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Interim report
to the shareholders
for the three months
ended December 31, 2006

	3 Months ended December 31 ($000s, except per share amounts)	
	2006	2005
Sales	$48,751	$50,189
Net income before taxes	$1,837	$2,959
Net income	$1,108	$1,996
Basic and Diluted earnings per share	$0.03	$0.05
Common shares outstanding	41,445,000	41,593,000

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 new 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

Consolidated sales for the quarter ended December 31, 2006 were $48.8 million compared to $50.2 million in the prior first quarter – a decrease of $1.4 million or 3%. The Canadian dollar was 3 cents stronger against the US dollar in the quarter ($1.14) compared to last year ($1.17) reducing sales by approximately $900 thousand. The rate of Canadian dollar strengthening has been slowing over the last several quarters and there are now indications that the strengthening trend may be coming to an end. Given the difficult business environment management is pleased with the sales performance in both of its business segments.

During the first quarter, the Casting and Extrusion segment reported sales of $30.1 million compared to $31.1 million in the prior first quarter – a decrease of $1 million or 3%. Sales of extrusion dies were up approximately 3% and sales of extrusion/casting equipment and accessories by our Castool division were up 15% over last year. These two business units sell predominantly into industrial markets which have been consistently growing over the last year. Both these businesses also benefited from consolidation among their customer base. These global customers rely upon established and reliable suppliers such as Exco to meet their increased demand. Castool's European sales are also up as customers demand global reach from their equipment and accessories suppliers. Large mould sales declined approximately 10% and Techmire shipments were also down approximately $500 thousand or 20% over last year. The large mould businesses experienced slow releases of tooling orders as their customers focused on design issues and conserving cash. Techmire also continued to experience weak demand for its traditional zinc products and technical issues delayed shipment of wheel weight machines to the second quarter.

Sales in the Automotive Solutions segment were down at $18.6 million in the quarter compared to $19.1 million last year. Combined North American sales by Neocon and Polytech have declined over last year by approximately 15%. The challenging conditions in the North American automotive industry experienced over the last year continued to impact these businesses in the quarter. However, Neocon sales, with its greater foreign domestic customer base, have been less impacted than Polytech. Production volumes of SUVs and light trucks have not returned to traditional levels during the quarter and are not expected to do so until the full launch of next generation SUVs, light trucks and CUVs is complete. Polydesign sales to the European market continued its growth trend with a 30% increase in quarterly sales over last year. This growth continues to be driven primarily by seat and headrest covers on several Honda models. Barring any change in anticipated releases, Polydesign expects to achieve annualized sales of approximately $20 million. These sales are almost exclusively denominated in Euros which has been strengthening against the Canadian dollar.

Net income for the period is down by 45% to $1.1 million or $0.03 per share compared to $2.0 million or $0.05 per share last year. This includes an after tax gain of $275 thousand on the sale of Castool's Scarborough facility which successfully closed in the quarter. The erosion in earnings was primarily in the Automotive Solutions segment. In this segment quarterly profit of $1.5 million was $1.1 million less than last year. Polytech earnings were lower as production volumes to the North American domestics were significantly lower. Polydesign and Neocon USA earnings were also lower than last year. Polydesign incurred start up costs associated with the seat cover and head rest business and weak netting sales in the quarter. Neocon USA experienced weak demand for SUV programs and the cancellation of a DCX program for which capacity had been added. These were partially offset by higher earnings at Neocon Canada which has been able to better recover raw material costs with the launch of new business and refreshed programs.

Income in the Casting and Extrusion segment was down from last year by $77 thousand to $453 thousand. The large mould business experienced lower earnings consistent with lower sales. The extrusion business generated higher earnings consistent with its higher sales and moderating steel costs. Castool's earnings, although steady, were impacted by moving costs and production inefficiencies associated with relocating from their old location in Scarborough to the new premises in Uxbridge. Techmire continued to struggle in the quarter with a loss equal to last year of $0.02 per share. This loss included research and development costs of approximately $77 thousand dollars.

