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Interim report
to the shareholders
for the three months
ended December 31, 2008

	3 Months ended December 31	
	($000s, except per share amounts)	
	2008	2007
Sales	**$44,444**	$47,974
Net income (loss) from continuing operations	**($2,425)**	$1,364
Net loss from discontinued operations	**-**	($49)
Net income (loss)	**($2,425)**	$1,315
Basic and diluted earnings (loss) per share from continuing operations	**($0.06)**	$0.03
Basic and diluted loss per share from discontinued operations	**$0.00**	$0.00
Basic and diluted earnings (loss) per share	**($0.06)**	$0.03
Common shares outstanding	**40,674,000**	41,216,000

The following is management's interim discussion and analysis of operations and financial position and should be read in conjunction with the consolidated financial statements and Management's Discussion and Analysis in the Company's 2008 Annual Report.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102) of the Canadian Securities Administrators. Additional information regarding Exco, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to gross margin which is not a measure of financial performance under Canadian generally accepted principles ("GAAP"). The Company calculates gross margin as sales less cost of sales. The Company included information concerning this measure because it is used by management as a measure of performance and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. This measure is not necessarily comparable to similarly titled measures used by other companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial results for the three months ended December 31, 2008 and 2007 reflect the financial results of continuing operations and discontinued operations. Techmire was purchased in December 2000 and sold for cash on September 28, 2007. Results from this operation and proceeds realized on its sale have been classified as discontinued operations in the consolidated financial statements. All references in the MD&A are to continuing operations unless otherwise stated.

Consolidated sales from continuing operations for the quarter ended December 31, 2008 were $44.4 million compared to $48.0 million last year – a decrease of $3.6 million or 7.5%. The US dollar was 24 cents stronger against the Canadian dollar in the quarter ($1.22) compared to last year ($0.98) increasing sales by approximately $5.7 million.

During the first quarter, the Casting and Extrusion segment reported sales of $26.8 million compared to $26.4 million in the first quarter of last year – an increase of 2%. Deliveries of extrusion dies were up over the prior year. At Castool, sales were also up in spite of the difficult business environment among die casters and extruders. Sales at our large mould business in Canada improved over last year with strong shipments of new moulds for the Phoenix engine block program in the quarter; however, this was partially offset by reduction in our US large mould operation.

Sales in the Automotive Solutions segment decreased significantly to $17.6 million in the quarter compared to $21.6 million in the same period last year. North American sales have been under pressure as all OEMs manufacturing in North America have reduced production of automobiles as the market yielded to a severe lack of consumer confidence and tighter credit requirements. Christmas shutdowns in December began earlier than usual with some customers taking no deliveries in the month. In addition to overall volume reductions, several programs with Nissan at Neocon Canada experienced trim level downgrades that disrupted deliveries even further. Sales to European customers by our Polydesign facility in Morocco were also lower in the quarter reflecting weaker releases on our major seat cover program for Honda.

Net loss from continuing operations for the quarter was $2.4 million or $0.06 per share compared to net income of $1.4 million or $0.03 per share last year. Included in the current quarter was a $2.3 million foreign exchange loss of which $2.8 million was from fair market valuation of Mexican Peso foreign exchange collars. Excluding this fair market valuation loss which did not affect cash in the quarter, net income from continuing operations for the quarter was $423 thousand. This quarter, the consolidated tax rate was 57.2% compared to 25.6% last year. The high tax rate in the current quarter was caused by the tax treatment of the loss from fair market valuation of the Mexican Peso collars and withholding tax paid ($500 thousand) on repatriation of subsidiary profits ($10.6 million). Also, the benefit from lower tax rates on Polydesign earnings was significantly reduced this quarter in keeping with their lower earnings.

The Casting and Extrusion segment reported earnings for the quarter of $1.9 million compared to $525 thousand in the prior year. Earnings by Castool and the casting group have improved significantly over last year as increased production has improved operating efficiencies at Castool and the Phoenix engine program started to ship in the quarter. The extrusion die operations experienced lower earnings in the quarter owing to rapid reductions in the market price for steel and steel surcharges on which a portion of the selling price is based. The full benefit of raw material price reductions were not experienced in the quarter as existing raw material inventory was cleared.

