THE ROAD AHEAD

EXCO TECHNOLOGIES LIMITED
2005 ANNUAL REPORT

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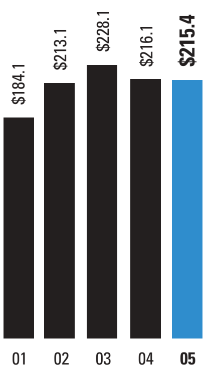
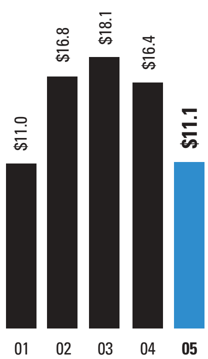
Financial Highlights

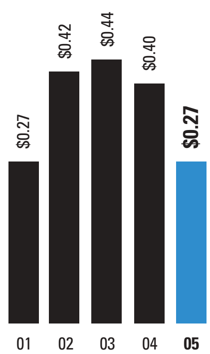
Sales*
($ millions)



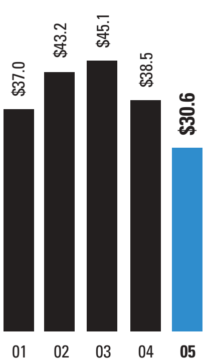
Income*
($ millions)



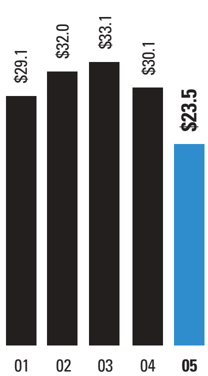
Diluted Earnings per Share*



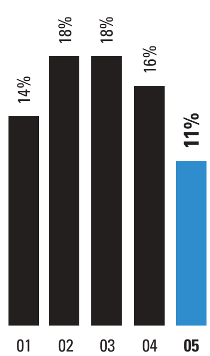
EBITDA* °
($ millions)



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.

† Return on Capital Employed is a non-GAAP measure calculated by dividing earnings before interest and tax by shareholders' equity plus total debt.

A TOUGH YEAR.
A STRONG FUTURE.

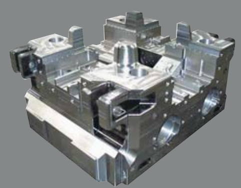
While Exco faced significant challenges in every facet of its business, 2005 also saw the Company make significant progress in transforming itself into a stronger and more productive organization. We enhanced our balance sheet, aligned our processes with customer values and added new product capabilities and new customers.

EXCO 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 sub-assemblies, 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 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.

A CHALLENGING YEAR.

HOW TO CHARACTERIZE EXCO'S FISCAL 2005 PERFORMANCE AND OUR OUTLOOK FOR 2006 AND BEYOND? THAT'S NOT EASY: 2005 WAS A CHALLENGING YEAR, BUT ALSO ONE IN WHICH WE RECORDED MUCH SUCCESS. NEXT YEAR PRESENTS MANY OF THE SAME CHALLENGES, BUT OUR RESPONSE TO THESE ISSUES HAS MADE US A BETTER COMPANY.

In 2005 we saw a continued worsening of many of the global factors that complicated our business and flattened our earnings growth in fiscal 2004, and yet the Company emerged with a strengthened balance sheet and solid profitability, well positioned to respond to and, potentially, to benefit from, continued uncertainty in many of our customer markets. In fiscal 2005 we made little visible progress on the bold objectives we set last year and yet we are strongly convinced that we are on a winning path and that Exco may make significant progress toward its goals.

Let's look first at the factors that created the environment in which we worked in 2005.

Brian A. Robbins
President and
Chief Executive Officer

Helmut Hofmann
Chairman

Despite facing challenges in every facet of our business, Exco made significant strides in 2005, which delivered solid profitability and strengthened the foundation for future growth and improved financial performance. Although we cannot predict the future trajectory of the Canadian dollar, the price of steel or the North American auto industry's prospects, we have emerged from 2005 a stronger company, well positioned to deliver continued profitable growth and to outperform our competitors.

Most significantly, the value of the Canadian dollar continued to increase against the U.S. dollar. This trend was already underway last year, when the Canadian dollar began its climb from $0.75, reaching $0.86 by the end of the 2005 fiscal year. Since approximately 70% of our sales are in U.S. dollars, the increase has weakened our competitive position and pricing flexibility, and thereby trimmed revenues and profits.

Secondly, steel, our largest input, more than doubled in price over a 9-month period, largely due to demand from China. The negative impact of these price increases was multiplied by fixed-price contracts with many of our customers, which prevented us from recouping these costs.

While they are not concerns of equal magnitude, customer issues also affected our Casting and Extrusion operations. In the casting business in particular, our major customers emphasized pricing over engineering capability and quality considerations in their selection of suppliers. Our Automotive Solutions business experienced conventional growing pains and program delays as well as relentless price pressures as we continued to improve our lean manufacturing skills.

We responded to these challenges with a variety of initiatives. In our core North American extrusion and die-cast tooling businesses, we refocused the efforts we began last year to operate more consistently as a single company in purchasing and other everyday operations. Exco traditionally prided itself on its range of capabilities and the operational flexibility provided by its largely autonomous operating units. In areas such as purchasing, where we can leverage Exco's larger size to gain a cost advantage over our competitors, the older ways of working no longer serve us well.

We made difficult decisions to focus our workforce and to maximize productivity.

While many of these steps have been difficult, they have proven that Exco is a sustainable business and that we remain competitive, despite the appreciation of the Canadian currency. Dealing with these issues actively has made Exco a much stronger company. Should external conditions remain weak, we anticipate that many of our competitors will struggle. In that environment, Exco, with solid profitability and an excellent balance sheet, will be ideally positioned for accelerated growth.

Turning to internal issues, we continue to struggle with Techmire. As discussed previously, sales declined by close to 50% in fiscal 2005. In response, we accelerated product development and marketing efforts and simultaneously tried to curb costs.

Over the past year we have hastened the development of a number of new products. We have refined the injection system on our magnesium machine as well as increasing its clamping pressure from 45 tons to 65 tons. These modifications will remedy issues encountered in casting cell phone covers. This is a burgeoning market, but only a machine that remedies all of the quality issues will succeed. We believe we now have that product and are currently conducting tests in Korea and China. We expect to see orders for the new improved machines in the second and third quarter. As well, we have spent a great deal of effort to reduce the cost of our base zinc machines. We have sourced our components globally and refined our designs. A prototype has recently been completed and is undergoing extensive testing. This new machine should generate significant opportunity in developing markets as well as our traditional markets.

The most exciting product development is our new hybrid aluminum machine. This incorporates our multiple-slide parting-line injection combined with a radically new hybrid injection system. We have spent two years and about $2 million developing this technology. Just prior to going to print, we successfully operated this machine in our new R & D centre in Montreal. Testing will, of course, continue and it will be several months before we can declare it a success; but if so, it will represent a truly disruptive technology with the potential to alter industry dynamics. With this slate of new products, I believe we can return Techmire to profitability in the latter half of fiscal 2006.

Although the Techmire story has been longer and more difficult than we originally expected, we remain confident in its potential and we are committed to delivering on it.

In our extrusion businesses, we have consolidated internally, adjusted the workforce and rationalized engineering and other resources across Canadian and U.S. operations. These actions have reduced internal bottlenecks, while enhancing our efficiency and ability to serve customers from the location best suited to their needs.

In our die-cast tooling businesses, we have strengthened our business by building relationships with Japanese manufacturers and their Tier 1 suppliers, who have traditionally purchased tooling in Japan. In fiscal 2005, we achieved an important breakthrough by supplying transmission case tooling to a Japanese Tier 1 customer.

In our automotive solutions businesses, we have demonstrated our ability to deliver quality products at competitive prices – and to do so profitably. In our Moroccan facility we have developed these skills and proven our capabilities. We are currently ramping up production on a significant contract to supply seat covers for a major Japanese manufacturer's European vehicle. Similarly, at our Neocon operation in Alabama, we have added blow-moulding capabilities to expand our product range and, thereby, the markets we can serve.

Throughout our automotive solutions businesses, we are strengthening our ability to deliver innovative, complete solutions at commodity-like prices.

Despite facing challenges in every facet of our business, Exco made significant strides in 2005, which delivered solid profitability and strengthened the foundation for future growth and improved financial performance. Although we cannot predict the future trajectory of the Canadian dollar, the price of steel or the North American auto industry's prospects, we have emerged from 2005 a stronger company, well positioned to deliver continued profitable growth and to outperform our competitors.

We acknowledge the importance of the support of our customers, the enthusiasm and hard work of our employees, the wise counsel of our directors and the continuing confidence and commitment of our shareholders in Exco's success.

