



EXCO TECHNOLOGIES LIMITED

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Interim report
to the shareholders
for the six months
ended March 31, 2008

	6 Months ended March 31		3 Months ended March 31	
	(\$000s, except per share amounts)			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Sales	\$103,872	\$99,700	\$55,898	\$53,249
Net income from continuing operations	\$4,208	\$4,292	\$2,844	\$2,521
Net loss from discontinued operations	(\$49)	(\$1,325)	\$-	(\$662)
Net income	\$4,159	\$2,967	\$2,844	\$1,859
Basic and diluted earnings per share from continuing operations	\$0.10	\$0.11	\$0.07	\$0.07
Basic and diluted loss per share from discontinued operations	\$-	(\$0.04)	\$-	(\$0.03)
Basic and diluted earnings per share	\$0.10	\$0.07	\$0.07	\$0.04
Common shares outstanding	41,020,000	41,406,000	41,020,000	41,406,000

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 2007 Annual Report.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102) of the Canadian Securities Administrators. Additional information regarding Exco, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.excocorp.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to gross margin which is not a measure of financial performance under Canadian generally accepted principles ("GAAP"). The Company calculates gross margin as sales less cost of sales. The Company included information concerning this measure because it is used by management as a measure of performance and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. This measure is not necessarily comparable to similarly titled measures used by other companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial results for the three months ended March 31, 2007 and six months ended March 31, 2007 have been restated to reflect the classification of Exco's Techmire business as a discontinued operation. Results from this operation have been isolated and

classified as 'Discontinued Operations'. This business was sold on September 28, 2007 and reported in the fourth quarter of the 2007 fiscal year ended September 30, 2007.

Consolidated sales from continuing operations for the quarter ended March 31, 2008 were \$55.9 million compared to \$53.2 million last year – an increase of \$2.7 million or 5%. Year-to-date sales were \$103.9 million – an increase of \$4.2 million or 4.2% compared to last year. The Canadian dollar was 17 cents stronger against the US dollar in the quarter and year-to-date compared to last year, reducing sales by approximately \$5.2 million in the quarter and \$9.8 million year-to-date. Given the magnitude of the Canadian dollar appreciation and declining production levels among our North American automotive OEM customers, management is pleased with the sales performance of its operations.

During the second quarter, the Casting and Extrusion segment reported sales of \$32.1 million compared to \$32.0 million in the second quarter of last year. Although foreign exchange reduced sales in this segment for the quarter by \$3.1 million all business units in this segment experienced strong shipments. Deliveries of extrusion dies, though strong, were offset by the strong Canadian dollar. Sales in our large mould business increased in the quarter as we made deliveries on new programs delayed in the first quarter. Castool was modestly impacted by reduced production at numerous automotive die cast customers in North America.

Sales in the Automotive Solutions segment increased to \$23.8 million in the quarter compared to \$21.3 million in the same period last year. The weak US dollar reduced sales for these North American businesses by \$2.1 million. North American sales have been under pressure as most all North American OEMs have reduced production in response to weaker consumer demand. New product launches have largely compensated for this volume erosion. Sales to European customers by our Polydesign facility in Morocco continued to grow during the quarter reflecting fully ramped up volumes of seat and headrest cover business for Honda's CRV and Civic models. These European sales are almost exclusively denominated in Euro which has appreciated against the Canadian dollar.

Net income from continuing operations for the quarter was up by 12.8% to \$2.8 million or \$0.07 per share compared to \$2.5 million or \$0.07 per share last year. Included in the current quarter was a \$391 thousand pre-tax gain on the sale of surplus vacant land in Ontario. This quarter the consolidated tax rate was 26% compared to 29% last year as Polydesign earnings are taxed at a lower rate than North American earnings. Year-to-date, Exco reported net income from continuing operations of \$4.2 million or \$0.10 per share compared to a net income of \$4.3 million or \$0.11 per share in the prior year.

