EXCO

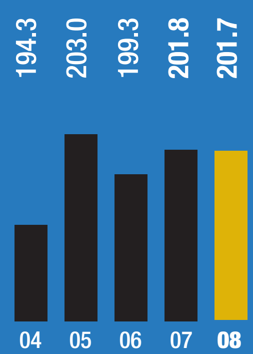
EXCO TECHNOLOGIES LIMITED

ANNUAL REPORT 2008

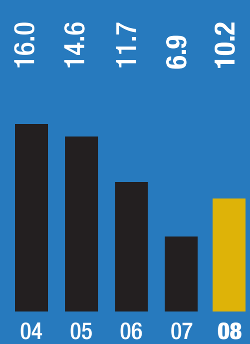
EXCO

FINANCIAL HIGHLIGHTS

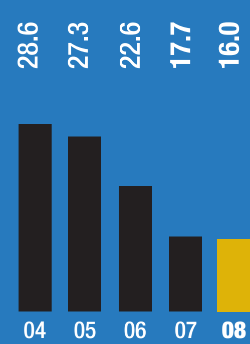
Sales*
($ millions)



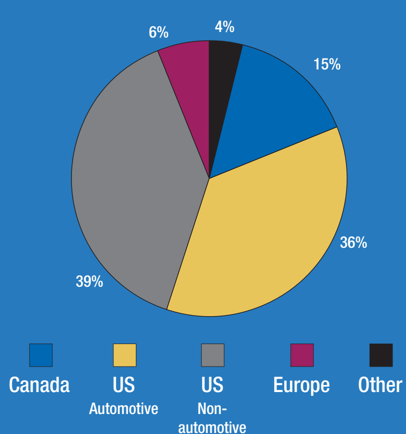
Net income before goodwill*
($ millions)



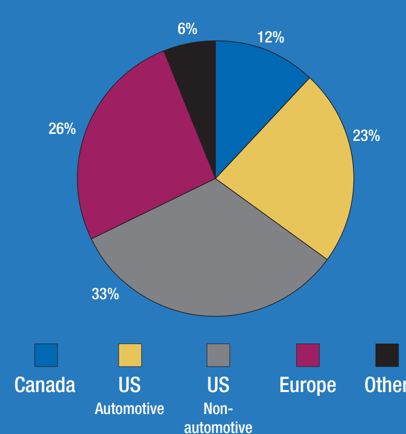
Cash flow before non-cash items*
($ millions)



2005 Sales by Country*
($ millions)



2008 Sales by Country*
($ millions)



*From continuing operations

ADAPT AND PROSPER

Buffeted by the pressures of global competition, volatile fuel costs, tightening consumer credit and an uncertain economy, automobile manufacturers continued to struggle over the past year with declining automobile sales and overcapacity. Amid this difficult environment, Exco managed to preserve its revenue base, maintain a strong balance sheet and successfully reposition itself for future growth.

Last year at this time, we wrote that the profound changes in the North American automobile industry were part of a process "that's far from over". That statement remains true even today. North American and, to a lesser extent, New Domestic OEMs continued to restructure their operations in the face of significant industry overcapacity and fierce competition during the past year. Those efforts were further complicated by an accelerating consumer shift toward smaller, more fuel-efficient vehicles and most recently, the impact of spreading turmoil in the credit markets. These trends suggest that North American vehicle sales will remain at levels not seen since the early 1990s during the year ahead.

At Exco, we are familiar with the challenges facing our customers and equally aware of the growing economic uncertainty in our major markets. In times like these, we'll continue to do what we've always done – focus on the things we can control, anticipate and adapt to change as best we can, and work to keep Exco positioned for long-term prosperity.

In the short term, that means minimizing expenses and sharpening the focus on the most profitable parts of our businesses. On September 28, 2007 we sold our Quebec-based Techmire division which had struggled against the rising value of the Canadian dollar and the migration of key customers to lower-cost jurisdictions in Asia. That sale eliminated what had been an unprofitable enterprise and will enable Exco to realize in excess of $10 million in cash once the assets held for sale are completely liquidated.

In the past fiscal year, we have made similar progress in continuing efforts to streamline our Canadian operations. In December 2007, we discontinued operations at our marginally profitable Extec large mould facility in Markham, Ontario. This allowed Exco to transfer equipment and capacity to nearby sister plants and establish a new facility in Queretaro, Mexico so we could lower our costs and be closer to our customers. This also enabled Exco to realize a gain of over $2 million from the sale of the facility and generate cash proceeds of over $3.4 million while retaining all our production capacity.

Cost control has also remained a priority throughout the Company. At the corporate level, a series of efficiency initiatives including the sale of Exco's aircraft will yield approximately $2 million in annual cost savings compared to prior years. Staffing has been reduced in Canada by approximately 9% over the past 2 years with more initiatives taking place after year end. Although this required payment of severances in 2008 which impacted earnings by more than $1.4 million, in the long run efficiency gains from these staffing reductions are necessary to keep our North American operations competitive and healthy.

Overall, consolidated sales held up well at just over $201 million. This is identical to 2007 consolidated sales even though North American vehicle production declined and the Canadian dollar's strength throughout 2008 reduced sales by approximately $11.7 million.

We also remained focused on our balance sheet. The challenging conditions in the automotive components industry have caused us to conclude that the goodwill associated with the purchase of Neocon Canada and Polytech was excessive. We also concluded that the difficult real estate market in Montreal required Exco to re-evaluate the carrying value of its former Techmire facility. Accordingly, this year Exco has written off $23.6 million in goodwill and $500 thousand in the value of its 'assets held for sale'.

Most importantly, we ended the year in good financial condition. As of September 30, 2008, Exco's balance sheet was exceptionally strong with no net bank debt and net cash deposits of $3.5 million. This makes us ready to both weather the current industry downturn and carry out our investment plans in 2009 and beyond.

In the meantime, we are keeping an eye on the future by selectively investing in our strongest engines for growth. Exco's ability to generate cash and improve its balance sheet during the current industry downturn is no accident. It is the result of a carefully executed strategy to diversify revenues – with respect to customers, geographic region, and currency – while investing in manufacturing capacity in lower cost jurisdictions closer to our customers. This process is not complete, but our strategy has already borne fruit. During the past fiscal year, a period in which many industry peers experienced severe revenue reductions, Exco sales remained constant.

Of course, the strength of our relationships with GM, Ford and Chrysler will continue to be an important part of Exco's success. These troubled companies represented approximately 19% of Exco's total sales in fiscal 2008 and we remain a valued partner that is ready to participate in the inevitable recovery of the North American automobile market. In the meantime, however, we have also succeeded in intensifying our relationships within an increasingly diverse range of customers. In fiscal 2007, content on Honda vehicles exceeded that of any other Exco customer, eclipsing a position that had been held by Chrysler for many years. In the past seven years, we have transformed our customer base from essentially the Detroit 3 to one that now includes more than 20 OEM's worldwide, and their tiers including among others Mercedes, Hyundai, Toyota, Renault and Nissan. Exco's sales to the new domestics – the North American and European operations of Japanese manufacturers – have increased from 10% of total sales in fiscal 2005 to 26% of total sales during the past year. We are also focused on non automotive sales, which in 2008 is approximately 33% of consolidated sales.

At the same time, we have achieved considerable geographic diversification. Europe now represents 26% of Exco's total sales compared to just 6% of total sales in 2005. What's more, our Polydesign division is ideally positioned to supply the growing demand for smaller cars in the European market following a near doubling of capacity at our facility in Tangier, Morocco this year. Recent announcements by Renault/Nissan to construct an assembly plant approximately five kilometres from our Moroccan plant by 2010 not only validates Exco's site selection strategy but also promises to increase Polydesign sales in the years to come as the area develops into an automotive cluster.

We have also continued to invest in lower cost jurisdictions closer to home to support the strategies of our North American customers. As stated above, during the past year, our large mould division acquired a site in Queretaro, Mexico where it is currently constructing a production facility to which Extec equipment will be transferred in the second quarter of 2009. In recent years, North American car companies have moved the manufacturing of smaller vehicles to Mexico and as rising fuel costs stimulate demand for more efficient models, manufacturing activity there has remained robust.

In the near term, growing confusion in the global financial system and the greater economy suggests that demand in both the Casting and Extrusion and Automotive Solutions segments will remain sluggish. The North American automobile industry and, to a lesser extent that of Europe, will continue to eliminate excess manufacturing capacity and re-develop product lines at a time when economic uncertainty is eroding consumer confidence and high fuel costs and expensive consumer credit is driving demand for smaller and fewer vehicles. This process will take time and the competitive landscape will continue to change. As it does, we will continue to adapt and prosper by building upon the competitive advantages that have enabled Exco to outperform the industry.

In closing, we would like to gratefully acknowledge the contributions of our employees, customers and suppliers to our success. With their continued support, we are confident that Exco will continue to adapt and prosper in the year ahead.

Brian A. Robbins
President and Chief Executive Officer

Richard D. McGraw
Chairman of the Board

FINANCIAL REVIEW

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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, 2008. This MD&A has been prepared as of November 26, 2008.

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 this annual report, our 2008 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, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. The Company reports in two business segments.

The Casting and Extrusion segment designs, develops and manufactures die-casting and extrusion tooling and consumable parts for both die-casting and extrusion machines. Operations are based in North America and serve automotive and industrial markets around the world. Exco is a leader in most of these markets. In die-casting and extrusion tooling markets Exco is further entrenching itself by reducing lead times and cost through design and process enhancements. In the machine consumables market, Exco is leveraging its long tradition as a reliable, high-quality supplier of consumable components to die-casters and extruders by evaluating, coordinating and ultimately maximizing customers' overall equipment performance and longevity.

The Canadian and United States markets are Exco's primary focus for die-cast moulds, extrusion dies and machine consumable parts, although South America, Europe and Asia are also being developed.

The Automotive Solutions segment designs, develops and manufactures automotive interior trim components and assemblies primarily for passenger and light truck vehicles. The Polytech and Polydesign businesses manufacture synthetic net and other cargo restraint products, injection-moulded shift and brake boots and related console components and assemblies. Polydesign is also a manufacturer of seat covers and other cut and sew products. Neocon is a supplier of soft plastic trunk trays and rigid plastic trunk organizer systems. Automotive Solutions facilities are located in Canada, the United States, Mexico and Morocco, supplying the North American, European and Asian automotive markets.

