



EXCO TECHNOLOGIES LIMITED

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Interim report
to the shareholders
for the nine months
ended June 30, 2007

	9 Months Ended		3 Months ended	
	June 30		June 30	
	(\$000s, except per share amounts)			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales	\$159,052	\$156,896	\$54,919	\$52,739
Net income (loss) before taxes	\$7,507	(\$714)	\$3,091	\$2,980
Net income (loss)	\$5,135	(\$3,757)	\$2,168	\$1,607
Basic and diluted earnings (loss) per share	\$0.12	(\$0.09)	\$0.05	\$0.04
Common shares outstanding	41,448,000	41,606,000	41,448,000	41,606,000

The following is management's interim discussion and analysis of operations and financial position and should be read in conjunction with the consolidated financial statements and Management's Discussion and Analysis in the Company's 2006 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, 2007 were \$54.9 million compared to \$52.7 million in the prior third quarter – an increase of \$2.2 million or 4%. Year-to-date sales of \$159.1 million were more than last year by \$2.1 million or 1%. The Canadian dollar, when compared to the US dollar, strengthened significantly in the quarter, but remained relatively unchanged year-to-date. The average US/Cnd exchange rate for the quarter was \$1.08 compared to \$1.11 last year and the year-to-date average exchange rate was \$1.13 compared to the prior year rate of \$1.14. The foreign exchange impact of a strong Canadian dollar on Exco's sales in the quarter and year-to-date was \$900 thousand.

During the third quarter, the Casting & Extrusion segment reported a 3.5% sales decrease to \$33.6 million compared to \$34.8 million in the prior third quarter. Exco's extrusion die sales were up 11% in the quarter reflecting strong shipments from its US facility. Sales in the large mould businesses fell by 21% in the quarter where customer delays in releasing tooling orders

to the Company continued. With the Company's recent announcement of \$75 million in new engine block and rear wheel drive transmission programs, this division will experience improved sales commencing next quarter. Sales at Castool and Techmire were virtually unchanged compared to last year. Year-to-date sales in this segment were down \$2.5 million or 2% at \$97.8 million compared to \$100.3 million last year. This decrease further underscores the past slow release of new programs in the large mould businesses. Year to date sales at Techmire were also lower, however, sales have been improving over the last quarter as increased marketing activities at international trade shows have grown the order book. Offsetting these year-to-date reductions were stronger extrusion die and Castool sales which respectively increased by 6% and 10%. The third quarter impact of foreign exchange on this segment's sales was a reduction of approximately \$540 thousand.

The Automotive Solutions segment reported sales of \$21.3 million in the quarter versus \$17.9 million last year. This is an increase of \$3.4 million or 19%. Year-to-date sales in this segment are \$61.2 million compared to \$56.6 million last year – an increase of \$4.6 million or 8%. Polydesign's third quarter sales increased 189% over the same period last year and should now begin to level off as high volume seat and headrest programs for Honda in particular are now fully ramped up. The Neocon businesses' third quarter sales increased 6% over prior year with new programs beginning to launch at both locations. Their relatively low exposure to North American OEM content has effectively insulated these businesses from the precipitous sales decline common in the supplier base. Polytech, which has higher content on North American OEM vehicles, has experienced, during the quarter, a 25% sales decline over last year. While North American production continues to be lower than traditional levels they have stabilized over the last several quarters and the launch of new business in June and next quarter should begin to mitigate the sales decline. The third quarter impact of foreign exchange on this segment's sales was a reduction of approximately \$360 thousand.

Exco reported net income in the quarter of \$2.2 million or \$0.05 per share compared to \$1.6 million or \$0.04 per share last year. Techmire losses in the quarter fell by approximately 70% as the benefit of overhead and other cost reductions combined with better overhead absorption from higher output was felt. This quarter Techmire's losses were less significant and did not reduce Exco's earnings per share compared to \$0.02 per share loss last year. Year-to-date, Exco reported net income of \$5.1 million or \$0.12 per share compared to a net loss of \$3.8 million or \$0.09 per share last year. The year-to-date loss last year included 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. It also included operating losses at Techmire of \$0.06 per share compared to \$0.04 per share this year.