The Casting and Extrusion segment earnings were slightly lower than prior year. The strong Canadian dollar, higher steel costs and freight costs continued to exert pressure on the earnings of this segment. Included in this segment earnings was approximately \$300

thousand bad debt write-off associated with the Chapter 11 bankruptcy filing of a US customer in the quarter.

Income in the Automotive Solutions segment was up from last year by \$269 thousand or 15.2% to \$2.0 million. Polytech and Neocon Canada earnings were lower than prior year due primarily to reduced production by North American OEMs and higher raw material prices. Neocon USA continued to experience losses from low volumes, unfavorable product mix and high start up costs on several new program launches. This weakness was offset by Polydesign's performance in Europe where volumes were strong and exchange rates were favorable.

Gross margin for the quarter was 21% compared to 25% in prior year. Castool's gross margin significantly improved as a result of improved production efficiencies and better pricing. Margin, however, declined in the large mould business and the extrusion die group. Lower sales affected the overhead absorption rate in our large mould business. The extrusion group's margin was impacted by rising raw material costs which were not entirely recouped by price increases in the quarter. In the Automotive Solutions segment, higher margin at Polydesign from increased throughput was offset by lower margin at Polytech, Neocon Canada and Neocon USA. Businesses in this segment were negatively impacted by higher prices for resin and resin sheet used in the manufacturing process.

Selling, general and administrative charges decreased by \$1.3 million or 17% to \$6.1 million in the quarter mainly from lower general management, administrative and marketing (\$1.1 million) costs. Foreign exchange gains in the quarter of \$414 thousand (due to the \$0.04 appreciation of the US dollar) as compared to a loss of \$245 thousand in the prior year (\$0.03 depreciation of the US dollar) reduced SG&A costs.

In the quarter, Exco expensed stock-based compensation of \$97 thousand versus \$149 thousand in the prior year quarter. Year-to-date, the Company expensed stock-based compensation of \$227 thousand compared to \$287 thousand in the prior year. This expense relates to the Employee Stock Purchase Plan, the Stock Option Plan, and the Deferred Stock Unit Plan (See note 2 of the Financial Statements).

Financial Resources, Liquidity and Capital Resources

Non-cash working capital increased by \$4.9 million from September 30, 2007. Contributing to this increase were the increase in accounts receivable (\$6.5 million) due to higher sales in the later half of the quarter, the reclassification of the Extec production facility to assets held for sale (\$721 thousand), various prepaid expenses and deposits (\$603 thousand) and the refund by Exco of an overpayment for the purchaser of the Techmire business (\$693 thousand). Despite these cash payments, Exco increased its net cash position to \$6.1 million as of March 31, 2008 from \$4.6 million in September 30, 2007.

Operating cash flow in the current quarter increased to \$6.9 million from \$5.3 million in prior year. Contributing to this increase is better cash flow from non-cash working

capital of \$2.0 million in the current quarter compared to \$51 thousand last year. Operating cash flow for the six months ended March 31, 2008 was \$7.4 million compared to \$13.4 million last year. Included in the prior year's increase was the collection of a sizeable payment from an automotive customer which caused most of the \$7.9 million decrease in accounts receivable.

Cash used in financing activities is \$8.3 million in the current quarter versus \$142 thousand provided last year as the Company used free-cash flow to pay down debt by \$6.9 million and repurchase common shares in the amount of \$691 thousand.

Cash out-flow from investment activities in the quarter is \$1.4 million versus \$2.0 million in the same quarter last year. Year to date, cash used in investing activities totaled \$2.4 million versus \$5.2 million last year as last year investment included the construction of Castool's Uxbridge facility. Proceeds from the sale of fixed assets this year were mainly from the sale of surplus vacant land while proceeds from the sale of fixed assets last year included the sale of Castool's old production facility.

This year capital requirements for equipment are not expected to be materially different from last year. Exco will however continue to execute on its strategy of investing in productive capacity in low cost countries. Accordingly, capital will be expended on a sizable expansion of the existing production facility in Tangier Morocco which will almost double the size of that facility. Exco will also build a new production facility in Queretaro, Mexico to service our customers in that region. An addition to our existing extrusion die facility in the US is underway in order to accommodate surging demand. The combined cost of these construction projects is expected to be funded completely by the sale of our Techmire facility and the Extec facility which are currently held for sale. The Company does not expect its working capital requirements to be materially different from last year.

