EXCO

Technologies Limited

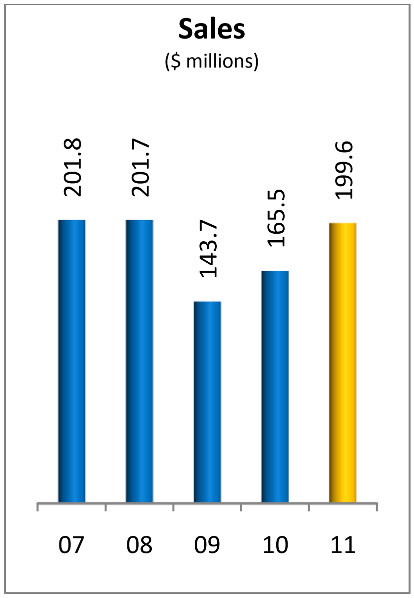
Annual Report 2011

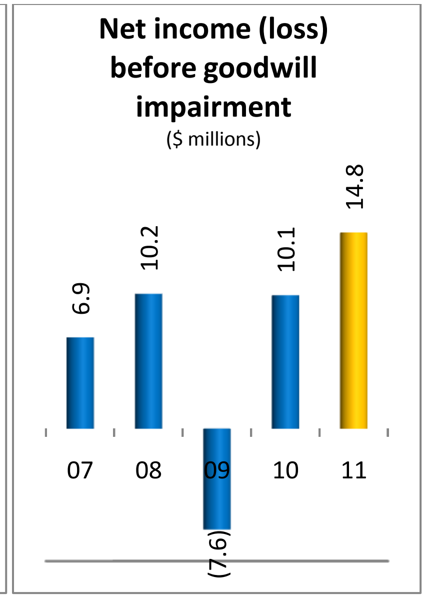
Gaining momentum

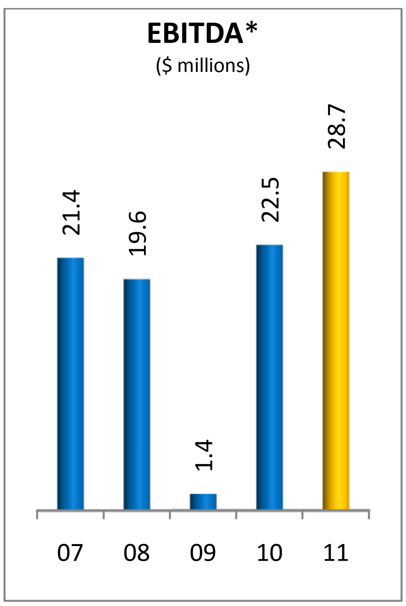
FINANCIAL HIGHLIGHTS

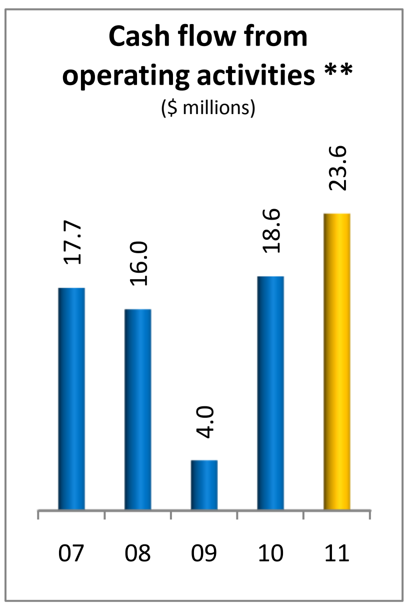
from

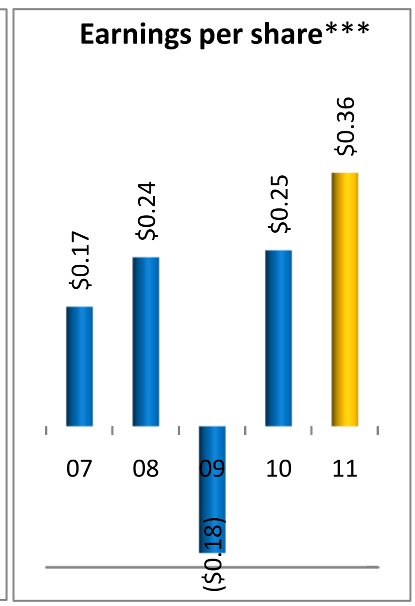
Continuing Operations











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

***Before net change in non-cash working capital.*

****Before goodwill impairments in 2008 and 2009 of $23.6 million and $10.1 million or $0.57 and $0.25 per share respectively.*

Letter to Shareholders

One year ago, we were pleased to write that the automotive industry had successfully emerged from one of the darkest chapters in its more than 100-year history. Fuelled by an improving economy, the restoration of credit markets and pent-up consumer demand, North American light vehicle production surged by 38 percent to 12.15 million units in 2010, up from 2009's 20-year low of 8.76 million units in the wake of the global financial crisis.

The health of the industry, upon which Exco's fortunes largely depend, continued to improve during the past year, with light vehicle production expected to reach an estimated 12.9 million units by the end of 2011. This trend is certainly good news, but more importantly, our customers are making money.

Today's North American auto industry is sized for long-term profitability at current volumes, having eliminated one third of peak productive capacity and significantly improved its cost base. In the first quarter of 2011, GM reported its first quarterly profit in 11 years and Chrysler its first since 2006. During the course of the year, Ford assumed the position of North America's top auto maker and reported the largest quarterly profits in the company's history.

Within this improving environment, Exco posted another solid performance during the fiscal year ending September 30, 2011. Consolidated sales rose 20.6 percent to $199.6 million, reflecting stronger performance in all businesses, as well as $4.6 million in acquired sales volumes from Allper AG, which was purchased in October 2010. Consolidated net earnings increased 46.9 percent to $14.8 million or $0.11 per share.

Our earnings continued to outpace top line growth thanks to the sustained efforts we made over the past three years to consolidate and improve the productivity of our assets. This sales surge has largely been satisfied with our existing capacity. Some redeployment of assets was necessary as was some additional new equipment but Exco's capital spending excluding dispositions was only about $1.4 million more in 2011 than in 2009. The impact on overall cashflow has been notable. Earnings before Interest, Depreciation and Taxes have improved significantly since 2009 from $1.4 million to $28.7 million in 2011. This has allowed Exco to pay down debt. Exco has been debt free since 2009.

In our Casting and Extrusion Segment, Exco continues to benefit from the cyclical recovery in the North American automobile industry and hefty capital spending among the resurgent OEM's. Driven by ambitious fuel economy standards and a shift of consumer preferences toward smaller and more innovative vehicles, manufacturers continued to introduce new powertrains for a multitude of new and refreshed vehicles in 2011. Both the large mould business and Castool operated at near capacity to keep pace with demand. Sales in the extrusion business, which caters to the construction and industrial sectors, were essentially unchanged in 2011, reflecting less robust activity in the overall economy; however, we are confident that North American aluminum extruders have seen the worst and are poised for a gradual, yet steady resurgence.

Our Automotive Solutions segment also performed well during the past year, posting sales of $74.3 million, an increase of 22.8 percent over 2010. Sales benefitted from rising light vehicle production levels in North America while Europe remained stable. The launch of significant interior trim and instrument panel programs at Polytech and Polydesign have moved these businesses into new product categories which have expanded their competencies and position them well for future growth. This has successfully enabled Polydesign to replace seat cover programs with more value-added products. Sales at Neocon were disrupted during the year by the aftermath of the tsunami in Japan in March 2011. The impact of these events was confined mostly to the third quarter and is not expected to affect Neocon's operations in fiscal 2012.

As recent volatility in the capital markets has reminded us, the direction of the North American and European economies remains difficult to predict. We nonetheless remain comfortable about the prospects for our core businesses. Our major automotive customers are stronger than they have been in years, with profitable operations that are sized to meet current demand. At the same time, Exco has emerged from the downturn in a stronger competitive position and remains the technological and market leader within its chosen businesses.

