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Interim report
to the shareholders
for the six months
ended March 31, 2010

	Three Months ended March 31		Six Months ended March 31	
	($000s, except per share amounts)			
	2010	2009	**2010**	2009
Sales	**39,312**	33,233	**76,902**	77,677
Net income (loss)	**2,226**	(14,607)	**4,126**	(17,032)
Basic and diluted earnings (loss) per share	**$0.05**	($0.36)	**$0.10**	($0.42)
Common shares outstanding	**40,911,000**	40,674,000	**40,911,000**	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 second quarter ended March 31, 2010 were $39.3 million – an increase of $6.1 million or more than 18% over last year. Sales in the quarter, although up significantly, were eroded by a rapidly devaluing US dollar which weakened by 20 cents against the Canadian dollar ($1.05 this quarter vs $1.25 last year). This decreased the quarter's sales by approximately $4.7 million as the majority of Exco's consolidated sales are denominated in US dollars. Year-to-date sales were $76.9 million – a decrease of $775 thousand or 1% compared to last year. The US dollar was 18 cents weaker against the Canadian dollar year-to-date ($1.06 compared to $1.24 last year) decreasing sales by approximately $8.6 million.

During the second quarter, the Casting and Extrusion segment reported sales of $24.4 million – a constant sales level compared to the same quarter last year. Year-to-date, the segment reported sales of $48.4 million compared to $51.1 million last year. In the extrusion tooling businesses and Castool, sales increased by over 3% in the current quarter but decreased by over 10% year-to-date. A much weaker US dollar in the current year undermined the actual sales improvement at these businesses as they were more reliant on US dollar denominated sales and in the case of Castool a weakening Euro also eroded sales. Sales in the large mould group decreased by 6% in the current quarter but increased by almost 8% year-to-date compared to last year reflecting overall stronger customer conviction in releasing orders on several programs.

Sales in the Automotive Solutions segment in the second quarter were $14.9 million – an increase of over 67% or $ 6.0 million from the same quarter last year and a sequential growth of almost 10% from the prior quarter. Year-to-date, the segment reported sales of $28.5 million compared to $26.6 million last year. Sales volumes at Polytech and Neocon have improved significantly from the recessionary levels experienced in mid 2009 although Polytech is still below pre-2009 sales levels. However, Neocon has been experiencing sales that have surpassed its traditional pre-2009 levels. The European automotive market has not experienced the same recovery in production that is taking place in North America. Accordingly, sales at Polydesign, although up by almost 33% in the current quarter over last year, has nonetheless decreased by more than 32% year-to-date compared to last year. The resumption of the Honda seat cover program was primarily responsible for the quarterly improvement, however, production on this program is still well below the pre recessionary level owing to a combination of lower overall production and in sourcing of a portion of the program by our tier one customer.

Consolidated net income for the second quarter was $2.2 million or $0.05 per share compared to a consolidated net loss of $14.6 million or $0.36 per share in the same quarter last year. Included in the current quarter were severance expense of $710 thousand related to the large mould business in Canada, $480 thousand foreign exchange gain from fair valuation of forwards and collars and start up losses of almost one cent per share at the new large mould maintenance facility in Queretaro, Mexico which is not yet generating material revenue. Year-to-date, consolidated net income was $4.1 million or $0.10 per share compared to consolidated net loss of $17 million or $0.42 per share last year. Included in last year's second quarter and year-to-date were many unusual charges including $10.1 million write-down of goodwill, $590 thousand impairment of long-lived assets at Neocon USA which was closed last year, $1.4 million write-down of assets held for sale (Techmire production facility), $1.4 million severance related to the reduction of Exco's overall workforce, $1.6 million bad debt write-offs and $2.5 million foreign exchange loss from fair valuation of forwards and collars. Included in the current year-to-date were the above referenced $710 thousand severance expense, $271 thousand gain from the sales of surplus machinery, the above mentioned operating loss at our new large mould maintenance facility in Queretaro, Mexico and $919 thousand foreign exchange gain from the fair valuation of collars.

