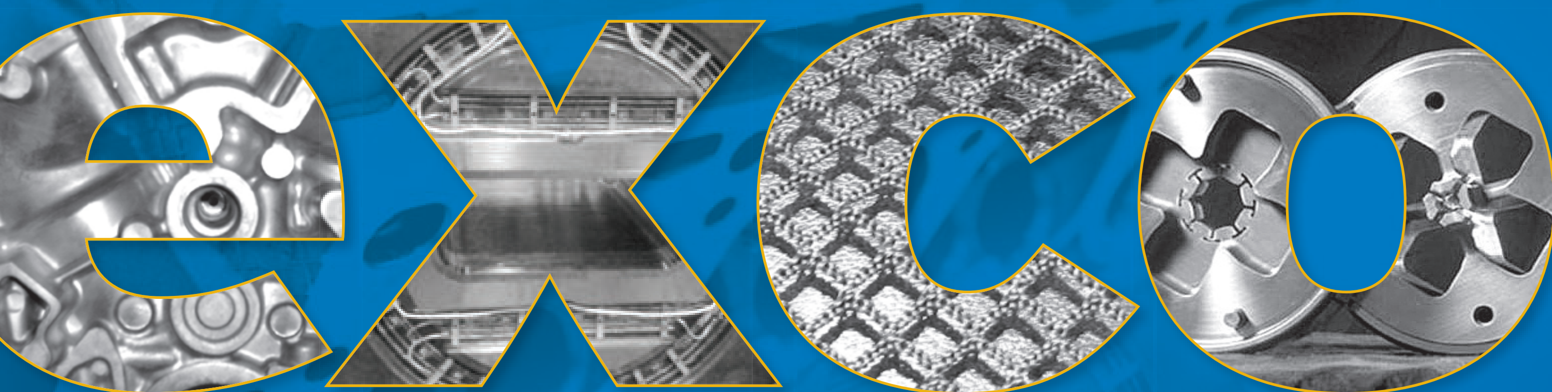
EXCO

technologies limited



ANNUAL REPORT

2009

Strong Global **Presence**

Exco's operations include 10 production facilities with two sales and engineering offices based in the US and France. Exco also has a global network of sales representatives which provide global coverage in all languages.

Letter to Shareholders

The past year was without doubt the most diff cult in memory for Exco and its customers in the automotive industry. The astounding failure of Lehman brothers on September 1 near the start of our f scal year signalled the beginning of a worldwide f nancial col lapse that turned industry headwinds into a raging and unabating storm.

n the 1 months that followed industrial demand gener ally and consumer demand for new vehicles in particular evaporated in the midst of the most serious economic downturn since the Great - epression. it by a combina tion of severe credit restrictions and plummeting consum er conf dence orth merican light vehicle sales declined . to 1 .1 million units the single greatest drop in history with European sales following several months later. mid the turmoil an industry that was already struggling to restructure itself in the face of persistent overcapacity and rapidly changing consumer preferences was dealt a crippling blow. - o ens of factories were closed or idled for months at a time union contracts were opened up for renegotiation brands were sold off and governments provided billion of dollars in emergency funding. n the end the ban ruptcy of industrial icons such as General otors and hrysler came to pass. The carnage extended throughout the supply chain with numerous manufactur ers such as isteon etaldyne L rench and lastech f ling for hapter 11 protection. The contraction in lend ing also humbled private e uity f rms which had invested heavily in our industrial customers. They were how ever unable to support their investments causing long standing Exco customers such as ndalex to also f le for ban ruptcy protection.

redictably Exco's fortunes were not unaffected. onsol idated revenues for f scal fell . to 1– . million and net earnings from continuing operations declined substantially to a loss of 1 . million as goodwill and other assets were written down and severance bad debts and other restructuring costs soared. e are of course disappointed by these results but we believe that our de cisiveness during the year has positioned Exco to emerge today as a stronger and more competitive company.

Today we are in an enviably strong f nancial position. nli e many companies in our industry at no time were we at ris of violating ban covenants or otherwise experienc ing cash ow problems. n fact Exco generated positive cash ow throughout f scal and paid off all ban debt to eliminate exposure to unstable lending mar ets while continuing to pay its usual uarterly dividends through out the year. e ended the year with no ban debt and cash on hand of 11.– million a threefold improvement over last year. t the same time we wor ed tirelessly to manage our accounts receivable amid the chaos in the supply chain and were able to effectively exercise our lien rights and otherwise structure our trade terms to limit our losses from unpaid accounts in the automotive sector to 1 thousand. n the industrial sector which is serviced by our extrusion businesses losses on unpaid accounts were at 1. million. ithout government support or other access to funds several of our customers which were highly leveraged by private e uity owners failed during the year. owever we were able to limit our losses cancel archaic supply agreements and ultimately retain the business.

e also acted decisively to control costs. ithin wee s of the Lehman failure we appreciated the tectonic shift unfolding and implemented our restructuring plans. y the fourth uarter total SG expenses were reduced by more than . million or . . This included staff ng reductions of more than temporary plant closures benef t reductions the termination of our employee share purchase plan and the permanent closure of one of our S operations. anagement's plans to return the eocon S facility in labama to prof tability in were completely undermined by the ban ruptcy of its largest automotive customer hrysler and the decision by its largest industrial customer to suspend purchases for months. These developments led to a loss of . million in . ur decision to close eocon S will eliminate more than 1. million a year in SG and depreciation costs.

t the same time we continued to ma e the invest ments re uired to advance our strategy of increasing productive capacity in low cost urisdictions. - uring the year we invested 1. million to complete the expansion of our olydesign facility in Tangier orocco and ta e better advantage of growing demand for smaller cars in the European mar et. e also invested 1. million in the con struction of a new production facility in ueretaro exico to better serve our large mould customers who have migrated to the region over the years. The cost of these investments was funded internally by proceeds from the sale of our Techmire and Extec plants and other cash ow.

e also continued to invest in core competencies that have made Exco an industry leader in the design and manufacture of advanced die cast and extrusion tool ing and e uipment. ur businesses have a hard earned reputation for being at the forefront of technological ad vancements in our f elds. Today's radically altered business environment is prompting orth merican and European die casters and extruders to ta e a fresh loo at optimi ing their manufacturing processes as they respond to com petitive threats from sian operators. astool's proven abilities to enhance the uality eff ciency and uptime of their customers' extrusion presses and die cast machines is driving strong demand for astool's increasingly sophis ticated thermal control systems and monitoring devices.

THE ROAD AHEAD

s we loo ahead there are widespread signs that the orth merican automobile industry has begun to sta bili e following the most diff cult year in its history. The consensus among industry experts is that orth merican light vehicle sales will increase by about 1 . from an estimated 1 .1 million units in to an estimated 11. million units in 1 . This is a welcome step in the right direction but one that will fall short of the record 1 . mil lion units sold in . Given the lingering uncertainty of the orth merican economy it is li ely that production levels will remain below their historical pea for some time to come.

n the meantime we remain cautiously optimistic about Exco's near term prospects. e have acted decisively in response to the extraordinary challenges of the past year by right si ing our operations to re ect a lower level of demand from our customers in the automotive sector. lready in the fourth uarter we have returned to prof t ability. e also ended the year with an excellent balance sheet that has given us the resources to weather the cur rent downturn and ta e advantage of opportunities that will present themselves as the process of industry rational i ation continues. E ually important we have continued to invest in the core capabilities that have enabled Exco to build a position of leadership in its chosen businesses.

n closing we would li e to than our employees customers and suppliers for their ongoing support and we loo forward to reporting on our progress in the months ahead.

rian . obbins
resident and
hief Executive ff cer

Laurie ennett
hairman of the oard

Contents

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, 2009. This MD&A has been prepared as of November 27, 2009.

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 herein and in our 2009 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

In last year's MD&A we discussed the significant challenges Exco was facing as a result of the restructuring of the North American and European automobile industries. In the North American market overcapacity at General Motors, Ford and Chrysler, as well as their Tier 1 supplier base, was severely challenging those manufacturers as they scaled back production and closed plants. The rising price of gasoline had devastated demand for full-size trucks and large SUVs upon which these manufacturers had depended heavily in terms of sales, and especially, profitability. In response, the domestic OEMs were actively clearing inventory with unprecedented sales incentives, rationalizing manufacturing capacity and ramping up investment in smaller, more fuel efficient vehicles to compete more effectively with Asian manufacturers who were exploiting their advantage in the small car market segment.

The scale of those challenges has been dwarfed by the impact of the subsequent global economic meltdown. On September 16, 2008, the U.S. investment banking firm Lehman

Brothers Holdings Inc. filed for Chapter 11 bankruptcy protection after suffering huge losses on mortgage-backed securities. Lehman's bankruptcy triggered a growing meltdown in the world's equity and credit markets in the following months which had a profoundly negative impact on stock values and the availability of credit. The world's developed economies were plunged into the most severe economic recession and credit tightening in nearly eight decades. Amid this environment, North American and European vehicle sales plummeted as consumers lost both the confidence and the economic means to lease vehicles or make new purchases.

Along with the rest of the Canadian automotive sector, Exco was profoundly affected by this crisis. As consumer demand plummeted, North American vehicle production followed suit. Domestic OEMs were particularly hard hit as their light vehicle production fell from just over 2 million units in the first quarter of 2008 to 924,000 units in the first quarter of 2009. Meanwhile, North America's new domestic manufacturers did not fare much better as year-over-year sales fell by double digits throughout the year. Automobile manufacturers responded to the unprecedented drop in demand by permanently closing production facilities and idling others for extended periods of time, reopening union contracts for emergency renegotiations and seeking and receiving billions of dollars in aid from governments. In the end, both GM and Chrysler were forced to file for bankruptcy protection and the entire industry was left to deal with unprecedented disruptions in the supply chain as well as significantly reduced visibility of future sales.

