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Interim report
to the shareholders
for the nine months
ended June 30, 2008

	9 Months ended June 30		3 Months ended June 30	
	($000s, except per share amounts)			
	2008	2007	**2008**	2007
Sales	**$151,549**	$151,274	**$47,677**	$51,574
Net income from continuing operations	**$7,355**	$6,546	**$3,147**	$2,254
Net loss from discontinued operations	**($111)**	($1,411)	**($62)**	($86)
Net income	**$7,244**	$5,135	**$3,085**	$2,168
Basic and diluted earnings per share from continuing operations	**$0.18**	$0.16	**$0.08**	$0.05
Basic and diluted loss per share from discontinued operations	**($0.00)**	($0.04)	**($0.00)**	($0.00)
Basic and diluted earnings per share	**$0.18**	$0.12	**$0.08**	$0.05
Common shares outstanding	**40,989**	41,448	**40,989**	41,448

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 June 30, 2007 and nine months ended June 30, 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 as discontinued in the fourth quarter of the 2007 fiscal year ended September 30, 2007.

Consolidated sales from continuing operations for the quarter ended June 30, 2008 were $47.7 million compared to $51.6 million last year – a decrease of $3.9 million or 7.6%. Year-to-date sales were $151.5 million – an increase of $0.3 million or 0.2% compared to last year. The Canadian dollar was 7 cents stronger against the US dollar in the quarter and 13 cents stronger year-to-date compared to last year, reducing sales by approximately $2.2 million in the quarter and $12.0 million year-to-date. Given the impact of the Canadian dollar appreciation and declining production levels among our North American automotive OEM customers, management is satisfied with the overall sales performance of its operations.

During the third quarter, the Casting and Extrusion segment reported sales of $26.1 million compared to $30.3 million in the third quarter of last year. Foreign exchange reduced sales in this segment for the quarter by $1.3 million. Deliveries of extrusion dies were consistent with the prior year despite the strong Canadian dollar and weak demand in the US construction industry. At Castool, sales were slightly down in the quarter as orders for die cast consumables were soft. This was partially offset by increased sales of extrusion components and accessories. Weak shipments in our large mould business accounted for most of the sales weakness in this segment. Weak sales in the quarter were partially caused by the timing of shipments which was concentrated in the second quarter. Also, the slow release of additional moulds for the Chrysler Phoenix engine block program has shifted sales to future quarters. Lower vehicle production has also impacted our customer’s die cast production levels and reduced the frequency of typical mould maintenance programs.

Sales in the Automotive Solutions segment increased slightly to $21.5 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 $0.9 million. North American sales have been under pressure as most OEMs manufacturing in North America have reduced production and changed product mix in response to weaker consumer demand and the high cost of fuel. New product launches at Polytech will largely compensate for its volume erosion. In addition to overall volume reductions, numerous programs at Neocon Canada experienced trim level adjustment that further reduced sales in the quarter by approximately 25%. While Neocon has launched several new programs, and expects to secure others over the next few quarters, its overall sales will be less than its traditional levels in the near term. Sales to European customers by our Polydesign facility in Morocco continued to be strong in the quarter reflecting strong European demand for Honda’s CRV and Civic models and several new product launches.

Net income from continuing operations for the quarter was up by 39.6% to $3.1 million or $0.08 per share compared to $2.3 million or $0.05 per share last year. Included in the current quarter was a $1.8 million pre-tax gain on the sale of the Extec production facility in Ontario which was closed earlier in the year. This quarter the consolidated tax rate was

15.5% compared to 30.3% last year as Polydesign earnings are taxed at a lower rate and capital gains from the sale of the Extec production facility are only taxed at one half of the normal tax rate. Year-to-date, Exco reported net income from continuing operations of $7.4 million or $0.18 per share compared to a net income of $6.5 million or $0.16 per share in the prior year. Included in the year-to-date income was a $1.8 million pre-tax gain from the sales of the Extec production facility and a $391 thousand pre-tax gain from the sale of other surplus land. Operating losses and shutdown expenses incurred at Extec reduced consolidated year to date earnings from continuing operations by $873 thousand pre-tax.

