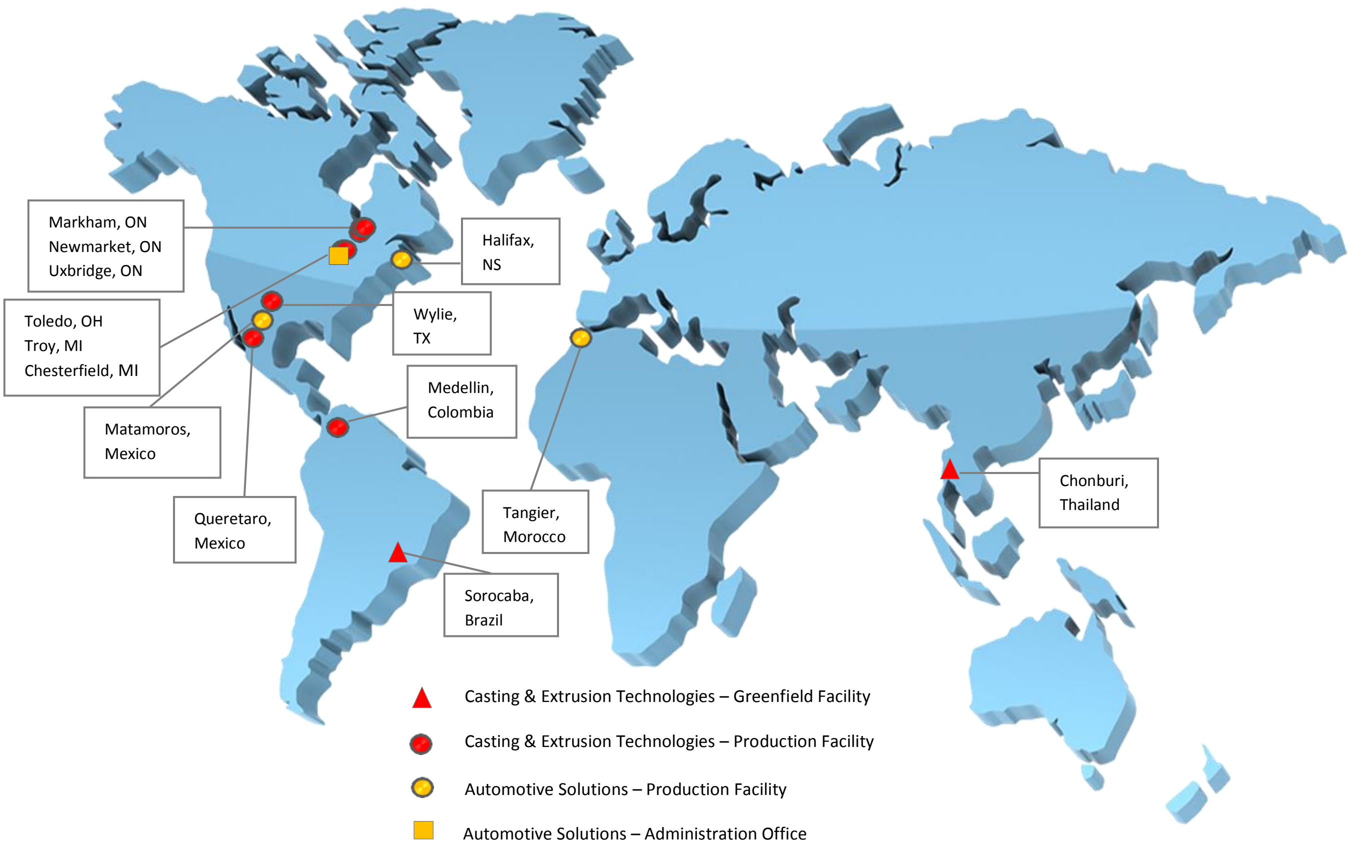
EXCO

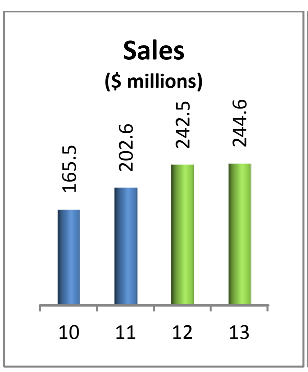
Technologies Limited

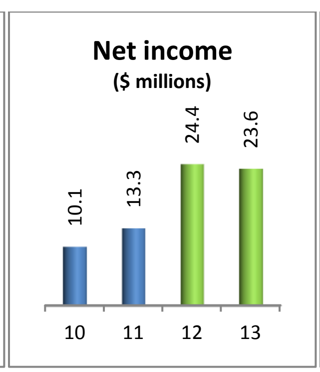
Annual Report 2013

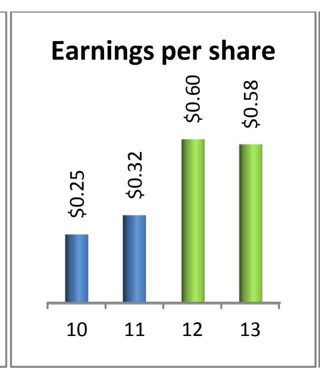
People, Planet and Profit

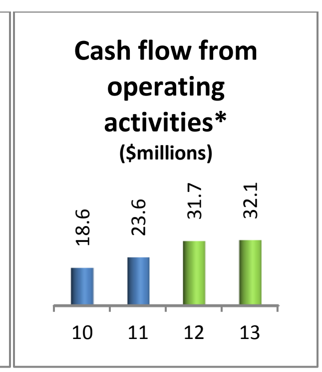
Global Presence











Canadian GAAP figures

IFRS figures

* Before net change in non-cash working capital.

LETTER TO SHAREHOLDERS

People, Planet and Profit

Exco posted another solid financial performance in fiscal 2013, while continuing to advance our strategy for stable, long-term growth. Consolidated sales for the year were $244.6 million, an increase of $2.1 million or 1% compared to fiscal 2012, reflecting growth in both the Casting and Extrusion and Automotive Solutions segments of our business. Consolidated net income reached $23.6 million or $0.58 per share compared to $24.4 million or $0.60 per share in fiscal 2012. Excluding a withholding tax charge of $1.5 million associated with the repatriation of surplus from a subsidiary, consolidated net income for the year was $25.2 million or $0.62 per share. Consolidated gross margin also continued to improve, increasing to 29.1% from 28.8% in fiscal 2012. We are particularly proud of these results as they demonstrate, in a most compelling way, our ability to invest in the future – greenfield large mould facility in Queretaro Mexico and acquisitions of extrusion die shops in Colombia and Texas – while still generating record profit, growing dividends and a debt free balance sheet.

Exco initiated three important investments in fiscal 2013 that are expected to repeat this outcome in 2014. In November 2012, we announced the construction of a $10 million extrusion die facility in Brazil that will build upon our growing presence in Latin America and serve current and prospective customers in the country's increasingly modern economy. In January 2013, we announced plans to establish a $7 million Castool facility in Thailand to better serve customers in Southeast Asia, China, Japan and India. Scheduled for start up early in the third quarter of 2014, it is also likely to serve as a supplier to the European market given the low production costs in Thailand. The facility has already attracted remarkable customer interest and order activity.

While these greenfield operations, like all greenfields, will have a short term negative impact on Exco's profitability they are expected to lay the foundations for future profit by penetrating some of the most dynamic and fast growing markets in the world. What's more, as was the case in 2013, the start-up costs in 2014 for both facilities are expected to be offset by the cessation of start up costs and increasing profitability of our ventures in Queretaro, Colombia and Texas.

These global initiatives have brought into clear focus the importance of our people, the planet and lastly, but no less critical, our profit. Hence our moniker 'People, Planet, Profit'.

The complexities and challenges of building new production facilities in faraway places where language, time zones and business practices are very different requires capable and dedicated people who are prepared to step forward, accept responsibility and 'make things happen.' At Exco we are fortunate in having a multicultural workforce in our core North American operations that are both very comfortable operating in Asia, Latin America and South America and are also familiar with our products and manufacturing processes. Furthermore, we have accumulated much experience from our long history of successfully operating in emerging countries such as Mexico and Morocco. Given these seasoned and diverse human resources we, at Exco, are confident that we will succeed.

We have also found that the world is increasingly growing smaller. The move toward global sourcing in the automotive industry has been long identified and our automotive solutions business has long been responding to this imperative by keeping its cost structure globally competitive. We have also been acutely aware of the ramifications of the fuel efficiency mandated by governments around the world. We have long talked of the beneficial impact on our large mould business of the 54.5 mpg mandate in the US and similar initiatives in the Eurozone.

Less known to us has been the tremendous second and third order changes taking place throughout the global auto industry which were triggered by these imperatives. Powertrain is only one source of generating fuel efficiency. Reducing vehicle weight is another. This has driven the use of aluminum instead of steel to make structural parts for automobiles. We have already begun to benefit from this trend with our much publicized new orders for silafont crossmember die cast moulds. However, the automobile industry is expected to also replace steel with extruded aluminum parts – which benefit our extrusion die business – and 'lighten up' other materials such as carpet and plastic components. Our automotive solutions businesses greatly benefit from these less obvious trends as netting is a far lighter cargo restraint platform than vinyl or rigid plastic and our Neolux composite carpeted products are a much lighter protective trim component than traditional tufted carpet floor mats.

We have also found that the global trend toward renewable energy and away from cheap, yet risky, nuclear energy is driving a desire for low energy-consumption manufacturing processes. The demand in Asia and Europe for Castool's energy efficient extrusion containers, die ovens and other state-of-the-art consumable components has been unexpected and, frankly, overwhelming.

Of course none of these opportunities can be exploited without our ability to generate strong profit. We are fundamentally averse to compromising on our strong financial performance as from it flows our ability to take advantage of these market opportunities. We are also mindful of our need to reward our shareholders by continuing our practice of paying reasonable dividends.