Contractual Obligations (\$000)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	22	22	-		
Capital lease obligations	-	-	-	-	-
Operating leases*	1,041	479	562	-	-
Purchase obligations	13,042	13,042	-	-	-
Total contractual obligations	14,105	13,543	562	-	-

** Exco leases vehicles, an aircraft, a warehouse and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms; however, it is not uncommon to renew certain leases. Exco does not expect any material liquidity or capital resource impacts.*

Quarterly Results

The following table sets out certain financial information for each of the eight fiscal quarters up to and including the second quarter of fiscal 2008 ended March 31, 2008:

<i>(\$ thousands except per share amounts)</i>	Mar. 08	Dec. 07	Sep. 07	Jun. 07
Sales	\$55,898	\$47,974	\$50,485	\$51,574
Net income from continuing operations before goodwill impairment	\$2,844	\$1,364	\$341	\$2,254
Earnings per share				
Basic	\$0.07	\$0.03	\$0.01	\$0.05
Diluted	\$0.07	\$0.03	\$0.01	\$0.05
Net income from continuing operations	\$2,844	\$1,364	(\$752)	\$2,254
Earnings per share				
Basic	\$0.07	\$0.03	(\$0.02)	\$0.05
Diluted	\$0.07	\$0.03	(\$0.02)	\$0.05
Net income	\$2,844	\$1,315	(\$2,073)	\$2,168
Earnings per share				
Basic	\$0.07	\$0.03	(\$0.05)	\$0.05
Diluted	\$0.07	\$0.03	(\$0.05)	\$0.05

<i>(\$ thousands except per share amounts)</i>	Mar. 07	Dec. 06	Sep. 06	Jun. 06
Sales	\$53,249	\$46,451	\$51,411	\$49,294
Net income from continuing operations before goodwill impairment	\$2,521	\$1,771	\$4,035	\$2,332
Earnings per share				
Basic	\$0.07	\$0.04	\$0.10	\$0.06
Diluted	\$0.07	\$0.04	\$0.10	\$0.06
Net income from continuing operations	\$2,521	\$1,771	\$4,035	\$2,332
Earnings per share				
Basic	\$0.07	\$0.04	\$0.10	\$0.06
Diluted	\$0.07	\$0.04	\$0.10	\$0.06
Net income	\$1,859	\$1,108	\$3,141	\$1,606
Earnings per share				
Basic	\$0.04	\$0.03	\$0.08	\$0.04
Diluted	\$0.04	\$0.03	\$0.08	\$0.04

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, after evaluating the effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective in ensuring that material information relating to the Company and its consolidated subsidiaries would have been known to them.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, after having designated internal controls over financial reporting 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.

Seasonal Variability of Results

Exco typically experiences strong sales and profit in the second quarter. Historically the Company did not experience a significant cyclical sales decline during the summer months as North American OEM's continued production throughout the summer. However, with weaker demand for automobiles and production cuts by North American OEMs summer plant shutdowns are now taking place with greater regularity. Polydesign also experiences reduced business activity during August when its European customers typically close for vacations. As a result of these factors the fourth quarter may now experience softness in the Automotive Solutions segment, Castool and the large mould businesses.

Outstanding Share Capital

As at March 31, 2008 Exco had 41,020,376 common shares issued and outstanding and stock options outstanding to purchase up to 2,275,414 common shares at exercise prices ranging from \$3.00 to \$7.60 per share. Since that time no options have been exercised or granted nor did the Company repurchase any common shares.

Outlook

Exco's performance for the balance of the year will be impacted by the generally weak economic environment. The present weakness in the North American automotive and construction industries suggest that the economic environment for industrial and automotive components will likely remain soft for the balance of 2008. While we continue to sell more extrusion dies and Castool products the combined effect of a 'par'

Canadian dollar, rising steel and resin prices and weakening demand may result in relatively flat sales and earnings for these businesses.