In response to these challenges, Exco shifted its focus to conservatively managing its finances in order to preserve cash and protect our balance sheet from the turbulent business environment. We vigilantly managed customer accounts to minimize losses associated with the major disruptions in the supply chain that included the insolvencies of numerous customers. Receivables were collected, inventories shrunk, payables reduced and deposits taken against future shipments. As a result of these efforts and in spite of bad debt write-offs of $1.6 million in the extrusion tooling business the Company was able to pay off all bank debt. This eliminated exposure to volatile lending markets and we ended the year with cash on hand of $11.4 million compared to $8.1 million in 2008.

We did not, however, lose sight of our income statement. Recognizing the major shifts happening around us cost control remained a priority. We closed our Neocon USA facility in Alabama in response to poor demand for its industrial products and poor releases for cargo organizers from Chrysler which was Neocon USA's largest automotive customer. Its profitable cargo tray and organizer business was consolidated at Neocon Canada and more than $1 million (or 2 cents per share) in factory overhead and SG&A has been eliminated going forward. In our remaining businesses costs were also reduced. This included a 30% reduction in head count to 1,352 employees throughout the year to adjust to lower levels of demand from our customers.

While these measures have helped Exco maintain its financial health and flexibility during the current industry downturn, we have also remained focused on the Company's ongoing strategies to diversify revenues and shift productive capacity to lower cost jurisdictions in support of our customers' operations.

Through our Polydesign division, we have continued to expand our relationships with vehicle manufacturers in the European market, diversifying our business with respect to geographic location and currency in the process. Polydesign produces a growing range of seat covers, cargo restraint products, injection-moulded shift and brake boots and related console components and assemblies. The division's fiscal 2009 results were adversely affected by the unexpected six-month closure of Honda's manufacturing facility in Swindon, England as the recession in Europe deepened. In the long term, however, we remain confident that Polydesign is well positioned to meet demand for low-cost quality components in the European market. Polydesign recently completed a planned expansion of its production facility in Morocco to keep pace with new product launches expected in late 2010 and we continue to work at intensifying our relationship with a broad array of customers in the region.

The Polytech operation in Mexico, which manufactures similar systems and components, reflects the same strategy. North American manufacturers have shifted more production to Mexico and the southern USA in an effort to reduce costs. For this reason, Polytech purchased a production facility in Matamoros, Mexico which is 40% larger than its previous facility. This will allow it to benefit from the arrival of New Domestics and their tiers who have been either transferring production to or building plants in Mexico and the deep-south. Polytech has recently been successful in landing new business with BMW's new assembly facility in Spartanburg, South Carolina.

The same dynamics have caused Exco to close its Extec facility in Markham, Ontario and move it to a green-field facility in Queretaro, Mexico. Die casters have migrated to Mexico over the years and our presence in Queretaro, an established industrial cluster, will enable Exco to service not only these branch operations but also numerous domestic Mexican die casters as well.

As a result of the Company's continuing efforts to reduce its cost base, protect the balance sheet and diversify its sources of revenue, we believe that Exco is well positioned for a return to profitability as the industry stabilizes and resumes modest growth. We do not expect the production of North American light vehicles to return to their peak of over 17 million units in the near future, but we are confident that Exco has made the changes required to return to profitability and prosper as the industry enters a period of gradual recovery. The Casting and Extrusion segment of our business is a global leader in the design and manufacture of automotive power train component moulds and they are well positioned to capture significant business as manufacturers introduce next-generation power train standardized engines and transmissions and generally develop more fuel-efficient power train systems. In the Automotive Solution segment, we expect that our efforts to shift productive capacity to lower cost jurisdictions in support of our customers' growth strategies will continue to bear fruit. In the meantime, Exco is well positioned to increase its share in key markets with a strong balance sheet, cost-efficient operations and an increasingly diversified revenue base.

2009 RESULTS

Consolidated Results

Our results in fiscal 2009 and 2008 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. All references in the MD&A are to continuing operations unless otherwise stated.

Annual sales totaled $143.7 million – a decrease of $58 million from last year. This reflected a year of exceptional contraction in global automotive production, commercial construction and overall industrial output. In addition to the poor sales caused by the recessionary economic environment, Exco's sales during the year were disrupted in North America by three major customer bankruptcies in the automotive sector (Chrysler, General Motors and Visteon) and the bankruptcy of its largest extrusion tooling customer (Indalex). The Company also experienced the bankruptcy of approximately a dozen smaller accounts. Although each situation was different, in all cases traditional patterns of production and releases were disrupted with the most extreme case being Chrysler which ceased all production from May to June. The impact of declining sales was partially offset by foreign exchange rates. During the year, the Canadian dollar experienced high volatility against the U.S. dollar. The average U.S. dollar rate was 17 cents stronger against the Canadian dollar during the year compared to last year. With about 66% of sales denominated in US dollars, these favorable foreign exchange rates increased sales by approximately $13.9 million or 10.7%.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2009, 2008 and 2007. This financial data should be read in conjunction with the Company's audited consolidated financial statements for these years:

(in $ millions except per share amounts)	**2009**	2008	2007
Sales	**$143.7**	$201.7	$201.8
Earnings (loss) from continuing operations	**($17.7)**	($13.4)	$5.8
Net earnings (loss) for the year	**($17.7)**	($13.9)	$3.1
Total assets	**$140.3**	$168.4	$184.1
Total long-term debt	**$0.1**	$0.0	$0.0
Cash dividend declared per share	**$0.07**	$0.07	$0.06
Earnings (loss) per share from continuing operations			
Basic	**($0.43)**	($0.33)	$0.14
Diluted	**($0.43)**	($0.33)	$0.14
Earnings (loss) per share from net earnings			
Basic	**($0.43)**	($0.34)	$0.07
Diluted	**($0.43)**	($0.34)	$0.07

Segment Operating Results

- *Casting and Extrusion Segment*

Sales for this segment were $96.1 million – a decrease of 13.8% from the prior year. In the extrusion tooling businesses sales decreased by 10.6%, a more modest decline compared to other businesses as this business unit sells primarily to industrial markets which have not been as dramatically impacted by the current recession as Exco's automotive accounts. Castool's sales decreased by 19.7% compared to last year. While Castool has a strong presence in industrial markets, sales to automotive die casters were sharply impacted as capital investments by these accounts were abruptly curtailed. Sales at the casting group decreased by 14.7% compared to last year. This business's largest customer, Chrysler, ceased all production for two months in the third quarter and virtually no sales activity took place during these two months.

- *Automotive Solutions Segment*

Sales in this segment were $47.6 million – a decrease of 47.2% from the prior year. Since the businesses in this segment are exclusively component suppliers to the automotive industry this segment was most directly impacted by declining automotive sales and output. Production of the Honda CRV and Civic in Europe was completely shut down in January for six months. This heavily impacted Polydesign's deliveries of seat covers where sales to our European customers declined 63.8% (source currency) over 2008. In June, deliveries of seat covers on these programs resumed but at much lower volumes. Polytech and Neocon sales in this segment have also been under pressure as all OEMs manufacturing in North America have significantly reduced production of automobiles in response to the dramatic drop in light vehicle sales and bankruptcy induced production disruptions at Chrysler, General Motors and Visteon. Deliveries to Asian OEM port of entry programs were also impacted. Polytech, Neocon Canada and Neocon USA sales declined 39.4%, 32.1% and 72.3% (source currency) respectively over 2008 levels.

Gross margin

Consolidated gross margin declined to 19.6% from 21.4% in fiscal 2009. 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 transaction value of U.S. sales and raised the transaction 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 closing and consolidating marginal operations and launching ever more business in low cost countries. However, lower sales negatively affected the overhead absorption rate and undermined the effects of these efforts.

The Casting and Extrusion segment gross margin improved 1.7% from 21.3% last year to 23% this year. Within this segment, Castool was able to improve its margin by 1.8% despite lower sales through improved product mix, better pricing and operational improvements. The extrusion tooling businesses improved gross margin by 2.2% as several long term supply agreements expired or were terminated and steel surcharges and other costs thereafter were better recovered. Our large mould businesses also improved gross margin by 1.1% despite lower sales owing to better product mix. This segment also benefited from the stabilization of tool steel costs during the year.

The Automotive Solutions segment gross margin declined in fiscal 2009 to 13.2% from 20.1% last year. Once again dramatically lower sales fundamentally impacted overhead absorption. Polytech and Neocon Canada have been successful in reducing the impact of lower sales on gross margin by initiating early staff cuts and other overhead reduction initiatives. Polydesign's gross margin erosion was more severe as the sales decline was more precipitous and direct labor cuts were less severe given the need to retain some measure of core seat cover capabilities pending the resumption of production. However, gross margin remained positive. Neocon USA continued to struggle with low volume programs and disappointing throughput which impaired any ability to absorb overhead. Neocon USA's gross margin in fiscal 2009 was negative 37%. As a result, Neocon USA was closed on August 31, 2009 and some production equipment moved to Polytech in Mexico and Neocon Canada.