We expect Exco will achieve strong and steady performance as we gear up to create a larger and more diversified platform for sustainable earnings growth. Market fundamentals remain positive in our core markets with growing vehicle production, growing consumer demand and steady introduction of new vehicles and powertrains supporting our prospects in both the Casting and Extrusion and Automotive Solutions segments.

Exco's dedicated employees, now numbering 2,316 strong and growing, have enabled Exco to deliver on its commitments during a very busy year. I would also like to thank the Board of Directors for their invaluable insight and guidance in helping to chart Exco's course, as well as the many vital customers whose loyalty has been so vital to our success.

Sincerely,

Brian A. Robbins
President and CEO

CONTENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and related notes for the year ended September 30, 2013. This MD&A has been prepared as of November 26, 2013.

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 and adjusted consolidated net income, which are not measures of financial performance under International Financial Reporting Standards ("IFRS"). Exco calculates gross margin as sales less cost of sales and adjusted consolidated net income as consolidated net income before withholding tax charge on repatriation of surplus from subsidiary. Gross margin and adjusted consolidated net income 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 start-up business units, margin performance and operating efficiencies 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, among other things, assumptions about the number of automobiles produced in North America and Europe, the number of extrusion dies required in North America and South America, the rate of economic growth in North America and Europe and BRIC countries, investment by OEMs in drivetrain architecture and other initiatives intended to reduce fuel consumption and/or the weight of automobiles, weakening raw material prices, continuing economic recovery, currency fluctuations which may in fact not occur and the rate at which our new operations in

Brazil and Thailand achieve profitability. 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 2013 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 aluminum die-casting and aluminum 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 manufacturing 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, European and United States markets are Exco's primary focus for die-cast moulds, extrusion dies and machine consumable parts, although South America and Asia are also being developed.

The Automotive Solutions segment designs, develops and manufactures automotive interior trim components and assemblies primarily for passenger and light truck vehicles. The Polytech and Polydesign businesses manufacture synthetic net and other cargo restraint products, injection-moulded shift and brake boots and related console components and assemblies. Polydesign is also a manufacturer of 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 few years, Exco has pursued several key strategies designed to achieve sustainable revenue and earnings growth. These include: (1) strengthening our technological leadership and competitive position in our chosen markets, (2) minimizing our cost structure, (3) shifting our productive capacity to low-cost jurisdictions in closer proximity to our customers' operations, (4) diversifying our revenue base with new products and services that leverage our competitive strengths, and (5) capitalizing on growth opportunities in selected developing markets.

The performance of the North American automotive industry continued to improve in fiscal 2013, with some being recently upgraded by various credit rating agencies. Production of light vehicles continued to increase, driven by strong economic demand and widespread introduction of new vehicle models. Automobile manufacturers continue to invest in the development and production of more innovative and fuel-efficient powertrains in response to consumer demand, as well as U.S. government-mandated Corporate Average Fuel Economy (CAFE) standards that require fleet average fuel economy of 54.5 miles per gallon by 2025. These developments continue to bode well for our large mould business while creating promising new opportunities for growth. During fiscal 2013, Exco successfully extended its technological leadership into the production of die-cast moulds for structural parts that use an advanced aluminum alloy called silafont. To date, Exco has shipped several silafont moulds and has orders for many more which are currently in production.

The balance of Exco's Casting and Extrusion segment also performed well amid steady demand in the automotive and industrial markets. Our Castool business continues to grow in North America and overseas where the successful integration of Allper AG has significantly enhanced the Company's technological leadership and market presence in Europe and Asia. Surging demand for these products have prompted Castool to build a production facility in Asia to more efficiently meet this demand. Our extrusion die businesses are also positioned to meet surging demand occasioned by the imposition of anti dumping duties against Chinese imports into Canada and the US on aluminum extrusions and by the general migration to aluminum content on automobiles.

Higher vehicle production volumes also propelled sales in the Automotive Solutions segment as Neocon and Polytech worked to keep pace with strong order flow in North America. Sales and profit at Polydesign held up extremely well despite the lingering recession in Europe and the delayed launch of several Ford Europe programs during the year.

While the North American automobile industry is well positioned for steady growth, prospects for the larger economy here, and in Europe, are nonetheless limited by several structural trends. These include: a steadily aging population, modest economic growth, and historically high levels of consumer and government debt. As a result, it is likely that the U.S. and the Euro zone economies will, over the long term, underperform the economies of most BRIC and other Latin American and Southeast Asian developing countries.

In recognition of these trends, Exco continues to establish a larger global presence to augment revenue and earnings growth. Our focus has been on relatively low-risk opportunities in markets that are already familiar to us, and which leverage our technological leadership and existing product and service capabilities.

Exco has exported to these growing markets for many years. We have also established several plants in low-cost jurisdictions to support the manufacturing of products for export to developed countries. We have now reached the point in our evolution where it makes sense to both manufacture and sell our products in certain developing countries where the industrial base is expanding to keep pace with growing domestic demand. The increasingly sophisticated customers in these markets are looking for superior quality, innovative product solutions and the benefit of local sourcing, product development and service. By manufacturing locally, we also significantly reduce transportation costs and mitigate the effect of unfavorable currency trends.

Exco entered into two more strategic transactions in fiscal 2013 that reflect this growth strategy. In November 2012, we announced the construction of a new extrusion die production facility near Sao Paulo, Brazil. Scheduled to open in early 2014, it will serve existing and potential extrusion die customers in the country’s rapidly growing industrial base. In January 2013, we also announced construction of a new Castool facility in Thailand to better serve Exco’s current export customers and take advantage of lower production and shipping costs to Asian and European customers. This facility is scheduled to open in mid 2014.

Notwithstanding Exco’s gravitation toward developing markets, we also continue to look for selective acquisitions that will bolster our position and enhance profitability in North America and Europe. In January 2013, we acquired BE & H Extrusion Dies Inc., an extrusion die manufacturer located in Wylie Texas which services the south-central region of the United States. The acquisition has given us a strong presence in a distinct and growing geographic market segment where proximity to customers is a key element for success.

We are also investigating potential acquisitions in the European automotive market, where the lingering economic downturn has distressed many high-quality companies and created a favorable climate for investment. Our focus is on interior trim suppliers that serve German automotive manufacturers whose exports of high-end vehicles have remained strong throughout the recession.

Looking ahead, light vehicle production in North America is projected to increase further in 2014 despite the tepid rate of growth in the larger economy. Market fundamentals also remain strong. There is still significant demand for new automobiles as evidenced by an average age of more than 11 years for cars on the road in the U.S. At the same time, rising gasoline prices and increasingly stringent mileage requirements are expected to keep fueling the steady pace of new model introductions in the year ahead.

These developments will continue to benefit our Casting and Extrusion and Automotive Solutions segments.

Conditions are less promising in Europe, where industry restructuring took place on a much smaller scale than in North America and economic conditions remain weak. The automotive industry continues to suffer from excess capacity, continuing weakness in annual unit production and intense competition. Amid this environment, Polydesign has performed remarkably well as new program launches over the past several quarters have largely insulated the Company from the worst of market conditions in Europe. The launch of delayed programs for Ford Europe are now ramping up and will help offset possible production declines in the market.

2013 RESULTS

Consolidated Results - Sales

Annual sales totalled $244.6 million compared to $242.5 million last year – an increase of $2.1 million or 1% over last year.

Selected Annual Information

The following table sets out selected financial data relating to the Company's years ended September 30, 2013 and 2012. 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)	**2013**	2012
Sales	**$244.6**	$242.5
Net income before withholding tax on repatriation of surplus from subsidiary	**$25.2**	$24.4
Net income for the year	**$23.6**	$24.4
Total assets	**$195.1**	$177.6
Cash dividend declared per share	**$0.173**	$0.135
Earnings per share before withholding tax on repatriation of surplus from subsidiary		
Basic	**$0.62**	$0.60
Diluted	**$0.61**	$0.60
Earnings per share from net earnings		
Basic	**$0.58**	$0.60
Diluted	**$0.58**	$0.60

Segment Sales

- *Casting and Extrusion Segment*

Sales for this segment were consistent with prior year at $152.5 million. Large mould business sales decreased 6% over 2012. This group experienced unusually strong sales last year as its product mix between higher priced new dies and lower priced rebuilds/repairs was more favourable last year. In addition, unlike last year, the production of the first silafont dies was generating some non-recoverable expense which is typical of most new die builds. Extrusion Tooling group's sales increased 7% over the prior year as Extrusion Texas, which was acquired in January of this year, is contributing to sales. Extrusion Colombia, which started operating in January 2012, continued to grow its sales in the current year. The Extrusion Tooling group is also well into the process of constructing an extrusion die facility in Brazil which is expected to begin generating sales in 2014. Sales at Castool increased in the current year by 5%. Castool's products are experiencing strong market acceptance in both their traditional North and South American markets as well as in newer Asian markets which, in the future, will be serviced by our greenfield production facility currently under construction in Thailand.

- *Automotive Solutions Segment*

Sales in this segment were $92.1 million – an increase of $2.1 million or 2% from the prior year. Sales at Polytech remained strong with an increase of 9% from last year sustained by strong unit vehicle sales in North America. Despite difficult market conditions in Europe and the delayed launch of several Ford Europe programs, sales at Polydesign increased by 5% with new product launches more than compensating for volume reductions on existing programs. Neocon's sales declined by 8% in the current year. Sales in the prior year were substantially boosted by the post-tsunami surge in demand by Japanese OEMs. This surge has now been filled and Neocon's sales have returned to more traditional levels.

Gross Margin

Consolidated gross margin was consistent at 29.1% in fiscal 2013 compared to 28.8% in fiscal 2012.

Gross margin in the Casting and Extrusion segment was slightly declined in the current year by 0.4% from 29.0% last year to 28.6% this year. This was due to non-recoverable costs incurred on new die builds. Gross margin at the Extrusion group increased in the current year due to better overhead absorption achieved through higher sales. Gross margin at Castool was relatively consistent with prior year despite some inventory write down from the relocation and reorganization of Allper's sales office and warehouse.