The performance of our remaining two large mould businesses should benefit from the lower overhead costs associated with the closure of the Extec production facility. However, significant sales and earnings improvement will hinge on the timing of deliveries of moulds on new programs. Recent rescheduling of the Chrysler Phoenix engine block program will delay the start of our shipments of moulds to the last quarter of this fiscal year. These delays are expected to result in stable yet continued softness in sales and earnings over the next several quarters.

The Automotive Solutions segment is expected to continue being impacted by weak volumes and rising raw material costs. Polydesign should continue to generate strong results and help offset flat earnings in this segment's North American operations.

The raw material environment has been problematic as pricing of steel and resin has been rising over the last quarter. The Casting and Extrusion segment has responded by controlling costs and working with its customers to increase pricing. The possibility of increasing pricing in the Automotive Solutions segment is more difficult as cost increases can only be passed through at the time of model changes or program refreshing. This segment has responded by focusing on costs by aggressively adding production capacity in low cost countries (Mexico and Morocco) which should over time improve this segment's overall competitive position.

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 2007 Annual Report, in our 2007 Annual Information Form and, from time to time, in other reports and filings made by the Company with securities regulatory authorities.

While the Company believes that the expectations expressed by such forward-looking information and statements are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

NOTE TO READER

The attached consolidated financial statements have been prepared by management of the Company. The consolidated financial statements for the six-month period ended March 31, 2008 and 2007 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)
(\$ in thousands)

	As at March 31, 2008	As at September 30, 2007
ASSETS		
Current		
Cash	\$8,221	\$5,677
Accounts receivable	36,777	30,288
Inventories	28,136	29,296
Prepaid expenses and deposits (note 3)	3,032	2,429
Assets held for sale (notes 5 and 6)	6,289	5,568
Discontinued operations (note 5)	725	1,349
Total current assets	83,180	74,607
Fixed assets	72,077	73,380
Goodwill	33,672	33,672
Future tax assets	2,514	2,407
	\$191,443	\$184,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$2,078	\$1,112
Accounts payable and accrued liabilities	26,300	25,216
Income taxes payable	1,359	840
Customer advance payments	1,687	1,377
Current portion of long-term debt	22	85
Discontinued operations (note 5)	-	693
Total current liabilities	31,446	29,323
Future tax liabilities	8,423	8,475
Total liabilities	39,869	37,798
Shareholders' Equity		
Share capital (note 2)	35,743	36,142
Contributed surplus (note 2)	2,598	2,364
Retained earnings	129,581	128,000
Accumulated other comprehensive loss (note 2)	(16,348)	(20,238)
Total shareholders' equity	151,574	146,268
	\$191,443	\$184,066

See accompanying notes

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(Unaudited)

(\$ in thousands)

	3 Months ended		6 Months ended	
	March-31		March-31	
	2008	2007	2008	2007
		Restated - Note 5		Restated - Note 5
Sales	\$55,898	\$53,249	\$103,872	\$99,700
Cost of sales and operating expenses before the following (note 4)	43,967	39,752	81,564	75,335
Selling, general and administrative (notes 2 and 3)	6,067	7,343	12,361	13,148
Depreciation and amortization	2,394	2,534	4,738	5,026
Gain on sale of fixed assets	(389)	(15)	(564)	(390)
Interest expense	19	62	99	165
	52,058	49,676	98,198	93,284
Income from continuing operations before income taxes	3,840	3,573	5,674	6,416
Provision for income taxes	996	1,052	1,466	2,124
Income from continuing operations	2,844	2,521	4,208	4,292
Loss from discontinued operations, net of tax (note 5)	-	(662)	(49)	(1,325)
Net income for the period	\$2,844	\$1,859	\$4,159	\$2,967
Other comprehensive income				
Unrealized gain (loss) on foreign currency translation of self-sustaining operations	4,167	(1,036)	3,890	2,326
Comprehensive income	\$7,011	\$823	\$8,049	\$5,293
Earnings (loss) per common share				
Basic and diluted from continuing operations	\$0.07	\$0.07	\$0.10	\$0.11
Basic and diluted from discontinued operations	\$0.00	(\$0.03)	\$0.00	(\$0.04)
Basic and diluted earnings	\$0.07	\$0.04	\$0.10	\$0.07