Selling, general and administrative expenses

Sales, General and Administrative expense remained relatively stable in the year at $25.4 million compared to $25.7 million in 2008. As a percentage of sales it increased to 17.7% from 12.7% last year mainly due to lower sales in the current year and other unusual costs. Most significant was a $2.4 million (2008 – $685 thousand) severance charge relating to staffing reductions throughout our operations, a $1.8 million (2008 - $1.1 million) bad debts expense mainly from a major bankrupted customer (Indalex) and a $1.1 million (2008 - $376 thousand) foreign exchange loss mainly from fair the valuation of Peso collars.

Exco expensed $393 thousand compared to $402 thousand in the prior year relating to the Employee Stock Purchase Plan, the Stock Option Plan and the Board of Directors Deferred Stock Unit Plan. (See note 7 to the 2009 Consolidated Financial Statements).

Depreciation and Amortization

Depreciation and amortization expenses were $10.1 million (7% of sales) compared to $9.3 million (4.6% of sales) in the prior year. Included in the current year's depreciation was $590 thousand impairment of machinery and equipment at Neocon USA division. The impairment charge was determined by comparing the current market price for similar machinery and equipment to their net book values. Depreciation expense increased slightly to $7 million in the Casting and Extrusion segment from $6.9 million last year. Excluding the impairment charges at Neocon USA, depreciation in the Automotive Solutions segment also increased slightly to $2.5 million from $2.4 million last year. Fixed asset additions in future years will be lower than recent years as all of our plant expansions and new production facility constructions were completed in fiscal 2008 and 2009.

At the opening of the 2009 fiscal year the Company had goodwill of $10.1 million on its books related to its investment in Polytech. 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 second quarter of the fiscal year, events occurred which indicated that it was more likely than not that there was a significant further decline in the fair value of our Polytech division. These events included a) the negative impact of the global credit crisis on the North American automotive industry, b) dramatically lower light vehicle sales in North America, c) insolvencies and production curtailment among its major customers, and d) tightening consumer credit. As a result, the Company tested the remaining goodwill associated with the Polytech division in advance of the annual impairment test and the Company recorded a goodwill impairment charge of $10.1 million. This impairment charge was not deductible for income tax purposes; therefore there was no corresponding tax benefit. After this impairment charge, there was no goodwill on the Company's balance sheet.

Assets held for sale write-down

In May 2009, the Company concluded the sale of the Techmire production facility for gross proceeds of $3.8 million with a net loss of $1.4 million. This loss was recorded as a write-down of assets held for sale in the second quarter of fiscal 2009 when the sale and purchase agreement was signed.

Interest

Interest expense was reduced to $156 thousand compared to $210 thousand in fiscal 2008. This is due to lower bank borrowings throughout the year and higher bank deposits on which the Company received interest income. The interest expense figure represents the difference between interest expense and interest income for the year.

Income Taxes

Exco’s effective income tax recovery rate for continuing operations was 7% compared to 1% in fiscal 2008. The tax recovery rate is primarily affected by the non-deductibility of goodwill charges of $10.1 million in the current year (2008 - $23.6 million), US taxes payable adjustment, Moroccan tax rate differential and utilizing available tax losses (note 9– Income Tax).

Foreign Exchange

The U.S. dollar closed the year about 1% higher against the Canadian dollar than at the start of the year ($1.06 to $1.07). Exco has forward foreign exchange contracts to sell US$1.8 million (2008 - $1.8 million) in the next three months at the selling price ranges from 1.08 to 1.13 (2008 – 1.05). As the U.S. dollar closed at $1.07 on September 30, 2009 (September 30, 2008 - $1.06), the Company estimates a gain of $68 thousand (2008 – loss of $16 thousand) would be realized if these forward contracts are terminated on September 30, 2009. During the year, the U.S. dollar also appreciated more than 25% against the Mexican peso from 10.79 peso to 13.50 peso. Exco has a series of collars extending through September 2011 totaling 83.1 million Mexican peso (2008 – 138.1 million Mexican pesos) at the selling price ranges from 11.0 to 12.2 (2008 - 11.0 to 12.2). Management estimates a loss of $1.4 million (2008 - $215 thousand) would be realized if these collars were terminated on September 30, 2009. In the prior year, Exco also had Euro forward contracts that expired and resulted in a gain of $10 thousand. In addition, as a result of the U.S. dollar debt, the impact of this appreciation on Exco’s Canadian working capital was a loss of $813 thousand compared to a gain of $483 thousand last year. For further discussion of the Company’s foreign exchange see “Risks and Uncertainties” in this MD&A and note 15 to the Consolidated Financial Statements.

Net Income

- *Consolidated*

The Company experienced a consolidated net loss from continuing operations of $17.7 million or $0.43 per share compared to consolidated net loss from continuing operations of $13.4 million or $0.33 per share last year. During the year Exco recorded goodwill impairment charges of $10.1 million (Polytech) compared to $23.6 million (Neocon Canada $7.1 million and Polytech $16.5 million) last year. Consolidated net loss from continuing operations, before the impact of goodwill impairment charges, was $7.6 million compared to consolidated net income from continuing operations of $10.2 million last year.

Net income from continuing operations this year was further impacted by two non-recurring, non-cash expenses. The loss from the sale of Techmire building in May amounted to $1.4 million pretax. The Company also wrote down $590 thousand pretax in fixed assets due to impairment at its Neocon USA division in the second quarter of the fiscal year.

The severance cost associated with staff reductions in the year was also higher at $2.4 million pretax compared to $685 thousand pretax last year. Total bad debt write-offs increased to $1.8 million pretax compared to $1.1 million pretax last year. Foreign exchange loss, mainly from the fair valuation of Peso collars, increased to $1.1 million pretax compared to $376 thousand pretax last year. During the year, inventory write-downs also increased to $1.2 million pretax from $694 thousand pretax last year. Also included in the prior year was a $647 thousand pretax loss from the termination of the aircraft lease and $943 thousand pre tax expenses associated with the closing of Extec division. Offsetting these expenses was an insignificant gain from sale of fixed assets in the current year compared to a $2.1 million pretax gain mainly from the sale of the Extec production facility in the prior year.

Pretax loss from continuing operations before the impact of these items in fiscal 2009 would have been $512 thousand compared to pretax income of $12.4 million last year. On a net income/loss basis, loss per share this year before these items would have been $0.04 per share compared to earnings of $0.29 per share last year. Refer to the tables on the following pages for more detail.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion earnings decreased to $2.3 million from $3.4 million in the prior year. Included in this segment's earnings were $1.6 million of bad debts compared to $856 thousand in the prior year, $814 thousand of severance compared to $676 thousand last year. Last year, this segment also incurred a loss of $943 thousand in closing the Extec division and $284 thousand in losses mainly from the disposal of Extec's machinery and equipment. Excluding these charges, the segment would have earned $4.6 million pretax in the current year compared to $5.9 million pretax in fiscal 2008. Refer to the tables on the following pages for detail. Earnings were lower in 2009 as a result of lower sales as all businesses were affected by the global economic downturn. Earnings in our large mould businesses (excluding the Queretaro, Mexico startup operation) were similar to the prior year at breakeven levels. Castool and the extrusion businesses were all profitable despite lower sales and charges described above.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment experienced a loss of $15.9 million for the year compared to a loss of $14.8 million last year. Excluding goodwill charges of $10.1 million in 2009 and $23.6 million in 2008, this segment experienced a loss of $5.8 million this year compared to earnings of $8.7 million in fiscal 2008. In addition to the goodwill write-offs, included in the segment's loss this year were $1.2 million in inventory write-offs compared to $694 thousand last year, $1.6 million of severance compared to almost none last year, $590 thousand of fixed asset impairment charges at Neocon USA compared to none last year, and $150 thousand of bad debts compared to $264 thousand last year. Excluding these charges, the segment's pretax losses would have been $2.4 million compared to pretax earnings of $9.9 million last year. Refer to the tables on the following pages for detail. All divisions in this business segment were heavily impacted by the automotive crisis and ended the year with pretax losses compared to sizable pretax earnings last year. Neocon USA continued to struggle with losses for the year of $2.2 million and was closed at the end of August 2009.

- *Corporate(Operating Expense)*

Corporate expense in the year amounted to $5.3 million compared to $1.9 million last year. Included in the current year was a $1.4 million write-down of assets held for sale in connection with the Techmire building which was sold for net proceeds of $3.7 million in May 2009 (compared to $2.4 million gain from the sale of Extec's production facility last year), and $1.1 million foreign exchange loss mainly from the fair valuation of Mexican peso collars (compared to $376 thousand loss last year). Refer to the following tables for more detail.