The Casting and Extrusion segment earnings for the quarter of $2.7 million were higher than last year by $1.5 million. Included in this segment earnings was a $1.8 million pre-tax gain on the sale of the Extec production facility. Earnings by Castool and the extrusion die group have improved modestly over last year as price increases have helped mitigate raw material and freight increases and, at several plants, increased production has improved operating efficiencies. The two remaining large mould operations have operated at breakeven levels during the quarter owing to weak sales in the quarter. Overall soft automotive demand, the strong Canadian dollar and higher steel and freight costs continued to exert pressure on the earnings of this segment.

Income in the Automotive Solutions segment was down from last year by $1.0 million or 48.3% to $1.1 million. Polytech earnings were slightly higher than prior year despite reduced North American vehicle production and higher raw material prices. Neocon Canada and Neocon USA experienced losses in the quarter from lower sales volumes, unfavorable product mix and rising resin costs. Neocon Canada was also impacted by trim level adjustments on several programs. Polydesign's earnings in Europe increased significantly on higher volumes and more favorable Euro exchange rates.

Gross margin for the quarter and year to date was 21% compared to 24% in the prior year. Gross margin in the third quarter was stable or improved in all businesses except the large mould business and Neocon Canada. Lower sales affected the overhead absorption rate in both instances. Overall rising input costs are pressuring all our businesses. Management has responded by raising prices or negotiating raw material surcharges where possible and, in the Automotive Solutions segment, renegotiating existing cost-down arrangements. Closing Extec which has a lower margin business will also improve future margin. Year to date, the Extec operation reduced the Company's consolidated gross margin by 1%.

Selling, general and administrative charges decreased by $0.8 million or 12.9% to $5.7 million in the quarter primarily from lower general management, administrative and marketing costs. Included in the current quarter was also a $319 thousand foreign exchange gain primarily from options and forward contracts compared to a $400 thousand loss from the depreciation of the US dollar in the prior year.

In the quarter, Exco expensed stock-based compensation of $102 thousand versus $162 thousand in the prior year quarter. Year-to-date, the Company expensed stock-based compensation of $329 thousand compared to $449 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

Operating cash flow in the current quarter increased to $4.2 million from $2.4 million in the prior year. Primarily contributing to this improvement was a $539 thousand positive change from non-cash working capital in the current quarter compared to a negative change of $2.8 million last year. Operating cash flow for the nine months ended June 30, 2008 was $11.6 million compared to $15.8 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 decrease in accounts receivable.

Cash used in financing activities was $305 thousand in the current quarter versus $2.1 million last year. This reflected slightly higher dividend payments and share buyback activity under the Company's normal course issue bid and normal bank balance fluctuations during the quarter. Year-to-date, cash used in financing activities was $2.8 million compared to $7.1 million last year. The difference was mainly due to the decrease of bank indebtedness in the prior year ($4.5 million) compared to this year's increase of $1.1 million and significantly higher share buy back activity this year ($1.7 million) than prior year ($613 thousand).

Cash out-flow from investing activities in the quarter was $2.9 million versus $4.0 million in the same quarter last year. Included in the current quarter were expenditures of $1.5 million incurred on the expansion of our Moroccan production facility and $800 thousand on the expansion of the production facility in Michigan. This facility is now complete. Year to date, cash used in investing activities totaled $5.3 million versus $9.2 million last year. Last year's investing activities included the cost of constructing Castool's new facility. Proceeds from the sale of fixed assets this year are mainly from the sale of surplus vacant land and Extec's production facility while proceeds from the sale of fixed assets last year included the sale of Castool's old production facility.

The Company's bank balances at quarter end totaled $9 million compared to $5.7 million at the beginning of the fiscal year. Exco's net cash position also increased to $6.5 million from $4.5 million over the same period.

