EXCELLON

Management's Discussion & Analysis of Financial Results
For the three and six month periods ended June 30, 2017
July 28, 2017

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three and six month periods ended June 30, 2017 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at July 28, 2017 and provides information on the operations of the Company for the three and six month periods ended June 30, 2017 and 2016 and subsequent to the period end, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2017 and the audited consolidated financial statements for the year ended December 31, 2016 and the related notes for the year then ended filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures in this MD&A are in United States dollars unless otherwise noted.

This MD&A also makes reference to Production Cost per Tonne, Cash Cost per Silver Ounce Payable, All-in Sustaining Cost ("AISC") per Silver Ounce Payable, Adjusted AISC and Adjusted Net Income (Loss), all of which are Non-IFRS Measures. Please refer to the sections of this MD&A entitled "Production Cost per Tonne", "Total Cash Cost per Silver Ounce Payable" and "All-in Sustaining Cost per Silver Ounce Payable" for an explanation of these measures and reconciliation to the Company's reported financial results.

COMPANY PROFILE

Excellon is a primary silver mining and exploration company listed on the Toronto Stock Exchange trading under the symbol EXN. The Company is focused on optimizing the Platosa Mine's cost and production profile, discovering further high-grade silver and carbonate replacement deposit ("CRD") mineralization on its 20,947-hectare Platosa Property located in northeastern Durango State, Mexico and capitalizing on the opportunity in current market conditions to acquire undervalued projects in Latin America.

Ore from Platosa is processed at the Company's mill located in Miguel Auza in Zacatecas State, Mexico. At Miguel Auza, the Company produces a silver-lead concentrate and a silver-zinc concentrate. The concentrates are shipped to the port of Manzanillo where they are purchased by Trafigura Mexico, S.A. de C.V., a subsidiary within the Trafigura group of companies and MK Metal Trading Mexico, S.A. de C.V., a subsidiary within the Ocean Partners group of companies.

COMMON SHARE DATA (as at July 28, 2017)

Common shares issued and outstanding	76,365,268
Stock options	1,659,998
DSUs	2,245,409
RSUs	1,855,354
Warrants ($0.50)	1,851,046
Warrants ($0.65)	3,333,333
Warrants ($1.75)	6,625,000
Convertible Debentures ($0.50)	10,525,000
Fully diluted common shares	104,460,408

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SECOND QUARTER HIGHLIGHTS

(in 000's except amounts per share, cost per tonne, ounces and per ounce)	Q2 2017	Q2 2016	6-Mos 2017	6-Mos 2016
Revenues (1)	$ 3,570	$ 5,370	$ 6,983	$ 9,631
Earnings/(loss) from mining operations	$ (1,009)	$ 1,320	$ (2,167)	$ 1,707
Net loss	$ (502)	$ (4,378)	$ (1,337)	$ (7,004)
Adjusted net income (loss) (2)(3)	$ (2,235)	$ 852	$ (4,152)	$ 116
Loss per share - basic	$ (0.01)	$ (0.07)	$ (0.02)	$ (0.12)
Adjusted profit (loss) per share - basic	$ (0.03)	$ 0.01	$ (0.05)	$ 0.00
Silver ounces produced	160,820	227,826	268,938	439,382
Silver ounces payable	139,428	209,422	255,555	402,936
Silver equivalent ounces produced	289,566	368,568	494,880	732,120
Silver equivalent ounces payable (4)	249,733	334,549	465,655	663,750
Production cost per tonne (5)	$ 288	$ 238	$ 311	$ 230
Total cash cost per silver ounce payable	$ 18.10	$ 9.81	$ 20.07	$ 10.27
AISC per silver ounce payable	$ 37.87	$ 19.27	$ 48.82	$ 18.35
Adjusted AISC per silver ounce payable (6)	$ 28.80	$ 15.27	$ 35.02	$ 15.90
Average realized silver price per ounce sold (7)	$ 16.67	$ 17.43	$ 17.06	$ 16.76

(1) Revenues are net of treatment and refining charges. A reconciliation of revenues can be found in the section "Summary of Financial Quarterly Results" of this MD&A.
(2) Adjusted net loss reflect results before fair value adjustments on embedded derivatives and warrants related to the convertible debentures issued in November 2015 (the "Debentures", as further discussed). Refer to "Summary of Financial Results" for a summary of adjustments in respect of the Debentures.
(3) Adjusted net income for Q2 2016 and 6-Mos 2016 reflects results before a $0.2 million reversal of impairment on DeSantis exploration property sold in the period.
(4) Silver equivalent ("AgEq") ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
(5) Production cost per tonne includes mining and milling costs, excluding depletion and amortization.
(6) Adjusted AISC per payable silver ounce excludes the relatively one-time sustaining capital expenditures associated with the Optimization Plan, described below (associated cash expenditures were $1.2 million in Q2 2017; $3.5 million during 6-Mos 2017; $0.2 million in Q2 2016; and $1.0 million during 6-Mos 2016).
(7) Average realized silver price is calculated on current period sale deliveries and does not include prior period provisional adjustments in the period.

MINE OPERATION

Production

Platosa Mine production statistics for the periods indicated were as follows:

		Q2 2017(1)	Q2 2016(1)	6-Mos 2017(1)	6-Mos 2016(1)
Tonnes of ore produced		10,840	13,929	22,904	26,706
Tonnes of ore processed		13,877	14,453	25,810	29,173
Ore grades:					
	Silver (g/t)	394	536	358	509
	Lead (%)	3.48	5.09	3.21	4.94
	Zinc (%)	4.51	6.31	4.33	6.23
Recoveries:					
	Silver (%)	89.8	90.0	89.8	90.9
	Lead (%)	80.4	81.2	80.8	82.5
	Zinc (%)	80.7	78.7	81.3	79.0
Production:					
	Silver – (oz)	160,820	227,826	268,938	439,382
	Silver equivalent (oz) (2)	289,566	368,568	494,880	732,120
	Lead – (lb)	850,111	1,313,197	1,460,144	2,632,113
	Zinc – (lb)	1,116,367	1,575,231	1,989,343	3,164,009
Payable: (3)					
	Silver – (oz)	139,428	209,422	255,555	402,936
	Silver equivalent (oz) (2)	249,733	334,549	465,655	663,750
	Lead – (lb)	767,145	1,260,672	1,465,168	2,512,012
	Zinc – (lb)	922,953	1,321,337	1,760,686	2,666,350
Realized prices: (4)					
	Silver – ($US/oz)	16.67	17.43	17.06	16.76
	Lead – ($US/lb)	1.00	0.77	1.01	0.78
	Zinc – ($US/lb)	1.16	0.91	1.20	0.87

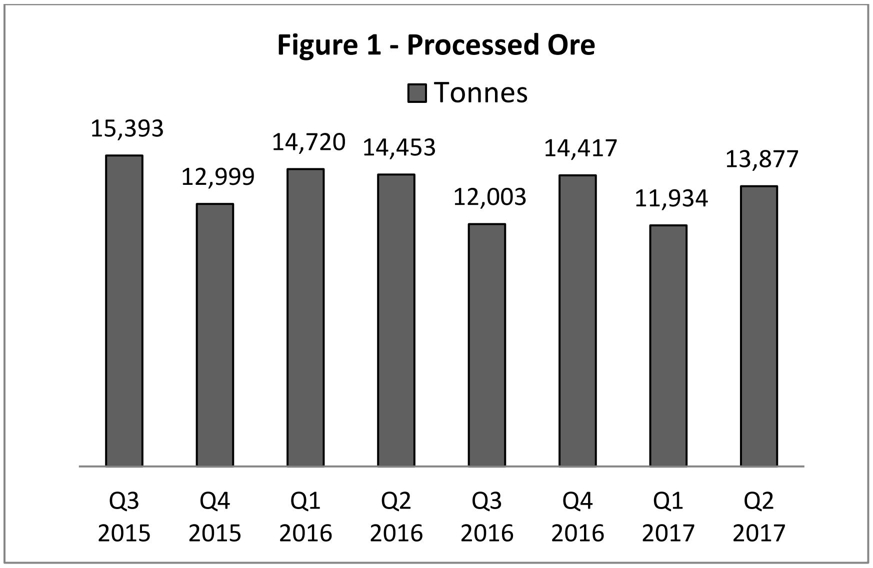
(1) Period deliveries remain subject to assay and price adjustments on final settlement with concentrate purchaser(s). Data has been adjusted to reflect final assay and price adjustments for prior period deliveries settled during the period.

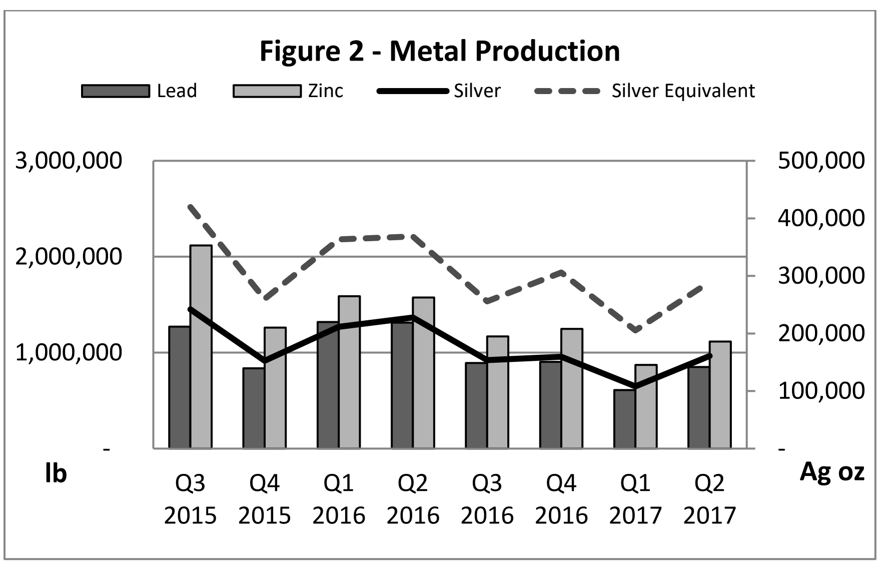
(2) Silver equivalent ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.

(3) Payable metal is based on the metals shipped and sold during the period and may differ from production due to these reasons.