				2009
	Casting and Extrusions Segment	**Automotive Segment**	**Corporate**	**Consolidated**
Segment income (loss) from continuing operations	**$2,339**	**($15,884)**	**($5,280)**	**($18,825)**
Interest expense (income)	**154**	**(17)**	**19**	**156**
Pretax income (loss) from continuing operations	**2,185**	**(15,867)**	**(5,299)**	**(18,981)**
Inventory write-offs	**-**	**1,152**	**-**	**1,152**
Severance	**814**	**1,578**	**-**	**2,392**
Extec closing charges	**-**	**-**	**-**	**-**
Bad debts	**1,604**	**150**	**-**	**1,754**
Foreign exchange loss from fair valuation of forwards and collars	**-**	**-**	**1,107**	**1,107**
Aircraft lease termination charges	**-**	**-**	**-**	**-**
Write-down of assets held for sale	**-**	**-**	**1,415**	**1,415**
Impairment of long-lived assets	**-**	**590**	**-**	**590**
Goodwill impairment charges	**-**	**10,086**	**-**	**10,086**
(Gain) loss from disposal of fixed assets	**32**	**(59)**	**-**	**(27)**
	$4,635	**($2,370)**	**($2,777)**	**($512)**

				2008
	Casting and Extrusions Segment	Automotive Segment	Corporate	Consolidated
Segment income (loss) from continuing operations	$3,404	($14,843)	($1,885)	($13,324)
Interest expense (income)	205	(154)	159	210
Pretax income (loss) from continuing operations	3,199	(14,689)	(2,044)	(13,534)
Inventory write-offs	-	694	-	694
Severance	676	9	-	685
Extec closing charges	943	-	-	943
Bad debts	856	264	-	1,120
Foreign exchange loss from fair valuation of forwards and collars	-	-	376	376
Aircraft lease termination charges	-	-	647	647
Write-down of assets held for sale	-	-	-	-
Impairment of long-lived assets	-	-	-	-
Goodwill impairment charges	-	23,586	-	23,586
(Gain) loss from disposal of fixed assets	284	(13)	(2,406)	(2,135)
	$5,958	$9,851	($3,427)	$12,382

	2009	2008
Reported diluted loss per share from continuing operations	**($0.43)**	($0.33)
Inventory write-down	**0.02**	0.01
Severance	**0.04**	0.02
Extec closing charges	**-**	0.02
Bad debts	**0.03**	0.02
Foreign exchange loss from fair valuation of forwards and collars	**0.02**	0.01
Aircraft lease termination charges	**-**	0.01
Techmire's building write-down	**0.02**	-
Impairment of long-lived assets	**0.01**	-
Goodwill impairment charges (not tax deductible)	**0.25**	0.57
Gain from disposal of fixed assets	**-**	(0.04)
Earnings (loss) per share before items above	**($0.04)**	$0.29

Quarterly results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2009:

($ thousands except per share amounts)	Sep. 09	Jun. 09	Mar. 09	Dec. 08	Total
Sales	$37,694	$28,345	$33,233	$44,444	$143,716
Net income (loss) from continuing operations before goodwill impairment	$364	($998)	($4,521)	($2,425)	($7,580)
Earnings (loss) per share					
Basic	$0.01	($0.02)	($0.11)	($0.06)	($0.18)
Diluted	$0.01	($0.02)	($0.11)	($0.06)	($0.18)
Net income (loss) from continuing operations	$364	($998)	($14,607)	($2,425)	($17,666)
Earnings (loss) per share					
Basic	$0.01	($0.02)	($0.36)	($0.06)	($0.43)
Diluted	$0.01	($0.02)	($0.36)	($0.06)	($0.43)
Net income (loss)	$364	($998)	($14,607)	($2,425)	($17,666)
Earnings (loss) per share					
Basic	$0.01	($0.02)	($0.36)	($0.06)	($0.43)
Diluted	$0.01	($0.02)	($0.36)	($0.06)	($0.43)

($ 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)

This year was an exceptional year in which all historical patterns changed. 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. However, in the current year, Exco experienced dramatic sales declines which began in December 2008 and continued on throughout the spring and summer months of 2009 as a result of the deepening global recession and deteriorating automotive business environment.

In the fourth quarter sales were $37.7 million – a 24.8% decline from $50.1 million in the prior year. However, this was a marked improvement over Q2 sales of $33.2 million and Q3 sales of $28.3 million. The Casting and Extrusion segment recorded slightly lower sales of $26 million compared to $26.8 million last year. Sales in the large mould businesses increased by 56% as the delayed deliveries of Chrysler engine block moulds were released in the fourth quarter. However, this increase was more than offset by lower sales at Castool and the Extrusion group. The Automotive Solutions segment experienced a dramatic drop in sales of almost 50% to $11.7 million from $23.3 million last year. However sales in the fourth quarter have improved in the segment compared to $8.9 million in Q2 and $9.4 million in Q3.

The Company reported fourth quarter net income from continuing operations of $364 thousand compared to a net loss of $20.8 million in fiscal 2008. Included in the prior year was $23.6 million of non-tax-deductible goodwill charges taken in the fourth quarter to reflect impairment at our Neocon Canada and Polytech (see note 4). This was a non-cash item that did not affect the Company's cash flow, operations, margins or bank covenants. The Company also expensed numerous other items in last year's fourth 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. Details of these items are reconciled to earnings per share in the following table.

	Three Months ended September 30	
(in $ thousands)	**2009**	2008
Pretax income (loss) from continuing operations	**$451**	($22,933)
Inventory write-downs	**330**	130
Severance	**403**	609
Extec closing charges	**-**	405
Bad debts	**88**	578
Foreign exchange (gain) loss from fair valuation of forwards and collars	**(227)**	488
Aircraft lease termination charges	**-**	647
Goodwill impairment charges	**-**	23,586
(Gain) loss from disposal of fixed assets	**(52)**	297
Pretax income before items above	**$993**	$3,807

	Three Months ended September 30	
	2009	2008
Reported diluted earnings (loss) per share from continuing operations	**$0.01**	($0.51)
Inventory write-down	**-**	-
Severance	**0.01**	0.01
Extec closing charges	**-**	0.01
Bad debts	**-**	0.01
Foreign exchange (gain) loss from fair valuation of forwards and collars	**-**	0.01
Aircraft lease termination charges	**-**	0.01
Goodwill impairment charges (not tax deductible)	**-**	0.57
(Gain) loss from disposal of fixed assets	**-**	0.01
Earnings per share before items above	**$0.02**	$0.12

Gross margin in the quarter was 20.7% compared to 21.7% last year reflecting the impact of lower sales on the overhead absorption rate despite more favourable material costs and better product mix in the current year.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Cash flow from operating activities increased this year to $15.4 million from $12.3 million in fiscal 2008. This increase is primarily the result of lower working capital required at these lower sales levels in fiscal 2009. Accounts receivable were reduced by faster collection and in many cases prepayment. Inventory was substantially reduced in keeping with lower overall sales, the closure of Neocon USA and shipments of large moulds for Chrysler engine block programs in the last half of the year.

Cash Flows from Financing Activities

Cash flow used by financing activities increased to $8.3 million compared to $1.9 million in fiscal 2008 primarily as a result of paying off short-term borrowings. Exco's cash position has correspondingly improved and short-term borrowings are not currently required. During the year, the Company decreased spending on the purchase of its common stock pursuant to the issuer bid program to $538 thousand from $1.8 million last year. Over 280 thousand common shares were repurchased and cancelled during the year compared to over 530 thousand shares in fiscal 2008. 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 it did in 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 10 manufacturing facilities and all its production equipment but leases warehousing and sales offices as necessary. The following table summarizes all short-term and long-term commitments Exco has entered.

	Payments Due by Period				
Contractual Obligations ($000)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	-	-	-	-	-
Capital leases*	273	127	129	17	-
Operating leases*	842	391	447	4	-
Purchase obligations	3,932	3,932	-	-	-
Total contractual obligations	**$5,047**	**$4,450**	**$576**	**$21**	**$ -**

** Exco leases 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 but occasionally it may purchase the assets at the end of the lease terms when the purchase options are favourable. Exco does not expect any material liquidity or capital resource impacts from these possible purchases.*

Cash Flows from Investing Activities - Capital Expenditures

Additions to fixed assets totaled $8 million compared to $11.2 million in the prior year. The investment in the Automotive Solutions segment was $2.7 million and investment in the Casting and Extrusion segment was $5.3 million.

$1.8 million of the Casting and Extrusion investment was directed to the construction of a new large mould production facility in Queretaro, Mexico and installing Extec equipment there. In the Automotive Solutions segment, $1.7 million was directed to completing the expansion of our Polydesign production facility in Tangier, Morocco. The balance of the capital expenditure was related to the maintenance of our productive capacity in machinery and equipment. Offsetting these expenditures was the receipt of proceeds in the amount of $3.8 million mainly from the sale of the Techmire building in Anjou, Quebec.

In fiscal 2010, Exco plans to make capital expenditures of $5 million. The majority of the capital investment in both segments will be used to purchase equipment to maintain capacity and to upgrade software and information systems.

We expect that in fiscal 2010 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 May 2009, Exco sold the Techmire production facility in Anjou, Quebec for net cash proceeds of $3.7 million. Also in August 2009, Exco ceased operating its Neocon USA division in Huntsville, Alabama. Some of its machinery and equipment was sold to third parties and the rest was transferred to other Exco automotive divisions by September 2009. The remaining fixed assets (about $1.5 million) are being listed for sale and the Company expects the total proceeds to exceed their net book values. Neocon USA had struggled for several years with insufficient programs to sustain its operations and profitability. The bankruptcy of Chrysler, its main automotive customer, and sharp declines in sales to other customers in 2009 overwhelmed its prospects for returning to profitability in the near term. Management's re-assessment of the business concluded that Exco is better served by closing down Neocon USA. Note 14 to the Consolidated Financial Statements outline the accounting impact of this disposition.

Financial Position and Bank Debt (Net of Cash)

Exco's financial position remains strong despite profit weakness. Exco had no bank debt throughout the year. 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 as at September 30, 2009 and closed the year with cash deposits of $11.4 million compared to $3.5 million net cash last year end. At year end, Exco had operating lines of credit totaling $28.2 million, of which $24.4 million was unused and available. The Company does not presently anticipate the need for long-term bank debt in its capital structure and does not expect to assume any over the coming year.

