their confidence. We are well along the road to meeting our milestones for growth and I look forward to reporting in 2005 on our progress towards our half-billion dollar goal.

Brian A. Robbins (SIGNED)

Brian A. Robbins President and Chief Executive Officer

Helmut Hofmann (SIGNED)

Helmut Hofmann Chairman

No. 1

REFOCUSED MARKETING STRATEGY

We are making great strides forward as we "re-invent" the way we do business by capitalizing on our experience and vision within the organization. Our new Extrusion Tooling Solutions group, for example, brings new synergies to our marketing efforts.

IN EXTRUSION

Refocused on creating greater synergies

Exco is the predominant player in the extrusion tooling market. Our three extrusion divisions, Alu'Die, Exco Canada and Exco USA, continue to grow by gaining market share. However, in today's world of rapid change and challenge, simply maintaining the status quo, albeit with minor improvements, will not be enough to take our business to the next level.

In fiscal 2004, Exco refocused the minds, talents and energies within our three divisions and launched a major "re-invention" initiative with the goal of changing their business paradigms and escalating opportunities for growth. We brought a re-energized synergy to the divisions by creating a new alliance and branding them under the Extrusion Tooling Solutions group.

The sum of the parts is greater than the whole

One of Exco's strengths has always been the autonomy of these divisions. We realized, however, it was a double-edged sword, as it did not empower the divisions to capitalize on the significant marketing strength of the group as a whole.

With a new overarching mandate, the marketing group is moving forward with a refocused strategy to deliver more sophisticated solutions to the large consolidated customer. They are leveraging the considerable advantages of their talented people, range of excellent products and geographic diversity to ramp up service and drive additional organic growth.

IN AUTOMOTIVE SOLUTIONS

Refocused on increasing customer responsiveness

Within the Automotive Solutions group, our focus has always been the customer. In this dynamic, constantly evolving environment, building and sustaining outstanding customer relationships is critical. We continuously work toward improved product concepts, quality and pricing and overall satisfaction. We actively seek new business with our automotive customers, becoming an active partner in transforming their product vision into a competitive reality.

We constantly refocus on our capabilities to make our customers' lives easier. For example, a few years back at Polytech, we only offered netting products. By listening to our customers, we refocused and broadened our product line to include enhanced storage solutions such as storage bags and plastic moulded parts, as well as shift boots and other accessories. By being agile and responsive to our customers, we drive growth.

Delivering greater product range at Polydesign in Morocco

We leveraged our experience from our Mexican facility to establish Polydesign in Morocco to serve the European market with our netting products. The demands of the European and Asian customers have been unique. In response, we have quickly refocused this group to better leverage our textile skills to bring new products such as seat covers and tire covers to the industry as well as our netting and other storage solution products.

No. 2

GATEWAY TO NEW MARKETS

Product innovation

A critical gateway for entering and succeeding in new markets has always been our advanced product offerings. Exco has the product development capabilities, new technologies and technical resources required to take our business to the next level of growth.

For example, building on the success of Neocon, located in Dartmouth, Nova Scotia, we launched Neocon USA in Huntsville, Alabama. We are utilizing a facility formerly occupied by Exco Advanced Products, a small division which has been incorporated into the Neocon business. Now, in addition to this facility's existing isostatic pressing capability, Neocon has introduced thermoforming and state-of-the-art blow moulding capabilities, opening up a myriad of new product opportunities and market opportunities.

Geographic reach

Exco's geographic diversification has also been pivotal to broadening our reach. Polydesign is a prime example of our commitment to achieving new growth opportunities by becoming a global company. With our expansion into strategically significant Morocco, Polydesign is taking advantage of its free trade zone status with the European Union to provide a gateway to new opportunities. The United States also has a free trade agreement, which will allow us to manufacture in Morocco and bring products into the U.S. This gives Exco extraordinary flexibility to maximize our capacity between our facilities in Mexico and Morocco and our North American operations and create new gateways to exciting new markets.

A new gateway for Techmire in China

A brand new gateway opened up for Exco this year. Techmire concluded the signing of a Memorandum of Understanding with a leading manufacturer of die-casting machines in the People's Republic of China to form a Joint Venture. This alliance will enable us to market Techmire's multiple-slide die-casting systems in China, and to provide after-sales service. Initially, Techmire systems will be customized for the Chinese market with the expectation that we will undertake assembly of Techmire systems in China as we move forward. Training of Chinese marketing specialists and technicians also commenced in fiscal 2004. We regard China as a medium-term business development opportunity providing us with an all new market for Techmire products and expertise.

With industrial output in Eastern Europe surpassing that of Western Europe and North America by a large margin in recent years, Techmire is exploring new gateway opportunities here, particularly in the Czech Republic and Turkey.

This fiscal year, we achieved strong validation of our strategy to further globalize our operations to gain gateways to new markets and market share, with a new presence in China, and strong growth in both Mexico and Morocco.

No. 3

ACQUISITIONS

A continuing focus on making strategic, highly focused acquisitions that will create new product and geographic gateways will be fundamental to achieving our goal to become a half-billion dollar company by 2010.

A strong track record of growth through acquisitions

Exco is a growth-oriented company. A key driver of our platform to double the size of our organization over the next five years is to continue building on our strong track record of successful acquisitions. In fiscal 2003, we acquired Bantech Lasing division. Unfortunately, it did not live up to our expectations on a number of fronts and we divested ourselves of this business. While this was a disappointing event, and not reflective of our past efforts, Exco remains committed to making strategic acquisitions based on criteria that are consistent with our strategy for growth and shareholder expectations. Our criteria for making future acquisitions have now been formalized by an executive committee. Exco's focus for achieving our goal for growth in the nearer term will be in the Automotive Solutions arena. However, we would also consider opportunities in our extrusion and die-casting businesses, if the right opportunities presented themselves.

Achieving organic growth is more than a cost cutting exercise. For Exco, it is about raising the bar on everything we do, never settling for the status quo and always believing in the spirit of innovation.

No. 4

ORGANIC GROWTH




Exco has significant opportunities for organic growth
Exco is constantly exploring new opportunities for organic growth. One way we are doing this is by achieving more growth within existing markets. Exco initiated a comprehensive and sweeping analysis of the extrusion market in North America this fiscal year. Even though we are number one in this market, we discovered there is still a significant potential for growth thanks to our new insights into the size and scope of our customer base. We have since rededicated resources and refocused our marketing strategy to capitalize on what we believe to be opportunities that could double our sales over the next five years.

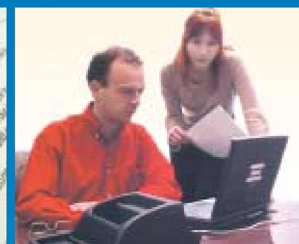
Another way we drive organic growth is by creating new product innovations. Techmire is focusing on research and development of larger die-casting machines which utilize its patented multiple-slide die-casting technologies. This technology will enable it to enter an entirely new market. In addition, its continued evolution of an aluminum machine, with a prototype expected in mid 2005, will empower it to potentially drive more business by providing a smarter solution.

There is also considerable opportunity within our Automotive Solutions business, as we are constantly leading with product innovations to meet our clients' demands for new and exciting options for vehicle interiors. For example, this fiscal year, we demonstrated our ability to deliver organic growth through the development of new products by winning an important seat cover order with a major OEM.

No. 5

DEVELOPING OUR EMPLOYEES

Over the last several years Exco has rededicated itself to developing our employees. At the heart of any great business are great people. This fiscal year, we moved forward with numerous initiatives to make it happen.



People are the bottom line

We understand that employee involvement and commitment have a direct correlation to bottom line performance. Exco believes in creating a positive and meaningful work environment that supports the aspirations and goals of our people and we rededicated ourselves to developing our people this fiscal year.

Surveys to gain insights

Our employees understand that being competitive is the smartest and best route to enhance job security. Through regular surveys, we receive direct, confidential feedback to help us maximize their job satisfaction and work performance. A central theme this past year was that employees felt improved communications was a high priority for them.

Opening up lines of communication

Building on the results of the survey, we implemented communication forums such as “lunch & learn sessions.” Such casual settings give employees an opportunity to discuss what they need to do their jobs better and how our organization can increase performance. We also developed a newsletter that reviews major trends in our business, as well as highlights some outstanding achievements of our employees.

Retreats to help us look forward

Management retreats are also an excellent way to create a higher level of communication. This forum has enabled us to exploit some exciting synergies between our divisions, which have already resulted in helping Exco move forward technologically, and contain costs by initiating such practices as group purchasing.