(4) Average realized price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

The previous eight quarters of production at Platosa are summarized below:





Analysis of the components of mine operating results is as follows:

		Q2		6-Mos	
		2017	**2016**	**2017**	**2016**
Tonnes Milled		13,877	14,453	25,810	29,173
During Q1 and H1 2017, access to ore within the Platosa resource block model was limited by water inflows until mid-late May 2017 as the Optimization Plan (as defined below) resulted in drier conditions by mid-June. In Q1 and through mid-Q2, material production came from the 674 heading, outside of the Rodilla resource area, where high grade, but narrow and erratic mineralization, was mined, resulting in higher rates of dilution. During May, operations began to access a high-grade bench in Rodilla, with metal grades consequently improving.					
Grade	Ag (g/t)	394	536	358	509
	Pb (%)	3.48	5.09	3.21	4.94
	Zn (%)	4.51	6.31	4.33	6.23
As noted above, access to ore within the Platosa block model, mining of mineralization outside the Rodilla resource area and blending of lower grade stockpiles resulted in lower silver (-26%), lead (-32%) and zinc (-28%) grades compared to Q2 2016. During the quarter, the Company continued to process low-grade historical stockpiles and sump material, with minimal associated mining cost. This mineralized material is blended with mined ore to improve recoveries (in the case of high-grade lead and/or zinc ore) and payability, as well as being cash flow generative.					
Recoveries	Ag (%)	89.8	90.0	89.8	90.9
	Pb (%)	80.4	81.2	80.8	82.5
	Zn (%)	80.7	78.7	81.3	79.0
Recoveries for the periods were generally in line with expectations and historical results.					
Metal Produced	Ag (oz)	160,820	227,826	268,938	439,382
	Pb (lb)	850,111	1,313,197	1,460,144	2,632,113
	Zn (lb)	1,116,367	1,575,231	1,989,343	3,164,009
	AgEq (oz)	289,566	368,568	494,880	732,120
As discussed above, metals produced during Q1 and H1 2017 were lower relative to the comparable periods in 2016 due to relatively less access to ore from the Platosa block model, mining of mineralization on the periphery of the Rodilla resource area and blending of lower grade stockpiles.					

The Company completed the implementation of an Optimization Plan in early July to comprehensively manage water at Platosa through an enhanced pumping system as further discussed under "Mine Optimization". Mining conditions began to improve materially in mid-May and particularly by late June as dry mining conditions were achieved.

Development rates increased materially from mid-June onward. Development is now driving towards the high grade 623 Manto directly from the Guadalupe South Manto along a recently identified connector zone of mineralization between the two mantos. During the period, the Company also drove an exploration drift above the 623 Manto to conduct further delineation and expansion drilling of the area in advance of production later this year.

As the Optimization Plan resulted in drier mining conditions, high-grade ore in Rodilla became increasingly more accessible, particularly in the last days of June and into July, with the Guadalupe South Manto also being reaccessed by late June. By late June and through July to the date hereof, production rates have significantly improved to over 215 tonnes per day ("tpd") from an H1 2017 average of approximately 125 tpd.

Mine Optimization

The Platosa deposit comprises several high-grade massive sulphide mantos hosted in permeable limestone, and has been mined by Excellon since 2005. In 2007, as mine workings extended below the local water table, the Company began an intensive program of reactive grouting and pumping to control and prevent water inflows. This program has been effective in managing inflows, but has been time-, labour- and cost-intensive, which has historically limited production to significantly less than 200 tpd.

In late 2014, the Company engaged Hydro-Ressources Inc. and Technosub Inc. of Quebec, Canada to investigate alternative water management solutions through which mine operations could achieve consistent, increased production rates and lower costs. In April 2015, the Company released the results of a hydrogeological study prepared by Hydro-Ressources and Technosub (the "Optimization Plan"), which confirmed that dry mining conditions are achievable at Platosa and which proposed to replace the current grouting and pumping process with a more efficient and permanent dewatering system. The Optimization Plan was further revised in November 2015, with the primary revision being a decrease in the initial capital required to implement the program.

Description of the Optimization Plan

The Optimization Plan, as revised, maintains and deepens a localized "cone of depression" of the water table below the mine workings. Historical data and field observations have already identified that pumping began creating localized drawdown as pumping operations exceeded ~9,000 gpm at Platosa in 2009. The drawdown trend subsequently increased with increased rates of pumping.

The water table is relatively flat throughout the mine site area, indicating the presence of highly permeable local rock formations, particularly near the orebody. Water levels in nearby monitoring and private wells are over 60-70 metres higher than at the mine. Therefore, drawdown trends indicate that lateral influx into the mine area is limited by lower permeability (i.e., fewer water-bearing faults) in the surrounding area and indicative of the restricted recharge rate of water into the mine area. The aim of the Optimization Plan is to increase the drawdown rate 3.8 metres per month allowing access to, and production from, dry mineralization more rapidly.

Previously, pumping operations were primarily conducted directly from the mining face. This water contained solids, resulting in increased pumping costs and wear-and-tear on pumping and piping equipment, decreased pump efficiency and regular movement of pumps as mining faces advance. Under the Optimization Plan pumping is conducted directly from strategically drilled large-diameter drain wells targeting high flow zones below the mine workings, thus allowing high-efficiency pumps to pump clean water directly from faults below the mine. Each drain well is equipped with a high-efficiency submersible pump to increase flow and maintain consistent pumping in advance of development. Booster pumps are being used to efficiently transfer water out of the mine via existing mine infrastructure.

With complete implementation of the Optimization Plan in early July 2017, approximately 90% of current pumping is now from the optimized system, with 10% from the pre-existing pumping infrastructure. The Company maintains development headings at or just below the water table to ensure development rates are advanced as rapidly as possible (the limitation on faster rates of development being the rate of water drawdown), with pre-existing mobile pumping equipment maintained in those headings to deal with any water inflows.

Continued Optimization of Platosa Operations

The goal of the Optimization Plan is to increase production rates and lower costs. The advantages of dry mining including:

- increased development rates;
- increased production volume;
- elimination of grouting activities;
- increased machine hour availability and reduced maintenance costs; and
- reduced pumping costs in the longer term.

With achievement of dry mining conditions by mid-June, the operation began to realize significant improvements in all areas, including:

- Daily production tonnage increased by 47% relative to 2016 and 72% relative to the first half of 2017;
- Development rates improved by 21% relative to 2016 and 90% relative to the first half of 2017;
- Mobile equipment availability improved by 62% compared to 2016;
- Grouting was eliminated; and
- Installed pumps decreased from 54 to 35, while pumping rates doubled, utilizing 36% less energy per gallon of water pumped.

Going forward, the Company expects to increase production and development rates and reduce installed pumps to 20-25, each of which will yield further operational and financial returns.

Platosa has no significant capacity constraints on increasing production beyond current rates, with spare mill, ramp, personnel and equipment capacity of 50% or more.

The Optimization Plan will also allow mining of any new mineral resources discovered and delineated relatively near the current deposit. Additionally, the project is modular, in that additional wells may be constructed in the future to influence the cone of depression towards mineralization delineated further from the current deposit.

Refer to the Company's Annual Information Form dated March 22, 2017 (the "AIF") for further discussion of the Optimization Plan, including project economics.

Mineral Resources

For a summary of the key economic metrics disclosed in the report titled Technical Report on the Preliminary Economic Assessment of the Platosa Mine, Durango State, Mexico (the "PEA") prepared for the Company by Roscoe Postle Inc. and dated July 9, 2015, in respect of the Optimization Plan, refer to the AIF. Both the PEA and AIF have been filed under the Company's profile on SEDAR (www.sedar.com).

In July 2015, the Company filed the NI 43-101 compliant PEA technical report, which included an updated mineral resource estimate as at December 31, 2014 for the La Platosa Mine. There was no diamond drilling conducted on the property during 2015 or in the first half of 2016. Mine production in 2015 was 54,485 tonnes, less than 10% of which was from within the December 31, 2014 resource block model. Mine production during 2016 was 8,890 tonnes from within and 43,344 tonnes outside of the resource block model. Based on the foregoing, the Company estimates resource depletion of less than 5% from the Mineral Resource of the La Platosa Mine as of the December 31, 2014 estimate relative to December 31, 2016, which the Company does not consider material and for which that Mineral Resource estimate remains current. A summary of the December 31, 2014 estimate is shown in the table below.

Platosa Project – Mineral Resource Estimate (as at December 31, 2014)

Category	Tonnes (t)	Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)	Contained Ag (oz)	Contained Pb (lb)	Contained Zn (lb)	Contained AgEq (oz)
Measured	28,000	781	7.85	11.52	1,305	711,000	4,896,000	7,188,000	1,187,000
Indicated	400,000	758	8.31	9.77	1,248	9,747,000	73,214,000	86,098,000	16,046,000
M + I	**428,000**	**760**	**8.28**	**9.88**	**1,252**	**10,457,000**	**78,110,000**	**93,286,000**	**17,233,000**
Inferred	4,000	2,027	14.65	2.20	2,492	260,000	1,288,000	193,000	320,000

1. CIM definitions were followed for the classification of Mineral Resources.
2. Mineral Resources are estimated at an incremental net smelter return ("NSR") cut-off value of US$146 per tonne.
3. NSR metal price assumptions: Ag US$17.00/oz, Pb US$0.90/lb, Zn US$1.00/lb.
4. Metal recovery assumptions for NSR cut-off value purposes: 89% Ag, 76% Pb, 81% Zn.
5. The silver equivalent (AgEq) is estimated from metallurgical recoveries, metal price assumptions, and smelter terms, which include payable factors, treatment charges, penalties, and refining charges.
6. The estimate is of Mineral Resources only and, because these do not constitute Mineral Reserves, they do not have any demonstrated economic viability.
7. Mineral Resource estimate prepared by David Ross, P.Geo., of Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at December 31, 2014.
8. Totals may not add or multiply accurately due to rounding.

Corporate Responsibility

During Q1 2017, the Company enhanced its Corporate Responsibility ("CR") commitment by appointing an industry leader as Vice President, Corporate Responsibility and recognizing that CR performance builds privilege to operate, enhances reputation and drives business value.

The Company is currently developing a CR management framework and system that formalize the relationship between the Company's Mission and Values statements and the various CR-related elements. The framework and system elements were reviewed and approved by the Company's executive team and provided to the Board of Directors for review. It integrates all of the functional elements comprising CR – health, safety and security, environmental affairs, community relations and development, human rights and government relations.

A CR Policy has been developed and is before the Company's Board for review and approval. The management system consists of 51 standards designed to reflect all of the aspects of the Company's current business, with flexibility for enhancement as the business grows.