Brian A. Robbins (SIGNED)
President and Chief Executive Officer

Helmut Hofmann (SIGNED)
Chairman

The world Exco faced in 2005 is not the world we face today. We believe we have seen the peak in steel prices and that we have protected ourselves from the impact of swings in the value of the Canadian dollar. We have also positioned Exco to respond to the changing needs of our customers and the challenges they face.

THE CHALLENGES

In 2005 Exco confronted three significant challenges: the value of the Canadian dollar strengthened against the U.S. dollar; the price of steel – our primary input – surged due to demand from China; and both of these impacts were combined with relentless price pressure from our customers. Our margins were put under pressure, but Exco continued to be flexible and to adapt to the constantly changing environment.

TODAY'S MARKET REALITIES

It became clear in 2005 that the dynamics of our markets had changed, and changed permanently. Each of our operating units faced specific, company-related challenges, but each faced the same basic requirement: to rethink how we approach our business.

Applying Our Expertise to Enhance Quality

To deal with the unique combination of currency appreciation, higher input costs, and customer selling price pressures, we applied our engineering capabilities to enhance product quality, while increasing our focus on shop floor productivity to deliver a better product at an acceptable price. In short, Exco is seeing the benefits of maintaining our traditional focus on high quality, while responding to the demands of a changing world.

- Die-cast mould volumes were flat as our OEM customers were slow in releasing next generation transmission and engine business.
- Volumes were further reduced as a result of Big Three customer-market-share losses.
- Techmire volumes declined in 2005, due to the migration of business from North America to Asia, as well as a competitive disadvantage due to the declining U.S. dollar.

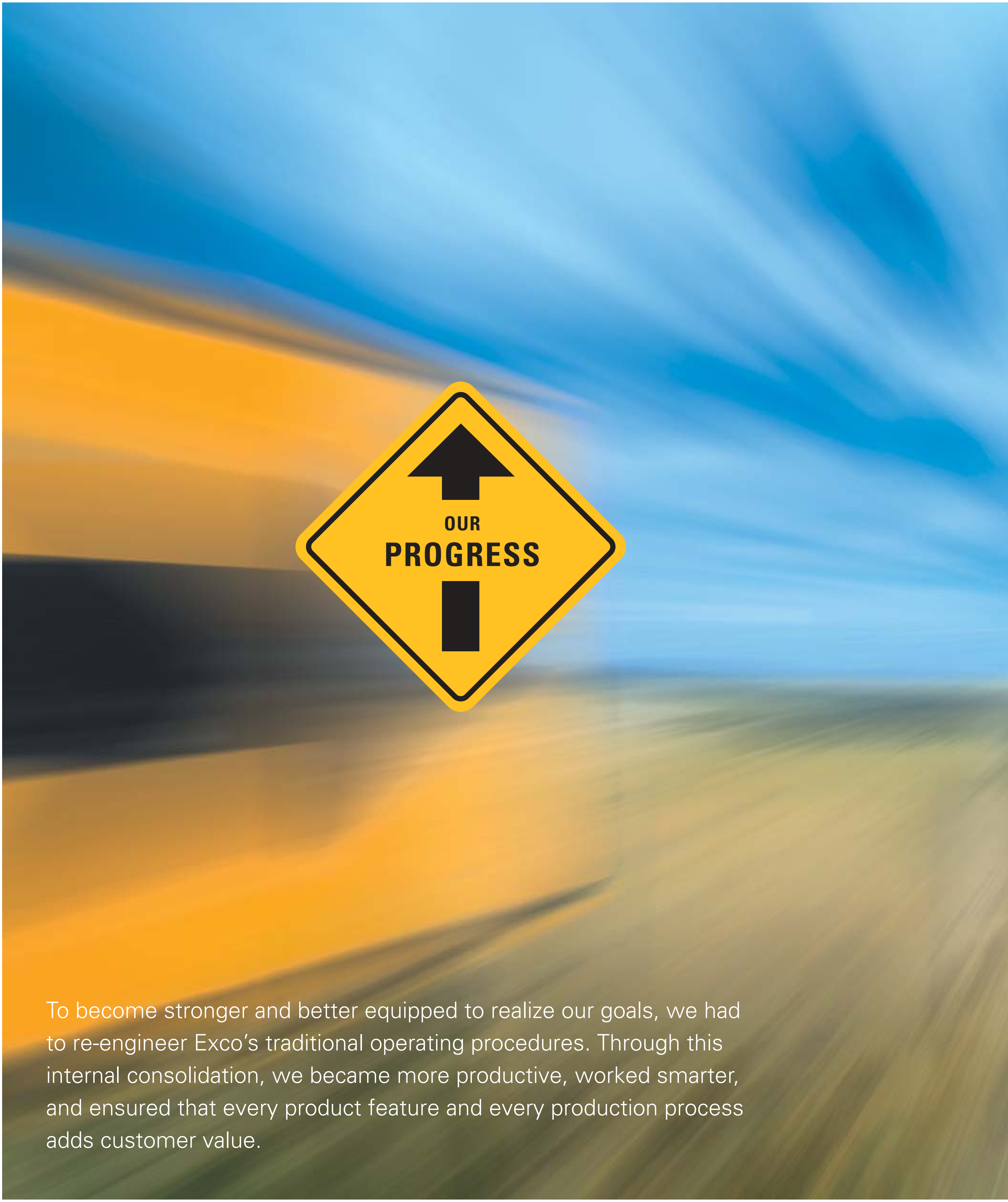
Exco's extrusion tooling business has faced its own unique challenges, including foreign exchange issues, raw material input cost increases and price pressures from our customers. Steel prices alone more than doubled in a brief period.

- Profitability was sharply reduced, as we could not implement timely price increases to offset increased steel costs.
- The competitive position of Canadian operations was also affected by the increase in the value of the Canadian dollar, compared to the U.S. currency.
- Volumes were affected by the level of commercial, manufacturing and construction sector activities.

Pressure on Customers, Pressure on Us

In 2005 Exco's Automotive Solutions business experienced relentless price pressure on its products. These pressures were amplified by the impact of the strengthening Canadian dollar.

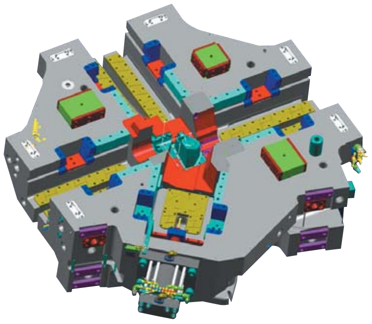
- Operations were impacted by higher costs of both steel and plastic resins.
- Sales were flat in our U.S. operations, due to the impact of currency movements.
- New program launches incurred additional costs and delays.
- Exco's migration to high-value-added products, rather than simpler commodity products, added to the complexity of the challenges we faced.



To become stronger and better equipped to realize our goals, we had to re-engineer Exco's traditional operating procedures. Through this internal consolidation, we became more productive, worked smarter, and ensured that every product feature and every production process adds customer value.

WORKING SMARTER TO COMPETE BETTER

Exco is benefitting from its consistent, multi-year focus on quality. Through prudent purchasing practices, we are dealing with the rapid increases in steel and resin prices.



Die-cast Tooling Solutions

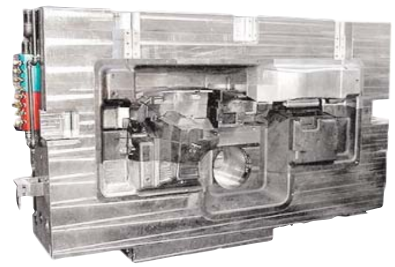
Our Die-Cast Tooling divisions specialize in the design, manufacture and continuing maintenance of a complete range of die-cast tooling for the automotive industry. As a complete solutions supplier, Exco looks at all aspects of the customer's needs – from analysis to design, production, testing and support.

- We responded to a growing order book and continuing pressure on deliveries by streamlining our internal processes and by increasing the efficiency of all aspects of our internal operations.
- Orders and shipments of new moulds accelerated through the year.
- We continued to diversify our business base by adding new product capabilities and seeking out new automotive customers.

Differentiated from Competitors

Our die-cast tooling businesses add value for customers through the use of three-dimensional solid models and interchangeable sub-assemblies. These hard-to-replicate features differentiate Exco products from those of competitors and benefit customers through reduced cost, quicker production cycles and enhanced quality.

- We achieved a breakthrough order for transmission cases, our first complete original tool manufacturing and maintenance contract for a Japanese Tier 1 customer.
- We gained market share and enhanced our competitive position by incorporating design improvements our competitors could not match.
- Exceptional customer service sets Exco apart. Exco takes an active approach to ensuring that tools run according to expectations – right from the start – with extensive follow-up.



Enhanced Competitive Position

At Techmire, we modularized critical components of our multiple-slide high-precision die-casting systems to reduce our production costs, while effectively re-positioning these systems for new customers and reducing the production lead time from months to weeks, to enhance our competitive position in both domestic and international markets.