See accompanying notes

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

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive earnings (loss)	Total shareholders' equity
Balance, September 30, 2007	36,142	2,364	128,000	(20,238)	146,268
Net income for the quarter			1,315		1,315
Dividends			(618)		(618)
Stock option expense		137			137
Repurchase of share capital	(228)		(721)		(949)
Unrealized losses on translation of self-sustaining operations				(277)	(277)
Balance, December 31, 2007	35,914	2,501	127,976	(20,515)	145,876
Net income for the quarter			2,844		2,844
Dividends			(719)		(719)
Stock option expense		97			97
Repurchase of share capital	(171)		(520)		(691)
Unrealized gains on translation of self-sustaining operations				4,167	4,167
Balance, March 31, 2008	\$35,743	\$2,598	\$129,581	(\$16,348)	\$151,574

See accompanying notes

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

	3 Months ended March 31		6 Months ended March 31	
	2008	2007	2008	2007
		Restated - Note 5		Restated - Note 5
OPERATING ACTIVITIES:				
Net income from continuing operations	\$2,844	\$2,521	\$4,208	\$4,292
Add (deduct) items not involving a current outlay of cash				
Depreciation and amortization	2,394	2,534	4,738	5,026
Stock-based compensation expense (note 2)	97	149	227	287
Future income taxes	(213)	(72)	(170)	15
Gain on sale of fixed assets	(389)	(15)	(564)	(390)
Loss on financial instrument valuation (note 3)	168	148	54	183
	4,901	5,265	8,493	9,413
Net change in non-cash working capital balances related to continuing operations	2,036	51	(1,109)	4,027
Cash provided by operating activities of continuing operations	6,937	5,316	7,384	13,440
FINANCING ACTIVITIES:				
Increase (decrease) in bank indebtedness	(6,881)	891	589	(2,796)
Decrease in long-term debt	(32)	(32)	(63)	(270)
Dividends paid (note 2)	(719)	(621)	(1,337)	(1,243)
Repurchase of share capital (note 2)	(691)	(96)	(1,640)	(613)
Cash provided by (used in) financing activities of continuing operations	(8,323)	142	(2,451)	(4,922)
INVESTING ACTIVITIES:				
Investment in fixed assets	(2,292)	(2,047)	(3,427)	(7,647)
Proceeds on sale of fixed assets	849	51	1,053	2,400
Cash used in investing activities of continuing operations	(1,443)	(1,996)	(2,374)	(5,247)
CASH FLOWS FROM DISCONTINUED OPERATIONS				
Net cash provided by (used in) operating activities (note 5)	(84)	259	(118)	329
Net cash provided by (used in) discontinued operations	(84)	259	(118)	329
Effect of exchange rate changes on cash	137	(31)	103	48
Net increase (decrease) in cash during the period	(2,776)	3,690	2,544	3,648
Cash, beginning of period	10,997	2,428	5,677	2,470
Cash, end of period	\$8,221	\$6,118	\$8,221	\$6,118

See accompanying notes

1. ACCOUNTING POLICIES

Basis of presentation

These unaudited interim consolidated financial statements of Exco Technologies Limited (the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles, 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 2007 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 2007 annual consolidated financial statements.

2. SHARE CAPITAL

Authorized

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

Issued

The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common Shares	
	Number of shares	Stated value
Issued and outstanding at September 30, 2007	41,478,476	\$36,142
Purchased and cancelled pursuant to normal course issuer bid	(262,600)	(228)
Issued and outstanding at December 31, 2007	41,215,876	35,914
Purchased and cancelled pursuant to normal course issuer bid	(195,500)	(171)
Issued and outstanding at March 31, 2008	41,020,376	\$35,743

