



**EXCO TECHNOLOGIES LIMITED**

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Interim report  
to the shareholders  
for the nine months ended  
June 30, 2013

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## **NOTICE TO READER**

*The attached interim consolidated financial statements have been prepared by management of the Company. The interim consolidated financial statements for the nine-month periods ended June 30, 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 June 30, 2013	As at September 30, 2012
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term deposits	\$25,092	\$31,243
Accounts receivable (note 7)	49,625	46,974
Unbilled revenue (note 6)	11,821	13,557
Inventories (note 8)	26,183	21,649
Prepaid expenses and deposits	1,977	1,643
Income taxes receivable	1,433	-
Total current assets	116,131	115,066
Property, plant and equipment, net (note 4)	73,514	60,866
Deferred tax assets	1,661	1,712
	<b>\$191,306</b>	<b>\$177,644</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Trade accounts payable (note 7)	\$15,701	\$16,147
Accrued payroll and taxes	5,464	5,442
Other accrued liabilities	4,989	4,981
Provisions (note 5)	382	895
Income taxes payable	-	1,638
Customer advance payments (note 6)	1,347	1,107
Total current liabilities	27,883	30,210
Deferred tax liabilities	3,558	3,688
Total liabilities	31,441	33,898
<b>Shareholders' Equity</b>		
Share capital (note 3)	37,294	37,057
Contributed surplus (note 3)	3,361	3,318
Accumulated other comprehensive income (loss) (note 3)	466	(3,677)
Retained earnings	118,744	107,048
Total shareholders' equity	159,865	143,746
	<b>\$191,306</b>	<b>\$177,644</b>

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 June 30		Nine Months ended June 30	
	2013	2012	2013	2012
Sales	\$62,382	\$59,213	\$180,649	\$180,849
Cost of sales before the following	43,334	42,167	127,248	129,365
Selling, general and administrative (notes 3 and 7)	7,362	7,038	21,369	20,740
Depreciation and amortization	1,976	2,129	6,294	6,410
(Gain) loss on disposal of property, plant and equipment	(31)	(10)	107	(6)
Interest expense (income)	17	(5)	(12)	9
	<b>52,658</b>	51,319	<b>155,006</b>	156,518
Income before income taxes	9,724	7,894	25,643	24,331
Provision for income taxes	2,644	2,378	7,231	7,029
Withholding tax charge on repatriation of surplus from subsidiary	1,530	-	1,530	-
	<b>4,174</b>	2,378	<b>8,761</b>	7,029
<b>Net income for the period</b>	<b>5,550</b>	5,516	<b>16,882</b>	17,302
Other comprehensive income (loss)				
Net unrealized gain (loss) on derivatives designated as cash flow hedges (1) (notes 3 and 7)	235	(248)	(317)	(248)
Unrealized gain (loss) on foreign currency translation (note 3)	1,841	191	4,460	(2,129)
	<b>2,076</b>	(57)	<b>4,143</b>	(2,377)
<b>Comprehensive income</b>	<b>\$7,626</b>	\$5,459	<b>\$21,025</b>	\$14,925
<b>Earnings per common share</b>				
Basic	<b>\$0.14</b>	\$0.14	<b>\$0.42</b>	\$0.42
Diluted	<b>\$0.14</b>	\$0.14	<b>\$0.41</b>	\$0.42
<b>Weighted average number of common shares outstanding</b>				
Basic	<b>40,696</b>	40,741	<b>40,674</b>	40,741
Diluted	<b>41,005</b>	40,965	<b>40,983</b>	40,965

(1) Cash flow hedges are comprised of MXP/USD collars, and are net of income tax recoveries of \$197 and \$112 for the three and nine months ended June 30, 2013, respectively (three and nine months ended June 30, 2012 - income tax recovery of \$88 and \$88 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)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Total shareholders' equity
				Net unrealized gain (loss) on derivatives designated as cash flow hedges	Unrealized gain (loss) on foreign currency translation	Total accumulated other comprehensive income (loss)	
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
Net income for the quarter	-	-	5,550	-	-	-	5,550
Dividends (note 3)	-	-	(1,831)	-	-	-	(1,831)
Stock option expense (note 3)	-	33	-	-	-	-	33
Issuance of share capital (note 3)	10	(3)	-	-	-	-	7
Other comprehensive (loss) income (note 3)	-	-	-	(560)	1,841	1,281	1,281
<b>Balance, June 30, 2013</b>	<b>\$37,294</b>	<b>\$3,361</b>	<b>\$118,744</b>	<b>(\$399)</b>	<b>\$865</b>	<b>\$466</b>	<b>\$159,865</b>

