ANNUAL REPORT | 2010

EXCO technologies limited

making it work

STRONG GLOBAL PRESENCE

Exco's operations include nine production facilities with three sales and engineering offices based in the US, Switzerland and France. Exco also has a global network of sales representatives, which provides global coverage in all languages.

LETTER TO SHAREHOLDERS

> “making it work” during a weak recovery

In last year’s annual report, we described the 12 months ending September 30, 2009 as the most difficult period in modern history – for Exco, and the automotive industry that largely drives our performance. We also wrote about the swift and decisive actions that were intended to help us weather the storm and emerge as a stronger and more competitively positioned company. Today, we are pleased to report that those efforts are paying off and promise to continue bearing fruit.

At this time last year, we were in the midst of an economic downturn that would see North American light vehicle production decline more than 33% to 8.55 million units in calendar year 2009. The easy credit that once fuelled industry sales had evaporated, unemployment was rising and consumer and capital spending were declining in a climate of growing economic uncertainty. It all added up to a near-death experience for two of the three largest domestic automobile manufacturers and the restructuring – under bankruptcy protection and otherwise – for numerous major tier one suppliers.

Today, the North American automobile industry is smaller and much more efficient. Dozens of plants have been closed or consolidated, employment and other costs have been significantly reduced and about one third of North American industry capacity has been eliminated. Aided by the stabilization of consumer credit and rising demand, it is estimated that light vehicle production will increase by about 36% in 2010 to 11.6 million units. That level is still well short of the industry’s peak production of more than 17 million units in 2000. What’s most important, however, is the fact that automobile manufacturers are making money again and investing in the future under new re-energized management.

Exco’s performance in fiscal 2010 was largely driven by our lower cost structure and the industry’s improving fortunes. Consolidated sales rose 15% to $165.5 million. Net earnings rebounded sharply from a loss of $17.7 million or ($0.43) per share in fiscal 2009 to $10.1 million or $0.25 per share in the past year.

The turnaround in Exco’s earnings was fuelled not just by rising sales but by the sustained efforts we have made over the years to right-size our operations and control costs in response to shrinking demand. Gross margin for the year increased to 26.0% from 19.6% in fiscal 2009 despite persistent strength in the Canadian dollar, which lowered the transaction value of U.S. sales. What’s more, we see further room for gross margin improvement as we work through temporary inefficiencies in the extrusion tooling business related to the consolidation of the two Canadian production facilities into one, and the ramp-up of production at our new large mould maintenance facility in Queretaro, Mexico.

In our Casting and Extrusion segment, the successful emergence from bankruptcy of Chrysler and GM and recovery at other European and Asian OEMs resulted in significantly more activity in both the large mould and Castool businesses during fiscal 2010. We are benefitting from a resurgence in capital spending on the development of new generation power trains as the OEMs strive to meet stricter fuel economy standards and a growing consumer shift toward smaller, more efficient vehicles. Key engine and transmission programs for several key accounts are now in full swing and quotation activity remains high. Growth in our Extrusion business remains weak but cost cutting and consolidation initiatives that are under way with the closure of AluDie are expected to restore higher profitability.

Our Automotive segment, the fortunes of which are more directly correlated to vehicle production levels, rebounded sharply from a difficult fiscal 2009 to post sales of $60.5 million, an increase of 27%. This improvement reflects higher volumes on existing programs at Polytech and Neocon and the launch of new ones such as the introduction of tray business at our Mexican plant. Sales at Polydesign remained weak, a function of continued sluggishness in the European market, but activity began to strengthen at year-end with numerous new program launches. These businesses reflect our strategy of shifting production to low cost jurisdictions in close proximity to our customers, and they are well positioned for long-term success.

As for fiscal 2011, we are realistic about the road ahead. Economic growth in North America is modest, consumer sentiment is improving, yet the possibility of a double-dip recession still exists. Conditions in Europe, where the recovery of the automotive industry continues to lag, are less robust.

Within this environment, we anticipate anaemic yet continuing growth, to varying degrees, in all of our businesses. However, it is important to recognize that we are not counting on automotive industry growth to deliver a profit. The greater operating efficiencies and lower cost structure we have successfully created over the past two years have enabled us to increase net earnings to pre-recession levels at significantly lower sales volumes. Moreover, Exco remains a technological leader with solid market share in its chosen businesses and holds the promise of significant operating leverage if the industry continues to recover. Put differently, even though the business environment is less than ideal, we at Exco are making it work – delivering higher profits and dividends on a consistent basis.

We would, at this time, like to acknowledge the contribution of our dear friend and fellow director Geoffrey Hyland who passed away on November 3, 2010. Geoff had served on the Exco Board of Directors since January 2001 and before that on the Board of Tecsyn International Inc., which Exco acquired in 2001 since 1993. His quiet, thoughtful business judgement and sober counsel will be greatly missed and not easily replaced.

In closing, we would like to thank our employees, customers, suppliers and investors for their continued support during another challenging year. Exco is well positioned for continuing success and we look forward to reporting on our progress during the year ahead.

Brian A. Robbins
President and
Chief Executive Officer

L. T. Bennett

Laurie Bennett
Chairman of the Board

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This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and related notes for the year ended September 30, 2010. This MD&A has been prepared as of November 25, 2010.

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 found mainly in the Outlook section but also elsewhere throughout this MD&A document because 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 2010 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 costs 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 and with the acquisition of Allper AG in Switzerland after year end, Exco's machine consumable parts will be marketed throughout Europe.

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 Management's Discussion and Analysis, we talked about the impact of the global economic meltdown that began with the bankruptcy of Lehman Brothers Holdings Inc. on September 16, 2008, near the beginning of Exco's 2009 fiscal year. What began as a seizure in the U.S. credit markets soon spread into the most severe economic recession in eight decades. Consumer credit and spending contracted; unemployment rose and business investment ground to a halt. Amid this environment, many North American and European consumers had neither the inclination nor the economic means to lease or purchase new vehicles. As demand evaporated, automobile manufacturers scrambled to liquidate inventories, scale back production, close outmoded facilities and otherwise eliminate excess capacity from their operations. In the course of the year, two of North America's domestic manufacturers filed for bankruptcy, a half dozen tier one suppliers disappeared and 2009 light vehicle production volumes declined to their lowest level in more than 20 years.

In response to these challenges, Exco acted decisively to preserve cash and protect the balance sheet. This included the active management of receivables and inventories to minimize losses associated with severe disruptions in the supply chain and paying off all bank debt. As a result, we were able to end fiscal 2009 with $11.4 million of cash on hand and no material exposure to unpredictable lending markets.

At the same time, we worked diligently to right-size our operation in the face of weakening industry demand. This included company-wide staff reductions of more than 30% and productivity initiatives throughout our operations. By the fourth quarter of fiscal 2009, we had succeeded in reducing SG&A expenses significantly. We also permanently closed two facilities. Neocon USA was closed in response to plummeting demand from its largest customer – Chrysler. Its profitable cargo tray and organizer business was transferred to Neocon Canada. The Extec facility in Markham, Ontario was also closed in conjunction with the opening of a new production facility in Queretaro, Mexico in support of the continuing migration of customer activity to that country.

Today, one year later, we are reaping the benefits of these initiatives as well as the rising fortunes of North America's newly efficient automotive industry. Fuelled by uneven but modestly improving economic growth in North America, light vehicle production rose from 8.6 million units in calendar 2009 to an estimated 11.6 million units this year, a projected increase of almost 35%. Although industry production is still well below record production levels, and the future direction of the North American economy remains uncertain, our OEM and tier one customers have returned to profitability with the elimination of significant productive capacity from the industry.

Today, Exco is similarly structured for solid profitability at existing sales volumes and well positioned for increasing operating leverage if industry conditions continue to improve. Unlike many companies in the industry, we have also maintained an unwavering focus on the balance sheet which has left us with no debt, cash on hand of $20.2 million and an uninterrupted record of quarterly dividend payments since 2005.

Looking ahead, we will continue to advance our key strategies of enhancing our competitive position in Exco's chosen businesses, building productive capacity in low-cost jurisdictions that are close to our automotive customers and diversifying our sales base.

The Casting and Extrusion segment of our business is a global leader in the design and manufacture of automotive power train component moulds and is positioned for growing success as manufacturers continue to introduce next-generation engines and transmissions required to keep pace with rising fuel efficiency standards and satisfy changing consumer demands.

