EXCO TECHNOLOGIES LIMITED
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Interim report
to the shareholders
for the six months ended
March 31, 2013

NOTICE TO READER

The attached interim consolidated financial statements have been prepared by management of the Company. The interim consolidated financial statements for the six-month periods ended March 31, 2013 and 2012 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
($ in thousands)

	As at March 31, 2013	As at September 30, 2012
ASSETS		
Current		
Cash and short-term deposits	**$28,345**	$31,243
Accounts receivable (note 7)	**45,439**	46,974
Unbilled revenue (note 6)	**15,168**	13,557
Inventories (note 8)	**24,378**	21,649
Prepaid expenses and deposits	**1,531**	1,643
Income taxes receivable	**1,577**	-
Total current assets	**116,438**	115,066
Property, plant and equipment, net (note 4)	**68,150**	60,866
Deferred tax assets	**1,498**	1,712
	$186,086	$177,644
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Trade accounts payable (note 7)	**$16,700**	$16,147
Accrued payroll and taxes	**4,074**	5,442
Other accrued liabilities	**5,167**	4,981
Provisions (note 5)	**475**	895
Income taxes payable	**-**	1,638
Customer advance payments (note 6)	**1,339**	1,107
Total current liabilities	**27,755**	30,210
Deferred tax liabilities	**3,506**	3,688
Total liabilities	**31,261**	33,898
Shareholders' Equity		
Share capital (note 3)	**37,284**	37,057
Contributed surplus (note 3)	**3,331**	3,318
Accumulated other comprehensive loss (note 3)	**(815)**	(3,677)
Retained earnings	**115,025**	107,048
Total shareholders' equity	**154,825**	143,746
	$186,086	$177,644

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

EXCO TECHNOLOGIES LIMITED

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

($ in thousands, except for earnings per share)

	Three Months ended March 31		Six Months ended March 31	
	2,013	2,012	**2,013**	2,012
Sales	**$59,581**	$63,150	**$118,267**	$121,636
Cost of sales before the following	**42,777**	45,404	**83,914**	87,198
Selling, general and administrative (notes 3 and 7)	**6,771**	6,551	**14,007**	13,702
Depreciation and amortization	**2,253**	2,188	**4,318**	4,281
Loss (gain) on disposal of property, plant and equipment	**62**	(4)	**138**	4
Interest (income) expense	**(3)**	(4)	**(29)**	14
	51,860	54,135	**102,348**	105,199
Income before income taxes	**7,721**	9,015	**15,919**	16,437
Provision for income taxes	**2,176**	2,515	**4,587**	4,651
Net income for the period	**5,545**	6,500	**11,332**	11,786
Other comprehensive income (loss)				
Net unrealized gain on derivatives designated as cash flow hedges (1) (note 7)	**235**	-	**243**	-
Unrealized gain (loss) on foreign currency translation (note 3)	**1,365**	41	**2,619**	(2,320)
	1,600	41	**2,862**	(2,320)
Comprehensive income	**$7,145**	$6,541	**$14,194**	$9,466
Earnings per common share				
Basic	**$0.14**	$0.16	**$0.28**	$0.29
Diluted	**$0.14**	$0.16	**$0.28**	$0.29
Weighted average number of common shares outstanding				
Basic	**40,678**	40,716	**40,673**	40,716
Diluted	**40,994**	40,961	**40,990**	40,961

(1) Cash flow hedges are comprised of MXP/USD collars, and are net of income taxes payable of $81 and $84 for the three and six months ended March 31, 2013, respectively (three and six months ended March 31, 2012 - nil and nil respectively).