Our employees are shareholders

We have also developed an employee-training program that has helped our people deal with the challenges in the workplace and create value for all shareholders, including our employees. All Exco employees are shareholders, and participate in our Deferred Profit Sharing Plan, whereby 5% of profits are allocated back to employees based upon years of service and earnings.

We believe that developing our people, and rewarding them for their efforts, is a smart way to ensure we continue to grow.

Financial Review

Paul Riganelli
VP Finance, CFO

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Exco Technologies Limited ("Exco" or the "Company") should be read in conjunction with its consolidated financial statements for the year ended September 30, 2004 and related notes thereto ("Consolidated Financial Statements"). This MD&A has been prepared as at November 15, 2004.

This MD&A has been prepared by reference to the new MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51–102") of the Canadian Securities Administrators. Additional information regarding Exco, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to gross margin which is not a measure of financial performance under Canadian generally accepted accounting principles ("GAAP"). The Company calculates gross margin as sales less cost of sales. The Company has included information concerning this measure because it is used by management as a measure of performance and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. This measure is not necessarily comparable to similarly titled measures used by other companies

OVERALL PERFORMANCE

Exco is a global designer, developer and manufacturer of dies, moulds, equipment, components and assemblies to the die-cast, extrusion and automotive industries. Exco operates and reports in two business segments. The traditional business segment conducted by Exco since its incorporation in the 1950's is the Casting and Extrusion Technology segment. This segment was supplemented by the acquisition of Techmire Limited in fiscal 2001. The other business segment is the Automotive Solutions segment. Exco launched this business segment by acquiring Polytech Netting in fiscal 2000 and added to it in fiscal 2003 with the acquisition of Neocon International.

The Casting and Extrusion Technology segment designs, develops and manufactures die-casting and extrusion tooling and equipment. In fiscal 2004, total sales were $130 million or 60% of consolidated revenue. Operations are based in North America and primarily serve automotive and industrial markets throughout the world. Exco is a recognized leader in these markets and is further entrenching itself by reducing lead times and cost through design enhancements which our competitors are unable to meet. This segment will leverage its leadership position by coordinating its marketing initiatives and bundling its numerous extrusion and die-cast products and services. The United States market continues to be a primary focus for die-cast moulds, extrusion dies and accessories, while Asia is the primary market for the sale of die-cast machinery.

The Automotive Solutions segment designs, develops and manufactures automotive interior trim components and assemblies primarily for passenger and light truck vehicles. In fiscal 2004, this segment achieved total sales of $85.9 million or 40% of consolidated sales. Our facilities are located in Canada, Mexico and Morocco and supply the North American, European and Asian markets. In this segment, our objective is twofold. With our location in Tangier, Morocco we are committed to making significant inroads in the European market for interior trim components and netting products while continuing to prosper in the more mature North American market by exploiting our superior design and development capabilities. Furthermore, our capabilities in rigid storage systems ideally position the Company to be an integrator of both soft and rigid interior trim assemblies while continuing to offer low-cost solutions to our customers. While labour intensive products are already manufactured in countries where labour costs are lower, we continually strive for productivity improvement and efficiency.

In accordance with recommendations of the Canadian Institute of Chartered Accountants ("CICA"), our results have been restated to reflect the financial results of Bantech Lasing as discontinued operations. This operation, which was purchased on February 3, 2003, was sold for cash on August 30, 2004. Results from this operation and losses realized on its sale have been isolated and classified as discontinued operations in the Consolidated Financial Statements (see Note 2 of the Consolidated Financial Statements). All references in the MD&A are to continuing operations unless otherwise stated.

Exco's continuing operations experienced a year of retrenchment in fiscal 2004. After peaking in fiscal 2003, when the Company made its latest acquisitions, sales contracted by 5% in fiscal 2004 to $216.1 million. There were several factors contributing to this turnover contraction. Weak demand for the Company's large mould products throughout the year was caused by automotive customers' focus on developing new transmissions and engine blocks rather than ordering or maintaining tools for current generation products. The situation has improved markedly. In the second quarter of this year, Exco announced that it had been awarded production orders for moulds relating to four new transmission programs from several North American automakers. These programs are for next generation six-speed transmissions and confirm Exco's place at the leading edge of powertrain development and design.

The strengthening Canadian dollar has also impacted revenue by depressing the value of our U.S. dollar sales by $9 million. The average exchange rate for fiscal 2004 was $1.32 compared to $1.46 in the prior year. This continues a trend that began in fiscal 2002 when the average exchange rate for the year was $1.57. In such times of currency appreciation the Company has focused on protecting its earnings in the short term by naturally hedging its exposure with U.S. dollar denominated purchases of raw material and equipment and forward contract instruments. The real thrust, however, has been to generally reduce costs wherever possible in order to remain competitive. This initiative commenced in 2003 and resulted this year in significantly lower selling, general and administrative costs, depreciation costs and interest charges as the Company reduced staffing, cut back on capital expenditures and debt.

Despite these overall trends sales grew from new product launches at Polydesign in Morocco and at Neocon, which is now in the process of expanding its operation in Huntsville, Alabama.

Selected annual information

The following table sets out selected financial data relating to the Company's years ended September 30, 2004, 2003 and 2002. This financial data should be read in conjunction with the Company's audited consolidated financial statements for these years:

$ millions except per share amounts		2004		2003		2002
Sales	$	216.1	$	228.1	$	213.1
Earnings from continuing operations	$	16.4	$	18.1	$	16.8
Net earnings for the year	$	9.2	$	16.7	$	16.8
Total assets	$	208.5	$	216.5	$	204.4
Total long-term liabilities	$	.8	$	1.8	$	.9
Cash dividend declared per share*	$	0.05	$	0.0375	$	0
Earnings per share from continuing operations						
Basic	$	0.41	$	0.45	$	0.43
Diluted	$	0.40	$	0.44	$	0.42
Earnings per share from net earnings						
Basic	$	0.23	$	0.42	$	0.43
Diluted	$	0.22	$	0.40	$	0.42

*Based on monthly weighted average number of common shares outstanding

RESULTS OF OPERATIONS

Segment operating results

For the year ended September 30, 2004, consolidated sales decreased 5% to $216.1 million. The Casting and Extrusion Technology segment reported sales of $130 million. This is $11.8 million less than last year. Sales of die-cast machines at Techmire and sales of extrusion dies and accessories were steady in fiscal 2004 despite the impact of an appreciating Canadian dollar. However, lower die-cast mould sales were significantly lower than the prior year at all three production facilities.

Die-cast mould sales have been soft for several years in the North American powertrain market. The decline in replacement mould sales reflects customer expectation of changes to their powertrain design. Automakers reduced orders for replacement moulds as redesigned moulds for next generation powertrain components were expected. Consequently, the business relied heavily on revenue from maintenance on existing moulds, which was also soft as customers were not motivated to diligently maintain existing moulds, which would soon be obsolete. In this environment of weak demand, pricing also came under pressure. However, as previously announced, Exco was awarded significant production orders for next generation transmission and engine moulds by several North American original equipment manufacturers and their Tier 1 die-casters. We anticipate that over the next several years, as automakers continue to finalize powertrain planning, sales of die-cast moulds and maintenance will increase.

This segment's income was $9.8 million as compared to $15.8 million in fiscal 2003. Segment income was negatively impacted by reduced sales activity in the die-cast mould business, which operated well below available capacity throughout the fiscal year. Income from the extrusion die and equipment business was stable although slightly lower due to the impact of the strengthening Canadian dollar. Income from the sale of die-cast machines was also modestly lower in fiscal 2004 as this business expensed development costs associated with aluminum and larger zinc die-casting machines.

The Automotive Solutions segment reported sales of $85.9 million for the year. This is effectively unchanged from last year. Sales contracts in this segment are almost exclusively in U.S. dollars. The stronger Canadian dollar had the effect of lowering this segment's sales by approximately $6 million for the year. Within the segment it is estimated Neocon and Polydesign sales have grown by 37% and 156%, respectively, over the prior year. Polytech's U.S. dollar sales have remained relatively flat, reflecting the competitiveness of the business environment and management's focus on integrating the Neocon acquisition and developing the European market.

Gross margin

Gross margin was 34%, down from 36% in fiscal 2003. Overall gross margin in the Automotive Solutions segment was stable with the segment benefiting from increasing sales and production efficiency at our Moroccan facility. This offset slightly lower margins from product mix variation in our rigid storage system business. However, overall gross margin in the Casting and Extrusion Technology segment was impacted by a combination of competitive pricing pressures, increasing steel prices and weak demand for our large mould products. Gross margin was also impacted at several Canadian business units in both segments that sell in U.S. dollars. Foreign exchange has no impact on gross margin in our U.S. operations.

