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Interim report to the shareholders for the nine months ended June 30, 2006

	9 Months Ended June 30		3 Months ended June 30	
		($000s, except per share amounts)		
	2006	2005	2006	2005
Sales	$156,896	$157,353	$52,739	$56,563
Net income (loss) before taxes*	($714)	$11,933	$2,980	$4,192
Net income (loss)	($3,757)	$7,564	$1,607	$2,634
Basic and Diluted earnings (loss) per share	($0.09)	$0.18	$0.04	$0.06
Common shares outstanding	41,513,000	41,626,000	41,513,000	41,626,000

** The nine months ended June 30, 2006 includes a non-cash charge of $8.3 million for Techmire goodwill and a $1.4 million Techmire inventory provision.*

Consolidated sales for the quarter ended June 30, 2006 were $52.7 million compared to $56.6 million in the prior third quarter - a decrease of $3.9 million or 7%. During the third quarter, the Casting & Extrusion segment reported a 2% sales increase to $34.8 million compared to $34.1 million in the prior third quarter. The Automotive Solutions segment reported sales of $17.9 million in the quarter versus $22.4 million last year. While lower sales in our Automotive Solutions segment have been caused by the market shift from truck and SUVs to more fuel efficient vehicles, the 90 cent Canadian dollar is primarily responsible for Exco's top line drop in the quarter.

Exco reported net income in the quarter of $1.6 million or $0.04 per share. Techmire's operating losses in the quarter stabilized at $0.02 per share. In addition, one time costs for general management reductions of $1.0 million were expensed in the quarter. The Casting & Extrusion segment reported a profit of $1.20 million for the quarter compared to $1.0 million last year – an increase of 20%. Segment income in the Automotive Solutions segment was $2.0 million in the quarter compared to $3.4 million last year. Excluding Techmire, Exco's net income is $0.06 per share compared to $0.08 per share last year.

Gross margin in the third quarter was unchanged from last year at 28% and up over the second quarter's 22%. Cash flow from operations improved to $8.4 million in the quarter compared to $1.5 million in the same period last year. Non cash working capital has improved over last year and last quarter as management focuses on reducing inventory and accounts receivable.

The outlook has not changed significantly from earlier in the year. Our performance reflects our response to a challenging business environment. The 90 cent Canadian dollar continues to hinder both our revenue and profit. Rising interest rates may reduce demand for automobiles and adversely impact the construction industry and industrial markets. Lower automotive component production is expected to persist throughout 2006 although the likelihood of possible supply disruptions occasioned by insolvencies of North American suppliers has receded. Rising gasoline prices are also expected to increase demand for more fuel efficient automobiles. This will have a favourable impact on our large mould business as automakers design and tool up for production of more fuel efficient engines. However, our Automotive Solutions segment will likely experience soft demand for components on existing truck and SUV programs.

Exco responded by focusing on reducing the cost of goods sold and SG & A costs. This process is not yet complete and is likely to intensify as management examines even more structural features of the corporation in its attempt to continue improving gross margin and overall profitability. This will continue to be our focus as it is essential to maintaining a strong balance sheet.

Exco will also take advantage of reasonable opportunities to increase sales and our market position. Neocon and Polydesign have won new business which is expected to launch in the latter part of the fourth quarter. Sales in the Casting and Extrusion segment are also expected to be strong as the large mould business continues to quote on programs and the extrusion businesses and Castool increase market share.

In the quarter, Lawrence Robbins, President of Exco's extrusion die division retired after more than 45 years of service to Exco. On behalf of the Board and all shareholders, management extends its appreciation to Lawrence for his years of service. Ms. Bonnie Cartwright, who has 25 years of service with Exco, has been appointed to President of the extrusion business. We congratulate Ms. Cartwright on her new appointment.

(refer to Management Discussion and Analysis, Financial Statements and Notes, and the 2005 Annual Information Form)

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 2005 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

Operating Results

Consolidated sales for the quarter ended June 30, 2006 were $52.7 million compared to $56.6 million in the prior third quarter – a decrease of $3.9 million or 7%. Year-to-date sales of $156.9 million were less than last year by $457 thousand or less than 1%. The global automotive industry continues to be challenging. The North American industry is still experiencing significant overcapacity, fierce competition and destabilizing insolvencies in the supply base. All automakers have lowered production levels on most trucks and SUVs. Domestic automakers are impacted more by this trend. Exchange rates have continued to negatively impact Exco's sales in the quarter by $4.7 million, as the average US/Cnd exchange rate for the quarter was much stronger at $1.11 compared to $1.25 last year. The year-to-date average exchange rate of $1.14 compared to the prior year rate of $1.23 also eroded sales by $13.8 million.