- We continued to focus on high performance in magnesium, zinc and lead alloys and high-speed production requirements.
- We continue to invest heavily in R & D projects such as our AL Machine to meet the changing requirements of our customers.

DOING MORE WITH LESS

Fiscal 2005 saw Exco's unified marketing strategy mirrored in the operations of our extrusion tooling businesses. Rather than having business units compete, we began operating more consistently as one company. We sought to reduce costs and maximize synergies across the corporation – in engineering, in production capabilities and in purchasing.

Leveraging Our Buying Power

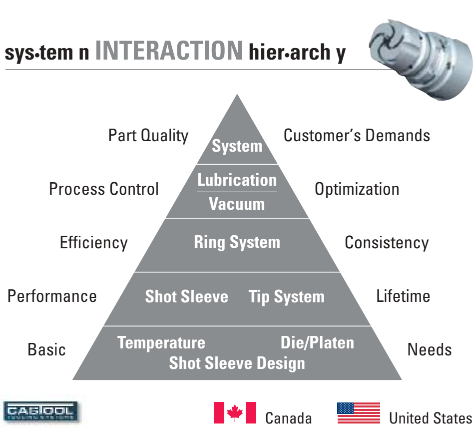
Throughout our extrusion operations, we negotiated U.S. dollar denominated Company-wide purchases of steel for the lowest cost on our largest input. This reduces our average cost and, ultimately, will reduce our exposure to currency shifts. This strategy has since been expanded to all purchases where our scale brings benefits through centralized buying.

- We rationalized engineering capabilities to allocate skills by division, not by company – a strategy applied in both die-cast and extrusion divisions.
- We re-adjusted our workforces to maximize production efficiency and ensure we have the skill sets for future profitable growth.
- Continued pressure on margins may result in the exit of some competitors. Exco is well positioned to grow market share profitably.

Customer Expectations

Exco's extrusion tooling units as well as Castool in Canada and the United States specialize in products for the construction and industrial markets and, to a lesser degree, automotive customers. As lead times continue to shrink while customer expectations expand, Exco has positioned its extrusion business to prosper.

- Recognizing that no single part of a customer's production process truly stands alone, Castool's system-solution approach integrates production processes for reduced costs.
- Responding to the influx of low-cost extrusions, Exco has incorporated design advances to strengthen our customers' competitive positions.
- Exco has maintained production capacity to accommodate growing, industry-wide demand for extrusion tooling.



What Customers Value

How have Exco's extrusion businesses adapted themselves to respond to changing markets? We have completely refocused our efforts to deliver quality products to our customers at the lowest possible cost – to accept a larger responsibility for our customers' success – and to focus solely on what our customers value.

- We are leveraging our strength in shorter-run, more complex products, where our value-added engineering and quality focus provide a competitive advantage for our customers.
- We understand that time is money to our customers, and we focus on the shortest delivery times while consistently maintaining high quality.
- We are staying closer than ever to our customers and leveraging our leadership in technology and quality to expand our market dominance.

ENHANCED CAPABILITIES, EXPANDED RELATIONSHIPS

Exco's automotive solutions businesses really came into their own in fiscal 2005, demonstrating increased ability to produce a wider variety of quality products at commercial scale, as well as creating and strengthening relationships with a broader group of automotive OEM and Tier 1 customers.

Expanded Product Capability

At Neocon we introduced new production capability – blow-moulding – to expand the range of high-value-added products we offer and to complement this unit's established strength in thermoforming. This strategy also effectively increases both the customers and vehicle platforms we can serve.

- This business is critical to automakers' drive to reduce vehicle weight, with expertise in manufacturing a widening range of performance-tailored resins.
- Our proven expertise in cargo management systems continues to win business with manufacturers seeking innovative content solutions.
- Pre-formed parts, lockable containers and flooring solutions highlight this unit's spectrum of capabilities – from original concept through delivery of finished goods.

Exco Fundamentals

Backed by engineering capability located close to our automaker customers in Michigan, our Polytech facility in Mexico continued to deliver quality cargo restraint systems and netting products for North American customers. These products are employed in both the passenger compartment and cargo areas.

- This unit focuses on maintaining the highest product quality and ensuring timely deliveries, in a highly efficient operation.
- Having begun operations with a single product specialty, this unit has demonstrated the importance of listening to customers; successfully expanding its product mandates.
- Polytech has built a growing and increasingly successful business by concentrating on Exco fundamentals: quality, innovation and value.

Now an Established Performer

In late 2005 our greenfield operation in Morocco commenced high-quality, commercial-scale production of seat covers for a Japanese manufacturer's vehicle for European markets. Now, as production ramps up, this new operation is moving from start-up to established performer.

- We have learned the customs, the culture and the expectations of our host country to become a contributing member of the community.
- Acknowledging that consistent high quality is essential to customers' confidence, we have focused relentlessly on delivering only products that we are certain meet customers' expectations.
- We have leveraged this unit's original capability in cargo netting solutions to take advantage of local experience and skill in textiles.

OPPORTUNITIES

As input costs appear to be returning to historical levels, we are managing the continuing fluctuations in commodity prices through U.S. dollar denominated and Company-wide purchasing. While the Canadian dollar remains unsettled compared to its U.S. counterpart, we have improved natural hedges and are taking other steps to minimize foreign exchange exposure. Most importantly, we are poised to benefit from re-engineering our business, regardless of the external environment.

A NEW EXCO

The re-engineered Exco is ready to take on new opportunities, whether in new markets, with new customers, new products or new materials, to deliver profitable growth for our shareholders. We combine our traditional specialization in the highest quality products with a new focus on anticipating and responding to customer needs.

New Markets

In our established die-casting and extrusion tooling operations, there are significant opportunities to expand our business and enhance Exco's earnings potential.

- Exco expects to see significant opportunities for further profitable growth as more automotive components are redesigned to take advantage of weight savings enabled by aluminum and magnesium construction.
- The continuing shakeout in the extrusion tooling sector offers opportunities for Exco to double its market share – to approximately 40% over the next five years.
- Castool has advanced its systems' selling approach to achieve major inroads with customers by simplifying their purchasing for impressive savings.

Re-inventing Our Products

Techmire has recently commercialized its new-generation aluminum die-casting machine, which offers operators significant scrap reductions and other process and product benefits. This holds significant promise, particularly among Asian electronics manufacturers and North American automakers. We are evaluating alternative strategies to maximize the benefit to Exco.

Techmire AL Machine benefits:

- minimum porosity and oxidation
- in-die de-gating and automatic runner separation
- fast cycle speeds, high-precision complex parts

Positioned for Profitable Growth

Our Automotive Solutions businesses, ideally positioned in relation to their customers, are serving a growing range of global automotive suppliers. Our solutions include innovative, domestic content enhancements for transplant and import vehicles. We are also enhancing our relationships with manufacturers based in other regions.

- A new specialty – blow-moulding integrated storage solutions for SUV and truck platforms – is leading to valuable new business opportunities.
- Cargo netting and other integral cargo restraint products help OEM and Tier 1 customers respond to marketplace product preferences.
- Significant ramp-up of seat cover programs in Morocco broadened Exco's proven capability in profitable programs across increasing volumes, for an important bottom-line contribution boost.

FINANCIAL REVIEW

Paul Riganelli
Vice President Finance, Chief Financial Officer

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the consolidated financial statements and related notes for the year ended September 30, 2005. This MD&A has been prepared as of November 18, 2005.

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

In this MD&A, reference is made to gross margin, which is not a measure of financial performance under Canadian generally accepted accounting principles (GAAP). Exco calculates gross margin as sales less cost of sales. Gross margin is used by management to measure performance and we believe some investors and analysts use it as well. This measure, as calculated by Exco, may not be comparable to similarly titled measures used by other companies.

CAUTIONARY STATEMENT

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

Readers are cautioned not to place undue reliance on forward-looking statements as the plans, intentions or expectations upon which these statements are based may not occur. Forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. Exco's risks are described in our 2005 Annual Information Form (AIF) and in other reports and securities filings made by the Company. More information, including Exco's AIF, is available at www.sedar.com.

While Exco believes that the expectations represented by such forward-looking statements are reasonable, we cannot assure that they will be correct. The Company disclaims any obligation to update any risk factors or publicly announce the result of any revisions to any of the forward-looking statements contained in this document.

CORE BUSINESSES

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

The Casting and Extrusion segment has been at the core of Exco's business since the Company's incorporation in the 1950s. This segment was expanded with the acquisition of Techmire Limited ("Techmire") in fiscal 2001. The other business segment is Automotive Solutions, which was formed with the acquisition of Polytech Netting in fiscal 2000 and expanded in fiscal 2003 with the acquisition of Neocon International ("Neocon").