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 completing the expansion of the existing production facility in Morocco which will almost double the size of that facility. Exco is also in the process of building a new production facility in Queretaro, Mexico to service our large mould customers migrating to that region. The combined cost of these construction projects is expected to be funded by the proceeds from the sale of our Extec facility which has now sold for $2 million cash and a 2 year mortgage of $600 thousand and the proceeds from the sale of our

Techmire facility. 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	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Operating leases*	1,468	599	656	213	-
Purchase obligations	11,690	11,690	-	-	-
Total contractual obligations	13,158	12,289	656	213	-

* *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 third quarter of fiscal 2008 ended June 30, 2008:

($ thousands except per share amounts)	Jun. 08	Mar. 08	Dec. 07	Sep. 07
Sales	$47,677	$55,898	$47,974	$50,485
Net income from continuing operations before goodwill impairment	$3,147	$2,844	$1,364	$341
Earnings per share				
Basic	$0.08	$0.07	$0.03	$0.01
Diluted	$0.08	$0.07	$0.03	$0.01
Net income from continuing operations	$3,147	$2,844	$1,364	($752)
Earnings per share				
Basic	$0.08	$0.07	$0.03	($0.02)
Diluted	$0.08	$0.07	$0.03	($0.02)
Net income	$3,085	$2,844	$1,315	($2,073)
Earnings per share				
Basic	$0.08	$0.07	$0.03	($0.05)
Diluted	$0.08	$0.07	$0.03	($0.05)

($ thousands except per share amounts)	Jun. 07	Mar. 07	Dec. 06	Sep. 06
Sales	$51,574	$53,249	$46,451	$51,411
Net income from continuing operations before goodwill impairment	$2,254	$2,521	$1,771	$4,035
Earnings per share				
Basic	$0.05	$0.07	$0.04	$0.10
Diluted	$0.05	$0.07	$0.04	$0.10
Net income from continuing operations	$2,254	$2,521	$1,771	$4,035
Earnings per share				
Basic	$0.05	$0.07	$0.04	$0.10
Diluted	$0.05	$0.07	$0.04	$0.10
Net income	$2,168	$1,859	$1,108	$3,141
Earnings per share				
Basic	$0.05	$0.04	$0.03	$0.08
Diluted	$0.05	$0.04	$0.03	$0.08

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.

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with generally accepted accounting principles, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outstanding Share Capital

As at June 30, 2008 Exco had 40,989,476 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 and the Company repurchased 15,500 common shares.

Outlook

Exco's performance for the balance of the year will continue to be impacted by the weak American economy and slowing global 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 and into 2009. The extrusion die businesses and Castool continue to gain market share and slowly improve profitability. However, the combined effect of a 'par' Canadian dollar, rising steel, freight and other costs will result in relatively anemic sales and earnings growth for these businesses in the near term.

The performance of our remaining two large mould businesses will 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 has disrupted our delivery schedule and is likely to continue doing so. 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 in North America and rising raw material costs partially offset by improving European operations. This segment has been successful in resisting previously negotiated price cost-down adjustments and resin surcharges are being negotiated with customers in our Neocon businesses. Polydesign should continue to generate strong sales growth and help offset flat earnings in this segment's North American operations as there is considerable interest among European OEMs and their ties in moving production to nearby low cost areas.

While the overall raw material environment continues to be problematic as pricing of steel and resin has continued to rise over the last quarter, there are indications that these prices are leveling off. The combination of price increases, pending surcharges, cost reductions and migration of business to our low cost locations should recoup margin previously eroded.

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 three and nine-month period ended June 30, 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 June 30, 2008	As at September 30, 2007
ASSETS		
Current		
Cash	**$9,025**	$5,677
Accounts receivable	**34,017**	30,288
Inventories	**29,602**	29,296
Prepaid expenses and deposits	**4,188**	2,429
Assets held for sale (notes 5 and 6)	**5,568**	5,568
Discontinued operations (note 5)	**806**	1,349
Total current assets	**83,206**	74,607
Mortgage receivable (note 6)	**600**	-
Fixed assets	**74,374**	73,380
Goodwill	**33,672**	33,672
Future income tax assets	**2,514**	2,407
	$194,366	$184,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$2,486**	$1,112
Accounts payable and accrued liabilities	**26,575**	25,216
Income taxes payable	**1,690**	840
Customer advance payments	**1,887**	1,377
Current portion of long-term debt	**-**	85
Discontinued operations (note 5)	**-**	693
Total current liabilities	**32,638**	29,323
Future income tax liabilities	**8,523**	8,475
Total liabilities	**41,161**	37,798
Shareholders' Equity		
Share capital (note 2)	**35,716**	36,142
Contributed surplus (note 2)	**2,693**	2,364
Retained earnings	**131,877**	128,000
Accumulated other comprehensive loss (note 2)	**(17,081)**	(20,238)
Total shareholders' equity	**153,205**	146,268
	$194,366	$184,066