The development and implementation of the 51 standards has been prioritized to reflect current business risks and opportunities in conjunction with the Platosa and Miguel Auza operations. Improved internal reporting and investigation of CR incidents has been implemented, along with enhanced Life Saving Rules and associated standards that address high consequence work tasks. The Company has also implemented a stakeholder identification, mapping and engagement process, commenced implementation of emergency preparedness and response plans at Platosa and Miguel Auza and implemented a crisis management plan at the corporate level. Both the Platosa and Miguel Auza operations are working to incorporate these new requirements into their existing procedures and practices, with all applicable standards to be implemented over the next three years.

CR Performance at Platosa and Miguel Auza

At both operations, enhancement of legal requirement registers is underway to ensure we have identified all applicable legal requirements and the actions necessary to ensure compliance. Improving performance requires an understanding of past performance by establishing metrics with common definitions. Additionally, the Company developed a common set of key performance indicators and associated definitions, reviewed past performance relative to industry benchmarks and identified barriers to improving performance.

The Company is committed to improving its safety performance, using industry-accepted metrics such as total recordable injury frequency, lost time injury frequency and injury severity, relative to industry benchmarks. The development and implementation of the management system is designed to improve the culture, oversight and outcomes of CR performance over time.

Environmental performance continues to be good. Platosa received a notice of violation from PROFEPA relating to shortcomings in waste management practices; steps are being taken to correct these non-material deficiencies.

Approval of new tailings management facility

The existing tailings management facility ("TMF") at Miguel Auza will reach capacity during Q4 2017. The Company submitted an Environmental and Social Impact Assessment ("ESIA") to SEMARNAT in 2016 for the construction of a new TMF. Approval of the ESIA was granted in March 2017, along with the permits required for construction. The approvals contain a number of requirements, including establishment of financial assurance which all been met.

Construction is underway and the Company expects commissioning in September/October 2017.

Closure Plans and Cost Estimates

Operations at the Platosa Mine and Miguel Auza Mill are both required to prepare closure plans and cost estimates that describe the actions and performance requirements when these facilities are decommissioned. The plans and cost estimates are prepared by third-party consultants, and consider the removal and stabilization of facilities, revegetation and post-closure monitoring to ensure that performance requirements are met. Our most recent closure plans and cost estimates were prepared in 2015 with estimated undiscounted cash costs of $0.9 million for Platosa and $0.5 million for Miguel Auza. These costs are incorporated into an Asset Retirement Obligation, which appears on the Company's balance sheet.

Clean Industry Certification for Miguel Auza

In July 2017, the Company's Miguel Auza operation was granted a Certification of Clean Industry by the *Procuraduría Federal de Protección al Ambiente* ("PROFEPA") for achieving Environmental Performance Level 1.

<u>Outlook</u>

During the third quarter, the Company expects to produce from the Rodilla Manto, increase production from the Guadalupe South Manto and commence production from the 623 Manto. Development is now driving towards the high grade 623 Manto directly from the Guadalupe South Manto along a recently identified connector zone of mineralization between the two mantos, targeting the area of drill hole EX16UG274, which intersected 662 g/t Ag, 4.9% Pb, 25.5% Zn and 0.57 g/t Au or 1,886 g/t AgEq over 13.00 metres (see press release dated October 27, 2016).

The Company's goal is to steadily increase production over the remainder of 2017 to 300 tpd by year-end, doubling production and halving costs at La Platosa. The company also began driving further reductions in key cost centres, most importantly electricity usage, where incremental savings can result in material additional cash flow. Capital expenditures for the second half of 2017 are estimated to be $1.6 million of which $0.7 million relate to the completion of the TMF at the Miguel Auza mill.

COMMODITY PRICES AND MARKET CONDITIONS

While relatively low silver prices continue to impact the Company’s revenues and operating profits, lead and zinc accounted in the aggregate for approximately 45% of the Company’s cash inflows from metals sold in Q2 and 6-Mos 2017 compared to 41% for the year 2016.

Silver closed Q2 2017 at $16/oz, lower than the average $17/oz in Q2 2017. The silver:gold ratio weakened over the period though, as in recent years, silver prices traded generally in line with gold. During the period, the U.S. Federal Reserve’s anticipated decision to raise interest rates put pressure on the gold (and hence silver) price, though both metals began rebounding post-announcement of the rate rise and as the U.S. dollar weakened through the end of the quarter.

Lead prices were much improved relative to Q2 2016, though weakened from Q1 2017 before rebounding from mid-June onwards. Lead has been a beneficiary of strong zinc prices and relatively lower stocks. The market was in a deficit to mid-Q2 2017, while being in a surplus during the same period to mid-Q2 2016. Global demand is strong year-over-year, but some questions regarding better demand due to falling auto sales remain for the remainder of the year.

While zinc strengthened relative to Q2 2016, zinc prices during Q2 2017 were somewhat lower than Q1 2017, before materially strengthening in late June and early July. The market remains tight, with rising premiums, falling treatment charges and declining stocks on both the LME and Shanghai Exchanges. Chinese production has dropped significantly and zinc concentrate imports into China increased over 25% during the first five months of 2017. Conversely, however, deficits on refined zinc are smaller than anticipated and global mining output appears set to rise year-on-year. Q3 is typically a slower period for zinc as Chinese steel mills are taken offline for maintenance during the period.

Average Commodity Prices	Q2 2017	Q2 2016	Change	6-Mos 2017	6-Mos 2016	Change
Silver ($/oz) (1)	17.26	16.78	3%	17.34	15.81	10%
Lead ($/lb) (2)	0.98	0.78	26%	1.01	0.78	28%
Zinc ($/lbs) (2)	1.18	0.87	36%	1.22	0.82	50%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver ($/oz)(1)	**2017**	**16.81**	**17.87**	**17.59**	**18.06**	**16.76**	**16.95**						
	2016	14.02	15.07	15.42	16.26	16.89	17.18	19.93	19.64	19.28	17.74	17.42	16.38
	2015	17.10	16.84	16.22	16.32	16.80	16.10	15.07	14.94	14.72	15.71	14.51	14.05
Lead ($/lb)(2)	**2017**	**1.01**	**1.05**	**1.03**	**1.01**	**0.97**	**0.97**						
	2016	0.75	0.80	0.82	0.78	0.78	0.78	0.83	0.85	0.88	0.93	0.99	1.01
	2015	0.84	0.82	0.81	0.96	0.90	0.83	0.80	0.77	0.76	0.78	0.73	0.77
Zinc ($/lb)(2)	**2017**	**1.23**	**1.29**	**1.26**	**1.19**	**1.17**	**1.17**						
	2016	0.69	0.78	0.82	0.84	0.85	0.92	0.99	1.04	1.04	1.05	1.17	1.21
	2015	0.96	0.96	0.92	1.00	1.04	0.94	0.91	0.82	0.78	0.78	0.72	0.69

(1) Source: Kitco
(2) Source: LME

SUMMARY OF FINANCIAL QUARTERLY RESULTS

Financial statements highlights for the quarter ended June 30, 2017 and 2016 and last eight quarters are as follows:

	Q2 2017(1)	Q1 2017(1)	Q4 2016(1)	Q3 2016(1)	Q2 2016(1)(2)	Q1 2016(1)	Q4 2015(1)(3)	Q3 2015
	$	$	$	$	$	$	$	$
Revenues	3,570	3,413	3,354	4,009	5,370	4,261	2,477	4,599
Production costs	(3,997)	(4,025)	(3,620)	(3,577)	(3,441)	(3,269)	(3,318)	(3,720)
Depletion and amortization	(582)	(546)	(696)	(525)	(609)	(605)	(675)	(743)
Cost of Sales	(4,579)	(4,571)	(4,316)	(4,102)	(4,050)	(3,874)	(3,993)	(4,463)
Earnings (loss) from mining operations	(1,009)	(1,158)	(962)	(93)	1,320	387	(1,516)	136
Expenses:								
Corporate administration	(842)	(1,335)	(1,214)	(944)	(665)	(654)	(976)	(679)
Exploration	(618)	(564)	(809)	(228)	(171)	(137)	(123)	(148)
Other	630	1,713	(1,112)	440	68	(367)	424	(606)
Recovery (Impairment)	-	-	-	-	156	-	(662)	-
Royalty income	-	-	-	-	-	-	726	-
Net Finance Cost	1,629	1,263	2,367	(6,100)	(5,575)	(1,980)	(381)	(21)
Income tax (expense) recovery	(292)	(754)	1,674	(87)	489	125	831	13
Net loss for the period	(502)	(835)	(56)	(7,012)	(4,378)	(2,626)	(1,677)	(1,305)
Adjusted net income (loss)	(2,235)	(1,917)	(2,489)	(1,035)	852	(736)	(676)	(1,305)
Earnings (loss) per share – basic	(0.02)	(0.01)	(0.00)	(0.10)	(0.07)	(0.05)	(0.03)	(0.02)
– diluted	(0.02)	(0.01)	(0.00)	(0.09)	(0.07)	(0.05)	(0.03)	(0.02)
Cash flow from (used in) operations before changes in working capital	(1,297)	(1,437)	(3,147)	(887)	482	261	(1,492)	382

(1) Includes fair value adjustment to net income (loss) for embedded derivative liability and warrants related to the Debentures as follows:

Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
$1.7 million	$1.1 million	$2.4 million	($6.0 million)	($5.4 million)	($1.9 million)

(2) Net income includes $0.16 million reversal of impairment on DeSantis exploration property sold in the period.
(3) Net income includes recognition of impairment charges of $0.7 million on the DeSantis exploration property in Canada.

Quarterly revenue fluctuations are a function of metal prices and the volume of ore mined as well as ore grades. The Company currently expenses all exploration costs, which may create volatility in earnings from period to period.

Analyses of the components of financial results are as follows:

	Q2 ($000's, except where noted)		6-Mos ($000's, except where noted)	
	2017	**2016**	**2017**	**2016**
Net Loss	**(502)**	**(4,378)**	**(1,337)**	**(7,004)**
Adjusted Net Income (Loss)	**(2,235)**	**852**	**(4,152)**	**116**

Q2: The Company's adjusted net loss reflects income before recording a $1.7 million (Q2 2016 – $5.4 million loss) fair value adjustment gain on embedded derivatives and warrants related to the Debentures in accordance with IFRS, which is included in Net Financing Cost, discussed below.