Income in the Automotive Solutions segment remained unchanged at \$2.0 million in the quarter. Year-to-date earnings of \$5.3 million were less than last year by \$1.4 million or 21%. Polytech earnings were down 68% for the quarter and 48% for the year. In addition to weak production volumes for the North American domestics Polytech experienced, in the quarter, an expense of approximately \$300 thousand associated with the settlement of a dispute with a sales agent. Neocon Canada's earnings fell approximately 15% in the quarter and 3% for the year. Our Alabama facility experienced a loss of \$0.01 per share for the quarter owing to soft sales and start up costs associated with launching several programs in the fourth quarter. This

includes the Chrysler Sebring program which should begin shipping in August. Polydesign earned \$0.02 per share in the current quarter compared to a loss of \$0.01 per share last year.

The Casting & Extrusion segment reported a profit of \$1.1 million for the quarter compared to \$1.2 million last year. The large mould businesses, the extrusion businesses and Castool reported weaker earnings in the quarter than last year with the large mould businesses experiencing the most weakness due to lower sales. This weakness was almost entirely offset by significantly smaller losses at Techmire. Year-to-date, this segment reported a profit of \$2.4 million compared to a loss of \$6.9 million last year. Last year included a goodwill impairment charge of \$8.3 million and additional inventory write-offs of \$1.4 million taken in the second quarter by Techmire. After adjusting for these items last year's year-to-date income would have been \$2.8 million.

Gross margin for the third quarter and year-to-date were 24% and 23% respectively as compared to 28% and 25% in the respective periods of the previous year. The Company's gross margin continues to be below its traditional levels although it has stabilized over the last two quarters at 24%. Third quarter gross margin in the Casting and Extrusion segment was 25% compared to 28% last year. This decrease is primarily due to lower margins at the large mould divisions where margins were negatively impacted by lower sales volumes which reduced their ability to achieve their usual production efficiencies. This was considerably offset by Techmire's gross margin which improved to 19% in the quarter from a negative margin of 6% last year. Gross margin in this segment is expected to improve in the quarters to come with the launch of the new engine block and transmission programs previously announced. Gross margin for the automotive solutions segment in the quarter was 22% compared to 30% for the quarter. This reflects continuing weakness at Polytech and the growth in the seat and headrest cover business at Polydesign which uses relatively more raw material and generates lower gross margin. This relatively lower margin business represented approximately one third of the segments sales in the quarter.

Selling, general and administrative charges decreased \$1.7 million for the quarter and \$1.5 million for the year. This reflects lower incentive accruals caused by lower profitability at several of our business units. Sales commissions are also lower as the Company experienced a favorable geographic mix of sales and discontinued a sales agency at Polytech in the quarter.

In the quarter, Exco expensed stock-based compensation of \$162 thousand versus \$142 thousand in the prior year quarter. Year-to-date, Exco expensed stock-based compensation of \$449 thousand compared to \$420 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).

Financial Resources, Liquidity and Capital Resources

Year-to-date non-cash working capital decreased \$1.6 million (2006 – increased \$3.9 million). For the quarter, non-cash working capital increased \$3.5 million (2006 – decreased \$3.8 million). The Company is carefully monitoring non-cash working capital. As a result, Exco's accounts receivable of \$32.7 million at quarter end are down \$9.5 million from year end due in

large measure to collections in the large mould business. Exco's inventory at \$32.0 million is also down \$1.6 million. Inventory increases at Polydesign were offset by reductions at most other operations.

During the quarter Polytech purchased a production facility in Matamoros, Mexico at a cost of US\$1.9 million and will be vacating its leased facility in July 2007. This purchase was financed from the Company's general operating funds. Exco's bank debt, net of cash, is \$2.0 million – an increase from last quarter end of \$1.6 million and a decrease from last year end of \$6.4 million. Exco's debt to equity ratio on June 30, 2007 was reduced to 0.01:1.