Transactions with Related Parties

Included in accounts receivable is a loan to the Company's CEO in the amount of $186 thousand. For further detail see note 15 to the consolidated financial statements which is hereby incorporated by reference herein.

Outstanding Share Capital

As at December 6, 2009, the Company had 40,915,923 common shares outstanding. In addition, as at December 6, 2009, the Company had stock options outstanding to purchase up to 1,897,405 common shares.

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 statement of loss 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 2009 and future years.

In the area of the conversion from Canadian GAAP to International Financial Reporting Standards (“IFRS”), the Company has commenced the process and established an implementation plan led by the Company’s corporate office. Regular progress reporting to the audit committee of the Board of Directors has been established. The implementation plan comprised of three phases:

1. Diagnostic Assessment

This phase is to identify and prioritize areas that may be impacted by the transition to IFRS.

2. Evaluation and Design

This phase is to address the changes required for all impacted areas that were identified under the diagnostic assessment phase. It involves changes to existing accounting policies, information systems, internal controls over financial reporting, business processes, together with an analysis of policy alternatives allowed under IFRS and development of the draft IFRS financial statement.

3. Implementation and Review

This phase involves the execution of changes identified in the evaluation and design phase such as completing the Company's accounting policy changes, providing training to the Company's accounting staff and obtaining audit committee approval of the Company's IFRS financial statements.

The Company has completed the diagnostic assessment phase and has entered the early stage of the evaluation and design phase of the plan. During the diagnostic assessment phase of the plan, the Company has identified a number of differences that exist between the two accounting standards in certain areas of recognition, measurement and disclosure. Set out below are the key areas where changes in accounting policies are expected to have an impact on the Company's consolidated financial statements. The list should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight areas that are the most significant.

- Revenue recognition for large die cast moulds
- Inventory
- Property, Plant and Equipment
- Impairment testing of long-lived assets
- Income taxes

While the adoption of IFRS is not expected to have a material impact on the Company's consolidated statements of cash flows, it may have a material impact on the Company's consolidated balance sheets, statement of earnings and statements of changes in shareholder's equity. Due to the anticipated changes in the International Financial Reporting Standards, the Company is not able to complete the process to determine the full accounting effects of adopting IFRS until all the changes at the conversion date are known.

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 and conducted an evaluation of its effectiveness based on the integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with generally accepted accounting principles, 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.

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 in its niche markets mitigate against this risk but some risk remains.

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 collectability. 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. A significant portion of Exco's other receivables are with highly leveraged customers that may have recently merged or chosen to leverage their balance sheet for tax purposes or otherwise increase their investment yield. Doing business with such customers always increases the risk of default and filing for bankruptcy protection. The Company uses its best efforts to collect accounts receivable under 60 days and often has the benefit of statutory or common law liens on its products, 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. We also purchase material in both currencies. U.S. dollar purchases provide a natural hedge against U.S. dollar sales of Exco's Canadian operations. As for the remaining foreign exchange exposure not naturally hedged, Exco 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. While Exco has made considerable progress in reducing its reliance on US dollar sales, depending on exchange rates, markets which Exco currently services may experience rising competition from imports which have become more competitive as a result of exchange rate movements.

Note 15 to the Consolidated Financial Statements sets out information concerning Exco's foreign exchange forward contracts. During fiscal 2009, the Canadian dollar appreciated about 16.8% against the U.S. dollar to close the year at $1.07. 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 Neocon USA in addition to having moved Extec to Mexico and sold Techmire in the last two years. All were Canadian or US operations that were not materially 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. The Company is also selling more to European customers in Euros. However, 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 2010, 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$24 million. This compares to an exposure of US$34 million in fiscal 2009. These figures represent the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses. As of September 30, 2009 there was $1.8 million in forward foreign exchange contracts outstanding (see note 15). If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2010, we estimate pre-tax profit would change by $243 thousand or about $160 thousand after tax. These estimates are based on historical norms and may be materially different in 2010 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 2010, it is estimated that Exco's U.S. operations will be exposed to foreign exchange risk on the translation of pre-tax profit of about US$3.3 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2010, pre-tax profit would change by $33 thousand or about $22 thousand after tax.

In some cases, OEMs 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.

In other cases, OEMs may have excess production capacity or collective agreements which preclude efficient capacity reduction. In these cases OEMs and/or Tier 1s may choose to fill their excess capacity by taking production from their suppliers and manufacturing the parts themselves. This process of 'in sourcing' may have the impact of reducing the amount of business available to suppliers such as Exco.

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-cost 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. Exco may enter into forward contracts or 'collar' contracts from time to time in order to protect itself from changes in the value of the Mexican peso, Euro or Moroccan dirham. These contracts are derivative instruments which, depending on their structure, may not qualify for hedge accounting treatment and accordingly may be 'marked to market' each quarter and expensed if necessary. The Moroccan government does not maintain a transparent exchange rate mechanism and it is difficult to anticipate fluctuations in Moroccan currency.

Exco has and may 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. Exco is required to adopt

IFRS on October 1, 2011 and there will be changes to its current accounting methodology for, among other things, fixed assets depreciation, goodwill impairment, inventory valuation and revenue recognition.

OUTLOOK

As we look toward 2010 we are confident that the future cannot be as unstable and uncertain as the year just past. Our business environment is finally improving. Demand, especially demand for automobiles, is expected to improve over 2009 levels as credit markets have stabilized and as low interest rates have their intended effect. While the global automotive and extrusion industries still face numerous challenges our customers in these industries are now in much stronger financial condition having recapitalized, merged, restructured or otherwise improved their operations. They are also now poised to make capital spending decisions which are particularly important to our large mould businesses.

We are already seeing Exco's sales in the fiscal fourth quarter improving. This trend is expected to continue in 2010 as volumes on existing programs increase and new business, particularly in the Automotive Solutions segment, is launched throughout the year. Our strategic investment in additional production capacity in low cost countries – Tangier, Morocco and Queretaro and Matamoros, Mexico is now complete. This will lower capital spending and increase our ability to take on more business in the years to come.

In the meantime Exco itself enters 2010 with no bank debt and is at the ready with cash on hand of $11.4 million or 28 cents per share to take advantage of new business opportunities as they arise. Exco's operations cost structure has also been significantly streamlined so that in 2010 and beyond we will be able to be more competitive and responsive to our customers' needs. We believe that our low borrowings and greater efficiency achieved over the last several years will greatly mitigate the impact that a strengthening Canadian dollar will have on our earnings in years to come. While raw material costs continue to be an area of possible uncertainty our efforts to put in place cost recovery mechanisms, especially for steel in the Casting and Extrusion segment, will go far in mitigating this risk as well.

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 6, 2009

Auditors' Report

To the Shareholders of Exco Technologies Limited

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2009 and 2008 and the consolidated statements of loss 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, 2009 and 2008 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 6, 2009

Consolidated Balance Sheets

$ (000)'s

	As at September 30	
	2009	2008
ASSETS		
CURRENT		
Cash	**$11,364**	$8,141
Accounts receivable (note 15)	**26,711**	34,120
Inventories (note 2)	**23,330**	30,527
Prepaid expenses and deposits	**2,589**	3,013
Income taxes receivable	**668**	-
Assets held for sale (note 14)	**1,501**	5,068
Mortgage receivable (note 17)	**600**	-
Discontinued operations	**-**	540
Total current assets	**66,763**	81,409
Mortgage receivable (note 17)	**-**	600
Fixed assets, net (note 3)	**71,696**	74,915
Goodwill (note 4)	**-**	10,086
Future income tax assets (note 9)	**1,855**	1,373
	$140,314	$168,383
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (note 5)	**$-**	$4,634
Accounts payable and accrued liabilities	**15,848**	25,125
Income taxes payable	**-**	641
Customer advance payments	**4,931**	944
Current portion of capital lease obligations (note 6)	**125**	-
Total current liabilities	**20,904**	31,344
Long-term portion of capital lease obligations (note 6)	**148**	-
Future income tax liabilities (note 9)	**4,344**	5,277
Total liabilities	**25,396**	36,621
SHAREHOLDERS' EQUITY		
Share capital (note 7)	**35,435**	35,681
Contributed surplus (note 8)	**3,130**	2,789
Retained earnings	**89,108**	109,912
Accumulated other comprehensive loss (notes 1 and 7)	**(12,755)**	(16,620)
Total shareholders' equity	**114,918**	131,762
	$140,314	$168,383

Commitments and contingencies (note 11)
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

Brian A. Robbins	Laurie Bennett
Director,	Director,
President and	Chairman of
Chief Executive Officer	the Board

Consolidated Statements of Loss and Comprehensive Loss

$ (000)'s except for loss per share

	Years ended September 30	
	2009	2008
Sales	**$143,716**	$201,681
Cost of sales before the following	**115,547**	158,519
Selling, general and administrative (notes 7 and 13)	**25,389**	25,690
Depreciation and amortization	**10,131**	9,345
Goodwill impairment charge (note 4)	**10,086**	23,586
Assets held for sale write-down (note 14)	**1,415**	-
Gain on sale of fixed assets	**(27)**	(2,135)
Interest expense	**156**	210
	162,697	215,215
Loss from continuing operations before income taxes	**(18,981)**	(13,534)
Provision for (recovery of) income taxes (note 9)		
Current	**(34)**	2,023
Future	**(1,281)**	(2,159)
	(1,315)	(136)
Loss from continuing operations	**(17,666)**	(13,398)
Loss from discontinued operations, net of tax	-	(536)
Net loss for the year	**($17,666)**	($13,934)
Other comprehensive income (loss)		
Unrealized gain on foreign currency translation of self-sustaining operations (note 7)	**3,865**	3,618
Comprehensive loss	**($13,801)**	($10,316)
Loss per common share (notes 7 and 12)		
Basic and diluted from continuing operations	**($0.43)**	($0.33)
Basic and diluted from discontinued operations	-	($0.01)
Basic and diluted loss	**($0.43)**	($0.34)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