During the third quarter, the Casting & Extrusion segment reported a 2% sales increase to $34.8 million compared to $34.1 million in the prior third quarter. Castool sales were up 11% and effectively accounts for the 2% overall increase in this segments sales performance for the quarter. Sales in the large mould businesses, the extrusion businesses and Techmire were virtually unchanged compared to last year. Year-to-date sales in this segment were up $5.5 million or 6% at $100.3 million compared to $94.8 million last year. This increase generally reflects strong overall top line growth in the extrusion businesses (8%) and Castool (15%). Generally, the third quarter continues to build on the top line growth in this segment in the first and second quarters, however, the climbing Canadian dollar in the third quarter has considerably blunted this trend. The third quarter impact of foreign exchange on this segment's sales was a reduction of approximately $2.8 million.

The Automotive Solutions segment reported sales of $17.9 million in the quarter versus $22.4 million last year. This is a decrease of $4.5 million or 20%. Polytech and Neocon were impacted by two trends in the quarter. Both these businesses continued to experience lower releases at GM and Ford and also on several transplant and Chrysler programs for large SUV and trucks. Sales at Polytech and Neocon, which sell almost entirely in US dollars, were severely impacted by exchange rate movements. Approximately half the sales erosion in this segment for the quarter can be attributed to the 90 cent dollar. The third quarter impact of foreign exchange on this segment's sales was a reduction of approximately $1.8 million. Polydesign sales for the quarter, although up over last year, also experienced a pull back as releases on several Opel and PSA programs softened. Much the same trend is discernible in the year-to-date figures. Year-to-date sales in this segment are $56.6 million compared to $62.5 million last year – a decline of $5.9 million or 9%. Polydesign sales growth of 66% was overwhelmed by reductions at Polytech and Neocon.

Exco reported net income in the quarter of $1.6 million or $0.04 per share. Excluding the impact of Techmire's operating losses ($0.02 per share) Exco's net income would have been $0.06 per share compared to $0.08 per share last year. Net income in the quarter was further impacted by one-time costs in the amount of $1.0 million caused by general management reductions in the Casting and Extrusion segment. Year-to-date, Exco reported a net loss of $3.8 million or $0.09 per share. The year-to-date loss includes an inventory provision of $1.4 million ($0.02 per share) and a goodwill impairment charge of $8.3 million ($0.20 per share) recorded at Techmire in the second quarter. The year-to-date loss also includes operating losses at Techmire of $0.06 per share compared to $0.05 last year. Excluding these Techmire charges and the one-time general management reduction costs, Exco reported year-to-date net income of $0.21 per share compared to $0.23 per share last year.

Segment income in the Automotive Solutions segment was $2.0 million in the quarter compared to $3.4 million last year. Year-to-date earnings of $6.7 million were less than last year by $3 million or 31%. At the Company's North American operations, releases from Ford, GM and, to a lesser extent, Chrysler were down. Neocon production was further impacted by its relatively greater emphasis on cargo systems for larger vehicles. These lower sales and unfavorable exchange rates reduced earnings at Polytech and Neocon. At Polydesign profitability was impacted by start up costs and weak demand on several programs for European customers. Raw material costs in the Automotive Solutions segment appear to have stabilized and improvement in earnings should take place as releases return to more traditional levels and additional business is launched at both Neocon and Polydesign in the fourth quarter.

The Casting & Extrusion segment reported a profit of $1.20 million for the quarter compared to $1 million last year – an increase of 20%. Profit for this segment was impacted in the quarter by losses at Techmire of $0.02 per share and one-time costs in the amount of $1.0 million ($0.02 per share) for general management reductions. Most of these one-time costs took place in the extrusion business as marketing and general management was streamlined. Year-to-date, this segment reported a loss of $6.9 million compared to a profit of $3 million last year. Although year-to-date extrusion earnings remain below traditional levels, they doubled since last year. Earnings in the large mould business and Castool remain consistent with last year. The Techmire charges and losses described above have masked the earnings improvement taking place in this segment throughout the year. Once again the Techmire charges are a goodwill impairment of $8.3 million ($0.20 per share), an inventory charge of $1.4 million ($0.02 per share) and operating losses of $0.06 per share. Raw material pricing appears to be stable although the cost of energy, freight and other production inputs continue to be unpredictable.