The Automotive Solutions segment reported earnings of $171 thousand compared to $2.7 million last year. Heavy reductions in North American and European vehicle production have significantly impacted the performance of this segment, particularly in December with earlier plant shutdowns by most of our customers. This made it difficult to efficiently absorb overhead at several facilities in the last month of the quarter.

Corporate expense for the quarter amounted to $3.5 million compared to $1.3 million in the prior year. Included in the current quarter was the $2.8 million loss from fair market valuation of Mexican Peso collars. Excluding this loss, expense for the quarter was $698 thousand which is less than half of last year's corporate expense. The disposal of the aircraft, foreign exchange gains from currencies other than the Mexican peso and other cost saving initiatives accounted for this reduction.

Gross margin for the quarter was 19.6% compared to 21.6% in the prior year. Gross margin in the first quarter improved in the large mould business and Castool. The closure of Extec and the shipments of the Phoenix engine program in the quarter caused improvement in the large mould business while production efficiency improved margin at Castool. Margin at the extrusion group was negatively impacted by lower steel surcharge revenue. In the Automotive Solutions segment, low sales affected overhead absorption.

Selling, general and administrative charges increased by $1.5 million to $7.8 million in the quarter compared to $6.3 million in the prior year. This includes the $2.8 million loss from fair market valuation of the Mexican Peso collars. Excluding this fair market valuation loss, selling, general and administrative charges for the quarter was $5.0 million or 11% of sales compared to 13% in the prior year. Lower general management, administrative and marketing costs accounted for the reduction.

In the quarter, Exco expensed stock-based compensation of $49 thousand versus $130 thousand in the prior year quarter. This expense relates to the Employee Stock Purchase Plan, the Stock Option Plan, and the Deferred Stock Unit Plan (see note 2 of the Financial Statements).

Financial Resources, Liquidity and Capital Resources

Operating cash flow in the current quarter increased to $5.9 million from $447 thousand in the prior year. Primarily contributing to this improvement was a $2.9 million positive change from non-cash working capital in the current quarter compared to a negative change of $3.1 million last year. This improvement results mostly from the collection of $7.5 million accounts receivable in the quarter.

Cash used in financing activities was $2.8 million in the current quarter versus $5.9 million of cash provided by financing activities last year. This reflected lower bank indebtedness at December 31, 2008 compared to December 31, 2007.

Cash out-flow from investing activities in the quarter was $2.1 million versus $1.1 million in the same quarter last year. Included in the current quarter were expenditures of approximately $500 thousand incurred on the expansion of our Moroccan production facility and $300 thousand to complete the expansion of our extrusion die production facility in Michigan.

The Company's bank balances at quarter end totaled $10.3 million compared to $8.1 million at the beginning of the fiscal year. Exco's net cash position also increased to $4.4 million from $3.5 million over the same period. This improvement stems in large part from the foreign exchange impact of a strengthening US dollar on our US cash on hand (approximately US$15 million) and other US dollar denominated non cash working capital.

This year capital requirements for equipment are not expected to be materially different from last year. Exco will, however, continue to execute on its strategy of investing in productive capacity in low cost countries. Accordingly, capital will be expended on completing the expansion of the existing production facility in Morocco which will almost double the size of that facility. Exco is also in the process of building a new production facility in Queretaro, Mexico to service our large mould customers migrating to that region. The combined cost to complete these construction projects is expected to be funded by the proceeds from the sale of our Techmire facility and Exco's other cash flow. The Company's working capital requirements should be somewhat reduced if lower sales persist. Working capital may also be impacted by possible insolvencies among our customers.

	Payments Due by Period				
Contractual Obligations ($000)	*Total*	*Less than 1 year*	*1-3 years*	*4-5 years*	*After 5 years*
Long-term debt	-	-	-		
Capital lease obligations	-	-	-	-	-
Operating leases*	1,705	662	899	144	-
Purchase obligations	6,861	6,861			
Total contractual obligations	8,566	7,523	899	144	-

∗ Exco leases vehicles, a warehouse and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms; however, it is not uncommon to renew certain leases. Exco does not expect any material liquidity or capital resource impacts.