The improvement in the current year's earnings was led by the Automotive Solutions segment despite a weak recovery in the European market. The Automotive Solutions segment reported segment income of $1.2 million in the second quarter and $2.3 million year-to-date compared to segment losses of $14.6 million and $14.5 million respectively last year. Successful cost cutting initiatives in fiscal 2009 and the closure of the unprofitable Neocon USA operation last year have positioned Polytech and Neocon for higher profitability in the current year despite unfavorable foreign exchange rates. Polydesign is expected to improve its sales as it launches new business in the coming quarters representing approximately $12 million in annualized sales.

The Casting and Extrusion segment reported higher segment income in the second quarter of $3 million compared to segment income of $168 thousand in the same quarter last year. Year-to-date, the segment also reported higher segment income of $5.5 million compared to $2 million last year. This improvement was led by the extrusion group and the large mould group despite lower year-to-date sales. Our new large mould maintenance facility in Queretaro has completed installation of its equipment. Its loss of approximately one cent per share in the quarter consists of the operating costs of that business as there were no material sales during the quarter. Earnings at Castool were modestly higher in the quarter but lower year-to-date. The Castool business has experienced less contraction throughout the recession of 2009 but is less expansive as economic conditions improve.

The Corporate segment incurred expenses of $582 thousand in the second quarter compared to $1.8 million last year. Year-to-date, expenses amounted to $1.1 million compared to $5.3 million in the prior year. Included in year-to-date expenses last year were the previously mentioned $1.4 million write-down of Techmire’s production facility in the second quarter and the $2.5 million foreign exchange loss mainly in the first quarter from fair valuation of forwards and collars compared to the current year which experienced no write-down of assets held for sale and $919 thousand foreign exchange gain from fair valuation of collars. Offsetting these favorable variances in the current year were accruals for performance based profit sharing which is returning to the more traditional level compared to last year.

Gross margin in the second quarter increased by 10.8 percentage points to 28.8% from 18% in the same quarter last year. Year-to-date gross margin also increased by 7.9 percent to 26.8% from 18.9% 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. 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 second quarter declined to $5.6 million from $7.7 million in the same quarter last year. As a percentage of sales it decreased to 14.3% from 23.2%. Year-to-date, selling, general and administrative expense also decreased significantly to $10.1 million compared to $15.5 million last year. As a percentage of sales, it decreased to 13.2% from 20% last year. However, included in the current year were $919 thousand foreign exchange gain from fair valuation of collars, $710 thousand severance in the second quarter, $1.2 million profit sharing and incentive bonus and negligible bad debts compared to last year which experienced $2.5 million foreign exchange loss mainly in the first quarter, $1.4 million severance mainly in the second quarter, $340 thousand incentive bonus and $1.6 million bad debts also mainly in the second quarter.

In the second quarter, Exco expensed stock-based compensation of $105 thousand compared to $110 thousand in the same quarter last year. Year-to-date, the Company expensed stock-based compensation of $228 thousand compared to $159 thousand last year. This expense relates 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 second quarter decreased to $198 thousand from $3.4 million in the same quarter last year. Year-to-date, operating cash flow also decreased to $8.0 million from $9.4 million last year. The reduced operating cash flow in the current quarter and year-to-date was a result of increases in accounts receivable and inventories built up in response to improving sales in the current year compared to the opposite trend associated with declining sales experienced last year. This is seen as a positive trend as it demonstrates the Company's ability to fund its growing revenue and rebuild its much depleted inventories without materially impairing its operating cash flow.

Cash used in financing activities in the second quarter decreased to $821 thousand compared to $5.2 million in the same quarter last year. Year-to-date, cash used in financing activities also decreased to $1.3 million compared to $8 million last year. Higher cash usage last year was primarily a result of paying off short-term borrowings. No such cash requirement was experienced this year as Exco has been debt free since the third quarter of last year.

Cash used in investing activities in the second quarter totaled $806 thousand compared to $2.4 million last year. Year-to-date, cash used in investing activities totaled $1.5 million compared to $4.5 million last year. Included in the current year were proceeds of $575 thousand mainly from the sale of surplus machinery. Fixed asset additions in the second quarter at the Automotive Solutions segment were $214 thousand and in the Casting and Extrusion segment were $616 thousand. Year-to-date, fixed asset additions at the Automotive Solutions segment were $842 thousand and at the Casting and Extrusion segment were $1.2 million.