VISION AND STRATEGY

Last year's MD&A discussed a number of significant challenges facing the Company as well as our plans to address them. First and foremost among those challenges was the restructuring of the North American and European automotive industries - a process that continued to play out in fiscal 2008. The Detroit Three continued to lose market share to new domestic manufacturers. The resulting overcapacity at General Motors, Ford and Chrysler, as well as their Tier 1 supplier base, continued to challenge those manufacturers as they scaled back production and closed plants. However, new domestic OEMs also experienced reduced production as light truck and SUV sales declined. The high price of gasoline over the summer devastated demand for full-size trucks and large SUVs, vehicles upon which all OEMs doing business in North America had depended, to varying degrees, in terms of sales, and especially, profitability. OEMs are now faced with tight credit markets and falling demand for automobiles of all kinds. In addition industry conditions have also been adversely affected recently by a decline in consumer confidence and most recently, credit turmoil in the banking and leasing sectors. In response, car manufactures have been clearing inventory by idling plants, rationalizing manufacturing capacity and shifting investment to smaller, more fuel efficient vehicles to adjust to the new realities. While these initiatives are expected to be beneficial in the long term, Exco does not expect demand for components to return to historical levels in the next year and the overall turmoil in the global automotive industry continues to be a major challenge for Exco.

This situation has impacted Exco in several ways. The creditworthiness of our customers has become a more pronounced issue. In 2008 Exco wrote off more than $1.1 million in receivables as both automotive and industrial suppliers experienced cash flow problems associated with lower production, excessive debt or a combination of both. The financial condition of our customers has also led to a resurgence of delays in product launches and ‘trimming down’ decisions by some of our customers as they look for ways to cut their costs, conserve cash or otherwise improve their financial performance. This has affected our Engineering and Neocon businesses in 2008. At Engineering the launch of the Phoenix engine block program was delayed several times and we now expect to be in full production by the second fiscal quarter of 2009 (see Risks and Uncertainties). In April of this year numerous long-standing programs at Neocon with Nissan were moved to substantially lower trim levels thereby impacting revenue, capacity utilization, inventories and ultimately profitability. This prompted the write-down of goodwill associated with Neocon Canada (see Depreciation and Amortization).

Another of the major challenges we cited a year ago was the lofty value of the Canadian dollar. More specifically, we mentioned Exco’s reliance on sales to the U.S., noting that the climb of the Canadian dollar had produced the unwelcome effect of compressing top line sales while putting significant pressure on profit margins at Canadian operations and translated profits from U.S. subsidiaries. This remains a serious issue for Exco. In fiscal 2008 the Canadian dollar continued to strengthen against the US dollar to an average of $1.01 compared to $1.11 in fiscal 2007. Management estimates that this has reduced sales in 2008 by approximately $11.7 million. We believe that this trend has now crested; however, this is by no means certain.

The final trend that has significantly challenged Exco is rising demand for global commodities and the impact this has had on the price of two key raw materials used by Exco – steel and resin. In 2008 increases in the price of both tooling steel and automotive grade resins significantly outpaced the ability of any manufacturer to pass costs onto the market. The doubling of gasoline prices also increased freight costs throughout our organization. This caused Exco’s gross margin to come under renewed pressure at a time when management was already battling margin pressure from the trends discussed above.

Given these challenges, management at Exco continued to focus on growing the Company’s production footprint in low cost countries and reducing operating costs at all levels while maintaining its commitment to a strong balance sheet and strong cash flow.

Long ago Exco appreciated the need to move production to low cost countries in order to help its customers achieve their cost reduction objectives. We are proud of the success of our Polytech and Polydesign divisions, which have been operating respectively in Matamoros Mexico since the early 1990’s and Tangier, Morocco since 2001. In 2008 we undertook an expansion of the Polydesign facility that will almost double its current size to a total of approximately 185,000 sq. ft. This facility will be complete by December 2008 and will allow Polydesign to consolidate its current operation under one roof and meet the growing demands of its current customers as well as others that are moving production to this emerging automotive cluster.

Initially, this strategy applied solely to labor intensive products such as those made by Polytech and Polydesign. More recently, however, our customers have demanded that we consider moving a broader array of operations to these lower cost countries. In 2008 our decision to move our Extec facility to Mexico was critical in landing substantial business with a new die caster itself setting up business in Mexico. Such undertakings are expensive and complex to execute but, in our case, we were able to carry out this initiative on a cash neutral basis as the expenditure required to build the new facility and relocate the equipment was entirely offset by the proceeds from the sale of the Extec facility (see note 18).

We have also continued to make progress in our efforts to reduce costs throughout our North American operations. In addition to selling our unprofitable Techmire division in September 2007, the closure of our Extec facility in December 2007 and other cost cutting decisions taken at our other North American operations have resulted in substantial permanent savings. Staffing levels at Exco were reduced by 128 during 2008 and initiatives currently underway are expected to reduce staffing at our US operations by a further 34 staff after year end. This has required severance payments of $1,408 thousand which were expensed in 2008 compared to $510 thousand last year. The Company has also concluded the necessary arrangements and made the necessary payments in order to exit an operating lease for an aircraft which Exco had discontinued operating last year (see note 12).

In response to these challenges, we have not lost sight of our finances. For numerous years we have refrained from burdening ourselves with excessive debt. Given the current state of financial markets we feel particularly vindicated in this regard. We continue to have no net bank debt. Cash provided by continuing operating activities has remained strong both before and after taking net changes in non-cash working capital into account.

While these initiatives have helped maintain Exco's financial health and flexibility during the current industry downturn, we have also continued to advance the Company's strategy of diversifying revenues and making the selective investments required to support profitable, long-term growth.

In 2008 Exco achieved an unprecedented level of geographic, customer and currency diversification. Europe now represents 26% of Exco's total sales compared to just 6% of total sales in 2005. Exco's sales to Toyota, Honda and Nissan and their tiers have increased from 10% of total sales in fiscal 2005 to 26% of total sales during the past year. Exco's currency mix now includes approximately 23% sales denominated in Euro compared to 5% in 2005 and US dollar denominated sales now constitute 56% of sales compared to 68% in 2005.

As a result of these initiatives, Exco is positioning itself to more effectively meet the challenges of the current industry environment. Our Detroit Three customers, and to a lesser extent, the new domestics, will continue to be challenged during the year ahead as the industry rationalizes production and ramps up development of new vehicles in response to changing consumer buying habits. On the other hand, we believe that our position as a global leader in the design and manufacture of automotive power train component moulds and low cost global manufacturer of numerous interior trim components will result in significant business in the years to come. In the meantime, Exco is in reasonably good shape, with a strong balance sheet, increasingly efficient operations and a significantly more diversified revenue base.

2008 RESULTS

Consolidated Results

Our results in fiscal 2008 and 2007 reflect the financial results of continuing operations and discontinued operations. Techmire was purchased in December 2000 and sold for cash on September 28, 2007. Results from this operation and proceeds realized on its sale have been classified as discontinued operations in the Consolidated Financial Statements (see note 15 to the Consolidated Financial Statements). All references in the MD&A are to continuing operations unless otherwise stated.

Annual sales of $201.7 million matched last year sales. This was accomplished in an unfavorable economic environment and during a year when the Canadian dollar reached its peak, averaging near par with the US dollar. The average annual exchange rate of $1.01 compared to $1.11 in fiscal 2007 lowered sales this year by $11.7 million or 5.8%. About 56% of sales were denominated in U.S. dollar. This has been a trend impacting reported sales for several years as real gains in underlying business activity have been masked by a consistently strengthening Canadian dollar since 2005.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2008, 2007 and 2006. This financial data should be read in conjunction with the Company's audited consolidated financial statements for these years:

$ millions except per share amounts	2008	2007	2006
Sales	$ 201.7	$ 201.8	$ 199.3
Earnings (loss) from continuing operations	($ 13.4)	$ 5.8	$ 3.3
Net earnings (loss) for the year	($ 13.9)	$ 3.1	($ 0.6)
Total assets	$ 168.4	$ 184.1	$ 201.4
Total long-term liabilities	$ 0.0	$ 0.0	$ 0.1
Cash dividend declared per share	$ 0.07	$ 0.06	$ 0.05
Earnings (loss) per share from continuing operations			
Basic	($ 0.33)	$ 0.14	$ 0.08
Diluted	($ 0.33)	$ 0.14	$ 0.08
Earnings (loss) per share from net earnings			
Basic	($ 0.34)	$ 0.07	($ 0.01)
Diluted	($ 0.34)	$ 0.07	($ 0.01)

Segment Operating Results

- ***Casting and Extrusion Segment***

Sales for this segment were $111.5 million, 7.7% less than the prior year. The extrusion tooling businesses increased sales by 2.6% in spite of a very competitive market and sales predominantly denominated in US dollar. Overall we believe our focus on customer service, timely delivery and continuous improvement is continuing to grow our share of the market at a time when several competitors have been discontinuing operations. Castool sales decreased by 12.6% over last year although this comes after several years of near double digit growth. As a manufacturer of extrusion and die-cast machine accessories and consumable parts, Castool, this year, has been affected by the slowdown in die cast activity in the North American automotive industry as consumables requirements fell, in the short term, with die cast component production. Eventually, consumables will be required in order to continue die cast production even at lower levels. Combined sales in the large mould businesses dropped 19.0% as the closure of Extec affected deliveries and the delay in the launch of commercial production of the Chrysler V6 Phoenix engine program continued throughout 2008. This program has now been released and moulds are expected to ship throughout 2009. Our large mould businesses should then return to more traditional sales volumes.

- ***Automotive Solutions Segment***

This segment achieved sales of $90.2 million compared to $81 million last year, an increase of $9.2 million or 11.4%. This increase is in addition to an increase of 8.6% in sales last year over 2006. Polytech experienced another year of sluggish sales driven by the continued translation effect of a weaker U.S. dollar and continued production cuts by its customers. Its recent emphasis on the launch of more complex interior trim components such as instrument panel cluster hoods and components lighting systems should enable it to look to a broader array of products to offset declining volumes. Combined Neocon sales began the year showing considerable promise as numerous new products were launched at both Neocon Canada and Neocon USA. However, volumes on existing business at Neocon Canada with Nissan were abruptly halted mid year by a decision to reduce the trim level on which our tray products would be installed. At Neocon USA progress made on passing through price increases on numerous programs early in the year was blunted by disappointing volumes on several key Chrysler programs. By year end combined sales at the two Neocon locations were basically flat but started to decline in the last half of the year. Polydesign's impressive sales performance over the last several years continued in 2008. Sales were up 44% over last year and now comprise over 20% of Exco's consolidated sales. This operation continues to broaden its customer base with the addition of Faurecia and Valeo as well as deepening its relationship with Visteon Europe. It is also diversifying its product mix with the addition of more shift boot and other cut and sew programs in order to balance out the seat cover programs for Honda.