Gross margin in the third quarter was unchanged from last year at 28% and up over the second quarter's 22%. Excluding Techmire losses, gross margin was 30% in the quarter. Gross margin improved in the extrusion business reflecting the impact of stable steel costs and better pricing. Large mould gross margin also improved as higher throughput improved overhead absorption. Overall, gross margin in the Automotive Solutions segment remained stable. Polydesign margin eroded as the product mix shifted more toward seat cover production which has high raw material content. Year-to-date, consolidated gross margin was 25% compared to 29% last year. Gross margin excluding Techmire losses was 28% for the year. Despite this year over year decline, this quarter's gross margin demonstrates that Exco is making progress on restoring gross margin. This is the result of the stabilization of steel and resin costs, which have ended their upward trajectory. While our selling prices have not dramatically increased, there has been some ability to pass on some steel surcharges and other costs to our customers.

In the quarter, Exco expensed stock-based compensation of $142 thousand versus $119 thousand in the prior year quarter. Year-to-date, Exco expensed stock-based compensation of $420 thousand compared to $342 thousand in the prior year. This expense relates to the Employee Stock Purchase Plan, which is offered to all employees of Exco, the Stock Option Plan, and the Deferred Share Unit Plan (See note 2 of the Financial Statements).

Goodwill Impairment Charges

As of September 30, 2005 the Company recorded goodwill of approximately $43.4 million. Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more often than annually if an event or circumstance indicates that an impairment, or decline in value, may have occurred. In conducting our impairment testing, we compare the fair value of each of our reporting units to the related net book value. If the fair value of a reporting unit exceeds its net book value, goodwill is considered not to be impaired. If the net book value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. We conduct our annual impairment testing in the fourth quarter each year.

The Company utilizes an income approach to estimate the fair value of each of our reporting units. The income approach is based on projected cash flow which is discounted to the present value using discount factors that consider the timing and risk of cash flows. This approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. This approach also mitigates the impact of cyclical downturns that occur in the industry. Fair value is estimated based on internally developed forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include terminal values, future capital expenditures and changes in future working capital requirements. While there are inherent uncertainties related to the assumptions used and to management's application of these assumptions to this analysis, we believe that the income approach provides a reasonable estimate of the fair value of our reporting units.

During the second quarter, events occurred which indicated that it was more likely than not that there was a significant decline in the fair value of our Techmire division. These events included a persistently strong Canadian dollar which reached levels in the quarter not experienced since 1991; reduced demand for zinc components caused by the high cost of zinc; and the challenges associated with bringing to market in the near term larger tonnage die-cast machinery and machinery capable of running lower cost and lighter weight materials. As a result, the Company tested the goodwill associated with the Techmire division in advance of the annual impairment test and the Company recorded a goodwill impairment charge of $8.3 million. This impairment charge has not been tax benefited. After this impairment charge, there remains no goodwill associated with the Techmire division. There have been no events that would indicate the requirement for an early impairment review of the goodwill associated with the Company's other reporting units.

Financial Resources, Liquidity and Capital Resources

Exco's accounts receivable of $43.0 million at quarter end are down $2.6 million compared to September 30, 2005 due to softer sales. Exco's inventory at $35.5 million is essentially unchanged from year end although inventory is down $2.0 from last quarter. This reflects lower production in the Automotive Solutions segment and efforts to reduce Techmire's inventory. Work in process continues to build in the large mould businesses and Castool reflecting strong demand for these products. Exco's bank debt, net of cash, is $14.4 million – a decrease from last quarter end of $4.6 million and a decrease from last year end of $314 thousand. The reduction in bank debt, net of cash, in the quarter relates largely to inventory reductions and better accounts receivable collection. Exco's debt to equity ratio on June 30, 2006 was reduced to 0.10:1.

Cash flow from operations improved to $8.4 million in the quarter compared to $1.5 million in the same period last year. Non cash working capital has improved over last year and last quarter as management focuses on reducing inventory and accounts receivable. The goodwill impairment charge and inventory provision taken in the second quarter are non-cash items and do not affect cash flow. Bank indebtedness decreased through cash generation from operations and transfer of funds between Exco's credit facilities. Cash used in investing activities was down 41% over the year as Exco reduced expenditures on fixed assets.