The Company's cash position at the second quarter ended March 31, 2010 increased by 43% to $16.3 million compared to $11.4 million at the beginning of the year. This improvement stems from the reduction of inventory, the proceeds from the sale of certain surplus equipment and higher earnings in the current year.

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 ($000)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	-	-	-	-	-
Capital leases*	224	129	84	11	-
Operating leases*	631	319	309	3	-
Purchase obligations	7,749	7,749	-	-	-
Total contractual obligations	**8,604**	**8,197**	**393**	**14**	**$ -**

∗ 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 second quarter ended March 31, 2010:

($ thousands except per share amounts)	Mar. 10	Dec. 09	Sep. 09	Jun. 09	Total
Sales	$39,312	$37,590	$37,694	$28,345	$142,941
Net income (loss) from continuing operations before goodwill impairment	$2,226	$1,900	$364	($998)	$3,492
Earnings (loss) per share					
Basic	$0.05	$0.05	$0.01	($0.02)	$0.09
Diluted	$0.05	$0.05	$0.01	($0.02)	$0.09
Net income (loss) from continuing operations	$2,226	$1,900	$364	($998)	$3,492
Earnings (loss) per share					
Basic	$0.05	$0.05	$0.01	($0.02)	$0.09
Diluted	$0.05	$0.05	$0.01	($0.02)	$0.09
Net income (loss)	$2,226	$1,900	$364	($998)	$3,492
Earnings (loss) per share					
Basic	$0.05	$0.05	$0.01	($0.02)	$0.09
Diluted	$0.05	$0.05	$0.01	($0.02)	$0.09

($ 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)

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. In addition, Polydesign usually experiences reduced business activity during August when many European customers close for that 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 the traditional pattern has not remerged as Q1 was quite strong.

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 March 31, 2010 Exco had 40,911,323 common shares issued and outstanding and stock options outstanding to purchase up to 1,888,119 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 continues to unfold our opinion that the business climate is improving remains unchanged. We have seen automotive production in North America finally improve after consistent and, at times, dramatic decline during 2009. We expect improvement to continue at a relatively slow yet steady pace. This should continue to improve Exco sales and earnings in both business segments in the quarters to come.

This improving North American production environment is resulting in much more activity in tooling businesses. The resurgence of more confident and revitalized management at General Motors and Chrysler, in particular, is resulting in firming up of orders, production scheduling and deliveries in the large mould businesses. The competitive landscape is also improving with the recent receivership of a major North American large mould competitor located in Indiana. We are also seeing the resurgence of strong demand for extrusion dies and Castool consumable components in North and South America as capital spending among our customers appears to be resuming.

In the Automotive Solutions segment demand at Neocon and Polytech is expected to continue its strengthening trajectory throughout the next quarter as volumes and new launches continue in the months ahead. Improvement at Polydesign will be weighted toward the later part of the fiscal year and into 2011 as new programs totaling annualized volumes of approximately $12 million will launch during that time in addition to any improvement in Honda seat cover production that may take place.

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 $16.3 million or 40 cents per share of cash on hand. Our strong cash position and greater efficiency achieved over the last several years greatly improves our competitive position and helps mitigate the impact that the par Canadian dollar will have on our earnings.

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 2009 Annual Report, in our 2009 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.

NOTICE 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, 2010 and 2009 have not been reviewed by the auditors of the Company.