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income			Total shareholders' equity
				Net unrealized gain on derivatives designated as cash flow hedges	Unrealized (loss) gain on foreign currency translation	Total accumulated other comprehensive (loss) income	
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 loss (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
Net income for the quarter	-	-	5,516	-	-	-	5,516
Dividends (note 3)	-	-	(1,526)	-	-	-	(1,526)
Stock option expense (note 3)	-	40	-	-	-	-	40
Issuance of share capital (note 3)	592	(129)	-	-	-	-	463
Repurchase of share capital (note 3)	(31)	-	(137)	-	-	-	(168)
Other comprehensive (loss) income (note 3)	-	-	-	(248)	191	(57)	(57)
Balance, June 30, 2012	\$37,093	\$3,276	\$101,584	(\$248)	(\$1,532)	(\$1,780)	\$140,173

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		Nine Months ended	
	June 30		June 30	
	2013	2012	2013	2012
<b>OPERATING ACTIVITIES:</b>				
Net income for the period	\$5,550	\$5,516	\$16,882	\$17,302
Add (deduct) items not involving a current outlay of cash				
Depreciation and amortization	1,976	2,129	6,294	6,410
Stock-based compensation expense (note 3)	29	56	267	292
Deferred income taxes	(110)	(53)	(80)	(1,178)
(Gain) loss on disposal of property, plant and equipment	(31)	(10)	107	(6)
Loss (gain) on financial instrument valuation (note 7)	5	60	(108)	(689)
	7,419	7,698	23,362	22,131
Net change in non-cash working capital	(3,425)	(3,112)	(8,840)	(2,733)
<b>Cash provided by operating activities</b>	<b>3,994</b>	<b>4,586</b>	<b>14,522</b>	<b>19,398</b>
<b>FINANCING ACTIVITIES:</b>				
Dividends paid (note 3)	(1,831)	(1,526)	(5,186)	(3,971)
Repurchase of share capital (note 3)	-	(168)	-	(2,560)
Issuance of share capital (note 3)	7	463	174	1,336
<b>Cash used in financing activities</b>	<b>(1,824)</b>	<b>(1,231)</b>	<b>(5,012)</b>	<b>(5,195)</b>
<b>INVESTING ACTIVITIES:</b>				
Business acquisition, net of cash acquired (note 11)	-	-	(1,485)	-
Purchase of property, plant and equipment	(6,835)	(3,090)	(16,253)	(6,395)
Proceeds from disposal of property, plant and equipment	90	101	243	116
<b>Cash used in investing activities</b>	<b>(6,745)</b>	<b>(2,989)</b>	<b>(17,495)</b>	<b>(6,279)</b>
Effect of exchange rate changes on cash and short-term deposits	1,322	175	1,834	(403)
Net (decrease) increase in cash during the period	(3,253)	541	(6,151)	7,521
Cash and short-term deposits, beginning of period	28,345	22,356	31,243	15,376
<b>Cash and short-term deposits, end of period</b>	<b>\$25,092</b>	<b>\$22,897</b>	<b>\$25,092</b>	<b>\$22,897</b>

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

## **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

*(\$ in thousands, except per share amounts)*

### **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 nine-month period ended June 30, 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 June 30, 2013 were authorized for issue by the Board of Directors on July 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.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

### 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 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
Contributed surplus on stock options exercised	-	3
Issued for cash under Stock Option Plan	2,000	7
<b>Issued and outstanding as at June 30, 2013</b>	<b>40,697,195</b>	<b>\$37,294</b>

### Accumulated other comprehensive income (loss)

Included in accumulated other comprehensive income (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)
Net unrealized loss on derivatives designated as cash flow hedges (4)	(558)	(248)
Reclassification to income of net gain on cash flow hedges (5)	(2)	-
Unrealized gain from foreign currency translation adjustments	1,841	191
<b>Accumulated other comprehensive loss, June 30</b>	<b>\$466</b>	<b>(\$1,780)</b>

- (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).
- (4) Net of income tax recovery of \$197 (2012 – income tax recovery of \$88).
- (5) Net of income taxes payable of \$1 (2012 – nil).