Exco currently has fixed the interest rate on a portion of its current debt at 3.88%, plus applicable margin, by entering into an interest rate swap agreement. The notional amount of this swap reduces in equal quarterly increments to $6.4 million on April 2009 at which time the balance is absorbed into our demand credit facility. At quarter end, the notional amount reduced to $13.6 million. As a result of this fixed rate instrument, rising interest income on cash deposits and generally lower average debt throughout the quarter Exco's net interest cost in the quarter has declined to $190 thousand.

Contractual Obligations ($000)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$448	$325	$123	-	-
Capital lease obligations	-	-	-	-	-
Operating leases∗	$1,447	$1,081	$347	$19	-
Purchase obligations	$6,595	$6,595	-	-	-
Other long-term obligations	-	-	-	-	-
Total contractual obligations	$8,490	$8,001	$470	$19	-

∗ Exco leases vehicles, an aircraft and other miscellaneous office equipment. It is not Exco's policy to purchase these assets at the expiry of their terms. 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 third quarter of fiscal 2006 ended June 30, 2006:

($ thousands except per share amounts)

	June 06	Mar. 06	Dec. 05	Sept. 05
Sales	$52,739	$53,968	$50,189	58,074
Net income (loss) from continuing operations	$1,607	($7,360)	$1,996	$3,568
Net income (loss)	$1,607	($7,360)	$1,996	$3,568
Net income before goodwill impairment*	$1,607	$985	$1,996	$3,568
Earnings (loss) per share from continuing operations				
Basic	$0.04	($0.18)	$0.05	$0.09
Diluted	$0.04	($0.18)	$0.05	$0.09
Earnings (loss) per share				
Basic	$0.04	($0.18)	$0.05	$0.09
Diluted	$0.04	($0.18)	$0.05	$0.09
Earnings per share before goodwill impairment*				
Basic	$0.04	$0.02	$0.05	$0.09
Diluted	$0.04	$0.02	$0.05	$0.09

	June 05	Mar. 05	Dec. 04	Sept. 04
Sales	$56,563	$52,507	$48,283	$53,826
Net income from continuing operations	$2,634	$2,173	$2,757	$4,990
Net income	$2,634	$2,173	$2,757	$4,407
Net income before goodwill impairment*	$2,634	$2,173	$2,757	$4,407
Earnings per share from continuing operations				
Basic	$0.06	$0.05	$0.07	$0.12
Diluted	$0.06	$0.05	$0.07	$0.12
Earnings per share				
Basic	$0.06	$0.05	$0.07	$0.11
Diluted	$0.06	$0.05	$0.07	$0.11
Earnings per share before goodwill impairment*				
Basic	$0.06	$0.05	$0.07	$0.11
Diluted	$0.06	$0.05	$0.07	$0.11

** Net income before goodwill impairment and earnings per share before goodwill impairment are not measures of financial performance under Canadian generally accepted accounting principles ("GAAP"). The Company included information concerning this measure because it is used by management as a measure of performance and management believes they are used by certain investors and analysts as a measure of the Company's financial performance. These measures are not necessarily comparable to similarly titled measures used by other companies.*

Exco typically experiences softer sales and profit in the first quarter. The first quarter coincides with reduced business activity associated with our customers' plant shutdown in North America during the Christmas season. Techmire's losses accounted for $0.02, $0.04 and $0.02 per share respectively in each of the last three quarters. Performance in the second quarter was also impacted by those factors outlined in the above Operating Results section.

Outlook

The outlook has not changed significantly from earlier in the year. Our performance reflects our response to a challenging business environment. The 90 cent Canadian dollar continues to hinder both our revenue and profit. Rising interest rates may reduce demand for automobiles and adversely impact the construction industry and industrial markets. Lower automotive component production is expected to persist throughout 2006 although the likelihood of possible supply disruptions occasioned by insolvencies of North American suppliers has receded. Rising gasoline prices are also expected to increase demand for more fuel efficient automobiles. This will have a favourable impact on our large mould business as automakers design and tool up for production of more fuel efficient engines. However, our Automotive Solutions segment will likely experience soft demand for components on existing truck and SUV programs.

Exco responded by focusing on reducing the cost of goods sold and SG & A costs. This process is not yet complete and is likely to intensify as management examines even more structural features of the corporation in its attempt to continue improving gross margin and overall profitability. This will continue to be our focus as it is essential to maintaining a strong balance sheet.