Adjusted net loss during the second quarter derived from (i) 25% lower silver equivalent ounces payable sold in the quarter, resulting in a 34% decrease in revenues, (ii) a 13% increase in cost of sales, primarily related to increases in electricity costs as discussed further below, (iii) a 27% increase in corporate G&A due to non-cash stock compensation, increased marketing and additional senior managers, and (iv) increased exploration costs as drilling resumed at Platosa.

6-Mos: Adjusted net loss reflects income before recording a $2.8 million (Q2 2016 – $7.3 million loss) fair value adjustment gain on embedded derivatives and warrants related to the Debentures in accordance with IFRS, which is included in Net Financing Cost, discussed below.

Adjusted net loss during 6-Mos derived from (i) 30% lower silver equivalent ounces payable sold resulting in a 27% decrease in revenues, (ii) an 15% increase in cost of sales, significantly related to increases in electricity costs and appreciation of the Mexican peso, (iii) a 65% increase in corporate G&A primarily relating to non-cash stock compensation granted during the first quarter of 2017 with no similar grant in the comparable period, and (iv) increased exploration costs as drilling resumed at Platosa.

Stock based compensation granted during the first quarter comprised restricted share units subject to performance vesting conditions granted to officers and employees and deferred share units granted to directors.

Revenue	**3,570**	**5,370**	**6,983**	**9,631**

Q2: Net revenues decreased by 34% during Q2 2017, primarily due to 25% lower silver equivalent ounces payable of 249,733 oz compared to 334,549 oz in Q2 2016, while silver prices improved by 3% over the same period.

For further discussion, see "Provisionally Priced Sales", below.

6-Mos: Net revenues decreased by 27% during H1 2017 primarily due to 30% lower silver equivalent ounces payable of 465,655 oz compared to 663,750 oz during H1 2016, while silver price improved by 10% over the same period.

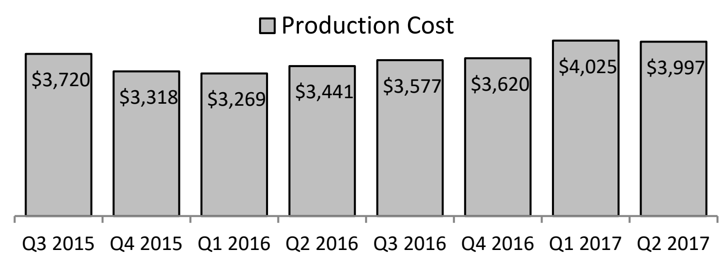
	Q2 ($000's, except where noted)		6-Mos ($000's, except where noted)	
	2017	2016	2017	2016
Cost of Sales	**(4,579)**	**(4,050)**	**(9,150)**	**(7,924)**

Q2: Cost of sales, including depletion and amortization, increased by 13% compared to Q2 2016, or 16% excluding depletion and amortization. A primary contributor to increased costs of sale was an increase in electricity cost from $0.06/kWh to $0.09/kWh. This increase resulted from (i) a Mexico-wide increase in fuel costs, which resulted in higher electricity costs and (ii) the appreciation in the Mexican peso, as electricity tariffs are denominated in pesos. Increased electrical installation and supportive development more generally continued during the period compared to prior quarters of 2016 as a new electrical line allowed increased electrical installation at the La Platosa Mine. Increased pumping rates associated with mine optimization also resulted in nominal increases in electrical expense, though pumping efficiency increased by 36%. Due to pumping requirements, electricity has been, and will be going forward, a key input on mining costs at Platosa. The Company is currently applying to become a "qualified user" under the recent energy reforms in Mexico, which will allow it to access the private market for electricity and achieve lower costs per kWh.

6-Mos: Cost of sales, including depletion and amortization, increased by 15% compared to 6-Mos 2016, or 20% excluding depletion and amortization. As mentioned above, the primary contributor to increased costs of sale was an increase in electricity cost and increased electrical installation and supportive development compared to 6-Mos 2016.

Figure 3 below reflects production costs for the last eight quarters. The Company expects production costs to be reduced on a per unit basis with completion of the Optimization Plan. Overall unit costs should improve and be reflected in total cash costs when normal and increased operational run rates are achieved in Q3 2017.

Figure 3 - Cash Production Cost ($000's)



Cash General and Administrative Expense	**(842)**	**(665)**	**(2,177)**	**(1,319)**

Q2: General and administrative expenses increased by 27% during Q2 2017 compared to $0.7 million in Q2 2016, primarily resulting from the grant and vesting of stock based compensation to officers, directors and consultants.

The cash component of general and administrative expenses of $0.7 million in Q2 2017 increased compared to $0.5 million Q2 2016 primarily due to (i) the appointment of three new officers and two new directors in the second half of 2016 and early 2017, and (ii) increased cash board compensation.

6-Mos: General and administrative expenses increased by 65% during 6-Mos 2017 compared to $1.3 million during 6-Mos 2016, primarily resulting from the grant and vesting of stock based compensation to officers, directors and consultants in Q1 2017.

The cash component of general and administrative expenses of $1.4 million in 6-Mos 2017 increased compared to $1.0 million in 6-Mos 2016 primarily due to (i) the appointment of three new officers and two new directors in the second half of 2016 and early 2017, (ii) increased cash board compensation and (iii) enhancements to the Company's IT network and communication.

	Q2 ($000's, except where noted)		6-Mos ($000's, except where noted)	
	2017	**2016**	**2017**	**2016**
Exploration	**(618)**	**(171)**	**(1,182)**	**(308)**
Exploration cost increased in Q2 and 6-Mos 2017 relative to the comparable period as the Company continued its surface and underground drilling program at Platosa, with a total of of 3,935 metres drilled in Q2 2017 (6,100 metres in 6-Mos 2017), including 1,210 metres drilled from surface (2,250 metres in 6-Mos 2017) and 2,725 metres drilled from underground (3,850 metres in 6-Mos 2017).				
Other Income (Expenses)	**630**	**68**	**2,343**	**(299)**
Q2: Other expenses include unrealized and realized foreign exchange gains and losses, realized and unrealized gains and losses on marketable securities and provisional adjustments. Other income during Q2 2017 included (i) a $0.2 million realized gain on marketable securities sold from the increased value of the Company's holding of common shares ("Osisko Shares") of Osisko Mining Corp. ("Osisko") and (ii) $0.4 million of foreign exchange gains. During Q2 2016, net other expenses comprised $0.5 million of foreign exchange losses offset with $0.6 million unrealized gain on marketable securities held. **6-Mos:** For 6-Mos 2017, other income includes a $1.8 million realized gain on the sale of the Osisko Shares and $0.6 million in foreign exchange gains.				
Net Financing Cost	**1,629**	**(5,575)**	**2,892**	**(7,555)**
Q2: Net financing cost consists primarily of fair value adjustments on embedded derivatives and warrants related to outstanding Debentures, accretion and interest expense related to the Debentures and accretion of the rehabilitation provision for the mine and mill. The fair value adjustment derives primarily from the performance of the Company's stock during the applicable period. During Q2 2017, a decrease in the stock price from $1.60 to $1.42, resulted in a $1.7 million fair value adjustment gain on embedded derivative and warrants related to the Debentures, while during Q2 2016, an increase from $0.61 to $1.23 resulted in a $5.4 million fair value adjustment loss from these instruments. **6-Mos:** During 6-Mos 2017, a decrease in the stock price from $1.64 to $1.42, resulted in a $2.8 million fair value adjustment gain on embedded derivative and warrants related to the Debentures, while during 6-Mos 2016, an increase from $0.31 to $1.23 resulted in a $7.3 million fair value adjustment loss from these instruments.				

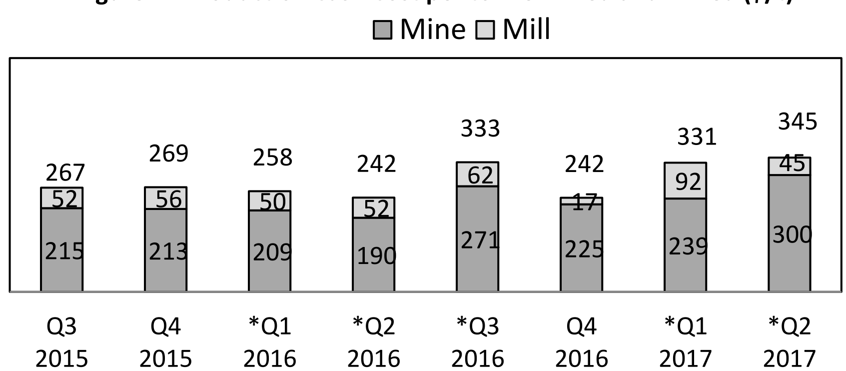
	Q2 ($000’s, except where noted)		6-Mos ($000’s, except where noted)	
	2017	**2016**	**2017**	**2016**
Production Cost per Tonne (see “Non-IFRS Measures” for reconciliation table)	**$288/t**	**$238/t**	**$311/t**	**$230/t**

Q2: Production costs in Q2 of $288/t reflects the increase in production cost primarily due to rising electricity cost along with incremental power consumption required for the Optimization Plan. A 23% decrease in tonnes mined further contributed with the cost per tonne increase when compared to Q2 2016.

6-Mos: Similarly, for 6-Mos 2017, production cost of $311/t reflects the increased production cost primarily due to rising electricity cost and increased power consumption required for the Optimization Plan combined with a 15% decrease in tonnes mined compared to 6-Mos 2016.

The previous eight quarters of production cost per tonne mined and milled are summarized below:

Figure 4 - Production Cash Cost per tonne Mined and Milled ($/t)



(1) Cost per tonne mined is based on mining cost in the period for produced tonnes at Platosa, excluding depletion and amortization.

(2) Cost per tonne milled is based on milling cost in the period for processed tonnes at the mill, excluding depletion and amortization.

(3) Variation between Figure 4 and the Production Cost per Tonne table below, derives from the difference between consolidated accounts using monthly averages (in the table) versus using daily transaction amounts in U.S. dollars in Figure 4.

*Q1 2016, Q2 2016, Q3 2016, Q1 2017 and Q2 2017 production cost per tonne does not include the positive impact of 2,300, 1,870, 760, 1,253 and 1,620 tonnes respectively, of milled low grade stockpiles to accurately reflect comparable production costs between periods.