Quarterly Results

The following table sets out certain financial information for each of the eight fiscal quarters up to and including the first quarter of fiscal 2009 ended December 31, 2008:

($ thousands except per share amounts)	Dec.08	Sep.08	Jun.08	Mar. 08	Total
Sales	$44,444	$50,132	$47,677	$55,898	$198,151
Net income (loss) from continuing operations before goodwill impairment	($2,425)	$2,833	$3,147	$2,844	$6,399
Earnings (loss) per share					
Basic	($0.06)	$0.07	$0.08	$0.07	$0.16
Diluted	($0.06)	$0.07	$0.08	$0.07	$0.16
Net income (loss) from continuing operations	($2,425)	($20,753)	$3,147	$2,844	($17,187)
Earnings per share					
Basic	($0.06)	($0.51)	$0.08	$0.07	($0.42)
Diluted	($0.06)	($0.51)	$0.08	$0.07	($0.42)
Net income (loss)	($2,425)	($21,178)	$3,085	$2,844	($17,674)
Earnings (loss) per share					
Basic	($0.06)	($0.52)	$0.08	$0.07	($0.43)
Diluted	($0.06)	($0.52)	$0.08	$0.07	($0.43)

($ thousands except per share amounts)	Dec. 07	Sep. 07	Jun. 07	Mar. 07	Total
Sales	$47,974	$50,485	$51,574	$53,249	$203,282
Net income from continuing operations before goodwill impairment	$1,364	$341	$2,254	$2,517	$6,476
Earnings per share					
Basic	$0.03	$0.01	$0.05	$0.06	$0.15
Diluted	$0.03	$0.01	$0.05	$0.06	$0.15
Net income (loss) from continuing operations	$1,364	($752)	$2,254	$2,517	$5,383
Earnings (loss) per share					
Basic	$0.03	($0.02)	$0.05	$0.06	$0.12
Diluted	$0.03	($0.02)	$0.05	$0.06	$0.12
Net income (loss)	$1,315	($2,073)	$2,168	$1,859	$3,269
Earnings (loss) per share					
Basic	$0.03	($0.05)	$0.05	$0.04	$0.07
Diluted	$0.03	($0.05)	$0.05	$0.04	$0.07

Seasonal Variability of Results

Exco typically experiences strong sales and profit in the second quarter. Historically the Company did not experience a significant cyclical sales decline during the summer months as North American OEM's continued production throughout the summer. However, with weak demand for automobiles and production cuts by North American and European customers, the second quarter will be impacted and summer plant shutdowns are now expected to be extended if sales do not improve by the Company's third quarter. Polydesign usually experiences reduced business activity during August when its European customers typically close for vacations. This year lower anticipated sales are expected in the next several quarters. As a result, the balance of this year will experience softness in all of our businesses which are not typical of the seasonality usually experienced.

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with 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.

Outstanding Share Capital

As at December 31, 2008 Exco had 40,674,176 common shares issued and outstanding and stock options outstanding to purchase up to 2,004,429 common shares at exercise prices ranging from $1.52 to $7.60 per share. Since that time no options have been exercised and the Company repurchased no common shares.

Outlook

Exco's performance for the next several quarters will continue to be impacted by weak demand for automobiles in North America and Europe. Many of our customers have not restarted production at their facilities since the Christmas shutdown and in some cases have announced extended plant shutdowns well into our second quarter. Our industrial accounts, which have performed remarkably well throughout 2008, are now yielding to the general weakness in the larger economy. The Casting and Extrusion segment should experience more stable sales, particularly at Castool which continues to increase its market share and the large mould businesses where deliveries of large moulds on the Phoenix engine block program has finally begun to accelerate.

Many of our customers are experiencing great uncertainty and are in weak financial positions. This is generally impacting their ability to execute their plans for restructuring and growth and in many cases impairing their ability to pay suppliers, such as Exco, in a timely manner. Exco's determination to carefully manage its accounts receivable and maintain its strong balance sheet should mitigate this situation but much depends on continued government support of the Detroit 3 and the pace at which consumer demand for new automobiles recovers.

The weakening Canadian dollar and falling raw material prices are welcome favorable developments which will, ultimately benefit the Company. The Company is also being awarded new programs as weak suppliers become insolvent or are weeded out by cost conscious and risk averse customers. In the short term, however, the difficult sales environment in the Automotive Solutions segment given the precipitous production cuts by our customers will continue exerting downward pressure on earnings and requires further cost cutting.