Exco will also take advantage of reasonable opportunities to increase sales and our market position. Neocon and Polydesign have won new business which is expected to launch in the latter part of the fourth quarter. Sales in the Casting and Extrusion segment are also expected to continue growing as the large mould business continues to quote on programs and the extrusion businesses and Castool increase market share.

The raw material environment is less volatile and has allowed management to improve gross margin. The Casting and Extrusion segment is expected to improve gross margin more than the Automotive Solutions segment although the Automotive Solution segment is quoting on future business based on current raw material costs. Sourcing of steel by the Casting and Extrusion segment in US dollars will continue being a natural hedge against foreign exchange fluctuations. Also Castool and the extrusion businesses are continuing to review and adjust pricing to recover steel costs and other costs such as freight, packaging and utilities.

Techmire's sales performance in the short term is not expected to improve dramatically as management continues to limit the sale of certain machines until further improvements are made. Inventories have been reducing in keeping with lower sales estimates. Management believes these changes combined with the staffing adjustments announced last quarter will enable management to achieve its goal of significantly reducing Techmire's losses over the balance of fiscal 2006 and 2007 and thereafter return Techmire to profitability.

Management has purchased land and begun construction of a new production facility for the Castool division in Uxbridge, Ontario. Castool has outgrown its current location in Scarborough, Ontario and expects to move to its new 46,000 square foot facility in Uxbridge by December 2006.

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 include, among other things: industry cyclicality; global economic conditions, causing decreases in automobile production volumes and demand for capital goods; changing demand for specific models or products; price reduction pressures; pressure to absorb certain fixed costs; dependence on major customers and changes in such *customers' financial capabilities; technological changes; compliance with various laws; obtaining necessary permits and consents; fluctuations in currency exchange and interest rates; employee work stoppages; dependence on key employees; the competitive nature of the automotive and capital goods industries, including competition with suppliers operating in low cost countries; product supply and demand; the conduct of business in foreign countries; and other risks, uncertainties and assumptions as described in the Company's Management's Discussion and Analysis included in our 2005 Annual Report, in our 2005 Annual Information Form and, from time to time, in other reports and filings made by the Company with securities regulatory authorities.*

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

NOTICE TO READER

The attached consolidated financial statements have been prepared by management of the Company. The consolidated financial statements for the nine-month period ended June 30, 2006 and 2005 have not been reviewed by the auditors of the Company.

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

	As at June 30, 2006	As at September 30, 2005
ASSETS		
Current		
Cash	**$1,763**	$3,158
Accounts receivable	**42,975**	45,589
Inventories	**35,511**	35,671
Prepaid expenses and deposits	**3,024**	2,271
Total Current Assets	**83,273**	86,689
Fixed assets	**82,438**	84,010
Goodwill (note 5)	**35,083**	43,428
Future tax assets	**3,101**	3,159
	$203,895	$217,286
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$16,140**	$17,849
Accounts payable & accrued liabilities	**25,632**	30,047
Income taxes payable	**1,732**	1,552
Customer advance payments	**3,896**	4,212
Current portion of long-term debt	**325**	333
Total Current Liabilities	**47,725**	53,993
Long-term debt	**123**	417
Future tax liabilities	**8,192**	8,107
Total Liabilities	**56,040**	62,517
Shareholders' Equity		
Share capital (note 2)	**35,780**	35,758
Contributed surplus (note 2)	**1,839**	1,459
Retained earnings	**124,908**	130,772
Currency translation adjustment	**(14,672)**	(13,220)
Total shareholders' equity	**147,855**	154,769
	$203,895	$217,286

See accompanying notes

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Unaudited)
($ in thousands except per share amounts)

	3 Months ended June 30		9 Months ended June 30	
	2006	2005	**2006**	2005
Sales	**$52,739**	$56,563	**$156,896**	$157,353
Cost of sales and operating expenses before the following (note 4)	**37,906**	40,919	**117,468**	112,124
Selling, general and administrative (note 2)	**8,747**	8,143	**22,668**	23,571
Depreciation and amortization	**2,916**	3,049	**8,563**	8,929
Goodwill impairment charge (note 5)	**-**	-	**8,345**	-
Interest expense	**190**	260	**566**	796
	49,759	52,371	**157,610**	145,420
Income (loss) before income taxes	**2,980**	4,192	**(714)**	11,933
Provision for income taxes	**1,373**	1,558	**3,043**	4,369
Net income (loss) for the period	**1,607**	2,634	**(3,757)**	7,564
Retained earnings, beginning of period	**124,080**	125,640	**130,772**	121,746
Excess of redemption price over stated value of shares acquired and cancelled (note 2)	**(259)**	-	**(547)**	-
Dividends (note 2)	**(520)**	(520)	**(1,560)**	(1,556)
Retained earnings, end of period	**$124,908**	$127,754	**$124,908**	$127,754
Earnings (loss) per common share				
Net income (loss)				
- Basic	**$0.04**	$0.06	**($0.09)**	$0.18
- Diluted	**$0.04**	$0.06	**($0.09)**	$0.18