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

	As at March 31, 2010	As at September 30, 2009
ASSETS		
Current		
Cash	**$16,289**	$11,364
Accounts receivable (note 4)	**27,737**	26,711
Inventories (note 5)	**21,386**	23,330
Prepaid expenses and deposits	**2,626**	2,589
Income taxes receivable	**-**	668
Mortgage receivable	**600**	600
Assets held for sale	**1,397**	1,501
Total current assets	**70,035**	66,763
Fixed assets (note 3)	**67,737**	71,696
Future income tax assets	**1,678**	1,855
	69,415	73,551
	$139,450	$140,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$16,921**	$15,848
Income taxes payable	**762**	-
Customer advance payments	**2,817**	4,931
Capital lease obligations	**114**	125
Total current liabilities	**20,614**	20,904
Long-term capital lease obligations	**105**	148
Future income tax liabilities	**4,496**	4,344
Total liabilities	**25,215**	25,396
Shareholders' Equity		
Share capital (note 2)	**35,866**	35,435
Contributed surplus (note 2)	**3,155**	3,130
Retained earnings	**91,686**	89,108
Accumulated other comprehensive loss (note 2)	**(16,472)**	(12,755)
Total shareholders' equity	**114,235**	114,918
	$139,450	$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 March 31		Six Months ended March 31		
	2010	2009	**2010**	2009	
Sales	**$39,312**	$33,233	**$76,902**	$77,677	
Cost of sales and operating expenses before the following (note 5)	**27,998**	27,246	**56,318**	62,973	
Selling, general and administrative (notes 2 and 4)	**5,622**	7,724	**10,138**	15,502	*
Depreciation and amortization	**2,051**	3,036	**4,017**	5,469	
Goodwill impairment	**-**	10,086	-	10,086	
Asset held for sale write-down	**-**	1,415	-	1,415	
Gain on sale of fixed assets	**-**	-	**(271)**	-	
Interest expense (income)	**5**	(13)	**18**	36	
	35,676	49,494	**70,220**	95,481	
Income (loss) before income taxes	**3,636**	(16,261)	**6,682**	(17,804)	
Provision for (recovery of) income taxes	**1,410**	(1,654)	**2,556**	(772)	
Net income (loss) for the period	**2,226**	(14,607)	**4,126**	(17,032)	
Other comprehensive income (loss)					
Unrealized gain (loss) on foreign currency translation of self-sustaining operations	**(2,274)**	(113)	**(3,717)**	12,074	
Comprehensive income (loss)	**($48)**	($14,720)	**$409**	($4,958)	
Earnings (loss) per common share					
Basic and diluted earnings (loss)	**$0.05**	($0.36)	**$0.10**	($0.42)	

** Includes $2,488 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
Net income for the quarter	-	-	2,226	-	2,226
Dividends	-	-	(818)	-	(818)
Stock option expense	-	48	-	-	48
Issurance of share capital	12	(2)	-	-	10
Unrealized loss on translation of self-sustaining operations	-	-	-	(2,274)	(2,274)
Balance, March 31, 2010	**$35,866**	**$3,155**	**$91,686**	**($16,472)**	**$114,235**

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 March 31		Six Months ended March 31	
	2010	2009	**2010**	2009
OPERATING ACTIVITIES:				
Net income (loss) for the period	**$2,226**	($14,607)	**$4,126**	($17,032)
Add (deduct) items not involving a current outlay of cash				
Goodwill impairment	**-**	10,086	**-**	10,086
Assets held for sale write-down	**-**	1,415	**-**	1,415
Depreciation and amortization	**2,051**	3,036	**4,017**	5,469
Stock-based compensation expense (note 2)	**105**	110	**228**	159
Future income taxes	**349**	(1,548)	**330**	(1,451)
Gain on sale of fixed assets	**-**	-	**(271)**	-
(Gain) loss on financial instrument valuation (note 4)	**(480)**	(360)	**(919)**	2,488
	4,251	(1,868)	**7,511**	1,134
Net change in non-cash working capital balances related to operations	**(4,053)**	5,312	**452**	8,252
Cash provided by operating activities	**198**	3,444	**7,963**	9,386
FINANCING ACTIVITIES:				
Decrease in bank indebtedness	**-**	(4,493)	**-**	(6,037)
Repayment of capital lease obligations	**(13)**	-	**(54)**	-
Dividends paid (note 2)	**(818)**	(712)	**(1,534)**	(1,424)
Repurchase of share capital (note 2)	**-**	-	**(24)**	(529)
Issurance of share capital (note 2)	**10**	-	**332**	-
Cash used in financing activities	**(821)**	(5,205)	**(1,280)**	(7,990)
INVESTING ACTIVITIES:				
Investment in fixed assets	**(841)**	(2,387)	**(2,026)**	(4,520)
Proceeds on sale of fixed assets	**35**	3	**575**	3
Cash used in investing activities	**(806)**	(2,384)	**(1,451)**	(4,517)
Effect of exchange rate changes on cash	**(124)**	(82)	**(307)**	1,095
Net increase in cash during the period	**(1,553)**	(4,227)	**4,925**	(2,026)
Cash, beginning of period	**17,842**	10,342	**11,364**	8,141
Cash, end of period	**$16,289**	$6,115	**$16,289**	$6,115

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.