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

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

				Accumulated other comprehensive (loss) income			
	Share capital	**Contributed surplus**	**Retained earnings**	Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized loss on foreign currency translation	**Total accumulated other comprehensive loss**	**Total shareholders' equity**
Balance, October 1, 2012	$37,057	$3,318	$107,048	($82)	($3,595)	($3,677)	$143,746
Net income for the quarter	-	-	5,787	-	-	-	5,787
Dividends (note 3)	-	-	(1,524)	-	-	-	(1,524)
Stock option expense (note 3)	-	39	-	-	-	-	39
Issuance of share capital (note 3)	89	(25)	-	-	-	-	64
Other comprehensive income (note 3)	-	-	-	8	1,254	1,262	1,262
Balance, December 31, 2012	37,146	3,332	111,311	(74)	(2,341)	(2,415)	149,374
Net income for the quarter	-	-	5,545	-	-	-	5,545
Dividends (note 3)	-	-	(1,831)	-	-	-	(1,831)
Stock option expense (note 3)	-	34	-	-	-	-	34
Issuance of share capital (note 3)	138	(35)	-	-	-	-	103
Other comprehensive income (note 3)	-	-	-	235	1,365	1,600	1,600
Balance, March 31, 2013	**$37,284**	**$3,331**	**$115,025**	**$161**	**($976)**	**($815)**	**$154,825**

				Accumulated other comprehensive (loss) income			
	Share capital	Contributed surplus	Retained earnings	Net unrealized gain on derivatives designated as cash flow hedges	Unrealized (loss) gain on foreign currency translation	Total accumulated other comprehensive (loss) income	Total shareholders' equity
Balance, October 1, 2011	$36,046	$3,519	$90,165	$-	$597	$597	$130,327
Net income for the quarter	-	-	5,286	-	-	-	5,286
Dividends (note 3)	-	-	(1,229)	-	-	-	(1,229)
Stock option expense (note 3)	-	40	-	-	-	-	40
Issuance of share capital (note 3)	804	(152)	-	-	-	-	652
Repurchase of share capital (note 3)	(223)	-	(620)	-	-	-	(843)
Other comprehensive income (note 3)	-	-	-	-	(2,361)	(2,361)	(2,361)
Balance, December 31, 2011	36,627	3,407	93,602	-	(1,764)	(1,764)	131,872
Net income for the quarter	-	-	6,500	-	-	-	6,500
Dividends (note 3)	-	-	(1,216)	-	-	-	(1,216)
Stock option expense (note 3)	-	36	-	-	-	-	36
Issuance of share capital (note 3)	299	(78)	-	-	-	-	221
Repurchase of share capital (note 3)	(394)	-	(1,155)	-	-	-	(1,549)
Other comprehensive income (note 3)	-	-	-	-	41	41	41
Balance, March 31, 2012	$36,532	$3,365	$97,731	$-	($1,723)	($1,723)	$135,905

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

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

	Three Months ended March 31		Six Months ended March 31	
	2013	2012	**2013**	2012
OPERATING ACTIVITIES:				
Net income for the period	**$5,545**	$6,500	**$11,332**	$11,786
Add (deduct) items not involving a current outlay of cash				
Depreciation and amortization	**2,253**	2,188	**4,318**	4,281
Stock-based compensation expense (note 3)	**48**	177	**238**	236
Deferred income taxes	**125**	(588)	**30**	(1,125)
Loss (gain) on disposal of property, plant and equipment	**62**	(4)	**138**	4
Gain on financial instrument valuation (note 7)	**(75)**	(658)	**(113)**	(749)
	7,958	7,615	**15,943**	14,433
Net change in non-cash working capital	**(894)**	441	**(5,415)**	379
Cash provided by operating activities	**7,064**	8,056	**10,528**	14,812
FINANCING ACTIVITIES:				
Dividends paid (note 3)	**(1,831)**	(1,216)	**(3,355)**	(2,445)
Repurchase of share capital (note 3)	**-**	(1,549)	**-**	(2,392)
Issuance of share capital (note 3)	**103**	221	**167**	873
Cash used in financing activities	**(1,728)**	(2,544)	**(3,188)**	(3,964)
INVESTING ACTIVITIES:				
Business acquisition, net of cash acquired (note 11)	**(1,485)**	-	**(1,485)**	-
Purchase of property, plant and equipment	**(5,839)**	(1,023)	**(9,418)**	(3,305)
Proceeds from disposal of property, plant and equipment	**40**	13	**153**	15
Cash used in investing activities	**(7,284)**	(1,010)	**(10,750)**	(3,290)
Effect of exchange rate changes on cash and short-term deposits	**767**	(170)	**512**	(578)
Net (decrease) increase in cash during the period	**(1,181)**	4,332	**(2,898)**	6,980
Cash and short-term deposits, beginning of period	**29,526**	18,024	**31,243**	15,376
Cash and short-term deposits, end of period	**$28,345**	$22,356	**$28,345**	$22,356