Contractual Obligations (\$000)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$116	\$104	\$12	-	-
Capital lease obligations	-	-	-	-	-
Operating leases*	\$938	\$368	\$570	-	-
Purchase obligations	\$12,133	\$12,133	-	-	-
Other long-term obligations	-	-	-	-	-
Total contractual obligations	\$13,187	\$12,605	\$582	-	-

* 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 2007 ended June 30, 2007:

<i>(\$ thousands except per share amounts)</i>	Jun. 07	Mar. 07	Dec. 06	Sep. 06
Sales	\$54,919	\$55,382	\$48,751	\$54,031
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

	Jun. 06	Mar. 06	Dec. 05	Sep. 05
Sales	\$52,739	\$53,968	\$50,189	\$58,074

Net income (loss)	\$1,607	(\$7,360)	\$1,996	\$3,568
Net income before goodwill impairment**	-	\$985	\$1,996	\$3,568
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

*** 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. 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 recent production cuts by North American OEMs causing summer plant shutdowns and Polydesign's growing sales to Europe, where business activity reduces dramatically during August, the Company now anticipates softer sales in its Automotive Solutions segment in the fourth fiscal quarter.

Outlook

During the second quarter management had discussed early signs of improvement in the automotive industry and the Company's prospects. This view has since been reinforced. Our recent announcement of major engine block and transmission mould programs will effect a considerable improvement in the capacity utilization and financial performance of the large mould business. Since that announcement our large mould business has been awarded further I-4 engine block tooling for Hyundai - KIA which will, taken together, not only ensure a healthy order book for years, but, perhaps more importantly, continue to diversify Exco's customer base.

With the successful launch of the Honda Civic and CRV headrest and seat cover program, Polydesign has entrenched itself as a credible low cost country supplier to the European market. We expect to build on this base and welcome the diversification that Polydesign brings to our geographic footprint, customer base, product and currency mix. In the quarters to come it is expected to be a solid contributor to the Automotive Solutions segment at a time when Polytech and Neocon adapt to the challenges in the North American market. Both Neocon and Polytech are launching new programs in the next several quarters.

Our extrusion die businesses and Castool continue to experience strong industrial market conditions – particularly in the US market. As three of the four plants in this group are located in southern Ontario the strong Canadian dollar will continue to challenge these businesses.

At Techmire the order book continues to be strong at \$3.5 million. Techmire’s persistence and innovation is finally taking hold although effort is still required to further reduce production costs. Management is encouraged by this progress and is carefully evaluating the order book, operational improvement and further investment in the development of an aluminum machine.

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 2006 Annual Report, in our 2006 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, 2007 and 2006 have not been reviewed by the auditors of the Company.

EXCO TECHNOLOGIES LIMITED
INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited)

(\$ in thousands)

	As at June 30, 2007	As at September 30, 2006
		(Restated - note 1)
ASSETS		
Current		
Cash	\$1,720	\$2,470
Accounts receivable	32,655	42,147
Inventories	31,987	33,591
Prepaid expenses and other assets (notes 1 and 3)	2,875	2,792
Total current assets	69,237	81,000
Fixed assets	83,035	82,597
Goodwill	34,765	34,765
Future tax assets	2,797	3,031
	\$189,834	\$201,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$3,758	\$8,828
Accounts payable and accrued liabilities	22,287	29,768
Income taxes payable	1,071	1,228
Customer advance payments	2,297	2,060
Current portion of long-term debt	104	325
Total current liabilities	29,517	42,209
Long-term debt	12	92
Future tax liabilities	8,705	8,436
Total Liabilities	38,234	50,737
Shareholders' Equity		
Share capital (note 2)	35,994	35,921
Contributed surplus (note 2)	2,268	1,916
Retained earnings	130,695	127,529
Accumulated other comprehensive loss (note 1)	(17,357)	(14,710)
Total shareholders' equity	151,600	150,656
	\$189,834	\$201,393

See accompanying notes

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

(\$ in thousands except per share amounts)