See accompanying notes

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
($ in thousands)

	3 Months ended June 30		9 Months ended June 30	
	2008	2007	**2008**	2007
		Restated - Note 5		Restated - Note 5
Sales	**$47,677**	$51,574	**$151,549**	$151,274
Cost of sales and operating expenses				
before the following (note 4)	**37,684**	39,232	**119,248**	114,567
Selling, general and administrative (notes 2 and 3)	**5,716**	6,559	**18,077**	19,707
Depreciation and amortization	**2,355**	2,492	**7,093**	7,518
Gain on sale of fixed assets (note 6)	**(1,868)**	-	**(2,432)**	(390)
Interest expense	**65**	59	**164**	224
	43,952	48,342	**142,150**	141,626
Income from continuing operations before income taxes	**3,725**	3,232	**9,399**	9,648
Provision for income taxes	**578**	978	**2,044**	3,102
Income from continuing operations	**3,147**	2,254	**7,355**	6,546
Loss from discontinued operations, net of tax (note 5)	**(62)**	(86)	**(111)**	(1,411)
Net income for the period	**$3,085**	$2,168	**$7,244**	$5,135
Other comprehensive income				
Unrealized gain (loss) on foreign currency translation of				
self-sustaining operations (note 2)	**(733)**	(4,973)	**3,157**	(2,647)
Comprehensive income (loss)	**$2,352**	($2,805)	**$10,401**	$2,488
Earnings (loss) per common share				
Basic and diluted from continuing operations	**$0.08**	$0.05	**$0.18**	$0.16
Basic and diluted from discontinued operations	**($0.00)**	($0.00)	**($0.00)**	($0.04)
Basic and diluted earnings	**$0.08**	$0.05	**$0.18**	$0.12

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

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, October 1, 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
Net income for the quarter	-	-	3,085	-	3,085
Dividends	-	-	(718)	-	(718)
Stock option expense	-	95	-	-	95
Repurchase of share capital	(27)	-	(71)	-	(98)
Unrealized losses on translation of self-sustaining operations	-	-	-	(733)	(733)
Balance, June 30, 2008	**$35,716**	**$2,693**	**$131,877**	**($17,081)**	**$153,205**

See accompanying notes

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

	3 Months ended June 30		9 Months ended June 30	
	2008	2007	**2008**	2007
		Restated - Note 5		Restated - Note 5
OPERATING ACTIVITIES:				
Net income from continuing operations	**$3,147**	$2,254	**$7,355**	$6,546
Add (deduct) items not involving a current outlay of cash				
Depreciation and amortization	**2,355**	2,492	**7,093**	7,518
Stock-based compensation expense (note 2)	**102**	162	**329**	449
Future income taxes	**104**	506	**(66)**	521
Gain on sale of fixed assets (note 6)	**(1,868)**	-	**(2,432)**	(390)
Gain on financial instrument valuation (note 3)	**(166)**	(226)	**(112)**	(43)
	3,674	5,188	**12,167**	14,601
Net change in non-cash working capital balances related to continuing operations	**539**	(2,826)	**(570)**	1,201
Cash provided by operating activities of continuing operations	**4,213**	2,362	**11,597**	15,802
FINANCING ACTIVITIES:				
Increase (decrease) in bank indebtedness	**533**	(1,656)	**1,122**	(4,452)
Decrease in long-term debt	**(22)**	(31)	**(85)**	(301)
Dividends paid (note 2)	**(718)**	(621)	**(2,055)**	(1,864)
Repurchase of share capital (note 2)	**(98)**	-	**(1,738)**	(613)
Issue of share capital (note 2)	**-**	162	**-**	162
Cash used in financing activities of continuing operations	**(305)**	(2,146)	**(2,756)**	(7,068)
INVESTING ACTIVITIES:				
Investment in fixed assets	**(4,936)**	(3,982)	**(8,363)**	(11,629)
Proceeds on sale of fixed assets	**2,009**	6	**3,062**	2,406
Cash used in investing activities of continuing operations	**(2,927)**	(3,976)	**(5,301)**	(9,223)
CASH FLOWS FROM DISCONTINUED OPERATIONS				
Net cash used in operating activities (note 5)	**(143)**	(511)	**(261)**	(182)
Net cash used in discontinued operations	**(143)**	(511)	**(261)**	(182)
Effect of exchange rate changes on cash	**(34)**	(127)	**69**	(79)
Net increase (decrease) in cash during the period	**804**	(4,398)	**3,348**	(750)
Cash, beginning of period	**8,221**	6,118	**5,677**	2,470
Cash, end of period	**$9,025**	$1,720	**$9,025**	$1,720