We are also ready and able to improve our competitive position in a consolidating market by innovating and acquiring technology with strategic importance to our customers and their industry. The purchase of Allper AG after the close of this fiscal year was such an acquisition (see Note 19). That business had a long established tradition of designing innovative and proprietary plunger tip and ring componentry which is of critical importance to the efficient performance of aluminum die cast machines. Coupled with other die cast componentry manufactured and marketed by Castool such as shot sleeves, plunger rods, lubrication devices and vacuum valves we are able to provide our customers with a package of componentry that enhances the overall performance of their die cast machines.

We will also continue to position Exco to support the changing requirements of existing and potential customers in both the Casting and Extrusion and Automotive Solutions segments. This strategy can be seen at work in the transfer of Extec's operations from Markham, Ontario to the new large mould facility in Queretaro, Mexico, an established industrial cluster that is home to several OEM production facilities and numerous Mexican die casters. Exco has employed similar logic when recently expanding Polydesign's facility in Tangier, Morocco which produces interior components and cargo systems for a growing range of European customers. Most recently, the Company has announced the closure of its Aludie extrusion tooling plant in Newmarket, Ontario. While production is remaining in North America at its sister plants in Markham, Ontario and Chesterfield, Michigan some equipment will eventually be relocated to Brazil which the Company has identified for future extrusion tooling expansion either by green-fielding or acquisition.

At the same time, we have worked to enhance the stability of Exco's sales and earnings through diversification. While it is our intention to remain focused on the existing segments of our business, we have significantly diversified our customer base within each segment over the past few years. Today, Chrysler is our largest customer representing only 17.3% of sales. Our second customer is Ford at 3.8% of sales. Even grouping our top five customers does not constitute more than one third of Exco's sales in 2010.

Going forward, Exco will continue to pursue a strategy of building upon our industry-leading capabilities, shifting productive capacity to low cost jurisdictions in support of our customers' growth strategies, minimizing our cost structure, protecting the balance sheet and diversifying our revenue base. Whether the automotive industry continues to operate at existing production levels or ramps up activity to meet stronger consumer demand, we believe that Exco is well positioned for continuing success.

2010 RESULTS

Consolidated Results

Annual sales totaled $165.5 million – an increase of $21.8 million or 15% over last year. This reflects a gradual return to normalcy as the Company's sales activity recovered from the exceptional contraction in global automotive, commercial construction and overall industrial output experienced in 2009. With the economic climate and consumer demand improving and the financial strength and managerial vigor of our major customers such as Chrysler under the stewardship of Fiat, restored, 2010's sales begin a process of rebuilding our revenue base to more traditional levels. The impact of improving sales was partially offset by foreign exchange rates. During the year, the Canadian dollar once again experienced high volatility against the U.S. dollar. The average U.S. dollar rate was 13 cents weaker against the Canadian dollar during the year compared to last year. With about 66% of sales denominated in US dollars, these unfavorable foreign exchange rates decreased sales by approximately $12.6 million or 7%.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2010, 2009 and 2008. 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)	**2010**	2009	2008
Sales	**$165.5**	$143.7	$201.7
Net earnings (loss) for the year	**$10.1**	($17.7)	($13.9)
Total assets	**$148.8**	$140.3	$168.4
Total long-term debt	**$0.0**	$0.1	$0.0
Cash dividend declared per share	**$0.08**	$0.07	$0.07
Earnings (loss) per share from net earnings			
Basic	**$0.25**	($0.43)	($0.34)
Diluted	**$0.25**	($0.43)	($0.34)

Segment Operating Results

- *Casting and Extrusion Segment*

Sales for this segment were $105.0 million – an increase of $8.9 million or 9% from the prior year. In marked contrast to last year's sales contraction, this year's sales improvement in this segment was led by the large mould businesses which increased 30% over 2009 as major engine block and transmission power train programs were released for production. The recapitalizations of our OEM and Tier 1 customers as well as the coordinated efforts of western governments to raise fuel economy standards are driving major investment in power train design and development. Castool sales increased by 13% over the prior year. This improvement largely reflects a strong resurgence of production and capital investment among its die cast customers which primarily service the automotive sector. Castool extrusion tooling sales were less dynamic as these customers service industrial markets which were less dynamic in 2010 than the automotive sector. The extrusion tooling group which markets to industrial and commercial construction markets in the Americas experienced relatively stable sales with a 2% decline over prior year.

- *Automotive Solutions Segment*

Sales in this segment were $60.5 million – an increase of $12.9 million or 27% from the prior year. The businesses in this segment are exclusively component suppliers to the automotive industry and, as such, have directly benefited from the production resurgence in 2010. This is particularly the case at Polytech and Neocon which both service the North American automotive industry. Neocon sales, which were severely impacted in 2009 at the accessory and dealer distribution channel level, rebounded by over 90% and Polytech sales improved by over

30% in 2010. This represents both higher production on existing programs and the launch of new programs as well. Our European operation, Polydesign, struggled with a drop in sales of 8% as the European automotive market continued to struggle with anemic automotive sales and production. Polydesign is adjusting to the partial in-sourcing of a key Honda seat cover program which disproportionately impacted sales by further diversifying its product mix and customer profile.

Gross margin

Consolidated gross margin increased to 26.0% in fiscal 2010 from 19.6% in fiscal 2009. 2010 marks a turning point for Exco's gross margin which has been constantly under pressure since 2005 when the Canadian dollar commenced its relentless strengthening trend. Historically, this trend 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 adjust to this trend by reducing raw material requirements, direct labor expenditures and factory overhead by closing and consolidating marginal operations and launching ever more business in low cost countries only slowed the rate of gross margin erosion. However, in 2010 our efforts have finally paid off with a strong improvement of over 6% in gross margin. This result was largely obtained by keeping our cost structure under tight control while sales levels rose.

The Casting and Extrusion segment gross margin improved 5.7% from 23.0% last year to 28.7% this year. Within this segment, the large mould business was the clear leader as strong sales permitted better overhead absorption despite more competitive pricing and negative margin at the new maintenance facility in Queretaro, Mexico. Castool and the extrusion tooling businesses also improved gross margin modestly through firmer pricing, better cost recovery and operational improvements despite, in the case of the extrusion tooling businesses, inefficiencies associated with the closure of Aludie and transfer of equipment and staff to other extrusion locations. This segment also benefited from continuing stability in tool steel costs during the year.

The Automotive Solutions segment gross margin improved in fiscal 2010 by 7.3% to 20.5% from 13.2% last year. Once again significantly stronger sales at Neocon and Polytech maximized overhead absorption. Both these businesses have been slow to restore staff and other overhead reductions made last year. In the case of Neocon, the gross margin improvement was partially mitigated by the strong Canadian dollar as its production facility is in Halifax, Nova Scotia. Polydesign, with lower sales in 2010, did not experience a better overhead absorption dynamic despite staff and overhead reductions made last year. Its gross margin was modestly lower than last year. In 2010 this segment was not burdened by the negative margin of Neocon USA which was closed at the end of fiscal 2009.

Selling, general and administrative expenses

Selling, General and Administrative expense declined in the year to $20.8 million compared to $25.4 million in 2009. Cost reductions made last year and the closure of Neocon USA are primarily responsible for this reduction. In addition, last year the Company experienced a $2.4 million (2010 – $1.4 million) severance charge relating to staffing reductions throughout our operations, a $1.8 million (2010 - $194 thousand) bad debt expense mainly from a major bankrupted customer (Indalex) and a $1.9 million (2010 – gain of $802 thousand) foreign exchange loss mainly from the fair valuation of Peso collars. As a percentage of sales SG&A fell to 12.6% from 17.7% last year mainly due to higher sales in the current year.

Exco expensed $412 thousand compared to $393 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 6 to the 2010 Consolidated Financial Statements).

Depreciation and Amortization

Depreciation and amortization expenses were $8.4 million (5.1% of sales) compared to $10.1 million (7% of sales) in the prior year. Included in the prior 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 decreased slightly to $6.5 million in the Casting and Extrusion segment from $7.0 million last year. Excluding the impairment charges at Neocon USA, depreciation in the Automotive Solutions segment also decreased to $1.8 million from $2.5 million last year. Fixed asset additions next year will be focused on replacement and refurbishment of production equipment in order to maintain capacity. There will be little investment in building construction apart from a small 5,000 square foot expansion at our Castool facility in Uxbridge, Ontario which is currently underway at a cost of approximately $300 thousand.

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 fiscal 2009, 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 through to the end of fiscal 2010.

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. All remaining assets held for sale relate to the land and building of Neocon USA which ceased production in 2009. Most remaining machinery and equipment at Neocon USA was sold in 2010 for a net loss of $176 thousand. The Company expects the total proceeds from the sale of the remaining assets to be higher than their net book values.