Selling, general and administrative expenses

Selling, general and administrative expenses were down 6% from $37.1 million to $34.7 million in the prior year. This decrease reflects the Company's determination to control costs at all levels. Administrative staffing at most operations has been reduced and certain incentive costs have declined with lower profits. The Company also relies heavily on commission sales agents in numerous foreign and niche markets who receive varying commission rates on various products. Depending on the geographic and product mix of sales, commission payments may vary significantly from year to year. In fiscal 2004, it is estimated that the geographic and product mix was such that total commission payments declined by $1 million from the prior year.

Depreciation and amortization

Depreciation and amortization expenses were $12.8 million (5.9% of sales) as compared to $14.1 million (6.2% of sales) in the prior year. Depreciation expense declined in both segments. This reflects the maturing of the Company's assets and recent investment in building and physical plant, which has a longer life than machinery and equipment, and is therefore depreciated over a longer period. In addition, fixed asset additions in recent years have been less than depreciation expense.

Interest

Interest expense was $1 million as compared to $1.6 million in fiscal 2003. The decrease is primarily attributable to the Company's lower debt level, which fell by approximately 31% from $30.3 million on September 30, 2003 to $20.9 million at the end of fiscal 2004. The Company's average cost of borrowing also declined throughout fiscal 2004 by 50 basis points. Midway through the fiscal year the Company entered into an interest rate swap agreement whereby the rate of interest on most of the Company's bank indebtedness is effectively capped at 3.88% plus applicable margin (see Note 6 to the Consolidated Financial Statements).

Income taxes

Exco's effective income tax rate was 33.7% compared to 38.4% in fiscal 2003. As Exco's Moroccan facility has achieved profitability in 2004, non-deductible losses have been eliminated. The impact of this business unit's tax-exempt status will continue to reduce Exco's effective tax rate in an amount proportionate with Exco's other taxable earnings. Taxes in other jurisdictions where the Company carries on business have remained relatively stable. In addition, during the fourth quarter the Company's evaluation of outstanding tax contingencies resulted in a reduction of tax liability by $414 thousand which was reflected as a reduction of current taxes on the income statement.

Foreign exchange

During the year, the Canadian dollar appreciated approximately 7%. As a result of foreign currency hedges and U.S. dollar debt, the impact of this appreciation on Exco's Canadian working capital was negligible at ($103) thousand. However, the translation of profits earned from Exco's U.S. operations was negatively affected, reducing net income by approximately $1 million or $0.02 per share. For further discussion of the Company's foreign exchange see "Risks and Uncertainties" below and Note 1 to the Consolidated Financial Statements.

Quarterly results

The following table sets out certain financial information for each of the eight fiscal quarters up to and including the fiscal year ended September 30, 2004:

$ thousands except per share amounts

2004	Sept/04	June/04	Mar/04	Dec/03	Total
Sales	$ 53,826	$ 57,014	$ 52,754	$ 52,520	$ 216,114
Net income from continuing operations	$ 4,990	$ 4,794	$ 3,391	$ 3,233	$ 16,408
Earnings per share from continuing operations					
Basic	$ 0.12	$ 0.12	$ 0.09	$ 0.08	$ 0.41
Diluted	$ 0.12	$ 0.12	$ 0.08	$ 0.08	$ 0.40
Net income	$ 4,407	$ (265)	$ 2,714	$ 2,343	$ 9,199
Earnings per share					
Basic	$ 0.11	$ (0.01)	$ 0.07	$ 0.06	$ 0.23
Diluted	$ 0.11	$ (0.01)	$ 0.06	$ 0.06	$ 0.22

2003	Sept/03	June/03	Mar/03	Dec/02	Total
Sales	$ 61,051	$ 56,991	$ 55,454	$ 54,631	$ 228,127
Net income from continuing operations	$ 5,495	$ 4,188	$ 4,951	$ 3,495	$ 18,129
Earnings per share from continuing operations					
Basic	$ 0.14	$ 0.10	$ 0.12	$ 0.09	$ 0.45
Diluted	$ 0.13	$ 0.10	$ 0.12	$ 0.09	$ 0.44
Net Income	$ 4,817	$ 3,578	$ 4,790	$ 3,496	$ 16,681
Earnings per share					
Basic	$ 0.12	$ 0.09	$ 0.12	$ 0.09	$ 0.42
Diluted	$ 0.11	$ 0.09	$ 0.11	$ 0.09	$ 0.40

Exco typically experiences softer sales and profit in the first quarter. This quarter coincides with reduced business activity associated with our customers' plant shutdown in North America during the summer. Profits translated to Canadian dollars are generally lower as a result of the strengthening of the Canadian dollar in relation to the U.S. dollar. This impact was most acute in the last quarter of fiscal 2004 during which virtually all the appreciation in the Canadian dollar took place. Sales in the Casting and Extrusion Technology segment were also down in the last quarter with most erosion occurring in the casting businesses.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities

Cash flow from operations before changes in non-cash working capital was $30.1 million as compared to $33.1 million in 2003. The reduction of $3 million was primarily caused by lower net income from continuing operations ($1.7 million) and lower depreciation expense ($1.3 million). The net change in non-cash working capital has remained relatively stable at $6.3 million, as the Company's sales throughout the fiscal year have remained relatively flat. While customers of the casting businesses are modifying their traditional practice of making advance payments, the Company has concentrated on collecting receivables more effectively.

Cash flow from financing activities – The most dramatic feature of Exco's cash flow from financing activities is its reduction in both short- and long-term debt in amounts of $6 million and $2.4 million, respectively. The reduction in long-term debt resulted from Exco's repayment of certain Neocon financing shortly after its acquisition. Dividend payments increased approximately $500 thousand in the fiscal year reflecting four quarterly payments as opposed to three quarterly payments in the prior fiscal year.

Cash flow from investing activities – Cash used in investing activities fell by $7.4 million as the Company made no acquisition in the fiscal year compared to $9.8 million in the prior year. Investment in fixed assets increased by $2.6 million reflecting investment in Techmire's new facility.

Capital expenditures

Investment in fixed assets totalled $11.9 million as compared to $9.3 million in the prior year. The investment in the Automotive Solutions segment was $3.4 million and investment in the Casting and Extrusion Technology segment was $8.5 million. These investments related primarily to upgrades and the replacement of existing equipment, ensuring we continue to benefit from the employment of the most efficient technology. Approximately, $1.8 million of the Casting and Extrusion Technology investment was spent on a new production facility in Montreal for Techmire. Total expenditures for Exco were budgeted to be $19 million. In light of existing market conditions and construction delays at Techmire, the actual level of capital expenditures in the fiscal year was much less.

For fiscal 2005, Exco plans to invest $18 million. Approximately $4 million of this amount relates to the completion of the Techmire facility. While the construction of the Techmire facility will increase capacity, its primary purpose is to increase operating efficiency by consolidating three production facilities and one warehouse into one location. The balance of the capital investment will be used to introduce blow-moulding capability at Neocon (approximately $1.5 million) and either replace aging equipment or upgrade existing equipment.

Dispositions

On August 30, 2004, Exco sold its paint and lasing business in London, Ontario, which it acquired on February 3, 2003. Bantech Lasing was a start-up operation that encountered numerous technical production challenges. Its inability to build a profitable revenue base in the near term prompted management to reassess its position and sell this business to an industry participant possessing the necessary technical expertise and long-term commitment to the sector. Note 2 to the Consolidated Financial Statements outlines the accounting impact of the discontinuation of this business unit. Cash losses from operations (including changes in non cash working capital) of this business are estimated to be $2.2 million for fiscal 2004 and $4.8 million for fiscal 2003.

Financial position and financing activities

Exco's financial position continues to strengthen despite the above capital investments, and, at year-end, the total debt to equity ratio was 0.14:1, with combined current and long-term borrowings of $21 million. In the past, we have satisfied the majority of our funding requirements by using our operating lines rather than term debt. Given our ability to quickly repay debt from free cash flow, the Company has been reluctant to term out its debt. However, recognizing that the record low interest rate environment experienced in the early part of the fiscal year would not continue indefinitely, the Company entered into an interest rate swap effectively capping the interest rate charged on operating debt at 3.88% plus margin.

Exco has operating lines of credit totalling $62.6 million of which $43.3 million was unused and available at year-end. We expect that in fiscal 2005 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, the lines of credit will be sufficient to meet our operating requirements.