Total Cash Cost Per Silver Ounce Payable (see “Non-IFRS Measures” for reconciliation table)	**$18.10/oz**	**$9.81/oz**	**$20.07/oz**	**$10.27/oz**

Q2: Total cash cost per silver ounce payable increased due to increased cost of sales, as discussed above, and a 29% decrease in byproduct credits resulting from lower lead and zinc production but improved from $22.44 per ounce payable in Q1 2017. These factors were partially offset by lower TC/RC charges resulting from lower delivered tonnes and materially improved offtake terms relative to Q2 2016.

6-Mos: Similarly, for the 6-Mos 2017 period, the total cash cost per silver ounce payable increased due to increased cost of sales (mainly electricity costs), and a 25% decrease in byproduct credits resulting from lower lead and zinc production. These factors were partially offset by lower TC/RC charges resulting from lower delivered tonnes and materially improved offtake terms relative to 6-Mos 2016.

	Q2 ($000’s, except where noted)		6-Mos ($000’s, except where noted)	
	2017	**2016**	**2017**	**2016**
AISC Per Silver Ounce Payable	**$37.87/oz**	**$19.27/oz**	**$48.82/oz**	**$18.35/oz**
Adjusted AISC Per Silver Ounce Payable (see “Non-IFRS Measures” for reconciliation table)	**$28.80/oz**	**$15.27/oz**	**$35.02/oz**	**$15.90/oz**

Q2: The Company’s adjusted AISC per silver ounce payable of $28.80 (excluding the one-time costs associated with the Optimization Plan) resulted from (i) lower metal grades and, consequently, metal produced (ii) an increase in electricity costs and increased electrical consumption for pumping associated with the Optimization Plan and (ii) increased exploration expenses.

Non-adjusted AISC of $37.87 included significant one-time capital and development costs of $1.2 million associated with the Optimization Plan, primarily relating to the purchase of pumping equipment along with well-drilling and engineering costs. Adjusted and unadjusted AISC per ounce payable improved materially from Q1 2017 ($42.48 and $61.96, respectively) as Optimization Plan cap-ex decreased and mine production generally improved from May onward.

6-Mos: The Company’s adjusted AISC per silver ounce payable of $35.02 during the 6-Mos 2017 period (excluding the one-time costs associated with the Optimization Plan) resulted from (i) lower metal grades and, consequently, metal produced (ii) an increase in share based payments of $0.7 million, reflecting non-cash share based compensation issued to officers, directors and consultants in the period, and (iii) increased exploration expenses.

Non-adjusted AISC of $48.82 included significant one-time capital and development costs of $3.5 million associated with the Optimization Plan, primarily relating to the purchase of pumping equipment along with well-drilling and engineering costs.

With the completion of the Optimization Plan the Company will eliminate the “Adjusted AISC” metric. Additionally, AISC is expected to decrease as drier mining conditions will allow for increased production at lower costs.

AISC and Adjusted AISC per silver ounce payable over the preceding eight quarters are summarized below:

Figure 5 - AISC per Silver Ounce Payable ($/oz)

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
AISC	$15.15	$34.92	$16.98	$19.27	$40.85	$71.17	$61.96	$37.87
ADJ AISC	$15.10	$30.68	$16.21	$15.27	$33.92	$41.80	$42.48	$28.80
Ag oz payable	217,138	135,928	193,514	209,422	138,472	126,773	116,128	139,428

Provisionally Priced Sales

Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting sales in the period in which the sale is settled (i.e. finalization adjustment). The finalization adjustment recorded for these sales depends on the actual price when the sale settles, which occurs either one or two months after shipment under the terms of the current concentrate purchase agreements.

In Q2 2017, the Company recognized negative adjustment to revenues of $0.2 million, primarily relating to the reversal of the mark to market taken at the end of March 31, 2017, as receivables were ultimately settled at lower values during the quarter (Q2 2016 – positive adjustment of $0.4 million).

During the six months ended June 30, 2017, the Company recognized negative adjustments to revenues of $17,000 primarily related to the reversal of the mark to market taken at the end of 2016 as receivables were ultimately settled at lower values in 2017.

As at June 30, 2017, provisionally priced sales totaled $2.9 million, which are expected to settle during the third quarter of 2017. A 10% increase or decrease in the prices of silver, lead and zinc will result in a corresponding increase or decrease in revenues of $0.3 million during the third quarter of 2017.

Revenues recognized in the comparable periods are reconciled below (in thousands of US dollars):

	Q2 2017			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	2,236	749	1,039	4,024
Prior period provisional adjustments (2)	(122)	(42)	(61)	(225)
Sales before TC/RC (3)	2,114	707	978	3,799
Less: TC/RC (3)				(229)
Total Sales				**3,570**

	6-Mos 2017			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	4,087	1,392	1,991	7,470
Prior period provisional adjustments (2)	44	(5)	(56)	(17)
Sales before TC/RC (3)	4,131	1,387	1,935	7,453
Less: TC/RC (3)				(470)
Total Sales				**6,983**

	Q2 2016			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	3,729	1,017	1,253	5,999
Prior period provisional adjustments (2)	278	23	64	365
Sales before TC/RC (3)	4,007	1,040	1,317	6,364
Less: TC/RC (3)				(994)
Total Sales				**5,370**

	6-Mos 2016			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	6,901	2,024	2,368	11,293
Prior period provisional adjustments (2)	203	48	14	265
Sales before TC/RC (3)	7,104	2,072	2,382	11,558
Less: TC/RC (3)				(1,927)
Total Sales				**9,631**

(1) Includes provisional price adjustments on current period sales.
(2) Prior period sales that settled at amounts different from prior period's estimate or were unsettled and marked to market at provisional amounts at year-end.
(3) TC/RC (Treatment Charges/Refining Charges).

Non-IFRS Measures

Production Cost Per Tonne, Total Cash Cost Net of By-Product Credits Per Silver Ounce Payable and All-In Sustaining Cost Per Silver Ounce Payable are non-IFRS measures that do not have a standardized meaning. The calculation of these measures may differ from that used by other companies in the industry. The Company uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and are not necessarily indicative of operating expenses as determined under generally accepted accounting principles. Management believes that these measures are key performance indicators of the Company's operational efficiency. These measures are increasingly widely used in the mining industry and are intended to provide investors with information about the cash generating capabilities of the Company's operations.

Production Cost Per Tonne

The Company's ability to control production costs per tonne is a key performance indicator in managing and evaluating operating performance. This measure provides investors and analysts with useful information about the underlying cost of operations and how management controls those costs.

A reconciliation between production cost per tonne (including mining and milling costs, excluding depreciation) and the Company's cost of sales as reported in the Company's financial statements is provided below.

	Q2 2017	Q2 2016	6-Mos 2017	6-Mos 2016
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of Sales	4,579	4,050	9,150	7,924
Depletion and amortization	(582)	(609)	(1,128)	(1,214)
Production Costs (includes mining and milling)	**3,997**	**3,441**	**8,022**	**6,710**
Tonnes milled	13,877t	14,453t	25,810t	29,173t
Production cost per tonne milled ($/tonne)	288	238	311	230

Total Cash Cost Per Silver Ounce Payable

The calculation of total cash cost per silver ounce payable reflects the cost of production adjusted for by-product and various non-cash costs included in cost of sales. Changes in inventory have not been adjusted from cost of sales, as these costs are associated with the payable silver ounces sold in the period. The Company expects total cash costs net of by-product revenues to vary from period to period as planned production and development access different areas of the mine with different ore grades and characteristics.

Reconciliation of total cash cost per silver ounce payable, net of by-product credits:

	Q2 2017	Q2 2016	6-Mos 2017	6-Mos 2016
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of sales	4,579	4,050	9,150	7,924
Adjustments - increase/(decrease):				
Depletion and amortization	(582)	(609)	(1,128)	(1,214)
Third party smelting and refining charges (1)	229	994	470	1,927
Royalties (2)	(17)	(23)	(40)	(45)
By-product credits (3)	(1,685)	(2,357)	(3,322)	(4,454)
Total cash cost net of by-product credits	**2,524**	**2,055**	**5,130**	**4,138**
Silver ounces payable	139,428	209,422	255,555	402,936
Total cash cost per silver ounce payable ($/oz)	**18.10**	**9.81**	**20.07**	**10.27**

(1) Treatment and refining charges recorded in net revenues.
(2) Advance royalty payments on the Miguel Auza property unrelated to production from Platosa.
(3) By-product credits comprise revenues from sales of lead and zinc.

AISC Per Silver Ounce Payable

Excellon has adopted the AISC measure to provide further transparency on the costs associated with producing silver and to assist stakeholders of the Company in assessing operating performance, ability to generate free cash flow from current operations and overall value. The AISC measure is a non-GAAP measure based on guidance announced by the World Gold Council in June 2013.

Excellon defines AISC per silver ounce as the sum of total cash costs (including treatment charges and net of by-product credits), capital expenditures that are sustaining in nature, corporate general and administrative costs (including non-cash share-based compensation), capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs (non-cash), all divided by the total payable silver ounces sold during the period to arrive at a per ounce figure.

Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Costs excluded from AISC are non-sustaining capital expenditures and exploration costs (as described above), financing costs, tax expense, and any items that are deducted for the purposes of adjusted earnings.

The table below presents details of the AISC per silver ounce payable calculation.

	Q2 2017	**Q2 2016**	**6-Mos 2017**	**6-Mos 2016**
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Total cash costs net of by-product credits	**2,524**	**2,055**	**5,130**	**4,138**
General and administrative costs (cash)	667	527	1,392	1,032
Share based payments (non-cash)	140	90	709	198
Accretion and amortization of reclamation costs (non-cash)	33	25	65	48
Sustaining exploration (manto resource exploration/drilling)	422	145	911	271
Sustaining capital expenditures (1)	1,495	1,194	4,269	1,708
Total sustaining costs	**2,757**	**1,981**	**7,346**	**3,257**
All-in sustaining costs	**5,281**	**4,036**	**12,476**	**7,395**
Silver ounces payable	139,428	209,422	255,555	402,936
AISC per silver ounce payable ($/oz) (2)	**37.87**	**19.27**	**48.82**	**18.35**
Adjusted AISC per silver ounce payable ($/oz) (3)	**28.80**	**15.27**	**35.02**	**15.90**
Realized silver price per ounce sold (4)	**16.67**	**17.43**	**17.06**	**16.76**

(1) Capital expenditure includes sustaining capital expenditures and capitalized development costs.