Currency translation adjustment

All of the Company’s foreign operations are self-sustaining. Gains and losses arising from the translation of the Company’s net investment in its foreign subsidiaries are included in accumulated other comprehensive loss in shareholders’ equity. The appropriate amounts of exchange gain or losses included in accumulated other comprehensive loss are 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 gain of \$4,167 during the three months ended March 31, 2008 (unrealized translation loss was \$1,036 during the three months ended March 31, 2007). For the six months ended March 31, 2008 the unrealized translation gain was \$3,890 (six months ended March 31, 2007 the unrealized translation gain was \$2,326). Year to date unrealized gain of \$3,890 is primarily attributable to the weakening of the Canadian dollar against the U.S. dollar as measured at March 31, 2008 and September 30, 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

(\$000s) except per share amounts

Cash dividend

During the period ended March 31, 2008, the Company paid cash dividends as outlined in the table below. The dividend rate in the second quarter increased from \$0.015 to \$0.0175 (2007-\$0.015) per common share.

	Fiscal 2008	Fiscal 2007
December 31	\$618	\$622
March 31	719	621
Total dividends paid	\$1,337	\$1,243

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):

	Fiscal 2008			Fiscal 2007		
	Options outstanding			Options outstanding		
	Number of options	Weighted average exercise price	Options exercisable	Number of options	Weighted average exercise price	Options exercisable
Opening balance	2,410,849	\$4.50	1,817,387	2,302,056	\$4.56	1,706,227
Granted	73,777	\$3.79	-	250,481	\$4.00	-
Vested	-	-	183,021	-	-	-
Expired	(179,212)	\$5.42	(179,212)	(5,688)	\$3.52	(5,688)
Balance, December 31	2,305,414	\$4.41	1,821,196	2,546,849	\$4.50	1,700,539
Vested	-	-	6,000	-	-	233,848
Cancelled	(30,000)	\$6.85	(24,000)	-	-	-
Balance, March 31	2,275,414	\$4.38	1,803,196	2,546,849	\$4.50	1,934,387

Employee stock purchase plan

The Company has an employee stock purchase plan (ESPP). The ESPP allows employees to purchase shares annually through payroll deductions at a predetermined price. During fiscal 2008, payroll deductions will be made supporting the purchase of a maximum of 188,558 shares at \$3.98 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2009. Employees must decide annually whether or not they wish to purchase their common shares. During the six months ended March 31, 2008 no shares (2007 – nil) were issued under the terms of the ESPP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

(\$000s) except per share amounts

Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option-pricing model on the Company's Stock Option Plan and the ESPP was \$234 for the six months ended March 31, 2008 (six months ended March 31, 2007 - \$263) and for the three months ended March 31, 2008 was \$97 (three months ended March 31, 2007 - \$135). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used in the six months ended March 31, 2008, measuring the fair value of stock options and the weighted average fair value of options granted are as follows:

	March 31 2008	2007
Risk-free interest rates	4.14%	4.02%
Expected dividend yield	0.89%	0.90%
Expected volatility	26.80%	27.00%
Expected time until exercise	6.02 years	5.58 years
Weighted average fair value of options granted	\$1.59	\$1.52

On November 18, 2005, the Company's Board of Directors adopted a Deferred Share Unit Plan ("DSU Plan") for eligible directors. The deferred share units will be redeemed by the Company in cash payable after the eligible director departs from the Board. The DSU Plan will replace the past practice of granting eligible directors stock options under the Stock Option Plan.

	Number of units	Expense
December 31, 2007	3,958	(\$7)
March 31, 2008	3,533	-
Total	7,491	(\$7)

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:

	2008	2007
Balance, September 30	\$2,364	\$1,916
Stock based compensation expense	137	128
Balance, December 31	\$2,501	\$2,044
Stock based compensation expense	97	135
Balance, March 31	\$2,598	\$2,179

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, 2007, replacing the normal course issuer bid which expired on May 7, 2007. The Company's Board of Directors authorized the purchase of up to 2,050,000 common shares, representing approximately 5% of the Company's outstanding common shares. During the six months ended March 31, 2008, the Company purchased 458,100 common shares (2007 – 156,700) at a cost of \$1,640 (2007 - \$613). The cost to purchase the shares exceeded their stated value by \$1,241 (2007 - \$478). This excess has been charged against retained earnings.

