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# Interim report
# to the shareholders
# for the six months
# ended March 31, 2009

| | 6 Months ended March 31 | | 3 Months ended March 31 | |
|---|---|---|---|---|
| | ($000s, except per share amounts) | | | |
| | **2009** | 2008 | **2009** | 2008 |
| Sales | **77,677** | 103,872 | **33,233** | 55,898 |
| Net income (loss) from continuing operations | **(17,032)** | 4,208 | **(14,607)** | 2,844 |
| Net loss from discontinued operations | **-** | (49) | **-** | - |
| Net income (loss) | **(17,032)** | 4,159 | **(14,607)** | 2,844 |
| Basic and diluted earnings (loss) per share from continuing operations | **($0.42)** | $0.10 | **($0.36)** | $0.07 |
| Basic and diluted earnings (loss) per share | **($0.42)** | $0.10 | **($0.36)** | $0.07 |
| Common shares outstanding | **40,674,000** | 41,020,000 | **40,674,000** | 41,020,000 |

*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 six months ended March 31, 2009 and 2008 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 March 31, 2009 were $33.2 million compared to $55.9 million last year – a decrease of $22.7 million or 40.6%. Year-to-date sales were $77.7 million – a decrease of $26.2 million or 25.2% compared to last year. This reflects a quarter of exceptional contraction in global automotive production, commercial construction and overall industrial output. The US dollar was 25 cents stronger against the Canadian dollar in both the current quarter ($1.25) and year-to-date ($1.24) compared to last year ($1.00 and $0.99 respectively) increasing sales by approximately $4.8 million and $10.5 million respectively.

During the second quarter, the Casting and Extrusion segment reported sales of $24.3 million compared to $32.1 million in the second quarter of last year – a decrease of 24.3%. Year-to-date, the segment reported sales of $51.1 million compared to $58.5 million last year – a decrease of 12.7%. Sales at the Extrusion group were lower than prior year by 12.6% in the quarter and 2.1% year-to-date. Castool sales were also lower than last year by 17.4% in the quarter and 4.5% year-to-date. Both these business units sell primarily to industrial markets. They have benefited from their strong position as market leaders in these markets and have been increasing market share as smaller competitors become insolvent or otherwise exit the market. Sales at the casting group were significantly lower than the same quarter last year by 40.6% and 30.7% year-to-date. Approximately 40% of the casting group's annual sales last year fell in the second quarter. This has not happened this year as scheduled releases will spread sales more evenly throughout the year. Assuming no disruption from restructuring initiatives at Chrysler, annual sales for the casting group this year are expected to be at substantially the same level as last year despite the closure of Extec at the end of last year.

Sales in the Automotive Solutions segment decreased to $8.9 million in the second quarter compared to $23.8 million in the same quarter last year – a decrease of 62.6%. Year-to-date, the segment reported sales of $26.6 million compared to $45.4 million – a decrease of 41.6%. Production of the Honda CRV and Civic in Europe was completely shut down in January for 6 months. This impacted Polydesign's deliveries of seat covers in the quarter by approximately $8 million in sales. It is anticipated that in June deliveries of seat covers on these programs will resume. In addition, programs with Nissan at Neocon Canada continued experiencing trim level downgrades that disrupted deliveries by approximately $1.5 million in the quarter. All other sales in this segment have been under pressure as all other OEMs manufacturing in North America and Europe have significantly reduced production of automobiles in response to a dramatic drop in light vehicle sales. Most automobile manufacturers reduced production by either extending Christmas shutdowns until well into January and thereafter drastically reduced production by as much as 40% in most cases. Deliveries to port of entry programs were also impacted as Asian OEMs reduced vehicle exports to North America.

Net loss from continuing operations for the second quarter was $14.6 million or $0.36 per share compared to net income of $2.8 million or $0.07 per share last year. Year-to-date, Exco reported a net loss from continuing operation of $17.0 million or $0.42 per share compared to net income of $4.2 million or $0.10 per share in the prior year. During the quarter Exco recorded a goodwill impairment charge of $10.1 million associated with its Polytech business unit compared to no goodwill impairment charge during the same quarter last year. Consolidated pre tax loss from continuing operations, before the impact of this goodwill charge, was $6.2 million compared to a pre tax profit of $3.8 million last year. After this impairment charge there remains no goodwill on the balance sheet of the Company. During the quarter Exco also determined that the carrying value of certain assets held for sale and property, plant and equipment was impaired and a charge of $1.4 million was taken against the Techmire building and $590 thousand was taken against equipment held at Neocon USA. All of these charges are non cash in nature and do not affect cash flow. Net income in the quarter was also impacted by higher than normal severance charges and bad debt write offs in the pre tax amounts of $1.3 million and $1.4 million respectively compared to negligible severance expense and bad debt write offs of approximately $300 thousand in the second quarter of last year. Excluding all the above items, year-to-date pre tax profit from continuing operations was $64 thousand or a loss of $0.04 per share compared to a pre tax profit of $6.7 million last year or $0.12 per share. The following tables outline the above mentioned items.