This Management Discussion and Analysis contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "anticipate", "plan", "may", "will", "should", "expect", "believe", "estimate" and similar expressions to identify forward-looking information and statements. Such forward-looking information and statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be relevant and appropriate in the circumstances. Readers are cautioned not to place undue reliance on forward-looking information and statements, as there can be no assurance that the assumptions, plans, intentions or expectations upon which such statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed, implied or anticipated by such information and statements. These risks, uncertainties and assumptions are described in the Company's Management's Discussion and Analysis included in our 2008 Annual Report, in our 2008 Annual Information Form and, from time to time, in other reports and filings made by the Company with securities regulatory authorities.

While the Company believes that the expectations expressed by such forward-looking information and statements are reasonable, there can be no assurance that such expectations and assumptions will prove to 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 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.

NOTE TO READER

The attached consolidated financial statements have been prepared by management of the Company. The consolidated financial statements for the three-month period ended December 31, 2008 and 2007 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)
($ in thousands)

	As at December 31, 2008	As at September 30, 2008
ASSETS		
Current		
Cash	**$10,342**	$8,141
Accounts receivable (note 3)	**32,946**	34,120
Inventories (note 4)	**34,705**	30,527
Prepaid expenses and deposits	**3,928**	3,013
Assets held for sale	**5,068**	5,068
Discontinued operations	**-**	540
Total current assets	**86,989**	81,409
Mortgage receivable	**600**	600
Fixed assets	**78,474**	74,915
Goodwill	**10,086**	10,086
Future income tax assets	**1,373**	1,373
	$177,522	$168,383
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$5,885**	$4,634
Accounts payable and accrued liabilities	**22,208**	25,125
Income taxes payable	**402**	641
Customer advance payments	**3,509**	944
Total current liabilities	**32,004**	31,344
Future income tax liabilities	**5,168**	5,277
Total liabilities	**37,172**	36,621
Shareholders' Equity		
Share capital (note 2)	**35,442**	35,681
Contributed surplus (note 2)	**2,856**	2,789
Retained earnings	**106,485**	109,912
Accumulated other comprehensive loss (note 2)	**(4,433)**	(16,620)
Total shareholders' equity	**140,350**	131,762
	$177,522	$168,383

See accompanying notes

EXCO TECHNOLOGIES LIMITED

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(Unaudited)

($ in thousands) except for earnings (loss) per share

	3 Months ended December 31	
	2008	2007
Sales	**$44,444**	$47,974
Cost of sales and operating expenses before the following (note 4)	**35,727**	37,597
Selling, general and administrative (notes 2 and 3)	**7,778** *	6,294
Depreciation and amortization	**2,433**	2,344
Gain on sale of fixed assets	**-**	(175)
Interest expense	**49**	80
	45,987	46,140
Income (loss) from continuing operations before income taxes	**(1,543)**	1,834
Provision for income taxes	**882**	470
Income (loss) from continuing operations	**(2,425)**	1,364
Loss from discontinued operations, net of tax	**-**	(49)
Net income (loss) for the period	**(2,425)**	1,315
Other comprehensive income (loss)		
Unrealized gain (loss) on foreign currency translation of self-sustaining operations (note 2)	**12,187**	(277)
Comprehensive income	**$9,762**	$1,038
Earnings (loss) per common share		
Basic and diluted from continuing operations	**($0.06)**	$0.03
Basic and diluted from discontinued operations	**$0.00**	$0.00
Basic and diluted earnings (loss)	**($0.06)**	$0.03

*** Includes $2,848 foreign exchange valuation loss**

See accompanying notes

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
($ in thousands)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, October 1, 2008	$35,681	$2,789	$109,912	($16,620)	$131,762
Net loss for the quarter	-	-	(2,425)	-	(2,425)
Dividends	-	-	(712)	-	(712)
Stock option expense	-	67	-	-	67
Repurchase of share capital	(239)	-	(290)	-	(529)
Unrealized gains on translation of self-sustaining operations	-	-	-	12,187	12,187
Balance, December 31, 2008	**35,442**	**2,856**	**106,485**	**(4,433)**	**140,350**

See accompanying notes

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
($ in thousands)