Gross Margin

Consolidated gross margin declined to 21.4% from 24.7% in fiscal 2007. Exco's gross margin has been constantly under pressure since 2005 when it was over 30%. Fundamentally, this situation has been caused by the persistent strength of the Canadian dollar which lowered the translated value of U.S. sales and rising costs of raw material which increased Exco's cost of goods sold. Management's efforts to combat this trend have been successful insofar as we have been able to slow the pace of gross margin erosion with our efforts to reduce raw material requirements, direct labor expenditures and factory overhead by selling, closing and consolidating marginal operations and launching ever more business in low cost countries. However, meaningful improvements in gross margin will only take place once this trend abates. There is now reason to believe that the value of the Canadian dollar and commodity prices have peaked in 2008 and are now beginning to broadly retreat to more traditional levels. There are also segment specific developments that point toward improving margin.

The Casting and Extrusion segment margin declined 4.6% from 25.9% last year to 21.3% this year. Within this segment, Castool was able to improve its margin by almost 4% despite lower sales by improving its product mix, better pricing and operational improvements. The extrusion tooling businesses, on the other hand, experienced a drop in gross margin despite higher annual sales at all three locations. Margin improvements made in 2007 were undermined by continued increases in tool steel costs which were not entirely recoverable over the year. This situation should correct itself in the coming year as tool steel costs stabilize and steel surcharges are better recovered. Our large mould businesses, however, accounted for most of the segment's margin decline owing partly to lower capacity utilization causing poorer absorption of fixed costs but also substantially higher tool steel costs which almost doubled throughout the year. These costs were not recoverable from our customers and could not be offset in the short term by other operating efficiencies. This situation should correct itself in the coming year as overheads are better absorbed by deliveries of Phoenix engine block moulds and a variety of overhead reductions implemented in the second half of the year begin to take effect. The closure of the Extec operation in December 2007 will improve gross margin by slightly less than 0.5%.

The Automotive Solutions segment margin declined from 22.3% to 20.1% in fiscal 2008. Polytech has been successful in retaining its margin at last year's level despite higher resin and steel costs and slightly lower capacity utilization. At Polydesign, a year of operating at full capacity helped improve gross margin to its best level since production commenced in early 2001. The Neocon businesses have, however, had difficulty retaining prior year margin levels as their tray and organizer products contain large quantities of ever more expensive resin which has not, in 2008, been recovered from customers. These businesses have also been struggling with disappointing throughput which is impacting overhead absorption. The combination of these two factors caused Neocon USA in Alabama to generate a negative margin of 3.3%.

Generally, gross margin at Exco's Canadian business units is impacted by a strengthening Canadian dollar which erodes the value of U.S. dollar sales. This reduces margin at both segments but disproportionately affects the Casting and Extrusion segment which has four plants in Canada. The Automotive Solutions segment has only one Canadian plant. Foreign exchange has no impact on gross margin in our U.S. operations.

Research and development costs are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral. These costs are typically not significant in our continuing operations and in 2008 this was also the case.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of sales declined significantly to 12.7% or $25.7 million compared to 14.3% or $28.8 million in the prior year. This reduction reflects difficult decisions taken to reduce Exco's sales, general and administrative expenses. The process of reducing staffing levels continued through 2008. Our efforts in this regard have resulted in a reduction in selling and travel expenses this year of slightly over $1.9 million. This was offset by one-time severance payments in the year of $1.4 million compared to $510 thousand last year. The majority of severance payments relate to the closure of the Extec operation in December, 2007 ($723 thousand). The balance relates to staffing reductions throughout our operations which took place in the fourth quarter of 2008. Expense reductions from these terminations will be reflected in future years.

Commission payments were lower by $649 thousand as Exco continues to reduce its reliance on independent sales representatives for the marketing of its products. Where such sales representatives are utilized their commission rates are being reduced and/or structured as cost based remuneration rather than percentage of sales.

Last year the Company decided to discontinue the use of its aircraft while negotiations terminating the operating lease took place. This decision reduced travel expense by over $1 million in 2008 and will result in further expense reductions of $660 thousand annually in future years as the cost of leasing, housing and maintaining the aircraft ended in September 2008 when the Company settled its obligation under the operating lease. This settlement required a payment of $2.6 million. Of this amount $2 million was expensed in 2007 and the balance was expensed this year in the SG&A category.

This year also reflects an increase in bad debt expense of $710 thousand to $1.1 million in 2008 compared to $410 thousand last year. The financial position of both our automotive and industrial customers has deteriorated this year. The majority of the bad debt expense relates to the Casting and Extrusion segment ($856 thousand) and the extrusion tooling businesses in particular.

Exco expensed stock options of $402 thousand compared to $597 thousand in the prior year. This expense relates to the Employee Stock Purchase Plan, the Stock Option Plan and the Board of Directors Deferred Stock Unit Plan (see note 7).

Depreciation and Amortization

Depreciation and amortization expenses were $9.3 million (4.6% of sales) compared to $9.8 million (4.9% of sales) in the prior year. Depreciation expense declined in the Casting and Extrusion segment by $476 thousand to $6.9 million. Depreciation in the Automotive Solutions segment remained constant at $2.4 million. Fixed asset additions in future years may increase as our operations invest in new machinery and equipment to improve manufacturing processes and access state-of-the art machining technology. Exco will also be completing the addition to the Polydesign facility and building a new facility in Queretaro, Mexico in 2009 which will also increase depreciation.

At the beginning of the 2008 fiscal year the Company had recorded goodwill of $33.7 million. Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more often than annually if an event or circumstance indicates that an impairment, or decline in value, may have occurred. In conducting our impairment testing, we compare the fair value of each of our reporting units to the related net book value. If the fair value of a reporting unit exceeds its net book value, goodwill is considered not to be impaired. If the net book value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. We conduct our annual impairment testing in the fourth quarter each year.

The Company utilizes an income approach to estimate the fair value of each of its reporting units. The income approach is based on projected cash flow which is discounted to the present value using discount factors that consider the timing and risk of cash flows. This approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. This approach also mitigates the impact of cyclical downturns that occur in the industry. Fair value is estimated based on internally developed forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include terminal values, future capital expenditures and changes in future working capital requirements. While there are inherent uncertainties related to the assumptions used and to management's application of these assumptions to this analysis, we believe that the income approach provides a reasonable estimate of the fair value of our reporting units.

During the fourth quarter of the fiscal year, events occurred which indicated that it was more likely than not that there was a significant decline in the fair value of our Neocon Canada division. These events included: a) a reduction in gross margin b) a decline in pretax profit c) a material reduction in volumes on larger vehicle programs d) increased cost of resin based raw material and e) the negative impact of an ever strengthening Canadian dollar on revenue. As a result, the Company tested the goodwill associated with the Neocon Canada subsidiary and recorded a goodwill impairment charge of $7.1 million. After this impairment charge, there remains no goodwill associated with the Neocon Canada division.

While Polytech's performance has been much more resilient given the lower raw material content in its product and its predominately 'factory install' program profile, it was impacted by falling business valuations in the automotive industry and higher cost of capital assumptions in valuation methodologies. As a result, the Company recorded a goodwill impairment charge of $16.5 million. After this impairment charge, there remains $10.1 million goodwill related to Polytech on the balance sheet.

Interest

Interest expense was largely unchanged at $210 thousand compared to $219 thousand in fiscal 2007. This is due to the generally stable level of bank borrowings throughout the year and also stable level of bank deposits on which the Company receives interest income. The interest expense figure represents the difference between interest expense and interest income for the year. Exco's average cost of borrowing in fiscal 2008 was 3.76% (excluding stamping fees), a decrease of 74 basis points from the prior year.

Income Taxes

Exco's effective income tax recovery rate for continuing operations was (1%) compared to 44% in fiscal 2007. The tax recovery rate is primarily affected by the non-deductibility of goodwill charges, US taxes payable adjustment, losses from Canadian operations, Moroccan tax rate differential and utilizing available tax losses (note 10 – Income Tax).

Foreign Exchange

During the year, the U.S. dollar appreciated about 6% against the Canadian dollar from par to $1.06. As a result of foreign exchange contracts and U.S. dollar debt and the impact of this appreciation on Exco's Canadian working capital was a gain of $107 thousand compared to a loss of $335 thousand last year. For further discussion of the Company's foreign exchange see "Risks and Uncertainties" in this MD&A and note 16 to the Consolidated Financial Statements.

Net Income

- ***Consolidated***

The Company experienced a consolidated net loss from continuing operations of $13.4 million or ($0.33) per share compared to consolidated net income from continuing operations of $5.8 million or $0.14 per share last year. During the year Exco recorded goodwill impairment charges of $23.6 million (Neocon Canada $7.1 million and Polytech $16.5 million) compared to $1.1 million (Neocon USA) last year. Consolidated net income from continuing operations, before the impact of goodwill impairment charges, was $10.2 million or 48% higher than last year.

Net income from continuing operations was further impacted by numerous unusual expenses. The cost of terminating the aircraft operating lease was $647 thousand pretax compared to $2 million in the prior year. Costs associated with the closure of the Extec facility of $943 thousand pretax were entirely expensed in 2008. Restructuring charges not associated with the Extec closure were $685 thousand pretax compared to $544 thousand last year. The Company also experienced bad debt write offs in the amount of $1.1 million pretax compared to $410 thousand in 2007. Offsetting these expenses was a non recurring gain of $2.2 million pretax from the sale of the Extec production facility.

During the year the Company expensed $782 thousand relating to discontinued operations. Approximately $500 thousand of this amount recorded a provision against the value of the Techmire building in Quebec and the balance related to property taxes and other building related costs. In the prior year the discontinued Techmire division recorded pretax losses of $4.1 million.

Pretax income from continuing operations before the impact of these items in 2008 would have been $11.2 million compared to $14.4 million last year. On a net income basis earnings per share this year, before these items would have been $0.26 per share compared to $0.22 per share last year. The table below provides more details.

$ thousands	**2008**	**2007**
Pretax income (loss) from continuing operations	($13,534)	$ 10,336
Goodwill impairment charges	23,586	1,093
Gain from sale of Extec land & building	(2,232)	0
Loss from terminating aircraft lease	647	1,984
Restructuring charges	685	544
Extec closing charges	943	0
Bad debt write-offs	1,120	410
Pretax income before above items	**$ 11,215**	**$ 14,367**

	2008	**2007**
Reported fully diluted EPS	($0.34)	$ 0.07
Goodwill impairment charges	0.57	0.03
Gain from sale of Extec land & building	(0.05)	0.00
Loss from terminating aircraft lease	0.01	0.03
Restructuring charges	0.02	0.01
Extec closing charges	0.02	0.00
Bad debt write-offs	0.02	0.01
Discontinued operations - Techmire	0.01	0.07
Fully diluted EPS before above items	**$ 0.26**	**$ 0.22**

- ***Casting and Extrusion Segment (Operating Earnings)***

Casting and Extrusion earnings were down $2.7 million to $3.5 million compared to $6.2 million last year. This segment was impacted by the expenses relating to the Extec closure referenced above. In addition, this segment accounted for almost all the Company's non Extec restructuring charges ($676 thousand) and 76% of the Company's bad debt charges ($856 thousand). Although our extrusion tooling and Castool business units are retaining their market leadership positions, earnings were generally sluggish in 2008 as a result of higher raw material costs and slow demand in the construction industry and industrial markets. Earnings in our large mould businesses (excluding Extec) were at breakeven levels. Manufacturers' delays in releasing next-generation engine and transmission mould programs adversely affected capacity utilization and earnings. This situation prompted the closure of Extec, the decision to establish a facility in Mexico and necessitated the restructuring charges referenced above. Looking ahead, however, prospects for the large mould business are expected to improve significantly as a lower cost structure will coincide with the commencement of deliveries on the Phoenix engine block and six speed transmission programs (see Risks and Uncertainties).