We also understand, however, that most of our sales are derived from mature economies that are characterized by slow population growth, aging demographics, high government debt and deficits. This means relatively modest prospects for growth in GDP and demand for our products. In the long term, the pace of earnings growth that Exco's management and shareholders expect will only be sustained by establishing a stronger presence in markets with growing populations, younger demographics and growing internal demand.

Exco has been supplying many of these developing markets from Canada for quite some time. The challenge before us is to accelerate and intensify these efforts in the next few years. This gradual change in direction can be seen in two small but strategic acquisitions we made in fiscal 2011. The purchase of Allper AG in October 2010 gave Castool ownership of important consumable die casting technology and a dedicated sales and distribution network that has greatly enhanced its competitive position and presence in Europe and Asia. In July 2011, we also announced the acquisition of the extrusion tool making business of an important customer in Colombia. This acquisition was successfully concluded in September 2011. Approximately $1 million of advanced machinery and equipment from the former AluDie operation has been moved to Colombia to satisfy our current customer's requirements. The investments we plan to make there will also provide the foundation required to serve the region's rapidly growing industrial base.

While the prospects for the North America and European economies remain uncertain, Exco remains well positioned as a technology and market leader in its chosen businesses. We are also confident that Exco has the financial strength, with robust dividends, to adapt to fluctuations in demand and take advantage of opportunities that may unfold. This strength and confidence can be seen in our debt-free balance sheet and an annual dividend per share that increased from $0.08 to $0.12 per annum during the course of fiscal 2011.

In closing we would like to thank our customers, suppliers, employees and investors for their continued support. We look forward to reporting on our continuing progress over the quarters ahead.

Brian A. Robbins	Laurie T.F. Bennett
President and CEO	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, 2011. This MD&A has been prepared as of November 30, 2011.

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. Exco also calculates EBITDA as earnings before interest, taxes, depreciation and amortization and goodwill impairment charges. Gross margin and EBITDA are used by management to measure performance and we believe some investors and analysts use them as well. These measures, 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 and financial performance of the Company's business units, contribution of our two start-up business units and improvement in margin and operating efficiencies in the Company's businesses 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 referring to growth and financial performance of the Company's business units, margin and operating improvement and acquisitions because these plans, intentions or expectations are based on assumptions about the number of automobile vehicles produced, investment by OEMs in drivetrain architecture, weakening raw material prices, continuing economic recovery and currency fluctuations which may in fact not occur. These 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. For a more extensive discussion of Exco's risks and uncertainties see the 'Risks and Uncertainties' section in this Annual Report, our 2011 Annual Information Form ("AIF") and other reports and securities filings made by the Company. This information is available at www.sedar.com.

While Exco believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and South 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, 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 injection moulded interior trim and instrument panel components, seat covers, head rests 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

For the past several years, Exco has pursued several key strategies to achieve long-term revenue and earnings growth. These include: strengthening our technological leadership and competitive position in our chosen businesses; minimizing our cost structure, shifting productive capacity to low cost jurisdictions that are close to our customers operations and diversifying our revenue base. We continued to advance each of these strategies in fiscal 2011.

A major focus of our efforts in 2012 will be to satisfy resurgent demand in the market segments we are working in. Nowhere is this more pronounced than in the large mould business. It is gratifying to see that, after many years of underfunding and false starts, our customers are now firmly committed and investing heavily in the launch of more fuel efficient powertrain architecture which, in many cases, was fully designed and tested several years ago. From the new generation of engines to the latest 9 speed transmissions Exco plays a critical role in the tooling up of many of these projects for numerous North American, European and Asian OEMs.

Like our customers, however, we also recognize that the North American and European economies will face significant economic headwinds in the decade to come in the form of aging populations and massive levels of consumer and government debt. Amid this environment, it is also likely that the US dollar and Euro will continue to lose value against other world currencies, thereby reducing the transactional value of Exco's sales to these markets and putting pressure on the cost competitiveness of our Canadian operations.

To achieve the kind of long-term revenue and earnings growth that Exco's management and investors expect, we must adjust our growth strategy to expand Exco's presence in the faster-growing economies of the developing world. These are not unfamiliar markets to Exco as we have been exporting our products to dozens of countries in Asia, Latin America and South America for many years. However, we have reached a point where it makes sense to both manufacture as well as sell our products in these regions if we wish to significantly capture the growth there. The increasingly sophisticated customers in these markets are looking for high-quality, innovative product solutions and the benefits of local product development and customer service. By manufacturing more locally, we will also significantly reduce transportation costs and mitigate the impact of unfavourable currency trends.

Exco entered into two strategic transactions during fiscal 2011 that helped to advance these objectives. As always, we were guided by an incremental, low-risk investment approach. In October 2010, our Castool division, which exports to numerous countries around the world, completed the acquisition of Swiss-based Allper AG. Allper is a leader in the design of proprietary plunger tip and ring die cast machine componentry that has enabled Castool's technological leadership in North American markets to spread to Europe and Asia.

In September 2011, we completed the acquisition of an existing customer's extrusion tool making business in Colombia. The acquisition includes an experienced workforce and an exclusive agreement to supply the majority of the customer's extrusion tooling requirements. Since the acquisition, we have begun moving approximately $1 million of machinery and equipment from the recently closed AluDie facility with an additional $1 million in investment planned over the next 12 months. Exco annually exports more than $5 million of extrusion tooling to a number of South American countries including Colombia. Over the next two to three years, this business will be transferred to our new Colombian facility which is expected to generate annual sales in South America of $8 to $10 million once this process is complete.

Going forward, we are confident that the fundamental restructuring that has taken place in the North American automotive industry bodes well for the continued profitability of Exco and its customers. While demand for new vehicles will depend on the uncertain consumer confidence and economic performance of the world's developed economies, we believe that higher fuel economy standards and the development of alternate drive train technologies will ensure Exco's prosperity in these traditional markets. At the same time, we will continue to assess additional tuck-in acquisitions that strengthen our technological leadership, reduce our cost base, and better position Exco to take advantage of growth opportunities in the world's developing regions.

2011 RESULTS

Consolidated Results - Sales

Annual sales totalled $199.6 million compared to $165.5 million last year – an increase of $34.1 million or 21% over last year. Overall this reflects the continuing return to normalcy as the Company's sales activity recovers from the exceptional contraction in global automotive, commercial construction and overall industrial output experienced in 2009. With the economic climate and consumer demand improving throughout most of 2011 and the financial strength and managerial assertiveness of our major customers improving dramatically, 2011's sales continue to build on the sales improvement of 15.2% which took place in 2010. 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 6 cents weaker against the Canadian dollar during the year compared to last year. With about 60%

of sales denominated in US dollars, these unfavourable foreign exchange rates decreased sales by approximately $7.2 million or 3%.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2011, 2010 and 2009. 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)	2011	2010	2009
Sales	$199.6	$165.5	$143.7
Net earnings (loss) for the year	$14.8	$10.1	($17.7)
Total assets	$165.5	$148.8	$140.3
Cash dividend declared per share	$0.11	$0.08	$0.07
Earnings (loss) per share from net earnings			
Basic	$0.36	$0.25	($0.43)
Diluted	$0.36	$0.25	($0.43)

Segment Sales

- *Casting and Extrusion Segment*

Sales for this segment were $125.3 million – an increase of $20.3 million or 19% from the prior year. This year's sales improvement in this segment was led by the large mould businesses which increased 40% over 2010 reflecting strong demand for and shipments of powertrain tooling moulds. Castool sales increased by 35% over the prior year reflecting strong recovery in demand for that division's die cast and extrusion consumable components and the inclusion this year of Allper sales. Allper was acquired in October 2010. The extrusion tooling group experienced a sales decline of 3% over prior year. The US industrial and commercial construction market to which the extrusion tooling group primarily sells its tools has not experienced the recovery that took place in the North American automotive industry. Also our aluminum extrusion customers in the US have been adversely impacted by Chinese dumping of aluminum extrusions. In 2011, anti dumping duties were imposed by the US Department of Commerce on Chinese imports of certain aluminum extrusions to redress this situation.