3. FINANCIAL INSTRUMENTS

The Company has forward foreign exchange contracts to sell US\$1,200 over the next quarter at rate of 1.02 Canadian dollars for each US dollar sold. The Company also entered into a series of put and call options extending through to September 23, 2010. The total contract value is 98.1 million Mexican pesos (September 30, 2007 – 52.7 million Mexican pesos). The selling price ranges from 11.06 to 12.20 Mexican pesos to each U.S. dollar.

Management estimates that a combined profit of \$91 would be realized if these contracts were terminated on March 31, 2008. This represents a \$54 depreciation in value from September 30, 2007 and this loss has been included in selling, general and administrative expense on the consolidated statements of earnings and comprehensive income. As of March 31, 2008, the estimated fair value of the Company's forward foreign exchange contracts recorded in prepaid expenses and deposits is \$91.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

(\$000s) except per share amounts

4. RESEARCH AND DEVELOPMENT

Research and development expensed during the six months ended March 31, 2008 were nil since the Techmire division was sold last year (six months ended March 31, 2007 - \$148) and during the three months ended March 31, 2008 were nil (three months ended March 31, 2007- \$71).

5. DISCONTINUED OPERATIONS

Included in discontinued operations is the Company's Techmire division which was located in Montreal. On September 28, 2007, the Company announced the sale of this division to Dynacast Canada Inc. ("Dynacast"), a global manufacturer of precision engineered, die-cast metal and small components. The cash sale includes all assets of the Techmire business excluding the production facility which will be leased to Dynacast on a short-term basis. The production facility is now listed for sale and is reflected in the accompanying consolidated balance sheets as assets held for sale. The sale of the production facility is not expected to be materially different from its carrying value.

The results from discontinued operations have been reported separately within these consolidated financial statements.

Summarized financial information for the discontinued operations is as follows:

	Three Months Ended	
	March 31, 2008	March 31, 2007
Sales	\$-	\$2,133
Operating losses	-	(994)
Discontinued operations before income taxes	-	(994)
Future income taxes	-	332
Net loss from discontinued operations	\$-	(\$662)

	Six Months Ended	
	March 31, 2008	March 31, 2007
Sales	\$-	\$4,433
Operating losses	(74)	(2,000)
Discontinued operations before income taxes	(74)	(2,000)
Future income taxes	25	675
Net loss from discontinued operations	(\$49)	(\$1,325)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

(\$000s) except per share amounts

	As at March 31, 2008	September 30, 2007
Net assets (liabilities) of discontinued operations:		
Current assets	\$725	\$1,349
Assets held for sale	5,568	5,568
Total assets	6,293	6,917
Less: Current liabilities	-	(693)
Net assets of discontinued operations	\$6,293	\$6,224

6. ASSETS HELD FOR SALE

Included in assets held for sale are the Company's Techmire production facility located in Montreal, Quebec (note 5) and the Extec large mould production facility located in Markham, Ontario.

In December 2007, the Company decided to consolidate its large mould production facilities. As a result, its Extec division was consolidated with other large mould operations in the first quarter and the building will be sold following the transfer of its production equipment to other locations. Redundant real estate asset held for sale was sold in February 2008 at a gain of \$391. The production facility will be sold on May 30, 2008 at the fair market value which will exceed its current carrying value.

7. SEGMENTED INFORMATION FROM CONTINUING OPERATIONS

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 of 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

(\$000s) except per share amounts

	Three Months ended March 31, 2008		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	\$32,120	\$23,778	\$55,898
Depreciation and amortization	\$1,806	\$588	\$2,394
Segment income	\$1,819	\$2,040	\$3,859
Interest expense			\$19
Income from continuing operations before income taxes			\$3,840
Fixed asset additions	\$1,661	\$631	\$2,292
Fixed assets - continuing operations	\$52,688	\$19,389	\$72,077
Fixed assets - discontinued operations	-	-	-
Total fixed assets, net	\$52,688	\$19,389	\$72,077
Goodwill	-	\$33,672	\$33,672
Assets - continuing operations	\$66,661	\$124,057	\$190,718
Assets - discontinued operations	\$725	-	\$725
Total assets	\$67,386	\$124,057	\$191,443