1. ACCOUNTING POLICIES

Basis of presentation

These unaudited interim consolidated financial statements of Exco Technologies Limited (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the 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, except for the changes described below.

Accounting policy changes

Effective October 1, 2007, the Company adopted the new CICA accounting sections: 1535 (Capital Disclosures), 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation). These new accounting policy changes are for disclosure purposes and have no impact on the Company's unaudited interim consolidated financial statements.

Under Section 1535 (Capital Disclosures), the Company is required to disclose information regarding its capital and how it is managed including enhanced disclosure requirements with respect to the Company's objectives, policies and processes. In addition, it is also required to disclose whether it has complied with any externally imposed capital requirements to which the Company is subject (note 7).

Under Section 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation), the Company is required to disclose additional details of its financial assets and liabilities categories and the risks associated with the Company's financial instruments (note 3).

Future accounting policy changes

Effective October 1, 2008, the Company will adopt the new CICA accounting sections: 3064 (Goodwill and Intangible Assets) and 3031 (Inventories). The Company is assessing the impact the adoption will have on its consolidated financial statements.

Section 3064 (Goodwill and Intangible Assets) provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally.

Section 3031 (Inventories) which has replaced Section 3030, establishes new standard for the measurement and disclosure of inventories. It requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior write downs when the net realizable value of impaired inventory subsequently recovers.

In February 2008, the Canadian Accounting Standards Board (ACSB) confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for publicly accountable companies. The official change over date is for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is currently formulating and developing an implementation plan to comply with the new standards and its future reporting requirements.

June 30, 2008 ($000s, except per share amounts)

2. SHARE CAPITAL

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

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

	Common Shares	
	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
Purchased and cancelled pursuant to normal course issuer bid	(30,900)	(27)
Issued and outstanding at June 30, 2008	**40,989,476**	**35,716**

Currency translation adjustment
All of the Company's foreign operations are self-sustaining. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are included in accumulated other comprehensive loss in shareholders' equity. The appropriate amount of exchange gain or loss included in accumulated other comprehensive loss is reflected in earnings when there is a sale or partial sale of the Company's investment in these operations or upon a complete or substantially complete liquidation of the investment.

Unrealized translation adjustments which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining foreign operations resulted in an unrealized currency translation gain of $3,157 during the nine months ended June 30, 2008 (nine months ended June 30, 2007 the unrealized translation loss was $2,647). For the three months ended June 30, 2008 the unrealized translation loss was $733 (three months ended June 30, 2007 the unrealized translation loss was $4,973). The year to date unrealized gain of $3,157 is primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar as measured at June 30, 2008 and September 30, 2007.

Cash dividend
During the nine months ended June 30, 2008, the Company paid cash dividends as outlined in the table below. The dividend rate in the quarter was $0.0175 (2007 - $0.015) per common share.

	Fiscal 2008	Fiscal 2007
December 31	**$618**	$622
March 31	**719**	621
June 30	**718**	621
Total dividends paid	**$2,055**	$1,864

June 30, 2008 ($000s, 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. Non-executive directors are not eligible to participate in the stock option plan. The following is a continuity schedule of options outstanding (number of options in the table below is expressed in whole numbers and has not been rounded to the nearest thousand):

	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
Exercised	**-**	**-**	**-**	(42,000)	$3.85	(42,000)
Expired	**-**	**-**	**-**	(40,000)	$6.04	(30,000)
Cancelled	**-**	**-**	**-**	(9,000)	$4.00	-
Balance, June 30	**2,275,414**	**$4.38**	**1,803,196**	2,455,849	$4.37	1,862,387

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 nine months ended June 30, 2008 no shares (2007 – nil) were issued under the terms of the ESPP.