| | Three Months ended March 31 | | Six Months ended March 31 | |
|---|---|---|---|---|
| *$ thousands* | **2009** | 2008 | **2009** | 2008 |
| Pretax income (loss) from continuing operations | **($16,261)** | $3,840 | **($17,804)** | $5,674 |
| Goodwill impairment | **10,086** | - | **10,086** | - |
| Fixed asset impairment | **590** | - | **590** | - |
| Techmire's building write-down | **1,415** | - | **1,415** | - |
| Extec closing charges | - | 16 | - | 347 |
| Severance | **1,314** | 2 | **1,391** | 4 |
| Foreign exchange (gain) loss from fair valuation of forwards and collars | **(360)** | 168 | **2,488** | 54 |
| Inventory write-down | **258** | 150 | **340** | 222 |
| Bad debt write-offs | **1,420** | 321 | **1,558** | 411 |
| Pretax income before items above | **($1,538)** | $4,497 | **$64** | $6,712 |

| *$ per share amounts* | Three Months ended March 31 | | Six Months ended March 31 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Reported diluted earnings (loss) per share | **($0.36)** | $0.07 | **($0.42)** | $0.10 |
| Goodwill impairment charge (not tax deductible) | **0.25** | 0.00 | **0.25** | 0.00 |
| Fixed asset impairment | **0.01** | 0.00 | **0.01** | 0.00 |
| Techmire's building write-down | **0.02** | 0.00 | **0.02** | 0.00 |
| Extec closing charges | **0.00** | 0.00 | **0.00** | 0.01 |
| Severance | **0.02** | 0.00 | **0.02** | 0.00 |
| Foreign exchange (gain) loss from fair valuation of forwards and collars | **(0.01)** | 0.00 | **0.04** | 0.00 |
| Inventory write-down | **0.00** | 0.00 | **0.01** | 0.00 |
| Bad debt write-offs | **0.02** | 0.01 | **0.03** | 0.01 |
| Fully diluted earnings (loss) per share before items above | **($0.05)** | $0.08 | **($0.04)** | $0.12 |

The current consolidated year-to-date tax rate was 4.3% compared to 25.8% last year. The low tax rate in the current year was caused by the non-tax deductibility of the goodwill impairment charge. This was partially offset by the effect of $830 thousand withholding tax paid on repatriation of $16.6 million of subsidiary profits and a much reduced benefit from lower tax rates on Polydesign earnings as the division's profit contribution is much less this year compared to last year.

The Casting and Extrusion segment reported earnings for the quarter of $168 thousand compared to $2.4 million in the prior year due to lower sales and the write-off of $1.4 million bad debts mainly from the bankruptcy of a single extrusion die customer which filed for Chapter 11 protection in the second quarter. Year-to-date, the segment reported earnings of $2.0 million compared to $2.9 million last year. Strong earnings in the first quarter largely compensated for the short fall in the second quarter of the current year.

The Automotive Solutions segment reported pre tax losses of $14.6 million for the current quarter compared to pre tax earnings of $2.4 million last year. Year-to-date, the segment reported pre tax losses of $14.5 million compared to $5.1 million pre tax earnings last year. Included in the current year were $10.1 million goodwill impairment charge associated with the Polytech business unit, $590 thousand fixed assets impairment charge at Neocon USA, $1.3 million in severance charges related mostly to staff reductions at Polytech and $340 thousand inventory write-down. Excluding these special charges, the segment reported losses of $2.4 million for the quarter and $2.2 million year-to-date. Heavy and abrupt reductions in North American and European vehicle production have dramatically impacted the performance of this segment in the second quarter as low sales made it difficult to efficiently absorb overhead at all facilities. While volumes are generally expected to improve at a slow and gradual rate over the next few quarters, Polydesign does expect to see a resumption of seat cover deliveries in the fourth quarter of the fiscal year as production of the CRV and Civic in Europe resumes.

Corporate expense for the quarter amounted to $1.8 million compared to $942 thousand in the prior year. Included in the current quarter was the $1.4 million write-down of Techmire's production facility and a $360 thousand gain from fair market valuation of forwards and collars. Excluding these special items, expenses for the quarter were $744 thousand or 21.0 % less than last year. The disposal of the aircraft last year and other cost saving initiatives accounted for this reduction.

Gross margin for the second quarter was 18.0% compared to 21.3% in the prior year. Year-to-date, gross margin was 18.9% compared to 21.5% last year. Gross margin in the second quarter improved in the Casting and Extrusion segment with the largest improvement in the large mould business followed by Castool. Better product mix in the quarter caused improvement in the large mould business while production efficiency improved margin at Castool. Margin at the extrusion group improved slightly in the quarter but year-to-date is consistent with the prior year. In the Automotive Solutions segment, despite dramatically lower sales in the quarter, staffing cuts and other overhead reduction initiatives have enabled the segment to retain positive margin – although 20.3% lower than last year. Year-to-date this segment experienced a 10% drop in margin compared to last year.