At the end of the second quarter of fiscal 2003, Exco commenced payment of a quarterly dividend at the rate of $0.0125 per share or $0.05 per share annually. During fiscal 2004, four quarterly payments were made totalling $2 million. While the dividend is declared quarterly, it is expected that the dividend payments will be at this level throughout fiscal 2005.

In addition to the obligations disclosed on our balance sheet, Exco also enters into operating lease arrangements from time to time. Although we own 10 of our 11 manufacturing facilities and virtually all our production equipment, Exco does lease its Mexican manufacturing facility and an aircraft. The expense associated with these obligations is recorded in Exco's income statement. We anticipate continuing to lease equipment currently under committment to purchase and, accordingly, our future payment obligations are expected to be higher than shown.

CRITICAL ACCOUNTING POLICIES

The preparation of Exco's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenue and expenses during the reporting period. The most critical accounting principle upon which our financial status depends is our revenue recognition policy. Exco recognizes revenue upon product completion. Completion for large die-cast moulds and die-cast machines is defined as completion of manufacturing of the mould or machine. For extrusion and other tooling products and the Automotive Solutions segment products, completion is defined as shipment to customers.

In 2003, the CICA amended Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments." The Company elected to follow the fair value based method of accounting for stock-based compensation concerning options granted after October 1, 2001. The change of accounting policy has been applied retroactively and prior periods have been restated. The retroactive impact of adopting the new recommendations includes a reduction in retained earnings and an addition to contributed surplus of $643 thousand at September 30, 2003. In addition, for fiscal 2003, opening retained earnings was reduced $226 thousand and compensation expense increased $417 thousand.

In 2003, the CICA finalized proposed amendments to Accounting Guideline, AcG-13 "Hedging Relationships" ("AcG-13"). AcG-13 requires that companies comply with changes effective for years beginning on or after July 1, 2003. The Company has adopted the new recommendations. The most significant change is the establishment of certain conditions for when hedge accounting may be applied. Hedge accounting modifies the normal basis for recognizing the gains, losses, revenues and expenses associated with a hedged item. Accordingly, the Company will apply hedge accounting only under conditions that justify its use. The adoption of AcG-13 is not expected to have an effect on the Company's business.

During the fiscal year, the Company adopted CICA 3475, "Disposal of Long-Lived Assets and Discontinued Operations" with respect to the sale of its Bantech Lasing business. As a result of this section, assets and liabilities of this business unit have been classified as discontinued on the Company's balance sheet. The income statement has also been reclassified, removing the impact of this business unit and reporting it as net loss from discontinued operations net of income tax (see Note 2 of the Consolidated Financial Statements).

RISKS AND UNCERTAINTIES

Exco's financial results are affected by the prevailing global economic environment and demand for the Company's products. Exco's Automotive Solutions segment consists of automotive component suppliers to the worldwide automotive manufacturers and Tier 1 suppliers. Therefore, the results of this segment depend on demand for automobiles and the level of automobile production, which may fluctuate with economic cycles or the financial condition of automotive customers.

This segment's results also depend on its ability to continue winning new production contracts while retaining existing business. In some cases, the nature of the Company's products is such that they may be decontented. Exco believes its focus on evolving from component supplier to a designer and integrator of automotive interiors and trunks minimizes the risk of decontenting; however, the risk cannot be entirely eliminated.

The Casting and Extrusion Technology segment is a capital goods business. Interest rates, corporate capital spending, the general economic climate and business confidence are factors affecting the demand for Exco's dies, moulds and equipment. As these factors fluctuate, demand for the Company's products may change, with abrupt changes often bringing about dramatic changes in demand and pricing. The Company believes that its broad product line, geographic diversification and leadership position tend to mitigate this risk.

In addition to internal growth, Exco has and may continue to seek out acquisition opportunities. Despite Exco's best efforts, acquisitions inherently involve risk. While Exco has concluded numerous acquisitions that have been very successful, Bantech Lasing is a recent example of the risk inherent in even small acquisitions.

The cost of manufacturing our products is a critical factor in determining our success over the long term. Manufacturing has generally expanded to developing countries where competing technologies and lower labour structures exist. The Company must compete against competitors doing business in these developing countries. The Company has met this challenge by manufacturing certain labour intensive products in Mexico and Morocco; however, there are still numerous operations based in North America that must compete with products manufactured in developing countries.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. We also purchase material in both currencies. U.S. dollar purchases provide a natural hedge against U.S. dollar sales of Exco's Canadian operations. With respect to the remaining foreign exchange exposure not naturally hedged, Exco enters into forward contracts and incurs U.S. dollar debt, from time to time. However, forward contracts are only short-term mitigating instruments. In the final analysis, Exco is structurally a net seller of U.S. dollars with foreign exchange exposure increasing as the U.S. dollar declines in value against the Canadian dollar.

Note 11 to the Consolidated Financial Statements sets out information concerning Exco's foreign exchange forward contracts. During fiscal 2004, the Canadian dollar appreciated 7% with virtually all the appreciation taking place in the last month of the fiscal year. While the rate of appreciation has slowed to approximately half that experienced in the prior year, the appreciation is continuing in fiscal 2005 and it is still a challenge to the Company. In order to remain competitive, Exco is engaged in a number of initiatives. Wherever possible, at its Canadian operations, the Company is attempting to sell in Canadian dollars and source inputs and equipment in U.S. dollars thereby improving the natural hedge described above. It is, however, in some instances, such as sales to Asia and China, extremely difficult to dislodge the dominance of the U.S. dollar as commercial currency of choice. Therefore, the Company is committed to reducing its overall costs in order to mitigate the impact of the appreciating Canadian dollar.

For fiscal 2005, we estimate that our Canadian operations will be exposed to fluctuation in the value of the Canadian dollar relative to the U.S. dollar on approximately U.S.$26.5 million. This figure represents the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses and U.S. dollar forward foreign exchange contracts. For example, if the Canadian dollar strengthens or weakens by 1%, pre-tax profit would decrease or increase, respectively, by $265 thousand or, after tax, approximately $175 thousand.

Exco's U.S. operations earn profits in U.S. dollars. Although a stronger Canadian dollar results in lower Canadian dollar profit on translation, it does not affect the competitiveness of these operations in the U.S. market as their revenue and costs are primarily in U.S. dollars. For fiscal 2005, it is estimated that the Company's U.S. operations will be exposed to foreign exchange risk on the translation of pre-tax profit of U.S.$15 million. For example, if the Canadian dollar strengthens or weakens by 1%, pre-tax profit would decrease or increase, respectively, by $150 thousand or, after tax, approximately $100 thousand.

Although Exco's Automotive Solutions segment has manufacturing facilities in Mexico and Morocco, these operations incur some operating expenses, primarily labour, in their local currency. In Mexico, sales contracts and major purchases, such as material and equipment, are negotiated in U.S. dollars. In Morocco, sales contracts and major purchases are typically negotiated in Euro. Significant long-term fluctuations in the relative value of the local currencies against the U.S. dollar and Euro have the potential to affect Exco's operating results. With respect to the Moroccan currency, the Moroccan government does not maintain a transparent exchange rate mechanism and it is difficult to anticipate such fluctuations.

OUTLOOK

Casting and Extrusion Technology

During fiscal 2004, Exco received mould orders for four next generation six-speed transmissions. This represents approximately $30 million in sales. The financial impact of this new business will be felt in fiscal 2005 and beyond. This should help increase capacity utilization in this segment, although recent competitive pressures on selling prices and steel related input costs are beginning to be increasingly prevalent. Over the long term, it is anticipated that the rise in energy costs will continue to spur design and development by the automakers of new powertrain architecture. Exco's involvement in the early stages of these prototype transmission programs significantly improves our opportunity to be the producer of choice. This is demonstrated by Exco's recently awarded programs and its prototype work on others.

The ramifications of this dynamic powertrain design and development environment are that the engineering and design costs are increasing before Exco can profit from manufacturing the product. Once programs are awarded, the expected increase in revenue should have a positive impact on Exco's future earnings as capacity is already in place. We continue to expect that new aluminum and magnesium die-cast components will replace existing components manufactured from steel and other materials. This view is further reinforced by the recent high prices of steel. Aluminum and magnesium die-cast components provide automakers with weight savings and fewer manufacturing operations. We believe that this transition should result in further growth for Exco's casting businesses, albeit, at more modest margins as the marketplace is becoming increasingly competitive.

