EXCO TECHNOLOGIES LIMITED
130 SPY COURT, 2ND FLOOR
MARKHAM, ON L3R 5H6
T. 905.477.3065 F. 905.477.2449
www.excocorp.com

Interim report
to the shareholders
for the three months
ended December 31, 2009

---

	3 Months ended December 31 *($000s, except per share amounts)*	
	2009	2008
Sales	**$37,590**	$44,444
Income (loss) before income taxes	**$3,046**	($1,543)
Net income (loss)	**$1,900**	($2,425)
Basic and diluted earnings (loss) per share	**$0.05**	($0.06)
Common shares outstanding	**40,904,000**	40,674,000

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 2009 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

Consolidated sales for the first quarter ended December 31, 2009 were $37.6 million – a decrease of $6.9 million or 15.4% from last year. However, sequential quarterly sales are stabilizing with the current quarter sales approximately equal to the prior quarter.

During the first quarter, the Casting and Extrusion segment reported sales of $24 million – a decrease of 10.5% from the same quarter last year. In the extrusion tooling businesses and Castool, sales decreased by over 20% as recovery in the construction industry has been slow and uneven and both these businesses were more reliant on US dollar denominated sales. Sales in the large mould group increased by 23% compared to the same quarter last year reflecting stronger customer conviction in releasing orders on several programs.

Sales in the Automotive Solutions segment in the first quarter were $13.6 million – a decrease of almost 23% from the same quarter last year but a sequential quarterly increase of 16% over the prior quarter. Sales volumes at Polytech and Neocon have improved significantly from the

recessionary levels experienced in mid 2009. The European automotive market has not experienced the same recovery in production that is taking place in North America. Accordingly, sales at Polydesign are still at 2009 levels despite the resumption of limited production of seat covers for Honda.

Exceptionally high exchange rate volatility has impacted sales in the quarter. The average U.S. dollar exchange rate was 16 cents weaker than the Canadian dollar during the current quarter ($1.06) compared to last year ($1.22). This decreased sales in the current quarter by approximately $3.9 million or almost 9%.

Consolidated net income for the first quarter was $1.9 million or $0.05 per share compared to a consolidated net loss of $2.4 million or loss of $0.06 per share in the same quarter last year. This improvement was led by the Automotive Solutions segment despite the poor performance of Polydesign and reflects reduced operating costs at all operations. The Automotive Solutions segment reported segment income of $1.1 million in the first quarter compared to segment income of $171 thousand last year. Successful cost cutting initiatives in fiscal 2009 have positioned Polytech and Neocon for higher profitability even at lower sales levels in the current year. Polydesign is expected to return to profitability later in the year as volumes recover and new programs are launched.

The Casting and Extrusion segment also reported higher pretax earnings in the first quarter of $2.4 million compared to segment income of $1.9 million in the same quarter last year. This improvement was evenly distributed between the Extrusion group and the large mould group despite lower sales. Earnings at Castool, although modestly lower in the quarter than prior year, have experienced less volatility throughout the recession of 2009 and continue to hold up well.

The Corporate segment incurred expenses of $508 thousand in the first quarter compared to $3.5 million last year. Included in the current quarter was a $439 thousand foreign exchange gain from the fair valuation of forwards and collars compared to $2.8 million loss last year. Offsetting this gain in the current quarter were provisions for incentive plans which have increased due to rising earnings. Excluding these items, Corporate expense in the current quarter is consistent with prior year at slightly less than $700 thousand.

Gross margin in the first quarter increased by 5.1 percentage points to 24.7% from 19.6% in the same quarter last year. Cost reductions in 2009 and the closure of non-profitable operations in the last several years enhanced production efficiencies and improved overhead absorption resulting in higher margin in the current quarter. Gross margin increased in both segments and was most pronounced among the business units with the most exposure to the North American automotive sector .

Selling, General and Administrative expense in the first quarter declined significantly to $4.5 million from $7.8 million in the same quarter last year. As a percentage of sales it decreased to 12% from 17.5% in the same quarter last year. However, included in the first quarter was $439 thousand foreign exchange gain from the fair valuation of forwards and collars compared to $2.8 million loss last year. Excluding this non-recurring item, selling, general and

administrative expense in the first quarter was $5 million or 13.2% of sales compared to $4.9 million or 11.1% of sales in the same quarter last year.