- *Automotive Solutions Segment*

Sales in this segment were $74.3 million – an increase of $13.8 million or 23% from the prior year. Sales volumes at Polytech and Polydesign have improved significantly by 26% and 56% from 2010. At Polytech this reflects the recovering of light vehicle production levels in North America at most all of its customers and, to a lesser extent, the launch of new interior trim programs. The improvement at Polydesign reflects primarily the launch of significant new interior trim and instrument panel programs as this business unit continues the execution of its strategy to round out its product offerings and diversify its customer base while relying less on its traditional seat cover programs. Neocon sales declined by 3% from prior year for three reasons. First, in 2010 Neocon experienced a steep and largely unsustainable ramp up of orders by mostly Japanese OEMs who rushed to replenish their depleted 2009 inventories. Then, in 2011 Neocon was impacted by the tragic Japanese tsunami which disrupted production among the same Japanese OEMs. Finally, the strengthening of the Canadian dollar reduced reported sales at Neocon as virtually all its sales are denominated in US dollars.

Gross Margin

Consolidated gross margin increased slightly to 26.5% in fiscal 2011 from 26% in fiscal 2010. Gross margin in the Casting and Extrusion segment was down in the current year by 3.2% from 28.7% last year to 25.6% this year. In the large mould businesses and Castool the strong sales recovery has created some short term operating inefficiencies as the businesses adapted to the higher level of sales and, in the case of Castool, integrated the acquisition of Allper AG which was purchased at the beginning of the fiscal year. In addition, in the large mould businesses gross margin has been impacted by several factors. The launch of so many new engine block and transmission programs at the same time has resulted in some cases of cost overruns on deliveries of first off dies. Also, in order to meet tight delivery dates of large moulds excessive overtime and some outsourcing, which requires complicated oversight and coordination with suppliers, has taken place at Engineering and Edco. As well the inability of Excoeng Mexico to generate sufficient sales to cover its fixed costs has led to negative gross margin and Edco also experienced negative gross margin. As Engineering and Edco deliver repeat moulds, as opposed to first off moulds, cost overruns and outsourcing complexities should reduce and management expects that new business currently under negotiation for Excoeng Mexico will enable this business to contribute in the near term. Gross margin in the extrusion die group was impacted mostly by inefficiencies associated with the closure of the AluDie production facility in December 2010 and the ensuing disruption caused by reorganizing production capacity to the remaining production facilities in Canada, US and the newly acquired facility in Medellin, Colombia. This process spanned the entire 2011 fiscal year as the AluDie building was not sold until August 2011.

This erosion was offset by gross margin improvement in the Automotive Solutions segment. The Automotive Solutions segment gross margin improved in fiscal 2011 by 6.2% to 26.7% from 20.5% last year. Significantly stronger sales at Polydesign of higher value added non seat cover programs was a significant contributor to margin improvement at Polydesign and at both Polytech and Polydesign higher sales maximized overhead absorption. Both these businesses as well as Neocon have been slow to restore staff and other overhead which was cut in 2009. In the case of Neocon, the gross margin improvement was partially mitigated by the strong Canadian dollar which reduces the recorded value of its US dollar sales while labor and other costs at its production facility in Halifax, Nova Scotia remain constant.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year increased to $24.2 million from $20.8 million last year. However, as a percentage of sales it decreased to 12% from 13% last year. Higher expenses in this category in the current year were mostly caused by higher provisions for incentive plans which are based on earnings ($3.4 million compared to $1.8 million last year) and higher foreign exchange losses mainly on the value of the Mexican peso. In the fourth quarter the risk aversion arising from the sovereign debt situation in Europe caused the value of the US dollar to spike up against virtually all currencies, including the Mexican peso which fell precipitously. This caused the Company to record a loss on the market value of its peso collars of $925 thousand in the fourth quarter. Also since Excoeng Mexico is not a self sustaining operation the value of Exco's Mexican peso denominated investment in Excoeng Mexico (September 30, 2011 – 83.7 million pesos) was written down by $490 thousand compared to a write up of $274 thousand last year. Under International Financial Reporting Standards ("IFRS") which commences for the Company on October 1, 2011, the exchange impact on the investment in Excoeng Mexico will be charged directly to the balance sheet (currency translation adjustment account) rather than to the income statement. These are notional amounts which do not affect the Company's cash position. This movement in the value of the Mexican peso accounts for $1.3 million in annual Sales, General and Administrative Expenses. Partially offsetting these factors is lower severance costs incurred in the current year ($587 thousand compared to $1.4 million last year).

Exco expensed $229 thousand compared to $412 thousand in the prior year relating to the Stock Option Plan and the Board of Directors Deferred Stock Unit Plan (see Note 5 to the 2011 Consolidated Financial Statements).

Depreciation and Amortization

Depreciation and amortization expenses were $8 million (4% of sales) compared to $8.4 million (5% of sales) in the prior year. Depreciation expense decreased slightly to $6.3 million in the Casting and Extrusion segment from $6.5 million last year. Depreciation in the Automotive Solutions segment also decreased to $1.6 million from $1.8 million last year. Fixed asset additions next year will be focused on replacement and refurbishment of production equipment in order to maintain capacity and in the case of the large mould business the purchase of machinery and equipment to increase capacity.

Disposal of Assets Held for Sale

In December 2010, the Company ceased the operations of its AluDie extrusion plant in Newmarket, Ontario and transferred some production equipment to other Exco plants. The machinery and equipment not required was classified as held for sale. In August 2011, the majority of the assets held for sale at AluDie, including the production facility itself, were sold for a net gain of $162 while the remaining assets were transferred to other Exco plants.

Interest

Interest income was $21 thousand compared to $43 in fiscal 2010. This is due to lower cash and short-term deposit balance throughout the year. The interest income figure represents the net of interest expense, interest income and standby loan fees for the year.

Income Taxes

Exco's effective income tax rate was 28.6% compared to effective income tax rate of 28.7% in fiscal 2010. The income tax rate in the current year was negatively affected by the repatriation of profits by dividends from Mexico to US (US$1.6 million) and from US to Canada (US$3.2 million). The tax impact in 2011 of both these repatriations combined was $449 thousand. In the prior year, the effective income tax rate was positively 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 (Note 8 – Income Tax).