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

### Cash dividends

During the nine months ended June 30, 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 - \$0.0375) per common share.

	2013	2012
December 31	<b>\$1,524</b>	\$1,229
March 31	<b>1,831</b>	1,216
June 30	<b>1,831</b>	1,526
Total dividends paid	<b>\$5,186</b>	\$3,971

### 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	<b>1,250,788</b>	<b>\$4.31</b>	<b>916,657</b>	1,695,390	\$3.95	1,264,075
Granted	<b>33,452</b>	<b>\$5.33</b>	-	10,000	\$3.32	-
Vested	-	-	<b>64,633</b>	-	-	154,357
Exercised	<b>(26,184)</b>	<b>\$2.42</b>	<b>(26,184)</b>	(217,384)	\$3.00	(217,384)
Expired	<b>(194,640)</b>	<b>\$5.82</b>	<b>(194,640)</b>	(96,234)	\$3.00	(96,234)
Balance, December 31	<b>1,063,416</b>	<b>\$4.16</b>	<b>760,466</b>	1,391,772	\$4.16	1,104,814
Granted	-	-	-	80,000	\$3.55	-
Vested	-	-	<b>16,000</b>	-	-	22,707
Exercised	<b>(46,000)</b>	<b>\$2.22</b>	<b>(46,000)</b>	(91,984)	\$2.02	(91,984)
Balance, March 31	<b>1,017,416</b>	<b>\$4.20</b>	<b>730,466</b>	1,379,788	\$3.11	1,035,537
Vested	-	-	-	-	-	10,120
Exercised	<b>(2,000)</b>	<b>\$3.55</b>	<b>(2,000)</b>	(129,000)	\$3.58	(129,000)
<b>Balance, June 30</b>	<b>1,015,416</b>	<b>\$4.20</b>	<b>728,466</b>	1,250,788	\$4.31	916,657

### Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option pricing model to the Company's Stock Option Plan was \$33 for the three months ended June 30, 2013 (three months ended June 30, 2012 - \$40) and \$106 for the nine months ended June 30, 2013 (nine months ended June 30, 2012 - \$116). 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 nine months ended June 30, 2013 and 2012 are as follows:

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

	June 30, 2013	June 30, 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
June 30, 2013	3,846	(4)
	<b>8,685</b>	<b>\$161</b>

	Number of units	Expense
December 31, 2011	4,553	\$19
March 31, 2012	3,155	141
June 30, 2012	3,144	16
	10,852	\$176

### 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.

	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
Stock option compensation expense	33	40
Exercise of stock options	(3)	(129)
<b>Balance, June 30</b>	<b>\$3,361</b>	<b>\$3,276</b>

### 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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

(\$ in thousands, except per share amounts)

shares, representing approximately 3.7% of the Company's outstanding common shares. During the nine months ended June 30, 2013, no common shares were repurchased (nine months ended June 30, 2012 – 736,380 common shares). The total cost to repurchase the common shares during the nine months ended June 30, 2012 was \$2,560, which exceeded their stated value by \$1,912 and was charged against retained earnings.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Machinery and equipment</b>	<b>Tools</b>	<b>Buildings</b>	<b>Land</b>	<b>Total</b>
<b>Cost</b>					
Balance, September 30, 2012	\$132,963	\$35,796	\$44,782	\$6,905	\$220,446
Additions:					
Assets acquired	8,708	1,025	4,727	1,793	16,253
Assets acquired through business acquisition	891	521	-	-	1,412
Reclassifications	(573)	264	309	-	-
Less: disposals	(1,308)	(220)	-	-	(1,528)
Foreign exchange movement	2,434	392	1,358	139	4,323
<b>Balance, June 30, 2013</b>	<b>\$143,115</b>	<b>\$37,778</b>	<b>\$51,176</b>	<b>\$8,837</b>	<b>\$240,906</b>

	<b>Machinery and equipment</b>	<b>Tools</b>	<b>Buildings</b>	<b>Land</b>	<b>Total</b>
<b>Accumulated depreciation and impairment losses</b>					
Balance, September 30, 2012	\$107,875	\$31,733	\$19,972	\$-	\$159,580
Depreciation for the period	3,975	1,009	1,310	-	6,294
Less: disposals	(1,071)	(106)	-	-	(1,177)
Foreign exchange movement	1,827	348	520	-	2,695
<b>Balance, June 30, 2013</b>	<b>\$112,606</b>	<b>\$32,984</b>	<b>\$21,802</b>	<b>\$-</b>	<b>\$167,392</b>