• ***Automotive Solutions Segment (Operating Earnings)***

Earnings for the Automotive Solutions segment before goodwill impairment charges were up 23.9% at $6.7 million compared to $5.4 million in fiscal 2007. Polydesign experienced record earnings this year as it operated at full capacity for most of the year. Polytech delivered solid results that were only marginally lower than last year despite lower sales and high raw material costs. Neocon Canada ended the year at a breakeven level, despite a strong start in the first two quarters, as management struggled to deal with the impact of a precipitous fall in sales to Nissan. Neocon USA continued to struggle with losses for the year of $1.4 million.

Quarterly results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2008:

$ thousands except per share amounts	Sep. 08	Jun. 08	Mar. 08	Dec. 07	Total
Sales	$ 50,132	$ 47,677	$ 55,898	$ 47,974	**$ 201,681**
Net income from continuing operations before goodwill impairment charges	$ 2,833	$ 3,147	$ 2,844	$ 1,364	**$ 10,188**
Earnings per share					
Basic	$ 0.07	$ 0.08	$ 0.07	$ 0.03	**$ 0.25**
Diluted	$ 0.07	$ 0.08	$ 0.07	$ 0.03	**$ 0.25**
Net income (loss) from continuing operations	($20,753)	$ 3,147	$ 2,844	$ 1,364	**($13,398)**
Earnings (loss) per share					
Basic	($0.51)	$ 0.08	$ 0.07	$ 0.03	**($0.33)**
Diluted	($0.51)	$ 0.08	$ 0.07	$ 0.03	**($0.33)**
Net income (loss)	($21,178)	$ 3,085	$ 2,844	$ 1,315	**($13,934)**
Earnings (loss) per share					
Basic	($0.52)	$ 0.08	$ 0.07	$ 0.03	**($0.34)**
Diluted	($0.52)	$ 0.08	$ 0.07	$ 0.03	**($0.34)**

$ thousands except per share amounts	Sep. 07	Jun. 07	Mar. 07	Dec. 06	Total
Sales	$ 50,485	$ 51,574	$ 53,249	$ 46,451	**$ 201,759**
Net income from continuing operations before goodwill impairment charges	$ 341	$ 2,254	$ 2,517	$ 1,775	**$ 6,887**
Earnings per share					
Basic	$ 0.01	$ 0.05	$ 0.06	$ 0.05	**$ 0.17**
Diluted	$ 0.01	$ 0.05	$ 0.06	$ 0.05	**$ 0.17**
Net income (loss) from continuing operations	($752)	$ 2,254	$ 2,517	$ 1,775	**$ 5,794**
Earnings (loss) per share					
Basic	($0.02)	$ 0.05	$ 0.06	$ 0.05	**$ 0.14**
Diluted	($0.02)	$ 0.05	$ 0.06	$ 0.05	**$ 0.14**
Net income (loss)	($2,073)	$ 2,168	$ 1,859	$ 1,108	**$ 3,062**
Earnings (loss) per share					
Basic	($0.05)	$ 0.05	$ 0.04	$ 0.03	**$ 0.07**
Diluted	($0.05)	$ 0.05	$ 0.04	$ 0.03	**$ 0.07**

Exco typically experiences softer sales and profit in the first quarter, which coincides with our customers' plant shutdowns in North America during the Christmas season. Exco also experiences a slowdown in the fourth quarter as Exco's European customers typically curtail releases during the month of August to accommodate vacations. In the last two years Exco experienced a slowdown in North American sales in the fourth quarter as carmakers idled production facilities during the summer months. This is expected to also continue next year as the North American market is expected to remain soft.

In the fourth quarter sales of $50.1 million were flat compared to last year sales of $50.5 million. The value of the U.S. dollar having strengthened by an average of one cent against the Canadian dollar in the quarter had a negligible impact on sales. The Automotive Solutions segment experienced a strong quarter with an increase in sales of $3.5 million or 17.7% to $23.3 million from $19.8 million last year. Increased European sales by Polydesign more than offset the reduction in North American sales by Polytech and the Neocon businesses. The Casting and Extrusion segment recorded reduced quarterly sales of 12.6% or $3.9 million to $26.8 million from $30.7 million last year. Lower sales at Castool and the large mould businesses (Extec had no sales for the quarter) were responsible for this reduction and overwhelmed the slight increase in sales in the extrusion die businesses. Sale of large moulds will improve as deliveries of our Phoenix engine block and six speed transmission orders begin to take place throughout this year.

The Company reported a fourth quarter net loss from continuing operations of $20.8 million compared to a loss of $800 thousand in 2007. This loss includes a non deductible goodwill charge of $23.6 million taken in the fourth quarter to reflect impairment at our Neocon Canada and Polytech (see note 4). This is a non-cash item that does not affect the Company's cash flow, operations, margins or bank covenants. The Company also expensed numerous other items in the quarter relating to the closure of its Extec facility in Ontario, the termination of its aircraft operating lease, general restructuring charges and bad debt write-offs (see Selling General and Administrative discussion above). The Company also recorded a pretax charge of $500 thousand from discontinued operations in the quarter to reduce the carrying value of the Techmire facility to its current fair market value. Details of these items are reconciled to earnings per share in the table below.

	Q.4-2008	Q.4-2007
Reported fully diluted loss per share	**($0.52)**	($0.05)
Goodwill impairment charges	**0.57**	0.03
Loss from terminating aircraft lease	**0.01**	0.03
Restructuring charges	**0.01**	0.01
Extec closing expenses	**0.01**	0.00
Bad debt write-offs	**0.01**	0.00
Discontinued operations - Techmire	**0.01**	0.03
Fully diluted earnings per share before above items	$ **0.10**	$ 0.05

Apart from the above items pretax earnings more than tripled in the quarter in our European operations. All North American business units experienced weaker earnings and the large mould businesses, not including Extec, recorded combined losses of $0.02 per share reflecting low capacity utilization and the cost of restructuring charges taken in the fourth quarter.

Gross margin in the quarter was 21.7% compared to 25.9% last year reflecting the poor performance of the large mould businesses, excluding Extec, which operated well below capacity throughout the quarter and recorded a loss of $0.02 per share.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Cash flow from operating activities declined to $12.3 million from $19.6 million in fiscal 2007. This decrease is primarily the result of lower operating income and higher account receivable balances this year. Strong sales in the last month of the year in each reporting segment was responsible for the increase in accounts receivable. Automotive Solutions segment sales in September were $1.6 million higher than last year owing to strong shipments at Polydesign and Casting and Extrusion segment sales in September were $411 thousand higher.

Cash Flows from Financing Activities

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. Since then the dividend rate has been increased several times. Most recently, in the second quarter of this year the quarterly dividend was raised to $0.0175 per share or $0.07 per share annually. Total quarterly payments this year of $2.8 million reflect the higher dividend rate. In the prior year, total dividends paid were $2.5 million. It is expected that the dividend payments will continue to be made at this level through fiscal 2009 unless conditions not foreseen at the present time occur.

During the year the Company increased spending on the purchase of its common stock pursuant to the issuer bid program by $1.2 million to over $1.8 million compared to $613 thousand last year. Over 530 thousand common shares were repurchased and cancelled during the year. Spending on the share buy back program is impacted by numerous factors including the availability of stock, price of the stock and the amount of funds which are allocated for that purpose. Given the difficult business environment in the automotive sector the Company does not expect to invest in the repurchase of its stock to the same extent as 2008, however, depending on the circumstances described above some purchases may take place over the next year.

In addition to the obligations disclosed on its balance sheet, Exco also enters into operating lease arrangements from time to time. Exco owns all of its 11 manufacturing facilities and all its production equipment. The only substantial lease remaining at the start of 2008 was for an aircraft which management had elected not to renew beyond 2008. Last year the anticipated expense associated with this obligation of $2 million was recorded in Exco's income statement. In September 2008 the aircraft lease was successfully terminated and a required payment by Exco in the amount of $2.7 million was made at that time. The additional loss of $647 thousand is recorded in Exco's income statement in fiscal 2008.

	PAYMENTS DUE BY PERIOD				
Contractual Obligations $thousands	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long Term Debt	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Operating Leases*	1,645	616	868	161	-
Purchase Obligations	7,283	7,283	-	-	-
Other Long Term Obligations	-	-	-	-	-
Total Contractual Obligations	8,928	7,899	868	161	-

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

Cash Flows from Investing Activities - Capital Expenditures

Additions to fixed assets totaled $11.2 million compared to $14.0 million in the prior year. The investment in the Automotive Solutions segment was $3.5 million and investment in the Casting and Extrusion segment was $7.7 million.

About $355 thousand of the Casting and Extrusion investment was directed to the purchase of land for a new large mould production facility in Queretaro, Mexico. During the year this segment also directed $1.1 million to construction of an expansion to its extrusion tooling production facility in Chesterfield, Michigan. In the Automotive Solutions segment $1.8 million was directed to partially funding an expansion to our Polydesign production facility in Tangier, Morocco. The balance of the capital expenditure went to the maintenance of our productive capacity in machinery and equipment. Offsetting these expenditures was the receipt of proceeds in the amount of $3.7 million (including a mortgage back to Exco for $600 thousand) primarily from the sale of the Extec facility in Markham, Ontario.

In fiscal 2009, Exco plans to make capital expenditures of $9.2 million. In the Casting & Extrusion segment the bulk of the capital investment will be used to purchase equipment to maintain capacity and to upgrade software and information systems in our large mould businesses. However, the cost of constructing a new large mould maintenance facility in Queretaro, requiring an investment of approximately US$1 million, is expected in the year. In the Automotive Solutions segment Exco will also fund the completion of the 80,000 sq. ft. addition to its existing production facility in Tangier, Morocco at an approximate cost of US$1.5 million. Offsetting these capital expenditures will be proceeds from the sale of the Techmire production facility in Anjou, Quebec, in the approximate value of $5 million, thereby resulting in net capital expenditures of approximately $4.2 million for the 2009 fiscal year.

We expect that in fiscal 2009 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, our cash deposits and lines of credit will be more than sufficient to meet our operating requirements.