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

1. CORPORATE INFORMATION

Exco Technologies Limited (the "Company") is a global designer, developer and manufacturer of dies, moulds, components and assemblies, and consumable equipment for the die-cast, extrusion and automotive industries. Through its 11 strategic locations, the Company services a diverse and broad customer base. For more detailed corporate information, refer to the 2012 Annual Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant principal accounting policies are outlined below:

Statement of compliance
These unaudited interim consolidated financial statements present the Company's financial results of operations and financial position as at and for the six-month period ended March 31, 2013, including comparative periods, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The accounting policies used in preparing these unaudited interim consolidated financial statements are consistent with those used in the preparation of the 2012 audited annual consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the Company's 2012 audited annual consolidated financial statements. The unaudited interim consolidated financial statements and accompanying notes for the periods ended March 31, 2013 were authorized for issue by the Board of Directors on April 24, 2013.

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

Accounting policy issued but not yet effective
Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*, effective for the annual period beginning January 1, 2014 and applied retrospectively were issued as part of International Financial Reporting Interpretations Committee's ("IFRIC") offsetting project, clarifying certain items regarding offsetting financial assets and financial liabilities. The Company is reviewing the standard to determine the potential impact, if any; however, no significant impact is anticipated.

3. SHARE CAPITAL

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

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:

($ in thousands, except per share amounts)

	Common Shares	
Issued and outstanding as at September 30, 2012	40,623,011	$37,057
Contributed surplus on stock options exercised	-	25
Issued for cash under Stock Option Plan	26,184	64
Issued and outstanding at December 31, 2012	40,649,195	37,146
Contributed surplus on stock options exercised	-	35
Issued for cash under Stock Option Plan	46,000	103
Issued and outstanding as at March 31, 2013	**40,695,195**	**$37,284**

Accumulated other comprehensive loss

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

	2013	2012
Balance, September 30	**($3,677)**	$597
Net unrealized gain on derivatives designated as cash flow hedges (1)	**8**	-
Unrealized gain (loss) from foreign currency translation adjustments	**1,254**	(2,361)
Accumulated other comprehensive loss, December 31	**(2,415)**	(1,764)
Net unrealized gain on derivatives designated as cash flow hedges (2)	**239**	-
Reclassification to income of net gain on cash flow hedges (3)	**(4)**	-
Unrealized gain from foreign currency translation adjustments	**1,365**	41
Accumulated other comprehensive loss, March 31	**($815)**	($1,723)

(1) Net of income taxes payable of $3 (2012 – nil).

(2) Net of income taxes payable of $83 (2012 – nil).

(3) Net of income taxes payable of $2 (2012 – nil).

Cash dividends

During the six months ended March 31, 2013, the Company paid cash dividends as outlined in the table below. In the current quarter, the dividend rate per quarter is $0.045 (2012 - $0.03) per common share.