The Casting and Extrusion segment designs, develops and manufactures die-casting and extrusion tooling and equipment. Operations are based in North America and serve automotive and industrial markets around the world. Exco is a leader in these markets and is further entrenching itself by reducing lead times and cost through design and process enhancements. This segment aims to leverage its position by coordinating its marketing initiatives and bundling its numerous extrusion and die-cast products and services. The United States market is Exco's primary focus for die-cast moulds, extrusion dies and accessories, while Asia is the Company's primary market for die-cast machinery.

The Automotive Solutions segment designs, develops and manufactures automotive interior trim components and assemblies primarily for passenger and light truck vehicles. Facilities are located in Canada, Mexico and Morocco, supplying the North American, European and Asian markets.

2005 RESULTS

Consolidated Results

Our results in fiscal 2003 and 2004 have been restated to reflect the financial results of Bantech Lasing as a discontinued operation. Bantech Lasing was purchased on February 3, 2003 and sold for cash on August 30, 2004. Results from this operation and losses realized on its sale have been classified as discontinued operations in the consolidated financial statements (see note 2 to the consolidated financial statements). All references in the MD&A are to continuing operations unless otherwise stated.

Sales of $215.4 million were $700 thousand, or less than 0.5%, lower than the prior year. This reduction includes the impact of an average annual exchange rate of $1.22 compared to $1.32 in fiscal 2004, which lowered sales by $12 million or 5.6%. About 68.4% of sales were denominated in U.S. dollars. Despite the continuing rise of the Canadian dollar, sales held firm over the course of the year, reflecting better economic activity in all our businesses and greater market penetration at several business units.

Casting and Extrusion Segment
Sales ($ millions)

Automotive Solutions Segment
Sales ($ millions)

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2005, 2004 and 2003. This financial data should be read in conjunction with the Company's audited consolidated financial statements for these years:

$ millions except per share amounts	2005	2004	2003
Sales	$ 215.4	$ 216.1	$ 228.1
Earnings from continuing operations	$ 11.1	$ 16.4	$ 18.1
Net earnings for the year	$ 11.1	$ 9.2	$ 16.7
Total assets	$ 217.3	$ 210.3	$ 216.5
Total long-term debt	$ 0.4	$ 0.8	$ 1.8
Cash dividend declared per share*	$ 0.05	$ 0.05	$ 0.0375
Earnings per share from continuing operations			
Basic	$ 0.27	$ 0.41	$ 0.45
Diluted	$ 0.27	$ 0.40	$ 0.44
Earnings per share from net earnings			
Basic	$ 0.27	$ 0.23	$ 0.42
Diluted	$ 0.27	$ 0.22	$ 0.40

* Based on monthly weighted average number of common shares outstanding

Segment Operating Results

Casting and Extrusion segment

Sales for this segment were up 3% from the prior year at $133.9 million with foreign exchange depressing sales in fiscal 2005 by about $6.0 million.

Aside from the effect of exchange rates, the Techmire business has had the most dramatic impact in this segment with sales down 43% or $9.4 million over the prior year. We believe Techmire sales have bottomed out. Sales in fiscal 2005 have steadily improved quarter over quarter. Techmire's sales have been affected by generally weaker demand for its products and a relatively higher proportion of small machine sales, which are smaller transactions.

Sales in the large mould businesses were up over the prior year by 15%. Demand is clearly improving with work on next-generation six-speed transmissions proceeding briskly. Sales in the extrusion businesses are up 10%. This partially reflects the impact of higher prices as the process of passing steel surcharges onto customers has begun. Mitigating this trend is the impact of foreign exchange which hits the extrusion mould business in Canada particularly hard. Overall market share is clearly expanding, particularly in the U.S.

Automotive Solutions segment

This segment reported sales of $81.5 million, a decrease of $4.4 million or 5%, with foreign exchange depressing sales by $6.1 million. Sales were hit particularly hard in the first and second quarters as North American OEMs rebalanced inventory levels. In the third and fourth quarters, customer releases returned to more traditional levels although overall units sold were still unsettled. Sales to Europe from our Polydesign facility in Morocco grew by 67% as new business continues to launch. Neocon sales were flat as exchange rates offset the impact of new programs.

Gross Margin
(%)

Selling, General and Administrative Expense
(% of sales)

Depreciation and Amortization
(% of sales)

Gross Margin

Consolidated gross margin was 28.2% compared to 33.8% in fiscal 2004. Techmire accounted for about one-third of this gross margin reduction. Rising input costs generally affected consolidated gross margin. Higher steel prices had a greater effect on the Casting and Extrusion segment while steel and resin costs impacted the Automotive Solutions segment.

Gross margin was also reduced in both segments at several Canadian business units that sell in U.S. dollars. Once again foreign exchange had a greater effect on the Casting and Extrusion segment. Foreign exchange had no impact on gross margin percentage in our U.S. operations.

Research and development costs are expensed as incurred unless they meet generally accepted accounting principles for deferral. While these costs are typically not significant, in fiscal 2005 two projects at Techmire impacted gross margin. Techmire has undertaken to modify its magnesium die-casting machine in order to enable it to make high surface polish parts for the automotive and electronics markets. In addition Techmire is developing a multiple-slide die-cast machine capable of casting aluminum parts at twice the speed of conventional technology.

Techmire expensed $1.86 million on these two projects in fiscal 2005, of which $746 thousand is recoverable from federal and provincial grants. The magnesium modifications are nearing completion and the improved machines will soon be introduced into the marketplace. An aluminum die-cast machine prototype is now built with testing to be completed in the second quarter of 2006. If trials prove satisfactory, marketing of the aluminum machine is expected to take place in the second half of 2006.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were down 2% to $30.2 million from $34.7 million in the prior year. This decrease reflects Exco’s determination to control costs at all levels. Management and office salaries at most operations have been reduced and incentive compensation costs have declined with lower profits. This category is also reduced by a one-time reversal of a contractual obligation accrual in the amount of $2.1 million which was resolved in the last quarter of the fiscal year. Exco expensed stock options of $449 thousand compared to $502 thousand in the prior year. This expense relates to the Employee Stock Purchase Plan, which is offered to all employees, and the Stock Option Plan. (See note 7 to the consolidated financial statements.)

Exco also relies heavily on commission sales agents in many 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 greatly from year to year. In fiscal 2005, the geographic and product sales mix was such that total commission payments were down by about $850 thousand from the prior year. Travelling costs were up slightly as numerous business units explored business and marketing opportunities in China.

Depreciation and Amortization

Depreciation and amortization expenses were $11.8 million (5.5% of sales) compared to $12.8 million (5.9% of sales) in the prior year. Depreciation expense declined in both segments. This reflects the maturing of Exco’s assets and recent investment in building and physical plant, which have a longer life than machinery and equipment, and are depreciated over a longer period. In addition, fixed asset additions in prior years have been less than depreciation expense.

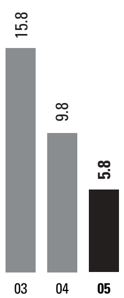
Interest

Interest expense was $1.1 million compared to $1.0 million in fiscal 2004. The slight increase is primarily due to slightly higher interest rates throughout the year. Exco’s average cost of borrowing in fiscal 2005 is slightly under 4% which is an increase of 40 basis points compared to 2004. Midway through fiscal 2004, Exco entered into an interest rate swap whereby the rate of interest on most of its bank indebtedness was effectively capped at 3.88% plus applicable margin (see note 5 to the consolidated financial statements).

Income Taxes

Exco’s effective income tax rate was 37.1% compared to 33.7% in fiscal 2004. The effective income tax rate increased due to non-deductible losses at Polydesign and during the fourth quarter in 2004 the Company reversed certain tax liabilities after evaluating outstanding tax contingencies.

Casting and Extrusion Segment
Operating Earnings
($ millions)



Automotive Solutions Segment
Operating Earnings
($ millions)

Foreign Exchange

During the year, the Canadian dollar appreciated about 6% against the U.S. dollar from $1.22 to $1.16. As a result of foreign currency hedges and U.S. dollar debt, the impact of this appreciation on Exco's Canadian working capital was ($690,000). This amount is higher than last year because this year Exco had less U.S. dollar debt. However, the translation effect had a greater impact on profits earned from Exco's U.S. operations, reducing net income by about $1.2 million or $0.02 per share. For further discussion of the Company's foreign exchange, see "Risks and Uncertainties" in this MD&A and note 1 to the consolidated financial statements.

Net Income

Consolidated

Consolidated net income from continuing operations declined 32% to $11.1 million or $0.27 per share fully diluted compared to $16.4 million or $0.40 per share in fiscal 2004.

Casting and Extrusion segment

Earnings were off 40.8% at $5.8 million compared to $9.8 million last year. While the large mould businesses experienced a 93% increase in earnings, losses at Techmire of $5.2 million or $0.09 per share more than offset this amount. Of these losses $1.4 million is non-recurring as it relates to writeoffs, severances and other costs of moving to the new production facility and winding down Techmire's U.S. subsidiary. Another $1.2 million relates to research and development costs (see "Research & Development"). Earnings in the extrusion businesses were also down 70% as the timing of price increases to customers did not offset steel price rises.