	3 Months ended December 31	
	2008	2007
OPERATING ACTIVITIES:		
Net income (loss) from continuing operations	**($2,425)**	$1,364
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization	**2,433**	2,344
Stock-based compensation expense (note 2)	**49**	130
Future income taxes	**97**	43
Gain on sale of fixed assets	**-**	(175)
Loss (gain) on financial instrument valuation (note 3)	**2,848**	(114)
	3,002	3,592
Net change in non-cash working capital balances related to continuing operations	**2,940**	(3,145)
Cash provided by operating activities of continuing operations	**5,942**	447
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	**(1,544)**	7,470
Decrease in long-term debt	**-**	(31)
Dividends paid (note 2)	**(712)**	(618)
Repurchase of share capital (note 2)	**(529)**	(949)
Cash (used in) provided by financing activities of continuing operations	**(2,785)**	5,872
INVESTING ACTIVITIES:		
Investment in fixed assets	**(2,133)**	(1,135)
Proceeds on sale of fixed assets	**-**	204
Cash used in investing activities of continuing operations	**(2,133)**	(931)
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Net cash used in discontinued operations	**-**	(34)
Effect of exchange rate changes on cash	**1,177**	(34)
Net increase in cash during the period	**2,201**	5,320
Cash, beginning of period	**8,141**	5,677
Cash, end of period	**$10,342**	$10,997

See accompanying notes

1. ACCOUNTING POLICIES

Basis of presentation

These unaudited interim consolidated financial statements of Exco Technologies Limited (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the 2008 Annual Report. The unaudited interim consolidated financial statements have been prepared on a basis that is consistent with the accounting policies set out in the Company's 2008 annual consolidated financial statements, except for the changes described below.

Accounting policy changes

Effective October 1, 2008, the Company has adopted the new CICA accounting sections: 3064 (Goodwill and Intangible Assets) and 3031 (Inventories).

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

Section 3031 (Inventories) which has replaced Section 3030, establishes new standards for the measurement and disclosure of inventories. It requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior write downs when the net realizable value of impaired inventory subsequently recovers. Adoption of this new section is for disclosure purpose and has no impact on the Company's unaudited interim consolidated financial statements.

Future accounting policy changes

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

2. SHARE CAPITAL

Authorized

The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares.

Issued

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

December 31, 2008 ($000's except per share amounts)

	Common Shares	
	Number of shares	Stated value
Issued and outstanding at September 30, 2008	40,948,276	$35,681
Purchased and cancelled pursuant to normal course issuer bid	(274,100)	(239)
Issued and outstanding at December 31, 2008	**40,674,176**	**$35,442**

Currency translation adjustment

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

Unrealized translation adjustments which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining foreign operations resulted in an unrealized currency translation gain of $12,187 during the three months ended December 31, 2008 (2007 - the unrealized translation loss was $277) primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar as measured at December 31, 2008 and September 30, 2008.

Cash dividend

During the three months ended December 31, 2008, the Company paid cash dividends as outlined in the table below. The dividend rate in the quarter was $0.0175 (2007 - $0.015) per common share.

	Fiscal 2009	Fiscal 2008
December 31	**$712**	$618
Total dividends paid	**$712**	$618

Stock option plan

The Company has a stock option plan under which common shares may be acquired by employees and officers of the Company. Non-executive directors are not eligible to participate in the stock option plan. The following is a continuity schedule of options outstanding (number of options in the table below is expressed in whole numbers and has not been rounded to the nearest thousand):

	Fiscal 2009			Fiscal 2008		
	Options outstanding			Options outstanding		
	Number of options	**Weighted average exercise price**	**Options exercisable**	Number of options	Weighted average exercise price	Options exercisable
Opening balance	**2,265,414**	**$4.36**	**1,793,196**	2,410,849	$4.50	1,817,387
Granted	**87,049**	**$1.52**	**-**	73,777	$3.79	-
Vested	**-**	**-**	**157,629**	-	-	183,021
Expired	**(348,034)**	**$3.50**	**(348,034)**	(179,212)	$5.42	(179,212)
Balance, December 31	**2,004,429**	**$4.39**	**1,602,791**	2,305,414	$4.41	1,821,196

December 31, 2008 ($000's except per share amounts)

Employee stock purchase plan

The Company has an employee stock purchase plan (ESPP). The ESPP allows employees to purchase shares annually through payroll deductions at a predetermined price. During fiscal 2009, payroll deductions will be made supporting the purchase of a maximum of 481,354 shares at $1.29 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2010. Employees must decide annually whether or not they wish to purchase their common shares. During the three months ended December 31, 2008 no shares (2007 – nil) were issued under the terms of the ESPP.

Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option-pricing model to the Company's Stock Option Plan and the ESPP was $67 for the three months ended December 31, 2008 (2007 - $137). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions measuring the fair value of stock options and the weighted average fair value of options granted in the three months ended December 31, 2008 are as follows:

	December 31 2008	December 31 2007
Risk-free interest rates	**2.64%**	4.14%
Expected dividend yield	**6.09%**	0.89%
Expected volatility	**36.57%**	26.80%
Expected time until exercise	**5.85 years**	6.02 years
Weighted average fair value of options granted	**$0.17**	$1.59

On November 18, 2005, the Company's Board of Directors adopted a Deferred Share Unit Plan ("DSU Plan") for eligible directors. The deferred share units will be redeemed by the Company in cash payable after the eligible director departs from the Board.

	Number of units	Expense
December 31, 2008	11,535	($18)
Total	**11,535**	**($18)**

Contributed surplus

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. The following is a continuity schedule of contributed surplus:

	2008	2007
Balance, September 30	**$2,789**	$2,364
Stock option compensation expense	**67**	137
Balance, December 31	**$2,856**	$2,501

Normal course issuer bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning on May 8, 2008 replacing the normal course issuer bid which expired on May 7, 2008. The Company's Board of Directors authorized the purchase of up to 2,000,000 common shares, representing approximately 5% of the Company's outstanding common shares. During the three months ended December 31, 2008, the Company purchased 274,100 common shares (2007 – 262,600) at a total cost of $529 (2007 - $949). The cost to purchase these shares exceeded their stated value by $290 (2007 - $721). This excess has been charged against retained earnings.

December 31, 2008 ($000's except per share amounts)

3. FINANCIAL INSTRUMENTS

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

The Company classifies its financial instruments as follows:

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

* Recorded at amortized cost

Foreign exchange contracts

The Company has forward foreign exchange contracts to sell US$5,600 over the next 9 months at the rate ranges from 1.047 to 1.2332 Canadian dollars for each US dollar sold. The Company also entered into a series of put and call options ("Collars") extending through to September 22, 2011. The total value of these collars is 124.8 million Mexican pesos (September 30, 2008 – 138.1 million Mexican pesos). The selling price ranges from 11.00 to 12.20 Mexican pesos to each U.S. dollar.

Management estimates that a combined loss of $2,848 would be realized if these contracts and collars were terminated on December 31, 2008. As at December 31, 2008, the estimated fair value loss of $2,848 has been included in the selling, general and administrative expense on the consolidated statements of earnings and comprehensive income.

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 unaudited interim consolidated balance sheet is net of allowances for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers as well as the general economic environment. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of earnings and comprehensive income. As at December 31, 2008, the accounts receivable balance (net of allowance for doubtful accounts) is $32,946 (September 30, 2008 - $34,120) and the Company's five largest trade debtors accounted for 44% of the total accounts receivable balance. As at December 31, 2008, South American accounts receivable in the amount of $185 are insured against default.

December 31, 2008 ($000's except per share amounts)

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

	December 31, 2008	September 30, 2008
Trade accounts receivable	**$32,801**	$34,191
Employee receivable*	**253**	64
Sales tax receivable	**385**	160
Vendor rebates	**40**	81
Others	**63**	105
Allowance for doubtful accounts	**(596)**	(481)
Total accounts receivable, net	**$32,946**	$34,120

* The indebtedness of Mr. Robbins to the Company is a loan in the amount of $186 evidenced by a promissory note due on the date on which the Company makes demand. The promissory note provides for a maximum loan amount of $300,000. Interest is payable on the outstanding balance at a rate equal to the Company's cost of borrowing plus 1%. No security has been provided to the Company and no other understanding, agreement or intention to limit recourse exists. In addition, Mr Robbins owes the Company $23 on account of non business expenses paid by the Company.