Foreign Exchange

The U.S. dollar closed the year about 2% higher against the Canadian dollar than at the start of the year ($1.03 to $1.05). Exco has forward foreign exchange contracts to sell US$1.5 million (2010 - $2.3 million) over the next three months at the selling price ranges from 0.99 to 1.00 (2010 - 1.06 to 1.07) As the U.S. dollar closed at $1.05 on September 30, 2011 (September 30, 2010 - $1.03), the Company estimated a loss of $79 thousand (2010 - gain of $69 thousand) would be realized if these forward contracts are terminated on September 30, 2010. During the year, the U.S. dollar also appreciated almost 7% against the Mexican peso from 12.5 peso to 13.4 peso. Exco has a series of collars extending through September 2013 totalling 128.5 million Mexican peso (2010 - 33.7 million Mexican pesos) at selling price ranges from 11.35 to 13.58 (2010 - 11.0 to 12.2). Management estimated a loss of $991 thousand (2010 - $207) would be realized if these collars were terminated on September 30, 2011. This is a non cash loss as the collars will be held to term. 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 reported consolidated net income of $14.8 million or $0.36 per share compared to a consolidated net income of $10.1 million or $0.25 per share last year – an increase of 46.9%. Consolidated net income was impacted this year by volatile currency exchange markets in the fourth quarter. The dramatic weakening of the Mexican Peso against the US dollar caused the value of investment in its Excoeng Mexico subsidiary and the market value of its peso collar contracts to drop. These two notional and non cash items occurred in the fourth quarter and caused consolidated net income to be $0.03 per share lower in the fourth quarter and $0.02 per share lower in fiscal 2011 than if the exchange rate had not changed. Under IFRS which commences for the Company on October 1, 2011, the exchange impact on the investment in Excoeng Mexico will be charged directly to the balance sheet (currency translation adjustment account) rather than to the income statement. For further details on this matter refer to the "Sales, General and Administrative Expenses" and "Foreign Exchange" sections of this Annual Report.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion earnings increased by 17% to $13.3 million from $11.4 million in the prior year. Castool and the large mould group recorded impressive improvement in earnings as these businesses continued recovering from extraordinarily depressed earnings in 2009. Powered by a strong surge in power train launch activity, the Engineering division of the large mould business led this segment in earnings with near capacity sales. However within this group, Edco recorded a loss of $0.03 per share in 2011 compared to $0.01 per share last year. The Company’s new maintenance facility in Queretaro Mexico, which in 2011 was unable to generate enough sales, also recorded a loss for 2011 of $0.01 per share compared to $0.02 per share last year. The extrusion tooling group’s earnings continued to be impacted by inefficiencies and severances at the Markham, Ontario facility where its breakeven results were mostly caused by the closure of AluDie in Newmarket, Ontario and associated consolidation of equipment and employees. The US extrusion facility although impacted by the consolidation of the AluDie facility experienced a strong improvement in earnings.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded earnings of $12 million for the year compared to $4.4 million last year. Successful cost containment in recent years and program rotation have positioned Polytech and Neocon for higher profitability in the current year despite unfavorable foreign exchange rates. Improving light vehicle production volume has also improved overhead absorption and, in the case of Neocon, the clearing of last year’s order backlog has allowed it to operate more profitably than last year. Polydesign has returned to profitability in the current year as new product launches have provided not only the necessary throughput but also higher added value product mix than its traditional seat cover program.

- *Corporate(Operating Expense)*

Corporate expense in the year amounted to $4.5 million compared to $1.7 million last year. Included in the current year was $882 thousand foreign exchange loss mainly from the fair valuation of the Mexican peso collars compared to $1.2 million gain last year. In addition, higher provisions for incentive plans ($3.4 million compared to $1.8 million last year), which have increased due to rising earnings and due diligence costs for possible acquisitions, contributed to higher expenses in the Corporate segment in the current year.

Quarterly Results

The following table sets out financial information for each of the eight fiscal quarters through to the fiscal year ended September 30, 2011:

($ thousands except per share amounts)	Sep. 11	Jun. 11	Mar. 11	Dec. 10	Total
Sales	$52,347	$48,784	$52,885	$45,592	$199,608
Net income	$2,270	$3,865	$5,546	$3,126	$14,807
Earnings per share					
Basic	$0.06	$0.10	$0.14	$0.08	$0.36
Diluted	$0.06	$0.10	$0.14	$0.08	$0.36

($ 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

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's 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 and an uncertain mood set in with the sovereign debt crisis peaking in August and September.

In the fourth quarter sales were $52.3 million – a $6.4 million or 14% increase over the prior year. The Casting and Extrusion segment recorded higher sales of $32.7 million compared to $30.1 million last year – an increase of 9%. The Automotive Solutions segment experienced a 24% increase in sales from $15.9 million last year to $19.6 million.

The Company's fourth quarter net income of $2.3 million ($0.06 per share) compared to $2.4 million ($0.06 per share) in fiscal 2010 was severely impacted by exchange rate volatility in the last months of the quarter. This caused expenses in the Corporate segment to increase by $925 thousand from foreign exchange losses on the fair valuation of Mexican peso collars and in the Casting and Extrusion segment to increase by $839 thousand from the revaluation of the Company's Mexican peso investment in Excoeng Mexico. These exchange losses - although notional, non cash in nature and under IFRS reporting which commences next quarter will not recur with respect to the revaluation of the Company's investment in Excoeng Mexico - reduced fourth quarter earnings per share by 3 cents per share.

Fourth quarter pretax earnings increased in the Automotive Solutions segment by $2 million or 189% over the same quarter last year ($3 million compared to $1.1 million last year) on strong overall demand, efficient production and largely smooth new product launches. Offsetting this improvement was a decline in quarterly pretax earnings in the Casting and Extrusion segment by $881 thousand. The extrusion tooling group's earnings were impacted by the final costs of closing the AluDie business (severances $340 thousand), production inefficiencies from relocating the last of AluDie's machinery and equipment to Colombia and write down of some equipment from the Colombian acquisition ($134 thousand). The large mould businesses struggled with tight delivery dates on a growing book of business. This caused excessive overtime and excessive outsourcing of certain long lead time functions. As internal capacity is adjusted both overtime and outsourcing should abate. This group also experienced cost overruns on several first off moulds during the quarter.

Gross margin in the quarter was 23.8% compared to 23.3% last year. The quarter's gross margin was; however, lower than the annual gross margin rate of 26.5% largely for the reasons stated in the paragraph above.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Cash flow from operating activities decreased this year to $6.6 million from $16.2 million in fiscal 2010. This decrease is primarily the result of higher working capital generated by growing sales levels in fiscal 2011 as accounts receivable and inventory were up by $13.9 million and $9.6 million respectively from last year levels.

Cash Flows from Financing Activities

Cash flow used by financing activities increased to $3.5 million compared to $3 million in fiscal 2010 primarily as a result of higher dividends in the current year ($4.3 million compared to $3.2 million last year). Partially offsetting this increase is the commencement of a capital lease for the new extrusion tooling production facility in Colombia ($683 thousand).

In addition to the obligations disclosed on its balance sheets, Exco also enters into operating lease arrangements from time to time. Exco owns 9 of its 10 manufacturing facilities and all its production equipment but leases the new production facility in Colombia and other warehousing and sales offices as necessary. The following table summarizes all short-term and long-term commitments Exco has entered.

Contractual Obligations ($000)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	-	-	-	-	-
Capital leases*	836	87	716	11	22
Operating leases*	816	491	289	36	-
Purchase obligations	13,155	13,155	-	-	-
Total contractual obligations	**$14,807**	**$13,733**	**$1,005**	**$47**	**$22**

∗ Exco leases facilities, automotive, 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. This includes the obligation to purchase the leased production facility in Colombia during the three year term of the lease.

Cash Flows from Investing Activities - Capital Expenditures

Cash used in investing activities in the current year totalled $8.2 million compared to $4.1 million last year. This increase was caused by the assumption of Allper's balance sheet (excluding cash) of $1.7 million, assets purchased with the Colombian acquisition ($863 thousand) and heavy spending in the current year on machinery and equipment in the extrusion business units ($6.7 million). The investment in the Automotive Solutions segment was $701 thousand and investment in the Casting and Extrusion segment was $8.1 million.

In fiscal 2012, Exco plans to make capital expenditures of approximately $10 million. The majority of the capital investment in both segments will be used to purchase equipment to both maintain and increase capacity and to upgrade software and information systems.

We expect that in fiscal 2012 our cash flow from operations will exceed anticipated capital expenditures and, accordingly, our cash deposits and our credit lines, will be more than sufficient to meet our operating requirements.

Dispositions

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. Due to weak economic conditions in the United States, the facility was not sold and therefore reclassified back to fixed assets in August 2011. However, the Company intends to sell the Neocon USA production facility when possible. In a similar manner, in December 2010, the Company also ceased the operations of its extrusion plant in Newmarket, Ontario and transferred its production to other Exco plants. In August 2011, the majority of the assets held for sale at this extrusion plant were sold for a net gain of $162 while the remaining assets were transferred to other Exco plants. Consequently, as at September 30, 2011 there were no assets held for sale on the consolidated balance sheet (September 30, 2010 - $1,206).