Stock-based compensation

Stock-based compensation resulting from applying the Black-Scholes option-pricing model to the Company's Stock Option Plan and the ESPP was $329 for the nine months ended June 30, 2008 (nine months ended June 30, 2007 - $398) and for the three months ended June 30, 2008 was $95 (three months ended June 30, 2007 - $135). All stock-based compensation has been recorded in selling, general and administrative expenses. The weighted average assumptions used in the nine months ended June 30, 2008, measuring the fair value of stock options and the weighted average fair value of options granted are as follows:

June 30, 2008 ($000s, except per share amounts)

	June 30	
	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.

	Number of units	Expense
December 31, 2007	3,958	($7)
March 31, 2008	3,533	-
June 30, 2008	3,970	7
Total	11,461	$-

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 option compensation expense	**137**	128
Balance, December 31	**2,501**	2,044
Stock option compensation expense	**97**	135
Balance, March 31	**2,598**	2,179
Stock option compensation expense	**95**	135
Exercise of options	**-**	(46)
Balance, June 30	**$2,693**	$2,268

Normal course issuer bid

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning on May 8, 2008 replacing the normal course issuer bid which expired on May 7, 2008. The Company's Board of Directors authorized the purchase of up to 2,051,018 common shares, representing approximately 5% of the Company's outstanding common shares. During the nine months ended June 30, 2008, the Company purchased 489,000 common shares (2007 – 156,700) at a cost of $1,738 (2007 - $613). The cost to purchase these shares exceeded their stated value by $1,312 (2007 - $478). This excess has been charged against retained earnings.

June 30, 2008 ($000s, except per share amounts)

3. FINANCIAL INSTRUMENTS

Financial instruments of the Company consists primarily of cash, accounts receivable, mortgage receivable, bank indebtedness, accounts payable and accrued liabilities, customer advance payments, and forward foreign exchange contracts. With the exception of forward foreign exchange contracts (which the Company fair values quarterly and recognizes any changes in value in the consolidated statements of earnings and comprehensive income (loss) the carrying value of these financial instruments approximates their fair value due to their short term maturities nature.

The Company classifies its financial instruments as follows:

Cash	Financial assets - held for trading
Accounts receivable*	Financial assets - loans and receivables
Mortgage receivable	Financial assets - loans and receivables
Bank indebtedness	Financial liabilities - held for trading
Accounts payable and accrued liabilities	Financial liabilities - other financial liabilities
Customer advance payments	Financial liabilities - held for trading
Forward foreign exchange contracts	Financial assets - held for trading

* Recorded at amortized cost

Foreign exchange contracts
The Company has forward foreign exchange contracts to sell US$600 over the next 2.5 months at the rate of 1.03 Canadian dollars for each US dollar sold. The Company also entered into a series of put and call options extending through to March 31, 2011. The total contract value is 125.1 million Mexican pesos (September 30, 2007 – 52.7 million Mexican pesos). The selling price ranges from 11.00 to 12.20 Mexican pesos to each U.S. dollar.

Management estimates that a combined gain of $257 would be realized if these contracts were terminated on June 30, 2008. This represents a $112 appreciation in value from September 30, 2007 and this gain has been included in selling, general and administrative expense on the consolidated statements of earnings and comprehensive income (loss). As of June 30, 2008, the estimated fair value of the Company's forward foreign exchange contracts recorded in prepaid expenses and deposits is $257.

Financial risk management
The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of the risks and how they are managed:

a) Credit risk
Credit risk is the risk of an unexpected loss if a customer or third party fails to meet its contractual obligations. The Company's primary credit risk is its outstanding trade accounts receivable. The carrying amount of its outstanding trade accounts receivable represents the Company's estimate of its maximum credit exposure. The Company regularly monitors its credit risk exposure and takes steps such as credit approval procedures, establishing credit limits, utilizing credit assessments and monitoring practices to mitigate the likelihood of these exposures from resulting in an actual loss. The carrying amount of the trade accounts receivable disclosed in the unaudited interim consolidated balance sheet is net of allowances for doubtful accounts, estimated by the Company's management, based on prior experience and assessment of current financial conditions of customers as well as general economic environment. When a receivable

June 30, 2008 ($000s, except per share amounts)

balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of earnings and comprehensive income (loss). As at June 30, 2008, the accounts receivable balance (net of allowances for doubtful accounts) is $34,017 (June 30, 2007 - $32,655) and the Company's five largest trade debtors accounted for 40% of the current balance.