	3 Months ended June 30		9 Months ended June 30	
	2007	2006	2007	2006
Sales	\$54,919	\$52,739	\$159,052	\$156,896
Cost of sales and operating expenses before the following (note 4)	41,957	37,906	122,215	117,468
Selling, general and administrative (notes 1, 2 and 3)	7,054	8,747	21,149	22,668
Depreciation and amortization	2,758	2,916	8,347	8,563
Goodwill impairment charge (note 5)	-	-	-	8,345
Gain on sale of fixed assets	-	-	(390)	-
Interest expense	59	190	224	566
	51,828	49,759	151,545	157,610
Income (loss) before income taxes	3,091	2,980	7,507	(714)
Provision for income taxes	923	1,373	2,372	3,043
Net income (loss) for the period	2,168	1,607	5,135	(3,757)
Other comprehensive income (loss) (note 1)				
Unrealized (loss) on foreign currency translation of self-sustaining operations	(4,973)	(2,341)	(2,647)	(1,452)
Comprehensive income (loss)	(\$2,805)	(\$734)	\$2,488	(\$5,209)
Earnings (loss) per common share				
Basic	\$0.05	\$0.04	\$0.12	(\$0.09)
Diluted	\$0.05	\$0.04	\$0.12	(\$0.09)

See accompanying notes

EXCO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)
(\$ in thousands)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Total comprehensive income
				(Restated note 1)		
Balance, October 1, 2005	\$35,758	\$1,459	\$130,772	(\$13,220)	\$154,769	\$ -
Net loss for the year	-	-	(616)	-	(616)	-
Dividends	-	-	(2,080)	-	(2,080)	-
Stock option expense	-	457	-	-	457	-
Repurchase of share capital	(158)	-	(547)	-	(705)	-
Issuance of share capital	321	-	-	-	321	-
Unrealized loss on translation of self-sustaining operations	-	-	-	(1,490)	(1,490)	-
Balance, September 30, 2006	35,921	1,916	127,529	(14,710)	150,656	-
Change in accounting policy (note 1)	-	-	373	-	373	-
Balance, October 1, 2006	35,921	1,916	127,902	(14,710)	151,029	-
Net income for the quarter	-	-	1,108	-	1,108	1,108
Dividends	-	-	(622)	-	(622)	-
Stock option expense	-	128	-	-	128	-
Repurchase of share capital	(113)	-	(404)	-	(517)	-
Unrealized gain on translation of self-sustaining operations	-	-	-	3,362	3,362	3,362
Balance, December 31, 2006	35,808	2,044	127,984	(11,348)	154,488	4,470
Net income for the quarter	-	-	1,859	-	1,859	1,859
Dividends	-	-	(621)	-	(621)	-
Stock option expense	-	135	-	-	135	-
Repurchase of share capital	(22)	-	(74)	-	(96)	-
Unrealized loss on translation of self-sustaining operations	-	-	-	(1,036)	(1,036)	(1,036)
Balance, March 31, 2007	35,786	2,179	129,148	(12,384)	154,729	5,293
Net income for the quarter	-	-	2,168	-	2,168	2,168
Dividends	-	-	(621)	-	(621)	-
Stock option expense	-	135	-	-	135	-
Repurchase of share capital	-	-	-	-	-	-
Issuance of share capital	208	(46)	-	-	162	-
Unrealized loss on translation of self-sustaining operations	-	-	-	(4,973)	(4,973)	(4,973)
Balance, June 30, 2007	\$35,994	\$2,268	\$130,695	(\$17,357)	\$151,600	\$2,488