(2) Excluding non-cash items, AISC per silver ounce payable was $36.63 (Q2 2017), $18.72 (Q2 2016), $45.78 (6-Mos 2017) and $17.74 (6-Mos 2016).
(3) Adjusted AISC per silver ounce payable excludes the relatively one-time sustaining capital expenditures associated with the "Platosa Optimization Plan", described below (associated costs were $1.2 million in Q2 2017; $3.5 million during 6-Mos 2017; $0.2 million in Q2 2016; and $1.0 million during 6-Mos 2016).
(4) Average realized silver price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

LIQUIDITY AND CAPITAL RESOURCES

The primary source of funds available to the Company has historically been cash flow generated by the Platosa Mine. In today's commodity price environment, being able to produce at reduced cost and generate positive cash flows required the Company to finance the implementation of the Optimization Plan. While the Optimization Plan continues to be implemented in 2017, a continuous review of capital expenditure programs ensures the Company's capital resources are utilized in a responsible and sustainable manner to conserve cash during ongoing periods of low commodity prices.

	June 30, 2017	**Dec 31, 2016**
	($000's)	
Cash, Cash Equivalents and Marketable Securities	**$1,469**	**$6,930**
Cash decreased during the period with $3.6 million used in operations and $4.3 million invested in the Optimization Plan and mine development. The Company's Osisko Shares were sold for net proceeds of $3.3 million (CAD$4.4 million) at a price per share of $5.29 in early April. The proceeds were used to complete the Optimization Plan and for working capital.		
Trade Receivables	**$1,693**	**$738**
Trade receivables increased by $1.0 million due to the timing of concentrate deliveries at the end of Q2 2017. The Company had delivered most of its concentrate stockpiles at the end of Q2 2017 with payment received in early July, whereas at the end of Q4 2016 a greater amount of undelivered concentrate stockpiles remained at the mill due to seasonal closures at the receiving facility.		
Trade Payables	**$5,611**	**$4,514**
Trade payables increased by $1.1 million at the end of Q2 2017 as significant investments were made in the Optimization Plan ($3.5 million) and the Company allocated cash to ensure sufficient liquidity to complete the Optimization Plan.		
Working Capital	**$3,967**	**$8,554**
Working capital decreased by $2.2 million in Q2 2017 and $4.6 million in the 6-Mos 2017 period to $4.0 million as the operation was cash flow negative due to lower production and sales and increased investment in capital expenditures for completion of the Optimization Plan. The Company expects working capital to improve in Q3 2017 with the completion of the Optimization Plan and expected increases in production rates.		

	Q2		6-Mos	
	2017	**2016**	**2017**	**2016**
Cash from (used in) operations before changes in working capital ($000's)	**(1,297)**	**482**	**(2,734)**	**743**
Cash used in operations during Q2 and 6-Mos 2017 primarily resulted from lower revenues during the period, which were impacted by lower tonnages and grades, resulting in lower metal production, and higher production costs due to higher electricity costs and increased electrical installation, as further discussed above.				
Investing Activities ($000's)	**1,793**	**(1,747)**	**(1,052)**	**(2,350)**
The Company's capital expenditure of $1.5 million in Q2 2017 ($4.3 million in 6-Mos 2017) comprised $1.2 million related to completion of the Optimization Plan ($3.5 million in 6-Mos 2017) and $0.3 million relating to mine development and mining equipment ($0.8 million in 6-Mos 2017). During Q2 2017, the Company sold the Osisko Shares for net proceeds of $3.3 million (CAD$4.4 million).				
Financing Activities ($000's)	**78**	**2,340**	**85**	**2,340**
No significant financing activities occurred during Q2 or 6-Mos 2017 compared to Q2 or 6-Mos 2016 when proceeds of $2.3 million were received from a private placement in Q2 2016.				

In recent quarters, the Company's operations have not been cash flow positive and the Company has drawn down on cash reserves raised from equity and debt issuances since 2015. As described above, the Optimization Plan was designed to improve mining conditions at Platosa, allowing for higher production rates, lower costs and greater cash flow from operations. With the completion of the Optimization Plan and dry mining conditions, operating cash flows have turned positive and the Company expects this to remain the case for the foreseeable future at Platosa, subject to ordinary course depletion of mineral resources over the life of mine. The Company additionally has in-the-money warrants totaling $2.3 million.

As the Company's working capital has been reduced over recent quarters, in the event of unexpected delays in realizing further benefits from the Optimization Plan, the mining operation failing to deliver expected cash flows or material negative changes in commodity prices, the Company may not have adequate resources to maintain its operations or advance its projects as currently anticipated. In such circumstances, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing, strategically disposing of assets or pursuing joint-venture partnerships, equipment financings or other receivables financing arrangements. The Company may experience difficulty in obtaining satisfactory financing terms or adequate project financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

Financial Instruments

All financial assets and financial liabilities, other than derivatives, are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost. The carrying values of cash and cash equivalents, trade receivables and other liabilities approximate their fair value, unless otherwise noted.

The Company is sensitive to changes in commodity prices, foreign exchange and interest rates. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company addresses its price-related exposures through the use of options, futures, forwards and derivative contracts.

At June 30, 2017, the Company has entered into forward exchange contracts to manage short-term foreign currency cash flows relating to operating activities.

Commitments

The following table summarizes the Company's significant commitments as at June 30, 2017:

	2017	2018	2019	2020	2021	Total
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	5,611	-	-	-	-	5,611
Capital Expenditure	535	-	-	-	-	535
Mine restoration provision	-	-	-	-	1,405	1,405
Employee future benefits	-	-	-	-	1,486	1,486
Concession holding fees	270	550	557	565	565	2,508
Office leases	97	194	48	-	-	339
	6,513	744	605	565	3,457	11,884

Mine restoration provisions and employee future benefits committed in 2021 assume the closure of the Platosa Mine and Miguel Auza mill in that year, which may or may not be the case depending upon the Company's ability to find new mineralization at Platosa or near Miguel Auza. Not included above is an NSR royalty payable semi-annually on the Platosa Property of (a) 1.25% in respect of manto mineralization other than skarn mineralization or (b) 0.5% in respect of skarn or "Source" mineralization (as described further below). Such payments vary period to period based on production results and commodity prices.

Contingencies

During Q3 2012, the Company sued the Ejido La Sierrita (the "**Ejido**") to terminate a 30-year surface rights agreement ("**SRA**") in respect of 1,100 hectares of exploration ground west and northwest of the Platosa Mine and for various damages relating to an illegal blockade of the mine during Q3 2012. The Ejido also sued for termination of the SRA after being advised of Excellon's suit.

During Q4 2016, the Company received a resolution (the "**Resolution**") from the Tribunal Unitario Agrario del Distrito Sexto in Torreón, Coahuila (the "**Agrarian Tribunal**") on the legal action. The Agrarian Tribunal ruled favourably on the Company's application to rescind the SRA. The Resolution also included (i) an award to Excellon of 5.6 million pesos payable by the Ejido for losses and damages related to the illegal blockade and (ii) an award to the Ejido of 5.5 million pesos payable by Excellon as indemnity for not building a water treatment plant under the terms of the SRA. The two awards effectively set-off against each other. The Company has filed an appeal in respect of the award against it, as the construction of this plant was contingent upon certain conditions precedent that the Ejido never satisfied, including the acquisition of a water use permit by the Ejido. The Ejido has also appealed against the Resolution. Though the Company has not yet received formal notification of the results of the appeals, the Company understands that the case is likely to be returned to the Agrarian Tribunal for further clarification of certain elements of the Resolution.

Excellon holds 20,947 hectares of mineral concessions at La Platosa. These rights entitle the Company to explore for and mine minerals at La Platosa and in an extensive surrounding area. Excellon also owns all surface rights needed to produce silver from the La Platosa Mine and conduct further surface and underground exploration for further high-grade manto mineralization and the skarn/source of La Platosa mantos.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

EXPLORATION

Platosa Property

The Company's Platosa Property is approximately 50 km north of the city of Torreon in the state of Durango and comprises a total of 20,947 hectares of mineral concessions. The Company initially acquired the property in 1996 and 1997, and high-grade massive sulphides were discovered on the property in 1998. An initial resource estimate was published in 2002 and test mining commenced in 2005 from the Platosa Mine.

The Platosa mineral resource sits under approximately 56 hectares of the Platosa Property and comprises a series of linked high-grade massive sulphide, silver-lead-zinc manto deposits on the periphery of an under-explored Carbonate Replacement Deposit ("CRD") system. CRDs are epigenetic, intrusion-related, high-temperature, sulphide-dominant, lead-zinc-silver-copper-gold-rich deposits that commonly occur in clusters associated with major regional geologic features. The Mexican CRD Belt is perhaps the world's best-developed CRD cluster and Platosa lies in the centre of the northwest-southeast-trending axis of the largest deposits of the belt.

Several features make CRDs highly desirable exploration and mining targets. These include:

- **Size** – Proximal CRDs average 10 to 15 million tonnes of ore and the largest range up to 50 million tonnes;
- **Grade** – Ores are typically polymetallic with metal contents ranging from 60-600 g/t silver, 2-12% lead, 2-18% zinc, up to 2% copper and 6 g/t gold; and
- **Mineability** – Individual CRD bodies within the overall deposit are continuous and average 0.5 to 2 million tonnes in size, with some up to 20 million tonnes. They are typically coarse-grained and metallurgically simple.

CRD orebodies take the form of lenses or elongate to elongated-tabular bodies referred to as mantos or chimneys depending on whether they are horizontal or steeply inclined. A spectrum of CRD orebodies exists, ranging from distal manto and medial chimney massive sulphide bodies to proximal sulphide-rich skarns associated with unmineralized or porphyry-type intrusive bodies. Transitions of orebody morphology and mineralogy, and alteration zoning can be used as tools to trace mantos into chimneys, sulphides into skarn, or skarn into intrusive contact deposits.

Targets/Upside

Exploration at Platosa is focussed on (i) high grade, massive sulphide, manto deposits, generally found distal to CRD systems and (ii) skarn-style deposits, generally found proximal or associated with the "source" of CRD systems.

(i) Massive Sulphide Manto Deposits

Manto exploration has focused on areas within 1.5 km of the Platosa Mine. This exploration follows up on the success in adding mineralization to the 6A Manto in 2010 and 2012 and the discovery of the Pierna Manto during 2010. Additional massive sulphide mineralization continues to be encountered in ongoing drilling, as further discussed below.