Gross margin for the quarter was 22% compared to 25% in the prior year. Gross margin in the Casting and Extrusion segment was 21%. In the extrusion die businesses gross margin improved as a result of better pricing and more stable steel costs. Margins were stable in the large mould businesses with the benefit of stable steel costs offset by lower production volumes. Castool's gross margin was lower as production inefficiencies were experienced at Castool from the plant relocation process. Techmire experienced a negative gross margin which accounted for a third of the consolidated gross margin erosion. Gross margin in the Automotive Solutions segment was 23% in the quarter. Higher margin at Neocon Canada was more than offset by lower margin at Polytech, which experienced lower production and Neocon USA, which also experienced weak production and extra costs associated with the launch of several programs and one program cancellation. At Polydesign, the higher proportion of seat cover programs in the product mix lowered gross margin since seat covers have significantly higher raw material content than other products in the mix.

Selling, general and administrative charges fell by $398 thousand or 6% to $6.4 million in the quarter. This reflects lower staffing levels as adjustments made during the last fiscal year take hold and lower commissions at several business units were paid.

In the quarter, Exco expensed stock-based compensation of $138 thousand versus $131 thousand in the prior year quarter. 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

Management's efforts in recent quarters to improve working capital and minimize risk associated with accounts receivable and inventory are now improving the consolidated balance sheet. Non cash working capital decreased dramatically in the quarter by $4.4 million compared to an increase of $5.2 million last year. This generated cash from operations of $8.2 million for the quarter. This compared to cash consumed by operations last year of $300 thousand. Accounts receivable balances declined throughout most operations but marked improvement took place in the large mould businesses, where outstanding accounts in excess of $4 million were collected from Ford, and Techmire, where credit terms have been considerably shortened. Inventory in the Casting and Extrusion segment is down as all operations are now carrying less steel raw material on hand and Techmire is also carrying almost $4 million less then last year. Inventory in the Automotive Solutions segment is up over last year primarily due to the buildup of textiles and leather required for the manufacture of seat and headrest.

Payables and accrued charges fell to $26.7 million reflecting payments during the quarter of incentive plan accruals. In spite of these payments, a 20% increase in the dividend and payment for the new Uxbridge production facility, Exco's net bank debt fell to $3.4 million in December from $6.8 million in September. Exco's net bank debt to equity ratio of 0.02:1 is now at its lowest level since Exco acquired debt for its acquisitions in 1999.

Contractual Obligations ($000)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$179	$125	$54	-	-
Capital lease obligations	-	-	-	-	-
Operating leases∗	$1,673	$1,103	$570	-	-
Purchase obligations	$9,491	$9,491	-	-	-
Other long-term obligations	-	-	-	-	-
Total contractual obligations	$11,343	$10,719	$624	-	-

∗ 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; 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 first quarter of fiscal 2007 ended December 31, 2006:

($ thousands except per share amounts)

	Dec./06	Sept./06	June/06	Mar./06
Sales	$48,751	$54,031	$52,739	$53,968
Net Income	$1,108	$3,141	$1,607	($7,360)
Earnings per share				
Basic	$0.03	$0.08	$0.04	($0.18)
Diluted	$0.03	$0.08	$0.04	($0.18)

	Dec./05	Sept./05	June/05	Mar./05
Sales	$50,189	$58,074	$56,563	$52,507
Net Income	$1,996	$3,568	$2,634	$2,173
Earnings per share				
Basic	$0.05	$0.09	$0.06	$0.05
Diluted	$0.05	$0.09	$0.06	$0.05

Outlook

Since December the Canadian dollar has shown signs of weakening from historically high levels. This is a positive trend for Exco. Automobile production at the domestic carmakers is expected to remain weak throughout the next quarter as overcapacity and financial losses are expected to persist. This will continue to put pressure on Exco's sales and capacity utilization and require Exco to continue its focus on costs at all levels. Management will consider other plant consolidations and operational changes in order to realize efficiencies and maximize utilization of assets while being mindful of the need to grow and continue meeting the long term needs of Exco's customers as they move through this difficult period of adjustment.

Sales to industrial markets by our extrusion tooling businesses and Castool should continue to experience solid growth. Demand for industrial products currently represents about 40% of annual consolidated sales and is expected to continue growing despite a forecast slowdown for the US economy because our major global customers are increasingly consolidating their supply base – a trend that continues to favour Exco.

Exco expects to continue building on its strong base of business with the foreign domestics in the Automotive Solutions segment – particularly at Neocon. There is much activity in this market sector and we expect to launch several key programs for Toyota in the second half of this fiscal year. Improvement in domestic OEM volumes will likely not take place until later in this fiscal year. Our large mould businesses will benefit from relatively high fuel prices which are expected to continue driving OEMs to improve the efficiency of their power train systems. However, design issues and serious cash flow issues faced by OEMs and their Tier 1 die casters are expected to continue delaying the release of new engine and transmission moulds.