The aging of trade accounts receivable balances is as follows:

	December 31, 2008	September 30, 2008
Not past due	**$21,904**	$26,593
Past due 1-30 days	**7,377**	4,155
Past due 31-60 days	**857**	1,035
Past due 61-90 days	**709**	599
Over 91 days past due	**1,954**	1,809
Less: allowance for doubtful accounts	**(596)**	(481)
Total trade accounts receivable, net	**$32,205**	$33,710

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

	December 31, 2008	September 30, 2008
Opening balance	**$481**	$696
Bad debt expense	**138**	1,120
Write-off	**(23)**	(1,135)
Closing balance	**$596**	$481

b) Liquidity risk

Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously monitoring its cash flows from its operating, investing and financing activities. As at December 31, 2008, the Company has a net cash balance of $4,457 and unused credit facilities of $42,775.

December 31, 2008 ($000's except per share amounts)

c) Foreign exchange risk

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

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

	1% Fluctuation		1% Fluctuation		1% Fluctuation	
	USD	Dirham	Euro and Dirham		USD and MXN peso	
Income (loss) before income taxes	+/- 46	+/- 5	+/-	28	+/-	10
Other comprehensive income (loss)	+/-1,096	+/- 148		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 December 31, 2008, the Company has a net cash position of $4,457; therefore its interest rate risk exposure is insignificant.

4. INVENTORIES

	December 31, 2008	September 30, 2008
Finished goods	**$5,116**	$ 4,905
Work in process	**14,649**	12,322
Raw materials	**14,137**	12,628
Production supplies	**803**	672
	$34,705	$30,527

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials and, in the case of work in progress and finished goods, direct labour and the applicable share of manufacturing overhead.

During the three months ended December 31, 2008, inventories of $20,319 (2007-$22,216) were expensed and write downs of inventory amounting to $82 (2007-$73) were included in cost of goods sold. No reversals of write downs were recorded during the three months ended December 31, 2008 and 2007.

December 31, 2008 ($000's except per share amounts)

5. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at December 31, 2008, total managed capital was $140,350 (September 30, 2008 - $131,762) consisting of nil net debt (September 30, 2008 – nil) and shareholders' equity of $140,350 (September 30, 2008 - $131,762).
The Company's objectives when managing capital are to:

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

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

	2008 **(as at December 31)**	2008 (as at September 30)
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**2.74:1**	2.55:1

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

	2008 **(as at December 31)**	2008 (as at September 30)
Bank indebtedness	**$5,885**	$4,634
Less: cash	**(10,342)**	(8,141)
Net debt	**nil**	nil

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

The Company is not subject to any capital requirement imposed by regulators; however, the Company must adhere to certain financial covenants related to the terms of its bank credit facility. As at December 31, 2008, the Company was in compliance with the required financial covenants.

6. SEGMENTED INFORMATION

The Company operates in two business segments: Casting and Extrusion Technology and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in note 1 to the annual consolidated financial statements.

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

December 31, 2008 ($000's except per share amounts)

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).

	Three Months Ended December 31, 2008			
	Casting and Extrusion Technology	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$26,817**	**$17,627**	**$-**	**$44,444**
Depreciation	**1,758**	**664**	**11**	**2,433**
Segment income (loss)	**1,881**	**171**	**(3,546)**	**(1,494)**
Interest expense				**49**
Loss before income taxes				**(1,543)**
Fixed asset additions	**1,480**	**629**	**24**	**2,133**
Fixed assets, net	**54,474**	**22,439**	**1,561**	**78,474**
Goodwill	**-**	**10,086**	**-**	**10,086**
Total assets	**$63,734**	**$111,357**	**$2,431**	**$177,522**

	Three Months Ended December 31, 2007			
	Casting and Extrusion Technology	Automotive Solutions	Corporate	Total
Sales	$26,385	$21,589	-	$47,974
Depreciation	1,782	550	12	2,344
Segment income (loss)	525	2,658	(1,269)	1,914
Interest expense				80
Income from continuing operations before income taxes				1,834
Fixed asset additions	897	238		1,135
Fixed assets - continuing operations	50,914	17,474	1,560	69,948
Total fixed assets, net	50,914	17,474	1,560	69,948
Goodwill	-	33,672	-	33,672
Total assets - continuing operations	61,728	119,514	1,666	182,908
Total assets - discontinued operations	6,317	-		6,317
Total assets	$68,045	$119,514	$1,666	$189,225

5 YEAR FINANCIAL HIGHLIGHTS

as of September 30

($ in thousands except per share amounts)

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

CORPORATE INFORMATION

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 10 strategic locations, we employ 1,825 people and service a diverse and broad customer base.

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