Gross margin in the Automotive Solutions segment increased slightly to 27.7% from 26.9% last year mainly at Polydesign as better than expected sales increased overhead absorption. Gross margin at Polytech and Neocon are relatively consistent with prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expense in the current year increased to $28.0 million from $27.3 million last year. As a percentage of sales it also increased slightly to 11.4% from 11.2% last year. Higher expenses in this category in the current year were mostly caused by approximately $950 thousand travel, legal and administrative costs associated with the setup of Texas and the greenfields in Brazil and Thailand. Higher administrative costs caused by staff changes and increased staffing also contributed to the increase in the current year. In addition, included in the current year was $119 thousand foreign exchange gain from the fair valuation of the collars compared to $952 thousand gain last year. Exco expensed $370 thousand compared to $350 thousand in the prior year relating to the Stock Option Plan and the Board of Directors Deferred Share Unit Plan (see Note 3 to the 2013 Consolidated Financial Statements).

Depreciation and Amortization

Depreciation and amortization expenses were $8.6 million (3.5% of sales) compared to $8.7 million (3.6% of sales) in the prior year. Depreciation expense decreased slightly to $6.9 million in the Casting and Extrusion segment from $7.0 million last year. Depreciation in the Automotive Solutions segment increased slightly to $1.7 million from $1.6 million last year. The businesses in the Automotive Solutions segment require less expensive machinery and equipment and their production facilities do not require the degree of customization (no high tonnage cranes, supporting rail and building infrastructure, normal floor thickness, no equipment foundations and higher than average ceiling height) as does the Casting and Extrusion segment – thereby also requiring less capital to be invested. Depreciation and amortization in the Casting and Extrusion segment in fiscal 2014 is expected to increase substantially as a large portion of the current year's additions were acquired in the second half of fiscal 2013 and mostly installed and operational in the first quarter of fiscal 2014. Fixed asset additions in fiscal 2014 will be focused on completing the greenfields in Brazil and Thailand, increasing capacity in the large mould business and maintaining capacity in all other businesses.

Interest

Despite sizeable cash balances held by the Company throughout the year, interest income was only $4 thousand compared to interest expense of $5 in fiscal 2012. This is due to interest paid on U.S. dollar and Euro overdrafts carried to offset the U.S. dollars and Euros accounts receivable balances at Exco's Canadian divisions. 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 31.2% compared to effective income tax rate of 27.9% in fiscal 2012. Included in the current year's income tax expense was $1.5 million withholding tax paid on the repatriation of surplus from subsidiary. Excluding this withholding tax charge, Exco's adjusted effective income tax rate in the current year was 26.8%. The lower adjusted effective income tax rate in the current year was due mainly to lower effective tax rate in US caused by favourable changes in Michigan state tax laws and higher earnings contribution from lower tax jurisdiction such as Morocco. (Note 14 – Income Taxes).

Net Income

- *Consolidated*

The Company reported consolidated net income of $23.6 million or basic and diluted earnings of $0.58 per share compared to consolidated net income of $24.4 million or basic and diluted earnings of $0.60 per share last year – a decrease of 3%. Included in the current year's net income was $1.5 million withholding tax charge on the repatriation of surplus from subsidiary. Excluding this withholding tax charge, the Company's adjusted consolidated net income for the current year was $25.2 million or basic earnings of $0.62 per share and diluted earnings of $0.61 per share – an increase of 3% from last year. Also included in the current year was approximately $0.02 per share of legal, travel and administrative costs incurred for the greenfields of Brazil and Thailand and the setup of Texas.

- *Casting and Extrusion Segment (Operating Earnings)*

Casting and Extrusion earnings decreased to $21.9 million from $22.4 million in the prior year. Overall the large mould group continued to benefit from very strong demand for its powertrain component tooling. This surge in volume enabled Edco to improve its profitability and eliminated losses at Excoeng Mexico to breakeven compared to losses of $0.01 per share last year. However, some pricing pressure and non-recoverable cost associated with the deliveries of the first silafont dies at Engineering in the current year negatively impacted the segment's earnings. Extrusion earnings in the current year continued to increase from last year despite some additional costs incurred for the greenfield in Brazil as the general market conditions improved. The start-up plant in Colombia, which started production in January 2012, reduced losses to less than $0.01 per share from approximately $0.03 per share in the prior year. Earnings at Castool in the current year were consistent with the prior year despite some inventory write-down from the relocation and reorganization of Allper's sales office and warehouse. The combined travel and administrative costs incurred for the greenfields of Brazil and Thailand and the setup of Texas amounted to $613 thousand in the current year.

- *Automotive Solutions Segment (Operating Earnings)*

The Automotive Solutions segment recorded earnings of $17.0 million for the year compared to $15.3 million last year – an increase of 11%. Successful cost containment in recent years and program rotation has positioned Polytech for higher profitability. Improving light vehicle production volume has also improved overhead absorption. At Polydesign, the smooth launch of new products has not only provided necessary throughput but also higher added value product mix. This helped to offset the impact of weak general market conditions in Europe and several delayed Ford Europe program launches on earnings in the current year. Earnings at Neocon were lower in the current year reflecting more traditional pre-tsunami sales level in the current year.

• *Corporate Segment (Operating Expense)*

Corporate expense in the current year amounted to $4.5 million compared to $3.8 million last year mainly due to lower foreign exchange gain of $119 thousand compared to $952 thousand gain last year mainly from the fair valuation of Exco's Mexican peso collars. Also included in the current year was $335 thousand legal, travel and administration costs incurred for the greenfields of Brazil and Thailand and the setup of Texas. Partially offsetting these costs were $382 thousand non-recurring scientific research and experimental development tax credits received 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, 2013:

($ thousands except per share amounts)	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**
Sales	**$63,961**	**$62,382**	**$59,581**	**$58,686**
Net income	**$6,750**	**$5,550**	**$5,545**	**$5,787**
Earnings per share				
Basic	**$0.17**	**$0.14**	**$0.14**	**$0.14**
Diluted	**$0.16**	**$0.14**	**$0.14**	**$0.14**

($ thousands except per share amounts)	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Sales	$61,667	$59,213	$63,150	$58,486
Net income	$7,147	$5,516	$6,500	$5,286
Earnings per share				
Basic	$0.18	$0.14	$0.16	$0.13
Diluted	$0.17	$0.14	$0.16	$0.13

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 to meet surging demand. The situation this year in Europe continued to generally follow the typical pattern described above.

In the fourth quarter, consolidated sales were $64.0 million – a $2.3 million or 4% increase over the prior year. The Casting and Extrusion segment recorded higher sales of $40.2 million compared to $40.0 million last year – an increase of 1%. The Automotive Solutions segment experienced a 10% increase in sales from $21.7 million last year to $23.7 million.

The Company's fourth quarter consolidated net income decreased to $6.8 million or basic earnings of $0.17 per share and diluted earnings of $0.16 per share compared to $7.1 million or basic earnings of

$0.18 per share and diluted earnings of $0.17 per share in the same quarter last year – a decrease of 6%. Fourth quarter pretax earnings decreased in the Casting and Extrusion segment by $1.2 million or 19% over the same quarter last year as the fundamentals discussed above with respect to the full year results continued to manifest themselves in the fourth quarter. The large mould business experienced some non-recoverable costs associated with new die builds and inefficiencies with regard to the production of the silafont moulds. In addition, travel, general and administrative costs associated with the greenfields of Brazil and Thailand and the setup of Texas which amounted to approximately $238 thousand in the fourth quarter further impacted the segment's earnings. Fourth quarter pretax earnings increased in the Automotive segment by $708 thousand or 19% over the same quarter last year reflecting a continuation of the strong performance experienced throughout the year. The Corporate segment in the fourth quarter also incurred $168 thousand of travel and legal costs associated with the greenfields of Brazil and Thailand and acquisition search. Also included in the fourth quarter was $11 thousand gain from fair valuation of the collars compared to $263 thousand gain in the same quarter last year. Gross margin in the fourth quarter was 27.6% compared to 29.8% last year as it was impacted by numerous non-recoverable and non-recurring costs described above.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities

Operating cash flow before net changes in non-cash working capital increased this year to $32.1 million from $31.7 million in fiscal 2012. This increase is primarily the result of improved earnings achieved from higher sales and gross margin.

Net change in non-cash working capital was $9.2 million cash used compared to $368 cash used last year. Higher accounts receivable due to strong sales in the fourth quarter and higher inventory build-up from strong order backlog and anticipated stronger future sales accounted for these increases. In addition, excess in income tax installments as required by the tax authorities also contributed to higher cash used in the current year. After non-cash working capital, operating cash flow decreased to $22.9 million compared to $31.3 million last year – a decline of 27%.

Cash Flows from Financing Activities

Cash used in financing activities decreased to $6.8 million compared to $6.9 million in fiscal 2012 primarily because no shares were repurchased in the current year compared to $2.8 million last year. Partially offsetting this decrease in cash used were higher dividends ($7.0 million compared to $5.5 million last year) and lower proceeds from issuance of common shares for stock options exercised in the current year compared to last year ($243 thousand for 91,822 common shares compared to $1.3 million for 487,368 common shares last year).

In addition to the obligations disclosed on its balance sheets, Exco also enters into operating lease arrangements from time to time. Exco owns all of its 11 manufacturing facilities and all its production equipment but leases 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
Operating leases*	$1,213	$445	$591	$177	$-
Purchase commitments	12,246	12,246	-	-	-
Capital expenditures	6,630	6,630	-	-	-
Total contractual obligations	**$20,089**	**$19,321**	**$591**	**$177**	**$-**

∗ 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.