Techmire is not expected to return to profitability during 2007. The price of zinc is expected to stay high and both dampen demand for zinc die-cast machines and increase demand for magnesium die-cast machines and moulds. Techmire, in the near term, is expected to prove out its magnesium die-cast capabilities with the delivery of mould and/or machines for both thin wall high finish magnesium parts and structural automotive magnesium components.

The recovery from the raw material shocks is expected to slowly, yet steadily, continue. Tool grade steel is now more readily available allowing for lower inventory levels and improving margin. The cost of resin and other synthetic raw material is also moderating and is expected to lead to better margin in the Automotive Solution segment, although the impact of seat and headrest products at Polydesign with high raw material content are expected to result in lower overall margin in this segment.

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 three-month period ended December 31, 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 December 31, 2006	As at September 30, 2006
		(Restated - note 1)
ASSETS		
Current		
Cash	**$2,428**	$2,470
Accounts receivable	**35,602**	42,147
Inventories	**35,913**	33,591
Prepaid expenses and other assets (notes 1 and 3)	**3,185**	2,792
Total current assets	**77,128**	81,000
Fixed assets	**84,650**	82,597
Goodwill	**34,765**	34,765
Future tax assets	**2,910**	3,031
	$199,453	$201,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$5,641**	$8,828
Accounts payable and accrued liabilities	**26,723**	29,768
Income taxes payable	**1,691**	1,228
Customer advance payments	**2,311**	2,060
Current portion of long-term debt	**125**	325
Total current liabilities	**36,491**	42,209
Long-term debt	**54**	92
Future tax liabilities	**8,420**	8,436
Total Liabilities	**44,965**	50,737
Shareholders' Equity		
Share capital (note 2)	**35,808**	35,921
Contributed surplus (note 2)	**2,044**	1,916
Retained earnings	**127,984**	127,529
Accumulated other comprehensive income (note 1)	**(11,348)**	(14,710)
Total shareholders' equity	**154,488**	150,656
	$199,453	$201,393

See accompanying notes

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

	3 Months ended December 31	
	2006	2005
Sales	**$48,751**	$50,189
Cost of sales and operating expenses before the following (note 4)	**38,046**	37,471
Selling, general and administrative (notes 1, 2 and 3)	**6,351**	6,749
Depreciation and amortization	**2,789**	2,829
Gain on sale of fixed assets	**(375)**	-
Interest expense	**103**	181
	46,914	47,230
Income before income taxes	**1,837**	2,959
Provision for income taxes	**729**	963
Net income for the period	**$1,108**	$1,996
Other comprehensive income (note 1)		
Unrealized gain (loss) on foreign currency translation of self-sustaining operations	**3,362**	(28)
Comprehensive income	**$4,470**	$1,968
Earnings per common share		
Basic	**$0.03**	$0.05
Diluted	**$0.03**	$0.05

See accompanying notes

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

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive earnings	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 losses 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 year	-	-	1,108	-	1,108	1,108
Dividends	-	-	(622)	-	(622)	-
Stock option expense	-	128	-	-	128	-
Repurchase of share capital	(113)	-	(404)	-	(517)	-
Unrealized gains 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**

See accompanying notes

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

	3 Months ended December 31	
	2006	2005
OPERATING ACTIVITIES:		
Net income for the period	**$1,108**	$1,996
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization	**2,789**	2,829
Stock-based compensation (note 2)	**138**	131
Future income taxes	**87**	-
Gain on sale of fixed assets	**(375)**	-
Loss on financial instrument valuation (note 3)	**35**	-
	3,782	4,956
Net change in non-cash working capital balances related to operations	**4,412**	(5,225)
Cash provided by (used in) operating activities	**8,194**	(269)
FINANCING ACTIVITIES:		
Increase (decrease) in bank indebtedness	**(3,687)**	6,057
Decrease in long-term debt	**(238)**	(244)
Dividends paid	**(622)**	(519)
Repurchase of share capital (note 2)	**(517)**	(219)
Issuance of share capital (note 2)	**-**	32
Cash provided by (used in) financing activities	**(5,064)**	5,107
INVESTING ACTIVITIES:		
Investment in fixed assets	**(5,600)**	(2,180)
Proceeds on sale of fixed assets	**2,349**	23
Cash used in investing activities	**(3,251)**	(2,157)
Effect of exchange rate changes on cash	**79**	-
Net increase (decrease) in cash during the period	**(42)**	2,681
Cash, beginning of period	**2,470**	3,158
Cash, end of period	**$2,428**	$5,839

See accompanying notes

1. ACCOUNTING POLICIES

Basis of presentation

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

Accounting policy change

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 income statement. 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 the its foreign exchange contracts and a corresponding credit to opening retained earnings.