Financial Position and Cash Balance

Exco's financial position remains strong. Exco's determination to maintain a strong balance sheet with no bank debt 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, 2011 and closed the year with cash deposits of $15.4 million compared to $20.2 million last year end. At year end, Exco had operating lines of credit totalling $15.4 million, of which $9.7 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 November 30, 2011, the Company had 40,973,027 common shares outstanding. In addition, as at November 30, 2011, the Company had stock options outstanding to purchase up to 1,391,772 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 income and comprehensive income.

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 2011 and future years.

In the area of the conversion from Canadian GAAP to 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 between IFRS and the Company's existing policies and procedures.	• 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 senior management and reviewed by the audit committee of the Board of Directors in Q2-2010. • Revisions to accounting and

• 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.		procedures manuals are updated.
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 quantified. • First-time adoption reconciliations are complete.
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.
Business impacts:		
• Identify impacts of conversion on revenue recognition, long-lived assets value and depreciation and stock option expense. • Identify impacts of conversion on taxation.	• Impacts on revenue recognition, long-lived assets value and depreciation and stock option expense identified by Q2-2010. • Impacts on taxation identified by Q4-2010.	• Identification of impacts on revenue recognition, long-lived assets and depreciation, stock option expense and income tax 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 assessed and updated.

All of the differences between IFRS and Canadian GAAP were quantified. The Company has its external auditors auditing the opening balance sheet for the comparative year for compliance with IFRS. 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 do not have a significant impact on the Company's reported results and financial position, some significant adjustments are 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 elected, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated. **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. **Transition impact**: None. **Expected future impact**: None.
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. **Transition impact**: $119 was credited against contributed surplus on the opening balance sheet. **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 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. **Transition impact**: $15,918 of cumulative translation losses were adjusted to zero and the retained earnings were adjusted by the same amount on the opening balance sheet. **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. **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 businesses. Canadian GAAP under certain circumstances allows completed contract method for revenue recognition. **Transition impact**: $9,018 of unbilled revenue was introduced to the balance sheet, $5,878 of work in process was reduced from inventory and $2,165 was credited against retained earnings on the opening balance sheet. **Expected future impact**: Depends on the balance of work in process in the large die-cast mould 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. **Transition impact**: $119 was credited against contributed surplus on the opening balance sheet. **Expected future impact**: Depends on the size of future share-based compensation.

Income Taxes	**Choices**: There are no policy choices available under IFRS. **Differences from existing Canadian GAAP**: Under Canadian GAAP, when an asset is acquired other than in a business combination and the tax basis of that asset is less than its cost, the cost of future income taxes recognized at the time of acquisition should be added to the cost of the asset. Under IFRS, such cost of future taxes is exempted. **Transition impact**: $426 long-lived assets acquired in 2007 and the related future tax liabilities were reversed on the opening balance sheet. **Expected future impact**: Not material.
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. **Transition impact**: None. **Expected future impact**: None.
	Differences from existing Canadian GAAP: Under Canadian GAAP, the cost of an item of property, plant and equipment made up of significant separate component parts is allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. IFRS clearly states that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. **Transition impact**: $1,441 net book value of property, plant and equipment was written down on the opening balance sheet. **Expected future impact**: Depreciation and amortization on the property, plant and equipment which existed on the opening balance sheet date will decrease by $1,441. The pattern of periodic depreciation and amortization on the property, plant and equipment acquired after the opening balance sheet date will depend on the property, plant and equipment acquired.
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. **Transition impact**: None. **Expected future impact**: None.
Foreign	**Choices**: There are no policy choices available under IFRS.

Currency Translation	**Differences from existing Canadian GAAP**: Under GAAP, the method of translation of the foreign operation is dependent on the classification of the foreign operation – an integrated operation or self-sustaining foreign operation. IFRS does not classify the foreign operation into integrated or self-sustaining operations. The entity must determine its own functional currency. **Transition impact**: There was no material impact on the Company's opening balance sheet. The foreign currency translation adjustments for the Company's integrated foreign operations, which were charged to the income statement under GAAP, will be charged directly to the currency translation adjustment account on the balance sheet under IFRS. **Expected future impact**: Depending on foreign currency fluctuations.

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, 2011.

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.

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 2011, the Canadian dollar appreciated about 6% against the U.S. dollar to close the year at $1.05. 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 five years. All were Canadian or US operations that were not materially contributing to the Company's earnings. This year the Company closed its AluDie extrusion die facility in Newmarket, Ontario and transferred its productive capacity to the two remaining extrusion die facilities in Markham, Ontario and Chesterfield, Michigan and the newly acquired extrusion die facility in Medellin, Colombia. 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 at the beginning 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 2012, 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$37.6 million. This compares to an exposure of US$17.7 million in fiscal 2011. These figures represent the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses and forwards. As of September 30, 2011 there was $1.5 million in forward foreign exchange contracts outstanding (see Note 14). If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2012, we estimate pre-tax profit would change by $376 thousand or about $276 thousand after tax. These estimates are based on historical norms and may be materially different in 2012 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 2012, 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$9.6 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2012, pre-tax profit would change by $178 thousand or about $117 thousand after tax.

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.

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 or their Tiers 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.

With the acquisition of Allper AG in Switzerland, the tool shop of Emma y Cie S.A.Exco's in Colombia and the operation of numerous subsidiaries in US, Europe, Mexico and Morocco, Exco is increasingly conducting business in numerous countries and in numerous functional currencies. Given the size and persistence of global trade imbalances and sovereign debt concerns various currencies in which Exco and its subsidiaries carry on business may experience high volatility from time to time. This may materially impact Exco's earnings, retained earnings and the value of its investment in these countries depending on the magnitude of the currency fluctuations.

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 considerable periods, particularly in the large mould business.

Exco has in 2012 made two acquisitions (Allper AG and Exco Colombia) 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 which can adversely impact earnings regardless of the size of the acquisition or the maturity of the business acquired.

OUTLOOK

As we look toward the next year we believe that the economic recovery in the North America automotive industry, which began in 2010, will continue its slow but steady pace of growth. With US interest rates promising to remain at historic low levels for several years, unit sales of light vehicles should continue to recover despite anaemic growth in the greater economy. This will directly benefit our automotive component businesses which should experience higher sales and efficient overhead absorption, as well as, indirectly benefit our large mould businesses and Castool which sell dies and consumable components/tools to OEMs and their tiers.

Continuing legislative requirements in the US for higher automobile fuel efficiency and elevated oil prices is also driving significant investment by all OEMs in next generation engine and transmission architecture. Unlike the past decade, North American OEMs now have the capital as well as the will to aggressively pursue these complex and expensive undertakings. The reputation of Exco's large mould business as the global 'go to' source for the design and manufacture of engine block and transmission housing dies ensures that it will benefit from this trend over the near to midterm and the growing backlog of orders well into 2013 is ample proof of this. We also expect that our new investment in Queretaro Mexico will begin to bear fruit in the next year as commercial die production for several tier 1 die casters in Mexico is scheduled to begin in 2012.

Our extrusion tooling businesses will not likely experience the buoyancy of the automotive industry as its customers are not as well capitalized as automotive OEMs and the US industrial and commercial construction markets are recovering much more slowly. Anti dumping duties in the US against Chinese imports of aluminum extrusions and the consolidation of our three North American extrusion plants into two should help firm up profitability of this group and our new tool shop recently acquired in Colombia should ensure midterm growth in the fast growing South American markets.

The situation in Europe is less predictable. Our Polydesign business unit will continue to launch new programs for a wider array of products despite flat to weak demand for automobiles in Europe and our new Allper business unit is well positioned to grow sales of die cast componentry. However, the European sovereign debt crisis and government austerity among developed economies will continue to inject uncertainty and trepidation in the economic outlook for not only Europe but the global economy – possibly impacting consumer confidence, capital spending decisions and currency exchange rates.

In the meantime Exco itself enters 2012 with no bank debt and cash on hand of $15.4 million or 38 cents per share after paying $4.3 million in dividends, paying cash for two acquisitions ($2.5 million) and investing heavily in machinery and equipment to keep us competitive ($8.9 million). Exco's cost structure is also expected to improve, especially in the large mould businesses, thereby enabling us to be more competitive and responsive to our customers' needs.