Selling, general and administrative expenses increased in the quarter by $1.6 million to $7.7 million in the second quarter compared to $6.1 million in the prior year. Included in the current quarter were $1.4 million bad debt write offs mostly related to the bankruptcy of a single large customer and $1.3 million severance costs incurred in order to balance capacity to the contracting market conditions. These charges were partially offset by $360 thousand foreign exchange gain from fair market valuation of forwards and collars which benefited from the strengthening Mexican Peso at the end of the quarter. Excluding these special items, selling, general and administrative expenses for the quarter were $5.4 million compared to $5.6 million in the prior year. Year-to-date, selling, general and administrative expenses increased to $15.5 million from $12.4 million in the prior year. Included in the current year were $1.4 million severance, $1.6 million bad debts and $2.5 million foreign exchange loss from fair valuation of forwards and collars. Excluding these special charges, selling, general and administrative expenses in the current year were $10.0 million compared to $11.6 million last year.

In the quarter, Exco expensed stock-based compensation of $110 thousand versus $97 thousand in the prior year quarter. Year-to-date, the Company expensed stock-based compensation of $159 thousand compared to $227 thousand in the prior year. This expense relates to the Employee Stock Purchase Plan, the Stock Based Compensation Plan, and the Deferred Share Unit Plan (see note 2 of the Financial Statements).

**Financial Resources, Liquidity and Capital Resources**

Operating cash flow from continuing operations in the current quarter decreased to $3.4 million from $6.9 million in the prior year primarily due to lower income and build-up in raw material for large moulds due to be shipped throughout the balance of the fiscal year and into fiscal 2010. Year-to-date, operating cash flow increased to $9.4 million compared to $7.4 million last year largely because of the decrease in non-cash working capital required at these lower sales levels. Aggressive measures implemented by management including staff reduction, overhead and selling, general and administrative cuts and implementation of production efficiencies have enabled the Company to generate positive operating cash flow despite North American industry production levels of less than 10 million units per annum.

Cash used in financing activities was $5.2 million in the current quarter versus $8.3 million last year as bank indebtedness decreased by $4.5 million compared to $6.9 million in the same quarter last year. Year-to-date, cash used in the financing activities increased to $8.0 million compared to $2.5 million last year as available funds were used to pay down bank indebtedness.

Cash out-flow from investing activities in the quarter was $2.4 million versus $1.4 million in the same quarter last year. Year-to-date, cash used in investing activities totalled $4.5 million versus $2.4 million last year. Included in the current year were expenditures of approximately $900 thousand incurred on the expansion of the Moroccan production facility, $400 thousand to complete the expansion of the extrusion die production facility in Michigan and $1.0 million incurred for the construction of our new die cast mould maintenance facility in Queretaro, Mexico. Apart from these construction projects, the cost of which is expected to be completely offset from the proceeds of the sale of the Techmire building, Exco does not expect to invest significant capital in machinery and equipment throughout the balance of the fiscal year. Capital expenditures are to be funded by the Company's cash flows, sale of assets held for sale and, if necessary, access to the Company's operating credit facilities.

The Company's net cash position at quarter end totalled $4.0 million compared to $3.5 million at the beginning of the fiscal year. This improvement stems in large part from the foreign exchange impact of a strengthening US dollar on our US cash on hand and other US dollar denominated non-cash working capital. The Company's cash position is also expected to benefit from the sale of the Company's Techmire facility expected to be completed in June.

The Company's cash position may also be impacted by the possible insolvency of Chrysler which, in 2008, was the Company's second largest customer at 9% of annual sales. This exposure primarily relates to the sale of large moulds and outstanding accounts receivable range from $1 million to $4 million at any given time depending on the timing of tool acceptance or delivery of moulds. The Company employs several strategies to minimize its exposure in this regard. New moulds are billed before delivery is made and payment is usually received before delivery of the mould. The Company also insists, where possible, on payment for outstanding invoices before additional tools are delivered. The Company expects to continue to utilize the Export Development Corporation account receivable insurance program when prudent. The Company believes that even in the event of a Chrysler bankruptcy or an association with Fiat the Phoenix V6 engine program is inherently valuable since it meets stringent future North American fuel efficiency standards. As such tooling for this program will continue to be necessary to Chrysler in a restructuring scenario or to other OEMs in an insolvency scenario. The Company's exposure to General Motors is much less with outstanding receivables typically ranging less than $500 thousand for components but occasionally reaching $750 thousand if tooling is delivered.

| | 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* | 1,533 | 627 | 807 | 99 | - |
| Purchase obligations | 3,940 | 3,940 | | | |
| **Total contractual obligations** | **5,473** | **4,567** | **807** | **99** | **-** |

** 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 second quarter of fiscal 2009 ended March 31, 2009:

| *($ thousands except per share amounts)* | Mar. 09 | Dec. 08 | Sep. 08 | Jun. 08 | Total |
|---|---|---|---|---|---|
| Sales | $33,233 | $44,444 | $50,132 | $47,677 | $175,486 |
| Net income (loss) from continuing operations before goodwill impairment | ($4,521) | ($2,425) | $2,833 | $3,147 | ($966) |
| Earnings (loss) per share | | | | | |
| Basic | ($0.11) | ($0.06) | $0.07 | $0.08 | ($0.02) |
| Diluted | ($0.11) | ($0.06) | $0.07 | $0.08 | ($0.02) |
| Net income (loss) from continuing operations | ($14,607) | ($2,425) | ($20,753) | $3,147 | ($34,638) |
| Earnings (loss) per share | | | | | |
| Basic | ($0.36) | ($0.06) | ($0.51) | $0.08 | ($0.85) |
| Diluted | ($0.36) | ($0.06) | ($0.51) | $0.08 | ($0.85) |
| Net income (loss) | ($14,607) | ($2,425) | ($21,178) | $3,085 | ($35,125) |
| Earnings (loss) per share | | | | | |
| Basic | ($0.36) | ($0.06) | ($0.52) | $0.08 | ($0.86) |
| Diluted | ($0.36) | ($0.06) | ($0.52) | $0.08 | ($0.86) |