See accompanying notes

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

	3 Months ended		9 Months ended	
	June 30		June 30	
	2007	2006	2007	2006
OPERATING ACTIVITIES				
Net income (loss) for the period	\$2,168	\$1,607	\$5,135	(\$3,757)
Add (deduct) items not involving a current outlay of cash				
Goodwill impairment charge	-	-	-	8,345
Depreciation and amortization	2,758	2,916	8,347	8,563
Future income taxes	506	(39)	521	158
Stock-based compensation (note 2)	162	142	449	420
Loss (gain) on sale of fixed assets	-	3	(390)	(92)
Gain on financial instrument valuation (note 3)	(226)	-	(43)	-
	5,368	4,629	14,019	13,637
Net change in non-cash working capital balances related to operations	(3,517)	3,806	1,601	(3,884)
Cash provided by operating activities	1,851	8,435	15,620	9,753
FINANCING ACTIVITIES				
Decrease in bank indebtedness	(1,656)	(10,129)	(4,452)	(1,306)
Decrease in long-term debt	(31)	(39)	(301)	(302)
Dividends paid	(621)	(520)	(1,864)	(1,560)
Repurchase of share capital (note 2)	-	(339)	(613)	(705)
Issue of share capital (note 2)	162	-	162	180
Cash used in financing activities	(2,146)	(11,027)	(7,068)	(3,693)
INVESTING ACTIVITIES				
Investment in fixed assets	(3,982)	(3,202)	(11,629)	(7,542)
Proceeds on sale of fixed assets	6	37	2,406	247
Cash used in investing activities	(3,976)	(3,165)	(9,223)	(7,295)
Effect of exchange rate changes on cash	(127)	(175)	(79)	160
Net decrease in cash during the period	(4,398)	(5,932)	(750)	(1,395)
Cash, beginning of period	6,118	7,695	2,470	3,158
Cash, end of period	\$1,720	\$1,763	\$1,720	\$1,763

See accompanying notes

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****June 30, 2007** (\$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 2006 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, except for the accounting policy changes described below.

Accounting policy changes

Effective October 1, 2006, the Company implemented the new CICA accounting sections: 3855 (Financial Instruments – Recognition and Measurement), 3861 (Financial Instruments – Disclosure and Presentation), 3865 (Hedges), and 1530 (Comprehensive Income). These new accounting policy changes have been implemented prospectively with no restatement of comparative financial statements, except as noted below.

The purpose of the Company’s foreign currency contracts is to mitigate its exposure to foreign exchange fluctuations on its foreign revenues and expenses. The Company forecasts cash flows to determine the level of contracts required. Although the Company does not hold or issue derivative financial instruments for trading or speculative purposes, it has chosen to not designate them as hedges. Therefore, as required under Section 3865, these contracts must be designated 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 statement of earnings. As a result of this change, on October, 1, 2006 the Company recorded an other asset of \$373, included in prepaid expenses and other assets in the accompanying balance sheet, to reflect the estimated fair value of its foreign exchange contracts and a corresponding credit to opening retained earnings.

Comprehensive income includes net income and other comprehensive income. Comprehensive income is defined as the change in equity (net assets) of a company during the period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during the period except those resulting from investments by owners and distributions to owners. Due to the Company’s decision to not implement hedge accounting for its foreign currency contracts, the only item included in other comprehensive income is the foreign currency translation of self-sustaining foreign operations. As a result, the previously recorded currency translation account on the consolidated balance sheets’ shareholders’ equity section has been eliminated and included as “accumulative other comprehensive income” in shareholders’ equity. Furthermore, the gain (or loss) from translating the Company’s self-sustaining foreign operations is now recorded as other comprehensive income. Prior years’ financial statements have been restated to reflect this change. The Company’s earnings per share presented on the consolidated statements of earnings is based upon its net income and not comprehensive income.

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

June 30, 2007 (\$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, 2006	41,563,176	\$35,921
Purchased and cancelled pursuant to normal course issuer bid	(131,400)	(113)
Issued and outstanding at December 31, 2006	41,431,776	35,808
Purchased and cancelled pursuant to normal course issuer bid	(25,300)	(22)
Issued and outstanding at March 31, 2007	41,406,476	35,786
Issued for cash under Stock Option Plan	42,000	162
Contributed surplus on stock options exercised	-	46
Issued and outstanding at June 30, 2007	41,448,476	\$35,994

Cash dividend

During the period ended June 30, 2007, the Company paid cash dividends as outlined in the table below. The dividend rate per quarter was \$0.015 per common share.