Cash Flows from Investing Activities - Capital Expenditures

Cash used in investing activities in the current year totalled $23.2 million compared to $7.7 million last year. Capital spending in the current year was planned and mainly related to the Casting and Extrusion segment. Included in the current year were $1.5 million acquisition of BE&H Extrusion Dies Inc., $1.2 million purchase of the remainder of the Colombian production facility, $5.6 million investment in the Extrusion Brazil greenfield and $1.3 million investment in the Castool Thailand greenfield.

In fiscal 2014, Exco plans to invest a total of $24.5 million in capital expenditures of which $11 million is for the completion of both the Extrusion Brazil and Castool Thailand greenfields. The remainder of the spending will be on machinery and equipment to maintain and increase capacity at Exco's existing plants at both the Casting and Extrusion and Automotive Solutions segments.

We expect that in fiscal 2014 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 and capital requirements.

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, 2013 and closed the year with cash deposits of $26.1 million compared to $31.2 million last year end. At year end, Exco had operating lines of credit totalling $17.4 million, of which $14.4 million was unused and available. The Company does not presently anticipate the need for long-term bank debt in its capital structure and does not expect to assume any over the coming year. Acquisition currently contemplated by management would be funded primarily by surplus cash, available credit facilities and perhaps modest equity in order to motivate management and immaterial amount of debt if convenient.

Outstanding Share Capital

As at November 26, 2013, the Company had 40,714,833 common shares outstanding. In addition, as at November 26, 2013, the Company had outstanding stock options for the purchase of up to 1,112,017 common shares.

CRITICAL ACCOUNTING POLICIES

The preparation of Exco's financial statements in conformity with International Financial Reporting Standards 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 percentage of completion of long-term contracts in the large die-cast moulds business and upon product completion for all other businesses. For short-term contracts in the large die-cast moulds business and all contracts in the 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 2 to the consolidated financial statements for information pertaining to the accounting changes and issued accounting pronouncements effective in 2013 and future years.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer, the Chief Financial Officer and the Chief Operating 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 consumer confidence, general economic conditions, the cost and/or availability of consumer credit and gasoline, as well as, the market share of individual OEM customers. At the present time, U.S. consumer demand is directly vulnerable to personal and payroll tax increases and dramatic government spending cuts in both military and non-military spending effective January 1, 2013. Contraction and slowing GDP growth in BRIC countries and Europe may also have a dampening effect on consumer demand for automobiles in those regions and also in North America.

Exco had in 2011 and 2013 made three acquisitions (Allper AG, Exco Colombia and Extrusion Dies Texas Inc.) and may make others in 2014. Acquisitions inherently involve risk. While Exco has concluded many acquisitions that have been very successful, there have been several disappointing acquisitions which have adversely impacted earnings regardless of the size of the acquisition or the maturity of the business acquired.

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 extrusion 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.

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.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars and Euro. We also purchase raw 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 U.S. 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 8 to the Consolidated Financial Statements sets out information concerning Exco's foreign exchange forward contracts. During fiscal 2013, the U.S. dollar appreciated about 5% against the Canadian dollar to close the year at $1.03. Although it did not happen in fiscal 2013, the appreciation of the Canadian dollar is a challenge for Exco. To remain competitive, we are focused on a number of initiatives. 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. 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 strong Canadian dollar and may need to further reduce, consolidate or relocate its Canadian operations to low or lower-cost countries.

For fiscal 2014, 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$29.2 million compared to an exposure of US$37.2 million in fiscal 2013. These figures represent the estimated net exposure calculated as U.S. dollar revenue less U.S. dollar expenses and forwards. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2014, we estimate pre-tax profit would change by $292 thousand or about $217 thousand after tax. These estimates are based on historical norms and may be materially different in 2014 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 2014, 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$12.4 million. If the Canadian dollar were to strengthen or weaken by $0.01 in fiscal 2014, pre-tax profit would change by $124 thousand or about $82 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; however, there is a very close correlation to the value of the Euro. It is difficult to anticipate fluctuations in Moroccan currency in the event of major European fiscal or sovereign debt uncertainty or political instability in Morocco, Mexico, Colombia, Brazil or other emerging countries in which the Company has operations.

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 Canada and the U.S. must compete with products manufactured in lower-cost environments.

With the acquisition of Extrusion Colombia, the greenfields in Brazil and Thailand and the operation of numerous subsidiaries in US, Europe, Mexico and Morocco, Exco is increasingly conducting business in diverse countries and in diverse 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.

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 U.S. 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 90 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.

OUTLOOK

As we look toward the next year we believe the economic recovery in North American automotive industry will continue to be robust and should continue to grow at a steady pace. With U.S. interest rates expected to remain at historic low levels some time, unit sales of light vehicles should continue to benefit from cheaper leasing and financing charges despite anaemic growth in the greater U.S. economy. The climbing age of the average North American automobile on the road today - in excess of 11 years - and the better mileage of new vehicles also support stronger demand for light vehicles. This will directly benefit our automotive component businesses which should continue to experience strong sales and efficient overhead absorption, as well as, indirectly benefit our large mould businesses and Castool which sell moulds and consumable components/tooling to OEMs and their tiers. This relatively positive outlook may be undermined by political developments in the U.S. that may result in simultaneous increases in U.S. taxes and sharply reduced government spending.

In Europe, fiscal austerity and recession throughout the Euro zone is so prevalent that automobile sales are at historic lows and certain OEMs are undertaking the arduous task of permanently downsizing their production capacity to match sharply reduced demand. Exco's reliance on the European market is minimal and it is expected there will be a minimal overall impact on its performance next year as our Polydesign business unit will continue launching new programs for a wide array of products which should offset any reduction in volumes.

Legislative requirements in the US for higher automobile fuel efficiency have now become law. The need to improve mileage in 2017 and each year thereafter until 2025 when 54.5 mpg is achieved will ensure significant investment by all OEMs in next generation engine and transmission architecture and use of lighter material and components. 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 and its recent investment in silafont die casting technology ensures that Exco will benefit from these trends well into the future. We also expect that the investment in Queretaro Mexico will become a meaningful tooling supplier to the ever growing Mexican automotive industry die casters.

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 U.S. industrial and commercial construction markets are recovering much more slowly. Anti dumping duties in the U.S. and Canada against Chinese imports of aluminum extrusions and the consolidation of our two Canadian extrusion plants into one has helped firm up profitability of this group. This should continue in the next year. Our tool shop in Colombia should continue to capture market share in the fast growing South American markets. Exco's construction of a new extrusion tool shop in Sorocaba Brazil is expected to be complete in the second quarter of fiscal 2014 but will be a drag on our cash and earnings next year. However, once complete it will enable Exco to also capture market share in the fast growing Brazil market which is largely closed to foreign competition by relatively high protective tariffs. Our construction of a Castool facility in Chonburi, Thailand is expected to be complete and start production early in the third quarter of fiscal 2014. This new facility will also be a drag on our cash and earnings in fiscal 2014 but is expected to contribute significantly in the following years.

In the meantime, Exco itself enters 2014 with no bank debt and cash on hand of $26.1 million or 64 cents per share after paying $7.0 million in dividends and investing another $23.2 million in acquisition, greenfields and machinery and equipment to keep us competitive. 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 maintain margins. 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.

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 International Financial Reporting Standards. 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 26, 2013

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 statements of financial position as at September 30, 2013 and 2012, 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 International Financial Reporting Standards, 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
November 26, 2013

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
$ (000)'s

	As at September 30, 2013	As at September 30, 2012
ASSETS		
Current		
Cash and short-term deposits	**$26,072**	$31,243
Accounts receivable (note 8)	**53,974**	46,974
Unbilled revenue (note 7)	**9,188**	13,557
Inventories (note 9)	**24,347**	21,649
Prepaid expenses and deposits	**1,878**	1,643
Income taxes receivable	**1,704**	-
Total current assets	**117,163**	115,066
Property, plant and equipment, net (note 5)	**76,563**	60,866
Deferred tax assets (note 14)	**1,377**	1,712
	$195,103	$177,644
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade accounts payable (note 8)	**$15,905**	$16,147
Accrued payroll and taxes	**5,822**	5,442
Other accrued liabilities	**4,108**	4,751
Derivative instruments (note 8)	**525**	230
Provisions (note 6)	**685**	895
Income taxes payable	**-**	1,638
Customer advance payments (note 7)	**1,124**	1,107
Total current liabilities	**28,169**	30,210
Deferred tax liabilities (note 14)	**2,800**	3,688
Total liabilities	**30,969**	33,898
Shareholders' Equity		
Share capital (note 3)	**37,389**	37,057
Contributed surplus (note 3)	**3,368**	3,318
Accumulated other comprehensive loss (note 3)	**(285)**	(3,677)
Retained earnings	**123,662**	107,048
Total shareholders' equity	**164,134**	143,746
	$195,103	$177,644

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

On behalf of the Board:

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

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
$ (000)'s except for income per common share

	Years ended September 30	
	2013	2012
Sales	**$244,610**	$242,516
Cost of sales before the following	**173,534**	172,648
Selling, general and administrative expenses (notes 3, 8 and 11(B))	**27,972**	27,274
Depreciation and amortization	**8,600**	8,662
Loss on disposal of property, plant and equipment	**150**	2
Interest (income) expense	**(4)**	5
	210,252	208,591
Income before income taxes	**34,358**	33,925
Provision for (recovery of) income taxes (note 14)		
Current	**11,046**	10,026
Deferred	**(320)**	(550)
	10,726	9,476
Net income for the year	**$23,632**	$24,449
Other comprehensive income (loss)		
Net unrealized loss on derivatives designated as cash flow hedges (note 8)	**(306)**	(82)
Unrealized gain (loss) from foreign currency translation	**3,698**	(4,192)
	3,392	(4,274)
Comprehensive income	**$27,024**	$20,175
Income per common share		
Basic	**$0.58**	$0.60
Diluted	**$0.58**	$0.60
Weighted average number of common shares outstanding (note 13)		
Basic	**40,676**	40,734
Diluted	**41,024**	40,930