In fiscal 2002, Exco developed a multiple-slide magnesium die-cast machine that operates much faster and can produce a broader range of casting products than conventional systems. The attributes of magnesium and Exco's proprietary die-casting technology make these machines particularly attractive for electronic devices. In fiscal 2003, full-scale marketing of this new product began. Today some 20 machines have been sold, primarily in Asia. As reported last year, we are continuing our efforts to apply this technology to aluminum die-casting. Prototype completion is expected in the second half of fiscal 2005. If successful, the potential market is expected to be significant. This business is also engaged in the introduction of larger die-cast machines, which should also be introduced midway through the fiscal year. This should allow Techmire's customers to increase the range of components they produce using multiple-slide technology. These development programs are all designed to improve the competitive position of our customers and increase their share of the die-casting market. With the market recovery in fiscal 2004, machine sales were relatively strong; however, the appreciating Canadian dollar continued to work against this business unit. We fully expect that the technological leadership shown by this business and the lower costs associated with the consolidation of production in one facility will enable it to prosper, despite the adverse effect of an inhospitable exchange rate environment.

In fiscal 2004, sales of our extrusion tooling products were relatively unchanged from the previous year, despite an extremely soft first quarter. The consolidation trend among Exco's extrusion tooling customers continues. Exco has benefited from this trend since larger customers prefer to work with stable and accomplished suppliers. Exco's extrusion businesses have introduced new design methodologies, which have substantially reduced lead times and thereby allowed us to differentiate ourselves in the marketplace. Recent price shocks in steel costs present a serious challenge to this business and will tend to squeeze margins until such time as circumstances warrant an industry review of selling prices. We believe that we continue to be the largest North American supplier, although our market share in the United States leaves considerable room for growth. Exco has targeted the U.S. for expansion and, to this end, is coordinating its marketing efforts on a North American basis.

Automotive Solutions

This segment has been a consistent performer for Exco since its acquisition in late 2000. The Polytech business, which operates primarily in North America, has written business with virtually every automotive manufacturer and, today, its customer base is the most diversified of all Exco's business units. Polytech has also successfully diversified its product offerings in order to insulate itself from decontenting and relying too heavily on any particular products or program. It has further differentiated itself by offering design capabilities, which its customers can draw on in order to quickly and economically develop and introduce new products.

Several years ago this segment made a commitment to secure business in the larger and growing European car market. The Moroccan production facility, which began production in fiscal 2003, is the key to our success in Europe. As asserted last year, this facility achieved a small profit in fiscal 2004 and it is expected to be a consistent contributor in the years to come, as sales grow exponentially with expected launches.

Neocon was acquired at the start of last fiscal year. This business achieved revenue growth of 37% in fiscal 2004. Demand for Neocon's vehicle interior organizers and trays continues to be strong. Neocon will introduce blow-moulding capability and commence manufacturing in Alabama this year. This will lower its production costs and further increase its competitiveness in the growing automobile assembly cluster in the southeastern region of the U.S. Neocon's ability to access and leverage Polytech's design and marketing channels will also ensure its competitiveness; however, prices for resin based inputs will impact Neocon's profitability.

CONCLUSION

Our traditional focus on maintaining best quality, technological leadership, achieving strong market position and being the low-cost producer are factors that drive our success. The upcoming year, however, presents particular challenges. Rising commodity and oil prices are impacting costs while the appreciating Canadian dollar is depressing sales. The resulting margin pressure will require constant vigilance. In these circumstances our strong balance sheet allows us to differentiate ourselves from our competitors and finance growth and strategic opportunities. Exco is confident that it will prosper despite this inclement environment.

CAUTIONARY STATEMENT

Information in this document relating to projected growth, improvements in productivity and future results constitutes forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which such statements are based will occur. Forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievement to be materially different from any future results, performance or achievements expressed or implied by such statements. These risks, uncertainties and assumptions include, among other things: industry cyclicality; global economic conditions, causing decreases in automobile production volumes and demand for capital goods; price reduction pressures; pressure to absorb certain fixed costs; dependence on major customers; technological changes; fluctuations in currency exchange and interest rates; employee work stoppages; dependence on key employees, the competitive nature of the automotive and capital goods industries, product supply and demand; and other risks, uncertainties and assumption as described in the Company's 2004 Annual Information Form and, from time to time, in other reports and filings made by the Company with securities regulatory authorities. Additional information relating to the Company, including the Company's Annual Information Form, is available at www.sedar.com

While the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update any such factors or publicly announce the result of any such revisions to any of the forward-looking statements contained herein to reflect future events or developments.

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 Canadian 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 fulfills 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 all of its members are outside directors. The Committee meets regularly 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 LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

November 10, 2004
Exco Technologies Limited

Auditors' report

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2004 and 2003 and the consolidated statements of income and retained earnings and cash flows 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 Canadian 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP (SIGNED)

Chartered Accountants
Toronto, Canada,
November 10, 2004

Consolidated balance sheets

($000s)

AS AT SEPTEMBER 30		2004		2003 Restated (note 1)
Assets				
CURRENT				
Accounts receivable (note 13)	$	45,109	$	44,725
Inventories (note 4)		30,230		29,664
Prepaid expenses and deposits		3,587		2,724
Discontinued operations (note 2)		—		1,439
Total current assets		78,926		78,552
Fixed assets (notes 5, 7 and 11)		83,447		86,327
Discounted operations (note 2)		—		4,122
Goodwill (notes 2 and 3)		43,428		44,430
Future income tax assets (note 9)		2,660		3,054
	$	208,461	$	216,485
Liabilities and shareholders' equity				
CURRENT				
Bank indebtedness (note 6)	$	19,207	$	28,066
Accounts payable and accrued liabilities		27,146		29,325
Income taxes payable (note 9)		2,110		3,303
Customer advance payments		4,180		5,036
Current portion of long-term debt (note 7)		974		449
Discontinued operations (note 2)		—		770
Total current liabilities		53,617		66,949
Long-term debt (note 7)		794		1,825
Future income tax liabilities (note 9)		7,591		7,033
Total liabilities		62,002		75,807
Shareholders' equity				
Share capital (note 8)		32,376		30,945
Contributed surplus (note 1)		1,128		643
Retained earnings		121,746		114,573
Currency translation adjustment		(8,791)		(5,483)
Total shareholders' equity		146,459		140,678
	$	208,461	$	216,485

Commitments (note 11)

See accompanying notes

On behalf of the Board:

Brian A. Robbins (SIGNED)

Brian A. Robbins
Director, President and Chief Executive Officer

Helmut Hofmann (SIGNED)

Helmut Hofmann
Director, Chairman of the Board

Consolidated statements of income and retained earnings

($000s, except per share amounts)

YEARS ENDED SEPTEMBER 30		2004		2003
				Restated (note 1)
Sales	$	216,114	$	228,127
Cost of sales and operating expenses before the following		142,968		145,860
Selling, general and administrative		34,661		37,142
Depreciation and amortization		12,788		14,070
Interest on long-term debt		61		184
Other interest expense		906		1,426
		191,384		198,682
Income before income taxes		24,730		29,445
Provision for income taxes (note 9)				
Current		7,916		10,897
Future		406		419
		8,322		11,316
Net income from continuing operations		16,408		18,129
Net loss from discontinued operations, net of tax (note 2)		(7,209)		(1,448)
Net income for the year		9,199		16,681
Retained earnings, beginning of year		114,573		99,400
Dividends (note 8)		(2,026)		(1,508)
Retained earnings, end of year	$	121,746	$	114,573
Earnings per common share (notes 8 and 12)				
From continuing operations				
Basic	$	0.41	$	0.45
Diluted	$	0.40	$	0.44
Net income				
Basic	$	0.23	$	0.42
Diluted	$	0.22	$	0.40

See accompanying notes

Consolidated statements of cash flows

($000s)

YEARS ENDED SEPTEMBER 30	2004	2003 Restated (note 1)
Operating activities		
Net income from continuing operations	$ 16,408	$ 18,129
Add (deduct) items not involving current cash flows		
Depreciation and amortization	12,788	14,070
Stock option expense (note 1)	502	417
Future income taxes	406	419
Loss (gain) on sale of fixed assets	(32)	70
	30,072	33,105
Net change in non-cash working capital balances related to operations (note 10)	(6,259)	(5,944)
Cash provided by operating activities of continuing operations	23,813	27,161
Financing activities		
Decrease in bank indebtedness	(11,375)	(5,407)
Decrease in long-term debt	(377)	(2,821)
Dividends (note 8)	(2,026)	(1,508)
Issue of share capital (note 8)	1,414	1,458
Cash used in financing activities of continuing operations	(12,364)	(8,278)
Investing activities		
Investment in fixed assets	(11,948)	(9,348)
Proceeds from sale of fixed assets	499	224
Acquisition of subsidiaries (note 3)	—	(9,800)
Cash acquired on acquisition of subsidiaries (note 3)	—	60
Cash used in investing activities of continuing operations	(11,449)	(18,864)
Net cash from continuing operations	—	19
Net cash used in discontinued operations	—	(19)
Net change in cash during the year	—	—
Cash, beginning of the year	—	—
Cash, end of year	$ —	$ —

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of Exco Technologies Limited's (the Company's) wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

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 and amortization. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets retired or otherwise disposed of and the related accumulated depreciation and amortization 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 term of the leases

Goodwill
Goodwill is reviewed annually to assess if an impairment loss is required. In 2004, impairment tests of the Company's continuing operations concluded that no impairment losses have occurred and therefore no adjustments to goodwill are required. Goodwill relating to Exco Lasing was written off in conjunction with its sale effective August 30, 2004 (refer to Note 2 for details).