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, 2008, the Company has a net cash balance of $6,539 and unused credit facilities of $45,000.

c) Foreign exchange risk
The Company's functional and reporting currency is in Canadian dollars. It operates in Canada with subsidiaries located in the United States, Mexico and Morocco. It is exposed to foreign exchange transaction and translation risk through its operating activities and self sustaining foreign operations. Unfavourable changes in the exchange rate may affect the operating results of the company. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. In order to mitigate the foreign currency exposure, the Company reduces part of its foreign exchange risk by sourcing a significant portion of its manufacturing inputs in the currency that its sales are denominated in. In addition to the above natural hedge, depending on the timing of foreign currency receipts and payments, the Company will occasionally enter into short term forward foreign exchange contracts to mitigate the remaining foreign exchange exposure. These contracts are classified as "held for trading" on the balance sheet and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is recognized in the consolidated statements of earnings and comprehensive income (loss) . The Company does not mitigate the translation risk exposure of its self- sustaining foreign operations due to the fact that these investments are considered to be long term in nature.

With all other variables held constant, one percent strengthening or weakening of the Canadian dollar against the US dollar and Moroccan Dirham and one percent fluctuation between the Euro and Dirham compared with the average year to date exchange rate would have the following effects in the Company's year to date income before income taxes and other comprehensive income.

	1% Weakening:		1% Strengthening		1% fluctuation	
	USD	Dirham	USD	Dirham	Euro and Dirham	
Income before income taxes	225	40	(225)	(40)	+/-	100
Other comprehensive income	1,400	200	(1,400)	(200)		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 of June 30, 2008 , the Company has a net cash position of $6,539; therefore its interest rate risk exposure is insignificant.

June 30, 2008 ($000s, except per share amounts)

4. RESEARCH AND DEVELOPMENT

Research and development expensed during the nine months ended June 30, 2008 were nil since the Techmire division was sold last year (nine months ended June 30, 2007 - $234) and during the three months ended June 30, 2008 were nil (three months ended June 30, 2007- $86).

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 was leased to Dynacast from October 2007 to April 2008. 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 discontinued operations is as follows:

	Three Months ended	
	June 30, 2008	June 30, 2007
Sales	**$-**	$3,345
Operating losses	**(94)**	(142)
Discontinued operations before income taxes	**(94)**	(142)
Future income taxes	**32**	56
Net losses from discontinued operations	**($62)**	($86)

	Nine Months ended	
	June 30, 2008	June 30, 2007
Sales	**$-**	$7,778
Operating losses	**(168)**	(2,142)
Discontinued operations before income taxes	**(168)**	(2,142)
Future income taxes	**57**	731
Net losses from discontinued operations	**($111)**	($1,411)

	As at	
	June 30, 2008	September 30, 2007
Net assets (liabilities) of discontinued operations:		
Current assets	**$806**	$1,349
Assets held for sale	**5,568**	5,568
Total assets	**6,374**	6,917
Less: current liabilities	**-**	(693)
Net assets of discontinued operations	**$6,374**	$6,224

June 30, 2008 ($000s, except per share amounts)

6. ASSETS HELD FOR SALE

Included in assets held for sale is the Company's Techmire production facility located in Montreal, Quebec (note 5). 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 and its production facility was reclassified as assets held for sale. Extec's redundant real estate and production facility was sold in February and May 2008, respectively, at a combined gain of $2,232. A second mortgage in the amount of $600 with a two year term at 8% interest was taken back by the Company as partial consideration for the sale of the production facility.

7. CAPITAL MANAGEMENT

The Company defines capital as net debt and shareholders' equity. As at June 30, 2008, total managed capital was $153,205 (September 30, 2007 - $146,268) consisting of nil net debt (September 30, 2007 – nil) and shareholders' equity of $153,205 (September 30, 2007 - $146,268).