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

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
$ (000)'s

				Accumulated other comprehensive income (loss)			
	Share capital	Contributed surplus	Retained earnings	Net unrealized loss on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	Total accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, October 1, 2011	$36,046	$3,519	$90,165	-	$597	$597	$130,327
Net income for the year	-	-	24,449	-	-	-	24,449
Dividends (note 3)	-	-	(5,494)	-	-	-	(5,494)
Stock option expense (note 3)	-	158	-	-	-	-	158
Issuance of share capital (note 3)	1,695	(359)	-	-	-	-	1,336
Repurchase of share capital (note 3)	(684)	-	(2,072)	-	-	-	(2,756)
Other comprehensive loss (note 3)	-	-	-	(82)	(4,192)	(4,274)	(4,274)
Balance, September 30, 2012	$37,057	$3,318	$107,048	($82)	($3,595)	($3,677)	$143,746
Net income for the year	-	-	23,632	-	-	-	23,632
Dividends (note 3)	-	-	(7,018)	-	-	-	(7,018)
Stock option expense (note 3)	-	139	-	-	-	-	139
Issuance of share capital (note 3)	332	(89)	-	-	-	-	243
Other comprehensive loss (note 3)	-	-	-	(306)	3,698	3,392	3,392
Balance, September 30, 2013	**$37,389**	**$3,368**	**$123,662**	**($388)**	**$103**	**($285)**	**$164,134**

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

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
$ (000)'s

	Years ended September 30	
	2013	2012
OPERATING ACTIVITIES:		
Net income for the year	**$23,632**	$24,449
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization (note 5)	**8,600**	8,662
Stock-based compensation expense (note 3)	**370**	350
Deferred income taxes	**(511)**	(807)
Loss on disposal of property, plant and equipment	**150**	2
Gain on financial instruments valuation	**(119)**	(952)
	32,122	31,704
Net change in non-cash working capital (note 15)	**(9,238)**	(368)
Cash provided by operating activities	**22,884**	31,336
FINANCING ACTIVITIES:		
Dividends paid (note 3)	**(7,018)**	(5,494)
Repurchase of share capital (note 3)	**-**	(2,756)
Issuance of share capital (note 3)	**243**	1,336
Cash used in financing activities	**(6,775)**	(6,914)
INVESTING ACTIVITIES:		
Business acquisition, net of cash acquired (notes 5, 12)	**(1,485)**	-
Purchase of property, plant and equipment (note 5)	**(21,999)**	(7,733)
Proceeds on disposal of property, plant and equipment	**254**	37
Cash used in investing activities	**(23,230)**	(7,696)
Effect of exchange rate changes on cash and short-term deposits	**1,950**	(859)
Net (decrease) increase in cash and short-term deposits during the year	**(5,171)**	15,867
Cash and short-term deposits, beginning of year	**31,243**	15,376
Cash and short-term deposits, end of year	**$26,072**	$31,243

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

1. CORPORATE INFORMATION

Exco Technologies Limited (the "Company") is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through 11 strategic locations, the Company services a diverse and broad customer base. The Company is incorporated and domiciled in Canada. The registered office is located at 130 Spy Court, Markham, Ontario, Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are outlined below:

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements and accompanying notes for the year ended September 30, 2013 were authorized for issue by the Board of Directors on November 26, 2013.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, its subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the parent company's functional and presentation currency.

Transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange at the consolidated statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income and comprehensive income.

Translation of foreign operations
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position; and
- Income and expenses for each statement of income and comprehensive income are translated at the

exchange rates prevailing at the dates of the transactions.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recorded in other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of income and comprehensive income as part of the gain or loss on sale.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations,* are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Critical judgements and use of estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivable, unbilled revenue, inventories, property, plant and equipment, contingent liabilities, income taxes, fair value of financial instruments and stock option valuation.

Measurement for doubtful accounts receivable requires management to make estimates and assumptions based on prior experience and assessment of current financial conditions of customers, as well as the general economic environment and industry sectors in which they operate.

Several divisions engage in the construction of custom-order large die-cast moulds. Such activities fall into the scope of IAS 11, *Construction Contracts*, where revenue is recognized using the percentage of completion method. Under this method, at every reporting date, management is required to estimate the expected outcome on all outstanding contracts as well as measurement of their progress achieved towards their completion. The estimation requires management to make certain assumptions and judgements. These assumptions and judgements are continuously reviewed and updated. If different assumptions are used, it is possible that different amounts would be recognized in the consolidated financial statements.

Net realizable value of inventories is dependent upon the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on prior experience and assessment of current market conditions.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined with the exercise of judgement. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of property, plant and equipment requires judgement and is based on currently available information. Property, plant and equipment are also reviewed for potential impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives and future cash flows differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of property, plant and equipment or future cash flows constitute a change in accounting estimates and are applied prospectively.

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

The valuation of the Company's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted at the grant date. This model requires the input of a number of assumptions including expected dividend yields, expected stock volatility, expected time until exercise, expected forfeitures, 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.

Revenue recognition

Revenue is recognized when it can be measured reliably, the significant risks and rewards of ownership are transferred to the customer, and it is probable that future economic benefits will flow to the

Company. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties.

- Revenue from short-term casting contracts, extrusion and other tooling, and Automotive Solutions segment products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon shipment or acceptance by customers.

- Revenue from long-term large die-cast mould contracts are recognized using the percentage of completion method according to IAS 11, *Construction Contracts*, under which:

  - When the outcome of a contract can be reliably estimated, revenue and costs associated with a contract are recognized as revenue and expenses, respectively by reference to the stage of completion of the contract at the consolidated statement of financial position date. The stage of completion is determined by the percentage of the costs incurred to date to the total estimated cost.

  - When the outcome of a contract cannot be reliably estimated, revenue is recognized only to the extent of contract costs incurred. When the uncertainties that prevented reliable estimation of the outcome of a contract no longer exist, contract revenue and expenses are recognized using the percentage of completion method.

  - If the expected outcome of a contract is a loss, it is recognized immediately regardless of whether or not work has commenced on the contract.

  - For contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, a gross amount due from customers for contract work is recognized as unbilled revenue - an asset in the consolidated statements of financial position. For all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses), a gross amount due to customers for contract work is recognized as customer advance payments - a liability in the consolidated statements of financial position.

Share-based payments
The Company grants stock options to buy common shares of the Company to officers and employees. The Board of Directors grants such options for periods of up to 10 years, with vesting periods determined at its sole discretion and at prices equal to the average closing market prices for the five days preceding the date on which the options were granted.

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 in the consolidated statements of income and comprehensive income over the vesting period with a corresponding increase to contributed surplus. 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.

On November 18, 2005 the Board adopted a Deferred Share Unit ("DSU") plan for Independent Directors. The DSU plan replaces the past practice of granting eligible directors stock options under the Stock Option plan. Under the DSU plan, quarterly remuneration of a director is credited to the director's DSU account in the form of deferred share units on the last business day of the quarter. The number of deferred share units credited to the director's account is determined by dividing a director's quarterly remuneration by the weighted average price of the common share value traded in the last five business days of the quarter. Deferred share units are fully vested upon being credited to a director's DSU account. The deferred share units will be redeemed by the Company in cash payable 60 days after the Independent Director departs from the Board at the fair market value at the payment date.

Income taxes
Income tax expense consists of current and deferred income taxes. Income tax expense is recognized in the consolidated statements of income and comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to taxes payable with regards to previous years.

Deferred income taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible timing differences can be utilized.

Deferred taxes are charged or credited in the consolidated statements of income and comprehensive income, except when it relates to items credited or charged directly to equity in which case the deferred taxes are also dealt with in equity.

Deferred tax assets are assessed at each statement of financial position date.

Income per common share
Basic income per share is computed by dividing the net income available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted income per share is computed similar to basic income per share except that the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

Other comprehensive income (loss)
Other comprehensive income (loss) is the change in the Company's net assets that results from translations, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income such as foreign currency gains or losses on the translation of the financial statements of foreign operations and foreign exchange gains or losses on the fair valuation of foreign exchange contracts designated as cash flow hedges. The Company's other comprehensive income (loss), components of other comprehensive income (loss) and cumulative translation adjustments are presented in the consolidated statements of income and comprehensive income and the consolidated statements of changes in shareholders' equity.

Cash and short-term deposits
Cash and short-term deposits include cash on hand, balances with banks and short-term deposits with maturities at their acquisition date of three months or less.

Property, plant and equipment

(i) *Machinery and equipment*
Machinery and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. All direct costs related to the acquisition and installation of machinery and equipment are capitalized until the properties to which they are related are capable of carrying out their intended use. Machinery and equipment are depreciated using the diminishing balance method based on their estimated useful lives which range from 4 to 20 years.

(ii) *Other assets*
Other assets are recorded at cost less accumulated depreciation and accumulated impairment losses and depreciated using the straight-line method based on estimated useful lives, which generally range from 3 to 10 years, with the exception of buildings which have estimated useful lives of 30 years. Land is not depreciated.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects are capitalized until the asset is brought to a working condition for its intended use.

The costs of day-to-day servicing are expensed as incurred. These costs are more commonly referred to as "maintenance and repairs."

The depreciation methods and useful lives are assessed annually or when critical events occur that may affect the useful lives and expected pattern of consumption of economic benefits embodied in the asset.

(iii) *Subsequent costs*
The cost of replacing part of an item within property, plant and equipment is capitalized when the cost is incurred or if it is probable that the future economic benefits will flow to the business unit and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are expensed as incurred.

(iv) *Impairment*
The Company's tangible assets are reviewed for indicators of impairment at each consolidated statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating units, exceeds its recoverable amount. Impairment loss is recognized in income or loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(v) *Reversal of impairment*
An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Inventories
Inventories, comprising raw materials, work-in-process, finished goods and production supplies, are valued at the lower of cost and net realizable value. Cost is determined substantially on a first-in, first-out basis and an appropriate portion of normal overhead expenditure. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving stock is identified and written down.