Financial instruments
Financial instruments recognized in the consolidated balance sheets comprise accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, customer advance payments, long-term debt, and derivatives that do not qualify for hedge accounting. The fair value of these instruments approximates their carrying value.

The Company uses foreign exhange forward, and put and call option contracts to manage foreign exchange risk from its underlying customer and supplier contracts. In particular, the Company uses foreign exchange forward contracts for the sole purpose of hedging certain of the Company's future U.S. dollar inflows. Items hedged by foreign currency contracts are translated at contract rates and gains or losses on these contracts are recorded as part of the related transactions, for which they are designated as hedges. If the Company's forward exchange contracts ceased to be effective as hedges; for example, if projected net foreign cash inflows declined significantly, previously unrecognized gains or losses pertaining to the portion of the hedging transactions in excess of projected foreign currency denominated cash flows would be recognized in income, and future changes in the fair value would be recognized into income at the time the condition was identified.

Foreign exchange contracts are negotiated with Canadian and United States banks with credit ratings of AA low as determined by the Dominion Bond Rating Service and AA- as determined by Standard and Poor's. The Company does not anticipate non-performance by the banks, which are counterparties to these contracts. The Company does not enter into foreign exchange contracts for speculative purposes.

The Company has entered into an interest rate swap agreement to alter the interest characteristics of a portion of its outstanding debt from a floating to a fixed rate basis. The differential paid or received as a result of the interest rate swap agreement is accrued and recognized as an adjustment to interest expense related to the debt. The Company has designated this interest rate swap agreement as a hedge of the underlying debt. As a result, the fair value of the swap agreement and changes in the fair value as a result of changes in the market interest rates are not recognized in the consolidated financial statements. If the agreement fails to qualify for hedge accounting, the gain or loss would be recorded in the consolidated statement of income and retained earnings. This would occur if the critical terms of the hedged items do not match identically with the terms of the swap agreement.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet dates. 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 are translated using the exchange rates in effect at the balance sheet dates. Revenues and expenses are translated using average rates for the period. 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 statements of income and retained earnings. In 2004, such losses totalled $110 (2003 – gains of $226). Gains and losses on foreign exchange forward contracts, designated as hedges of anticipated future foreign currency transactions, are accounted for as a component of the related hedged transaction. For foreign exchange forward contracts not designated as hedges, the Company recognizes any changes in fair value during the year in the consolidated statements of income. During the years ended September 30, 2004 and September 30, 2003, all foreign exchange contracts were designated as hedges.

Earnings per share
The Company uses the "treasury stock method" in computing diluted weighted average number of shares outstanding. Under the treasury stock method:

- exercise of options is assumed at the beginning of the year (or at the time of issuance, if later);
- the proceeds from exercise are assumed to be used to purchase common stock at the average market price during the year; and
- the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share computation.

Revenue recognition
Revenue from the sale of manufactured products is recognized upon product completion as follows:

- for large die-cast moulds and die-cast machines, upon completion of manufacturing of the mould or machine; and
- for extrusion and other tooling and Automotive Solutions segment products, upon shipment to customers.

Research and development expenditures
Research and development expenditures are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral.

Income taxes
The Company follows the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock-based compensation
Effective October 1, 2003, the Company elected to follow the fair value based method of accounting for stock-based compensation in accordance with recommendations of the Canadian Institute of Chartered Accountants in "Stock-Based Compensation and Other Stock-Based Payments" for options granted after October 1, 2001. This change in accounting policy has been applied retroactively and prior periods have been restated. The fair value of the options is recognized over the vesting period of the options as compensation expense in selling, general and administrative expense and contributed surplus. The current year expense is $502 (2003 – $417). The retroactive impact of adopting the new recommendations includes a reduction in retained earnings and an addition to contributed surplus of $643 at September 30, 2003. In addition, for the year ended September 30, 2003, opening retained earnings was reduced $226.

September 30, 2004 ($000s, except per share amounts)

The fair value of the options is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based upon market conditions generally outside the control of the Company. If other assumptions are used, stock-based compensation expense could be significantly impacted. The contributed surplus balance is reduced as the options are exercised and the amount initially recorded for the options in contributed surplus is credited to share capital, along with the proceeds received on exercise.

Use of estimates in the preparation of financial statements

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates.

2. DISCONTINUED OPERATIONS

Effective August 30, 2004, the Company sold Exco Lasing (formerly Bantech Lasing) which operated within the Company's Automotive Solutions segment. Management concluded that the technical requirements of the business and the need to vertically integrate the business were best left to industry players that were fully focused on and engaged in this segment of the automotive interior trim market.

The Company recorded non-cash charges in the order of $4,500 comprised of approximately $1,000 reduction in goodwill, approximately $1,000 reduction in future income tax assets and approximately $2,500 of non-cash charges related to fixed assets. Revenue and pre-tax losses for the year ended September 30, 2004 are $5,112 and $8,564 (2003 – $2,428 and $2,336). The income tax benefit relating to discontinued operations is $1,355 (2003 – $888). Basic and diluted loss per share from discontinued operations for the year ended September 30, 2004 is $0.18 (2003 – $0.03 and $0.04).

3. ACQUISITIONS

Neocon International Inc.

On October 1, 2002, the Company purchased 100% of the outstanding shares of Neocon International Inc. ("Neocon"). Neocon designs and manufactures plastic thermoformed automotive cargo management systems. These systems are supplied to the original equipment manufacturers and their Tier 1 suppliers and are primarily used in the trunk of passenger cars and the cargo area of sport utility vehicles.

The purchase price of the common shares, including transaction costs of $362, was $10,391. In addition, the Company assumed debt, net of cash, of $4,205. The debt assumed includes $1,678, which is interest free. This transaction was financed using the Company's operating lines and by the issuance of 130,000 Exco common shares valued at $780 ($6.00 per share). The acquisition has been accounted for using the purchase method and the results of operations are included in the Company's consolidated financial statements from October 1, 2002.

Net assets acquired at their assigned values are as follows:

Non-cash working capital	$	2,465
Fixed assets		5,197
Future income tax assets		(469)
Cash		41
Long-term debt (including current portion)		(4,246)
Net identifiable assets purchased		2,988
Goodwill upon acquisition		7,403
Purchase price for common shares	$	10,391

Bantech Lasing Technologies Limited (now Exco Lasing, see Note 2)
On February 3, 2003, the Company purchased 100% of the outstanding shares of Bancroft Lasing Technologies Limited ("Bantech") and certain debt held by shareholders of Bantech. Bantech, founded in 1999, specializes in the production of painted, precision-moulded, laser-etched plastic parts for automotive interiors. Bantech utilizes a relatively new technology that enables backlit parts.

The purchase price of Bantech, including transaction costs of $189, was $2,189. In addition, the Company assumed debt, net of cash, of $2,371. This transaction was financed by the issuance of 265,746 shares valued at $2,000 ($7.54 per share). The acquisition has been accounted for using the purchase method and the results of operations are included in the Company's consolidated financial statements from February 3, 2003.