	2013	2012
December 31	**$1,524**	$1,229
March 31	**1,831**	1,216
Total dividends paid	**$3,355**	$2,445

($ in thousands, except per share amounts)

Stock Option Plan

The Company has a Stock Option Plan under which common shares may be acquired by employees and officers of the Company. The following 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):

	2013			2012		
	Options outstanding			Options outstanding		
	Number of options	**Weighted average exercise price**	**Options exercisable**	Number of options	Weighted average exercise price	Options exercisable
Balance, September 30	**1,250,788**	**$4.31**	**916,657**	1,695,390	$3.95	1,264,075
Granted	**33,452**	**$5.33**	**-**	10,000	$3.32	-
Vested	**-**	**-**	**64,633**	-	-	154,357
Exercised	**(26,184)**	**$2.42**	**(26,184)**	(217,384)	$3.00	(217,384)
Expired	**(194,640)**	**$5.82**	**(194,640)**	(96,234)	$3.00	(96,234)
Balance, December 31	**1,063,416**	**$4.16**	**760,466**	1,391,772	$4.16	1,104,814
Granted	**-**	**-**	**-**	80,000	$3.55	-
Vested	**-**	**-**	**16,000**	-	-	22,707
Exercised	**(46,000)**	**$2.22**	**(46,000)**	(91,984)	$2.02	(91,984)
Balance, March 31	**1,017,416**	**$4.20**	**730,466**	1,379,788	$3.11	1,035,537

Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option pricing model to the Company's Stock Option Plan was $34 for the three months ended March 31, 2013 (three months ended March 31, 2012 - $36) and $73 for the six months ended March 31, 2013 (six months ended March 31, 2012 - $76). 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 during the six months ended March 31, 2013 and 2012 are as follows:

	March 31, 2013	March 31, 2012
Risk-free interest rates	**1.33%**	1.40%
Expected dividend yield	**2.68%**	3.36%
Expected volatility	**63.46%**	67.73%
Expected time until exercise	**6.29 years**	5.38 years
Weighted average fair value of the options granted	**$2.50**	$1.60

Deferred Share Unit Plan

The deferred share units granted to the Company's directors during the period are:

	Number of units	**Expense**
December 31, 2012	**2,418**	**$151**
March 31, 2013	**2,421**	**14**
Total	**4,839**	**$165**

($ in thousands, except per share amounts)

	Number of units	Expense
December 31, 2011	4,553	$19
March 31, 2012	3,155	141
Total	7,708	$160

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.

	2013	2012
Balance, September 30	**$3,318**	$3,519
Stock option compensation expense	**39**	40
Exercise of stock options	**(25)**	(152)
Balance, December 31	**3,332**	3,407
Stock option compensation expense	**34**	36
Exercise of stock options	**(35)**	(78)
Balance, March 31	**$3,331**	$3,365

Normal course issuer bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning October 5, 2012, replacing the normal course issuer bid that expired on October 4, 2012. The Company's Board of Directors authorized the purchase of up to 1,500,000 common shares, representing approximately 3.7% of the Company's outstanding common shares. During the six months ended March 31, 2013, no common shares were repurchased (six months ended March 31, 2012 – 701,380 common shares). The total cost to repurchase the common shares during the six months ended March 31, 2012 was $2,392, which exceeded their stated value by $1,775 and was charged against retained earnings.

4. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	**Tools**	**Buildings**	**Land**	**Total**
Cost					
Balance, September 30, 2012	$132,963	$35,796	$44,782	$6,905	$220,446
Additions:					
Assets acquired	4,405	508	3,692	770	9,375
Assets acquired through business acquisition	891	521	-	-	1,412
Reclassifications	(104)	2	102	-	-
Less: disposals	(1,290)	(149)	-	-	(1,439)
Foreign exchange movement	1,535	263	766	93	2,657
Balance, March 31, 2013	**$138,400**	**$36,941**	**$49,342**	**$7,768**	**$232,451**

($ in thousands, except per share amounts)