Upon the completion of the closure of Aludie in the first quarter of fiscal 2011, the remaining assets of that division, which will include the land and production plant, will be classified as held for sale and marketed for eventual disposition.

Interest

Interest income was $43 thousand compared to expense of $156 thousand in fiscal 2009. This is due to significantly lower bank borrowings throughout the year, considerably higher bank deposits on which the Company received interest income and reduced operating lines to $13.1 million from $28.2 million last year which resulted in much lower standby loan fee charges in the current year. The interest income figure represents the interest expense, interest income and standby loan fees for the year.

Income Taxes

Exco's effective income tax rate was 28.7% compared to effective income tax recovery rate of 7% in fiscal 2009. The income tax rate in the current year was affected by a recovery of $628 thousand associated with the re-filing of US federal corporation income tax returns for 2006, 2007 and 2008 to amend its reporting of certain transactions. The tax recovery rate in the prior year was primarily affected by the non-deductibility of goodwill charges of $10.1 million, US taxes payable adjustment, Moroccan tax rate differential and utilizing available tax losses (Note 8 – Income Tax).

Foreign Exchange

The U.S. dollar closed the year about 3.7% lower against the Canadian dollar than at the start of the year ($1.07 to $1.03). Exco has forward foreign exchange contracts to sell US$2.3 million (2009 - $1.8 million) over the next twelve months at the selling price ranges from 1.06 to 1.07 (2009 – 1.08 to 1.13) and €1.2 million (2009 – nil) over the next six months at the selling price of 1.36. As the U.S. dollar closed at $1.03 on September 30, 2010 (September 30, 2009 - $1.07), the Company estimated a gain of $69 thousand (2009 – gain of $68 thousand) would be realized if these forward contracts are terminated on September 30, 2010. As the Euro closed at $1.40 on September 30, 2010 the Company estimated a loss of $50 thousand (2009 – nil) would be realized if these forwards were terminated on September 30, 2010. During the year, the U.S. dollar also depreciated more than 7% against the Mexican peso from 13.5 peso to 12.5 peso. Exco has a series of collars extending through September 2011 totaling 33.8 million Mexican peso (2009 – 83.1 million Mexican pesos) at selling price ranges from 11.0 to 12.2 (2009 - same). Management estimated a loss of $207 thousand (2009 - $1.4 million) would be realized if these collars were terminated on September 30, 2010. For further discussion of the Company's foreign exchange see "Risks and Uncertainties" in this MD&A and Note 14 to the Consolidated Financial Statements.

Net Income

- *Consolidated*

The Company earned consolidated net income of $10.1 million or $0.25 per share compared to a consolidated net loss of $17.7 million or $0.43 per share last year. During last year Exco recorded a goodwill impairment charge of $10.1 million for its Polytech business. This charge eliminated all goodwill on Exco's balance sheet. Before the impact of goodwill impairment charges last year, consolidated net loss was $7.6 million and compares to consolidated net income of $10.1 million in 2010.

Net income this year further benefited from the closure of Neocon USA in late 2009. This operation generated $2.2 million in pretax losses last year compared to a pretax loss of $280 thousand in closure costs this year. The severance cost associated with staff reductions in the year was also lower at $1.4 million pretax compared to $2.4 million pretax last year. Total bad debt write-offs returned to more traditional levels at $194 thousand pretax compared to $1.8 million pretax last year. Foreign exchange gains, mainly from the fair valuation of Peso collars, increased to $1.1 million pretax compared to a loss of $1.1 million pretax last year. Improvement in all these line items underscores the magnitude of the operational turnaround experienced in 2010. However, the Company is not experiencing even earnings momentum at all its business units. Four business units recorded losses in 2010 and one reported lower earnings than last year. This has clearly been a drag on our performance and will continue to require management attention. These businesses will be discussed further in the segmented Operating Earnings sections below.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion earnings increased by 396% to $11.4 million from $2.3 million in the prior year. Castool and both the large mould group and the extrusion tooling group recorded impressive improvement in both profit margin and earnings as these businesses recovered from extraordinarily depressed earnings in 2009. Powered by a strong surge in power train launch activity, the large mould business led this segment in earnings as overheads were very efficiently absorbed by near capacity sales. However within this group Edco matched its performance last year recording a loss of $0.01 per share in 2010 and the Company's new maintenance facility in Queretaro Mexico which is still in startup recorded a loss for 2010 of $0.02 per share compared to less than $0.01 per share last year when its results carried no depreciation as machinery and equipment was not yet operational. The extrusion tooling group's earnings, while recovering from 2009 levels, were impacted at the end of the fiscal year by inefficiencies and severances associated with the announcement of the closure of Aludie in Newmarket, Ontario and the transfer, to its two other plants, of Aludie equipment, employees and production. Castool's improvement was largely based on the recovery in die cast tooling sales and the generally greater willingness by customers to make capital expenditures.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded earnings of $4.4 million for the year compared to a loss of $15.9 million last year. Excluding goodwill charges of $10.1 million in 2009, the loss last year would have been $5.8 million. Both Polytech and Neocon returned to profitability this year with Polytech leading this segment in earnings. Tight control on staffing and other discretionary spending despite rising sales has been important in achieving these results at Polytech. Neocon earnings, although recovering from 2009 losses, have been muted by a combination of rising resin prices and a strengthening Canadian dollar throughout the year. The Company's Polydesign operation serving the European market has not yet returned to profitability. It recorded a loss of $0.01 per share compared to a loss of $0.03 per share last year. This business is reacting to the partial in-sourcing of a major seat cover program for Honda in addition to the continuing economic malaise and sluggish car sales in the European market. This segment also benefited from the closure of Neocon USA which lost $2.2 million pretax last year and only $280 thousand in closure costs this year.

- *Corporate(Operating Expense)*

Corporate expense in the year amounted to $1.7 million compared to $5.3 million last year. Included in the prior year was a $1.4 million write-down of assets held for sale in connection with the Techmire building which was sold in May 2009 for net proceeds of $3.7 million and $1.1 million foreign exchange gain mainly from the fair valuation of Mexican peso collars (compared to $1.1 million loss last year). Refer to the following tables for more detail.

2010

	Casting and Extrusions Segment	**Automotive Segment**	**Corporate**	**Consolidated**
Segment income (loss)	**$11,385**	**$4,396**	**($1,696)**	**$14,085**
Interest expense (income)	**74**	**22**	**(139)**	**(43)**
Pretax income (loss)	**11,311**	**4,374**	**(1,557)**	**14,128**
Inventory write-offs	**1,091**	**347**	**-**	**1,438**
Severance	**1,378**	**-**	**20**	**1,398**
Bad debt expense (recovery)	**221**	**(27)**	**-**	**194**
Foreign exchange gain from fair valuation of forwards and collars			**(1,150)**	**(1,150)**
Loss from disposal of assets held for sale	**-**	**176**	**-**	**176**
Impairment of long-lived assets	**-**	**-**	**-**	**-**
Goodwill impairment charges	**-**	**-**	**-**	**-**
Gain from disposal of fixed assets	**(136)**	**-**	**(269)**	**(405)**
	$13,865	**$4,870**	**($2,956)**	**$15,779**

2009

	Casting and Extrusions Segment	Automotive Segment	Corporate	Consolidated
Segment income (loss)	$2,339	($15,884)	($5,280)	($18,825)
Interest expense (income)	154	(17)	19	156
Pretax income (loss)	2,185	(15,867)	(5,299)	(18,981)
Inventory write-offs	-	1,152	-	1,152
Severance	814	1,578	-	2,392
Bad debts	1,604	150	-	1,754
Foreign exchange loss from fair valuation of forwards and collars	-	-	1,107	1,107
Loss from disposal 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)

Quarterly results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2010:

($ thousands except per share amounts)	Sep. 10	Jun. 10	Mar. 10	Dec. 09	Total
Sales	$45,929	$42,681	$39,312	$37,590	$165,512
Net income	$2,449	$3,502	$2,226	$1,900	$10,077
Earnings per share					
Basic	$0.06	$0.09	$0.05	$0.05	$0.25
Diluted	$0.06	$0.09	$0.05	$0.05	$0.25

($ 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)	$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)

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 North American customers typically schedule summer plant shutdowns and Exco's European customers typically curtail releases during the month of August to accommodate vacations. However, in the current year, Exco North American customers tended to work through the summer as several of them struggled to meet demand on new vehicle or refreshed vehicle launches. The situation this year in Europe continued to follow the typical pattern described above as vehicle sales slumped over the summer with the expiry of government vehicle purchase incentives. This situation is in sharp contrast to last year which experienced extended production shutdowns throughout the Christmas and summer seasons at most of our North American customers.