Comprehensive income includes net income and other comprehensive income. It 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 income is based upon its net income and not comprehensive income.

The adoption of sections 3855 and 3861 had no impact on the Company's 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.

December 31, 2006 ($000s, except per share amounts)

Issued

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

	Common Shares	
	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

Cash dividend

During the quarter, the Company paid cash dividends totalling $622 (2005 - $519). The dividend rate per quarter was $0.015 (2005 - $0.0125) per common share.

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 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**	2,282454	$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, December 31	**2,546,849**	**$4.50**	**1,700,539**	2,474,342	$4.49	1,806,913

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 three months ended December 31, 2006, no shares (2006 – 281) were issued under the terms of the ESPP.

Stock-based compensation

The total stock-based compensation for the quarter is $138 (2006 -$131). This consists of $128 (2006 - $116) from the stock-option compensation expense and $10 (2006- $15) from the Deferred Share Unit Plan. All stock-based compensation has been recorded in selling, general and administrative expenses.

December 31, 2006 ($000s, except per share amounts)

The fair value of the options granted during the period ended December 31 was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	December 31	
	2006	2005
Risk free interest rates	**4.02%**	4.03%
Expected dividend yield	**0.9%**	0.72%
Expected volatility	**27.0%**	27.1%
Expected time until exercise	**5.58 years**	5.09 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. During the three months ended December 31, 2006, 3,933 units (2005 - 3,448) were awarded for an expense of $10 (2005 - $15).

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 2007	Fiscal 2006
Balance, September 30	**$1,916**	$1,459
Stock option compensation expense	**128**	116
Balance, December 31	**2,044**	1,575

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, 2006 replacing the normal course issuer bid which expired on May 6, 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. As at December 31, 2006, the Company purchased 131,400 shares at a cost of $517. The cost to purchase the shares exceeded their stated value by $404. This excess has been charged against retained earnings.

3. FINANCIAL INSTRUMENTS

The Company has forward foreign exchange contracts to sell US$4,860 (September 30, 2006 – US$4,220) over the next 12 months at rates varying from 1.13 to 1.17 Canadian dollars for each U.S. dollar sold. The Company also entered into a series of put and call options over the next 21 months. The total contract value is 100.85 million Mexican pesos. The selling price ranges from 11.35 to 12.20 Mexican pesos to U.S. dollars.

Management estimates that a profit of $338 would be realized if the contracts were terminated on December 31, 2006. This represents a $35 decline in value from September 30, 2006 and this loss has been included in selling, general and administration expense category on the income statement.

4. RESEARCH AND DEVELOPMENT

Research and development expenditures during the three months ended December 31, 2006 were $77 (2005 - $530). 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 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).

December 31, 2006 ($000s, except per share amounts)

	3 Months ended December 31, 2006		
	Casting and Extrusion Technology	**Automotive Solutions**	**Total**
Sales	**$30,145**	**$18,606**	**$48,751**
Depreciation and amortization	**$2,189**	**$600**	**$2,789**
Segment income	**$453**	**$1,487**	**$1,940**
Interest expense			**$103**
Income before income taxes			**$1,837**
Fixed asset additions	**$5,254**	**$346**	**$5,600**
Total fixed assets, net	**$66,930**	**$17,720**	**$84,650**
Goodwill	**-**	**$34,765**	**$34,765**
Total assets	**$86,639**	**$112,814**	**$199,453**

	3 Months ended December 31, 2005		
	Casting and Extrusion Technology	Automotive Solutions	Total
Sales	$31,117	$19,072	$50,189
Depreciation and amortization	$2,295	$534	$2,829
Segment income	$530	$2,610	$3,140
Interest expense			$181
Income before income taxes			$2,959
Fixed asset additions	$1,835	$345	$2,180
Total fixed assets, net	$65,847	$17,425	$83,272
Goodwill	$8,345	$35,083	$43,428
Total assets	$114,009	$105,318	$219,327

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 1,950 people and service a diverse and broad customer base.

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