$ (000)'s

	Years ended September 30	
	2009	2008
OPERATING ACTIVITIES		
Net loss from continuing operations	**($17,666)**	($13,398)
Add (deduct) items not involving current cash flows		
Goodwill impairment charge (note 4)	**10,086**	23,586
Assets held for sale write-down (note 14)	**1,415**	-
Depreciation and amortization	**10,131**	9,345
Future income taxes (note 9)	**(1,415)**	(2,186)
Stock-based compensation expense (notes 7 and 8)	**393**	402
Gain on sale of fixed assets	**(27)**	(2,135)
Loss on financial instrument valuation (notes 1 and 15)	**1,107**	376
	4,024	15,990
Net change in non-cash working capital balances related to continuing operations (note 10)	**11,365**	(3,699)
Cash provided by operating activities of continuing operations	**15,389**	12,291
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	**(4,809)**	2,760
Decrease in long-term debt	**-**	(85)
Repayment of capital lease obligations (note 6)	**(134)**	-
Dividends (note 7)	**(2,846)**	(2,772)
Repurchase of share capital (note 7)	**(538)**	(1,843)
Cash used in financing activities of continuing operations	**(8,327)**	(1,940)
INVESTING ACTIVITIES		
Investment in fixed assets	**(8,020)**	(11,238)
Proceeds from sale of fixed assets (note 14)	**3,841**	3,087
Cash used in investing activities of continuing operations	**(4,179)**	(8,151)
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Net cash provided by operating activities	**-**	80
Net cash provided by discontinued operations	-	80
Effect of exchange rate changes on cash	**340**	184
Increase in cash during the year	**3,223**	2,464
Cash, beginning of year	**8,141**	5,677
Cash, end of year	**$11,364**	$8,141

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

$ (000)'s

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, September 30, 2007	$36,142	$2,364	$128,000	($20,238)	$146,268
Net loss for the year	-	-	(13,934)	-	(13,934)
Dividends (note 7)	-	-	(2,772)	-	(2,772)
Stock option expense (note 7)	-	425	-	-	425
Repurchase of share capital (note 7)	(461)	-	(1,382)	-	(1,843)
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
Net loss for the year	-	-	(17,666)	-	(17,666)
Dividends (note 7)	-	-	(2,846)	-	(2,846)
Stock option expense (note 7)	-	341		-	341
Repurchase of share capital (note 7)	(246)	-	(292)	-	(538)
Unrealized gain on translation of self-sustaining foreign operations (note 7)	-	-	-	3,865	3,865
Balance, September 30, 2009	**$35,435**	**$3,130**	**$89,108**	**($12,755)**	**$114,918**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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, 2008, the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) accounting sections: 3064 (Goodwill and Intangible Assets), 3031 (Inventories) and 1400 (General Standards of Financial Statement Presentation).

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 and whether these assets are separately acquired or are developed internally. Adoption of this new section has no material impact on the Company’s consolidated financial statements.

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. Adoption of this new section has no material impact on the Company’s consolidated financial statements.

Section 1400 (General Standards of Financial Statement Presentation) was amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. Adoption of the amendment of this section has no impact on the Company’s consolidated financial statements.

The Emerging Issues Committee (“EIC”) issued EIC 173 (Credit risk and the fair value of financial assets and financial liabilities) on January 20, 2009; this abstract provides further guidance on the determination of the fair value of financial assets and financial liabilities under Section 3855. EIC 173 concluded that when determining the fair value of financial assets and financial liabilities, the entity should consider its own credit risk as well as the credit risk of the counterparty. This abstract should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. Adoption of this abstract has no material impact on the Company’s consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (“IFRS”) will replace current Canadian Generally Accepted Accounting Principles (“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.

In January, 2009, the CICA issued Section 1582 (Business Combinations), which replaced former guidance on business combinations (Section 1581). This standard establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, in January 2009, the CICA issued Section 1601 (Consolidated Financial Statements), and Section 1602 (Non-Controlling Interests). CICA 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance for the treatment of non-controlling interests subsequent to a business combination. These new standards are effective for the Company's annual reporting period on October 1, 2011. The Company is currently assessing the impact and does not anticipate the adoption of these new sections will have a material impact on its consolidated financial statements.

In June 2009, the CICA issued amendments to CICA Handbook Section 3862 (Financial Instruments – Disclosures) and 1506 (Accounting Changes). Section 3862 amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The Company is currently evaluating the impact of the amended section on its consolidated financial statements. Section 1506 was amended to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after July 1, 2009. The adoption of IFRS is not expected to qualify as an accounting change under CICA 1506.

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 based on the Company's normal operating capacity.

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 loss 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

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are evaluated for impairment when events or changes in circumstances exist to indicate that the carrying value of these assets may not be recoverable. The carrying value of the asset is considered impaired when the undiscounted cash flow attributable to the asset is less than its carrying value. The amount of impairment is determined as the excess of the carrying value of the asset over its fair value.

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 contracts	Financial assets/liabilities - 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 (Hedges), 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 loss and comprehensive loss.

Forward foreign exchange contracts are negotiated with Canadian and United States banks with a long-term debt rating of 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 significant 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 loss and comprehensive loss. In 2009, such losses totaled $1,920 (2008 - gains of $107). 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 loss 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 or acceptance by customers.

RESEARCH AND DEVELOPMENT EXPENDITURES

Research expenditures are expensed as incurred. Development expenditures are recognized as an intangible asset if they meet the requirements under GAAP; otherwise, they are expensed when incurred.

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 loss 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

The preparation of financial statements in conformity with GAAP 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

	2009	2008
Raw materials	**$9,056**	$12,628
Work in process	**10,434**	12,322
Finished goods	**3,439**	4,905
Production supplies	**401**	672
	$23,330	$30,527

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.

During the year ended September 30, 2009, inventories of $62,146 (2008 - $94,100) were expensed of which $1,152 were from the write-downs of inventory (2008 - $694). No reversals of write-downs were recorded during the year ended September 30, 2009 and 2008.

3. Fixed Assets

			2009
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Land	**$6,653**	**$-**	**$6,653**
Buildings	**45,165**	**14,257**	**30,908**
Machinery and equipment	**165,137**	**131,576**	**33,561**
Tools	**5,755**	**5,181**	**574**
	$222,710	**$151,014**	**$71,696**

			2008
	Cost	Accumulated Depreciation and 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

At September 30, 2009, the Company had building, machinery and deposits relating to fixed assets of $3,739 (2008 - $4,906). These assets are not being depreciated because they are under construction and not in use. Fixed assets under capital leases amounted to $428 (2008 – nil) less accumulated depreciation of $154 (2008 – nil).

4. Goodwill

In fiscal 2008, negative conditions in the North American automotive industry and poor light vehicle sales and tightening consumer credit that began in the fourth quarter of 2008 significantly reduced the valuation of the Company's Polytech and Neocon Canada division. As a result, the Company recorded a total goodwill impairment charge of $23,586 in September 2008.

During the second quarter of the current year, events occurred which indicated that it was more likely than not that there was a significant further decline in the fair value of the Company's Polytech division due to the global economic crisis, generally negative development in the North American automotive industry, continuing poor light vehicle sales and tightening consumer credit. As a result, the Company tested the goodwill associated with the Polytech division in advance of the annual impairment test and the Company recorded a goodwill impairment charge of $10,086. After this impairment charge, there remained no goodwill on the Company's consolidated balance sheet.

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. These impairment charges were not deductible for income tax purposes; therefore there was no corresponding tax benefit in 2009 or 2008.

5. Bank Indebtedness

	2009	2008
Prime rate in Canada	**2.25%**	4.75%
Prime rate in U.S.	**3.25%**	4.50%
Bank of Nova Scotia credit facility	**$25,000**	$45,000
JP Morgan Chase credit facility	**3,210**	3,180
Total available credit	**28,210**	48,180
Bank indebtedness	**-**	(4,634)
Letters of guarantee	**(3,831)**	-
Total credit used	**(3,831)**	(4,634)
Available credit	**$24,379**	$43,546

These operating lines are available in both U.S. and Canadian dollars at variable rates. The Company's Canadian credit facility is secured by a general security agreement over its Canadian assets. The U.S. credit facility is secured by a security interest over the assets of the Company's U.S. subsidiary, Polytech.

INTEREST

Net interest paid in cash was $156 for the year ended September 30, 2009 (2008 - $165).

6. Capital Lease Obligations

	2009	2008
Total minimum lease payments	**$283**	$-
Less: amount representing interest at an average rate of 4.4%	**(10)**	-
Capital lease obligations	**273**	-
Less: current portion	**(125)**	-
Long-term portion of capital lease obligations	**$148**	**$-**

Future minimum annual lease payments are as follows:

	Capital Lease Obligations	Interest	Total Minimum Lease Payments
2010	$127	$8	135
2011	103	2	105
2012	26	-	26
2013	10	-	10
2014	7	-	7
	$273	**$10**	**$283**

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, 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
Purchased and cancelled pursuant to normal course issuer bid	(282,100)	(246)
Issued and outstanding at September 30, 2009	**40,666,176**	**$35,435**

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 $3,865 (2008 - the unrealized currency translation gain was $3,618). For the year ended September 30, 2009, the unrealized gain of $3,865 is primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar as measured at September 30, 2009 and 2008.