In the fourth quarter sales were $45.9 million – a $8.2 million or 21.8% increase over $37.7 million in the prior year. This marks the continuation of an improving sales trend which has seen sales improve for four consecutive quarters. The Casting and Extrusion segment recorded higher sales of $30.1 million compared to $26.0 million last year – an increase of over 15%. This is mostly attributable to strong sales in the final months of the quarter by the large mould group. Castool sales were largely consistent with last year and extrusion tooling sales, although lower than last year, only slightly offset the segments overall increase. The Automotive Solutions segment experienced a 36% increase in sales from $11.7 million last year to $15.9 million this year despite the closure of Neocon USA which had sales of $ 1.8 million last year. Sales advanced at all three business units in this segment although the bulk of the activity was at Neocon and Polytech.

The Company reported fourth quarter net income of $2.4 million compared to net income of $364 thousand in fiscal 2009. The earnings advance took place mostly in the Automotive

Solutions segment where pretax earnings increased by $1.7 million; however, the Casting and Extrusion segment also increased earnings by $1 million in the quarter.

Gross margin in the quarter was 23.3% compared to 20.7% last year reflecting the impact of lower costs this year end and better overhead absorption associated with higher sales. The quarter's gross margin was, however, lower than the annual gross margin rate of 26.0% because the large mould business shipped several moulds which experienced higher than anticipated production costs which were not recoverable from customers.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Cash flow from operating activities increased this year to $16.2 million from $15.4 million in fiscal 2009. This increase is primarily the result of strong earnings which offset higher working capital generated by growing sales levels in fiscal 2010. Accounts receivable were up by $6 million to $32.7 million. Inventory was basically unchanged from last year despite higher sales because significant shipments of large moulds took place in the last quarter of the fiscal year.

Cash Flows from Financing Activities

Cash flow used by financing activities decreased to $3 million compared to $8.3 million in fiscal 2009 primarily as a result of paying off short-term borrowings in the prior year. Exco’s cash position has correspondingly improved and short-term borrowings are not currently required. During the year, the Company decreased spending to negligible levels on the purchase of its common stock pursuant to the issuer bid program to $24 thousand from $538 thousand last year. 11.6 thousand common shares were repurchased and cancelled during the year compared to over 282 thousand shares in fiscal 2009. Spending on the share buyback 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 strong improvement in the Company's stock and the tepid economic recovery underway in North America and Europe the Company does not expect to invest in the repurchase of its stock to the same extent as it did in the last several years, 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 sheets, 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*	164	111	46	7	-
Operating leases*	860	428	361	39	32
Purchase obligations	9,879	9,879	-	-	-
Total contractual obligations	**$10,903**	**$10,418**	**$407**	**$46**	**$32**

** 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 favorable. 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 $5.2 million compared to $8 million in the prior year. The investment in the Automotive Solutions segment was $1.2 million and investment in the Casting and Extrusion segment was $4 million.

Over $2.8 million of the Casting and Extrusion investment was directed to the purchase of state of the art machinery and equipment for the two remaining extrusion tooling production facilities so that their production capacity can accommodate Aludie business after its closure in December 2010. The construction of a new large mould production facility in Queretaro, Mexico was completed last year with minimal capital expenditure required in 2010. In the Automotive Solutions segment, most of the capital investment was for additional injection moulding machines required to accommodate new programs. Offsetting these expenditures was the receipt of proceeds in the amount of $1 million from the sale of surplus equipment and office furnishings compared to $3.8 million last year mainly from the sale of the Techmire building in Anjou, Quebec.

In fiscal 2011, Exco plans to make capital expenditures of $8.6 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 2011 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, our cash deposits, without accessing our credit lines, 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. The production facility which remains has been fully leased and is currently listed for sale. The Company expects the total proceeds from an eventual sale to exceed the net book value. 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 would be better served by closing Neocon USA.

During the current fiscal year the Company announced that it would be closing the Aludie extrusion die facility in Newmarket, Ontario by the end of December 2010. Aludie's machinery and equipment will be transferred to the remaining two extrusion die facilities in Markham, Ontario and Chesterfield, Michigan with any remaining equipment and the land and building being classified as assets held for sale once production has ceased.

Financial Position and Bank Debt (Net of Cash)

Exco's financial position remains strong. 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 has allowed it to take advantage of acquisition opportunities and further organic growth as circumstances permit.

Exco had no bank debt as at September 30, 2010 and closed the year with cash deposits of $20.2 million compared to $11.4 million last year end. At year end, Exco had operating lines of credit totaling $13.1 million, of which $11.6 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.

Outstanding Share Capital

As at December 10, 2010, the Company had 40,912,823 common shares outstanding. In addition, as at December 10, 2010, the Company had stock options outstanding to purchase up to 1,754,390 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 statements of loss and comprehensive loss.

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 fixed assets 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 2010 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 following table summarizes the key elements of the Company’s plan for transitioning to IFRS and the progress made against each activity:

Key Activities	Milestones	Status
Accounting policies and procedures:		
• Identify differences between IFRS and the Company's existing policies and procedures • Analyze and select ongoing policies where alternatives are permitted • Identify differences	• Senior management approval and audit committee review of policy decisions by Q2-2010 • Revised accounting policy and procedures manuals in place by transition date	• Accounting policy alternatives have been analyzed and recommendations made for the majority of key accounting policy decisions. These accounting policy decisions were approved by

between IFRS and the Company's existing policies and procedures • Analyze and select ongoing policies where alternatives are permitted • Analyze and determine which IFRS 1 exemptions will be taken on transition to IFRS • Implement revisions to accounting and procedures manuals		senior management and reviewed by the audit committee of the Board of Directors in Q2-2010 • Revisions to accounting and procedures manuals are being drafted as work on each area of IFRS progresses
Financial statement preparation:		
• Prepare financial statements and note disclosures in compliance with IFRS • Quantify the effects of converting to IFRS • Prepare first-time adoption reconciliations required under IFRS 1	• Senior management approval and audit committee review of pro forma financial statements and disclosures by Q3-2011	• Development of financial statement format is complete • Draft note disclosures have been prepared for all areas of IFRS • The effects of the conversion are being quantified as work on each area of IFRS progresses
Training and communication:		
• Provide training to key employees involved with implementation • Develop awareness of the impacts of the transition throughout the Company • Provide timely communication of the impacts of converting to IFRS to external stakeholders	• Training for IFRS work stream members provided as work on each IFRS topic commences • Detailed training implemented prior to changeover date • Impacts of converting to IFRS communicated prior to changeover	• Key employees involved with implementation have completed training • Communication to external stakeholders have been ongoing through the Company's MD&A disclosures, with further detail being provided as key accounting policy and implementation decisions have been made. Further refinement of expected impacts of the IFRS conversion will occur in each period up to adoption of IFRS
Business impacts:		
• Identify impacts of conversion on revenue recognition, long-lived assets value and depreciation	• Impacts on revenue recognition, long-lived assets value and depreciation and stock option expense	• Identification of impacts on revenue recognition, long-lived assets value and depreciation and stock option

and stock option expense • Identify impacts of conversion on taxation	identified by Q2-2010 • Impacts on taxation identified by Q4-2010	expense is complete. Adoption of IFRS is not expected to have any material impact on the Company's stock option expense but is expected to have material impact on revenue recognition and long-lived assets value and depreciation • Adoption of IFRS is expected to have insignificant impact on taxation
IT systems:		
• Identify changes required to IT systems and implement solutions • Determine and implement solution for capturing financial information under Canadian GAAP, US GAAP and IFRS during the year of transition to IFRS for comparative information	• Necessary changes to IT systems implemented by transition date • Solution for capturing financial information under multiple sets of accounting policies implemented by September 30, 2010	• Required changes to IT systems and data collection mechanisms were identified and have been completed as of September 30, 2010 • IFRS record-keeping has been implemented within the Company's financial information system to enable the capturing of financial information under multiple sets of accounting principles
Control environment:		
• For all changes to policies and procedures identified, assess effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") and implement any necessary changes • Design and implement internal controls over the IFRS changeover process	• Sign-off by internal controls group on effectiveness of internal control by Q2-2011 • Internal controls over IFRS changeover process in place by Q2-2011	• Relevant internal controls are being assessed as each work stream progresses

Most of the differences between IFRS and Canadian GAAP have been quantified. The Company may have its external auditors audit the opening balance sheet for the comparative year for compliance with IFRS during the third quarter of fiscal 2011. The first set of quarterly financial statements under IFRS to be released to the public is expected to be complete in January 2012 and released to the public in February 2012. While many of the differences will not have a significant impact on the Company's reported results and financial position, some significant adjustments will be required as a result of IFRS accounting principles and provisions for first-time adoption. We do not expect the adoption of IFRS to materially impact the underlying cash flows or profitability trends of the Company's operating performance. These adjustments are outlined on the following sections.