| *($ thousands except per share amounts)* | Mar. 08 | Dec. 07 | Sep. 07 | Jun. 07 | Total |
|---|---|---|---|---|---|
| Sales | $55,898 | $47,974 | $50,485 | $51,574 | $205,931 |
| Net income from continuing operations before goodwill impairment | $2,844 | $1,364 | $341 | $2,254 | $6,803 |
| Earnings per share | | | | | |
| Basic | $0.07 | $0.03 | $0.01 | $0.05 | $0.16 |
| Diluted | $0.07 | $0.03 | $0.01 | $0.05 | $0.16 |
| Net income (loss) from continuing operations | $2,844 | $1,364 | ($752) | $2,254 | $5,710 |
| Earnings (loss) per share | | | | | |
| Basic | $0.07 | $0.03 | ($0.02) | $0.05 | $0.13 |
| Diluted | $0.07 | $0.03 | ($0.02) | $0.05 | $0.13 |
| Net income (loss) | $2,844 | $1,315 | ($2,073) | $2,168 | $4,254 |
| Earnings (loss) per share | | | | | |
| Basic | $0.07 | $0.03 | ($0.05) | $0.05 | $0.10 |
| Diluted | $0.07 | $0.03 | ($0.05) | $0.05 | $0.10 |

## 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 its European customers typically close for one month. Therefore usually the first and the fourth fiscal quarters are the weakest. This year the global economic environment has disrupted this usual pattern.

## 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 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.

## Transition to International Financial Reporting Standard (IFRS)

Our implementation plan to meet the requirements of IFRS remains on schedule. The plan comprised of three phases: 1) Diagnostic Assessment 2) Evaluation and Design and 3) Implementation and Review. We have completed the diagnostic phase and have entered the early stage of the evaluation and design phase of our plan. Due to anticipated changes in the International Accounting Standards prior to our transition to IFRS, we are not in a position to determine the impact on our financial results.

## Outstanding Share Capital

As at March 31, 2009 Exco had 40,674,176 common shares issued and outstanding and stock options outstanding to purchase up to 1,994,429 common shares at exercise prices ranging from $1.03 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 balance of the fiscal year will continue to be impacted by weak demand for automobiles in North America and Europe. We expect to resume shipments on the CRV and Civic seat cover programs in June. The ramp up is expected to be gradual throughout the fourth quarter and first quarter of 2010. Other OEMs are expected to keep production consistent with the current quarter although further light vehicle production cuts may take place over the summer in order to avoid inventory buildup. While our industrial accounts have yielded to the general weakness in the larger economy, they have not experienced declines as dramatic as the automotive sector. As stimulus spending in both Canada and the US takes root sales are expected to firm up. The Casting businesses should experience more stable sales, as deliveries of large moulds on the Phoenix engine block program are now underway and some takeover business is processed.

The uncertainty surrounding General Motors and Chrysler's viability and weak financial performance of other OEMs continues to impair their ability to execute their plans for new model launches, power train design and capital expenditures. Given the Company's strong balance sheet with no net debt and its ability to generate positive operating cash flow in the quarter even at these drastically low production levels, management believes the Company is well positioned to weather this uncertainty and thrive thereafter. Exco's Automotive Solutions segment has secured new programs representing approximately $25 million in annualized sales launching throughout the balance of 2009 and 2010, subject to volume and currency fluctuations. The large mould group has received further orders for six speed transmission moulds from the Detroit 3 for delivery during the same time frame if they successfully conclude their restructurings.

The weakening Canadian dollar and falling raw material prices have benefited the Company by supporting gross margin and operating cash flow. However, substantial improvement in the Company's financial performance will require an increase in sales. Management expects this will not take place for several more quarters and will concentrate its efforts on continued right sizing of the Company's capacity and fixed costs in order to achieve profitability at these lower sales levels and to improve profitability once volumes begin to return to more traditional levels.