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	
	2006	2005	**2006**	2005
OPERATING ACTIVITIES:				
Net income (loss) for the period	**$1,607**	$2,634	**($3,757)**	$7,564
Add (deduct) items not involving cash flows:				
Goodwill impairment charge	**-**	-	**8,345**	-
Depreciation and amortization	**2,916**	3,049	**8,563**	8,929
Future income taxes	**(39)**	118	**158**	359
Stock-based compensation (note 2)	**142**	119	**420**	342
Loss (gain) on sale of fixed assets	**3**	187	**(92)**	93
	4,629	6,107	**13,637**	17,287
Net change in non-cash working capital balances related to operations	**3,806**	(4,620)	**(3,884)**	(9,798)
Cash provided by operating activities	**8,435**	1,487	**9,753**	7,489
FINANCING ACTIVITIES:				
Increase (decrease) in bank indebtedness	**(10,129)**	5,728	**(1,306)**	10,886
Decrease in long-term debt	**(39)**	(537)	**(302)**	(947)
Dividends	**(520)**	(520)	**(1,560)**	(1,556)
Repurchase of share capital (note 2)	**(339)**	-	**(705)**	-
Issue of share capital (note 2)	**-**	43	**180**	3,209
Cash (used in) provided by financing activities	**(11,027)**	4,714	**(3,693)**	11,592
INVESTING ACTIVITIES:				
Investment in fixed assets	**(3,202)**	(1,913)	**(7,542)**	(12,725)
Proceeds on sale of fixed assets	**37**	68	**247**	343
Cash used in investing activities	**(3,165)**	(1,845)	**(7,295)**	(12,382)
Effect of exchange rate changes on cash	**(175)**	131	**(160)**	(197)
Net (decrease) increase in cash during period	**(5,932)**	4,487	**(1,395)**	6,502
Cash, beginning of period	**7,695**	3,843	**3,158**	1,828
Cash, end of period	**$1,763**	$8,330	**$1,763**	$8,330

See accompanying notes

June 30, 2006 ($000s, except per share amounts)

1. ACCOUNTING POLICIES

Basis of presentation

These unaudited interim consolidated financial statements of Exco Technologies Limited (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles, 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 2005 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 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, 2005	41,637,295	$35,758
Issued for cash under Stock Option Plan	10,000	30
Issued for cash under the Employee Share Purchase Plan	281	2
Purchased and cancelled pursuant to normal course issuer bid	(54,200)	(47)
Issued and outstanding at December 31, 2005	41,593,376	$35,743
Issued for cash under Stock Option Plan	49,000	148
Purchased and cancelled pursuant to normal course issuer bid	(36,800)	(31)
Issued and outstanding at March 31, 2006	41,605,576	35,860
Purchased and cancelled pursuant to normal course issuer bid	(92,400)	(80)
Issued and outstanding at June 30, 2006	41,513,176	35,780

Cash dividend

During the period ended June 30, 2006, the Company paid cash dividends as outlined in the table below. The dividend rate per quarter was $0.0125 per common share.

	Fiscal 2006	Fiscal 2005
December 31	**$519**	$517
March 31	**521**	519
June 30	**520**	520
Total dividends paid	**$1,560**	$1,556

June 30, 2006 ($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. The following is a continuity schedule of options outstanding (numbers of options in the table below are expressed in whole numbers and have not been rounded to the nearest thousand):