CASH DIVIDEND

During the year, the Company paid four quarterly cash dividends totalling $2,846 (2008 - $2,772). The dividend rate per quarter was increased from $0.015 to $0.0175 per common share since the second quarter of fiscal 2008.

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 during the year:

	2009		2008	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**2,265,414**	**$4.36**	2,410,849	$4.50
Granted during the year	**117,049**	**$1.39**	73,777	$3.79
Expired during the year	**(453,034)**	**$3.72**	(189,212)	$5.54
Cancelled during the year	**-**	**-**	(30,000)	$6.85
Balance, end of year	**1,929,429**	**$4.33**	2,265,414	$4.36

The following table summarizes information about stock options outstanding at September 30, 2009:

	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
$1.03-$3.00	455,667	2.82 years	$2.59	338,618	$3.00
$3.01-$4.00	736,356	4.70 years	$3.96	451,290	$3.96
$4.01-$4.50	267,310	0.05 years	$4.50	267,310	$4.50
$4.51-$7.60	470,096	3.63 years	$6.53	442,573	$6.49
$1.03-$7.60	1,929,429	3.35 years	$4.33	1,499,791	$4.58

The number of common shares available for future issuance of options at September 30, 2009 was 1,003,937 (2008 – 667,952). The number of options outstanding together with those available for future issuance totals 2,933,366 (2008 – 2,933,366) or 7.2% (2008 – 7.2%) of the issued and outstanding common shares. The options are granted for a term of 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 2009, payroll deductions were made supporting the purchase of a maximum of 401,150 common shares at $1.29 per share. The purchase and payroll deductions with respect to these common shares will be completed in the first quarter of fiscal 2010. Employees must decide annually whether or not they wish to purchase their common shares. During 2009, no shares (2008 – nil) were issued under the terms of the ESPP. Effective December 31, 2009, the ESPP will be terminated. Options previously granted and outstanding will continue to be outstanding and exercisable in accordance with the terms of the plan.

STOCK-BASED COMPENSATION EXPENSE

The total stock-based compensation expense for the year was $393 (2008 - $402). This consists of $341 (2008 - $425) from the stock option expense and $52 (2008 – reduction of $23) 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:

	2009	2008
Risk-free interest rate	**2.48%**	4.00%
Expected dividend yield	**6.24%**	1.71%
Expected volatility	**36.89%**	26.00%
Expected time until exercise	**5.63 years**	6.10 years
Weighted average fair value of the options granted	**$0.18**	$0.84

DEFERRED SHARE UNIT PLAN

	Number of units issued	Expense
December 31, 2008	11,535	($18)
March 31, 2009	12,088	8
June 30, 2009	10,144	22
September 30, 2009	7,377	40
Total	41,144	$52

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, 2009 replacing the normal course issuer bid which expired on May 7, 2009. 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 year ended September 30, 2009, the Company purchased 282,100 common shares under both bids (2008 – 530,200) at a total cost of $538 (2008 - $1,843). The cost to purchase these shares exceeded their stated value by $292 (2008 - $1,382). 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:

	2009	2008
Balance, beginning of year	**$2,789**	$2,364
Stock option compensation expense (note 7)	**$341**	$425
	$3,130	$2,789

9. Income Taxes

		2009
Loss from continuing operations before income taxes	**($18,981)**	**100.0%**
Income tax recovery at Canadian statutory rates	**(6,264)**	**(33.0%)**
Manufacturing and processing deduction	**278**	**1.5%**
Foreign rate differential	**212**	**1.1%**
Items not deductible for income tax purposes	**3,684**	**19.4%**
Withholding taxes on dividends	**829**	**4.4%**
Other	**(54)**	**(0.3%)**
	($1,315)	**(6.9%)**

		2008
Loss from continuing operations before income taxes	($13,534)	100.0%
Income tax 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%)

Cash outflows during the year for income taxes were $2,070 (2008 - $1,000).

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

	2009	2008
Assets		
Tax benefit of loss carry forward	**($104)**	($40)
Items not currently deductible for income tax purposes	**(1,331)**	(1,012)
Research and development expenditures	**(420)**	(321)
Liabilities		
Tax depreciation in excess of book depreciation	**4,344**	5,277
Net deferred income tax liabilities	**$2,489**	$3,904

10. Net Change in Non-Cash Working Capital Balances

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

	2009	2008
Accounts receivable	**$10,974**	($3,525)
Inventories	**9,838**	586
Prepaid expenses and deposits	**1,399**	348
Accounts payable and accrued liabilities	**(13,375)**	(261)
Income taxes payable	**(1,458)**	(387)
Customer advance payments	**3,987**	(460)
	$11,365	($3,699)

11. Commitments and Contingencies

LEASES

The Company has commitments under long-term lease agreements for two warehouses facilities and other operating and capital leases expiring at various dates up to 2014. Future minimum annual lease payments are as follows:

2010	$518
2011	376
2012	200
2013	14
2014	7
	$1,115

In addition, as at year ended September 30, 2009, the Company has purchase obligations in the amount of $3,932.

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. Other than the amount already provided for in the consolidated financial statements, there are no material contingent liabilities as at September 30, 2009 (2008 – nil).

12. Loss per Common Share

Loss per common share is calculated using net loss and the monthly weighted average number of common shares outstanding of 40,693,684 (2008 - 41,127,918). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per share. There was no material effect of outstanding stock options on diluted weighted average number of common shares outstanding for 2009 (2008 – nil).

13. Other Information

A. 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, engineers and manufactures die cast and extrusion tooling and other equipment for die cast machines and extrusion presses. Its operations are substantially for automotive and industrial markets in North America.

The Automotive Solutions segment produces automotive interior trim components and assemblies for instrument panels, door panels, consoles, seat covers, cargo storage and restraint. These products are sold to automotive manufacturers and Tier 1 suppliers to automakers.

The Corporate segment involves administrative expenses that are not directly related to the business activities of the above two operating segments.

				2009
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$96,105**	**$47,611**	**$-**	**$143,716**
Depreciation and amortization	**6,970**	**3,116**	**45**	**$10,131**
Segment income (loss) before goodwill impairment charge, interest and income taxes	**2,339**	**(5,798)**	**(5,280)**	**($8,739)**
Goodwill impairment charge	**-**	**10,086**	**-**	**$10,086**
Segment income (loss) before interest and income taxes	**2,339**	**(15,884)**	**(5,280)**	**($18,825)**
Interest expense				**$156**
Loss before income taxes				**(18,981)**
Fixed asset additions	**5,280**	**2,697**	**43**	**$8,020**
Total fixed assets, net	**51,480**	**18,671**	**1,545**	**$71,696**
Goodwill	**-**	**-**	**-**	**-**
Total assets	**$53,879**	**$83,982**	**$2,453**	**$140,314**

	Casting and Extrusion	Automotive Solutions	Corporate	2008 Total
Sales	$111,493	$90,188	$-	$201,681
Depreciation and amortization	6,900	2,389	56	9,345
Segment income (loss) before goodwill impairment charge, interest and income taxes	3,404	8,743	(1,885)	10,262
Goodwill impairment charges	-	23,586	-	23,586
Segment income (loss) before interest and income taxes	3,404	(14,843)	(1,885)	(13,324)
Interest expense				210
Loss before income taxes				(13,534)
Fixed asset additions	7,606	3,514	118	11,238
Total fixed assets, net	53,073	20,295	1,547	74,915
Goodwill	-	10,086	-	10,086
Total assets	$63,148	$103,201	$2,034	$168,383

GEOGRAPHIC AND CUSTOMER INFORMATION

Sales	**2009**	2008
Canada	**$16,164**	$24,244
United States	**84,020**	112,662
Europe	**31,268**	52,300
Asia	**272**	441
Other	**11,992**	12,034
	$143,716	$201,681

In 2009, sales to the Company's largest customer were 10% (2008 - 17%) of total sales and the account receivable pertaining to this customer was $5,475 (2008 - $3,865). The allocation of sales to the geographic segments is based upon the customer location where the product is shipped.

Fixed Assets and Goodwill, net	**2009**	2008
Canada	**$42,858**	$47,130
United States	**12,544**	24,851
Mexico	**5,971**	4,385
Morocco	**10,323**	8,635
	$71,696	$85,001

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.

B. RESTRUCTURING COST

During the year, the Company recorded severance expense of $2,392 (2008- $685) in selling, general and administrative expense on the consolidated statements of loss and comprehensive loss relating to staffing reductions throughout its operations.

14. Assets Held for Sale

In May 2009, the Company concluded the sale of the Techmire production facility with a net loss of $1,415. This loss was recorded as a write-down of assets held for sale in the second quarter of the current year when the sale and purchase agreement was signed.

In reacting to the current economic crisis and negative trend of the automotive industry, the Company has ceased to operate the Neocon USA subsidiary in order to consolidate the Group operations, reduce overhead and dispose of the production facility. Effectively, a total of $1,501 of its fixed assets, mainly land and building, is listed for sale. The Company expects the total proceeds from the sale of these assets to be higher than their net book values.