First-time Adoption of IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS. The most significant IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized in the following table:

Area of IFRS	Summary of Exemption Available
Business Combinations	**Choices**: First-time adopter may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3 Business Combinations or to apply the elective exemption from applying IFRS 3 to past business combinations. **Policy election**: The Company will elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated. **Expected transition impact**: None **Expected future impact**: None
Property, Plant and Equipment	**Choices**: First-time adopter may elect i) fair value at the date of transition to IFRS 1, ii) previous GAAP fair value revaluation, iii) previous GAAP depreciated cost, or iv) previous GAAP at event-driven fair value to be deemed cost at the transition date. **Policy election**: The Company has elected previous GAAP depreciated cost at the date of transition to IFRS to be deemed cost at October 1, 2011. **Expected transition impact**: Quantification is ongoing. **Expected future impact**: Quantification is ongoing.
Share-based Payments	**Choices**: First-time adopter is encouraged but not required to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. **Policy election**: The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2011 and have been accounted for in accordance with Canadian GAAP. **Expected transition impact**: None **Expected future impact**: Depends on the size of future share-based compensation
Cumulative Translation Adjustments	**Choices**: First-time adopter can elect to reclassify cumulative translation gains or losses in accumulated other comprehensive income (loss) on the transition date to retained earnings. If not elected, all cumulative translation differences must be recalculated under IFRS from inception. **Policy election**: The Company has elected to eliminate the cumulative

	translation difference and adjust retained earnings by the same amount at the date of transition to IFRS. **Expected transition impact**: Cumulative translation gains or losses will be adjusted to zero and the retained earnings will change by the same amount. **Expected future impact**: If subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

Expected Areas of Significance

Accounting Policy Area	Impact of Policy Adoption
Impairment of Long-lived Assets	**Choices**: There are no policy choices available under IFRS **Differences from existing Canadian GAAP**: Canadian GAAP uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 Impairment of Assets uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use which uses discounted future cash flows. This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previously impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. **Expected transition impact**: None **Expected future impact**: Depends on future circumstances.
Construction Contract Revenue Recognition	**Choices**: There are no policy choices available under IFRS **Differences from existing Canadian GAAP:** Completed contract method is not permitted for revenue recognition under IAS 11 Construction Contracts applicable to the Company's large die-cast mould and extrusion container businesses. Canadian GAAP under certain circumstances allows completed contract method for revenue recognition. **Expected transition impact**: There is no significant impact anticipated on earnings. **Expected future impact**: Depends on the balance of work in process in the large die-cast mould and extrusion container businesses at each reporting date.
Share-based Payments	**Choices**: There are no policy choices available under IFRS **Differences from existing Canadian GAAP**: IFRS 2 Share-Based Payments requires that each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches; forfeiture estimates are recognized in the period that are estimated and are revised for actual forfeitures in subsequent periods. Under Canadian GAAP, the fair value of

	stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period; forfeitures of awards are recognized as they occur. **Expected transition impact**: Not significant **Expected future impact**: Depends on the size of future share-based compensation
Income Taxes	**Choices**: Where exchange differences on deferred tax assets or liabilities are recognized in the income statement, such differences may be classified as either foreign exchange gains/losses or deferred tax expense/income under IFRS. **Policy election**: Exchange differences on deferred tax assets or liabilities are recognized in the income statement and such differences are classified as deferred tax expense/income. **Differences from existing Canadian GAAP**: Under Canadian GAAP, adjustments relating to a change in tax rates are recognized in net income (loss), regardless of the category in which the original amounts were recognized. Under IFRS, such adjustments are recognized in the same category of comprehensive income (loss) as the original amounts were recognized. **Expected transition impact**: Not yet determined **Expected future impact**: Not yet determined
Property, Plant and Equipment	**Choices**: Either a historical cost model, a revaluation model or fair value can be used to value property, plant and equipment **Policy election**: We will value property, plant and equipment using previous GAAP depreciated cost at transition date. **Differences from existing Canadian GAAP**: Under IFRS, where part of an item of property, plant and equipment has a cost that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item. Canadian GAAP is similar in this respect; however it has often not been applied to the same extent due to practicality and/or materiality. Under Canadian GAAP, assets acquired at below fair market value is recorded at fair market value at time of acquisition and a deferred tax liability is recorded at an amount equal to the difference between the purchase price and the fair market value. Under IFRS, assets acquired are recorded at the purchase price regardless of fair market value. **Expected transition impact**: Quantification is ongoing. **Expected future impact**: Quantification is ongoing.
Statement of Cash Flows	**Choices**: Either the direct or indirect method may be presented. Dividends paid, interest paid and dividend received and interest received can be presented as either operating or financing activities **Policy selection**: The Company will use the indirect method **Differences from existing Canadian GAAP**: None **Expected transition impact**: None **Expected future impact**: None

The AcSB has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. We are currently monitoring and evaluating updates as they become available. The differences described are those existing based on Canadian GAAP and IFRS as of September 30, 2010.

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 Organization 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. 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 of the Company's receivables that are over 20 days from the date of the Chapter 11 filing. Exco's receivables may also be 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 typically increases the risk of default and filing for bankruptcy protection. The Company uses its best efforts to collect accounts receivable under 60 days but in many cases the terms may be as long as 180 days and often in other currencies thereby requiring Exco to bear the exchange rate risk. The Company 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 and Euro. We also purchase material in these currencies. U.S. dollar and Euro purchases provide a natural hedge against U.S. dollar and Euro sales of Exco's Canadian operations. As for the remaining foreign exchange exposure not naturally hedged, Exco may enter into forward contracts and incur U.S. dollar or Euro 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 and, to a lesser extent Euro, with foreign exchange exposure increasing as the U.S. dollar and Euro decline in value against the Canadian dollar. While Exco has made considerable progress in reducing its reliance on US dollar sales, markets which Exco currently services may experience rising competition from imports which have become more competitive as a result of foreign exchange movements.

Note 14 to the Consolidated Financial Statements sets out information concerning Exco's foreign exchange forward contracts. During fiscal 2010, the Canadian dollar appreciated about 11% against the U.S. dollar to close the year at $1.03. 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 three years. All were Canadian or US operations that were not materially contributing to the Company's earnings. This year the Company announced the closure of its Aludie extrusion die facility in Newmarket, Ontario and the transfer of its productive capacity to the two remaining extrusion die facilities in Markham, Ontario and Chesterfield, Michigan. 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. The purchase of Allper AG after the end of the fiscal year is beneficial in this regard. 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 2011, 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$17.7 million. This compares to an exposure of US$24 million in fiscal 2010. These figures represent the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses and forwards. As of September 30, 2010 there was $2.2 million in forward foreign exchange contracts outstanding (see Note 14). If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2011, we estimate pre-tax profit would change by $177 thousand or about $124 thousand after tax. These estimates are based on historical norms and may be materially different in 2011 if customers deviate 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 2011, 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$7.8 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2011, pre-tax profit would change by $78 thousand or about $52 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, there have been several disappointing acquisitions reflective of the risk inherent in even small acquisitions or acquisitions of long-established businesses.

OUTLOOK

As we look toward the next several years we are increasingly confident that the economic recovery in North America which took root in 2010, although tepid, will continue. This will push demand for automobiles in North America in a modestly strengthening direction and thereby benefiting our automotive interior trim businesses in the Automotive Solutions segment. Our customers are now in much stronger financial condition and their management is reenergized as they returned to profitability in 2010. They are also making capital spending decisions particularly with respect to power train systems which is very important to our large mould business. The situation in Europe is not as positive with economic recovery there a far more fragile and uncertain affair. Demand for automobiles has held up well over the last few years in Europe but is also not recovering now to the same extent as in North America. We expect this to weigh on our Moroccan operation although new product launches are expected to more than compensate for softer volume on existing programs.

With the reorganization of our extrusion tooling businesses into two production facilities from three, and with the continued globalization of Castool in Europe with the purchase of Allper AG in Switzerland in October, we expect to be able to continue building on the profitability of these businesses and further entrench ourselves as leaders in these markets while insulating ourselves from the ever strengthening Canadian dollar. We also expect that our new investment in Queretaro Mexico will begin to bear fruit in the next year as sales ramp up in 2011 and our near capacity order book at our other large mould facilities will continue to drive strong results despite tight delivery schedules and, in some cases, expensive overtime.