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:

	2008 (as at June 30)	2007 (as at September 30)	2007 (as at June 30)
Net debt to equity	**0.00:1**	0.00:1	0.01:1
Current ratio	**2.28:1**	2.25:1	2.62:1

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

($millions)	**2008 (as at June 30)**	2007 (as at September 30)	2007 (as at June 30)
Bank indebtedness	**2,486**	1,112	3,758
Current portion of long-term debt	-	85	104
Long-term debt	-	-	12
Less: cash	**(9,025)**	(5,677)	(1,720)
Net debt	**nil**	nil	2,154

June 30, 2008 ($000s, except per share amounts)

The current ratio is calculated by dividing current assets (excluding cash and assets held for sale) by current liabilities (excluding bank indebtedness).

The Company is not subject to any capital requirement imposed by regulators, however, the Company must adhere to certain financial covenants related to the terms of its bank credit facility. As at June 30, 2008, the Company was in compliance with the required financial covenants.

8. 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).

	Three Months ended June 30, 2008		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	$26,136	$21,541	$47,677
Depreciation and amortization	1,741	614	2,355
Segment income	2,738	1,052	3,790
Interest expense	-	-	65
Income from continuing operations before income taxes			3,725
Fixed asset additions	2,849	2,087	4,936
Fixed assets - continuing operations	53,673	20,701	74,374
Fixed assets - discontinued operations	-	-	-
Total fixed assets, net	53,673	20,701	74,374
Goodwill	-	33,672	33,672
Assets - continuing operations	62,996	124,996	187,992
Assets - discontinued operations	6,374	-	6,374
Total assets	$69,370	$124,996	$194,366

June 30, 2008 ($000s, except per share amounts)

	Three Months ended June 30, 2007		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	$30,262	$21,312	$51,574
Depreciation and amortization	$1,917	$575	$2,492
Segment income	$1,255	$2,036	$3,291
Interest expense	-	-	$59
Income from continuing operations before income taxes			$3,232
Fixed asset additions	$1,511	$2,471	$3,982
Fixed assets - continuing operations	$54,675	$19,469	$74,144
Fixed assets - discontinued operations	$8,891	-	$8,891
Total fixed assets, net	$63,566	$19,469	$83,035
Goodwill	-	$34,765	$34,765
Assets - continuing operations	$81,225	$108,879	$190,104
Assets - discontinued operations	($270)*	-	($270)*
Total assets	$80,955	$108,879	$189,834

* Total assets net of cash balance.

	Nine Months ended June 30, 2008		
	Casting and Extrusion Technology	**Automotive Solutions**	**Total**
Sales	**$84,641**	**$66,908**	**$151,549**
Depreciation and amortization	**5,335**	**1,758**	**7,093**
Segment income	**4,384**	**5,179**	**9,563**
Interest expense	**-**	**-**	**164**
Income from continuing operations before income taxes			**9,399**
Fixed asset additions	**5,407**	**2,956**	**8,363**
Fixed assets - continuing operations	**53,673**	**20,701**	**74,374**
Fixed assets - discontinued operations	**-**	**-**	**-**
Total fixed assets, net	**53,673**	**20,701**	**74,374**
Goodwill	**-**	**33,672**	**33,672**
Assets - continuing operations	**62,996**	**124,996**	**187,992**
Assets - discontinued operations	**6,374**	**-**	**6,374**
Total assets	**$69,370**	**$124,996**	**$194,366**

June 30, 2008 ($000s, except per share amounts)

	Nine Months ended June 30, 2007		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	$90,063	$61,211	$151,274
Depreciation and amortization	$5,741	$1,777	$7,518
Segment income	$4,578	$5,294	$9,872
Interest expense	-	-	$224
Income from continuing operations before income taxes			$9,648
Fixed asset additions	$8,019	$3,610	$11,629
Fixed assets - continuing operations	$54,675	$19,469	$74,144
Fixed assets - discontinued operations	$8,891	-	$8,891
Total fixed assets, net	$63,566	$19,469	$83,035
Goodwill	-	$34,765	$34,765
Assets - continuing operations	$81,225	$108,879	$190,104
Assets - discontinued operations	($270)*	-	($270)*
Total assets	$80,955	$108,879	$189,834

* Total assets net of cash balance.

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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