Automotive Solutions segment

Earnings for this segment were down by 18.2% at $13.0 million compared to $15.9 million in fiscal 2004. Performance was affected by the strong Canadian dollar since earnings in this segment are almost all denominated in U.S. dollars. In addition, lower volumes caused by OEM inventory rebalancing in December 2004 and January 2005 lowered throughput and earnings at all business units. Average resin and steel input costs were up over fiscal 2004 with little ability to increase pricing on existing programs. Polydesign's profitability has been affected by costs of new product launches.

Quarterly Results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2005:

($ thousands except per share amounts)

2005	Sept/05	June/05	Mar/05	Dec/04	Total
Sales	$ 58,074	$ 56,563	$ 52,507	$ 48,283	$ 215,427
Net income from continuing operations	$ 3,568	$ 2,634	$ 2,173	$ 2,757	$ 11,132
Earnings per share from continuing operations					
Basic	$ 0.09	$ 0.06	$ 0.05	$ 0.07	$ 0.27
Diluted	$ 0.09	$ 0.06	$ 0.05	$ 0.07	$ 0.27
Net income	$ 3,568	$ 2,634	$ 2,173	$ 2,757	$ 11,132
Earnings per share					
Basic	$ 0.09	$ 0.06	$ 0.05	$ 0.07	$ 0.27
Diluted	$ 0.09	$ 0.06	$ 0.05	$ 0.07	$ 0.27

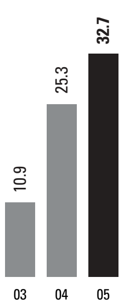
($ thousands except per share amounts)

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

Exco typically experiences softer sales and profit in the first quarter, which coincides with our customers' plant shutdowns in North America during the Christmas season. In the fourth quarter, sales of $58.1 million were up over the last year by 8% despite an 8% strengthening of the Canadian dollar during the period. Sales in the Casting and Extrusion segment were up 14% over the prior year, driven largely by stronger sales in the large mould and extrusion businesses. Techmire sales, although improving over the last four quarters, were still soft compared to last year. Sales in the Automotive Solutions segment, however, decreased 3%, primarily reflecting lower production volumes in North America in the quarter. Polydesign's sales improved over last year by 67% with further improvement expected as its seat cover business launches.

Net income from continuing operations at $3.6 million for the quarter or $0.09 earnings per share is down over the last year by 29%. In the Casting and Extrusion segment, stronger earnings in the large mould businesses were offset by continuing losses at Techmire and softer earnings in the Extrusion businesses. Techmire also experienced one-time costs in the quarter associated with the winding up of its U.S. subsidiary. While steel prices have begun to moderate, the impact on our Extrusion business during the quarter have been relatively modest. In the Automotive Solutions segment, income was down by 26%, reflecting the impact of the weaker U.S. dollar, lower production levels at Polytech and Neocon and absorption of new product launch costs at Polydesign.

Working Capital
($ millions)

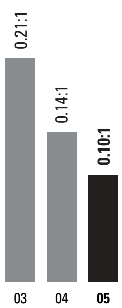


FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Exco's working capital increased about $7.4 million to $32.7 million at September 30, 2005 compared to $25.3 million a year earlier. The increase is primarily caused by two factors: changes in cash and bank indebtness and increased inventory balances. Exco's cash balances increased $1.3 million (73%) to $3.1 million in 2005 and its bank indebtness decreased $3.2 million. With respect to inventory, the extrusion businesses increased steel inventories to take advantage of better pricing and availability of specialty steel. The large mould businesses experienced larger work-in-process inventories associated with stronger demand for new moulds. Lastly, Polydesign increased raw material and work-in-process as it launched key seat cover programs with relatively higher raw material content.

Debt to Equity Ratio

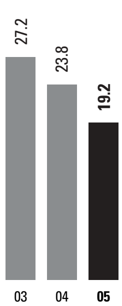


Debt to Equity Ratio

Exco's bank debt, net of cash, was $15.4 million at September 30, 2005, down $5.5 million from a year earlier. Long-term debt was down $1.0 million as a mortgage against the Alabama facility was paid off in the third quarter of fiscal 2005. Bank debt increased throughout the year as a result of generally lower profitability and higher capital expenditures, which include payment for Techmire's production facility in Montreal. However, at year-end, proceeds from the assignment of a contract for an aircraft which Exco had elected not to take delivery of reduced bank debt by $4.4 million. Exco's debt to equity ratio at September 30, 2005 was 0.10:1 compared to 0.14:1 a year earlier.

Exco has fixed the interest rate on a portion of its current debt at 3.88%, plus applicable margin, by entering into an interest rate swap agreement. The notional amount of this swap reduces in equal quarterly increments to $6.4 million in April 2009 at which time the balance is absorbed into Exco's demand credit facility. At year-end, the notional amount reduced to $15.7 million.

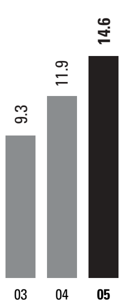
Cash Flow from Operating Activities
($ millions)



Cash Flow from Operating Activities

Cash flow from operating activities declined to $19.2 million from $23.8 million in fiscal 2004. Lower profitability and higher inventory levels were the main factors.

Capital Expenditures
($ millions)



Capital Expenditures

Investment in fixed assets totalled $14.6 million compared to $11.9 million in the prior year. The investment in the Automotive Solutions segment was $3.4 million and investment in the Casting and Extrusion segment was $11.2 million.

About $4.2 million of the casting and extrusion investment was spent on Techmire's new production facility in Montreal in 2005. Total expenditures for this segment were budgeted at $12.6 million and $11.2 million had been spent up to September 30, 2005.

In fiscal 2006, Exco plans to make capital expenditures of $11 million. The bulk of the capital investment will be used to purchase equipment to maintain capacity, however, capacity increases will take place at Polydesign and the Casting and Extrusion segment.

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 many technical production challenges. Management's reassessment of the business's ability to build a profitable revenue base in the near term prompted it to sell to an industry participant that possessed the 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. Cash losses from operations (including changes in non-cash working capital) of Bantech Lasing are estimated at $2.2 million for fiscal 2004 and $4.8 million for fiscal 2003.

Financial Position and Financing Activities

Exco's financial position remains strong despite some profit weakness and increasing capital investments. At year-end the total debt to equity ratio was 0.10:1, with current and long-term borrowings net of cash totalling $15.4 million.

At year-end, Exco had operating lines of credit totalling $58.5 million, of which $40.6 million was unused and available. We expect that in fiscal 2006 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, the lines of credit will be more than sufficient to meet our operating requirements.

At the end of the second quarter of fiscal 2003, Exco began paying a quarterly dividend of $0.0125 per share or $0.05 per share annually. Quarterly payments were made totalling $2 million in each of fiscal 2004 and 2005. It is expected that the dividend payments will continue to be made at this level through fiscal 2006.

In addition to the obligations disclosed on its balance sheets, Exco also enters into operating lease arrangements from time to time. Exco owns 11 of its 12 manufacturing facilities and virtually all its production equipment. Exco's two main leases are its Mexican manufacturing facility and an aircraft. The expense associated with these obligations is recorded in Exco's consolidated statements of income and retained earnings.

Contractual Obligations ($000s)	Total		Payments Due by Period Less Than 1 Year		1–3 Years		4–5 Years		After 5 Years	
Long-term debt	$	750	$	333	$	417	$	—	$	—
Capital lease obligations		—		—		—		—		—
Operating leases*		2,704		1,677		993		34		—
Purchase obligations		7,499		7,499		—		—		—
Total long-term obligations		—		—		—		—		—
Total contractual obligations	$	10,953	$	9,509	$	1,410	$	34	$	—

* Exco leases vehicles, an aircraft and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms. Accordingly, Exco does not expect any material liquidity or capital resource impacts.

CRITICAL ACCOUNTING POLICIES (AND CHANGES IN ACCOUNTING POLICIES)

The preparation of Exco's consolidated 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 consolidated financial statements, as well as the reported amount of revenue and expenses during the reporting period.

Exco recognizes revenue upon product completion. Completion for large die-cast moulds and die-cast machines is defined as completion of manufacturing and customer acceptance of the mould or machine. For extrusion and other tooling products and the Automotive Solutions segment products, completion is defined as shipment to customers.