	Fiscal 2006			Fiscal 2005		
	Options outstanding			Options outstanding		
	Number of options	**Weighted average exercise price**	**Options exercisable**	Number of options	Weighted average exercise price	Options exercisable
Opening balance	**2,282,454**	**$4.46**	**1,597,603**	2,849,245	$4.06	1,890,784
Granted	**201,890**	**$4.00**	**-**	164,695	$7.15	-
Exercised	**(10,000)**	**$3.00**	**(10,000)**	(386,832)	$3.13	(386,832)
Vested	**-**	**-**	**219,312**	-	-	346,905
Cancelled	**(2)**	**$3.00**	**(2)**	-	-	-
Balance, December 31	**2,474,342**	**$4.49**	**1,806,913**	2,627,108	$4.01	1,850,857
Granted	**-**	**-**	**-**	10,000	$7.60	-
Exercised	**(49,000)**	**$3.02**	**(49,000)**	(257,654)	$3.83	(257,654)
Vested	**-**	**-**	**47,400**	-	-	63,400
Cancelled	**-**	**-**	**-**	(12,000)	$4.38	(12,000)
Balance, March 31	**2,425,342**	**$4.52**	**1,805,313**	2,367,454	$4.04	1,644,603
Granted	**-**	**-**	**-**	-	-	-
Exercised	**-**	**-**	**-**	(10,000)	$4.38	(10,000)
Vested	**-**	**-**	**4,000**	-	-	-
Cancelled	**-**	**-**	**-**	-	-	-
Balance, June 30	**2,425,342**	**$4.52**	**1,809,313**	2,357,454	$4.04	$1,634,603

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 2006, payroll deductions will be made supporting the purchase of a maximum of 339,496 shares at $4.16 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2007. Employees must decide annually whether or not they wish to purchase their shares. During the nine months ended June 30, 2006, 281 shares (2005 – 154,571) were issued under the terms of the ESPP.

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 $380 for the nine months ended June 30, 2006 (nine months ended June 30, 2005 - $342) and for the three months ended June 30, 2006 was $131 (three months ended June 30, 2005 - $119). The weighted average assumptions used in the nine months ended June 30 measuring the fair value of stock options and the weighted average fair value of options granted are as follows:

June 30, 2006 ($000s, except per share amounts)

	June 30 **2006**	2005
Risk free interest rates	**4.03%**	4.50%
Expected dividend yield	**0.72%**	0.42%
Expected volatility	**27.1%**	26.9%
Expected time until exercise	**5 years**	5 years
Weighted average fair value of the options granted	**$1.56**	$1.84

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, 2005	**3,448**	**$15**
March 31, 2006	**3,750**	**14**
June 30, 2006	**4,286**	**11**
Total	**11,484**	**$40**

All stock-based compensation has been recorded in selling, general and administrative expense.

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:

	Fiscal 2006	Fiscal 2005
Balance, September 30	**$1,459**	$1,128
Stock-based compensation expense	**116**	104
Exercise of options	**-**	(113)
Balance, December 31	**1,575**	1,119
Stock-based compensation expense	**133**	119
Exercise of options	**-**	(5)
Balance, March 31	**1,708**	1,233
Stock-based compensation expense	**131**	119
Balance, June 30	**$1,839**	$1,352

Normal course issuer bid
The Company received approval from the Toronto Stock Exchange for the renewal of its normal course issuer bid for an additional 12-month period beginning on May 8, 2006. 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 shares. During the nine months ended June 30, 2006, the Company purchased 183,400 shares for cancellation at a cost of $705. The cost to purchase the shares exceeded their stated value by $547. This excess has been charged against retained earnings.

3. COMMITMENTS

In the first quarter, the Company entered into foreign exchange contracts to sell 3.2 million Euros from November 2005 to October 2006 at a fixed rate of 11.093 Moroccan dirhams for each Euro sold. Gains and losses on the foreign exchange contracts, designated as hedges of anticipated future foreign currency transactions, are accounted for as components of the related hedged transaction. As of June 30, 2006, the remaining contract value was 1.1 million Euros and management estimates that a loss of $3 would be incurred if the contracts were terminated on June 30, 2006.

4. RESEARCH AND DEVELOPMENT

Research and development expenditures during the nine months ended June 30, 2006 were $1,042 (nine months ended June 30, 2005 - $657) and during the three months ended June 30, 2006 were $365 (three months ended June 30, 2005 - $496). These costs were expensed in the period as they did not meet Canadian generally accepted accounting principles for deferral.