	Machinery and equipment	Tools	Buildings	Land	Total
Accumulated depreciation and impairment losses					
Balance, September 30, 2012	$107,875	$31,733	$19,972	$-	$159,580
Depreciation for the period	2,762	697	859	-	4,318
Less: disposals	(926)	(71)	-	-	(997)
Foreign exchange movement	1,006	119	275	-	1,400
Balance, March 31, 2013	**$110,717**	**$32,478**	**$21,106**	**$-**	**$164,301**
Carrying amounts					
As at September 30, 2012	$25,088	$4,063	$24,810	$6,905	$60,866
As at March 31, 2013	**$27,683**	**$4,463**	**$28,236**	**$7,768**	**$68,150**

As at March 31, 2013, the Company had deposits and building and machinery under construction totalling $6,551 (September 30, 2012 - $1,629). These assets are not being depreciated because they are under construction and not in use. Also included in property, plant and equipment was $316 of goodwill (September 30, 2012 - $245) which is tested for impairment when indicators exist. There was no impairment incurred during the six month period ended March 31, 2013 (six-month period ended March 31, 2012 – nil).

5. PROVISIONS

The following tables outline the provisions at the dates of the interim consolidated statements of financial position and changes to the provisions during the reporting periods:

	March 31, 2013	September 30, 2012
Severance	**$427**	$434
Warranties	**25**	25
Claims and litigation	**23**	436
Total	**$475**	$895

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

The movement in the provisions accounts is as follows:

	Severance	Warranties	Claims and litigation	Total
Balance, September 30, 2012	$434	$25	$436	$895
Additions	50	-	1	51
Utilized	(47)	-	(363)	(410)
Reversal	(16)	-	(52)	(68)
Foreign exchange movement	6	-	1	7
Balance, March 31, 2013	**$427**	**$25**	**$23**	**$475**

($ in thousands, except per share amounts)

6. TOOL CONSTRUCTION CONTRACTS

Contract revenue recognized under the percentage-of-completion method is as follows:

	2013	2012
December 31	**$9,590**	$11,635
March 31	**9,457**	11,942
Total	**$19,047**	$23,577

For contracts in progress, the table below summarizes the aggregate amount of costs incurred, profits recognized, progress billings from customers for the related contracts and retentions being held to date.

	March 31, 2013	September 30, 2012
Contracts in progress:		
Aggregate amount of costs incurred to date	**$15,234**	$12,832
Add: recognized profits (less recognized losses) to date	**1,957**	2,835
Gross: unbilled revenue	**17,191**	15,667
Less: customer advance payments	**(2,023)**	(2,110)
Net unbilled revenue	**15,168**	13,557
Due from customers	**15,308**	13,894
Due to customers	**($140)**	($337)

7. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Cash and short-term deposits	Financial assets - held for trading
Accounts receivable*	Financial assets - loans and receivables
Unbilled revenue	Financial assets - loans and receivables
Trade accounts payable	Financial liabilities - other financial liabilities
Accrued payroll and taxes	Financial liabilities - other financial liabilities
Other accrued liabilities	Financial liabilities - other financial liabilities
Provisions	Financial liabilities - other financial liabilities
Customer advance payments	Financial liabilities - held for trading

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

Foreign exchange contracts

The Company entered into a series of collars extending through to September 26, 2013. The total value of these collars is 26.0 million Mexican pesos (September 30, 2012 – 54.1 million Mexican pesos). The selling price ranges from 12.01 to 13.01 Mexican pesos to each U.S. dollar. Management estimates that an accumulative loss of $6 (September 30, 2012 – loss of $119) would be realized if these collars were terminated on March 31, 2013. For the six months ended March 31, 2013, the estimated fair value gain of $113 (March 31, 2012 - gain of $749) has been included in selling, general and administrative expense and the accumulative loss of $6 is recorded in the interim consolidated statements of financial position under the caption other accrued liabilities.