We believe that our debt-free status and greater efficiency will help insulate us from the volatility in the global economy that persistently flares up from time to time. While raw material costs continue to be an area of possible uncertainty the likelihood of slow economic growth and government retrenchment appears to be pointing towards a weakening raw material cost environment which should further support our efforts to control costs and improve margins.

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 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Exco Technologies Limited

We have audited the accompanying consolidated financial statements of Exco Technologies Limited, which comprise the consolidated balance sheets as at September 30, 2011 and 2010, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Exco Technologies Limited as at September 30, 2011 and 2010 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

Chartered Accountants
Licensed Public Accountants

Toronto, Canada

November 30, 2011

CONSOLIDATED BALANCE SHEETS
$ (000)'s

	As at September 30	
	2011	2010
ASSETS		
CURRENT		
Cash	**$15,376**	$20,186
Accounts receivable (notes 14 and 16)	**47,224**	33,320
Inventories (note 2)	**33,242**	23,610
Prepaid expenses and deposits	**1,938**	3,692
Assets held for sale (note 13)	**-**	1,206
Total current assets	**97,780**	82,014
Fixed assets, net (note 3)	**66,976**	66,448
Future income tax assets (note 8)	**760**	385
	$165,516	$148,847
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities (note 14)	**$26,990**	$21,326
Income taxes payable	**909**	2,433
Capital lease obligations - current portion (note 7)	**45**	111
Customer advance payments	**1,629**	1,760
Total current liabilities	**29,573**	25,630
Capital lease obligations - long-term portion (note 7)	**739**	53
Future income tax liabilities (note 8)	**4,105**	3,966
Total liabilities	**34,417**	29,649
SHAREHOLDERS' EQUITY		
Share capital (note 5)	**36,046**	35,868
Contributed surplus (note 6)	**3,391**	3,247
Retained earnings (note 5)	**106,509**	96,001
Accumulated other comprehensive loss (notes 1 and 5)	**(14,847)**	(15,918)
Total shareholders' equity	**131,099**	119,198
	$165,516	$148,847

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 Director, President and Chief Executive Officer	Laurie Bennett Director, Chairman of the Board

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

$ (000)'s except for income per common share

	Years ended September 30 **2011**	2010
Sales	**$199,608**	$165,512
Cost of sales before the following	**146,781**	122,443
Selling, general and administrative expenses (notes 5, 12 and 14)	**24,208**	20,848
Depreciation and amortization	**7,958**	8,365
(Gain) loss from disposal of assets held for sale (note 13)	**(162)**	176
Loss (gain) on sale of fixed assets	**101**	(405)
Interest income	**(21)**	(43)
	178,865	151,384
Income before income taxes	**20,743**	14,128
Provision for (recovery of) income taxes (note 8)		
Current	**6,228**	2,975
Future	**(292)**	1,076
	5,936	4,051
Net income for the year	**$14,807**	$10,077
Other comprehensive income		
Unrealized gain (loss) on foreign currency translation of self-sustaining operations (note 5)	**1,071**	(3,163)
Comprehensive income	**$15,878**	$6,914
Income per common share (notes 5 and 11)		
Basic income	**$0.36**	$0.25
Diluted income	**$0.36**	$0.25

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 loss	Total shareholders' equity
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 5)	-	-	(3,170)	-	(3,170)
Stock option expense (note 5)	-	226	-	-	226
Issurance of share capital (note 5)	443	(109)	-	-	334
Repurchase of share capital (note 5)	(10)	-	(14)	-	(24)
Unrealized loss on translation of self-sustaining foreign operations (note 5)	-	-	-	(3,163)	(3,163)
Balance, September 30, 2010	35,868	3,247	96,001	(15,918)	119,198
Net income for the year	-	-	14,807	-	14,807
Dividends (note 5)	-	-	(4,299)	-	(4,299)
Stock option expense (note 5)	-	183	-	-	183
Issurance of share capital (note 5)	178	(39)	-	-	139
Unrealized gain on translation of self-sustaining foreign operations (note 5)	-	-	-	1,071	1,071
Balance, September 30, 2011	**$36,046**	**$3,391**	**$106,509**	**($14,847)**	**$131,099**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
$ (000)'s

	Years ended September 30	
	2011	2010
OPERATING ACTIVITIES		
Net income for the year	**$14,807**	$10,077
Add (deduct) items not involving cash		
Depreciation and amortization	**7,958**	8,365
Future income taxes (note 8)	**(205)**	1,092
Stock-based compensation expense (notes 5 and 6)	**229**	412
(Gain) loss from disposal of assets held for sale (note 13)	**(162)**	176
Loss (gain) on sale of fixed assets	**101**	(405)
Loss (gain) on financial instrument valuation (notes 1 and 14)	**882**	(1,150)
	23,610	18,567
Net change in non-cash working capital (note 9)	**(16,969)**	(2,360)
Cash provided by operating activities	**6,641**	16,207
FINANCING ACTIVITIES		
Acquisition (repayment) of capital lease obligations (note 7)	**620**	(109)
Dividends (note 5)	**(4,299)**	(3,170)
Repurchase of share capital (note 5)	**-**	(24)
Issuance of share capital (note 5)	**139**	334
Cash used in financing activities	**(3,540)**	(2,969)
INVESTING ACTIVITIES		
Business acquisitions, net of cash acquired	**(2,538)**	-
Investment in fixed assets	**(8,931)**	(5,185)
Proceeds from sale of fixed assets (note 13)	**3,267**	1,041
Cash used in investing activities	**(8,202)**	(4,144)
Effect of exchange rate changes on cash	**291**	(272)
Net increase (decrease) in cash during the year	**(4,810)**	8,822
Cash, beginning of year	**$20,186**	11,364
Cash, end of year	**$15,376**	$20,186

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.

FUTURE ACCOUNTING POLICY CHANGES

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

The Company will prepare financial statements in accordance with IFRS starting with interim financial statements for the quarter ending December 31, 2011. The statements will require 2011 comparatives in accordance with IFRS. As a result, the financial statements under Canadian GAAP for 2011 will need to be restated to conform to the IFRS comparative purposes. The Company's transition date is October 1, 2011.

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.

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 labor 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 and comprehensive income.

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

Buildings	4% declining balance
Machinery and equipment	20% to 30% declining balance
Tools	25% straight-line
Capital leases	Lease term or 4%-30% declining balance with bargain purchase option

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 foreign exchange 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, Mexican pesos and Colombian 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 and comprehensive income.

Forward foreign exchange contracts are negotiated with JP Morgan Chase Bank N.A. with a long-term debt rating of AA- as determined by Standard and Poor's. The Company does not anticipate non-performance by the bank, which is counterparty 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.

Most of the Company's significant foreign operations are self-sustaining. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are included in accumulated other comprehensive loss in shareholders' equity. The appropriate amounts of exchange gains or losses included in accumulated other comprehensive loss are reflected in earnings when there is a sale or partial sale of the Company's investment in these operations or upon a complete or substantially complete liquidation of the investment.

Other gains and losses resulting from movements in exchange rates are reflected in the consolidated statements of income and comprehensive income. In 2011, such losses totaled $1,049 (2010 - gains of $802). Foreign exchange option contracts are not designated as hedges. The Company recognizes any changes in fair value during the year in the consolidated statements of income and comprehensive income.

EARNINGS 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 expenses on the consolidated statements of income and comprehensive income 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.

($000)'s except per share amounts

2. Inventories

	2011	2010
Raw materials	**$10,949**	$11,160
Work in process	**17,646**	10,736
Finished goods	**4,576**	1,625
Production supplies	**71**	89
	$33,242	$23,610

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, 2011, inventories of $86,009 (2010 - $68,485) were expensed, of which $453 were from the write-downs of inventory (2010 - $1,438), net of nil reversals (2010 - $402).