5. GOODWILL IMPAIRMENT CHARGE

During the second quarter, events occurred which indicated that it was more likely than not that there was a significant decline in the fair value of the Techmire division. These events include a persistently strong Canadian dollar which reached levels in the quarter not experienced since 1991; reduced demand for zinc components caused by the high cost of zinc; and the challenges associated with bringing to market in the near term larger tonnage die-cast machinery and machinery capable of running lower cost and lighter weight materials. As a result, the Company tested the goodwill associated with the Techmire division in advance of the annual impairment test and the Company recorded a goodwill impairment charge of $8,345. This impairment charge is not deductible for tax purposes; therefore there is no corresponding tax benefit. After this impairment charge, there remains no goodwill associated with the Techmire division. There have been no events that would indicate the requirement for an early impairment review of the goodwill associated with the Company's other reporting units.

6. 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 storage and restraint for sale to automotive manufacturers and Tier 1 suppliers (suppliers to automakers).

June 30, 2006 ($000s, except per share amounts)

	3 Months ended June 30, 2006		
	Casting and Extrusion Technology	**Automotive Solutions**	**Total**
Sales	**$34,843**	**$17,896**	**$52,739**
Depreciation and amortization	**$2,344**	**$572**	**$2,916**
Segment income	**$1,204**	**$1,966**	**$3,170**
Interest expense			**$190**
Income before income taxes			**$2,980**
Fixed asset additions	**$2,581**	**$621**	**$3,202**
Total fixed assets, net	**$65,187**	**$17,251**	**$82,438**
Goodwill		**$35,083**	**$35,083**
Total assets	**$97,664**	**$106,231**	**$203,895**

	3 Months ended June 30, 2005		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	$34,136	$22,427	$56,563
Depreciation	$2,504	$545	$3,049
Segment income	$1,023	$3,429	$4,452
Interest expense			$260
Income before income taxes			$4,192
Fixed asset additions	$1,390	$523	$1,913
Total fixed assets, net	$67,759	$17,864	$85,623
Goodwill	$8,345	$35,083	$43,428
Total assets	$125,634	$99,507	$225,141

June 30, 2006 ($000s, except per share amounts)

	9 Months ended June 30, 2006		
	Casting and Extrusion Technology	**Automotive Solutions**	**Total**
Sales	**$100,287**	**$56,609**	**$156,896**
Depreciation and amortization	**$6,877**	**$1,686**	**$8,563**
Segment income (loss)	**($6,866)**	**$6,718**	**($148)**
Interest expense			**$566**
Loss before income taxes			**($714)**
Fixed asset additions	**$6,082**	**$1,460**	**$7,542**
Total fixed assets, net	**$65,187**	**$17,251**	**$82,438**
Goodwill		**$35,083**	**$35,083**
Total assets	**$97,664**	**$106,231**	**$203,895**

	9 Months ended June 30, 2005		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	$94,804	$62,549	$157,353
Depreciation	$7,288	$1,641	$8,929
Segment income	$2,981	$9,748	$12,729
Interest expense			$796
Income before income taxes			$11,933
Fixed asset additions	$9,504	$3,221	$12,725
Total fixed assets, net	$67,759	$17,864	$85,623
Goodwill	$8,345	$35,083	$43,428
Total assets	$125,634	$99,507	$225,141

5 YEAR FINANCIAL HIGHLIGHTS
as of September 30

($ in thousands except per share amounts)

	2005	2004	2003	2002	2001
Sales	$215,427	$216,114	$228,127	$213,141	$184,133
Net income from continuing operations	$11,132	$16,408	$18,129	$16,816	$10,985
Net income	$11,132	$9,199	$16,681	$16,816	$10,985
Diluted earnings per share from continuing operations	$0.27	$0.40	$0.44	$0.42	$0.27
Diluted earnings per share	$0.27	$0.22	$0.40	$0.42	$0.27
Cash flow from operations before non-cash working capital	$23,450	$30,072	$33,105	$31,998	$29,072
EBITDA*	$30,605	$38,485	$45,125	$43,207	$36,970
Total Net Debt to Equity	0.10:1	0.14:1	0.21:1	0.19:1	0.35:1
Capital Expenditures, net of disposals	$14,227	$11,449	$9,124	$16,549	$14,065
Acquisitions	$-	$-	$9,740	$-	$14,752

* EBITDA is a non-GAAP measure calculated by adding back to income from continuing operations: taxes, interest, depreciation and amortization.

CORPORATE INFORMATION

Exco Technologies Limited is a global supplier of innovative technologies servicing the die-cast, extrusion and automotive industries. Through our 13 strategic locations, we employ 1,950 people and service a diverse and broad customer base.

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