Management estimates and expenses the fair value of stock-based compensation granted after January 1, 2002. This fair value is amortized to earnings over the remaining vesting period. The fair value of the options issued each year, if applicable, is determined using the Black-Scholes option-pricing model. The Company believes that the estimate of stock-based compensation is a "critical accounting estimate" because management is required to make significant forward-looking assumptions. Given the varying inputs on which the Black-Scholes option-pricing model is based can result in significantly different results, there may be a material impact on the Company's consolidated balance sheets, consolidated statements of cash flows, and consolidated statements of income and retained earnings. Uncertain changes in expected stock volatility, the change in expected dividend yields and the expected option term may affect the value derived for stock-based compensation. No known trends, commitments, events or other uncertainties are currently believed to affect the assumptions used. Since the fair value of stock-based compensation is determined at the grant date, no changes in estimates have occurred over the past two years. Currently the compensation expense is recorded in the selling, general and administrative expense category in the consolidated statements of income and retained earnings.

Goodwill is subject to an annual impairment test or more frequently when an event occurs that more likely than not reduces the fair value of a reporting unit or indefinite life intangible below its carrying value. We evaluate fixed assets and other long-lived assets for impairment whenever indicators of impairment exist. Indicators of impairment include prolonged operating losses or a decision to dispose of, or otherwise change the use of, an existing fixed or other long-lived asset.

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

The Company enters into forward exchange and put and call option contracts to manage exposure to currency rate fluctuations related primarily to its future cash inflows and outflows of U.S. dollars, Euros, and Mexican pesos from operations. The Company applies hedge accounting rules from Accounting Guideline 13 for all of its foreign exchange forward and put and call option contracts. The Company believes that hedge accounting is a "critical accounting estimate" because if the hedged item is determined to be ineffective, then the gains or losses associated with those contracts would have to be recognized on the consolidated statements of income and retained earnings.

During fiscal 2004, the Company adopted CICA Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations" with respect to the sale of its Bantech Lasing business. As a result, the 2004 consolidated statement of income and retained earnings reports the impact of the business unit as a net loss from discontinued operations net of income tax (see note 2 to the consolidated financial statements).

RISKS AND UNCERTAINTIES

Exco's Automotive Solutions segment services automotive component suppliers (and Tier 1 suppliers) around the world. The results of this segment depend on demand for automobiles and the level of automobile production, which can fluctuate significantly with the cost of consumer credit and fuel.

In some cases, OEMs can decide to design the Company's products out of the automobile ("de-contented"). Exco believes its focus on evolving from component supplier to a designer and integrator of automotive interiors and trunks reduces the risk of de-contenting because once anchors and fastening mechanisms are designed into the automobile they are more difficult for OEMs to remove.

The Casting and Extrusion segment is a capital goods business. Interest rates, corporate capital spending, the general economic climate and business confidence affect the demand for Exco's dies, moulds and equipment. Abrupt changes in these factors often bring about dramatic changes in demand and pricing. Exco believes that its broad product line, geographic diversification and leadership position mitigate this risk somewhat.

A significant portion of Exco's receivables is with automotive customers. These customers have varying degrees of financial strength with several customers currently rated below investment grade. These receivables are subject to varying degrees of collectibility. The majority of these receivables are with U.S. entities that can avail themselves of Chapter 11 protection from creditors in certain circumstances.

Exco has and will continue to seek out acquisition opportunities. Acquisitions inherently involve risk. While Exco has concluded many 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 cost labour structures exist. Exco must compete against companies doing business in these developing countries. Exco has met this challenge by manufacturing some labour intensive products in Mexico and Morocco; however, many of our operations based in North America must compete with products manufactured in lower-cost environments.

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. As for 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 2005, the Canadian dollar appreciated about 6%. The appreciation of the Canadian dollar remains a challenge for Exco. To remain competitive, we are focused on 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 its natural hedge. However, in some instances, such as sales to China and elsewhere in Asia, it is very difficult to dislodge the dominance of the U.S. dollar as the commercial currency of choice. Therefore, Exco is committed to reducing its overall costs to mitigate the impact of the appreciating Canadian dollar.

For fiscal 2006, we estimate our Canadian operations will be exposed to fluctuation in the value of the Canadian dollar relative to the U.S. dollar on about US$40 million. This compares to an exposure of US$26.5 million in fiscal 2004. These figures represent the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses and U.S. dollar forward foreign exchange contracts. If the Canadian dollar were to strengthen or weaken by 1% in fiscal 2006, we estimate pre-tax profit would change by $400,000 or about $260,000 after tax.

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 within the U.S. market. For fiscal 2006, it is estimated that Exco's U.S. operations will be exposed to foreign exchange risk on the translation of pre-tax profit of about US$10 million. If the Canadian dollar were to strengthen or weaken by 1% in fiscal 2006, pre-tax profit would change by $100,000 or about $64,000 after tax.

Exco's Automotive Solutions segment has manufacturing facilities in Mexico and Morocco with these operations incurring some operating expenses, primarily labour, in 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 Euros. Major long-term fluctuations in the value of the local currencies against the U.S. dollar and Euro have the potential to affect Exco's operating results. The Moroccan government does not maintain a transparent exchange rate mechanism and it is difficult to anticipate fluctuations in Moroccan currency.

OUTLOOK

Any further weakening of the U.S. dollar below $1.18 will further erode Exco's sales even in the face of a robust business environment. The Casting and Extrusion segment is expected to improve top and bottom line performance as the large mould businesses continue to manufacture and ship new moulds. The extrusion businesses expect to realize the benefits of efforts to recover rising steel costs, which industry experts believe have peaked.

Techmire's sales should see slow, steady improvement. Techmire's performance is expected to improve with much depending on the performance of its high polish finish magnesium machine and aluminum machine. The Automotive Solutions segment should benefit from Polydesign's growth and anticipated start up of its seat cover programs in the first quarter of fiscal 2006. The automotive industry, however, will likely experience a slowdown as rising fuel prices and consumer credit dampen demand for new automobiles.

Raw material costs have not changed significantly over the past few months. While specialty steel prices remain high, they appear to have peaked and there appears to be more supply available. Resin pricing, however, continues firm, affecting gross margins in the Automotive Solutions segment. These cost increases can be passed on only when new business is launched or existing programs are redesigned or refreshed.

Fiscal 2006 presents challenges to Exco similar to those of 2005. Rising commodity and oil prices are affecting costs while the appreciating Canadian dollar is depressing sales. The resulting margin pressure demands constant attention. Nonetheless, Exco is well positioned to withstand these challenges as it remains consistently profitable with strong cash flow and balance sheet.

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 8, 2005
Exco Technologies Limited

Auditors' Report

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2005 and 2004 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, 2005 and 2004 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 8, 2005

Consolidated Balance Sheets

($000s)

AS AT SEPTEMBER 30		2005		2004
Assets				
CURRENT				
Cash	$	3,158	$	1,828
Accounts receivable (note 13)		45,589		45,109
Inventories (note 3)		35,671		30,230
Prepaid expenses and deposits		2,271		3,587
Total current assets		86,689		80,754
Fixed assets (note 4)		84,010		83,447
Goodwill		43,428		43,428
Future income tax assets (note 9)		3,159		2,660
	$	217,286	$	210,289
Liabilities and Shareholders' Equity				
CURRENT				
Bank indebtedness (note 5)	$	17,849	$	21,035
Accounts payable and accrued liabilities		30,047		27,146
Income taxes payable (note 9)		1,552		2,110
Customer advance payments		4,212		4,180
Current portion of long-term debt (note 6)		333		974
Total current liabilities		53,993		55,445
Long-term debt (note 6)		417		794
Future income tax liabilities (note 9)		8,107		7,591
Total liabilities		62,517		63,830
Shareholders' Equity				
Share capital (note 7)		35,758		32,376
Contributed surplus (note 8)		1,459		1,128
Retained earnings		130,772		121,746
Currency translation adjustment		(13,220)		(8,791)
Total shareholders' equity		154,769		146,459
	$	217,286	$	210,289

Commitments (note 11)

See accompanying notes

On behalf of the Board:

Brian A. Robbins (SIGNED)
Director, President and Chief Executive Officer

Helmut Hofmann (SIGNED)
Director, Chairman of the Board

Consolidated Statements of Income and Retained Earnings

($000s, except for earnings per share)

YEARS ENDED SEPTEMBER 30	2005	2004
Sales	$ 215,427	$ 216,114
Cost of sales and operating expenses before the following	154,647	142,968
Selling, general and administrative	30,175	34,661
Depreciation and amortization	11,846	12,788
Interest on long-term debt	40	61
Other interest expense	1,014	906
	197,722	191,384
Income from continuing operations before income taxes	17,705	24,730
Provision for (recovery of) income taxes (note 9)		
Current	6,671	7,916
Future	(98)	406
	6,573	8,322
Net income from continuing operations	11,132	16,408
Net loss from discontinued operations, net of tax (note 2)	—	(7,209)
Net income for the year	11,132	9,199
Retained earnings, beginning of year	121,746	114,573
Excess of redemption price over stated value of common shares acquired and cancelled (note 7)	(29)	—
Dividends (note 7)	(2,077)	(2,026)
Retained earnings, end of year	$ 130,772	$ 121,746
Earnings per common share (notes 7 and 12)		
From continuing operations		
Basic	$ 0.27	$ 0.41
Diluted	$ 0.27	$ 0.40
Net income		
Basic	$ 0.27	$ 0.23
Diluted	$ 0.27	$ 0.22