*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 six-month period ended March 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 March 31, 2009 | As at September 30, 2008 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **$6,115** | $8,141 |
| Accounts receivable (note 3) | **27,300** | 34,120 |
| Inventories (note 4) | **31,481** | 30,527 |
| Prepaid expenses and deposits | **3,230** | 3,013 |
| Income taxes receivable | **281** | - |
| Assets held for sale (note 6) | **3,653** | 5,068 |
| Discontinued operations | - | 540 |
| Total current assets | **72,060** | 81,409 |
| Mortgage receivable | **600** | 600 |
| Fixed assets (note 7) | **78,184** | 74,915 |
| Goodwill (note 8) | - | 10,086 |
| Future income tax assets | **2,022** | 1,373 |
| | **$152,866** | $168,383 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Bank indebtedness | **$2,090** | $4,634 |
| Accounts payable and accrued liabilities | **16,588** | 25,125 |
| Income taxes payable | - | 641 |
| Customer advance payments | **4,678** | 944 |
| Total current liabilities | **23,356** | 31,344 |
| Future income tax liabilities | **4,490** | 5,277 |
| Total liabilities | **27,846** | 36,621 |
| **Shareholders' Equity** | | |
| Share capital (note 2) | **35,442** | 35,681 |
| Contributed surplus (note 2) | **2,958** | 2,789 |
| Retained earnings | **91,166** | 109,912 |
| Accumulated other comprehensive loss (note 2) | **(4,546)** | (16,620) |
| Total shareholders' equity | **125,020** | 131,762 |
| | **$152,866** | $168,383 |

See accompanying notes

**EXCO TECHNOLOGIES LIMITED**

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

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

| | 3 Months ended March 31 | | 6 Months ended March 31 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Sales | **$33,233** | $55,898 | **$77,677** | $103,872 |
| Cost of sales and operating expenses before the following (note 4) | **27,246** | 43,967 | **62,973** | 81,564 |
| Selling, general and administrative (notes 2 and 3) | **7,724 *** | 6,067 | **15,502 **** | 12,361 |
| Depreciation and amortization (note 7) | **3,036 ***** | 2,394 | **5,469 ***** | 4,738 |
| Goodwill impairment (note 8) | **10,086** | - | **10,086** | - |
| Asset held for sale write-down (note 6) | **1,415** | - | **1,415** | - |
| Gain on sale of fixed assets | **-** | (389) | **-** | (564) |
| Interest (income) expense | **(13)** | 19 | **36** | 99 |
| | **49,494** | 52,058 | **95,481** | 98,198 |
| (Loss) income from continuing operations before income taxes | **(16,261)** | 3,840 | **(17,804)** | 5,674 |
| (Recovery) provision for income taxes | **(1,654)** | 996 | **(772)** | 1,466 |
| (Loss) income from continuing operations | **(14,607)** | 2,844 | **(17,032)** | 4,208 |
| Loss from discontinued operations, net of tax | **-** | - | **-** | (49) |
| **Net (loss) income for the period** | **($14,607)** | $2,844 | **($17,032)** | $4,159 |
| Other comprehensive (loss) income | | | | |
| Unrealized (loss) gain on foreign currency translation of self-sustaining operations | **(113)** | 4,167 | **12,074** | 3,890 |
| **Comprehensive (loss) income** | **($14,720)** | $7,011 | **($4,958)** | $8,049 |
| **(Loss) earnings per common share** | | | | |
| Basic and diluted from continuing operations | **($0.36)** | $0.07 | **($0.42)** | $0.10 |
| Basic and diluted from discontinued operations | **$0.00** | $0.00 | **$0.00** | $0.00 |
| **Basic and diluted (loss) earnings** | **($0.36)** | $0.07 | **($0.42)** | $0.10 |

** Includes $360 foreign exchange valuation gain, $1.3 severance charges and $1.4 million bad debts*

*** Includes $2,488 foreign exchange valuation loss, $1.4 severance charges and $1.6 million bad debts*

**** Includes $590 impairment charge on fixed assets.*

See accompanying notes

**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, 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 |
| Net loss for the quarter | - | - | (14,607) | - | (14,607) |
| Dividends | - | - | (712) | - | (712) |
| Stock option expense | - | 102 | - | - | 102 |
| Repurchase of share capital | - | - | - | - | - |
| Unrealized losses on translation of self-sustaining operations | - | - | - | (113) | (113) |
| **Balance, March 31, 2009** | **$35,442** | **$2,958** | **$91,166** | **($4,546)** | **$125,020** |