Dispositions

In December 2007, Exco ceased operating its large mould manufacturing business in Markham, Ontario which had carried on business as Extec. By May 28, 2008, Exco sold the Extec production facility for cash proceeds of $3.4 million including a mortgage back of $600 thousand. Extec had struggled for several years with a dwindling North American customer base, pricing pressure from remaining customers and more recently rising tool steel prices. Efforts to diversify and lower costs in order to compete with low cost countries were promising, but, ultimately were insufficient to warrant continued operation of the business. Management's re-assessment of the business concluded that Exco was best served by moving the machinery and equipment to Mexico where lower costs would enable us to more effectively meet the objectives of our customers and also make us more competitive in securing new business with die cast customers situated in Mexico. The sale of Extec was not classified as a discontinued operation. Note 18 to the Consolidated Financial Statements outlines the accounting impact of this disposition.

Cash Flows from Discontinued Operations

Net cash provided by discontinued operations was limited to property taxes and other expenses relating to the now vacant production facility in Anjou, Quebec. Subsequent to the end of the fiscal year $500 thousand was released to Exco from the escrow fund created at the close of the Techmire transaction in September, 2007 as security for various warranties and representations. For further discussion of the Company's Discontinued Operation see note 15 to the Consolidated Financial Statements.

Financial Position and Bank Debt (Net of Cash)

Exco's financial position remains strong despite profit softening, higher working capital and significant capital investments in physical plant over the last several years. Exco had no net bank debt throughout the year and no long-term debt. Exco's determination to preserve a strong balance sheet has served it well throughout the turmoil in financial markets and will continue to allow for maximum flexibility during these uncertain times.

Exco had no bank debt, net of cash, at September 30, 2008 as it closed the year with net cash deposits of $3.5 million. This compares to $4.5 million net cash deposits last year end. Exco's net cash position was impacted by a one time payment on September 19, 2008 of $2.7 million to terminate the operating lease on its aircraft. At year end, Exco had operating lines of credit totaling $48.0 million, of which $43.5 million was unused and available. The Company does not presently anticipate the need for long-term debt in its capital structure and does not expect to assume any over the coming year.

CRITICAL ACCOUNTING POLICIES

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

Exco recognizes revenue upon product completion. For large die-cast moulds and die-cast machines, completion is defined as 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 using the Black-Scholes option pricing model. The Company believes that the estimate of stock-based compensation is a "critical accounting estimate" because management is required to make significant forward-looking assumptions including expected stock volatility, the change in expected dividend yields and the expected option term. Currently the compensation expense is recorded in the selling, general and administration category in the consolidated statements of earnings and comprehensive loss.

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

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

Refer to note 1 to the consolidated financial statements for information pertaining to the accounting changes and issued accounting pronouncements effective in 2008 and future years.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

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, as well as, the market share of individual OEM customers. Possible consolidation or financial restructuring among our OEM customers may have a significant impact on future sales and profitability.

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

A significant portion of Exco's receivables are with automotive customers. These customers have varying degrees of financial strength with most North American OEMs and Tier 1 customers currently rated below investment grade. These receivables are subject to varying degrees of collectibility. The majority of these receivables are with US entities that can avail themselves of Chapter 11 protection from creditors in certain circumstances and avoid payment on the Company's receivables that are over 20 days from the date of the Chapter 11 filing. The Company uses its best efforts to collect accounts receivable under 60 days, however, it is not uncommon for significant receivables to be outstanding for considerably longer periods, particularly in the large mould business.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. It also purchases 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 may enter 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. Depending on exchange rates, markets which Exco currently service may experience rising competition from imports which have become more competitive as a result of exchange rate movements.

Note 16 to the Consolidated Financial Statements sets out information concerning Exco's foreign exchange forward contracts. During fiscal 2008, the Canadian dollar appreciated about 9.0% against the U.S. dollar to close the year at $1.06. The appreciation of the Canadian dollar to these levels is a challenge for Exco. To remain competitive, we are focused on a number of initiatives. The Company closed Extec in addition to having sold Techmire last year, both Canadian operations that were not contributing to the Company's earnings. Wherever possible, throughout its Canadian operations, the Company is attempting to sell in Canadian dollars and source inputs and equipment in U.S. dollars, thereby improving its natural hedge. However, in some instances, it is very difficult to dislodge the dominance of U.S. dollars as the commercial currency of choice. In addition, pricing in Canadian dollars may make the Company's products uncompetitive and result in lost business. Therefore, Exco is committed to reducing its overall costs to mitigate the impact of the appreciating Canadian dollar and may need to further reduce, consolidate or relocate its Canadian operations to low or lower-cost countries.

For fiscal 2009, 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$34 million. This compares to an exposure of US$25 million in fiscal 2008. These figures represent the estimated net exposure calculated as U.S. dollar revenues less U.S. dollar expenses. As of September 30, 2008 there was $1.8 million forward foreign exchange contracts outstanding (see note 16). If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2009, we estimate pretax profit would change by $340 thousand or about $224 thousand after tax. These estimates are based on historical norms and may be materially different in 2009 if customers deviate materially from their past practices.

Exco's U.S. operations earn profits in U.S. dollars. A stronger Canadian dollar results in lower Canadian dollar profit on translation. This does not, however, affect the competitiveness of these operations within the U.S. market or other U.S. dollar-denominated markets. For fiscal 2009, it is estimated that Exco's U.S. operations will be exposed to foreign exchange risk on the translation of pretax profit of about US$6.6 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2009, pretax profit would change by $66 thousand or about $44 thousand after tax.

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

The cost of manufacturing our products is a critical factor in determining our success over the long term. Manufacturing has generally expanded to developing countries where competing technologies and lower labor structures exist. Exco must compete against companies doing business in these developing countries. Exco has met this challenge by manufacturing some labor-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 Automotive Solutions segment has manufacturing facilities in Mexico and Morocco and these operations incur some operating expenses, primarily labor, 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.

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 (which was sold in 2004) and Techmire (which was sold in 2007) are two examples of the risk inherent in even small acquisitions or acquisitions of long-established businesses.

The Canadian Accounting Standards Board ('ACSB') confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for public accountable companies commencing fiscal years beginning on or after January 1, 2011. When Exco is required to adopt IFRS there may be changes to its current accounting methodology for, among other things, development costs, tooling, fixed assets and goodwill impairment, commodity hedging and revenue recognition.

OUTLOOK

As we look toward 2009 Exco's prospects will hinge largely on currency exchange rates, raw material costs, consumer credit and the condition of the 'larger economy'. Management has taken a number of steps over the last several years to prepare for these uncertainties. We now welcome the recent weakening of the Canadian dollar and decline in prices for steel and resin. These developments hold the promise of improving our gross margin by increasing sales and reducing our cost of sales. However, it remains to be seen if these developments will continue throughout the upcoming year in order to have a meaningful impact on our financial performance or whether they will reverse as quickly as they have surged.

We expect to continue building on our strategy of developing European markets and non automotive industrial markets while intensifying our manufacturing capability in low cost countries. Moulds on the Phoenix engine block program will begin to ship in the first quarter of 2009 and should effect an improvement in our gross margin and consolidated earnings.

We are however facing serious challenges and uncertainties in the automotive industry. North American and European automotive sales are expected to decline in 2009. Like other suppliers, we will be impacted by this volume reduction, but perhaps more importantly, this will cause our North American OEM customers and tiers to suffer even more acute financial stress. We expect this to impact their spending decisions and force us to evaluate the terms on which we continue to do business with them. We are also mindful that possible consolidation or financial restructuring among our customers may also affect our relationship with them over the coming year.

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 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.

Exco Technologies Limited
November 7, 2008

AUDITORS' REPORT

To the Shareholders of Exco Technologies Limited

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2008 and 2007 and the consolidated statements of earnings and comprehensive loss, changes in shareholders' equity 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, 2008 and 2007 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
Licensed Public Accountants
Toronto, Canada

November 7, 2008

CONSOLIDATED BALANCE SHEETS $(000)'s

AS AT SEPTEMBER 30	2008	2007
ASSETS		
Current		
Cash	$ 8,141	$ 5,677
Accounts receivable (note 16)	34,120	30,288
Inventories (note 2)	30,527	29,296
Prepaid expenses and deposits	3,013	2,429
Assets held for sale (note 15)	5,068	5,568
Discontinued operations (note 15)	540	1,349
Total current assets	81,409	74,607
Mortgage receivable (note 18)	600	–
Fixed assets, net (note 3)	74,915	73,380
Goodwill (note 4)	10,086	33,672
Future income tax assets (note 10)	1,373	2,407
	$ 168,383	**$ 184,066**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 5)	$ 4,634	$ 1,112
Accounts payable and accrued liabilities	25,125	25,216
Income taxes payable	641	840
Customer advance payments	944	1,377
Current portion of long-term debt (note 6)	–	85
Discontinued operations (note 15)	–	693
Total current liabilities	31,344	29,323
Future income tax liabilities (note 10)	5,277	8,475
Total liabilities	**$ 36,621**	**$ 37,798**
SHAREHOLDERS' EQUITY		
Share capital (note 7)	$ 35,681	$ 36,142
Contributed surplus (note 8)	2,789	2,364
Retained earnings	109,912	128,000
Accumulated other comprehensive loss (notes 1 and 7)	(16,620)	(20,238)
Total shareholders' equity	131,762	146,268
	$ 168,383	**$ 184,066**

COMMITMENTS AND CONTINGENCIES (NOTE 12)

SEE ACCOMPANYING NOTES

On behalf of the Board:

Brian A. Robbins
Director, President and
Chief Executive Officer

Richard D. McGraw
Director,
Chairman of the Board

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE LOSS

$(000)'s except for earnings (loss) per share

YEARS ENDED SEPTEMBER 30	2008	2007
Sales	$ 201,681	$ 201,759
Cost of sales before the following (note 9)	158,519	151,997
Selling, general and administrative (note 7)	25,690	28,835
Depreciation and amortization	9,345	9,801
Goodwill impairment charge (note 4)	23,586	1,093
Gain on sale of fixed assets (note 18)	(2,135)	(522)
Interest expense	210	219
	215,215	191,423
Income (loss) from continuing operations before income taxes	(13,534)	10,336
Provision for (recovery of) income taxes (note 10)		
Current	2,023	3,195
Future	(2,159)	1,347
	(136)	4,542
Income (loss) from continuing operations	(13,398)	5,794
Loss from discontinued operations, net of tax (note 15)	(536)	(2,732)
Net income (loss) for the year	**($13,934)**	**$ 3,062**
Other comprehensive income (loss)		
Unrealized gain (loss) on foreign currency translation of self-sustaining operations (note 7)	3,618	(5,528)
Comprehensive loss	**($10,316)**	**($2,466)**
Earnings (loss) per common share (notes 7 and 13)		
Basic and diluted from continuing operations	($0.33)	$0.14
Basic and diluted from discontinued operations	($0.01)	($0.07)
Basic and diluted earnings (loss)	**($0.34)**	**$ 0.07**