Net assets acquired at their assigned values are as follows:

Non-cash working capital	$ (2,972)
Fixed assets	4,549
Future income tax assets	1,981
Cash	18
Long-term debt (including current portion)	(2,389)
Net identifiable assets purchased	1,187
Goodwill upon acquisition	1,002
Purchase price	$ 2,189

4. INVENTORIES

	2004	2003
Raw materials	$ 15,056	$ 14,916
Work in process and finished goods	15,174	14,748
	$ 30,230	$ 29,664

5. FIXED ASSETS

			2004
	Cost	Accumulated Depreciation & Amortization	Net Book Value
Land	$ 6,841	$ —	$ 6,841
Buildings	38,302	11,571	26,731
Machinery and equipment	178,736	129,664	49,072
Tools	5,377	4,769	608
Leasehold improvements	1,162	967	195
	$ 230,418	$ 146,971	$ 83,447

September 30, 2004 ($000s, except per share amounts)

						2003
		Cost		Accumulated Depreciation & Amortization		Net Book Value
Land	$	6,399	$	—	$	6,399
Buildings		38,460		10,426		28,034
Machinery and equipment		174,121		123,223		50,898
Tools		4,991		4,397		594
Leasehold improvements		1,276		874		402
	$	225,247	$	138,920	$	86,327

6. BANK INDEBTEDNESS

At September 30, 2004, the Company has available lines of credit totalling $62,560 (2003 – $63,100) of which $43,353 (2003 – $35,034) was unused and available. These operating lines are available in both U.S. and Canadian dollars at variable rates not exceeding prime rate, are unsecured and are due on demand. The prime rate in Canada at September 30, 2004 was 4.0% (2003 – 4.5%) and in the United States was 4.75% (2003 – 4.0%). In addition, under the terms of these credit agreements, the Company is permitted to make use of banker's acceptances to borrow at effective interest rates which are usually lower than those charged under the banks' lines of credit.

Effective April 7, 2004, the Company entered into an interest rate swap agreement whereby the rate of interest on a portion of amounts outstanding under its demand credit facility be fixed at 3.88% plus applicable margin. The notional principal amount of the swap agreement is $20,000 on the date of the agreement and declines by $714 quarterly to $6,400 in April 2009, at which time the balance will be absorbed into our demand credit facility. As of September 30, 2004, the notional principal amount of this swap was $18,571 and the fair value loss was insignificant.

7. LONG-TERM DEBT

		2004		2003
Government assistance	$	**1,159**	$	1,525
U.S. dollar denominated mortgage payable		**609**		733
Canadian dollar denominated capital lease obligations		**—**		16
		1,768		2,274
Less current portion		**974**		449
Long-term portion	$	**794**	$	1,825

Government assistance is comprised of six loans of which $553 is payable to Atlantic Canada Opportunities Agency ("ACOA") and $606 is payable to Nova Scotia Business Inc. ("NSB"). These loans are non-interest bearing and are unsecured. The ACOA loans mature from 2006 to 2009 and are repaid in monthly instalments of $14. The NSB loan is repayable in annual instalments of approximately $200 and matures in 2007.

The U.S. dollar denominated mortgage, secured by land and a building, bears interest at 8.7% and matures June 1, 2005. The monthly principal and interest payments on this loan are approximately U.S.$9 and are based on an amortization period of 10 years.

Total principal repayment requirements are as follows:

2005	$	974
2006		358
2007		350
2008		81
2009 and thereafter		5
	$	1,768

8. SHARE CAPITAL

Authorized
The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares.

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

	Common Shares		
	Number of Shares		Stated Value
Issued and outstanding at October 1, 2002	39,478,118	$	26,707
Issued in exchange for Neocon shares on its acquisition	130,000		780
Issued for cash under the Employee Stock Purchase Plan	246,408		891
Issued in exchange for Bantech shares and debenture on its acquisition	265,746		2,000
Issued for cash under Stock Option Plan	231,600		660
Share issue expense			(93)
Issued and outstanding at September 30, 2003	40,351,872	$	30,945
Issued for cash under Stock Option Plan	465,166		1,431
Issued and outstanding at September 30, 2004	**40,817,038**	**$**	**32,376**

Stock dividend
On February 19, 2003, the Company paid a stock dividend of one additional share for each share held to shareholders of record February 12, 2003. This 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.

Cash dividend
During the year, the Company paid four quarterly cash dividends totalling $2,026 (2003 – $1,508). The dividend rate per quarter was $0.0125 per common share.

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

September 30, 2004 ($000s, except per share amounts)

	2004			2003		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	3,283,411	$	3.89	3,306,250	$	3.66
Granted during the year	55,000	$	5.83	228,761	$	6.58
Exercised during the year	(465,166)	$	3.08	(231,600)	$	2.85
Cancelled during the year	(24,000)	$	3.85	(20,000)	$	3.85
Balance, end of year	2,849,245	$	4.06	3,283,411	$	3.89

The following table summarizes information about stock options outstanding at September 30, 2004:

Options Outstanding					Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$2.43 – $3.00	727,984	3.9 years	$	2.90	500,813	$	2.85
$3.01 – $4.00	948,172	4.0 years	$	3.61	721,204	$	3.58
$4.01 – $5.42	702,688	3.3 years	$	4.68	611,839	$	4.72
$5.43 – $7.60	470,401	7.0 years	$	6.21	56,928	$	5.99

The number of shares available for option at September 30, 2004 is 179,607 (2003 – 210,607). The number of options outstanding together with those available for future issuance totals 3,028,852 (2003 – 3,494,018) or 7.4% (2003 – 8.6%) of the issued and outstanding common shares.

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (ESPP). The ESPP allows employees to purchase shares annually through payroll deductions at a predetermined price. During 2004, payroll deductions were made supporting the purchase of a maximum of 232,520 shares at $6.27 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2005. Employees must decide annually whether or not they wish to purchase their shares. During 2004, no shares (2003 – 246,408) were issued under the terms of the ESPP.

Fair value stock-based compensation expense

The fair value of the options granted during the year ended September 30, 2004 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 4.25% (2003 – 4.46%), expected dividend yield of 0.316% (2003 – 0.026%), expected volatility of 0.273 (2003 – 0.273) and expected option life of 5.46 years (2003 – 4.22 years). The weighted average fair value of the options granted and shares issuable under the Employee Share Purchase Plan during the year is $1.69 (2003 – $1.56).

9. INCOME TAXES

The Company's effective income tax rate is as follows:

			2004
Income from continuing operations before income taxes	$	24,730	100%
Income taxes at Canadian statutory rates	$	8,977	36.3%
Manufacturing and processing deduction		(594)	(2.4)
Foreign rate differential		32	(0.1)
Items not deductible for income tax purposes		431	1.7
Other		(524)	(2.0)
	$	8,332	33.7%

			2003
Income from continuing operations before income taxes	$	29,445	100%
Income taxes at Canadian statutory rates	$	10,924	37.1%
Manufacturing and processing deduction		(1,178)	(4.0)
Foreign rate differential		372	1.3
Losses not benefited for income tax purposes		435	1.4
Items not deductible for income tax purposes		271	1.0
Other		492	1.6
	$	11,316	38.4%

Cash outflows during the year for income taxes were $7,628 (2003 – $11,362).

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

		2004		2003
Assets				
Tax benefit of loss carryforwards	$	(824)	$	(3,274)
Items not currently deductible for income tax purposes		(2,548)		(2,429)
Research and development expenditures		(310)		(389)
Liabilities				
Tax depreciation in excess of book depreciation		8,613		10,071
Net future income tax liabilities	$	4,931	$	3,979

Research and development expenditures:

The Company has accumulated research and development expenditures of $1,517 (2003 – $1,833), which have not been deducted for federal income tax purposes. The tax benefits pertaining to these expenditures have been recognized in the consolidated financial statements. These expenditures are available to reduce future taxable income and have an unlimited carryforward period.

September 30, 2004 ($000s, except per share amounts)

10. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

		2004		2003
Accounts receivable	$	(1,561)	$	1,254
Inventories		(1,366)		(2,544)
Prepaid expenses and deposits		(1,064)		221
Accounts payable and accrued liabilities		(1,336)		(205)
Income taxes payable		(99)		(1,035)
Customer advance payments		(833)		(3,635)
	$	(6,259)	$	(5,944)

11. COMMITMENTS

Leases
The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2008. Future minimum annual lease payments are as follows:

2005	$	2,021
2006		1,446
2007		277
2008		16
2009		—
	$	3,760

Foreign exchange contracts
The Company has contracts to sell U.S.$22,100 (2003 – U.S.$21,650) over the next 24 months at rates varying from 1.34 to 1.38 (2003 – 1.33 to 1.61) Canadian dollars for each U.S. dollar sold. Management estimates that a profit of $2,218 would be incurred if the contracts were terminated on September 30, 2004 (2003 – $2,691).

The Company has entered into a series of put and call option contracts that allow the Company to sell U.S. dollars each week for Mexican pesos until September 22, 2005. The total contract value is for 52,000 Mexican pesos. The selling price ranges from 11.47 to 12.10 Mexican pesos for each U.S. dollar sold. These contracts are not designated as hedges and therefore the Company marks them to market. As at September 30, 2004, the unrecognized gain relating the put and call option contracts was approximately nil.