($ in thousands, except per share amounts)

The Company also entered into another series of collars extending through to September 2, 2014 and designated them as cash flow hedges. The total value of these collars is 93.0 million Mexican pesos (September 30, 2012 – 102.0 million Mexican pesos). The selling price ranges from 12.67 to 13.88 Mexican pesos to each U.S. dollar. Management estimates that an accumulative gain of $217 (September 30, 2012 – loss of $111) would be realized if these collars were terminated on March 31, 2013. For the six months ended March 31, 2013, the estimated fair value gain of $243, net of income taxes payable of $84 (March 31, 2012 – nil) has been included in other comprehensive loss and the accumulative gain of $217 is recorded in the interim consolidated statements of financial position under the caption accounts receivable.

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 interim consolidated statements of financial position is net of an allowance for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers, as well as the general economic environment. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the interim consolidated statements of income and comprehensive income. As at March 31, 2013, the accounts receivable balance (net of allowance for doubtful accounts) is $45,439 (September 30, 2012 - $46,974) and the Company's five largest trade debtors accounted for 39% of the total accounts receivable balance (September 30, 2012 - 45%). As at March 31, 2013, accounts receivable of $588 are insured against default.

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

	March 31, 2013	September 30, 2012
Trade accounts receivable	**$43,095**	$44,313
Employee receivable	**112**	147
Sales tax receivable	**1,926**	2,244
Other	**834**	760
Allowance for doubtful accounts	**(528)**	(490)
Total accounts receivable, net	**$45,439**	$46,974

($ in thousands, except per share amounts)

The aging of the trade accounts receivable balances is as follows:

	March 31, 2013	September 30, 2012
Not past due	**$30,560**	$31,778
Past due 1-30 days	**7,382**	7,986
Past due 31-60 days	**1,445**	1,122
Past due 61-90 days	**2,434**	2,080
Past due over 90 days	**1,274**	1,347
Allowance for doubtful accounts	**(528)**	(490)
Total trade accounts receivable, net	**$42,567**	$43,823

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

	March 31, 2013	September 30, 2012
Opening balance	**$490**	$387
Additions	**114**	240
Utilized	**(108)**	(99)
Reversal	**-**	(10)
Exchange differences	**32**	(28)
Closing balance	**$528**	$490

b) Liquidity Risk

Liquidity risk refers to the possibility that the Company may not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by minimizing its financial leverage and arranging credit facilities in order to ensure sufficient funds are available to meet its financial obligations. This is achieved by continuously monitoring its cash flows from its operating, investing and financing activities. As at March 31, 2013, the Company has a net cash balance of $28,345 (September 30, 2012 - $31,243) and unused credit facilities of $12,138 (September 30, 2012 - $10,661).

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

		March 31, 2013		
	Total	**< 1 year**	**1-3 years**	**> 3 years**
Accounts payable	**$16,700**	**$16,700**	**$-**	**$-**
Finance leases	**50**	**11**	**22**	**17**
Operating leases	**1,254**	**493**	**531**	**230**
Purchase commitments	**11,308**	**11,308**	**-**	**-**
Capital expenditures	**3,169**	**3,169**	**-**	**-**
	$32,481	**$31,681**	**$553**	**$247**

($ in thousands, except per share amounts)

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

c) Foreign Exchange Risk

The Company's functional and reporting currency is in Canadian dollars. It operates in Canada with subsidiaries located in the United States, Mexico, Morocco, Switzerland and Colombia. It is exposed to foreign exchange transaction and translation risk through its operating activities. Unfavourable changes in the exchange rates may affect the operating results and shareholders' equity of the Company. In order to mitigate the foreign currency exposure, the Company reduces part of its foreign exchange risk by sourcing a significant portion of its manufacturing inputs in the currency that its sales are denominated in. In addition to the above natural hedge, 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" in the consolidated statements of financial position and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of income and comprehensive income. The Company does not mitigate the translation risk exposure of its 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 tables outline the Company's annual foreign exchange exposure at one percent fluctuation between various currencies compared with the average annual exchange rate.