SEE ACCOMPANYING NOTES

CONSOLIDATED STATEMENTS OF CASH FLOWS $(000)'s

YEARS ENDED SEPTEMBER 30	2008	2007
OPERATING ACTIVITIES		
Net income (loss) from continuing operations	($13,398)	$ 5,794
Add (deduct) items not involving current cash flows		
Goodwill impairment charge (note 4)	23,586	1,093
Depreciation and amortization	9,345	9,801
Future income taxes	(2,186)	707
Stock-based compensation expense (notes 7 and 8)	402	597
Gain on sale of fixed assets (note 18)	(2,135)	(522)
Loss on financial instrument valuation (notes 1 and 16)	376	228
	$ 15,990	**$ 17,698**
Net change in non-cash working capital balances related to continuing operations (note 11)	(3,699)	1,857
Cash provided by operating activities of continuing operations	**12,291**	**19,555**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	2,760	(6,936)
Decrease in long-term debt	(85)	(332)
Dividends (note 7)	(2,772)	(2,486)
Repurchase of share capital (note 7)	(1,843)	(613)
Issue of share capital (note 7)	–	277
Cash used in financing activities of continuing operations	**(1,940)**	**(10,090)**
INVESTING ACTIVITIES		
Investment in fixed assets	(11,238)	(13,959)
Proceeds from sale of fixed assets	3,087	2,567
Cash used in investing activities of continuing operations	**(8,151)**	**(11,392)**
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Net cash provided by operating activities (note 15)	80	3,007
Net cash provided by investing activities (note 15)	–	2,317
Net cash provided by discontinued operations	**80**	**5,324**
Effect of exchange rate changes on cash	184	(190)
Increase in cash during the year	2,464	3,207
Cash, beginning of year	5,677	2,470
Cash, end of year	**$ 8,141**	**$ 5,677**

SEE ACCOMPANYING NOTES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

$(000)'s

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, October 1, 2006	$35,921	$1,916	$127,902	($14,710)	$151,029
Net income for the year	–	–	3,062	–	3,062
Dividends	–	–	(2,486)	–	(2,486)
Stock option expense	–	527	–	–	527
Repurchase of share capital (note 7)	(135)	–	(478)	–	(613)
Issuance of share capital	356	(79)	–	–	277
Unrealized loss on translation of self-sustaining foreign operations	–	–	–	(5,528)	(5,528)
Balance, September 30, 2007	36,142	2,364	128,000	(20,238)	146,268
Net loss for the year	–	–	(13,934)	–	(13,934)
Dividends	–	–	(2,772)	–	(2,772)
Stock option expense	–	425	–	–	425
Repurchase of share capital (note 7)	(461)	–	(1,382)	–	(1,843)
Issuance of share capital	–	–	–	–	–
Unrealized gain on translation of self-sustaining foreign operations	–	–	–	3,618	3,618
Balance, September 30, 2008	**$35,681**	**$2,789**	**$109,912**	**($16,620)**	**$131,762**

$(000)'s except per share amounts, September 30, 2008

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 and its wholly-owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated.

Accounting Policy Changes

Effective October 1, 2007, the Company adopted the new CICA accounting sections: 1535 (Capital Disclosures), 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation). These new accounting policy changes are for disclosure purposes and have no impact on the Company's audited consolidated financial statements.

Under Section 1535 (Capital Disclosures), the Company is required to disclose information regarding its capital and how it is managed including enhanced disclosure requirements with respect to the Company's objectives, policies and processes. In addition, the Company is also required to disclose whether it has complied with any externally imposed capital requirements to which it is subject (note 17).

Under Section 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation), the Company is required to disclose additional details of its financial assets and liabilities categories and the risks associated with the Company's financial instruments (note 16).

Future Accounting Policy Changes

Effective October 1, 2008, the Company will adopt the new CICA accounting sections: 3064 (Goodwill and Intangible Assets) and 3031 (Inventories). The Company expects the adoption will have no material impact on its consolidated financial statements.

Section 3064 (Goodwill and Intangible Assets) provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally.

Section 3031 (Inventories), which has replaced Section 3030, establishes new standards for the measurement and disclosure of inventories. It requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior write downs when the net realizable value of impaired inventory subsequently recovers.

In February 2008, the Canadian Accounting Standards Board ("ACSB") confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable companies. The official change over date is for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. IFRS will be required for the Company's interim and annual consolidated financial statements for the fiscal year beginning on October 1, 2011. The Company is currently formulating and developing an implementation plan to comply with the new standards and its future reporting requirements.

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 expensed 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 the consolidated statements of earnings and comprehensive loss.

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

Buildings	4% declining balance
Machinery and equipment	20% to 30% declining balance
Tools	25% straight-line
Leasehold improvements	straight-line over the term of the leases

Goodwill

Goodwill 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, mortgage receivable, bank indebtedness, accounts payable and accrued liabilities, customer advance payments and forward foreign exchange contracts that do not qualify for hedge accounting. The fair value of these financial instruments approximates their carrying value.

The Company classifies its financial instruments as follows:

Cash	Financial assets - held for trading
Accounts receivable*	Financial assets - loans and receivables
Mortgage receivable*	Financial assets - loans and receivables
Bank indebtedness	Financial liabilities - held for trading
Accounts payable and accrued liabilities	Financial liabilities - other financial liabilities
Customer advance payments	Financial liabilities - held for trading
Forward foreign exchange contract	Financial assets - held for trading

* Recorded at amortized cost

The Company enters into forward foreign exchange and put and call option contracts ("Collars") to manage exposure to currency rate fluctuations related primarily to its future cash inflows and outflows of U.S. dollars, Euros, Moroccan Dirham and Mexican pesos from operations. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and it has chosen not to designate them as hedges. Therefore, as required under Section 3865, these contracts must be designated as "held for trading" on the balance sheet and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of earnings and comprehensive loss.

Forward 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.

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 included in accumulated other comprehensive loss in shareholders' equity. The appropriate amounts of exchange gains or losses included in accumulated other comprehensive loss are reflected in earnings when there is a sale or partial sale of the Company's investment in these operations or upon a complete or substantially complete liquidation of the investment.

Other gains and losses resulting from movements in exchange rates are reflected in the consolidated statements of earnings and comprehensive loss. In 2008, such gains totaled $107 (2007 - losses of $530). Forward foreign exchange contracts are not designated as hedges. The Company recognizes any changes in fair value during the year in the consolidated statements of earnings and comprehensive loss.

Earnings (Loss) Per Common Share

The Company uses the 'treasury stock method' in computing diluted weighted average number of common 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 plus unamortized compensation expense on stock options 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 common 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, 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.

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 earnings and comprehensive loss over the vesting period with a corresponding increase to contributed surplus. 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 were 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes that the estimates and assumptions used in preparing its consolidated financial statements are reasonable and prudent; however, actual amounts could differ from those estimates.

2. INVENTORIES

	2008	2007
Raw materials	$ 13,299	$ 10,935
Work in process and finished goods	17,228	18,361
	$ 30,527	$ 29,296

3. FIXED ASSETS

2008

	Cost	Accumulated Depreciation & Amortization	Net Book Value
Land	$ 6,972	$ –	$ $6,972
Buildings	44,128	14,059	30,069
Machinery and equipment	182,099	144,768	37,331
Tools	8,278	7,735	543
	$ 241,477	**$ 166,562**	**$ 74,915**

2007

	Cost	Accumulated Depreciation & Amortization	Net Book Value
Land	$ 7,327	$ –	$ 7,327
Buildings	40,643	13,100	27,543
Machinery and equipment	175,156	137,124	38,032
Tools	8,310	7,832	478
Leasehold improvements	107	107	–
	$ 231,543	$ 158,163	$ 73,380

At September 30, 2008, the Company had machinery and deposits relating to fixed assets of $4,906 (2007 - $1,882). These assets are not being amortized because they are under construction and not in use.

4. GOODWILL

During the fourth quarter of the current year, events occurred which indicated that it was more likely than not that there was a significant decline in the fair value of the Company's Neocon Canada division. These events included a continuing sharp decline in pre-tax income, significant reduction in vehicle production for heavy vehicles expected by all Original Equipment Manufacturers ("OEMs") in 2009 and beyond due to tight credit markets, high fuel prices and a strong Canadian dollar environment. As a result, the Company recorded a goodwill impairment charge of $7,086. After this impairment charge, there remains no goodwill associated with the Neocon Canada division.

In addition, the generally negative development in the North American automotive industry and more recently, poor light vehicle sales and tightening consumer credit that began in September 2008 significantly reduced the valuation of the Company's Polytech division. Consequently, the Company recorded a goodwill impairment charge of $16,500 in September 2008. After this impairment charge, there remains $10,086 of goodwill associated with the Polytech division.

The goodwill impairment charges are non-cash in nature and do not affect the Company's liquidity, cash flows from operating activities, or debt covenants and will not have an impact on future operations.

In the prior year, events occurred which indicated that it was more likely than not that there was a significant decline in the fair value of the Company's Neocon USA division. These events included a pretax loss in the prior year of $1,334, a consistent inability over numerous years to be profitable or achieve its budget, and difficulty in securing and launching sufficient business to grow its sales to a size necessary to effectively cover operating overheads. As a result, the Company recorded a goodwill impairment charge of $1,093. After this impairment charge, there remains no goodwill associated with the Neocon USA division.

The above impairment charges were not deductible for income tax purposes; therefore there was no corresponding tax benefit in 2008 or 2007.

5. BANK INDEBTEDNESS

	2008	2007
Prime bank rate in Canada	4.75%	6.25%
Prime bank rate in U.S.A.	4.50%	7.75%
Bank of Nova Scotia credit facility	$ 45,000	$ 45,000
JP Morgan Chase credit facility	3,180	3,000
Total available credit	48,180	48,000
Bank indebtedness	(4,634)	(1,112)
Letter of guarantee for Morocco subsidiary	-	(3,620)
Total credit used	(4,634)	(4,732)
Available credit	$ 43,546	$ 43,268

These operating lines are available in both U.S. and Canadian dollars at variable rates not exceeding the bank prime rate and are subject to a negative pledge whereby the Company has agreed with The Bank of Nova Scotia not to pledge its assets to any other party. 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.

Interest

Net interest paid in cash was $165 for the year ended September 30, 2008 (2007 - $211).

6. LONG-TERM DEBT

	2008	2007
Government assistance	$ –	$ 85
Less current portion	–	85
Long-term portion	$ –	$ –

Government assistance was comprised of a loan of $85 payable to Atlantic Canada Opportunities Agency ("ACOA"). This loan was non-interest bearing and unsecured. The ACOA loan matured and was repaid in 2008.