15. Financial Instruments

Financial instruments of the Company consist 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 fair value in the consolidated statements of loss and comprehensive loss, the carrying value of these financial instruments approximates their fair value due to their short-term nature.

FOREIGN EXCHANGE CONTRACTS

The Company has forward foreign exchange contracts to sell US$1,800 over the next three months at the rate ranging from 1.08 to 1.13 Canadian dollars for each U.S. dollar sold. The Company also entered into a series of collars extending through September 22, 2011. The total value of these collars is 83.1 million Mexican pesos (September 30, 2008 – 138.1 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 $1,338 (2008 – loss of $231) would be realized if these contracts and collars were terminated on September 30, 2009. As at September 30, 2009, the estimated fair value loss of $1,107 (2008 – loss of $376) has been included in selling, general and administrative expense on the consolidated statements of loss and comprehensive loss; the contracts and collars have been recorded at $1,338 ($231) in the consolidated balance sheet under the caption accounts payable and accrued liabilities.

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 loss and comprehensive loss. As at September 30, 2009, the accounts receivable balance (net of allowances for doubtful accounts) is $26,711 (2008 - $34,120) and the Company's five largest trade debtors accounted for 41% of the total accounts receivable balance (2008 – 44%). As at September 30, 2009, accounts receivable in the amount of $9,557 are insured against default.

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

	2009	2008
Trade accounts receivable	**$26,425**	$34,191
Employee receivable*	**283**	64
Sales tax receivable	**414**	160
Vendor rebates	**-**	81
Others	**51**	105
Allowance for doubtful accounts	**(462)**	(481)
Total accounts receivable, net	**$26,711**	$34,120

** The indebtedness of the Chief Executive Officer of the Company is a loan in the amount of $186 evidenced by a promissory note due on the date on which the Company makes demand. The promissory note provides for a maximum loan amount of $200. Interest is payable on the outstanding balance at a rate equal to the Company's cost of borrowing plus 1%. No security has been provided to the Company and no other understanding, agreement or intention to limit recourse exists. In addition, the Company is owed a total of $46 on account of non-business expenses paid by the Company on behalf of this officer and interest accrued on the outstanding loan.*

The aging of trade accounts receivable balances is as follows:

	2009	2008
Not past due	**$19,698**	$26,593
Past due 1-30 days	**3,829**	4,155
Past due 31-60 days	**1,042**	1,035
Past due 61-90 days	**1,513**	599
Past due over 90 days	**343**	1,809
Less: allowance for doubtful accounts	**(462)**	(481)
Total trade accounts receivable, net	**$25,963**	$33,710

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

	2009	2008
Opening balance	**$481**	$696
Bad debt expense	**1,754**	1,120
Write-offs	**(1,773)**	(1,335)
Closing balance	**$462**	$481

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, 2009, the Company has a net cash balance of $11,364 (2008 - $3,507) and unused credit facilities of $24,379 (2008 - $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. 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 sheets and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of loss 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, the following table outlines the Company's foreign exchange exposure at one percent fluctuation between various currencies compared with the average year to date exchange rate.

	1 % Fluctuation USD vs. CDN	1 % Fluctuation Dirham vs. CDN	1 % Fluctuation Euro vs. Dirham	1 % Fluctuation USD vs. MXN peso
Earnings (loss) before income taxes	+/- $586	+/- $11	+/- $36	+/- $50
Other comprehensive income (loss)	+/- $1,616	+/- $157	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 at September 30, 2009, the Company has a net cash position of $11,364 (2008 - $3,507); therefore, its interest rate risk exposure is insignificant.

16. Capital Management

The Company defines capital as net debt and shareholders' equity. As at September 30, 2009, total managed capital was $114,918 (September 30, 2008 - $131,762) consisting of nil net debt (September 30, 2008 – nil) and shareholders' equity of $114,918 (September 30, 2008 - $131,762).

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:

	2009	2008
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**2.58:1**	2.55:1

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

	2009	2008
Bank indebtedness	**$-**	$4,634
Current portion of capital lease obligations	**125**	**-**
Long-term portion of capital lease obligations	**148**	**-**
Less: cash	**(11,364)**	(8,141)
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, 2009, the Company was in compliance with the required financial covenants.

17. Mortgage Receivable

In December 2007, the Company decided to restructure 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.

18. Long-Lived Assets Impairment

During the second quarter of the current year, the Company's Automotive Solutions segment (Neocon USA) recorded an asset impairment charge on its machinery and equipment in the amount of $590. The impairment charge was included in the depreciation of its fixed assets. It was determined by comparing the current pricing of similar machinery and equipment. As a result, management estimated the fair value of its machinery and equipment exceeded its carrying value by $590 as at March 31, 2009.

Also in the fourth quarter of the current year, events occurred which indicated that there were potential impairments of long-lived assets at the divisions heavily impacted by the global automotive crisis. These indicators included 1) permanent reduced capacity in North American automotive industry, 2) global economic recession, 3) significant sales decline in fiscal 2009 experienced by all divisions in the automotive segment and the large mould businesses, and 4) equally weak sales projection in fiscal 2010 for the large mould businesses. Accordingly, long-lived assets at these divisions were tested for impairment. The test results indicated that there are no impairments of long-lived assets present at these divisions at this time.

19. Comparative Figures

Certain comparative figures for the prior year have been reclassified to conform with the financial statement presentation adopted in the current year.

FIVE-YEAR FINANCIAL SUMMARY

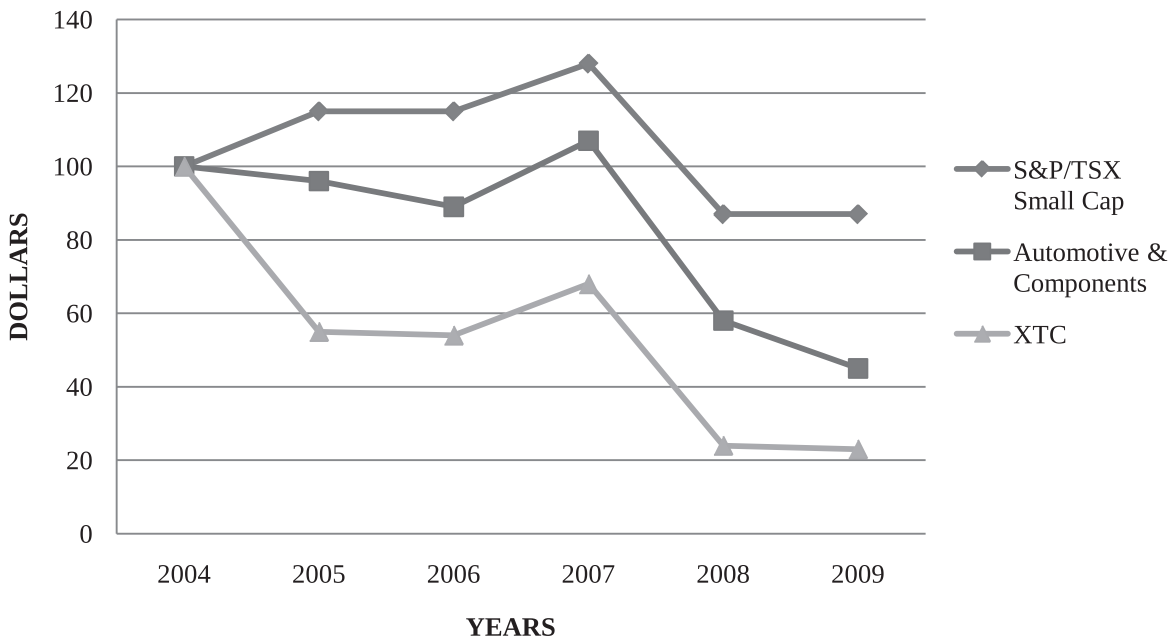
($000)'s except per share amounts

Financial Results

	2009	2008	2007	2006	2005
Sales	$143,716	$201,681	$201,759	$199,271	$202,957
Net income (loss) from continuing operations	($17,666)	($13,398)	$5,794	$3,311	$14,579
Net income (loss)	($17,666)	($13,934)	$3,062	($616)	$11,132
Diluted earnings (loss) per share from continuing operations	($0.43)	($0.33)	$0.14	$0.08	$0.35
Diluted earnings (loss) per share	($0.43)	($0.34)	$0.07	($0.01)	$0.27
Cash flow from continuing operations before non-cash items	$4,024	$15,990	$17,698	$22,581	$27,306
Total net debt to equity	0.00:1	0.00:1	0.00:1	0.04:1	0.10:1
Capital expenditures, net of disposals	$4,179	$8,151	$11,392	$9,774	$8,477

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, 2004 to September 30, 2009 compared with the return on the S&P/TSX Small Cap and Automotive & Components.



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Geoffrey F. Hyland, BEng (Chem), MB
Corporate irector

Edward H. Kernaghan, MSc
Executive ice President
Kernaghan Securities Limited

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

Stephen Rodgers, BEng
President
S lobal Solutions

Peter van Schaik
Founder and Chief Executive Officer
an Rob Inc.

CORPOR TE OFFICERS

Laurie Bennett, C
Chairman of the Board

Brian A. Robbins, PEng
President and Chief Executive Officer

Paul Riganelli, M , MB , LLB
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2009 NNU L MEETIN

The 2009 nnual Meeting for the Shareholders will be held at E CO at 130 Spy Court, 2nd oor, Markham, Ontario on ednesday January 27, 2010 at 4 30 pm.

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