	1 % Fluctuation USD vs. CAD	1 % Fluctuation EUR vs. CAD	1 % Fluctuation MXP vs. CAD	1 % Fluctuation COP vs. CAD
Income before income taxes	+/-1,254	+/-9	+/-54	+/-82
Other comprehensive income (loss)	+/-907	+/-46	+/-2	+/-4

	1 % Fluctuation CHF vs. CAD	1 % Fluctuation EUR vs. MAD	1 % Fluctuation USD vs. MXP	1 % Fluctuation CHF vs. EUR
Income before income taxes	+/-7	+/-7	+/-17	+/-5
Other comprehensive income (loss)	+/-2	NA	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, 2013, the Company has a net cash position of $28,345 (September 30, 2012 - $31,243), therefore, its interest rate risk exposure is insignificant.

($ in thousands, except per share amounts)

e) Fair Value

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

Due to their short-term nature, the fair value of cash, receivables, payables, accrued liabilities and customer advance payments is assumed to approximate their carrying value.

The fair value of derivative instruments that are not traded in an active market such as over-the-counter foreign exchange options and collars is determined using quoted forward exchange rates at the consolidated statement of financial position dates. The following tables present the Company's fair value hierarchy for those financial assets and financial liabilities carried as at March 31, 2013 and September 30, 2012.

	March 31, 2013		September 30, 2012	
	Carrying Amount of Asset (Liability)	**Fair Value of Asset (Liability)**	Carrying Amount of Asset (Liability)	Fair Value of Asset (Liability)
Foreign currency collars	**$211**	**$211**	($230)	($230)

		Fair Value Measurements at Reporting Date Using:		
	Carrying Amount of Asset (Liability) at March 31, 2013	**Quoted Market Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Foreign currency collars	**$211**	**-**	**$211**	**-**

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

8. INVENTORIES

	March 31, 2013	September 30, 2012
Raw materials	**$13,361**	$12,207
Work in process	**6,472**	4,837
Finished goods	**6,170**	6,172
Production supplies	**287**	230
Less: obsolescence provision	**(1,912)**	(1,797)
	$24,378	$21,649

($ in thousands, except per share amounts)

The movement in the obsolescence provision accounts is as follows:

	March 31, 2013	September 30, 2012
Opening balance	**$1,797**	$1,625
Additions	**340**	671
Utilized	**(272)**	(262)
Reversals	**-**	(30)
Exchange differences	**47**	(207)
Closing balance	**$1,912**	$1,797

During the three months ended March 31, 2013, inventories of $24,479 (three months ended March 31, 2012 - $28,506) were expensed, of which $234 were from the write-downs of inventory (three months ended March 31, 2012 - $154), net of nil reversal of write-downs (three months ended March 31, 2012 – $30). During the six months ended March 31, 2013, inventories of $49,585 (six months ended March 31, 2012 - $54,604) were expensed, of which $340 were from the write-downs of inventory (six months ended March 31, 2012 - $295), net of nil reversal of write-downs (six months ended March 31, 2012 – $30).

9. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at March 31, 2013, total managed capital was $154,825 (September 30, 2012 - $143,746), consisting of nil net debt (September 30, 2012 - nil) and shareholders' equity of $154,825 (September 30, 2012 - $143,746).

The Company's objectives when managing capital are to:

- utilize short-term funding sources to manage its working capital requirements and fund capital expenditures required to execute its operating and strategic plans, and

- maintain low overall debt levels relative to shareholders' equity with a strong bias for short-term debt in order to minimize the cost of capital and allow maximum flexibility to respond to current and future industry, market and economic risks and opportunities.

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

	March 31, 2013	September 30, 2012
Net debt to equity	**0.00:1**	0.00:1
Current ratio	**3.17:1**	2.77:1

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

	March 31, 2013	September 30, 2012
Bank indebtedness	**$-**	$-
Less: cash	**(28,345)**	(31,243)
Net debt	**nil**	nil

($ in thousands, except per share amounts)

The current ratio is calculated by dividing current assets (excluding cash) 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, 2013, the Company was in compliance with the required financial covenants.