3. Fixed Assets

			2011
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Land	**$7,029**	**$-**	**$7,029**
Buildings	**45,326**	**16,935**	**28,391**
Machinery and equipment	**162,712**	**135,306**	**27,406**
Tools	**15,983**	**11,833**	**4,150**
	$231,050	**$164,074**	**$66,976**

($000)'s except per share amounts

			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

At September 30, 2011, the Company had building, machinery and equipment deposits relating to fixed assets of $621 (2010 - $865). These assets are not being depreciated because they are under construction and not in use. Fixed assets under capital leases amounted to $971 (2010 - $381) less accumulated depreciation of $144 (2010 - $196).

4. Bank Indebtedness

	September 30, 2011	September 30, 2010
Prime rate in Canada	**3.00%**	3.00%
Prime rate in U.S.A.	**3.25%**	3.25%
Scotia operating line	**$-**	$10,000
JPM operating lines	**15,350**	3,090
Total operating lines	**15,350**	13,090
Bank overdrafts	**(3,733)**	-
Letters of credit	**(1,886)**	(1,442)
Unused and available operating lines	**$9,731**	$11,648

These operating lines are available in U.S. dollars and Canadian dollars at variable rates. The Company's Canadian credit facilities are 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 short-term deposits was $21 for the year ended September 30, 2011 (2010 - net interest earned was $43).

5. 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.

($000)'s except per share amounts

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, 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
Issued for cash under Stock Option Plan	49,000	139
Contributed surplus on stock options exercised	-	39
Issued and outstanding at September 30, 2011	**40,961,823**	**$36,046**

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, the Moroccan dirham, the Swiss franc and the Colombian peso.

Unrealized translation adjustments which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining foreign operations resulted in an unrealized currency translation gain of $1,071 (2010 - unrealized currency translation loss of $3,163). For the year ended September 30, 2011, the unrealized gain of $1,071 is primarily attributable to the strengthening of the US dollar against the Canadian dollar as measured at September 30, 2011 and September 30, 2010.

CASH DIVIDEND

During the year, the Company paid four quarterly cash dividends totalling $4,299 (2010 - $3,170). The dividend rate per quarter was increased from $0.02 to $0.025 per common share in the first quarter and from $0.025 to $0.03 per common share in the fourth quarter of fiscal 2011.

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:

($000)'s except per share amounts

	2011		2010	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**1,830,619**	**$3.97**	1,929,429	$4.33
Granted during the year	**143,979**	**3.30**	233,000	$1.92
Exercised during the year	**(49,000)**	**2.84**	(8,500)	$1.52
Expired during the year	**(230,208)**	**3.93**	(307,310)	$4.86
Cancelled during the year	**-**	**-**	(16,000)	$2.35
Balance, end of year	**1,695,390**	**$3.95**	1,830,619	$3.97

The following table summarizes information about stock options outstanding at September 30, 2011:

		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	630,167	1.78 years	$2.37	419,438	$2.64
$3.01-$4.00	635,127	5.11 years	$3.82	414,541	$3.98
$4.01-$7.15	430,096	1.90 years	$6.46	430,096	$6.46
$1.03-$7.15	1,695,390	3.06 years	$3.95	1,264,075	$4.38

The number of common shares available for future issuance of options at September 30, 2011 was 1,448,585 (2010 - 1,362,356). The number of options outstanding together with those available for future issuance totals 3,143,975 (2010 - 3,192,975) or 7.7% (2010 - 7.8%) 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 fiscal 2009, 30,000 special options were also granted for a term of 5 years and vested at 50% each anniversary from the grant date.

STOCK-BASED COMPENSATION EXPENSE

The total stock-based compensation expense for the year was $229 (2010 - $412). This consists of $183 (2010 - $226) from the stock option expense and $46 (2010 - $186) 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:

($000)'s except per share amounts

	2011	2010
Risk-free interest rate	**2.86%**	2.44%
Expected dividend yield	**2.39%**	3.50%
Expected volatility	**61.47%**	66.07%
Expected time until exercise	**7.92 years**	5.42 years
Weighted average fair value of the options granted	**$1.69**	$0.92

DEFERRED SHARE UNIT PLAN

	Number of units	**Expense**
December 31, 2010	3,332	$40
March 31, 2011	3,593	41
June 30, 2011	3,810	3
September 30, 2011	4,620	(38)
Total	**15,355**	**$46**

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 October 5, 2011, replacing the normal course issuer bid which expired on May 9, 2011. 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 twelve months ended September 30, 2011, no common shares were repurchased (twelve months ended September 30, 2010 - 11,600 common shares at a total cost of $24). The cost to repurchase the shares in the prior year exceeded their stated value by $14 and was charged against retained earnings.

6. 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:

	2011	2010
Balance, beginning of year	**$3,247**	$3,130
Stock option compensation expense (note 5)	**183**	226
Exercise of stock options	**(39)**	(109)
	$3,391	$3,247

($000)'s except per share amounts

7. Capital Lease Obligations

	2011	2010
Total minimum lease payments	**$836**	$167
Less: amount representing interest at average rate of 3.6% (2010 – 3.5%)	**(52)**	(3)
Capital lease obligations	**784**	164
Less: current portion	**(45)**	(111)
	$739	$53

Future minimum annual lease payments are as follows:

	Capital Lease Obligations	Interest	Total Minimum Lease Payments
2012	45	42	87
2013	697	8	705
2014	10	1	11
2015	10	1	11
2016 and thereafter	22	-	22
	$784	**$52**	**$836**

8. Income Taxes

		2011
Income before income taxes	**$20,743**	**100.0%**
Income tax expense at Canadian statutory rates	**6,067**	**29.3%**
Manufacturing and processing deduction	**(230)**	**(1.1%)**
Foreign rate differential	**(380)**	**(1.8%)**
Items not deductible for income tax purposes	**251**	**1.2%**
Tax on dividends	**449**	**2.2%**
Other	**(221)**	**(1.2%)**
	$5,936	**28.6%**

		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%

Net cash outflow during the year for income taxes was $7,746 (2010 - $96 net cash receipt).

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

	2011	2010
Assets		
Tax benefit of loss carry forward	**($115)**	($169)
Items not currently deductible for income tax purposes	**(645)**	(216)
Liabilities		
Research and development expenditures	**-**	78
Tax depreciation in excess of book depreciation	**4,105**	3,888
Net deferred income tax liabilities	**$3,345**	$3,581

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:

	2011	2010
Accounts receivable	**($12,573)**	($6,594)
Inventories	**(8,284)**	(1,015)
Prepaid expenses and deposits	**2,056**	(1,622)
Accounts payable and accrued liabilities	**3,477**	7,016
Income taxes payable	**(1,510)**	3,015
Customer advance payments	**(135)**	(3,160)
	($16,969)	($2,360)

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 2017. Future minimum annual lease payments are as follows:

2012	578
2013	885
2014	120
2015	47
2016	22
	$1,652

In addition, as at the year ended September 30, 2011, the Company has purchase obligations in the amount of $13,155 (2010 - $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, 2011 (2010 - nil).

11. Income per Common Share

Income per common share is calculated using net income and the monthly weighted average number of common shares outstanding of 40,934,990 (2010 - 40,879,340). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted income per share. There was no material effect of outstanding stock options on diluted weighted average number of common shares outstanding for 2011 (2010 - 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.

($000)'s except per share amounts

				2011
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$125,330**	**$74,278**	**$-**	**$199,608**
Depreciation and amortization	**6,333**	**1,588**	**37**	**7,958**
Segment income (loss) before interest and income taxes	**13,279**	**11,957**	**(4,514)**	**20,722**
Interest income				**21**
Income before income taxes				**20,743**
Fixed asset additions	**8,126**	**701**	**104**	**8,931**
Total fixed assets, net	**48,240**	**17,392**	**1,344**	**66,976**
Total assets	**$103,003**	**$60,497**	**$2,016**	**$165,516**

				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

GEOGRAPHIC AND CUSTOMER INFORMATION

Sales	**2011**	2010
Canada	**$15,107**	$16,445
United States	**131,146**	111,207
Europe	**35,149**	24,114
Asia	**306**	399
Other	**17,900**	13,347
	$199,608	$165,512

In 2011, sales to the Company's largest customer were 17% (2010 - 17%) of total sales and the account receivable pertaining to this customer was $10,344 (2010 - $9,052). The allocation of sales to the geographic segments is based upon the customer location where the product is shipped.