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 number of issued common shares are shown in the following table:

	Common Shares	
Issued and outstanding at September 30, 2006	41,563,176	$ 35,921
Issued for cash under Stock Option Plan	72,000	277
Purchased and cancelled pursuant to normal course issuer bid	(156,700)	(135)
Contributed surplus on stock options exercised	-	79
Issued and outstanding at September 30, 2007	41,478,476	36,142
Purchased and cancelled pursuant to normal course issuer bid	(530,200)	(461)
Issued and outstanding at September 30, 2008	**40,948,276**	**$ 35,681**

Currency Translation Adjustment

The currency translation adjustment amount is impacted by fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Moroccan Dirham.

Unrealized translation adjustments which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining foreign operations resulted in an unrealized currency translation gain of $3,618 (2007- the unrealized currency translation loss was $5,528). For the year ended September 30, 2008, the unrealized gain of $3,618 is primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar as measured at September 30, 2008 and 2007.

Cash Dividend

During the year, the Company paid four quarterly cash dividends totalling $2,772 (2007 - $2,486). The dividend rate per quarter was $0.0175 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. On November 18, 2005, the Company's Board of Directors adopted a Deferred Share Unit Plan ("DSU Plan") for eligible directors. The deferred share units will be redeemed by the Company in cash payable after the eligible director departs from the Board of Directors. The DSU Plan replaces the past practice of granting eligible directors stock options under the Stock Option Plan. The following table shows the changes to the number of stock options outstanding:

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	2,410,849	$ 4.50	2,302,056	$ 4.56
Granted during the year	73,777	3.79	250,481	4.00
Exercised during the year	-	-	(72,000)	3.85
Expired during the year	(189,212)	5.54	(60,688)	5.10
Cancelled during the year	(30,000)	6.85	(9,000)	5.10
Balance, end of year	**2,265,414**	**$ 4.36**	**2,410,849**	**$ 4.50**

The following table summarizes information about stock options outstanding at September 30, 2008:

	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
$ 3.00	338,618	3.12 years	$ 3.00	338,618	$ 3.00
$ 3.00 - $ 4.00	1,124,390	3.77 years	$ 3.81	736,094	$ 3.73
$ 4.00 - $ 5.42	307,310	0.99 years	$ 4.45	307,310	$ 4.45
$ 5.43 - $ 7.60	495,096	4.43 years	$ 6.49	411,174	$ 6.39
$ 3.00 - $ 7.60	**2,265,414**	**3.44 years**	**$ 4.36**	**1,793,196**	**$ 4.33**

The number of common shares available for future issuance of options at September 30, 2008 was 667,952 (2007 – 522,517). The number of options outstanding together with those available for future issuance totals 2,933,366 (2007 – 2,933,366) or 7.2% (2007 – 7.1%) of the issued and outstanding common shares. The options are granted for a term of 5.5 to 10 years and the options vest at 20% each anniversary from the date of grant.

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (“ESPP”). The ESPP allows employees to purchase common shares annually through payroll deductions at a predetermined price. During 2008, payroll deductions were made supporting the purchase of a maximum of 188,558 common shares at $3.98 per share. The purchase and payroll deductions with respect to these common shares will be completed in the first quarter of fiscal 2009. Employees must decide annually whether or not they wish to purchase their common shares. During 2008, no shares (2007 – nil) were issued under the terms of the ESPP.

Stock-Based Compensation Expense

The total stock-based compensation for the year was $402 (2007 - $597). This consists of $425 (2007 -$527) from the stock-option expense and a reduction of $23 (2007 - $70) from the DSU Plan. All stock-based compensation has been recorded in selling, general and administrative expenses.

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:

	2008	2007
Risk-free interest rate	4.14 %	4.02 %
Expected dividend yield	0.90 %	0.90 %
Expected volatility	26.80 %	27.00 %
Expected time until exercise	6.02 years	5.58 years
Weighted average fair value of the options granted	$ 1.59	$ 1.52

Deferred Share Unit Plan

	Number of units	Expense
December 31, 2007	3,958	($7)
March 31, 2008	3,533	0
June 30, 2008	3,970	7
September 30, 2008	6,376	(23)
Total	**17,837**	**($23)**

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 8, 2008 replacing the normal course issuer bid which expired on May 7, 2008. The Company's Board of Directors authorized the purchase of up to 2,000,000 common shares, representing approximately 5% of the Company's outstanding common shares. During the twelve months ended September 30, 2008, the Company purchased 530,200 common shares (2007 – 156,700) at a cost of $1,843 (2007 - $613). The cost to purchase these shares exceeded their stated value by $1,382 (2007 - $478). This excess has been charged against retained earnings.

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:

	2008	2007
Balance, beginning of year	$ 2,364	$ 1,916
Stock-option compensation expense (note 7)	425	527
Exercise of stock options	-	(79)
	$ 2,789	$ 2,364

9. RESEARCH AND DEVELOPMENT

Research and development expensed during the year were nil since the Techmire division was sold last year (twelve months ended September 30, 2007 - $307) These costs were expensed in 2007 as they did not meet Canadian generally accepted accounting principles for deferral.

10. INCOME TAXES

		2008
Loss from continuing operations before income taxes	($13,534)	100.0 %
Income taxes recovery at Canadian statutory rates	(4,534)	(33.5)%
Manufacturing and processing deduction	271	2.0%
Foreign rate differential	(1,351)	(10.0)%
Items not deductible for income tax purposes	7,841	57.9%
U.S. taxes payable adjustment	(1,432)	(10.6)%
Non-taxable portion of capital gains	(190)	(1.4)%
Tax loss carry back	(599)	(4.4)%
Other	(142)	(1.0)%
	($136)	**(1.0)%**

		2007
Income from continuing operations before income taxes	$ 10,336	100.0 %
Income taxes at Canadian statutory rates	3,733	36.1 %
Manufacturing and processing deduction	(207)	(2.0) %
Foreign rate differential	(488)	(4.7) %
Items not deductible for income tax purposes	1,174	11.4 %
Other	330	3.2 %
	$ 4,542	44.0 %

Cash outflows during the year for income taxes were $1,000 (2007 - $2,601).

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

	2008	2007
Assets		
Tax benefit of loss carry forward	($40)	($31)
Items not currently deductible for income tax purposes	(1,012)	(1,111)
Research and development expenditures	(321)	(1,265)
Liabilities		
Tax depreciation in excess of book depreciation	5,277	8,475
Net deferred income tax liabilities	**$ 3,904**	**$ 6,068**

11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2008	2007
Accounts receivable	($3,525)	$ 6,127
Inventories	586	(2,218)
Prepaid expenses and deposits	348	(3,007)
Accounts payable and accrued liabilities	(261)	667
Income taxes payable	(387)	259
Customer advance payments	(460)	29
	($3,699)	**$ 1,857**

12. COMMITMENTS AND CONTINGENCIES

Leases

The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2012. Future minimum annual lease payments are as follows:

2009	$ 616
2010	528
2011	340
2012	161
	$ 1,645

In addition, as of year ended September 30, 2008, the Company has purchase obligations in the amount of $7,283. In September 2005, the Company entered into a two-year lease that upon expiry the Company can exercise one of two options: re-lease or have the lessor sell the equipment. The Company chose not to re-lease and accordingly accrued in the prior year approximately $2 million to exit this lease. This represented management's best estimate of what the Company expected to pay the lessor at that time. In September 2008, the equipment was sold and a total loss of $2.6 million was experienced. An additional amount of $600 was expensed in the current year.

Contingent Liabilities

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. There are no material contingent liabilities as of September 30, 2008 (2007 – nil).

13. EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share is calculated using net income (loss) and the monthly weighted average number of common shares outstanding of 41,127,918 (2007 - 41,443,859). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted earnings (loss) per share. There was no material effect of outstanding stock options on diluted weighted average number of common shares outstanding for 2007.

14. SEGMENTED INFORMATION

Business Segments

The Company operates in two business segments: Casting and Extrusion Technology ("Casting and Extrusion") 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.

			2008			**2007**
	Casting and Extrusion	**Automotive Solutions**	**Total**	**Casting and Extrusion**	**Automotive Solutions**	**Total**
Sales	$111,493	$ 90,188	$201,681	$120,769	$ 80,990	$201,759
Depreciation & amortization	6,931	2,414	9,345	7,407	2,394	9,801
Segment income before goodwill impairment charges	3,513	6,749	10,262	6,202	5,446	11,648
Goodwill impairment charges		23,586	23,586		1,093	1,093
Segment income (loss) after goodwill impairment charges	3,513	(16,837)	(13,324)	6,202	4,353	10,555
Interest expense			210			219
Income (loss) before income taxes			(13,534)			10,336
Fixed asset additions	7,724	3,514	11,238	9,474	4,485	13,959
Fixed asset continuing operations	54,620	20,295	74,915	54,667	18,713	73,380
Total fixed assets, net	54,620	20,295	74,915	54,667	18,713	73,380
Goodwill	-	10,086	10,086	-	33,672	33,672
Total assets, continuing operations	59,574	103,201	162,775	67,135	110,014	177,149
Total assets, discontinued operations	5,608	-	5,608	6,917	-	6,917
Total assets	$ 65,182	$103,201	$168,383	$ 74,052	$110,014	$184,066

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

Geographic and Customer Information

Sales	2008	2007
Canada	$ 24,244	$ 26,894
United States	112,662	126,371
Europe	52,300	36,175
Asia	441	814
Other	12,034	11,505
	$201,681	$201,759

In 2008, sales to the Company's largest customer were 17% (2007 - 13%) of total sales and the account receivable pertaining to this customer was $3,865 (2007 - $2,994). The allocation of sales to the geographic segments is based upon the customer location where the product is shipped.

Fixed Assets and Goodwill, net	2008	2007
Canada	$ 47,130	$ 57,868
United States	24,851	38,814
Mexico	4,385	3,606
Morocco	8,635	6,764
	$ 85,001	$107,052

Fixed assets are attributed to the country in which they are located and goodwill is attributed to the country in which the reporting unit to which the goodwill pertains is located.

15. DISCONTINUED OPERATIONS

Included in discontinued operations is the Company's Techmire division which was located in Montreal. On September 28, 2007, the Company announced the sale of this division to Dynacast Canada Inc. ("Dynacast"), a global manufacturer of precision engineered, die-cast metal and small components. The cash sale included all assets of the Techmire business excluding the production facility which was leased to Dynacast on a short-term basis. The production facility is listed for sale and reflected in the accompanying consolidated balance sheets as assets held for sale. The sale of the production facility is not expected to be materially different from its carrying value.

The results from discontinued operations have been reported separately within these consolidated financial statements.