Financial instruments
As defined under IAS 39, *Financial Instruments,* financial assets and liabilities are recognized in the Company's consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company no longer has the rights to such cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial instruments recognized in the consolidated statements of financial position comprise cash and short-term deposits, accounts receivable, accounts payable, customer advance payments and derivative financial instruments.

Financial instruments are measured at their fair values on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the effective interest rate method.

Changes in fair value are included in the consolidated statements of income and comprehensive income unless the instrument is included in a cash flow hedge. If the instruments are included in a cash flow hedging relationship, which is effective, changes in value are recorded in other comprehensive income (loss). When the hedged forecast transaction occurs, amounts previously recorded in other comprehensive income (loss) are recognized in the consolidated statements of income and comprehensive income. Amounts recognized as other comprehensive income (loss) are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast purchase occurs.

Accounts receivable are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of accounts receivable is based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified. Accounts payable and customer advance payments are initially recognized at the transaction value and subsequently carried at amortized cost.

The Company uses derivative financial instruments, such as forward foreign currency exchange contracts in the form of put and call option contracts ("Collars"), to hedge cash outflows anticipated to be made in Mexican peso denominated payments against foreign currency fluctuations between U.S. dollars and Mexican pesos. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income (loss) in the cash flow hedge reserve, while any ineffective portion is recognized immediately to profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in other comprehensive income (loss) is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income (loss) remains in other comprehensive income (loss) until the forecast transaction or firm commitment affects profit or loss.

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

The Company's financial assets and liabilities recorded at fair value in the consolidated statements of financial position have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. Transaction costs for financial assets classified as available for sale are added to the value of the instruments at the acquisition date. Transaction costs related to other financial liabilities are added to the value of the instrument at the acquisition date and recorded in income using the effective interest rate method.

Provisions

As required under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases
As required under IAS 17, *Leases*, assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding amount is recognized as a finance lease liability. The finance lease liability is reduced by lease payments less finance charges, which are expensed as part of interest expense in the consolidated statements of income and comprehensive income. Under operating leases, payments are recognized as expense over the term of the relevant leases.

Employee future benefits

(i) *Leave pay*
Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at year end.

(ii) *Termination 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 an associated liability when the amount can be reasonably estimated at the discounted value of the expected future payments.

Accounting standard adopted in the current year
IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*
On October 1, 2012, the Corporation adopted revised IAS 12, *Income Taxes*. The revised standard was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax asset relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The adoption of the standard did not affect the consolidated financial statements.

Accounting standards issued but not yet applied
The following standards are not yet effective for the year ended September 30, 2013. The extent of the impact of adoption of these standards in the consolidated financial statements of the Company is expected to be immaterial.

IFRS 10 *Consolidated Financial Statements,* IAS 27 *Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31, *Interest in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions.* Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement, which are classified as either joint operations or joint ventures, and provides guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly. Investments in joint ventures are required to be accounted for using the equity method. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, Investments in Associates and Joint Ventures, has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11. This standard becomes effective January 1, 2013.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified [or 'recycled'] to profit or loss at a future point in time [for example, upon derecognition or settlement] would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The amendment affects presentation only and has no impact on the Company's financial position or performance.

IAS 19 *Employee Benefits (Revised)*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amended standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 and IAS 32*

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are set off in accordance with IAS 32. The standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

$(000)'s except per share amounts

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

3. 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. None of these shares have par value.

Issued

The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common Shares	
Issued and outstanding at October 1, 2011	40,961,823	$36,046
Contributed surplus on stock options exercised	-	359
Issued for cash under Stock Option Plan	438,368	1,336
Purchased and cancelled pursuant to normal course issuer bid	(777,180)	(684)
Issued and outstanding at September 30, 2012	40,623,011	37,057
Contributed surplus on stock options exercised	-	89
Issued for cash under Stock Option Plan	91,822	243
Issued and outstanding at September 30, 2013	**40,714,833**	**$37,389**

Accumulated other comprehensive loss

Included in accumulated other comprehensive loss in shareholders' equity are gains and losses arising from the translation of the Company's foreign subsidiaries, net gain and loss on derivatives designated as cash flow hedges and reclassification to income of net gain (loss) on cash flow hedges as summarized on the following table.

	2013	2012
Opening balance, October 1	**($3,677)**	$597
Net unrealized loss on derivatives designated as cash flow hedges (1)	**(306)**	(82)
Unrealized gain (loss) from currency translation adjustments	**3,698**	(4,192)
Total other comprehensive income (loss) for the year	**3,392**	(4,274)
Closing balance, September 30	**($285)**	($3,677)

(1) Net of income tax recovery of $108 (2012 – recovery of $29).

Cash dividends

During the year, the Company paid four quarterly cash dividends totalling $7,018 (2012 - $5,494). The dividend rate per quarter increased in the second quarter of the year from $0.0375 to $0.045 per common share.

$(000)'s except per share amounts

Stock Option Plan

The Company has a Stock Option Plan under which common shares may be acquired by employees and officers of the Company. The following table shows the changes to the number of stock options outstanding during the year:

	2013		2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**1,250,788**	**$4.31**	1,695,390	$3.95
Granted during the year	**33,452**	**5.33**	90,000	3.52
Exercised during the year	**(91,822)**	**2.63**	(438,368)	3.05
Expired during the year	**(194,640)**	**5.82**	(96,234)	3.00
Balance, end of year	**997,778**	**$4.20**	1,250,788	$4.31

The following table summarizes information about stock options outstanding and exercisable at September 30, 2013:

	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	191,349	1.70 years	$1.88	96,239	$1.90
$3.01 - $4.50	537,521	3.50 years	$3.74	379,133	$3.89
$4.51 - $7.15	268,908	1.43 years	$6.78	235,456	$6.98
$1.03 - $7.15	997,778	2.60 years	$4.20	710,828	$4.64

The number of common shares available for future issuance of options at September 30, 2013 was 2,054,375 (2012 - 1,454,819). The number of options outstanding together with those available for future issuance totals 3,052,153 (2012 – 2,705,607) or 7.5% (2012 - 6.7%) 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% at each anniversary date from the date of grant.

$(000)'s except per share amounts

Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option pricing model to the Company's Stock Option Plan was $139 for the year ended September 30, 2013 (2012 - $158). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used to measure the fair value of stock options and the weighted average fair value of options granted during the years ended September 30, 2013 and 2012 are as follows:

	2013	2012
Risk free interest rates	**1.33%**	1.40%
Expected dividend yield	**2.68%**	3.36%
Expected volatility	**63.46%**	67.73%
Expected time until exercise	**6.29 years**	5.38 years
Weighted average fair value of the options granted	**$2.50**	$1.60

Deferred Share Unit Plan

The deferred share units granted to the Company's directors during the year are as follows:

	Number of units	**Expense**
December 31, 2012	**2,418**	**$151**
March 31, 2013	**2,421**	**14**
June 30, 2013	**3,846**	**(4)**
September 30, 2013	**3,498**	**70**
Total	**12,183**	**$231**

	Number of units	Expense
December 31, 2011	4,554	$19
March 31, 2012	3,155	141
June 30, 2012	3,144	16
September 30, 2012	3,139	16
Total	13,992	$192

As at September 30, 2013, the provision for the total DSUs outstanding amounted to $552 (2012 - $456). 21,844 DSUs were paid out for a total value of $135 during the year ended September 30, 2013 (2012 - nil).

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:

	2013	2012
Balance, beginning of year	**$3,318**	$3,519
Stock option expense	**139**	158
Exercise of stock options	**(89)**	(359)
Balance, end of year	**$3,368**	$3,318

$(000)'s except per share amounts

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 3.7% of the Company's outstanding common shares. During the year, no common shares were repurchased (2012 – 777,180). The total cost to repurchase the common shares in the prior year was $2,756, which exceeded their stated value by $2,072 and was charged against retained earnings.

4. BANK INDEBTEDNESS

	September 30, 2013	September 30, 2012
Prime rate in Canada	**3.00%**	3.00%
Prime rate in US	**3.25%**	3.25%
JP Morgan Chase operating lines	**$17,356**	$17,096
Bank overdrafts	**(3,006)**	(4,314)
Letters of credit	**-**	(2,121)
Unused and available operating lines	**$14,350**	$10,661

These operating lines are available in U.S. dollars and Canadian dollars at variable rates ranging from prime plus 0.5% to prime plus 2.0%. The Company's Canadian credit facilities are collateralized by a general agreement over its Canadian assets. The U.S. credit facility is collateralized by a security interest over the assets of the Company's U.S. subsidiary, Polytech.

5. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	**Tools**	**Buildings**	**Land**	**Goodwill**	**Total**
Cost						
Balance as at September 30, 2011	$140,610	$38,656	$44,902	$6,959	$243	$231,370
Additions:						
Assets acquired	6,358	758	537	80	-	7,733
Reclassifications	(1,166)	415	751	-	-	-
Less: disposals	(10,336)	(4,054)	(57)	-	-	(14,447)
Foreign exchange movement	(2,503)	(224)	(1,351)	(134)	2	(4,210)
Balance as at September 30, 2012	132,963	35,551	44,782	6,905	245	220,446
Additions:						
Assets acquired	13,407	1,611	5,188	1,793	-	21,999
Assets acquired through business acquisition	891	458	-	-	63	1,412
Reclassifications	(641)	273	368	-	-	-
Less: disposals	(2,583)	(561)	-	-	-	(3,144)
Foreign exchange movement	2,022	461	1,104	78	-	3,665
Balance as at September 30, 2013	**$146,059**	**$37,793**	**$51,442**	**$8,776**	**$308**	**$244,378**

$(000)'s except per share amounts

	Machinery and equipment	Tools	Buildings	Land	Goodwill	Total
Accumulated depreciation and impairment losses						
Balance as at September 30, 2011	$114,623	$35,057	$18,726	$-	$-	$168,406
Depreciation and amortization for the year	5,646	1,326	1,690	-	-	8,662
Reclassifications	(99)	5	94	-	-	-
Less: disposals	(10,316)	(4,054)	(57)	-	-	(14,427)
Foreign exchange movement	(1,979)	(601)	(481)	-	-	(3,061)
Balance as at September 30, 2012	107,875	31,733	19,972	-	-	159,580
Depreciation and amortization for the year	5,399	1,431	1,770	-	-	8,600
Less: disposals	(2,324)	(415)	-	-	-	(2,739)
Foreign exchange movement	1,533	412	429	-	-	2,374
Balance as at September 30, 2013	**$112,483**	**$33,161**	**$22,171**	**$-**	**$-**	**$167,815**
Carrying amounts						
At September 30, 2012	$25,088	$3,818	$24,810	$6,905	$245	$60,866
At September 30, 2013	**$33,576**	**$4,632**	**$29,271**	**$8,776**	**$308**	**$76,563**

At September 30, 2013, the Company had deposits for machinery and equipment and buildings under construction totalled $8,724 (2012 - $1,629). These assets are not being depreciated because they are under construction and not in use.