<b>Carrying amounts</b>					
As at September 30, 2012	\$25,088	\$4,063	\$24,810	\$6,905	\$60,866
<b>As at June 30, 2013</b>	<b>\$30,509</b>	<b>\$4,794</b>	<b>\$29,374</b>	<b>\$8,837</b>	<b>\$73,514</b>

As at June 30, 2013, the Company had deposits and building and machinery under construction totalling \$9,363 (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 is \$313 of goodwill (September 30, 2012 - \$245) which is tested for impairment when indicators exist. There was no impairment incurred during the nine month period ended June 30, 2013 (nine-month period ended June 30, 2012 – nil).

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

### 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:

	June 30, 2013	September 30, 2012
Severance	\$333	\$434
Warranties	26	25
Claims and litigation	23	436
	<b>\$382</b>	<b>\$895</b>

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	102	-	1	103
Utilized	(213)	-	(363)	(576)
Reversal	(16)	-	(52)	(68)
Foreign exchange movement	26	1	1	28
<b>Balance, June 30, 2013</b>	<b>\$333</b>	<b>\$26</b>	<b>\$23</b>	<b>\$382</b>

### 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
June 30	11,520	11,006
	<b>\$30,567</b>	<b>\$34,583</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

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

	June 30, 2013	September 30, 2012
Contracts in progress:		
Aggregate amount of costs incurred to date	\$11,328	\$12,832
Add: recognized profits (less recognized losses) to date	1,882	2,835
Gross: unbilled revenue	13,210	15,667
Less: customer advance payments	(1,389)	(2,110)
Net unbilled revenue	11,821	13,557
Due from customers	11,821	13,894
Due to customers	\$-	(\$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 13.0 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 \$11 (September 30, 2012 – loss of \$119) would be realized if these collars were terminated on June 30, 2013. For the nine months ended June 30, 2013, the estimated fair value gain of \$108 (June 30, 2012 - gain of \$689) has been included in selling, general and administrative expense and the accumulative loss of \$11 is recorded in the interim consolidated statements of financial position under the caption other accrued liabilities.

The Company also entered into other series of collars extending through to September 3, 2015 and designated them as cash flow hedges. The total value of these collars is 172.5 million Mexican pesos (September 30, 2012 – 102.0 million Mexican pesos). The selling price ranges from 12.20 to 13.88 Mexican pesos to each U.S. dollar. Management estimates that an accumulative loss of \$540 (September 30, 2012 – loss of \$111) would be realized if these collars were terminated on June 30, 2013. For the nine months ended June 30, 2013, the estimated fair value loss of \$317, net of income tax recovery of \$112 (nine months ended June 30, 2012 – loss of \$248, net of income taxes recovery of \$88) has been included in other comprehensive loss and the accumulative loss of \$540 is recorded in the interim consolidated statements of financial position under the caption other accrued liabilities.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

### 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 June 30, 2013, the accounts receivable balance (net of allowance for doubtful accounts) is \$49,625 (September 30, 2012 - \$46,974) and the Company's five largest trade debtors accounted for 44% of the total accounts receivable balance (September 30, 2012 - 45%). As at June 30, 2013, accounts receivable of \$748 (September 30, 2012 - \$499) are insured against default.

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

	<b>June 30, 2013</b>	September 30, 2012
Trade accounts receivable	<b>\$48,134</b>	\$44,313
Employee receivable	<b>159</b>	147
Sales tax receivable	<b>1,440</b>	2,244
Other	<b>490</b>	760
Allowance for doubtful accounts	<b>(598)</b>	(490)
Total accounts receivable, net	<b>\$49,625</b>	\$46,974

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

	<b>June 30, 2013</b>	September 30, 2012
Not past due	<b>\$32,560</b>	\$31,778
Past due 1-30 days	<b>10,724</b>	7,986
Past due 31-60 days	<b>1,713</b>	1,122
Past due 61-90 days	<b>1,946</b>	2,080
Past due over 90 days	<b>1,191</b>	1,347
Allowance for doubtful accounts	<b>(598)</b>	(490)
Total trade accounts receivable, net	<b>\$47,536</b>	\$43,823

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

(\$ in thousands, except per share amounts)

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

	June 30, 2013	September 30, 2012
Opening balance	\$490	\$387
Additions	172	240
Utilized	(108)	(99)
Reversal	-	(10)
Exchange differences	44	(28)
Closing balance	\$598	\$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 June 30, 2013, the Company has a net cash balance of \$25,092 (September 30, 2012 - \$31,243) and unused credit facilities of \$14,048 (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.