10. SEGMENTED INFORMATION

The Company operates in two business segments: Casting and Extrusion Technology ("Casting and Extrusion") and Automotive Solutions. The accounting policies followed in the operating segments are consistent with those outlined in Note 2 to the annual consolidated financial statements.

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

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

The 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, 2013			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$38,556**	**$22,651**	**$-**	**$61,207**
Intercompany sales	**(1,506)**	**(120)**	**-**	**(1,626)**
Net sales	**37,050**	**22,531**	**-**	**59,581**
Depreciation and amortization	**1,801**	**444**	**8**	**2,253**
Segment income (loss)	**4,841**	**4,068**	**(1,191)**	**7,718**
Net interest income				**3**
Income before income taxes				**7,721**
Property, plant and equipment additions	**5,676**	**-**	**-**	**5,676**
Property, plant and equipment acquired through business acquisition	**1,412**	**-**	**-**	**1,412**
Property, plant and equipment, net	**52,443**	**14,409**	**1,298**	**68,150**
Total assets	**128,669**	**53,713**	**3,704**	**186,086**
Total liabilities	**$15,823**	**$11,290**	**$4,148**	**$31,261**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
($ in thousands, except per share amounts)

	Three Months ended March 31, 2012			
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$40,849	$23,656	$-	$64,505
Intercompany sales	(1,104)	(251)	-	(1,355)
Net sales	39,745	23,405	-	63,150
Depreciation and amortization	1,784	396	8	2,188
Segment income (loss)	5,593	4,302	(884)	9,011
Net interest income				4
Income before income taxes				9,015
Property, plant and equipment additions	962	53	8	1,023
Property, plant and equipment, net	45,387	14,884	1,298	61,569
Total assets	114,151	53,134	2,047	169,332
Total liabilities	$18,214	$12,637	$2,576	$33,427

	Six Months ended March 31, 2013			
	Casting and Extrusion	**Automotive Solutions**	**Corporate**	**Total**
Sales	**$75,667**	**$45,075**	**$-**	**$120,742**
Intercompany sales	**(2,294)**	**(181)**	**-**	**(2,475)**
Net sales	**73,373**	**44,894**	**-**	**118,267**
Depreciation and amortization	**3,439**	**864**	**15**	**4,318**
Segment income (loss)	**10,441**	**7,855**	**(2,406)**	**15,890**
Net interest income				**29**
Income before income taxes				**15,919**
Property, plant and equipment additions	**9,178**	**225**	**15**	**9,418**
Property, plant and equipment acquired through business acquisition	**1,412**	**-**	**-**	**1,412**
Property, plant and equipment, net	**52,443**	**14,409**	**1,298**	**68,150**
Total assets	**128,669**	**53,713**	**3,704**	**186,086**
Total liabilities	**$15,823**	**$11,290**	**$4,148**	**$31,261**

($ in thousands, except per share amounts)

	Six Months ended March 31, 2012			
	Casting and Extrusion	Automotive Solutions	Corporate	Total
Sales	$78,923	$45,459	$-	$124,382
Intercompany sales	(2,412)	(334)	-	(2,746)
Net sales	76,511	45,125	-	121,636
Depreciation and amortization	3,454	811	16	4,281
Segment income (loss)	10,977	7,625	(2,151)	16,451
Net interest expense				(14)
Income before income taxes				16,437
Property, plant and equipment additions	3,080	217	8	3,305
Property, plant and equipment, net	45,387	14,884	1,298	61,569
Total assets	114,151	53,134	2,047	169,332
Total liabilities	$18,214	$12,637	$2,576	$33,427

11. BUSINESS ACQUISITION

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

Property, plant and equipment	$891
Inventories	23
Short-term assets	50
Long-term assets	458
Goodwill	63
	$1,485

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
($ in thousands, 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 11 strategic locations, we employ 2,221 people and service a diverse and broad customer base.

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