In the first quarter, Exco expensed $123 thousand compared to $49 thousand in the same quarter last year relating to the Employee Stock Purchase Plan, the Stock Option Plan and the Board of Directors Deferred Stock Unit Plan (see note 2 of the Financial Statements).

Financial Resources, Liquidity and Capital Resources

Operating cash flow in the first quarter increased to $7.8 million from $5.9 million in the same quarter last year. This increase is primarily the result of improved earnings, lower working capital in the current quarter and reflects continuing controls on expenditures of all kinds.

Cash used in financing activities in the first quarter decreased to $459 thousand compared to $2.8 million in the same quarter last year primarily as a result of paying off short-term borrowings in the same quarter last year. During the current quarter, the Company reduced issuer bid purchases of its common stock to $24 thousand from $529 thousand last year. 11,600 common shares were repurchased and cancelled during the current quarter at an average price of $2.08 per share.

Cash used in investing activities in the first quarter totaled $645 thousand compared to $2.1 million last year. Included in the current quarter were proceeds of $540 thousand from the sale of surplus machinery in the large mould group. Fixed asset additions in the first quarter at the Automotive Solutions segment were $628 thousand and in the Casting and Extrusion segment were $557 thousand.

The Company's cash position at the first quarter ended December 31, 2009 increased by 56% to $17.8 million compared to $11.4 million at the beginning of the quarter. This improvement stems in large part from the reduction of accounts receivable and inventory, the proceeds from the sale of certain surplus equipment and higher earnings in the current quarter.

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

	Payments Due by Period				
Contractual Obligations ($000)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	-	-	-	-	-
Capital leases*	265	135	116	14	-
Operating leases*	693	324	365	4	-
Purchase obligations	6,133	6,133	-	-	-
Total contractual obligations	**$7,091**	**$6,592**	**$481**	**$18**	**$ -**

** Exco leases automotive and material handling vehicles and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms but occasionally it may purchase the assets at the end of the lease terms when the purchase options are favourable. Exco does not expect any material liquidity or capital resource impacts from these possible purchases.*

Quarterly results

The following table sets out financial information for each of the eight quarters through to the first quarter ended December 31, 2009:

($ thousands except per share amounts)	Dec. 09	Sep. 09	Jun. 09	Mar. 09	Total
Sales	$37,590	$37,694	$28,345	$33,233	$136,862
Net income (loss) from continuing operations before goodwill impairment	$1,900	$364	($998)	($4,521)	($3,255)
Earnings (loss) per share					
Basic	$0.05	$0.01	($0.02)	($0.11)	($0.07)
Diluted	$0.05	$0.01	($0.02)	($0.11)	($0.07)
Net income (loss) from continuing operations	$1,900	$364	($998)	($14,607)	($13,341)
Earnings (loss) per share					
Basic	$0.05	$0.01	($0.02)	($0.36)	($0.32)
Diluted	$0.05	$0.01	($0.02)	($0.36)	($0.32)
Net income (loss)	$1,900	$364	($998)	($14,607)	($13,341)
Earnings (loss) per share					
Basic	$0.05	$0.01	($0.02)	($0.36)	($0.32)
Diluted	$0.05	$0.01	($0.02)	($0.36)	($0.32)

($ 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 (loss) 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)

Seasonal Variability of Results

Exco does not operate in seasonal industries. However, in the automotive industry, automobile manufacturers typically schedule plant shutdowns in the summer for vacations and during the Christmas holiday season. Polydesign usually experiences reduced business activity during August when many European customers close for one month. Therefore, usually the first and the fourth fiscal quarters are the weakest. In 2009, the global economic recession disrupted this usual pattern with bankruptcies impacting production in the third quarter as well. In 2010 we expect the traditional pattern to reemerge.

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 is known to them.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting and conducted an evaluation of its effectiveness based on the integrated framework issued by the Committee of Sponsoring Organization of the Treadway Commission to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with generally accepted accounting principles, have not identified any changes to

the Company’s internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Outstanding Share Capital

As at December 31, 2009 Exco had 40,904,323 common shares issued and outstanding and stock options outstanding to purchase up to 1,895,119 common shares at exercise prices ranging from $1.03 to $7.60. Since that time, no options have been exercised and the Company repurchased no common shares.

Outlook

As 2010 unfolds our conviction that the business climate is improving remains unchanged. We have seen automotive production in North America finally improve after three consecutive quarters of consistent decline. We expect improvement to continue at a relatively slow yet steady pace. This should continue to improve Exco sales at Polytech and Neocon.