In the meantime Exco itself enters 2011 with no bank debt and is at the ready with cash on hand of $20.2 million or 49 cents per share (2009 - $11.4 million or 28 cents per share) to take advantage of more new business opportunities as they arise. Exco’s cost structure also continues to improve thereby enabling us to be more competitive and responsive to our customers’ needs. We believe that our debt-free status 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 9, 2010

AUDITORS' REPORT

To the Shareholders of Exco Technologies Limited

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 2010 and 2009 and the consolidated statements of income (loss) and comprehensive income (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, 2010 and 2009 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 9, 2010

CONSOLIDATED BALANCE SHEETS

$ (000)'s

	As at September 30	
	2010	2009
ASSETS		
CURRENT		
Cash	**$20,186**	$11,364
Accounts receivable (note 14)	**32,720**	26,711
Inventories (note 2)	**23,610**	23,330
Prepaid expenses and deposits	**3,692**	2,589
Income taxes receivable	**-**	668
Mortgage receivable (note 16)	**-**	600
Assets held for sale (note 13)	**1,206**	1,501
Total current assets	**81,414**	66,763
Mortgage receivable (note 16)	**600**	-
Fixed assets, net (note 3)	**66,448**	71,696
Future income tax assets (note 8)	**385**	1,855
	$148,847	$140,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	**$21,326**	$15,848
Income taxes payable	**2,433**	-
Customer advance payments	**1,760**	4,931
Capital lease obligations (note 5)	**111**	125
Total current liabilities	**25,630**	20,904
Long-term capital lease obligations	**53**	148
Future income tax liabilities (note 8)	**3,966**	4,344
Total liabilities	**29,649**	25,396
SHAREHOLDERS' EQUITY		
Share capital (note 6)	**35,868**	35,435
Contributed surplus (note 7)	**3,247**	3,130
Retained earnings	**96,001**	89,108
Accumulated other comprehensive loss (notes 1 and 6)	**(15,918)**	(12,755)
Total shareholders' equity	**119,198**	114,918
	$148,847	$140,314

Commitments and contingencies (note 10)
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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

$ (000)'s except for loss per share

	Years ended September 30 **2010**	2009
Sales	**$165,512**	$143,716
Cost of sales before the following	**122,443**	115,547
Selling, general and administrative (notes 6 and 12)	**20,848**	25,389
Depreciation and amortization	**8,365**	10,131
Goodwill impairment charge (note 17)	**-**	10,086
Loss from disposal of assets held for sale (note 13)	**176**	1,415
Gain on sale of fixed assets	**(405)**	(27)
Interest expense (income)	**(43)**	156
	151,384	162,697
Income (loss) before income taxes	**14,128**	(18,981)
Provision for (recovery of) income taxes (note 8)		
Current	**2,975**	(34)
Future	**1,076**	(1,281)
	4,051	(1,315)
Net income (loss) for the year	**$10,077**	($17,666)
Other comprehensive income (loss)		
Unrealized gain (loss) on foreign currency translation of self-sustaining operations (note 6)	**(3,163)**	3,865
Comprehensive income (loss)	**$6,914**	($13,801)
Income (loss) per common share (notes 6 and 11)		
Basic and diluted income (loss)	**$0.25**	($0.43)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

$ (000)'s

	Years ended September 30	
	2010	2009
OPERATING ACTIVITIES		
Net income (loss) for the year	**$10,077**	($17,666)
Add (deduct) items not involving current cash flows		
Goodwill impairment charge (note 17)	-	10,086
Loss from disposal of assets held for sale (note 13)	**176**	1,415
Depreciation and amortization	**8,365**	10,131
Future income taxes (note 8)	**1,092**	(1,415)
Stock-based compensation expense (notes 6 and 7)	**412**	393
Gain on sale of fixed assets	**(405)**	(27)
(Gain) loss on financial instrument valuation (notes 1 and 14)	**(1,150)**	1,107
	18,567	4,024
Net change in non-cash working capital (note 9)	**(2,360)**	11,365
Cash provided by operating activities	**16,207**	15,389
FINANCING ACTIVITIES		
Decrease in bank indebtedness	-	(4,809)
Repayment of capital lease obligations (note 5)	**(109)**	(134)
Dividends (note 6)	**(3,170)**	(2,846)
Issuance of share capital (note 6)	**334**	-
Repurchase of share capital (note 6)	**(24)**	(538)
Cash used in financing activities	**(2,969)**	(8,327)
INVESTING ACTIVITIES		
Investment in fixed assets	**(5,185)**	(8,020)
Proceeds from sale of fixed assets (note 13)	**1,041**	3,841
Cash used in investing activities	**(4,144)**	(4,179)
Effect of exchange rate changes on cash	**(272)**	340
Increase in cash during the year	**8,822**	3,223
Cash, beginning of year	**$11,364**	8,141
Cash, end of year	**$20,186**	$11,364

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, 2008	35,681	2,789	109,912	(16,620)	131,762
Net loss for the year	-	-	(17,666)	-	(17,666)
Dividends (note 6)	-	-	(2,846)	-	(2,846)
Stock option expense (note 6)	-	341		-	341
Repurchase of share capital (note 6)	(246)	-	(292)	-	(538)
Unrealized gain on translation of self-sustaining foreign operations (note 6)	-	-	-	3,865	3,865
Balance, September 30, 2009	$35,435	$3,130	$89,108	($12,755)	$114,918
Net income for the year	-	-	10,077	-	10,077
Dividends (note 6)	-	-	(3,170)	-	(3,170)
Stock option expense (note 6)	-	226		-	226
Issurance of share capital (note 6)	443	(109)			334
Repurchase of share capital (note 6)	(10)	-	(14)	-	(24)
Unrealized loss on translation of self-sustaining foreign operations (note 6)	-	-	-	(3,163)	(3,163)
Balance, September 30, 2010	**$35,868**	**$3,247**	**$96,001**	**($15,918)**	**$119,198**

The accompanying notes are an integral part of these 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 ("GAAP") 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

In June 2009, the CICA issued amendments to CICA Handbook Sections 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 are effective for annual financial statements for fiscal years ending after September 30, 2009. The Company has included the additional disclosures in Note 14. 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 International Financial Reporting Standards ("IFRS") is not expected to qualify as an accounting change under CICA 1506.

FUTURE ACCOUNTING POLICY CHANGES

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

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 beginning 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 December 2009, the CICA issued EIC 175 (Multiple Deliverable Revenue Arrangements), replacing EIC 142 (Revenue Arrangements with Multiple Deliverables). This abstract was amended to: i) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; ii) require, in situations where a vendor does not have vendor-specific objective evidence or third-party evidence of selling price, that the entity allocates revenue in an arrangement using estimated selling prices of deliverables; iii) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and iv) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after

January 1, 2011, with early adoption permitted. Adoption may be either on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. 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.

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 income (loss) and comprehensive income (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.

FINANCIAL INSTRUMENTS

Financial instruments recognized in the consolidated balance sheets comprise cash, accounts receivable, mortgage receivable, 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
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 income (loss) and comprehensive income (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 income (loss) in shareholders' equity. The appropriate amounts of exchange gains or losses included in accumulated other comprehensive income (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 income (loss) and comprehensive income (loss). In 2010, such gains totaled $802 (2009 - losses of $1,920). 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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (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.

EMPLOYEE FUTURE BENEFITS

The Company is subject to Mexican statutory laws and regulations governing employee termination benefits. Employee future benefits include statutorily mandated accrued benefits payable to employees in the event of termination in certain circumstances. Termination benefits are recognized as an expense and associated liability when the amount can be reasonably estimated at the discounted value of the expected future payments. Refer to Note 12.

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

	2010	2009
Raw materials	**$11,160**	$9,056
Work in process	**10,736**	10,434
Finished goods	**1,625**	3,439
Production supplies	**89**	401
	$23,610	$23,330

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, 2010, inventories of $68,485 (2009 - $62,146) were expensed, of which $1,438 were from the write-downs of inventory (2009 - $1,152), net of $402 of reversals (2009 - nil).

3. Fixed Assets

			2010
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Land	**$6,583**	**$-**	**$6,583**
Buildings	**44,599**	**15,447**	**29,152**
Machinery and equipment	**152,275**	**125,169**	**27,106**
Tools	**15,221**	**11,614**	**3,607**
	$218,678	**$152,230**	**$66,448**

			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

At September 30, 2010, the Company had building, machinery and deposits relating to fixed assets of $865 (2009 - $3,739). These assets are not being depreciated because they are under construction and not in use. Fixed assets under capital leases amounted to $381 (2009 - $428) less accumulated depreciation of $196 (2009 - $154).