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Fixed assets , net	**2011**	2010
Canada	**$36,190**	$39,516
United States	**13,279**	11,169
Mexico	**6,157**	6,817
Morocco	**7,857**	8,946
Colombia	**3,025**	-
Switzerland	**468**	-
	$66,976	$66,448

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

B. RESTRUCTURING COST

During the year, the Company recorded severance expense of $587 (2010 - $1,398) in selling, general and administrative expenses on the consolidated statements of income and comprehensive income 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 recent 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. Due to weak economic conditions in the United States, the assets held for sale at Neocon USA were not sold and therefore reclassified back to fixed assets in August 2011 for depreciation. However, the Company commits to selling the assets at Neocon USA when possible. In a similar manner, in December 2010, the Company also ceased the operations of its extrusion plant in Newmarket and transferred its production to other Exco plants. In

August 2011, the majority of the assets held for sale at this extrusion plant were sold for a net gain of $162 while the remaining assets were transferred to operational assets at other Exco plants. Consequently, as at September 30, 2011 there were no assets held for sale on the consolidated balance sheet (September 30, 2010 - $1,206).

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 and comprehensive income, the carrying value of these financial instruments approximates their fair value due to their short-term nature.

FOREIGN EXCHANGE CONTRACTS

The Company has forward foreign exchange contract to sell US$1,500 over next three months at the rates ranging from $0.99 to $1.00 Canadian dollars for each U.S. dollar sold. The Company also entered into a series of collars and forwards extending through to September 26, 2013. The total value of these collars and forwards is 128.5 million Mexican pesos (September 30, 2010 - 33.7 million Mexican pesos). The selling price ranges from 11.35 to 13.58 Mexican pesos to each U.S. dollar.

Management estimates that a combined loss of $1,070 (September 30, 2010 - loss of $188) would be realized if these forwards and collars were terminated on September 30, 2011. As at September 30, 2011, the estimated fair value loss of $882 (September 30, 2010 - gain of $1,150) has been included in selling, general and administrative expense on the consolidated statements of income and comprehensive income and the loss of $1,070 is recorded in the consolidated balance sheets 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 and comprehensive income.

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As at September 30, 2011, the accounts receivable balance (net of allowances for doubtful accounts) is $47,224 (2010 - $33,320) and the Company's five largest trade debtors accounted for 48% of the total accounts receivable balance (2010 - 44%). As at September 30, 2011, accounts receivable totalling $517 are insured against default.

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

	2011	2010
Trade accounts receivable	**$44,548**	$31,260
Employees receivable	**132**	23
Sales tax receivable	**2,103**	1,712
Other*	**828**	746
Less: allowance for doubtful accounts	**(387)**	(421)
Total accounts receivable, net	**$47,224**	$33,320

**Included in Other category is $600 mortgage receivable referred to in Note 16 – Mortgage Receivable.*

The aging of trade accounts receivable balances is as follows:

	2011	2010
Not past due	**$30,979**	$23,145
Past due 1-30 days	**6,804**	6,147
Past due 31-60 days	**2,605**	1,126
Past due 61-90 days	**862**	353
Past due over 90 days	**3,298**	489
Less: allowance for doubtful accounts	**(387)**	(421)
Total trade accounts receivable, net	**$44,161**	$30,839

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

	2011	2010
Opening balance	**$421**	$462
Bad debt expense	**49**	194
Write-offs	**(83)**	(235)
Closing balance	**$387**	$421

($000)'s except per share amounts

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, 2011, the Company has a net cash balance and short-term deposits of $15,376 (2010 - $20,186) and unused credit facilities of $9,731 (2010 - $11,648).

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, Morocco, Switzerland and Colombia. 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 and comprehensive income. 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 % Fluctuatio n Euro vs. Dirham	1 % Fluctuation USD vs. MXN peso	1 % Fluctuation CHF vs. CDN
Income (loss) before income taxes	+/-377	+/-23	+/-137	+/-63	+/-13
Other comprehensive income (loss)	+/-146	+/-66	na	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, 2011, the Company has a net cash and short-term deposit position of $15,376 (2010 - $20,186); therefore, its interest rate risk exposure is insignificant.

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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, 2011		September 30, 2010	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Foreign currency collars	**($991)**	**($991)**	($206)	($206)
Foreign currency forwards	**($79)**	**($79)**	$18	$18

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 consolidated balance sheet dates. The following tables present the Company's fair value hierarchy for those financial assets and financial liabilities carried at September 30, 2011 and September 30, 2010.

		Fair Value Measurements at Reporting Date Using:		
	Carrying Amount of Asset (Liability) at September 30, 2011	**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	**($991)**	**-**	**($991)**	**-**
Foreign currency forwards	**($79)**	**-**	**($79)**	**-**

		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	-

15. Capital Management

The Company defines capital as net debt and shareholders' equity. As at September 30, 2011, total managed capital was $131,099 (September 30, 2010 - $119,198), consisting of nil net debt (September 30, 2010 - nil) and shareholders' equity of $131,099 (September 30, 2010 - $119,198).

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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:

September 30	**2011**	2010
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**2.79:1**	2.36:1

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

September 30	**2011**	2010
Bank indebtedness	**$-**	$-
Current portion of capital lease obligations	**45**	111
Less: cash	**(15,376)**	(20,186)
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, 2011, 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

($000)'s except per share amounts

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. As at September 30, 2011, the mortgage is in good standing.

17. Business Acquisitions

Effective October 14, 2010, the Company acquired for cash all of the issued and outstanding shares of Allper AG, a Swiss company which designs and markets proprietary consumable die cast tooling. The purchase price was preliminarily allocated to the assets acquired and liabilities assumed based on the fair value for the total consideration as follows:

Cash	$480
Accounts receivable	1,320
Inventories	1,089
Fixed assets and other long-term assets	494
Accounts payable and accrued liabilities	(1,228)
Fair value of assets acquired and purchase price	**$2,155**

On September 19, 2011, the Company also acquired for cash some assets from Empresa Metalmecanica de Aluminio S.A. ("Emma Y Cia S.A."), an existing extrusion tooling customer in Colombia. The acquisition secures for Exco an experienced workforce and an agreement to supply the majority of the customer's extrusion tooling requirements. The purchase price was allocated to the assets acquired based on the fair value for the total consideration as follows:

Inventories	$139
Fixed assets and other long-term assets	724
Fair value of assets acquired and purchase price	**$863**

These acquisitions were accounted for using the acquisition method of accounting with the results of operations included in the Company's consolidated financial statements from the respective dates of the acquisitions.

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.

CORPORATE INFORMATION

Board of Directors

Laurie T.F. Bennett, CA
Corporate Director

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

Robert B. Magee, PEng
Chairman and CEO
Woodbridge Group

Philip B. Matthews, MA, CA
Corporate Director

Brian A. Robbins, PEng
President and CEO of the Company

Stephen Rodgers, BEng
President
Automotive Parts & Manufacturers' Association

Peter van Schaik
Founder and Chairman
Van Rob Inc.

Corporate Officers

Brian A. Robbins, PEng
President and CEO

Paul Riganelli, MA, MBA, LLB
Vice President, Finance and CFO, Secretary

Transfer Agent and Registrar

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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
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2011 Annual Meeting

The 2011 Annual Meeting for the Shareholders will be held at EXCO at 130 Spy Court, 2nd Floor, Markham, Ontario on Wednesday, January 25, 2012, at 4:30 pm.

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