	Fiscal 2007	Fiscal 2006
December 31	\$622	\$519
March 31	621	521
June 30	621	520
Total dividends paid	\$1,864	\$1,560

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

June 30, 2007 (\$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 (number of options in the table below are expressed in whole numbers and have not been rounded to the nearest thousand):

Fiscal 2007				Fiscal 2006		
Options outstanding			Options outstanding			
Number of options	Weighted average exercise price	Options exercisable	Number of options	Weighted average exercise price	Options exercisable	
Opening balance	2,302,056	\$4.49	1,706,227	2,282,454	\$4.46	1,597,603
Granted	250,481	\$4.00	-	201,890	\$4.00	-
Exercised	-	-	-	(10,000)	\$3.00	(10,000)
Vested	-	-	-	-	-	219,312
Cancelled	(5,688)	\$3.52	(5,688)	(2)	\$3.00	(2)
Balance, Dec. 31	2,546,849	\$4.50	1,700,539	2,474,342	\$4.49	1,806,913
Exercised	-	-	-	(49,000)	\$3.02	(49,000)
Vested	-	-	233,848	-	-	47,400
Cancelled	-	-	-	-	-	-
Balance, Mar. 31	2,546,849	\$4.38	1,934,387	2,425,342	\$4.52	1,805,313
Granted	-	-	-	-	-	-
Exercised	(42,000)	\$3.85	(42,000)	-	-	-
Vested	-	-	-	-	-	4,000
Cancelled	(49,000)	\$5.66	(30,000)	-	-	-
Balance, Jun. 30	2,455,849	\$4.37	1,862,387	2,425,342	\$4.52	1,809,313

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 2007, payroll deductions will be made supporting the purchase of a maximum of 319,464 shares at \$4.04 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2008. Employees must decide annually whether or not they wish to purchase their shares. During the nine months ended June 30, 2007, no shares (2006 – 281) 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 \$398 for the nine months ended June 30, 2007 (nine months ended June 30, 2006 - \$380) and for the three months ended June 30, 2007 was \$135 (three months

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****June 30, 2007** (\$000s, except per share amounts)

ended June 30, 2006 - \$131). 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 measuring the fair value of stock options and the weighted average fair value of options granted are as follows:

	June 30	
	2007	2006
Risk free interest rates	4.02%	4.03%
Expected dividend yield	0.90%	0.72%
Expected volatility	27.0%	27.1%
Expected time until exercise	5.58 years	5 years
Weighted average fair value of the options granted	\$1.52	\$1.56

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, 2006	3,933	\$10
March 31, 2007	3,173	14
June 30, 2007	2,677	27
Total	9,783	\$51

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:

	2007	2006
Balance, September 30	\$1,916	\$1,459
Stock option compensation expense	128	116
Balance, December 31	2,044	1,575
Stock option compensation expense	135	133
Balance, March 31	2,179	1,708
Stock option compensation expense	135	131
Exercise of options	(46)	-
Balance, June 30	\$2,268	\$1,839

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****June 30, 2007** (\$000s, except per share amounts)**Normal course issuer bid**

The Company received approval from the Toronto Stock Exchange for a normal course issuer bid for a 12-month period beginning on May 8, 2007 replacing the normal course issuer bid which expired on May 7, 2007. The Company's Board of Directors authorized the purchase of up to 2,050,000 common shares representing approximately 5% of the Company's outstanding shares. During the nine months ended June 30, 2007, the Company purchased 156,700 shares for cancellation at a cost of \$613 (Average share price \$3.91). The cost to purchase the shares exceeded their stated value by \$478. This excess has been charged against retained earnings.

3. COMMITMENTS AND CONTINGENCIES**Financial instruments**

The Company has forward foreign exchange contracts to sell US\$1,350 (September 30, 2006 – US\$4,220) over the next 3 months at rates varying from 1.13 to 1.17 Canadian dollars for each U.S. dollar sold, and to sell €1,800 over the next 6 months at the rate of 11.07 Moroccan dirham for each Euro sold. The Company also entered into a series of put and call options over the next 15 months. The total contract value is 71 million Mexican pesos. The selling price ranges from 11.35 to 12.20 Mexican pesos to each U.S. dollar.

Management estimates that a profit of \$416 would be realized if the contracts were terminated on June 30, 2007. This represents a \$225 increase in value from March 31, 2007 and this gain has been included in the selling, general and administrative expenses on the statement of earnings. As of June 30, 2007, the estimated fair value of the company's foreign exchange contracts recorded in prepaid expenses and other assets is \$416.