See accompanying notes

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

| | 3 Months ended March 31 | | 6 Months ended March 31 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| **OPERATING ACTIVITIES:** | | | | |
| Net (loss) income from continuing operations | **($14,607)** | $2,844 | **($17,032)** | $4,208 |
| Add (deduct) items not involving a current outlay of cash | | | | |
| Goodwill impairment (note 8) | **10,086** | - | **10,086** | - |
| Assets held for sale write-down (note 6) | **1,415** | - | **1,415** | - |
| Depreciation and amortization (note 7) | **3,036** | 2,394 | **5,469** | 4,738 |
| Stock-based compensation expense (note 2) | **110** | 97 | **159** | 227 |
| Future income taxes | **(1,548)** | (213) | **(1,451)** | (170) |
| Gain on sale of fixed assets | **-** | (389) | **-** | (564) |
| (Gain) loss on financial instrument valuation (note 3) | **(360)** | 168 | **2,488** | 54 |
| | **(1,868)** | 4,901 | **1,134** | 8,493 |
| Net change in non-cash working capital balances related to continuing operations | **5,312** | 2,036 | **8,252** | (1,109) |
| **Cash provided by operating activities of continuing operations** | **3,444** | 6,937 | **9,386** | 7,384 |
| **FINANCING ACTIVITIES:** | | | | |
| Increase (decrease) in bank indebtedness | **(4,493)** | (6,881) | **(6,037)** | 589 |
| Decrease in long-term debt | **-** | (32) | **-** | (63) |
| Dividends paid (note 2) | **(712)** | (719) | **(1,424)** | (1,337) |
| Repurchase of share capital (note 2) | **-** | (691) | **(529)** | (1,640) |
| **Cash used in financing activities of continuing operations** | **(5,205)** | (8,323) | **(7,990)** | (2,451) |
| **INVESTING ACTIVITIES:** | | | | |
| Investment in fixed assets | **(2,387)** | (2,292) | **(4,520)** | (3,427) |
| Proceeds on sale of fixed assets | **3** | 849 | **3** | 1,053 |
| **Cash used in investing activities of continuing operations** | **(2,384)** | (1,443) | **(4,517)** | (2,374) |
| **CASH FLOWS FROM DISCONTINUED OPERATIONS:** | | | | |
| Net cash used in discontinued operations | **-** | (84) | **-** | (118) |
| **Net cash used in discontinued operations** | **-** | (84) | **-** | (118) |
| Effect of exchange rate changes on cash | **(82)** | 137 | **1,095** | 103 |
| Net (decrease) increase in cash during the period | **(4,227)** | (2,776) | **(2,026)** | 2,544 |
| Cash, beginning of period | **10,342** | 10,997 | **8,141** | 5,677 |
| **Cash, end of period** | **$6,115** | $8,221 | **$6,115** | $8,221 |

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), 3031 (Inventories) and 1400 (General standards of financial statement presentation).

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. Adoption of this new section has no material impact on the Company's unaudited interim consolidated financial statements.

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 has no material impact on the Company's unaudited interim consolidated financial statements.

Section 1400 (General standards of financial statement presentation) was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Adoption of the amendment of this section did not have an impact on the Company's unaudited interim consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities (EIC 173) – On January 20, 2009, the emerging issues committee (EIC) issued the above abstract which provides further guidance on the determination of the fair value of financial assets and financial liabilities under Section 3855. EIC 173 concluded that when determining the fair value of financial assets and financial liabilities, the entity should consider its own credit risk as well as the credit risk of the counterparty. This abstract should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. Adoption of this abstract has no material impact on the Company's unaudited interim consolidated financial statements.

*$(000)'s except per share amounts*

## 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.

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, the CICA issued Section 1601, Consolidated Financial Statements (replaced Section 1600), and Section 1602, Non-controlling interests. 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 or after January 1, 2011. The Company is currently assessing the impact of these standards on its consolidated financial statements.

## 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, 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 |
| Purchased and cancelled pursuant to normal course issuer bid | - | - |
| **Issued and outstanding at March 31, 2009** | **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 loss of $113 during the three months ended March 31, 2009 (three months ended March 31, 2008 - the unrealized translation gain was $4,167). For the six months ended March 31, 2009 the unrealized gain was $12,074 (six months ended March 31, 2008 – the unrealized gain was $3,890). Year-to-date unrealized gain of $12,074 is primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar as measured at March 31, 2009 and September 30, 2008.

***$(000)'s except per share amounts***

### Cash dividend

During the three months ended March 31, 2009, the Company paid cash dividends as outlined in the table below. The dividend rate in the quarter was $0.0175 (2008 - $0.0175) per common share.

| | **2009** | 2008 |
|---|---|---|
| December 31 | **$712** | $618 |
| March 31 | **712** | 719 |
| **Total dividends paid** | **$1,424** | $1,337 |

### 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):

| | **2009** | | | 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 |
| Granted | **30,000** | **$1.03** | **-** | - | - | - |
| Vested | **-** | **-** | **2,000** | - | - | 6,000 |
| Expired | **(40,000)** | **3.88** | **(40,000)** | - | - | - |
| Cancelled | **-** | **-** | **-** | (30,000) | 6.85 | (24,000) |
| Balance, March 31 | **1,994,429** | **$4.35** | **1,564,791** | 2,275,414 | $4.38 | 1,803,196 |

### 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 six months ended March 31, 2009 no shares (2008 – nil) were issued under the terms of the ESPP.

***$(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 and the ESPP was $102 for the three months ended March 31, 2009 (three month ended March 31, 2008 - $97) and for the six months ended March 31, 2009 was $169 (six month ended March 31, 2008 - $234). 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 six months ended March 31, 2009 are as follows:

| As at | **March 31, 2009** | March 31, 2008 |
|---|---|---|
| Risk-free interest rates | **2.48%** | 4.14% |
| Expected dividend yield | **6.24%** | 0.89% |
| Expected volatility | **36.89%** | 26.80% |
| Expected time until exercise | **5.63 years** | 6.02 years |
| Weighted average fair value of options granted | **$0.18** | $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. The number of units in the table below is expressed in whole numbers and has not been rounded to the nearest thousand:

| | Number of units | Expense |
|---|---|---|
| December 31, 2008 | 11,535 | ($18) |
| March 31, 2009 | 12,088 | 8 |
| **Total** | **23,623** | **($10)** |

**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:

| | **2009** | 2008 |
|---|---|---|
| Balance, September 30 | **$2,789** | $2,364 |
| Stock option compensation expense | **67** | 137 |
| Balance, December 31 | **$2,856** | $2,501 |
| Stock option compensation expense | **102** | 97 |
| **Balance, March 31** | **$2,958** | $2,598 |

**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 six months ended March 31, 2009, the Company purchased 274,100 common shares (2008 – 458,100) at a total cost of $529 (2008 - $1,640). The cost to purchase these shares exceeded their stated value by $290 (2008 - $1,241). This excess has been charged against retained earnings.