Outside of the immediate area of the Platosa Mine drilling has been limited, but has consistently encountered the favourable heterolithic fragmental limestone unit that hosts all the high-grade massive sulphide mineralization discovered to date at Platosa. There is excellent potential to continue to discover mantos beyond the periphery of those that have already been defined.

The Company believes that significant potential remains for further new manto discoveries as the deposit area is open to the north, northeast, east and southeast of the known mantos and there are also smaller areas closer to the known mantos that could host additional massive sulphides within easy reach of existing underground infrastructure. Holes have also been planned to expand the NE-1 Manto to the east where it has been drilled off deep under cover in excess of 80 metres. Potential exists on other parts of the permit too where deep seated mineralized structures intersect the limestone packages to the north, south and west of Platosa.

(ii) Skarn/Source Mineralization

The vast majority of the Platosa Property is prospective for skarn or "Source"-style mineralization. Geological evidence of this potential has been found in a number of drill holes completed since 2008 in particular in the Rincon del Caido ("Rincon") area approximately 1.0 km NW of the Guadalupe Manto. Drilling in 2012/2013 intersected significant Source-style skarn silver-lead-zinc sulphide mineralization hosted by marble beneath the contact with a relatively impermeable hornfels unit. The consistent presence of anomalous gold is another important characteristic of the Rincon mineralization and gold content may increase as drilling approaches the heart of the system and would have an important positive impact on the economics of a proximal CRD deposit in the Rincon area. Significant intersections cut to date at Rincon include:

DDH No.	Interval From (m)	Interval To (m)	Interval (m)*	Silver (g/t)	Lead (%)	Zinc (%)	Gold (g/t)
LP1019	**516.70**	**572.16**	**55.46**	**132**	**3.13**	**1.74**	**0.075**
incl.	546.83	549.80	2.97	236	7.18	5.46	0.146
and	562.73	566.00	3.27	264	10.41	7.59	0.041
LP1023A	513.00	515.00	2.00	610	3.08	0.11	0.571
and	**525.65**	**569.05**	**43.40**	**146**	**2.76**	**1.85**	**0.216**
incl.	530.60	536.40	5.80	381	10.63	11.51	0.354
LP1030	**498.90**	**509.23**	**10.33**	**185**	**5.22**	**5.58**	**0.478**
and	579.27	581.02	1.75	444	8.81	5.97	0.067

DDH No.	Interval From (m)	Interval To (m)	Interval (m)*	Silver (g/t)	Lead (%)	Zinc (%)	Gold (g/t)
and	**590.04**	**596.72**	**6.68**	**409**	**10.23**	**8.37**	**0.114**
LP1038	**491.80**	**499.05**	**7.25**	**21**	**0.74**	**3.57**	**13.066**
incl.	497.10	499.05	1.95	72	2.40	11.74	39.430

* All intervals are core widths. Further geologic information is required in order to estimate true thicknesses.

The mineralization at Rincon may be traceable to a skarn/Source-style deposit and will be investigated with further exploration in the future.

Other potentially interesting mineralization has been observed in drilling at a target on the western side of the Sierra Bermejillo where skarn mineralization has been identified in structures within the hornfels that are indicative of strong mineral bearing fluid pathways. These can possibly be traced to further skarn mineralization below the hornfels and closer to a heat source or into the limestone packages in this area where replacement deposits may be formed.

Geophysical methods have also proven variably effective in locating both manto and skarn-style mineralization at Platosa. Natural Source and Controlled Source Audio Magnetotelluric ("NSAMT" and "CSAMT," or generally "MT") ground geophysical surveys and airborne electromagnetic ("AEM") surveys and led to the discovery of the Guadalupe and Guadalupe South mantos. During a re-examination of a 2007 AEM survey a subtle anomaly was noted in the Rincon area, which led to follow-up drilling and its discovery in 2012.

The Company has also tested the applicability of seismic surveying for both manto and skarn/Source mineralization. In recent years seismic surveying, traditionally associated with petroleum exploration, has successfully generated new targets have been generated on various mineral exploration projects. In 2014 the Company carried out a 2D seismic reflection survey along a 2.1 km test-line laid out to pass over the high-grade Pierna and NE-1 mantos, neither of which has been mined to date. Several strong, sub-vertical structures were outlined as were the contacts between the various carbonate, hornfels and marble units. Further seismic surveying may be utilized in the future to develop additional structural understanding on the property.

During 2016, the Company engaged Geotech Ltd. to carry out reprocessing and reinterpretation of the Company's geophysical data to enhance structural interpretation of the property. This data was received in Q3 2016 and will be used going forward in enhancing the understanding of geology in the area as well as integrated into targeting for the current drill program.

Plans

During 2016, the Company commenced a 25,000 metre surface and underground drilling program at Platosa with three objectives:

- Short term: Define and delineate additional high-grade mineralization around existing mine infrastructure by drilling around the edges of the defined resource, upgrading parts of the inferred resource and testing new exploration theories around the current footprint of the mine.
- Medium term: Continue to grow and explore the resource base, particularly where it remains open, such as on the NE-1 corridor with the aim of discovering new independent massive sulphide deposits.

- Long term: Improve regional understanding of the Platosa concessions and define and delineate additional targets with the intention of defining a second resource on the property.

Recent Results

At the end of the second quarter the Company had completed approximately 15,000 metres of the program. Results from this program and drilling from surface and underground include:

DDH No.	Interval(1)		Interval(2)	Au	Ag	Pb	Zn	AgEq(3)
	From (m)	To (m)	metres	g/t	g/t	%	%	g/t
EX16UG274	**23.00**	**36.00**	**13.00**	**0.57**	**662**	**4.92**	**25.53**	**2,190**
PH16-13	**7.16**	**9.93**	**2.77**	**-**	**773**	**11.77**	**6.27**	**1,592**
PH15-03	**23.23**	**23.60**	**0.37**	**-**	**2991**	**5.01**	**4.81**	**3451**
PH15-04	**29.47**	**29.80**	**0.33**	**-**	**2272**	**18.60**	**1.55**	**3,135**
PH16-19 A	**22.12**	**22.54**	**0.42**	**-**	**1751**	**6.73**	**3.32**	**2,206**
EX16LP1100	90.75	92.90	2.15	-	167	1.18	1.92	316
EX16LP1101	94.66	96.49	1.83	-	115	1.01	1.90	256
EX16LP1107	**186.00**	**189.00**	**3.00**	**-**	**795**	**9.25**	**25.85**	**2,522**
EX16LP1108	196.60	198.00	1.40	-	124	3.23	7.01	623
EX16LP1110	195.35	198.00	2.65	-	305	4.28	0.90	532
EX16UG281	**18.15**	**20.53**	**2.38**	**-**	**686**	**4.70**	**6.2**	**1,203**
and	**23.80**	**25.40**	**1.6**	**-**	**504**	**4.30**	**7.1**	**1,052**
and	**30.40**	**31.60**	**1.20**	**-**	**843**	**0.41**	**0.02**	**861**

(1) From-to intervals are measured from the drill collar, with drill holes marked UG or PH drilled from underground stations.
(2) All intervals are reported as core length. Further geologic information is required to estimate true thicknesses.
(3) AgEq in drill results assumes $16.30 Ag, $1,240 Au, $1.00 Pb and $1.23 Zn with 100% metallurgical recovery.

Results of the program to date are indicative of the near-mine potential at La Platosa, with EX16UG274 extending the edges of known mineralization at the 623 Manto by approximately 25 metres. In addition, drilling from surface (EX16LP1100 & 1101) continued to define mineralization that could be related to nearby high-grade mantos, which are the target of the initial part of the drill program.

Exploration in Q2 2017 focused on expansion of the current manto footprint at Platosa. Surface drilling was temporarily paused around Platosa pending new drill permits and is expected to recommence in the third quarter.

Drilling from underground continued to test areas of the mine in which the Company believes there is potential to define additional resources near existing mine workings in the upper elevations of Platosa, particularly above the water table. This program continues to be successful with the definition of additional mineralization in the 393 heading and the intersection of mineralized structures outside of mine workings in the N-1 area. The underground drilling program will shift its focus to the 623 and Guadalupe South areas into Q3 where there is potential to define more mineralization between these two mantos and potential to increase the size of the high grade 623 Manto (83,000 tonnes grading 1,866 g/t AgEq).

Regional compilation work continued with new targeting and resampling conducted at Saltierra, northwest of the Platosa Mine. The Company is also applying for additional drill pad permits on the Platosa property to support evolving exploration plans. Highlights in exploration for the quarter include:

- Strengthening the regional exploration team with the appointment of a new Exploration Manager;
- Continued compilation and modeling of historical data including, old regional paper drill logs, geophysics and surface work programs;
- Compilation of surface work plans for Q3 and Q4 and budgeting for exploration through year-end;
- Ongoing fieldwork including mapping and sampling at key outcrops and surface regional targets;
- Completion of a trial downhole survey program for better mapping post mineral faulting and collection of physical rock properties with DGI Geoscience; and
- Completion of structural work in the mine and on surface by a structural geologist from SRK Consulting.

Results of the Platosa exploration programs can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

Miguel Auza Property

The Company's 14,000 ha Miguel Auza property lies on the eastern flank of the Fresnillo Mexican Silver Trend some 150-200 km north of Fresnillo and Zacatecas City, both of which areas have been and continue to be the source of a large percentage of Mexican silver, lead and zinc production. The property covers numerous high- and low-sulphide epithermal veins carrying silver, gold, lead, and zinc. The property has been the site of a large amount of historic mining since Colonial times and as recently as 2008 when Silver Eagle Mines Inc. carried out mining and milling on the Calvario Vein system.

The Company carried out a modest exploration program at Miguel Auza in 2009 and 2010 and while certain areas were highlighted as meriting further early-stage exploration work, a decision was made to concentrate the Company's exploration activities at Platosa. The Company periodically reviews the potential of Miguel Auza, including the potential of the Miguel Auza Mine, which has been closed since December 2008.

The Company is currently re-evaluating the exploration potential at Miguel Auza where a historical endowment of 23 million ounces of indicated resource as well as a further 11 million ounces of inferred resource were defined. A technical report and subsequent mining operation were completed and commenced in 2008. The Company believes that most of the mineralization encountered to date have occurred on conjugate structures to the main Fresnillo trend and that further exploration potential exists below the existing resource where dilational features have been observed in modelling and along underexplored northwest trending structures which are the preferred dilational orientation for deposits within this trend.