4. Bank Indebtedness

	September 30, 2010	September 30, 2009
Prime rate in Canada	**3.00%**	2.25%
Prime rate in U.S.A.	**3.25%**	3.25%
Bank of Nova Scotia credit facility	**$10,000**	$25,000
JP Morgan Chase credit facility	**3,090**	3,210
Total available credit	**13,090**	28,210
Letters of guarantee	**(1,442)**	(3,831)
Available credit	**$11,648**	$24,379

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 earned from cash and deposits was $43 for the year ended September 30, 2010 (2009 – net interest paid $156).

5. Capital Lease Obligations

	2010	2009
Total minimum lease payments	**$167**	$283
Less: amount representing interest at an average rate of 3.5% (2009 - 4.4%)	**(3)**	(10)
Capital lease obligations	**164**	273
Less: current portion	**(111)**	(125)
Long-term portion of capital lease obligations	**$53**	$148

Future minimum annual lease payments are as follows:

	Capital Lease Obligations	Interest	Total Minimum Lease Payments
2011	$111	$3	$114
2012	34	-	34
2013	12	-	12
2014	7	-	7
	$164	**$3**	**$167**

6. 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	
	Number of Shares	Stated Value
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
Issued for cash under Employee Stock Purchase Plan	249,747	322
Issued for cash under Stock Option Plan	8,500	12
Contributed surplus on stock options exercised	-	109
Purchased and cancelled pursuant to normal course issuer bid	(11,600)	(10)
Issued and outstanding at September 30, 2010	**40,912,823**	**$35,868**

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 loss of $3,163 (2009 - the unrealized currency translation gain was $3,865). For the year ended September 30, 2010, the unrealized loss of $3,163 is primarily attributable to the strengthening of the Canadian dollar against the U.S. dollar as measured at September 30, 2010 and 2009.

CASH DIVIDEND

During the year, the Company paid four quarterly cash dividends totalling $3,170 (2009 - $2,846). The dividend rate per quarter was increased from $0.0175 to $0.02 per common share since the second quarter of fiscal 2010.

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:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**1,929,429**	**$4.33**	2,265,414	$4.36
Granted during the year	**233,000**	**$1.92**	117,049	$1.39
Exercised during the year	**(8,500)**	**$1.52**	-	-
Expired during the year	**(307,310)**	**$4.86**	(453,034)	$3.72
Cancelled during the year	**(16,000)**	**$2.35**	-	-
Balance, end of year	**1,830,619**	**$3.97**	1,929,429	$4.33

The following table summarizes information about stock options outstanding at September 30, 2010:

	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	669,167	2.74 years	$2.38	368,128	$2.86
$3.01-$4.00	731,356	3.71 years	$3.96	552,519	$3.96
$4.01-$7.15	430,096	2.90 years	$6.46	430,096	$6.46
$1.03-$7.15	1,830,619	3.17 years	$3.97	1,350,743	$4.46

The number of common shares available for future issuance of options at September 30, 2010 was 1,362,356 (2009 – 1,003,937). The number of options outstanding together with those available for future issuance totals 3,192,975 (2009 – 2,933,366) or 7.8% (2009 – 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. In the current year, 30,000 special options were also granted for a term of 5 years and vested at 50% each anniversary from the grant date.

EMPLOYEE STOCK PURCHASE PLAN

The Company's Employee Stock Purchase Plan ("ESPP"), which was terminated on December 31, 2009, allowed employees to purchase shares annually through payroll deductions at a predetermined price. During fiscal 2009, payroll deductions were made to support the purchase of a maximum of 401,150 shares at $1.29 per share. The purchase with respect to these shares was completed in the first quarter of fiscal 2010. During 2010, 249,747 shares (2009 – nil) were issued under the terms of the ESPP.

STOCK-BASED COMPENSATION EXPENSE

The total stock-based compensation expense for the year was $412 (2009 - $393). This consists of $226 (2009 - $341) from the stock option expense and $186 (2009 – $52) from the DSU Plan. All stock-based compensation has been recorded in selling, general and administrative expense.

The fair value of the options granted during the year ended September 30 was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2010	2009
Risk-free interest rate	**2.44%**	2.48%
Expected dividend yield	**3.50%**	6.24%
Expected volatility	**66.07%**	36.89%
Expected time until exercise	**5.42 years**	5.63 years
Weighted average fair value of the options granted	**$0.92**	$0.18

DEFERRED SHARE UNIT PLAN

	Number of units issued	Expense
December 31, 2009	6,097	$37
March 31, 2010	5,321	57
June 30, 2010	4,903	46
September 30, 2010	4,360	46
Total	20,681	$186

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 10, 2010, replacing the normal course issuer bid which expired on May 9, 2010. The Company's Board of Directors authorized the purchase of up to 1,500,000 common shares, representing approximately 4% of the Company's outstanding common shares. During the year ended September 30, 2010, the Company purchased 11,600 common shares under both bids (2009 – 282,100) at a total cost of $24 (2009 - $538). The cost to purchase these shares exceeded their stated value by $14 (2009 - $292). This excess has been charged against retained earnings.

7. 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:

	2010	2009
Balance, beginning of year	**$3,130**	$2,789
Stock option compensation expense (note 6)	**226**	341
Exercise of stock options	**(109)**	-
	$3,247	$3,130

8. Income Taxes

		2010
Income before income taxes	**$14,128**	**100.0%**
Income tax expense at Canadian statutory rates	**4,542**	**32.2%**
Manufacturing and processing deduction	**(193)**	**(1.4%)**
Foreign rate differential	**143**	**1.0%**
Items not deductible for income tax purposes	**208**	**1.5%**
Other	**(649)**	**(4.6%)**
	$4,051	**28.7%**

		2009
Loss 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%)

Net cash receipt during the year for income taxes were $96 (2009 - $2,070 net cash outflow).

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

	2010	2009
Assets		
Tax benefit of loss carry forward	**($169)**	($104)
Items not currently deductible for income tax purposes	**(216)**	(1,331)
Research and development expenditures	**-**	(420)
Liabilities		
Research and development expenditures	**78**	-
Tax depreciation in excess of book depreciation	**3,888**	4,344
Net deferred income tax liabilities	**$3,581**	$2,489

9. Net Change in Non-Cash Working Capital Balances

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

	2010	2009
Accounts receivable	**($6,594)**	$10,974
Inventories	**(1,015)**	9,838
Prepaid expenses and deposits	**(1,622)**	1,399
Accounts payable and accrued liabilities	**7,016**	(13,375)
Income taxes payable	**3,015**	(1,458)
Customer advance payments	**(3,160)**	3,987
	($2,360)	$11,365

10. Commitments and Contingencies

LEASES

The Company has commitments under long-term lease agreements for two warehouse facilities and other operating and capital leases expiring at various dates up to 2015. Future minimum annual lease payments are as follows:

2011	$539
2012	339
2013	68
2014	46
2015	32
	$1,024

In addition, as at the year ended September 30, 2010, the Company has purchase obligations in the amount of $9,879.

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 amounts already provided for in the consolidated financial statements, there are no material contingent liabilities as at September 30, 2010 (2009 – nil).

11. Income (Loss) per Common Share

Income (loss) per common share is calculated using net income (loss) and the monthly weighted average number of common shares outstanding of 40,879,340 (2009 - 40,693,684). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted income (loss) per share. There was no material effect of outstanding stock options on diluted weighted average number of common shares outstanding for 2010 (2009 – nil).

12. 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.

				2010
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$105,015**	**$60,497**	**$-**	**$165,512**
Depreciation and amortization	**6,522**	**1,808**	**35**	**$8,365**
Segment income (loss) before interest and income taxes	**11,385**	**4,396**	**(1,696)**	**$14,085**
Interest income				**($43)**
Income before income taxes				**14,128**
Fixed asset additions	**4,011**	**1,163**	**11**	**$5,185**
Total fixed assets, net	**48,232**	**16,827**	**1,389**	**$66,448**
Total assets	**$85,357**	**$60,918**	**$2,185**	**$148,460**

				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
Total assets	$95,980	$41,873	$2,461	$140,314

GEOGRAPHIC AND CUSTOMER INFORMATION

Sales	**2010**	2009
Canada	**$16,445**	$16,164
United States	**111,207**	84,020
Europe	**24,114**	31,268
Asia	**399**	272
Other	**13,347**	11,992
	$165,512	$143,716

In 2010, sales to the Company's largest customer were 17% (2009 - 10%) of total sales and the account receivable pertaining to this customer was $9,052 (2009 - $5,475). The allocation of sales to the geographic segments is based upon the customer location where the product is shipped.