***$(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 U.S.$3,700 over the next 6 months at the rate ranges from 1.2004 to 1.2915 Canadian dollars for each U.S. 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 111.8 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 $2.7 million would be realized if these contracts and collars were terminated on March 31, 2009. As at March 31, 2009, the estimated fair value loss of $2.5 million 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 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.  As at March 31, 2009,

***$(000)'s except per share amounts***

the accounts receivable balance (net of allowance for doubtful accounts) is $27,300 (September 30, 2008 - $34,120) and the Company's five largest trade debtors accounted for 45% of the total accounts receivable balance. As March 31, 2009, accounts receivable in the amount of $6,000 are insured against default.

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

| As at | **March 31, 2009** | September 30, 2008 |
|---|---|---|
| Trade accounts receivable | **$27,312** | $34,191 |
| Employee receivable* | **279** | 64 |
| Sales tax receivable | **347** | 160 |
| Vendor rebates | **13** | 81 |
| Others | **88** | 105 |
| Allowance for doubtful accounts | **(739)** | (481) |
| **Total accounts receivable, net** | **$27,300** | $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. 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 $28 on account of non business expenses paid by the Company.

The aging of trade accounts receivable balances is as follows:

| As at | **March 31, 2009** | September 30, 2008 |
|---|---|---|
| Not past due | **$16,135** | $26,593 |
| Past due 1-30 days | **5,640** | 4,155 |
| Past due 31-60 days | **3,952** | 1,035 |
| Past due 61-90 days | **162** | 599 |
| Over 91 days past due | **1,423** | 1,809 |
| Less: allowance for doubtful accounts | **(739)** | (481) |
| **Total trade accounts receivable, net** | **$26,573** | $33,710 |

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

| As at | **March 31, 2009** | September 30, 2008 |
|---|---|---|
| Opening balance | **$481** | $696 |
| Bad debt expense | **1,558** | 1,120 |
| Write-off | **(1,300)** | (1,335) |
| **Closing balance** | **$739** | $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 March 31, 2009, the Company has a net cash balance of $4,025 and unused credit facilities of $46,690.

*c) Foreign exchange risk*

***$(000)'s except per share amounts***

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 shareholders' 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 U.S. dollar and Moroccan Dirham and a one percent fluctuation between the Euro and Dirham, U.S. 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.

| *$ thousands* | 1 % Fluctuation USD vs. CDN | 1 % Fluctuation Dirham vs. CDN | 1 % Fluctuation Euro vs. Dirham | 1 % Fluctuation USD vs. MXN peso |
|---|---|---|---|---|
| Income (loss) before income taxes | +/- $20 | +/- $3 | +/- $20 | +/- $25 |
| Other comprehensive income (loss) | +/- $934 | +/- $160 | 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 March 31, 2009, the Company has a net cash position of $4,025; therefore its interest rate risk exposure is insignificant.

## 4. INVENTORIES

| As at | **March 31, 2009** | September 30, 2008 |
|---|---|---|
| Finished goods | **$4,793** | $ 4,905 |
| Work in process | **14,357** | 12,322 |
| Raw materials | **11,720** | 12,628 |
| Production supplies | **611** | 672 |
| **Total** | **$31,481** | $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 six months ended March 31, 2009, inventories of $34,682 (2008-$47,272) were expensed and write downs of inventory amounting to $340 (2008-$222) were included in cost of goods sold. No reversals of write downs were recorded during the six months ended March 31, 2009 and 2008.

***$(000)'s except per share amounts***

## 5. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at March 31, 2009, total managed capital was $125,020 (September 30, 2008 - $131,762) consisting of nil net debt (September 30, 2008 – nil) and shareholders' equity of $125,020(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:

| As at | **March 31, 2009** | September 30, 2008 |
|---|---|---|
| Net debt to equity | **0.00:1** | 0.00:1 |
| Current ratio | **2.93:1** | 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:

| As at | **March 31, 2009** | September 30, 2008 |
|---|---|---|
| Bank indebtedness | **$2,090** | $4,634 |
| Less: cash | **(6,115)** | (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 March 31, 2009, the Company was in compliance with the required financial covenants.

## 6. ASSETS HELD FOR SALE

Included in assets held for sale is the Company's Techmire production facility located in Montreal, Quebec. A write-down in the amount $1,415 was taken on the property to reflect the net recoverable value based on the purchase agreement the Company received in the second quarter. The sale is expected to complete in the third quarter of fiscal 2009.

## 7. FIXED ASSETS IMPAIRMENT

During the second quarter of the year, the Company's Automotive Solutions segment (Neocon USA) recorded an asset impairment charge on its machinery and equipment in the amount of $590. The impairment charge is included in the depreciation of its fixed assets. It was determined by comparing the current pricing of similar machinery and equipment. As a result, management estimated the fair value of its machinery and equipment exceeded its carrying value by $590 as at March 31, 2009.