Exploration Outlook

Drilling throughout 2017 will look to further define high-grade mantos at Platosa and structural targets in the NE-1 and 6A areas, both of which exhibit potential for vertical feeder zones. These targets are currently being evaluated and planned as part of a larger data compilation and integration effort with particular focus on mineral and metal zonation and structural indicators of feeder zones.

Qualified Person

Mr. Ben Pullinger, BSc., PGeo., Excellon’s Vice President of Geology has acted as the Qualified Person, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information contained in this MD&A.

Mr. Pullinger is an economic geologist who was appointed by the Company during Q3 2016. Prior to joining Excellon, he worked as Vice President, Exploration at Roxgold Inc., where he made a significant contribution to the growth of the company from resource stage through to production, which was reached in Q2 2016. Before Roxgold, Mr. Pullinger was engaged as a sell side analyst providing analysis and insight to buy side clients across North America. Additionally, Mr. Pullinger has worked on projects in North and South America, Africa and Asia and has made contributions to enhancing value through discovery, development and efficient operations on various projects in these regions.

RELATED PARTY TRANSACTIONS

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During Q2 2017, the Company incurred legal services of $17,000 (Q2 2016 – $17,000). During 6-Mos 2017, the Company incurred legal services of $27,000 (6-Mos 2016 – $28,000). As at June 30, 2017, the Company had an outstanding payable balance of $24,000 (June 30, 2016 – $132,000).

RISK AND UNCERTAINITIES

The Company’s business entails exposure to certain risks, including but not limited to: metal price risk since the Company derives its revenues from the sale of silver, lead and zinc; foreign exchange risk since the Company reports in United States dollars but operates in jurisdictions that use other currencies; the inherent risk of uncertainties in estimating Mineral Resources; political risk associated with operating in foreign jurisdictions; environmental risks and risks associated with labour relations issues. The current or future operations of Excellon including ongoing commercial production are or will be governed by and subject to federal, state and municipal laws and regulations regarding mineral taxation, mineral royalties and other governmental charges. Any change to the mineral taxation and royalty regimes in the jurisdictions in which Excellon operates or plans to operate could have an adverse financial impact on the Company's current and planned operations and the overall financial results of the Company, the extent of which cannot be predicted. Further factors affecting the Company are described in the AIF.

SUBSIDIARY CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Company has implemented a system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that apply at all levels of the Company and its subsidiaries. These systems are overseen by the board of directors of the Company, and implemented by the Company's senior management. The relevant features of these systems include:

Control Over Subsidiaries

The Company's corporate structure has been designed to ensure that the Company controls, or has a measure of direct oversight over, the operations of its subsidiaries. The Company's subsidiaries are 100% beneficially owned, controlled or directed, directly or indirectly, by the Company. The Company, as the ultimate shareholder, has internal policies and systems in place which provide it with visibility into the operations of its subsidiaries, including its subsidiaries operating in emerging markets, and the Company's management team is responsible for monitoring the activities of the subsidiaries.

In addition, the Company directly controls the appointments of the directors and officers of its subsidiaries. The directors of the Company's subsidiaries are ultimately accountable to the Company as the shareholder appointing him or her, and the board of directors of the Company and its senior management. Further, the annual budget, capital investment and exploration program in respect of the Company's mineral properties are established by the Company.

Further, the authorized signing officers for the bank accounts of the foreign subsidiaries are either employees of the Company or employees of the subsidiaries, as the case may be.

All of the minute books and corporate records of the Company's subsidiaries are kept at the offices of local corporate secretarial services in the respective jurisdictions in which such subsidiaries exist. All disbursements of corporate funds and operating capital to subsidiaries of the Company are reviewed and approved by the Chief Executive Officer and the Chief Financial Officer of the Company and are based upon pre-approved budgeted expenditures.

In connection with the acquisition, ownership and disposition of material property interests in Mexico, including mining concessions and real property interests, the Company engages a reputable law firm located in Mexico to periodically conduct a review of the Company's ownership of its material property interests. In respect of other assets, such as equipment or materials purchased by its foreign subsidiaries, the Company has enacted internal control procedures to ensure that all appropriate documentation is obtained for the legal transfer of assets to the Company (or its applicable subsidiary). The Company and its local legal counsel are familiar with the nature of transactions customary in the Mexican mining industry which allows them to identify and ensure that ownership of property interests and other assets is legally valid.

Strategic Direction

While the mining operations of each of the Company's subsidiaries are managed locally, the board of directors of the Company is responsible for the overall stewardship of the Company and, as such, supervises the management of the business and affairs of the Company (and its subsidiaries). More specifically, the board of directors of the Company is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are material to the Company including those of its material subsidiaries.

The Company has ensured that only the Chief Executive Officer and the Chief Financial Officer of the Company have the authority to authorize the sale or disposition of the property of the Company's foreign subsidiaries in order to protect the Company's interests and to ensure that appropriate authorization of material asset transactions has been provided. In addition, the Company has established a series of internal control procedures to govern the operation of the foreign subsidiaries and has granted certain limited powers of attorney to employees who are involved with the management of the foreign subsidiaries in order to allow such individuals to operate the day-to-day operations of the foreign subsidiaries.

Internal Control Over Financial Reporting

The Company prepares its consolidated financial statements and management's discussion and analysis on a quarterly and annual basis, using International Financial Reporting Standards, which require financial information and disclosures from its subsidiaries. The Company implements internal controls over the preparation of its financial statements and other financial disclosures to provide reasonable assurance that its financial reporting is reliable and that the quarterly and annual financial statements and management's discussion and analysis are being prepared in accordance with International Financial Reporting Standards and applicable Canadian securities laws.

All public documents and statements relating to the Company and its subsidiaries containing material information (including financial information) are reviewed by senior management, including the Chief Executive Officer and the Chief Financial Officer before such material information is disclosed, to make sure that all material information has been considered by management of the Company and properly disclosed.

The Company currently sells its metal concentrates to two purchasers, both global commodities traders. Upon completion of the sale of such metal concentrates, the purchasers deposits the proceeds into an account in Mexico that is controlled from Toronto by the Chief Executive Officer and Chief Financial Officer of the Company. In order to allow the utilization of the funds when appropriate, the Company has granted certain members of management located in Mexico powers of attorney. Notwithstanding the foregoing, upon the receipt of funds from the purchaser, the majority of such funds received by the foreign subsidiaries are immediately transferred to the Company's Canadian bank accounts, with only sufficient funds required to fund day-to-day operations of the foreign subsidiaries retained in the foreign subsidiaries' bank accounts.

These systems of corporate governance, internal control over financial reporting and disclosure controls and procedures are designed to ensure that, among other things, the Company has access to all material information about its subsidiaries, including those operating in emerging markets.

Local Laws and Government Relations

The Company hires and engages local experts and professionals (i.e. legal and tax consultants) to advise the Company with respect to current and new regulations in Mexico in respect of banking, financial, tax, permitting and operational matters. The Company utilizes large, established and well recognized financial institutions in both Canada and Mexico. There are no material differences between day-to-day banking operations in Mexico and those in Canada. The government of Mexico regulates mining activities through the Ministry (Secretariat) of Mining. The Company uses local counsel and local consultants to assist it with its government and community relations.

Enforcement of Judgments

All of the Company's material assets (i.e. permits, land, equipment, etc.), other than its unallocated cash (which is maintained with Canadian chartered bank) are located in Mexico. An investor's cause of action under Canadian securities laws would be against the Company, not against any of its subsidiaries outside of Canada. Accordingly, any investor with jurisdiction to do so is entitled to file suit against the Company in order to exercise its statutory rights and remedies under Canadian securities laws. The location of the assets does not affect this right, although the presence of the Company's cash resources in Canada would, if any suit were ever successful, provide an investor with the potential option to enforce against a material pool of assets in Canada. That said, to the extent the Company's cash resources are advanced to the Company's foreign subsidiaries, investors may have difficulty collecting from and enforcing against the Company and its foreign subsidiaries any judgments obtained in Canada.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management has designed and implemented internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control framework was designed based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO", 2013).

Management has designed disclosure controls and procedures ("DC&P") to provide a reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. There were no changes in ICFR during the second quarter of 2017.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39, "Financial instruments: recognition and measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, Revenue from contracts with Customers ("IFRS 15") was issued by the IASB in May 2014. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16") was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

The Company plans to adopt these IFRS accounting standards when these standards become effective, if applicable.

ADDITIONAL SOURCES OF INFORMATION

Additional disclosures pertaining to the Company, including its most recent audited and unaudited interim financial statements, management information circular, material change reports, press releases and other information, are available on the SEDAR website at www.sedar.com or on the Company's website at www.excellonresources.com.

This MD&A contains “forward-looking statements” within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company, such forward-looking statements include, without limitation, statements regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of proposed work programs, the discovery and delineation of mineral deposits/resources/reserves, geological interpretations, the potential of the Company’s properties, proposed production rates, potential mineral recovery processes and rates, business plans and future operating revenues. Forward-looking statements are made based on management's beliefs, estimates, assumptions and opinions on the date the statements are made. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct and the Company undertakes no obligation to update forward-looking statements. Forward-looking statements are typically identified by words such as: believes, expects, anticipates, intends, estimates, targets, plans, postulates, and similar expressions, or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward-looking statements as a result of various risk factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, significant downward variations in the market price of any minerals produced (particularly silver), the Company’s inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies. A description of the risk factors applicable to the Company can be found in the AIF under “Description of the Business – Risk Factors.” All of the Company’s public disclosure filings may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company’s mineral properties, and particularly the latest NI 43-101-compliant technical report, dated July 9, 2015, prepared by Roscoe Postle Associates Inc. with respect to the Platosa Property. This document is not, and is not to be construed in any way as, an offer to buy or sell securities in the United States.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The terms “Measured,” “Indicated” and “Inferred” Mineral Resources used or referenced in this MD&A are defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resources and Mineral Reserves. The CIM standards differ significantly from standards in the United States. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category or that Mineral Resources will ever be upgraded to Mineral Reserves. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies other than a Preliminary Economic Assessment (“PEA”). United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable, or that a Measured or Indicated Mineral Resource is economically or legally mineable.

Cautionary Note to United States Investors regarding Adjacent or Similar Properties

This MD&A may also contain information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises United States investors that the United States Securities and Exchange Commission's mining guidelines strictly prohibit information of this type in documents *filed with the SEC. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties are not indicative of mineral deposits on the Company's properties.*