Contingent liabilities

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. For the year ended September 30, 2006, included in accounts payable and accrued liabilities are accruals for contingencies amounting to \$1,725. During the current quarter, the Company has settled a dispute with a sales agent which was accrued as a contingent liability in the year ended September 30, 2006. The difference between the accrual and final settlement with the sales agent was expensed in the selling, general and administrative expenses on the statement of earnings and the current remaining contingent liability is immaterial.

4. RESEARCH AND DEVELOPMENT

Research and development expenditures during the nine months ended June 30, 2007 were \$234 (nine months ended June 30, 2006 - \$1,042) and during the three months ended June 30, 2007 were \$86 (three months ended June 30, 2006 - \$365). 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 prior year's 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 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

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****June 30, 2007** (\$000s, except per share amounts)

of \$8,345. This impairment charge was not deductible for tax purposes; therefore there was no corresponding tax benefit. After this impairment charge, there remains no goodwill associated with the Techmire division. There were 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).

3 Months ended June 30, 2007			
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	\$33,607	\$21,312	\$54,919
Depreciation and amortization	\$2,183	\$575	\$2,758
Segment income	\$1,114	\$2,036	\$3,150
Interest expense			\$59
Income before income taxes			\$3,091
Fixed asset additions	\$1,511	\$2,471	\$3,982
Fixed assets, net	\$63,566	\$19,469	\$83,035
Goodwill	\$ -	\$34,765	\$34,765
Total assets	\$80,955	\$108,879	\$189,834

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 (loss)	\$1,204	\$1,966	\$3,170
Interest expense			\$190
Income before income taxes			\$2,980
Fixed asset additions	\$2,581	\$621	\$3,202
Fixed assets, net	\$65,187	\$17,251	\$82,438
Goodwill	\$ -	\$35,083	\$35,083
Total assets	\$97,664	\$106,231	\$203,895

Exco Technologies Limited**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

June 30, 2007 (\$000s, except per share amounts)

9 Months ended June 30, 2007			
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	\$97,841	\$61,211	\$159,052
Depreciation and amortization	\$6,570	\$1,777	\$8,347
Segment income	\$2,437	\$5,294	\$7,731
Interest expense			\$224
Income before income taxes			\$7,507
Fixed asset additions	\$8,019	\$3,610	\$11,629
Fixed assets, net	\$63,566	\$19,469	\$83,035
Goodwill	\$ -	\$34,765	\$34,765
Total assets	\$80,955	\$108,879	\$189,834

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
Fixed assets, net	\$65,187	\$17,251	\$82,438
Goodwill	\$ -	\$35,083	\$35,083
Total assets	\$97,664	\$106,231	\$203,895

5 YEAR FINANCIAL HIGHLIGHTS

as of September 30

(\$ in thousands except per share amounts)

	2006	2005	2004	2003	2002
Sales	\$210,927	\$215,427	\$216,114	\$228,127	\$213,141
Net income (loss) from continuing operations	(\$616)*	\$11,132	\$16,408	\$18,129	\$16,816
Net income (loss)	(\$616)*	\$11,132	\$9,199	\$16,681	\$16,816
Diluted earnings (loss) per share from continuing operations	(\$0.01)*	\$0.27	\$0.40	\$0.44	\$0.42
Diluted earnings (loss) per share	(\$0.01)*	\$0.27	\$0.22	\$0.40	\$0.42
Cash flow from operations before non-cash working capital	\$19,833	\$23,450	\$30,072	\$33,105	\$31,998
EBITDA**	\$23,226	\$30,605	\$38,485	\$45,125	\$43,207
Total net debt to equity	0.04:1	0.10:1	0.14:1	0.21:1	0.19:1
Capital expenditures, net of disposals	\$10,296	\$14,227	\$11,449	\$9,124	\$16,549
Acquisitions	\$-	\$-	\$-	\$9,740	\$-

*Includes goodwill impairment charge of \$8.3 million.

** 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 13 strategic locations, we employ 2,200 people and service a diverse and broad customer base.

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TORONTO STOCK EXCHANGE LISTING

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