This improving North American production environment coupled with the successful emergence from bankruptcy of numerous OEMs and Tier one manufacturers is also resulting in much more activity in the large mould business and Castool. We are seeing strong quoting activity at these businesses and believe that our customers are finally ready, willing and, more importantly, financially able to proceed with the release of major powertrain product launches and capital projects.

Improvement at Polydesign and the extrusion tooling businesses will be slower as their respective markets (European automotive production and North American construction) take longer to return to traditional levels.

In the meantime, Exco continues to benefit from its lower overall cost structure and a very strong balance sheet with no bank debt and in excess of $17 million or 40 cents per share of cash on hand. We believe that our strong cash position and greater efficiency achieved over the last several years will greatly improve our competitive position and mitigate the impact that a strengthening Canadian dollar will have on our earnings.

NOTICE TO READER

The attached consolidated financial statements have been prepared by management of the Company. The consolidated financial statements for the three-months period ended December 31, 2009 and 2008 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited)
$(000)'s

	As at December 31, 2009	As at September 30, 2009
ASSETS		
Current		
Cash	**$17,842**	$11,364
Accounts receivable (note 4)	**24,454**	26,711
Inventories (note 5)	**19,923**	23,330
Prepaid expenses and deposits	**2,282**	2,589
Income taxes receivable	**-**	668
Mortgage receivable	**600**	600
Assets held for sale	**1,454**	1,501
Total current assets	**66,555**	66,763
Fixed assets (note 3)	**70,012**	71,696
Future income tax assets	**1,771**	1,855
	71,783	73,551
	$138,338	$140,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$15,410**	$15,848
Income taxes payable	**647**	-
Customer advance payments	**2,740**	4,931
Capital lease obligations	**120**	125
Total current liabilities	**18,917**	20,904
Long-term capital lease obligations	**137**	148
Future income tax liabilities	**4,241**	4,344
Total liabilities	**23,295**	25,396
Shareholders' Equity		
Share capital (note 2)	**35,854**	35,435
Contributed surplus (note 2)	**3,109**	3,130
Retained earnings	**90,278**	89,108
Accumulated other comprehensive loss (note 2)	**(14,198)**	(12,755)
Total shareholders' equity	**115,043**	114,918
	$138,338	$140,314

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

EXCO TECHNOLOGIES LIMITED

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)

$(000)'s except for earnings (loss) per share

	Three Months ended December 31	
	2009	2008
Sales	**$37,590**	$44,444
Cost of sales and operating expenses before the following (note 5)	**28,320**	35,727
Selling, general and administrative (notes 2 and 4)	**4,516**	7,778 *
Depreciation and amortization	**1,966**	2,433
Gain on sale of fixed assets	**(271)**	-
Interest expense	**13**	49
	34,544	45,987
Income (loss) before income taxes	**3,046**	(1,543)
Provision for income taxes	**1,146**	882
Net income (loss) for the period	**1,900**	(2,425)
Other comprehensive income (loss)		
Unrealized gain (loss) on foreign currency translation of self-sustaining operations	**(3,343)**	12,187
Comprehensive income (loss)	**($1,443)**	$9,762
Earnings (loss) per common share		
Basic and diluted earnings (loss)	**$0.05**	($0.06)

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

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

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
$(000)'s

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, October 1, 2009	$35,435	$3,130	$89,108	($12,755)	$114,918
Net income for the quarter	-	-	1,900	-	1,900
Dividends	-	-	(716)	-	(716)
Stock option expense	-	86	-	-	86
Repurchase of share capital	(10)	-	(14)	-	(24)
Issurance of share capital	429	(107)			322
Unrealized loss on translation of self-sustaining operations	-	-	-	(1,443)	(1,443)
Balance, December 31, 2009	**$35,854**	**$3,109**	**$90,278**	**($14,198)**	**$115,043**