Fixed assets , net	**2010**	2009
Canada	**$39,516**	$42,858
United States	**11,169**	12,544
Mexico	**6,817**	5,971
Morocco	**8,946**	10,323
	$66,448	$71,696

Fixed assets are attributed to the country in which they are located.

B. RESTRUCTURING COST

During the year, the Company recorded severance expense of $1,398 (2009 - $2,393) in selling, general and administrative expense on the consolidated statements of income (loss) and comprehensive income (loss) relating to staffing reductions throughout its operations.

C. EMPLOYEE FUTURE BENEFITS

The Company accrues employee future benefits for all of its Mexican employees. These benefits consist of a one-time payment equivalent to twelve days of wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with fifteen or more years of service, as well as to certain employees terminated involuntarily prior to vesting of their seniority premium benefit. Under Mexican labour laws, the Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months' wages upon involuntary termination without just cause.

The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments. In determining the expected future payments, assumptions regarding employee turnover rates, inflation, minimum wage increases and expected salary levels are required and are subject to review and change.

13. Assets Held for Sale

In reacting to the current economic crisis and negative trend of the automotive industry, the Company ceased to operate the Neocon USA subsidiary in September 2009 in order to consolidate the Group operations, reduce overhead and dispose of the production facility. Effectively, a total of $1,206 of its fixed assets, mainly land and building, has been listed for sale (2009 - $1,501). The Company expects the total proceeds from the sale of these assets to be higher than their net book values.

14. Financial Instruments

Financial instruments of the Company consist primarily of cash, accounts receivable, mortgage receivable, 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 income (loss) and comprehensive income (loss), the carrying value of these financial instruments approximates their fair value due to their short-term nature.

FOREIGN EXCHANGE CONTRACTS

The Company entered into a series of collars extending through to September 22, 2011. The total value of these collars is 33.7 million Mexican pesos (September 30, 2009 – 83.1 million Mexican pesos). The selling price ranges from 11.00 to 12.20 Mexican pesos to each U.S. dollar. The Company also has forward foreign exchange contracts to sell US$2,250 over the next 12 months and €1,200 over the next six months for Canadian dollars at the rates ranging from 1.06 to 1.07 and 1.36 respectively.

Management estimates that a combined loss of $188 (2009 – loss of $1,338) would be realized if these contracts and collars were terminated on September 30, 2010. As at September 30, 2010, the estimated fair value gain of $1,150 (2009 – loss of $1,107) has been included in selling, general and administrative expense on the consolidated statements of income (loss) and comprehensive income (loss); the contracts and collars have been recorded at $188 (2009 - $1,338) 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 income (loss) and comprehensive income (loss). As at September 30, 2010, the accounts receivable balance (net of allowances for doubtful accounts) is $32,720 (2009 - $26,711) and the Company's five largest trade debtors accounted for 44% of the total accounts receivable balance (2009 – 41%). As at September 30, 2010, accounts receivable totalling $5,665 are insured against default.

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

	2010	2009
Trade accounts receivable	**$31,260**	$26,425
Employees receivable*	**23**	283
Sales tax receivable	**1,712**	414
Others	**146**	51
Allowance for doubtful accounts	**(421)**	(462)
Total accounts receivable, net	**$32,720**	$26,711

** Included in this category as at September 30, 2009 was a loan to the Chief Executive Officer of the Company in the amount of $186 evidenced by a promissory note due on the date on which the Company makes demand, accrued loan interest and non-business expenses paid by the Company on behalf of this officer. The promissory note provided for a maximum loan amount of $200 with interest payable on the outstanding balance at a rate equal to the Company's cost of borrowing plus 1%. As at September 30, 2010, the loan balance plus accrued interest and all non-business expenses on account with this officer was repaid in full.*

The aging of trade accounts receivable balances is as follows:

	2010	2009
Not past due	**$23,145**	$19,698
Past due 1-30 days	**6,147**	3,829
Past due 31-60 days	**1,126**	1,042
Past due 61-90 days	**353**	1,513
Past due over 90 days	**489**	343
Less: allowance for doubtful accounts	**(421)**	(462)
Total trade accounts receivable, net	**$30,839**	$25,963

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

	2010	2009
Opening balance	**$462**	$481
Bad debt expense	**194**	1,754
Write-offs	**(235)**	(1,773)
Closing balance	**$421**	$462

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, 2010, the Company has a net cash balance of $20,186 (2009 - $11,364) and unused credit facilities of $11,648 (2009 - $24,379).

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 income (loss) and comprehensive income (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
Income (loss) before income taxes	+/-751	+/-4	+/-65	+/-52
Other comprehensive income (loss)	+/-209	+/-60	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, 2010, the Company has a net cash position of $20,186 (2009 - $11,364); therefore, its interest rate risk exposure is insignificant.

e) Fair value

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Presented below is a comparison of the fair value of each financial instrument to its carrying value.

	September 30, 2010		September 30, 2009	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Foreign currency collars	**($206)**	**($206)**	($1,406)	($1,406)
Foreign currency forwards	**$18**	**$18**	68	68

Due to their short-term nature, the fair value of cash, receivables, payables, accrued liabilities and customer advance payments is assumed to approximate carrying value.

The fair value of derivative instruments that are not traded in an active market such as over-the-counter foreign exchange options and collars is determined using quoted forward exchange rates at the balance sheet date. The following table presents the Company's fair value hierarchy for those financial assets and financial liabilities carried at September 30, 2010.

		Fair Value Measurements at Reporting Date Using:		
	Carrying Amount of Asset (Liability) at September 30, 2010	**Quoted Market Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Foreign currency collars	**($206)**		**($206)**	
Foreign currency forwards	**$18**		**$18**	

		Fair Value Measurements at Reporting Date Using:		
	Carrying Amount of Asset (Liability) at September 30, 2009	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency collars	($1,406)		($1,406)	
Foreign currency forwards	68		68	

15. Capital Management

The Company defines capital as net debt and shareholders' equity. As at September 30, 2010, total managed capital was $119,198 (September 30, 2009 - $114,918), consisting of nil net debt (September 30, 2009 – nil) and shareholders' equity of $119,198 (September 30, 2009 - $114,918).

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:

	2010	2009
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**2.34:1**	2.58:1

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

	2010	2009
Bank indebtedness	**$-**	$-
Current portion of capital lease obligations	**111**	125
Long-term portion of capital lease obligations	**53**	148
Less: cash	**(20,186)**	(11,364)
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, 2010, the Company was in compliance with the required financial covenants.

16. 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 due on May 27, 2010 was taken back by the Company as partial consideration for the sale of the production facility. On June 4, 2010, the mortgage was extended for another three-year term at an annual interest rate of 4%, calculated annually, payable interest only in monthly instalments commencing July 4, 2010.

17. Long-lived Assets and Goodwill Impairment

a) During the second quarter of fiscal 2009, the Company's Automotive Solutions segment (Neocon USA) recorded an asset impairment charge on its machinery and equipment 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 fiscal 2009, 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 were no impairments of long-lived assets present at these divisions at that time.

   There was no long-lived asset impairment issue in the current year.

b) During the second quarter of fiscal 2009, 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 were non-cash in nature and did not affect the Company's liquidity, cash flows from operating activities or debt covenants and would 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 fiscal 2009.

18. Comparative Figures

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

19. Subsequent Event

Subsequent to the year end, the Company acquired all of the issued and outstanding shares of a Swiss company, Allper AG. Allper AG designs and markets proprietary consumable die cast tooling. The purchase price is not to exceed $2 million which will be paid in cash and will be based on the value of the underlying net assets acquired.

CORPORATE INFORMATION

Board of Directors

Laurie Bennett, CA
Corporate Director

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

Robert B. Magee, PEng
Chairman and CEO
Woodbridge Group

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

Stephen Rodgers, BEng
President
Automotive Parts & Manufacturers Association

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

Corporate Officers

Brian A. Robbins, PEng
President and Chief Executive Officer

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

Transfer Agent and Registrar

Equity Financial Trust Company
200 University Avenue, Suite 400
Toronto, Ontario M5H 4H1
Phone 416.361.0152
www.equitytransfer.com

Auditors

Ernst & Young LLP
Chartered Accountants

Stock Listing

Toronto Stock Exchange (XTC)

Corporate Office

Exco Technologies Limited
130 Spy Court, 2nd Floor
Markham, Ontario L3R 5H6
Phone 905.477.3065
www.excocorp.com

2010 Annual Meeting

The 2010 Annual Meeting for the Shareholders will be held at EXCO at 130 Spy Court, 2nd floor, Markham, Ontario on Wednesday, February 2, 2011, at 4:30 pm.

EXCO
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