6. PROVISIONS

The following table outlines the provisions at the dates of the consolidated statements of financial position and changes to the provisions during the reporting periods.

	September 30, 2013	September 30, 2012
Severance	**$402**	$434
Warranties	**261**	25
Claims and litigation	**22**	436
	$685	$895

The fair value of the above provisions is management's best estimate based on information available. The ultimate amounts and timing of payments for any of these provisions are not determinable at this present time. There is no reimbursement expected for any of these provisions.

$(000)'s except per share amounts

The movement in the provision accounts is as follows:

	Severance	Warranties	Claims and litigation	Total
Closing balance, September 30, 2011	$456	$26	$353	$835
Additions	390	-	111	501
Utilized	(316)	-	(20)	(336)
Reversals	(49)	-	-	(49)
Foreign exchange differences	(47)	(1)	(8)	(56)
Closing balance, September 30, 2012	434	25	436	895
Additions	334	235	1	570
Utilized	(379)	-	(363)	(742)
Reversals	(17)	-	(52)	(69)
Foreign exchange differences	30	1	-	31
Closing balance, September 30, 2013	**$402**	**$261**	**$22**	**$685**

7. TOOL CONSTRUCTION CONTRACTS

Contract revenue recognized under the percentage of completion method during the year was $43,573 (2012 - $48,035). For contracts in progress, the following table summarizes the aggregate amount of costs incurred, profits recognized, progress billings from customers for the related contracts and retentions being held to date.

	September 30, 2013	September 30, 2012
Contracts in progress:		
Aggregate amount of costs incurred to date	**$8,578**	$12,832
Add: profits recognized (less losses recognized) to date	**1,744**	2,835
Gross: unbilled revenue	**10,322**	15,667
Less: progress billings	**(1,134)**	(2,110)
Net unbilled revenue	**$9,188**	$13,557
Retentions	**$-**	$-
Due from customers	**9,195**	13,894
Due to customers	**($7)**	($337)

8. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Cash and short-term deposits	Financial assets - held for trading
Accounts receivable*	Financial assets - loans and receivables
Trade accounts payable	Financial liabilities - financial liabilities measured at amortized cost
Customer advance payments	Financial liabilities - financial liabilities measured at amortized cost

**Recorded at net of allowance for doubtful accounts.*

$(000)'s except per share amounts

Foreign exchange contracts
The Company entered into a series of collars extending through to September 1, 2016 and designated them as cash flow hedges. The total value of these collars is 252.0 million Mexican pesos (September 30, 2012 – 102.0 million Mexican pesos). The selling price ranges from 12.20 to 14.78 Mexican pesos to each U.S. dollar. Management estimates that a cumulative loss of $525 (September 30, 2012 – loss of $111) would be realized if these collars were terminated on September 30, 2013. During the year, the estimated fair value loss of $306, net of income tax recovery of $108 (2012 – loss of $82, net of income tax recovery of $29) has been included in other comprehensive loss and the accumulative loss of $525 is recorded in the consolidated statements of financial position under the caption other 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 trade accounts receivable disclosed in the consolidated statements of financial position is net of allowance 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 allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income and comprehensive income. As at September 30, 2013, the accounts receivable balance (net of allowance for doubtful accounts) is $53,974 (2012 - $46,974) and the Company's five largest trade debtors accounted for 49.6% of the total accounts receivable balance (2012 - 45%). At September 30, 2013, accounts receivable of $638 (2012 - $499) are insured against default.

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

	September 30, 2013	September 30, 2012
Trade accounts receivable	**$52,257**	$44,313
Employee receivable	**158**	147
Sales tax receivable	**1,611**	2,244
Other	**387**	760
Less: allowance for doubtful accounts	**(439)**	(490)
Total accounts receivable, net	**$53,974**	$46,974

$(000)'s except per share amounts

The aging of trade accounts receivable balances is as follows:

	September 30, 2013	September 30, 2012
Not past due	**$36,818**	$31,778
Past due 1-30 days	**9,566**	7,986
Past due 31-60 days	**4,051**	1,122
Past due 61-90 days	**844**	2,080
Past due over 90 days	**978**	1,347
Less: allowance for doubtful accounts	**(439)**	(490)
Total trade accounts receivable, net	**$51,818**	$43,823

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

	September 30, 2013	September 30, 2012
Opening balance	**$490**	$387
Additions	**228**	240
Utilized	**(227)**	(99)
Reversal	**(112)**	(10)
Exchange differences	**60**	(28)
Closing balance	**$439**	$490

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 cash flows from its operating, investing and financing activities. As at September 30, 2013, the Company has a net cash balance of $26,072 (2012 - $31,243) and unused credit facilities of $14,350 (2012 - $10,661).

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following tables summarize the Company's significant commitments and corresponding maturities:

		September 30, 2013		
	Total	**< 1 year**	**1-3 years**	**> 3 years**
Trade accounts payable	**$15,905**	**$15,905**	**$-**	**$-**
Operating leases	**1,213**	**445**	**591**	**177**
Purchase commitments	**12,246**	**12,246**	**-**	**-**
Capital expenditures	**6,630**	**6,630**	**-**	**-**
	$35,994	**$35,226**	**$591**	**$177**

$(000)'s except per share amounts

	September 30, 2012			
	Total	< 1 year	1-3 years	> 3 years
Trade accounts payable	$16,147	$16,147	$-	$-
Finance leases	56	12	22	22
Operating leases	1,286	458	532	296
Purchase commitments	10,381	10,381	-	-
Capital expenditures	3,550	3,550	-	-
	$31,420	$30,548	$554	$318

c) Foreign Exchange Risk

The Company's functional and reporting currency is the Canadian dollar. It operates in Canada with subsidiaries located in the United States, Mexico, Morocco and Colombia. It is exposed to foreign exchange transaction and translation risk through its operating activities. Unfavourable changes in the exchange rates may affect the operating results and shareholders' equity 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, the Company also uses collars to hedge cash out flows. These collars are designated as cash flow hedges. 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 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 tables outline the Company's annual foreign exchange exposure at one percent fluctuation between various currencies compared with the average annual exchange rate.

	1 % Fluctuation USD vs. CAD	1 % Fluctuation EUR vs. CAD	1 % Fluctuation MXP vs. CAD
Income before income taxes	+/-1,071	+/-21	+/-2
Other comprehensive income (loss)	+/-540	+/-102	+/-32

	1 % Fluctuation COP vs. CAD	1 % Fluctuation EUR vs. MAD	1 % Fluctuation USD vs. MXP
Income before income taxes	+/-4	+/46	+/-35
Other comprehensive income (loss)	+/-53	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, 2013, the Company has a net cash position of $26,072 (2012 - $31,243), and therefore, its interest rate risk exposure is insignificant.

e) Fair Value

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

$(000)'s except per share amounts

Due to their short-term nature, the fair value of cash and short term deposits, receivables, payables and customer advance payments is assumed to approximate their 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 statement of financial position dates. The following tables present the Company's fair value hierarchy for those financial assets and financial liabilities carried at September 30, 2013 and 2012.

	September 30, 2013		September 30, 2012	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Cash and short-term deposits	**$26,072**	**$26,072**	$31,243	$31,243
Foreign currency Collars	**($525)**	**($525)**	($230)	($230)

		Fair Value Measurements at Reporting Date Using:		
	Carrying Amount of Asset (Liability) at September 30, 2013	**Quoted Market Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and short-term deposits	**$26,072**	**$26,072**	**-**	**-**
Foreign currency Collars	**($525)**	**-**	**($525)**	**-**

		Fair Value Measurements at Reporting Date Using:		
	Carrying Amount of Asset (Liability) at September 30, 2012	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term deposits	$31,243	$31,243	-	-
Foreign currency Collars	($230)	-	($230)	-

9. INVENTORIES

	September 30, 2013	September 30, 2012
Raw materials	**$12,937**	$12,207
Work in process	**7,291**	4,837
Finished goods	**5,602**	6,172
Production supplies	**215**	230
Less: obsolescence provision	**(1,698)**	(1,797)
	$24,347	$21,649

$(000)'s except per share amounts

The movement in the obsolescence provision accounts is as follows:

	September 30, 2013	September 30, 2012
Opening balance	**$1,797**	$1,625
Additions	**736**	671
Utilized	**(930)**	(262)
Reversals	**-**	(30)
Exchange differences	**95**	(207)
Closing balance	**$1,698**	$1,797

During the year, inventories of $102,011 (2012 - $105,655) were expensed, of which $736 was from the write downs of inventories (2012 - $641), net of a nil reversal of write downs (2012 - $30).

10. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at September 30, 2013, total managed capital was $164,134 (2012 - $143,746), consisting of nil net debt (2012 - nil) and shareholders' equity of $164,134 (2012 - $143,746).