See accompanying notes

Consolidated Statements of Cash Flows

($000s)

YEARS ENDED SEPTEMBER 30	2005	2004
Operating Activities		
Net income from continuing operations	$ 11,132	$ 16,408
Add (deduct) items not involving current cash flows		
Depreciation and amortization	11,846	12,788
Stock option expense (notes 7 and 8)	449	502
Future income taxes	(98)	406
Loss (gain) on sale of fixed assets	121	(32)
	23,450	30,072
Net change in non-cash working capital balances related to operations (note 10)	(4,286)	(6,259)
Cash provided by operating activities	19,164	23,813
Financing Activities		
Decrease in bank indebtedness	(3,091)	(13,426)
Decrease in long-term debt	(1,018)	(377)
Dividends (note 7)	(2,077)	(2,026)
Repurchase of share capital (note 7)	(36)	—
Issue of share capital (note 7)	3,271	1,414
Cash used in financing activities	(2,951)	(14,415)
Investing Activities		
Investment in fixed assets	(14,599)	(11,948)
Proceeds from sale of fixed assets	372	499
Cash used in investing activities	(14,227)	(11,449)
Effect of exchange rate changes on cash	(656)	(711)
Increase (decrease) in cash, during the year	1,330	(2,762)
Cash, beginning of year	1,828	4,590
Cash, end of year	$ 3,158	$ 1,828

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, and in the case of work-in-process and finished goods, 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 for 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 represents the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed less any subsequent write downs for impairment. Goodwill is subject to an annual impairment test. Goodwill impairment is evaluated between annual tests upon the occurrence of certain events or circumstances. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any.

Financial Instruments

Financial instruments recognized in the consolidated balance sheets comprise cash, 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 enters into forward exchange and put and call option contracts to manage exposure to currency rate fluctuations related primarily to its future cash inflows and outflows of U.S. dollars, Euros, and Mexican pesos from operations. The Company uses forecasted future cash flows of foreign currencies to determine the level of hedges required. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. 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 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 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 statements of income and retained earnings.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the consolidated 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. 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. Gains and losses on foreign exchange forward contracts and currency option 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 and retained earnings. During the years ended September 30, 2005 and September 30, 2004, 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 when the price is fixed or determinable, collection is reasonably assured, and:

- for large die-cast moulds and die-cast machines, upon completion of manufacturing and acceptance by the customer 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.

September 30, 2005 and 2004 ($000s, except per share amounts)

Stock-based Compensation

The Company follows the fair value based method of accounting for stock-based compensation. The fair value of the options is recognized as compensation expense in selling, general and administrative expense on the consolidated statements of income and retained earnings. 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 of $4,489 comprised of $1,002 reduction in goodwill, $980 reduction in future income tax assets and $2,507 of non-cash charges related to fixed assets. Revenue and pre-tax losses for the year ended September 30, 2005 are nil (2004 – $5,112 and $8,564). The 2005 income tax benefit relating to discontinued operations is nil (2004 – $1,355). Basic and diluted loss per share from discontinued operations for the year ended September 30, 2005 are nil (2004 – $0.18).

3. INVENTORIES

	2005	2004
Raw materials	$ 16,058	$ 15,056
Work-in-process and finished goods	19,613	15,174
	$ 35,671	$ 30,230

4. FIXED ASSETS

			2005
	Cost	Accumulated Depreciation & Amortization	Net Book Value
Land	$ 7,349	$ —	$ 7,349
Buildings	43,565	12,744	30,821
Machinery and equipment	177,756	132,966	44,790
Tools	8,184	7,204	980
Leasehold improvements	338	268	70
	$ 237,192	$ 153,182	$ 84,010

		Cost	Accumulated Depreciation & Amortization	Net Book Value
				2004
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

5. BANK INDEBTEDNESS

At September 30, 2005, the Company had available lines of credit totalling $58,480 (2004 – $62,560) of which $40,631 (2004 – $41,525) was unused and available. These operating lines are available in both U.S. and Canadian dollars at variable rates not exceeding prime rate, are subject to general security agreements and are due on demand. The prime rate in Canada at September 30, 2005 was 4.5% (2004 – 4.0%) and in the United States was 6.75% (2004 – 4.75%). 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, 2005, the notional principal amount of this swap was $15,714 (2004 – $18,571) and the fair value loss was $108 (2004 – nil).

6. LONG-TERM DEBT

	2005	2004
Government assistance	$ 750	$ 1,159
U.S. dollar denominated mortgage payable	—	609
	750	1,768
Less current portion	333	974
Long-term portion	$ 417	$ 794

Government assistance is comprised of six loans of which $344 is payable to Atlantic Canada Opportunities Agency ("ACOA") and $406 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 installments of $11. The NSB loan is repayable in annual installments of approximately $200 and matures in 2007.

Total principal repayment requirements are as follows:

2006	$ 333
2007	332
2008	81
2009	4
	$ 750

September 30, 2005 and 2004 ($000s, except per share amounts)

7. 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, 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
Issued for cash under Employee Stock Purchase Plan	154,571		969
Issued for cash under Stock Option Plan	674,486		2,302
Purchased and cancelled pursuant to normal course issuer bid	(8,800)		(7)
Contributed surplus on stock options exercised	—		118
Issued and outstanding at September 30, 2005	41,637,295	$	35,758

Cash Dividend

During the year, the Company paid four quarterly cash dividends totalling $2,077 (2004 – $2,026). 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:

	2005			2004		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	2,849,245	$	4.06	3,283,411	$	3.89
Granted during the year	174,695	$	7.18	55,000	$	5.83
Exercised during the year	(674,486)	$	3.41	(465,166)	$	3.08
Cancelled during the year	(67,000)	$	5.23	(24,000)	$	3.85
Balance, end of year	2,282,454	$	4.46	2,849,245	$	4.06

The following table summarizes information about stock options outstanding at September 30, 2005:

	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	372,620	5.6 years	$	2.96	233,173	$	2.95
$3.01 – $4.00	815,930	3.1 years	$	3.63	710,088	$	3.61
$4.01 – $5.42	488,808	3.3 years	$	4.80	488,808	$	4.80
$5.43 – $7.60	605,096	6.6 years	$	6.49	165,534	$	6.21
$2.43 – $7.60	2,282,454	4.5 years	$	4.46	1,597,603	$	4.15

The number of shares available for option at September 30, 2005 was 831,912 (2004 – 179,607). The number of options outstanding together with those available for future issuance totals 3,114,366 (2004 – 3,028,852) or 7.5% (2004 – 7.4%) 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 2005, payroll deductions were made supporting the purchase of a maximum of 189,030 shares at $7.41 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2006. Employees must decide annually whether or not they wish to purchase their shares. During 2005, 154,571 shares (2004 – nil) 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 was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

		2005		2004
Risk-free interest rates		4.05%		4.25%
Expected dividend yield		0.42%		0.32%
Expected volatility		26.90%		27.30%
Expected time until exercise		5.23 years		5.46 years
Weighted average fair value of the options granted	$	1.85	$	1.69

Stock-based compensation of $449 (2004 – $502) has been recorded in selling, general and administrative expense.

Normal Course Issuer Bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning on May 6, 2005. The Company's Board of Directors authorized the purchase of up to 2,080,804 common shares representing approximately 5% of the Company's outstanding shares. As of September 30, 2005, the Company purchased 8,800 shares for cancellation at a cost of $36. The cost to purchase the shares exceeded their stated value by $29. This excess has been charged against retained earnings.

September 30, 2005 and 2004 ($000s, except per share amounts)

8. CONTRIBUTED SURPLUS

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

	2005	2004
Balance, beginning of year	$ 1,128	$ 643
Stock-based compensation expense (note 7)	449	502
Exercise of options	(118)	(17)
	$ 1,459	$ 1,128

9. INCOME TAXES

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

		2005
Income from continuing operations before income taxes	$ 17,705	100.0%
Income taxes at Canadian statutory rates	$ 6,395	36.1%
Manufacturing and processing deduction	(354)	(2.0)
Foreign rate differential	274	1.5
Items not deductible for income tax purposes	411	2.3
Other	(153)	(0.8)
	$ 6,573	37.1%

		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	1.9
Other	(524)	(2.0)
	$ 8,322	33.7%

Cash outflows during the year for income taxes were $6,683 (2004 – $7,628).