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

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

	Three Months ended December 31	
	2009	2008
OPERATING ACTIVITIES:		
Net income (loss) for the period	**$1,900**	($2,425)
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization	**1,966**	2,433
Stock-based compensation expense (note 2)	**123**	49
Future income taxes	**(19)**	97
Gain on sale of fixed assets	**(271)**	-
(Gain) loss on financial instrument valuation (note 4)	**(439)**	2,848
	3,260	3,002
Net change in non-cash working capital balances related to operations	**4,505**	2,940
Cash provided by operating activities	**7,765**	5,942
FINANCING ACTIVITIES:		
Decrease in bank indebtedness	**-**	(1,544)
Repayment of capital lease obligations	**(41)**	-
Dividends paid (note 2)	**(716)**	(712)
Repurchase of share capital (note 2)	**(24)**	(529)
Issurance of share capital (note 2)	**322**	-
Cash used in financing activities	**(459)**	(2,785)
INVESTING ACTIVITIES:		
Investment in fixed assets	**(1,185)**	(2,133)
Proceeds on sale of fixed assets	**540**	-
Cash used in investing activities	**(645)**	(2,133)
Effect of exchange rate changes on cash	**(183)**	1,177
Net increase in cash during the period	**6,478**	2,201
Cash, beginning of period	**11,364**	8,141
Cash, end of period	**$17,842**	$10,342

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
$(000)'s except per share amounts

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 2009 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 2009 annual consolidated financial statements.

Future accounting policy changes

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

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

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

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:

	Common Shares	
Issued and outstanding at September 30, 2009	40,666,176	$35,435
Issued for cash under Employee Stock Purchase Plan	249,747	322
Contributed surplus on stock options exercised	-	107
Purchased and cancelled pursuant to normal course issuer bid	(11,600)	(10)
Issued and outstanding at December 31, 2009	**40,904,323**	**35,854**

Currency translation adjustment
All of the Company's significant foreign operations are self-sustaining. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are included in accumulated other comprehensive loss in shareholders' equity. The appropriate 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 loss of $3,343 during the three months ended December 31, 2009 (three months ended December 31, 2008 - the unrealized translation gain was $12,187). Year-to-date unrealized loss of $3,343 is primarily attributable to the weakening of the U.S. dollar against the Canadian dollar as measured at December 31, 2009 and September 30, 2009.

Cash dividend
During the three months ended December 31, 2009, the Company paid cash dividends as outlined in the table below. The dividend rate per quarter was $0.0175 (2009 - $0.0175) per common share.

	2010	2009
December 31	**$716**	$712
Total dividends paid	**$716**	$712

Stock option plan

The Company has a stock option plan under which common shares may be acquired by employees and officers of the Company. While non-executive directors are not eligible to participate in the stock option plan, they are granted deferred share unit. 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):

	2010			2009		
	Options outstanding			Options outstanding		
	Number of options	**Weighted average exercise price**	**Options exercisable**	Number of options	Weighted average exercise price	Options exercisable
Opening balance	**1,929,429**	**$4.33**	**1,499,791**	2,265,414	$4.36	1,793,196
Granted	**233,000**	**$1.92**	**-**	87,049	$1.52	-
Vested	**-**	**-**	**146,162**	-	-	157,629
Expired	**(267,310)**	**$4.50**	**(267,310)**	(348,034)	$3.50	(348,034)
Balance, December 31	**1,895,119**	**$4.01**	**1,378,643**	2,004,429	$4.39	1,602,791

Employee stock purchase plan

The Company's employee stock purchase plan (ESPP) which was terminated on December 31, 2009 allowed employees to purchase shares annually through payroll deductions at a predetermined price. During fiscal 2009, payroll deductions were made to support the purchase of a maximum of 401,150 at $1.29 per share. The purchase with respect to these shares was completed in the first quarter of fiscal 2010. During the three months ended December 31, 2009, 249,747 shares (December 31, 2008 – 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 $86 for the three months ended December 31, 2009 (three months ended December 31, 2008 - $67). 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, 2009 are as follows:

	December 31, 2009	December 31, 2008
Risk free interest rates	**2.44%**	2.48%
Expected dividend yield	**3.50%**	6.24%
Expected volatility	**66.07%**	36.89%
Expected time until exercise	**5.50 years**	5.63 years
Weighted average fair value of the options granted	**$0.92**	$0.18

Deferred Share Unit Plan

	Number of units	**Expense**
December 31, 2009	**6,097**	**$37**
Total	**6,097**	**$37**

Contributed surplus

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

	2010	2009
Balance, September 30	**$3,130**	$2,789
Stock option compensation expense	**$86**	$67
Exercise of stock options (ESPP)	**(107)**	-
Balance, December 31	**$3,109**	$2,856

Normal course issuer bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning on May 8, 2009 replacing the normal course issuer bid which expired on May 7, 2009. The Company's Board of Directors authorized the purchase of up to 2,000,000 common shares, representing approximately 5% of the Company's outstanding common shares. During the three months ended December 31, 2009, the Company purchased 11,600 common shares (2008 – 274,100) at a total cost of $24 (2008 - $529). The cost to purchase these shares exceeded their stated value by $14 (2008- $290). This excess was charged against retained earnings.