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, 2013	September 30, 2012
Net debt to equity ratio	**0.00:1**	0.00:1
Current ratio	**3.23:1**	2.77:1

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

	September 30, 2013	September 30, 2012
Bank indebtedness	**$-**	$-
Less: cash and short term deposits	**(26,072)**	(31,243)
Net debt	**nil**	nil

The current ratio is calculated by dividing current assets (excluding cash and short term deposits) by current liabilities (excluding bank indebtedness).

Based on the current funds available and the expected cash flow from operations, management believes that the Company has sufficient funds to meet its liquidity requirements.

$(000)'s except per share amounts

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 facility. As at September 30, 2013, the Company was in compliance with the required financial covenants.

11. 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 2 to the consolidated financial statements.

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

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

The Company evaluates the performance of its operating segments primarily based on net income before interest and income tax expense.

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

				2013
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$157,941**	**$92,515**	**$-**	**$250,456**
Intercompany sales	**(5,442)**	**(404)**	**-**	**(5,846)**
Net sales	**152,499**	**92,111**	**-**	**244,610**
Depreciation and amortization	**6,876**	**1,695**	**29**	**8,600**
Segment income (loss)	**21,918**	**16,969**	**(4,533)**	**34,354**
Net interest income				**4**
Income before income taxes				**34,358**
Property, plant and equipment additions	**20,876**	**1,080**	**43**	**21,999**
Property, plant and equipment acquired through business acquisition	**1,412**	**-**	**-**	**1,412**
Property, plant and equipment, net	**60,394**	**14,890**	**1,279**	**76,563**
Total assets	**138,584**	**53,159**	**3,360**	**195,103**
Total liabilities	**$15,128**	**$11,437**	**$4,404**	**$30,969**

$(000)'s except per share amounts

				2012
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$156,865	$90,425	$-	$247,290
Intercompany sales	(4,344)	(430)	-	(4,774)
Net sales	152,521	89,995	-	242,516
Depreciation and amortization	6,999	1,632	31	8,662
Segment income (loss)	22,436	15,332	(3,838)	33,930
Net interest expense				(5)
Income before income taxes				33,925
Property, plant and equipment additions	6,483	1,228	22	7,733
Property, plant and equipment, net	44,845	14,723	1,298	60,866
Total assets	121,359	53,025	3,260	177,644
Total liabilities	$17,966	$13,394	$2,538	$33,898

Geographic and customer information

Sales	**2013**	2012
Canada	**$20,890**	$14,881
United States	**153,998**	164,145
Europe	**40,490**	41,619
Mexico	**15,547**	8,425
South America	**5,402**	5,319
Asia	**378**	215
Other	**7,905**	7,912
	$244,610	$242,516

In 2013, the Company's largest customer was from the Casting and Extrusion segment and the total billings to this customer accounted for 16% (2012 - 17%) of total sales. The account receivable pertaining to this customer was $14,239 (2012 - $12,123). The allocation of sales to the geographic segments is based upon the customer location where the product is shipped.

Property, plant and equipment, net	**September 30, 2013**	September 30, 2012
Canada	**$38,662**	$33,471
United States	**14,460**	11,732
Mexico	**4,930**	4,869
South America	**10,530**	3,673
Morocco	**7,022**	7,121
Asia	**959**	-
	$76,563	$60,866

Property, plant and equipment are attributed to the country in which they are located.

$(000)'s except per share amounts

B. RESTRUCTURING COST

During the year, the Company recorded severance expense of $317 (2012 - $185) 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 12 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 15 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 and amounted to $272 as at September 30, 2013 (September 30, 2012 - $272). 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.

D. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management personnel during the years ended September 30, 2013 and 2012 were as follows:

	September 30, 2013	September 30, 2012
Salaries and cash incentives (i)	**$3,406**	$4,140
Directors' fees	**287**	250
Share-based payments (ii)	**282**	123
	$3,974	$4,513

i) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2013 and 2012.
ii) Share-based payments are director share units and stock option fair value granted to directors and key management personnel.

12. BUSINESS ACQUISITION

On January 11, 2013, the Company acquired BE&H Extrusion Dies Inc. - an extrusion die manufacturer located in Wylie, Texas, which services the south-central region of the United States for cash consideration of $1,485. The acquisition, to be operated as Exco Texas, secures for the Company a strong presence in an important geographic market segment where proximity to customers is key. The purchase price was allocated to the assets acquired based on the fair value of the total consideration as follows:

Property, plant and equipment	$1,412
Inventories	73
	$1,485

$(000)'s except per share amounts

This acquisition was accounted for using the acquisition method of accounting with the result of operation included in the Company's consolidated financial statements from the respective date of the acquisition.

The Company incurred immaterial acquisition-related costs including legal fees, consulting fees and due diligence costs that are included in administration and general expenses.

The impacts of Exco Texas on the Company's consolidated statements of income for the year ended September 30, 2013 are as follows:

	2013
Reported consolidated sales	$244,610
Exco Texas's sales	(2,145)
Consolidated sales excluding Exco Texas	$242,465
Reported consolidated net income	$23,632
Exco Texas's net losses	228
Consolidated net income excluding Exco Texas	$23,860

13. INCOME PER COMMON SHARE

Income per common share is calculated using net income and the monthly weighted average number of common shares outstanding of 40,676,013 (2012 - 40,734,151). Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted income per share. There was a dilution effect of 348,032 shares from the outstanding stock options on diluted weighted average number of common shares outstanding for 2013 (2012 - 195,897).

14. INCOME TAXES

		2013
Income before income taxes	**$34,358**	**100.0%**
Income tax expense at Canadian statutory rates	**$9,290**	**27.0%**
Manufacturing and processing deduction	**(395)**	**(1.1%)**
Foreign rate differential	**398**	**1.2%**
Items not deductible for income tax purposes	**(211)**	**(0.6%)**
Withholding tax on dividend	**1,530**	**4.4%**
Other	**114**	**0.3%**
Reported income tax expense	**$10,726**	**31.2%**

		2012
Income before income taxes	$33,925	100.0%
Income tax expense at Canadian statutory rates	$9,316	27.5%
Manufacturing and processing deduction	(284)	(0.8%)
Foreign rate differential	533	1.6%
Items not deductible for income tax purposes	155	0.5%
Statutory barred reserves	(88)	(0.4%)
Other	(156)	(0.5%)
Reported income tax expense	$9,476	27.9%

$(000)'s except per share amounts

The major components of income tax expense are as follows:

	2013	2012
Current income tax expense (recovery)		
Based on taxable income of the year	**$9,516**	$10,114
Withholding tax on dividend	**1,530**	-
Other	**-**	(88)
	11,046	10,026
Deferred income tax recovery		
Origination and reversal of temporary differences	**(320)**	(550)
Reported income tax expense	**$10,726**	$9,476

Deferred income tax movements in the consolidated statements of income and comprehensive income are as follows:

	2013	2012
Assets		
Tax benefit of loss carry forward	**($225)**	($114)
Items not currently deductible for income tax purposes	**85**	(614)
Unrealized FX losses	**80**	64
Liabilities		
Unrealized FX gains	**(234)**	124
Tax depreciation in excess of book depreciation	**(26)**	(10)
Net deferred income tax recovery	**($320)**	($550)

Net cash outflow during the year for income taxes was $14,345 (2012 - $9,385).

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

	2013	2012
Deferred tax assets		
Tax benefit of loss carry forward	**$513**	$188
Items not currently deductible for income tax purposes	**734**	1,524
Unrealized foreign exchange losses	**130**	-
	1,377	1,712
Deferred tax liabilities		
Unrealized foreign exchange gains	**-**	(178)
Tax depreciation in excess of book depreciation	**(2,800)**	(3,510)
	(2,800)	(3,688)
Net deferred income tax liabilities	**($1,423)**	($1,976)

The temporary difference associated with investments in subsidiaries for which deferred tax liabilities have not been recognized aggregated to $19,676 (2012 - $58,907).

$(000)'s except per share amounts

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2013	2012
Accounts receivable	**($6,935)**	($1,110)
Unbilled revenue	**4,378**	(315)
Inventories	**(2,634)**	(1,407)
Prepaid expenses and deposits	**(112)**	(399)
Trade accounts payable	**(298)**	977
Accrued payroll and taxes	**375**	814
Other accrued liabilities	**(769)**	401
Derivative instruments	**295**	(840)
Provisions	**(210)**	60
Customer advance payments	**14**	725
Income taxes payable	**(3,342)**	726
	($9,238)	($368)

16. 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, 2013 (2012 - nil).

CORPORATE INFORMATION

Board of Directors

Laurie T.F. Bennett, CPA, CA
Corporate Director

Edward H. Kernaghan, MSc
Senior Investment Advisor
Chippingham Financial Group

Nicole A. Kirk, BA, MBA
Corporate Director

Robert B. Magee, PEng
Chairman and CEO
Woodbridge Group

Philip B. Matthews, MA, CPA, CA
Corporate Director

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

Peter van Schaik
Founder and Chairman
Van Rob Inc.

Corporate Officers

Brian A. Robbins, PEng
President and CEO

Mary H. Nguyen, BComm, CMA
Vice President Finance, CFO and Secretary

Paul Riganelli, MA, MBA, LLB
Senior Vice President and COO

Transfer Agent and Registrar

Equity Financial Trust Company
200 University Avenue, Suite 300
Toronto, Ontario M5H 4H1
Phone: 416.361.0152
www.equitytransfer.com

Auditors

Ernst & Young LLP
Chartered Accountants

Stock Listing

Toronto Stock Exchange (XTC)

Corporate Office

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

2013 Annual Meeting

The 2013 Annual Meeting for the Shareholders will be held at EXCO at 130 Spy Court, 2nd Floor, Markham, Ontario on Wednesday, January 29, 2014, at 4:30 pm.

Technologies Limited

130 Spy Court, 2nd Floor
Markham, ON, Canada L3R 5H6
T. 905.477.3065
www.excocorp.com