Subsequent to year-end, the Company entered into an additional series of put and call options for the next 24 months. The total contract value is for 100,050 Mexican pesos. The selling price ranges from 11.80 to 12.70.

Capital expenditure
The Company has commitments to purchase fixed assets amounting to $15,120 during the next fiscal year. The Company determines the most advantageous financing structure of commitments depending on circumstances at the time of delivery.

12. EARNINGS PER COMMON SHARE PROVIDED BY OPERATING ACTIVITIES

Basic earnings per share is calculated using net income and the monthly weighted average number of common shares outstanding of 40,447,108 (2003 – 40,002,905). The effect of outstanding stock options on diluted weighted average shares outstanding was to increase the weighted average number of shares outstanding by 861,954 shares (2003 – 1,360,834).

13. SEGMENTED INFORMATION

Business segments
The Company operates in two business segments: Casting and Extrusion Technology and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in Note 1 of the consolidated financial statements.

The Casting and Extrusion Technology segment designs and engineers tooling and other manufacturing equipment. Its operations are substantially for automotive and other industrial markets in North America.

The Automotive Solutions segment produces automotive interior components and assemblies primarily for storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

			2004			2003
	Casting & Extrusion Technology	Automotive Solutions	Total	Casting & Extrusion Technology	Automotive Solutions	Total
Sales	$ 130,225	$ 85,889	$ 216,114	$ 142,003	$ 86,124	$ 228,127
Depreciation & amortization	$ 10,429	$ 2,359	$ 12,788	$ 11,475	$ 2,595	$ 14,070
Segment income	$ 9,783	$ 15,914	$ 25,697	$ 15,830	$ 15,225	$ 31,055
Interest expense			$ 967			$ 1,610
Income before income taxes			$ 24,730			$ 29,445
Fixed asset additions	$ 8,528	$ 3,420	$ 11,948	$ 7,621	$ 1,727	$ 9,348
Total fixed assets, net	$ 65,888	$ 17,559	$ 83,447	$ 69,065	$ 17,262	$ 86,327
Goodwill additions	$ —	$ —	$ —	$ —	$ 8,405	$ 8,405
Goodwill	$ 8,345	$ 35,083	$ 43,428	$ 8,345	$ 36,085	$ 44,430
Assets, continuing operations	$ 117,198	$ 91,263	$ 208,461	$ 130,517	$ 80,407	$ 210,924
Assets, discontinued operations	$ —	$ —	$ —	$ —	$ 5,561	$ 5,561
Total assets	$ 117,198	$ 91,263	$ 208,461	$ 130,517	$ 85,968	$ 216,485

Geographic and customer information

	2004	2003
Sales		
Canada	$ 35,196	$ 33,284
United States	151,534	158,461
Asia	13,666	16,524
Europe	8,135	13,391
Other	7,583	6,467
	$ 216,114	$ 228,127

	2004	2003
Fixed assets and goodwill, net		
Canada	$ 74,651	$ 76,576
United States	42,190	43,879
Mexico	2,987	4,055
Morocco	7,047	6,247
	$ 126,875	$ 130,757

In 2004, sales to the Company's largest customer were 13% (2003 – 17%) of total sales and the account receivable pertaining to this customer was $4,645 (2003 – $8,997). The allocation of sales to the geographic segments is based upon the location of the customer.

14. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the 2004 consolidated financial statements.

Five-year financial summary

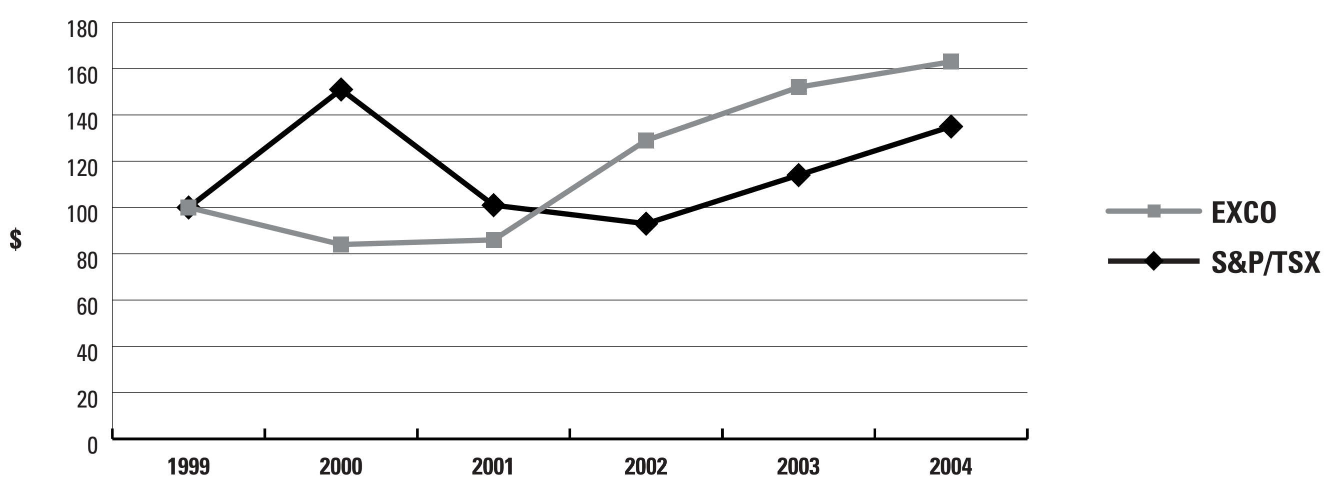
($000s, except per share amounts)

Financial results

		2004		2003		2002		2001		2000
Sales	$	216,114	$	228,127	$	213,141	$	184,133	$	118,070
Net income from continuing operations	$	16,408	$	18,129	$	16,816	$	10,985	$	10,310
Net income	$	9,199	$	16,681	$	16,816	$	10,985	$	10,310
Diluted earnings per share from continuing operations	$	0.40	$	0.44	$	0.42	$	0.27	$	0.26
Diluted earnings per share	$	0.22	$	0.40	$	0.42	$	0.27	$	0.26
Cash flow from operations	$	30,072	$	33,105	$	31,998	$	29,072	$	24,216
EBITDA	$	38,485	$	45,125	$	43,207	$	36,970	$	29,398
Total net debt to equity		.14:1		.21:1		.19:1		.35:1		.37:1
Capital expenditures, net of disposals	$	11,449	$	9,124	$	16,549	$	14,065	$	11,691
Acquisitions	$	—	$	9,740	$	—	$	14,752	$	48,625

Cumulative shareholder return

The following graph illustrates the five-year cumulative total shareholder return (assuming reinvestment of dividends) of a $100 investment in shares on September 30, 1999 to September 30, 2004 compared with the return on the S&P/TSX Composite Index.



Board of Directors and Officers

DIRECTORS

Helmut Hofmann
Chairman of the Board of the Company
Chairman, Héroux-Devtek

Geoffrey F. Hyland, BEng (Chem), MBA
President and Chief Executive Officer
ShawCor Ltd.

Richard D. McGraw, BComm
President
Lochan Ora Group of Companies

Brian A. Robbins, PEng
President and Chief Executive Officer
of the Company

Brian J. Steck, MBA, CFA
President
St. Andrews Financial Corporation

Ralph Zarboni, BComm, FIM
Chairman and Chief Executive Officer
The EM Group

Audrey E. Robbins
Honorary Director
Co-founder of the Company

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Helmut Hofmann
Chairman of the Board

Brian A. Robbins, PEng
President and Chief Executive Officer

Paul Riganelli, MA, MBA, LLB
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Bonnie M. Cartwright, CMA, MBA
Executive Vice-President

PRINCIPAL BANKER

The Bank of Nova Scotia
Markham, Ontario

TRANSFER AGENT AND REGISTRAR

Equity Transfer Services
120 Adelaide Street W.
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M5H 4C3
Telephone: 416-361-0152
Fax: 416-361-0470
Web: www.equitytransfer.com

AUDITORS

Ernst & Young LLP
Chartered Accountants

STOCK LISTING

Toronto Stock Exchange (XTC)

CORPORATE OFFICE

Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario
L3R 5H6
Telephone: 905-477-3065
Fax: 905-477-2449
E-mail: general@excocorp.com
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2004 ANNUAL MEETING

The 2004 Annual Meeting of the Shareholders will be held at the Design Exchange, 234 Bay Street, Toronto Dominion Centre, Toronto, Ontario on Wednesday, January 26, 2005 at 4:30 p.m.

DESIGN: BRYAN MILLS GROUP, TORONTO www.bryanmills.com

Exco Technologies Limited
130 Spy Court, 2nd Floor
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