	Three Months ended March 31, 2007		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	\$31,956	\$21,293	\$53,249
Depreciation and amortization	\$1,932	\$602	\$2,534
Segment income	\$1,864	\$1,771	\$3,635
Interest expense			\$62
Income from continuing operations before income taxes			\$3,573
Fixed asset additions	\$1,254	\$793	\$2,047
Fixed assets - continuing operations	\$56,669	\$17,994	\$74,663
Fixed assets - discontinued operations	\$9,158	-	\$9,158
Total fixed assets, net	\$65,827	\$17,994	\$83,821
Goodwill	-	\$34,765	\$34,765
Assets - continuing operations	\$79,817	\$120,218	\$200,035
Assets - discontinued operations	\$675	-	\$675
Total assets	\$80,492	\$120,218	\$200,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

(\$000s) except per share amounts

	Six Months ended March 31, 2008		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	\$58,505	\$45,367	\$103,872
Depreciation and amortization	\$3,594	\$1,144	\$4,738
Segment income	\$1,646	\$4,127	\$5,773
Interest expense			\$99
Income from continuing operations before income taxes			\$5,674
Fixed asset additions	\$2,558	\$869	\$3,427
Fixed assets - continuing operations	\$52,688	\$19,389	\$72,077
Fixed assets - discontinued operations	-	-	-
Total fixed assets, net	\$52,688	\$19,389	\$72,077
Goodwill	-	\$33,672	\$33,672
Assets - continuing operations	\$66,661	\$124,057	\$190,718
Assets - discontinued operations	\$725	-	\$725
Total assets	\$67,386	\$124,057	\$191,443

	Six Months ended March 31, 2007		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	\$59,801	\$39,899	\$99,700
Depreciation and amortization	\$3,824	\$1,202	\$5,026
Segment income	\$3,323	\$3,258	\$6,581
Interest expense			\$165
Income from continuing operations before income taxes			\$6,416
Fixed asset additions	\$6,508	\$1,139	\$7,647
Fixed assets - continuing operations	\$56,669	\$17,994	\$74,663
Fixed assets - discontinued operations	\$9,158	-	\$9,158
Total fixed assets, net	\$65,827	\$17,994	\$83,821
Goodwill	-	\$34,765	\$34,765
Assets - continuing operations	\$79,817	\$120,218	\$200,035
Assets - discontinued operations	\$675	-	\$675
Total assets	\$80,492	\$120,218	\$200,710

5 YEAR FINANCIAL HIGHLIGHTS

as of September 30

(\$ in thousands except per share amounts)

	2007	2006	2005	2004	2003
Sales	\$201,759	\$199,271	\$202,957	\$194,251	\$205,477
Net income (loss) from continuing operations	\$5,794	\$3,311	\$14,579	\$15,950	\$17,348
Net income (loss)	\$3,062	(\$616)	\$11,132	\$9,199	\$16,681
Diluted earnings (loss) per share from continuing operations	\$0.14	\$0.08	\$0.35	\$0.39	\$0.42
Diluted earnings (loss) per share	\$0.07	(\$0.01)	\$0.27	\$0.22	\$0.40
Cash flow from operations before non-cash items	\$17,698	\$22,581	\$27,306	\$28,642	\$31,361
EBITDA*	\$21,449	\$28,007	\$34,461	\$37,055	\$43,381
Total net debt to equity	0.00:1	0.04:1	0.10:1	0.14:1	0.21:1
Capital expenditures, net of disposals	\$11,392	\$9,774	\$8,477	\$8,645	\$7,964

*EBITDA is a non-GAAP measure calculated by adding back to income (loss) from continuing operations: taxes, net interest, depreciation and amortization and goodwill impairment charge.

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 2,050 people and service a diverse and broad customer base.

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