	June 30, 2013			
	Total	< 1 year	1-3 years	> 3 years
Accounts payable	\$15,701	\$15,701	\$-	\$-
Operating leases	1,247	448	570	229
Purchase commitments	13,162	13,162	-	-
Capital expenditures	7,481	7,481	-	-
	\$37,591	\$36,792	\$570	\$229

	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, Colombia and Brazil. 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,

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

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 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
Income before income taxes	+/-819	+/-15	+/-3
Other comprehensive income (loss)	+/-381	+/-73	+/-34

	1 % Fluctuation COP vs. CAD	1 % Fluctuation EUR vs. MAD	1 % Fluctuation USD vs. MXP
Income before income taxes	+/-5	+/-27	+/-176
Other comprehensive income (loss)	+/-17	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 June 30, 2013, the Company has a net cash position of \$25,092 (September 30, 2012 - \$31,243), therefore, its interest rate risk exposure is insignificant.

### 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 June 30, 2013 and September 30, 2012.

	June 30, 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	(\$551)	(\$551)	(\$230)	(\$230)



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

Fair Value Measurements at Reporting Date Using:				
	Carrying Amount of Asset (Liability) at June 30, 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	(\$551)	-	(\$551)	-

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

	June 30, 2013	September 30, 2012
Raw materials	\$13,739	\$12,207
Work in process	7,702	4,837
Finished goods	6,570	6,172
Production supplies	228	230
Less: obsolescence provision	(2,056)	(1,797)
	<b>\$26,183</b>	<b>\$21,649</b>

The movement in the obsolescence provision accounts is as follows:

	June 30, 2013	September 30, 2012
Opening balance	\$1,797	\$1,625
Additions	441	671
Utilized	(289)	(262)
Reversals	-	(30)
Exchange differences	107	(207)
Closing balance	<b>\$2,056</b>	<b>\$1,797</b>

During the three months ended June 30, 2013, inventories of \$24,744 (three months ended June 30, 2012 - \$25,112) were expensed, of which \$101 were from the write-downs of inventory (three months ended June 30, 2012 - \$150), net of nil reversal of write-downs (three months ended June 30, 2012 - nil). During the nine months ended June 30, 2013, inventories of \$74,329 (nine months ended June 30, 2012 - \$79,716) were expensed, of which \$441 were from the write-downs of inventory (nine months ended June 30, 2012 - \$445), net of nil reversal of write-downs (nine months ended June 30, 2012 - \$30).

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(\$ in thousands, except per share amounts)

### 9. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at June 30, 2013, total managed capital was \$159,865 (September 30, 2012 - \$143,746), consisting of nil net debt (September 30, 2012 - nil) and shareholders' equity of \$159,865 (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:

	June 30, 2013	September 30, 2012
Net debt to equity	0.00:1	0.00:1
Current ratio	3.27:1	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:

	June 30, 2013	September 30, 2012
Bank indebtedness	\$-	\$-
Less: cash	(25,092)	(31,243)
Net debt	nil	nil

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 June 30, 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).

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

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

<b>Three Months ended June 30, 2013</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
Sales	<b>\$39,528</b>	<b>\$23,658</b>	<b>\$-</b>	<b>\$63,186</b>
Intercompany sales	<b>(621)</b>	<b>(183)</b>	<b>-</b>	<b>(804)</b>
Net sales	<b>38,907</b>	<b>23,475</b>	<b>-</b>	<b>62,382</b>
Depreciation and amortization	<b>1,614</b>	<b>355</b>	<b>7</b>	<b>1,976</b>
Segment income (loss)	<b>6,408</b>	<b>4,619</b>	<b>(1,286)</b>	<b>9,741</b>
Net interest expense				<b>(17)</b>
Income before income taxes				<b>9,724</b>
Property, plant and equipment additions	<b>6,441</b>	<b>394</b>	<b>-</b>	<b>6,835</b>
Property, plant and equipment, net	<b>57,535</b>	<b>14,688</b>	<b>1,291</b>	<b>73,514</b>
Total assets	<b>122,687</b>	<b>65,171</b>	<b>3,448</b>	<b>191,306</b>
Total liabilities	<b>\$15,636</b>	<b>\$11,144</b>	<b>\$4,661</b>	<b>\$31,441</b>