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. Effective October 1, 2009, the Company adopted Section 3862 amendments and the amended disclosure requirements will be applied to our September 30, 2010 annual 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.

$(000)'s except per share amounts

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
Issued for cash under Stock Option Plan	7,000	10
Contributed surplus on stock options exercised	-	2
Issued and outstanding at March 31, 2010	**40,911,323**	**35,866**

Currency translation adjustment
Most 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 $2,274 during the three months ended March 31, 2010 (three months ended March 31, 2009 - the unrealized translation loss was $113). For the six months ended March 31, 2010, the unrealized loss was $3,717 (six months ended March 31, 2009 – the unrealized gain was $12,074). Year-to-date unrealized loss of $3,717 is primarily attributable to the weakening of the U.S. dollar against the Canadian dollar as measured at March 31, 2010 and September 30, 2009.

Cash dividend
During the three months ended March 31, 2010, the Company paid cash dividends as outlined in the table below. In the current quarter, the dividend rate per quarter increased to $0.02 per common share from $0.0175 (2009 - $0.0175) per common share.

	2010	2009
December 31	**$716**	$712
March 31	**818**	712
Total dividends paid	**$1,534**	$1,424

$(000)'s except per share amounts

Stock option plan

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

	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
Granted	**-**	**-**	**-**	30,000	$1.03	-
Vested	**-**	**-**	**22,600**	-	-	2,000
Exercised	**(7,000)**	**$1.52**	**(7,000)**	-	-	-
Expired	**-**	**-**	**-**	(40,000)	$3.88	(40,000)
Balance, March 31	**1,888,119**	**$4.02**	**1,394,243**	1,994,429	$4.35	1,564,791

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 six months ended March 31, 2010, 249,747 shares (March 31, 2009 – 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 $48 for the three months ended March 31, 2010 (three months ended March 31, 2009 - $102) and for the six months ended March 31, 2010 was $134 (six months ended March 31, 2009 - $169). 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, 2010 are as follows:

$(000)'s except per share amounts

	March 31, 2010	March 31, 2009
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**
March 31, 2010	**5,321**	**57**
Total	**11,418**	**$94**

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	**(107)**	-
Balance, December 31	**$3,109**	$2,856
Stock option compensation expense	**48**	102
Exercise of stock options	**(2)**	-
Balance, March 31	**$3,155**	$2,958

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 six months ended March 31, 2010, the Company purchased 11,600 common shares (2009 – 274,100) at a total cost of $24 (2009 - $529). The cost to purchase these shares exceeded their stated value by $14 (2009- $290). This excess was charged against retained earnings.

$(000)'s except per share amounts

3. FIXED ASSETS

March 31, 2010

	Cost	**Accumulated Depreciation & Amortization**	**Net Book Value**
Land	**$6,569**	**$-**	**$6,569**
Buildings	**44,360**	**14,719**	**29,641**
Machinery and equipment	**161,642**	**130,654**	**30,988**
Tools	**5,785**	**5,246**	**539**
	$218,356	**$150,619**	**$67,737**

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 March 31, 2010, the Company had building, machinery and deposits relating to fixed assets of $401 (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 $354 (September 30, 2009 – $428) less accumulated depreciation of $150 (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.

$(000)'s except per share amounts

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 entered into a series of put and call options ("Collars") extending through to September 22, 2011. The total value of these collars is 59.6 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 loss of $419 (September 30, 2009 – loss of $1,338) would be realized if these collars were terminated on March 31, 2010. As at March 31, 2010, the estimated fair value gain of $919 (March 31, 2009 – loss of $2,488) has been included in the selling, general and administrative expense on the consolidated statements of earnings and comprehensive income (loss) and the loss of $419 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 March 31, 2010, the accounts receivable balance (net of allowance for doubtful accounts) is $27,737 (September 30, 2009 - $26,711) and the Company's five largest trade debtors accounted for 43.4% of the total accounts receivable balance (September 30, 2009 – 41%). At March 31, 2010, accounts receivable in the amount of $8,769 are insured against default.