3. FIXED ASSETS

			December 31, 2009
	Cost	**Accumulated Depreciation & Amortization**	**Net Book Value**
Land	**$6,620**	**$-**	**$6,620**
Buildings	**44,977**	**14,518**	**30,459**
Machinery and equipment	**162,594**	**130,170**	**32,424**
Tools	**5,822**	**5,313**	**509**
	$220,013	**$150,001**	**$70,012**

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

At December 31, 2009, the Company had building, machinery and deposits relating to fixed assets of $3,829 (September 30, 2009 - $3,739). These assets are not being depreciated because they are under construction and not in use. Fixed assets under capital leases amounted to $428 (September 30, 2009 – $428) less accumulated depreciation of $175 (September 30, 2009- $154).

4. FINANCIAL INSTRUMENTS

Financial instruments of the Company consist primarily of cash, accounts receivable, mortgage receivable, accounts payable and accrued liabilities, customer advance payments and forward foreign exchange contracts. With the exception of forward foreign exchange contracts which the Company fair values quarterly and recognizes any changes in value in the consolidated statements of earnings and comprehensive income (loss) the carrying value of these financial instruments approximates their fair value due to their 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
Accounts payable and accrued liabilities	Financial liabilities - other financial liabilities
Customer advance payments	Financial liabilities - held for trading
Forward foreign exchange contracts	Financial assets / liabilities – held for trading

** Recorded at amortized cost*

Foreign exchange contracts

The Company has forward foreign exchange contracts to sell US$1,200 over the next three months at the rate ranges from 1.069 to 1.071 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 72.8 million Mexican pesos (September 30, 2009 – 83.1 million Mexican pesos). The selling price ranges from 11.00 to 12.20 Mexican pesos to each U.S. dollar.

Management estimates that a combined loss of $899 (September 30, 2009 – loss of $1,338) would be realized if these contracts and collars were terminated on December 31, 2009. As at December 31, 2009, the estimated fair value gain of $439 (December 31, 2008 –loss of $2,848) has been included in the selling, general and administrative expense on the consolidated statements of earnings and comprehensive income (loss) and the loss of $899 is recorded in the consolidated balance sheets under the caption accounts payable and accrued liabilities.

Financial risk management

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of the risks and how they are managed:

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company's primary credit risk is its outstanding trade accounts receivable. The carrying amount of its outstanding trade accounts receivable represents the Company's estimate of its maximum credit exposure. The Company regularly monitors its credit risk exposure and takes steps such as credit approval procedures, establishing credit limits, utilizing credit assessments and monitoring practices to mitigate the likelihood of these exposures from resulting in an actual loss. The carrying amount of the trade accounts receivable disclosed in the unaudited interim consolidated balance sheets 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 (loss). As at December 31, 2009, the accounts receivable balance (net of allowance for doubtful accounts) is $24,454 (September 30, 2009 - $26,711) and the Company's five largest trade debtors accounted for 45% of the total accounts receivable balance (September 30, 2009 –

41%). At December 31, 2009, accounts receivable in the amount of $8,292 are insured against default.

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

	December 31, 2009	September 30, 2009
Trade accounts receivable	**$24,001**	$26,425
Employee receivable *	**$260**	283
Sales tax receivable	**$442**	414
Others	**$172**	51
Allowance for doubtful accounts	**($421)**	(462)
Total accounts receivable, net	**$24,454**	$26,711

** Included in this category is a loan to the Chief Executive Officer of the Company in the amount of $186 evidenced by a promissory note due on the date on which the Company makes demand. The promissory note provides for a maximum loan amount of $200. Interest is payable on the outstanding balance at a rate equal to the Company's cost of borrowing plus 1%. No security has been provided to the Company and no other understanding, agreement or intention to limit recourse exists. In addition, the Company is owed a total of $50 on account of non-business expenses paid by the Company on behalf of this officer and interest accrued on the outstanding loan.*

The aging of trade accounts receivable balances is as follows:

	December 31, 2009	September 30, 2009
Not past due	**$17,448**	$19,698
Past due 1-30 days	**$2,374**	3,829
Past due 31-60 days	**$871**	1,042
Past due 61-90 days	**$2,202**	1,513
Past due over 90 days	**$1,106**	343
Less: allowance for doubtful accounts	**($421)**	(462)
Total accounts receivable, net	**$23,580**	$25,963

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

	December 31, 2009	September 30, 2009
Opening balance	**$462**	$481
Bad debt expense	**$6**	1,754
Write-offs	**($47)**	(1,773)
Closing balance	**$421**	$462

b) Liquidity risk

Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously

monitoring its cash flows from its operating, investing and financing activities. As at December 31, 2009, the Company has a net cash balance of $17,842 (September 30, 2009 - $11,364) and unused credit facilities of $26,680 (September 30, 2009 - $24,379).

c) Foreign exchange risk

The Company's functional and reporting currency is in Canadian dollars. It operates in Canada with subsidiaries located in the United States, Mexico and Morocco. It is exposed to foreign exchange transaction and translation risk through its operating activities and self -sustaining foreign operations. Unfavourable changes in the exchange 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, 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 (loss). The Company does not mitigate the translation risk exposure of its self- sustaining foreign operations due to the fact that these investments are considered to be long- term in nature.

With all other variables held constant, the following table outlines the Company's foreign exchange exposure at one percent fluctuation between various currencies compared with the average year to date exchange rate.

	1 % Fluctuation USD vs. CDN	1 % Fluctuation Dirham vs. CDN	1 % Fluctuation Euro vs. Dirham	1 % Fluctuation USD vs. MXN peso
Earnings (loss) before income taxes	+/- $142	+/- $1	+/- 22	+/- $48
Other comprehensive income (loss)	+/- $903	+/- $117	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, 2009, the Company has a net cash position of $17,842 (September 30, 2009 - $11,364); therefore its interest rate risk exposure is insignificant.

5. INVENTORIES

	December 31, 2009	September 30, 2009
Raw materials	**$ 8,691**	$9,056
Work in process	**6,922**	10,434
Finished goods	**3,888**	3,439
Production supplies	**422**	401
	$19,923	$23,330

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

During the three months ended December 31, 2009, inventories of $16,103 (2008 - $20,319) were expensed of which $143 were from the write downs of inventory (2008 - $82) was included in cost of goods sold. No reversals of write downs were recorded during the three months ended December 31, 2009 and 2008.

6. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at December 31, 2009, total managed capital was $115,043 (September 30, 2009 - $114,918) consisting of nil net debt (September 30, 2009 – nil) and shareholders' equity of $115,043 (September 30, 2009 - $114,918).

The Company's objectives when managing capital are to:

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

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

	December 31, 2009	September 30, 2009
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**2.50:1**	2.58:1

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

	December 31, 2009	September 30, 2009
Bank indebtedness	**$-**	$-
Capital lease obligations	**257**	273
Less: cash	**(17,842)**	(11,364)
Net debt	**nil**	nil

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

The Company is not subject to any capital requirement imposed by regulators; however, the Company must adhere to certain financial covenants related to the terms of its bank credit facility. As at December 31, 2009, the Company was in compliance with the required financial covenants.

7. 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.

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

	Three Months ended December 31, 2009			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$24,001**	**$13,589**	**$-**	**$37,590**
Depreciation	**1,494**	**463**	**9**	**1,966**
Segment income (loss)	**2,438**	**1,129**	**(508)**	**3,059**
Interest expense				**13**
Income before taxes				**3,046**
Fixed asset additions	**557**	**628**	**-**	**1,185**
Fixed assets, net	**50,250**	**18,232**	**1,530**	**70,012**
Total assets	**$50,443**	**$85,444**	**$2,451**	**$138,338**

	Three Months ended December 31, 2008			
	Casting and Extrusion	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 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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
$(000)'s except per share amounts

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 1,400 people and service a diverse and broad customer base.

Telephone: 905-477-3065
Fax: 905-477-2449
Web: www.excocorp.com

TORONTO STOCK EXCHANGE LISTING

XTC

DIRECTORS

Laurie Bennett, Chairman
Geoffrey F. Hyland
Edward Kernaghan
Brian A. Robbins, President and CEO
Stephen Rodgers
Peter van Schaik

TRANSFER AGENT

Equity Transfer & Trust Company
200 University Avenue
Suite 400
Toronto, Ontario
M5H 4H1

Shareholder Inquiries:

Telephone: 416-361-0930
Web: www.equitytransfer.com