## 8. GOODWILL

During the second quarter of the year events occurred which indicated that it was more likely than not that there was a significant further decline in the fair value of the Company's Polytech division due the to global economic crisis, generally negative development in the North American automotive industry, continuing poor light vehicle sales and tightening consumer credit. As a result, the Company tested the goodwill associated with the Polytech division in advance of the annual impairment test and the Company recorded a goodwill impairment charge of $10,086. This impairment charge is not deductible for tax purposes; therefore there is no corresponding tax benefit. After this impairment charge, there remains no goodwill on the Company's balance sheet.

## 9. 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).

***$(000)'s except per share amounts***

| | **Three Months ended March 31, 2009** | | | |
|---|---|---|---|---|
| | **Casting and Extrusion** | **Automotive Solutions** | **Corporate** | **Total** |
| **Sales** | **$24,300** | **$8,933** | **$ -** | **$33,233** |
| **Depreciation** | **1,772** | **1,252** | **12** | **3,036** |
| **Goodwill impairment** | **-** | **10,086** | **-** | **10,086** |
| **Segment income (loss)** | **168** | **(14,643)** | **(1,799)** | **(16,274)** |
| **Interest income** | | | | **(13)** |
| **Loss before taxes** | | | | **(16,261)** |
| **Fixed asset additions** | **1,986** | **401** | **-** | **2,387** |
| **Fixed assets, net** | **54,937** | **21,697** | **1,550** | **78,184** |
| **Total assets** | **$59,991** | **$90,458** | **$2,417** | **$152,866** |

| | Three Months ended March 31, 2008 | | | |
|---|---|---|---|---|
| | Casting and Extrusion | Automotive Solutions | Corporate | Total |
| Sales | $32,120 | $23,778 | $- | $55,898 |
| Depreciation | 1,799 | 584 | 11 | 2,394 |
| Goodwill impairment | - | - | | - |
| Segment income (loss) | 2,366 | 2,435 | (942) | 3,859 |
| Interest expense | | | | 19 |
| Income before taxes | | | | 3,840 |
| Fixed asset additions | 1,574 | 631 | 87 | 2,292 |
| Fixed assets, net | 51,136 | 19,389 | 1,552 | 72,077 |
| Goodwill | - | 33,672 | - | 33,672 |
| Total assets - continuing operations | 64,996 | 124,057 | 1,665 | 190,718 |
| Total assets - discontinued operations | 725 | - | - | 725 |
| Total assets | $65,721 | $124,057 | $1,665 | $191,443 |

***$(000)'s except per share amounts***

| | Six Months ended March 31, 2009 | | | |
|---|---|---|---|---|
| | **Casting and Extrusion** | **Automotive Solutions** | **Corporate** | **Total** |
| **Sales** | **$51,117** | **$26,560** | **$-** | **$77,677** |
| **Depreciation** | **3,530** | **1,916** | **23** | **5,469** |
| **Goodwill impairment** | | **10,086** | **-** | **10,086** |
| **Segment income (loss)** | **2,049** | **(14,472)** | **(5,345)** | **(17,768)** |
| **Interest expense** | | | | **36** |
| **Loss before taxes** | | | | **(17,804)** |
| **Fixed asset additions** | **3,466** | **1,030** | **24** | **4,520** |
| **Fixed assets, net** | **54,937** | **21,697** | **1,550** | **78,184** |
| **Total assets** | **$59,991** | **$90,458** | **$2,417** | **$152,866** |

| | Six Months ended March 31, 2008 | | | |
|---|---|---|---|---|
| | Casting and Extrusion | Automotive Solutions | Corporate | Total |
| Sales | $58,505 | $45,367 | $- | $103,872 |
| Depreciation | 3,581 | 1,134 | 23 | 4,738 |
| Goodwill impairment | - | - | | - |
| Segment income (loss) | 2,891 | 5,093 | (2,211) | 5,773 |
| Interest expense | | | | 99 |
| Income before taxes | | | | 5,674 |
| Fixed asset additions | 2,471 | 869 | 87 | 3,427 |
| Fixed assets, net | 51,136 | 19,389 | 1,552 | 72,077 |
| Goodwill | - | 33,672 | | 33,672 |
| Total assets - continuing operations | 64,996 | 124,057 | 1,665 | 190,718 |
| Total assets - discontinued operations | 725 | - | - | 725 |
| Total assets | $65,721 | $124,057 | $1,665 | $191,443 |

## 5 YEAR FINANCIAL HIGHLIGHTS

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

| | **2008** | **2007** | **2006** | **2005** | **2004** |
|---|---|---|---|---|---|
| Sales | $201,681 | $201,759 | $199,271 | $202,957 | $194,251 |
| Net income (loss) 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 1500 people and service a diverse and broad customer base.

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## TORONTO STOCK EXCHANGE LISTING

XTC

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Geoffrey F. Hyland
Edward Kernaghan
Brian A. Robbins, President and C.E.O.
Stephen Rodgers
Peter van Schaik

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