$(000)'s except per share amounts

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

	March 31, 2010	September 30, 2009
Trade accounts receivable	**$27,294**	$26,425
Employee receivable *****	**280**	283
Sales tax receivable	**530**	414
Others	**36**	51
Allowance for doubtful accounts	**(403)**	(462)
Total accounts receivable, net	**$27,737**	$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 $56 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:

	March 31, 2010	September 30, 2009
Not past due	**$20,841**	$19,698
Past due 1-30 days	**4,143**	3,829
Past due 31-60 days	**677**	1,042
Past due 61-90 days	**70**	1,513
Past due over 90 days	**1,563**	343
Less: allowance for doubtful accounts	**(403)**	(462)
Total accounts receivable, net	**$26,891**	$25,963

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

	March 31, 2010	September 30, 2009
Opening balance	**$462**	$481
Bad debt expense	**25**	1,754
Write-offs	**(84)**	(1,773)
Closing balance	**$403**	$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 March 31, 2010, the Company has a net cash balance of $16,289 (September 30, 2009 - $11,364) and unused credit facilities of $16,632 (September 30, 2009 - $24,379).

$(000)'s except per share amounts

c) Foreign exchange risk
The Company's functional and reporting currency is in Canadian dollars. It operates in Canada with subsidiaries located in the United States, Mexico and Morocco. It is exposed to foreign exchange transaction and translation risk through its operating activities and self -sustaining foreign operations. Unfavourable changes in the 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 year to date 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	+/- 247	+/- 1	+/- 0.5	+/- 61
Other comprehensive income (loss)	+/- 904	+/- 104	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, 2010, the Company has a net cash position of $16,289 (September 30, 2009 - $11,364); therefore its interest rate risk exposure is insignificant.

5. INVENTORIES

	March 31, 2010	September 30, 2009
Raw materials	**$8,150**	$9,056
Work in process	**9,199**	10,434
Finished goods	**3,652**	3,439
Production supplies	**385**	401
	$21,386	$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.

$(000)'s except per share amounts

During the six months ended March 31, 2010, inventories of $32,365 (2009 - $34,682) were expensed of which $249 were from the write downs of inventory (2009 - $340) was included in cost of goods sold. No reversals of write downs were recorded during the six months ended March 31, 2010 and 2009.

6. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at March 31, 2010, total managed capital was $114,235 (September 30, 2009 - $114,918) consisting of nil net debt (September 30, 2009 – nil) and shareholders' equity of $114,235 (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:

	March 31, 2010	September 30, 2009
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**2.54:1**	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:

	March 31, 2010	September 30, 2009
Bank indebtedness	**$-**	$-
Capital lease obligations	**219**	273
Less: cash	**(16,289)**	(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 March 31, 2010, the Company was in compliance with the required financial covenants.

$(000)'s except per share amounts

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 March 31, 2010			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$24,388**	**$14,924**	**$-**	**$39,312**
Depreciation	**1,615**	**427**	**9**	**2,051**
Segment income (loss)	**3,019**	**1,204**	**(582)**	**3,641**
Interest expense				**5**
Income before taxes				**3,636**
Fixed asset additions	**616**	**214**	**11**	**841**
Fixed assets, net	**48,951**	**17,282**	**1,504**	**67,737**
Total assets	**$88,044**	**$49,020**	**$2,386**	**$139,450**

	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*	$102,008	$48,441	$2,417	$152,866

*The segments total assets are restated to conform to the presentation adopted for the present year.

$(000)'s except per share amounts

	Six Months ended March 31, 2010			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$48,389**	**$28,513**	**$-**	**$76,902**
Depreciation	**3,109**	**890**	**18**	**4,017**
Segment income (loss)	**5,457**	**2,333**	**(1,090)**	**6,700**
Interest expense				**18**
Income before taxes				**6,682**
Fixed asset additions	**1,173**	**842**	**11**	**2,026**
Fixed assets, net	**48,951**	**17,282**	**1,504**	**67,737**
Total assets	**$88,044**	**$49,020**	**$2,386**	**$139,450**

	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*	$102,008	$48,441	$2,417	$152,866

*The segments total assets are restated to conform to the presentation adopted for the present year.

$(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 1,479 people and service a diverse and broad customer base.

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