Summarized financial information for the discontinued operations is as follows:

	2008	2007
Sales	$ -	$ 10,032
Operating losses	(282)	(2,894)
Write down of assets held for sale	(500)	(690)
Loss on disposition	-	(563)
Discontinued operations before income taxes	(782)	(4,147)
Future income taxes	246	1,415
Net loss from discontinued operations	($536)	($2,732)

	2008	2007
Net assets of discontinued operations:		
Current assets*	$ 540	$ 1,349
Assets held for sale	5,068	5,568
Total assets	5,608	6,917
Less: Current liabilities	-	693
Net assets of discontinued operations	$ 5,608	$ 6,224

**Included escrow receivable from Dynacast regarding the purchase of Techmire's assets which was received in full after year end.*

16. FINANCIAL INSTRUMENTS

Financial instruments of the Company consists primarily of cash, accounts receivable, mortgage receivable, bank indebtedness, accounts payable and accrued liabilities, customer advance payments, and forward foreign exchange contracts. With the exception of forward foreign exchange contracts which the Company fair values quarterly and recognizes any changes in value in the consolidated statements of earnings and comprehensive loss the carrying value of these financial instruments approximates their fair value due to their short term maturities nature.

Foreign Exchange Contracts

The Company has forward foreign exchange contracts to sell US$1,800 over the next 4 months at the rate of 1.047 to 1.049 Canadian dollars for each U.S. dollar sold. The Company also entered into a series of collars extending through to September 22, 2011. The total value of these collars is 138.1 million Mexican pesos (2007 – 52.7 million Mexican pesos). The selling price ranges from 11.00 to 12.20 Mexican pesos to each U.S. dollar.

Management estimates that a combined loss of $231 would be realized if these contracts and collars were terminated on September 30, 2008. As at September 30, 2008, the estimated fair value loss of $231 has been included in selling, general and administrative expense on the consolidated statements of earnings and comprehensive loss.

Financial Risk Management

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

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company's primary credit risk is its outstanding trade accounts receivable. The carrying amount of its outstanding trade accounts receivable represents the Company's estimate of its maximum credit exposure. The Company regularly monitors its credit risk exposure and takes steps such as credit approval procedures, establishing credit limits, utilizing credit assessments and monitoring practices to mitigate the likelihood of these exposures from resulting in an actual loss. The carrying amount of the accounts receivable disclosed in the consolidated balance sheet is net of allowances for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers as well as the general economic environment. When a receivable balance is considered uncollectible, it is written off against the allowances for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of earnings and comprehensive loss. As at September 30, 2008, the accounts receivable balance (net of allowances for doubtful accounts) is $34,120 (2007 - $30,288) and the Company's five largest trade debtors accounted for 44% of the total accounts receivable balance. As at September 30, 2008, South American accounts receivable in the amount of $430 are insured against default.

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

	2008	2007
Trade accounts receivable	$ 34,191	$ 30,594
Employee receivable	64	96
Sales tax receivable	160	294
Vendor rebates	81	-
Others	105	-
Allowances for doubtful accounts	(481)	(696)
Total accounts receivable, net	$ 34,120	$ 30,288

The aging of trade accounts receivable balances is as follows:

	2008	2007
Not past due	$ 26,593	$ 23,795
Past due 1-30 days	4,155	3,718
Past due 31-60 days	1,035	926
Past due 61-90 days	599	536
Over 91 days past due	1,809	1,619
Less: allowances for doubtful accounts	(481)	(696)
Total trade accounts receivable, net	$ 33,710	$ 29,898

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

		2008		2007
Opening balance	$	696	$	656
Bad debt expense		1,120		410
Write-off		(1,335)		(370)
Closing balance	$	481	$	696

b) Liquidity risk

Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously monitoring its cash flows from its operating, investing and financing activities. As at September 30, 2008, the Company has a net cash balance of $3,507 (2007 - $4,565) and unused credit facilities of $43,546.

c) Foreign exchange risk

The Company's functional and reporting currency is in Canadian dollars. It operates in Canada with subsidiaries located in the United States, Mexico and Morocco. It is exposed to foreign exchange transaction and translation risk through its operating activities and self-sustaining foreign operations. Unfavourable changes in the exchange rate may affect the operating results of the Company. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. In order to mitigate the foreign currency exposure, the Company reduces part of its foreign exchange risk by sourcing a significant portion of its manufacturing inputs in the currency that its sales are denominated in. In addition to the above natural hedge, depending on the timing of foreign currency receipts and payments, the Company will occasionally enter into short term forward foreign exchange contracts to mitigate part of the remaining foreign exchange exposure. These contracts are classified as "held for trading" on the consolidated balance sheet and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of earnings and comprehensive loss. The Company does not mitigate the translation risk exposure of its self- sustaining foreign operations due to the fact that these investments are considered to be long term in nature.

With all other variables held constant, a one percent strengthening or weakening of the Canadian dollar against the U.S. dollar and Moroccan Dirham and a one percent fluctuation between the Euro and Dirham, the US dollar and Mexican peso compared with the average year to date exchange rate would have the following effects in the Company's year to date loss before income taxes and other comprehensive income (loss).

	1% Weakening		1% Strengthening		1% Fluctuation		1% Fluctuation	
	USD	Dirham	USD	Dirham	Euro and Dirham		USD and MXN peso	
Income (loss) before income taxes	291	44	(291)	(44)	+/-	157	+/-	46
Other comprehensive income (loss)	1,300	200	(1,300)	(200)		na		na

d) Interest rate risk

The Company's exposure to interest rate risk relates to its net cash position and variable rate credit facilities. The Company mitigates its interest risk exposure by reducing or eliminating its overall debt position. As of September 30, 2008, the Company has a net cash position of $3,507 (2007 - $4,565); therefore, its interest rate risk exposure is insignificant.

17. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2008, total managed capital was $131,762 (September 30, 2007 - $146,268) consisting of nil net debt (September 30, 2007 – nil) and shareholders' equity of $131,762 (September 30, 2007 - $146,268).

The Company's objectives when managing capital are to:

- utilize short- term funding sources to manage its working capital requirements and fund capital expenditures required to execute its operating and strategic plans, and
- maintain low overall debt levels relative to shareholders' equity with a strong bias for short- term debt in order to minimize the cost of capital and allow maximum flexibility to respond to current and future industry, market and economic risks and opportunities.

The following ratios are used by the Company to monitor its capital:

	2008	2007
Net debt to equity	0.00:1	0.00:1
Current ratio	2.55:1	2.25:1

The following table details the net debt calculation used in the net debt to equity ratio as at the periods ended as indicated:

	2008	2007
Bank indebtedness	$ 4,634	$ 1,112
Current portion of long-term debt	-	85
Less: cash	(8,141)	(5,677)
Net debt	nil	nil

The current ratio is calculated by dividing current assets (excluding cash and assets held for sale) by current liabilities (excluding bank indebtedness).

The Company is not subject to any capital requirement imposed by regulators; however, the Company must adhere to certain financial covenants related to the terms of its bank credit facilities. As at September 30, 2008, the Company was in compliance with the required financial covenants.

18. GAIN ON SALE OF FIXED ASSETS

In December 2007, the Company decided to consolidate its large mould production facilities. As a result, its Extec division was consolidated with other large mould operations and its production facility was reclassified as assets held for sale. Extec's redundant real estate and production facility were sold in February and May 2008, respectively, at a combined gain of $2,232. A second mortgage in the amount of $600 with a two-year term at 8% interest was taken back by the Company as partial consideration for the sale of the production facility.

FIVE-YEAR FINANCIAL SUMMARY

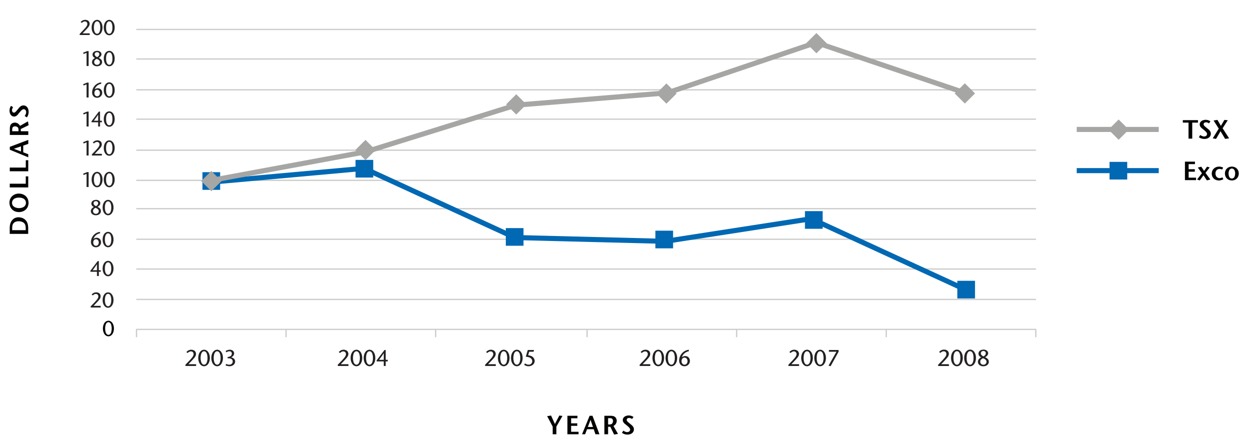
($000s, except per share amounts)

Financial Results

	2008	2007	2006	2005	2004
Sales	$ 201,681	$ 201,759	$ 199,271	$ 202,957	$ 194,251
Net income (loss) from continuing operations	$ (13,398)	$ 5,794	$ 3,311	$ 14,579	$ 15,950
Net income (loss)	$ (13,934)	$ 3,062	$ (616)	$ 11,132	$ 9,199
Diluted earnings (loss) per share from continuing operations	$ (0.33)	$ 0.14	$ 0.08	$ 0.35	$ 0.39
Diluted earnings (loss) per share	$ (0.34)	$ 0.07	$ (0.01)	$ 0.27	$ 0.22
Cash flow from operations before non-cash items	$ 15,990	$ 17,698	$ 22,581	$ 27,306	$ 28,642
Total net debt to equity	0.00:1	0.00:1	0.04:1	0.10:1	0.14:1
Capital expenditures, net of disposals	$ 8,151	$ 11,392	$ 9,774	$ 8,477	$ 8,645

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, 2003 to September 30, 2008 compared with the return on the S&P/TSX Composite Index.



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Corporate Director

Geoffrey F. Hyland, BEng (Chem), MBA
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Richard D. McGraw, BComm
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Brian A. Robbins, PEng
President and Chief Executive Officer
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Brian A. Robbins, PEng
President and Chief Executive Officer

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Vice-President, Finance and
Chief Financial Officer
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Chartered Accountants

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2008 ANNUAL MEETING

The 2008 Annual Meeting for the Shareholders will be held at EXCO at 130 Spy Court, 2nd floor, Markham, Ontario on Wednesday January 28, 2009 at 4:30 pm.

ANNUAL REPORT 2008

EXCO

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