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

	2005	2004
Assets		
Tax benefit of loss carryforwards	$ (1,945)	$ (824)
Items not currently deductible for income tax purposes	(1,403)	(2,548)
Research and development expenditures	(805)	(310)
Liabilities		
Tax depreciation in excess of book depreciation	9,101	8,613
Net future income tax liabilities	$ 4,948	$ 4,931

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:

	2005	2004
Accounts receivable	$ (1,760)	$ (1,561)
Inventories	(6,194)	(1,366)
Prepaid expenses and deposits	172	(1,064)
Accounts payable and accrued liabilities	3,841	(1,336)
Income taxes payable	(377)	(99)
Customer advance payments	32	(833)
	$ (4,286)	$ (6,259)

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 2010. Future minimum annual lease payments are as follows:

2006	$ 1,677
2007	855
2008	93
2009	45
2010	34
	$ 2,704

In September 2005, the Company entered into a two-year lease that upon expiry the Company can exercise two options: re-lease or have the lessor sell the equipment. In the event of sale, the Company has agreed that the lessor will sell the asset and recover no less than 88% of the cost of the equipment ($8,935). The Company is responsible for any shortfall should one occur.

September 30, 2005 and 2004 ($000s, except per share amounts)

Foreign Exchange Contracts

The Company has contracts to sell US$13,500 (2004 – US$22,100) over the next 12 months at rates varying from 1.22 to 1.38 (2004 – 1.34 to 1.38) Canadian dollars for each U.S. dollar sold. Management estimates that a profit of $1,384 would be realized if the contracts were terminated on September 30, 2005 (2004 – $2,218).

The Company has contracts to sell 54 million Mexican pesos over the next 36 months at a fixed rate of 11.81 Mexican pesos for each U.S. dollar. Management estimates that a profit of $125 would be realized if the contracts were terminated on September 30, 2005.

The Company entered into a series of put and call options for the next 36 months. The total contract value is 174.2 million Mexican pesos (2004 – 52 million Mexican pesos). The selling price ranges from 11.40 to 12.70 (2004 – 11.47 to 12.10). Management estimates that a profit of $582 would be realized if both series of contracts were terminated on September 30, 2005.

Subsequent to year-end, the Company entered into foreign exchange contracts to sell 3.2 million Euros from November 2005 to October 2006 at a fixed rate of 11.093 Moroccan dirhams for each Euro sold.

Interest

Interest paid in cash was $1,025 for the year ended September 30, 2005 (2004 – $1,043).

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 41,448,913 (2004 – 40,447,108). The effect of outstanding stock options on diluted weighted average shares outstanding was to increase the weighted average number of shares outstanding by 324,175 shares (2004 – 861,954).

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 to the consolidated financial statements.

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

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

	2005			2004		
	Casting and Extrusion	Automotive Solutions	Total	Casting and Extrusion	Automotive Solutions	Total
Sales	$ 133,907	$ 81,520	$ 215,427	$ 130,225	$ 85,889	$ 216,114
Depreciation & amortization	$ 9,583	$ 2,263	$ 11,846	$ 10,429	$ 2,359	$ 12,788
Segment income	$ 5,797	$ 12,962	$ 18,759	$ 9,783	$ 15,914	$ 25,697
Interest expense			$ 1,054			$ 967
Income from continuing operations before income taxes			$ 17,705			$ 24,730
Fixed asset additions	$ 11,211	$ 3,388	$ 14,599	$ 8,528	$ 3,420	$ 11,948
Total fixed assets, net	$ 66,262	$ 17,748	$ 84,010	$ 65,888	$ 17,559	$ 83,447
Goodwill	$ 8,345	$ 35,083	$ 43,428	$ 8,345	$ 35,083	$ 43,428
Total assets	$ 109,985	$ 107,301	$ 217,286	$ 117,198	$ 93,091	$ 210,289

Geographic and Customer Information

		2005		2004
Sales				
Canada	$	30,969	$	35,196
United States		157,953		151,534
Europe		14,453		8,135
Asia		4,467		13,666
Other		7,585		7,583
	$	215,427	$	216,114

		2005		2004
Fixed assets and goodwill, net				
Canada	$	76,752	$	74,651
United States		42,519		42,190
Mexico		2,221		2,987
Morocco		5,946		7,047
	$	127,438	$	126,875

In 2005, sales to the Company's largest customer were 18% (2004 – 13%) of total sales and the account receivable pertaining to this customer was $8,695 (2004 – $4,645). 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 2005 consolidated financial statements.

Five-Year Financial Summary

($000s, except per share amounts)

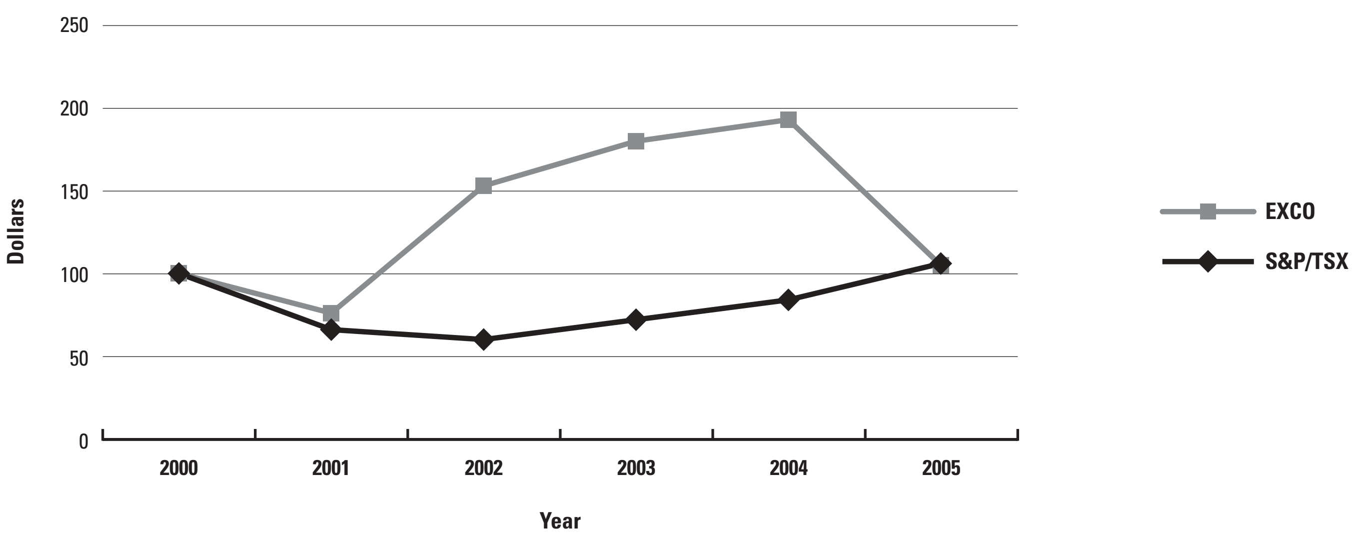
Financial Results

	2005	2004	2003	2002	2001
Sales	$ 215,427	$ 216,114	$ 228,127	$ 213,141	$ 184,133
Net income from continuing operations	$ 11,132	$ 16,408	$ 18,129	$ 16,816	$ 10,985
Net income	$ 11,132	$ 9,199	$ 16,681	$ 16,816	$ 10,985
Diluted earnings per share from continuing operations	$ 0.27	$ 0.40	$ 0.44	$ 0.42	$ 0.27
Diluted earnings per share	$ 0.27	$ 0.22	$ 0.40	$ 0.42	$ 0.27
Cash flow from operations before non-cash items	$ 23,450	$ 30,072	$ 33,105	$ 31,998	$ 29,072
EBITDA*	$ 30,605	$ 38,485	$ 45,125	$ 43,207	$ 36,970
Total net debt to equity	0.10:1	0.14:1	0.21:1	0.19:1	0.35:1
Capital expenditures, net of disposals	$ 14,227	$ 11,449	$ 9,124	$ 16,549	$ 14,065
Acquisitions	$ —	$ —	$ 9,740	$ —	$ 14,752

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

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, 2000 to September 30, 2005 compared with the return on the S&P/TSX Composite Index.



Board of Directors and Officers

Directors

Laurie Bennett, CA
Retired Partner
Ernst & Young LLP

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

Geoffrey F. Hyland, BEng (Chem), MBA
Corporate Director

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

Corporate Officers

Helmut Hofmann
Chairman of the Board

Brian A. Robbins, PEng
President and Chief Executive Officer

Paul Riganelli, MA, MBA, LLB
Vice-President, Finance and Chief Financial Officer
Secretary

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.
Suite 420
Toronto, Ontario
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
Web: www.excocorp.com

2005 Annual Meeting

The 2005 Annual Meeting of the Shareholders will be held at the Design Exchange, 234 Bay Street, Toronto Dominion Centre, Toronto, Ontario on Wednesday, January 25, 2006 at 4:30 p.m.

Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario L3R 5H6

www.excocorp.com