<b>Three Months ended June 30, 2012</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
Sales	<b>\$36,683</b>	<b>\$23,218</b>	<b>\$-</b>	<b>\$59,901</b>
Intercompany sales	<b>(663)</b>	<b>(25)</b>	<b>-</b>	<b>(688)</b>
Net sales	<b>36,020</b>	<b>23,193</b>	<b>-</b>	<b>59,213</b>
Depreciation and amortization	<b>1,721</b>	<b>400</b>	<b>8</b>	<b>2,129</b>
Segment income (loss)	<b>5,222</b>	<b>3,920</b>	<b>(1,253)</b>	<b>7,889</b>
Net interest income				<b>5</b>
Income before income taxes				<b>7,894</b>
Property, plant and equipment additions	<b>2,936</b>	<b>140</b>	<b>14</b>	<b>3,090</b>
Property, plant and equipment, net	<b>46,221</b>	<b>13,346</b>	<b>2,518</b>	<b>62,085</b>
Total assets	<b>116,298</b>	<b>52,318</b>	<b>3,664</b>	<b>172,280</b>
Total liabilities	<b>\$17,561</b>	<b>\$11,513</b>	<b>\$3,033</b>	<b>\$32,107</b>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

(\$ in thousands, except per share amounts)

<b>Nine Months ended June 30, 2013</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
Sales	<b>\$115,195</b>	<b>\$68,733</b>	<b>\$-</b>	<b>\$183,928</b>
Intercompany sales	<b>(2,915)</b>	<b>(364)</b>	<b>-</b>	<b>(3,279)</b>
Net sales	<b>112,280</b>	<b>68,369</b>	<b>-</b>	<b>180,649</b>
Depreciation and amortization	<b>5,053</b>	<b>1,219</b>	<b>22</b>	<b>6,294</b>
Segment income (loss)	<b>16,849</b>	<b>12,474</b>	<b>(3,692)</b>	<b>25,631</b>
Net interest income				<b>12</b>
Income before income taxes				<b>25,643</b>
Property, plant and equipment additions	<b>15,782</b>	<b>456</b>	<b>15</b>	<b>16,253</b>
Property, plant and equipment acquired through business acquisition	<b>1,412</b>	<b>-</b>	<b>-</b>	<b>1,412</b>
Property, plant and equipment, net	<b>57,535</b>	<b>14,688</b>	<b>1,291</b>	<b>73,514</b>
Total assets	<b>122,687</b>	<b>65,171</b>	<b>3,448</b>	<b>191,306</b>
Total liabilities	<b>\$15,636</b>	<b>\$11,144</b>	<b>\$4,661</b>	<b>\$31,441</b>

<b>Nine Months ended June 30, 2012</b>				
	<b>Casting and Extrusion</b>	<b>Automotive Solutions</b>	<b>Corporate</b>	<b>Total</b>
Sales	\$115,606	\$68,677	\$-	\$184,283
Intercompany sales	(3,075)	(359)	-	(3,434)
Net sales	112,531	68,318	-	180,849
Depreciation and amortization	5,175	1,211	24	6,410
Segment income (loss)	16,199	11,545	(3,404)	24,340
Net interest expense				(9)
Income before income taxes				24,331
Property, plant and equipment additions	6,016	357	22	6,395
Property, plant and equipment, net	46,221	13,346	2,518	62,085
Total assets	116,298	52,318	3,664	172,280
Total liabilities	\$17,561	\$11,513	\$3,033	\$32,107

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

*(\$ in thousands, except per share amounts)*

### 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
	<hr/>
	<b>\$1,485</b>

## **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 2,207 people and service a diverse and broad customer base.

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Edward Kernaghan

Nicole Kirk

Robert Magee

Philip Matthews

Brian A. Robbins, President and CEO

Peter van Schaik

### **CORPORATE OFFICERS**

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