



Management's Discussion & Analysis of Financial Results For the three month period ended March 31, 2016 May 10, 2016

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three month period ended March 31, 2016 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at May 10, 2016 and provides information on the operations of the Company for the three months period ended March 31, 2016 and 2015 and subsequent to the period end, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2016 and the audited consolidated financial statements for the year end December 31, 2015 and the related notes for the year then ended filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2015 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 per Silver Ounce Payable ("AISC") and Adjusted Net Income, 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.



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COMPANY PROFILE

Excellon is a primary silver mining and exploration company listed on the Toronto Stock Exchange trading under the symbol EXN. The Company's current activities are exploring, developing and mining the high-grade silver-lead-zinc mineralization on its 20,947-hectare Platosa Property ("Platosa") located in northeastern Durango State, Mexico. The style of mineralization at Platosa resembles that of several world-class carbonate replacement deposits ("CRD") of Mexico.

The ore mined 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. Both 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 ("Trafigura").

FIRST QUARTER HIGHLIGHTS

(in 000's except ounces, amounts per share and per ounce)	Q1 2016	Q4 2015	Q1 2015
Revenues ⁽¹⁾	\$ 4,261	\$ 2,477	\$ 5,055
Earnings/(loss) from mining operations	\$ 387	\$ (1,516)	\$ (352)
Net loss	\$ (2,626)	\$ (1,677)	\$ (237)
Adjusted net loss ⁽²⁾⁽³⁾	\$ (736)	\$ (676)	\$ (237)
Loss per share - basic	\$ (0.05)	\$ (0.03)	\$ (0.00)
Adjusted loss per share - basic	\$ (0.01)	\$ (0.01)	\$ (0.00)
Silver ounces produced	211,557	152,628	217,079
Silver ounces payable	193,514	135,928	204,224
Silver equivalent ounces produced	363,552	259,885	408,095
Silver equivalent ounces payable ⁽⁴⁾	329,200	230,270	379,279
Production cost per tonne ⁽⁵⁾	\$ 222	\$ 255	\$ 330
Total cash cost per silver ounce payable	\$ 10.38	\$ 19.86	\$ 14.24
All-in sustaining cost per silver ounce payable	\$ 16.98	\$ 34.92	\$ 20.69
Average realized silver price per ounce sold ⁽⁶⁾	\$ 15.48	\$ 13.95	\$ 16.22

- (1) Revenues are net of treatment and refining charges. A reconciliation of revenues can be found in the section "Financial Results of Operations" of this MD&A.
- (2) Adjusted net loss for Q1 2016 reflects results before \$1.9 million fair value adjustment loss on embedded derivatives and warrants related to the November 2015 convertible debentures financing. The fair value adjustment derives from the

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strong performance of the Company's stock during the period, with the market price increasing from \$0.31 as of December 31, 2015 to \$0.61 as of March 31, 2016, resulting in significant increases in valuation/cost upon the potential conversion or exercise of the debentures or warrants, respectively.

- (3) Adjusted net loss for Q4 2015 reflects results before \$0.7 million impairment charge on DeSantis exploration property in Canada and \$0.3 million fair value adjustment loss on embedded derivatives and warrants related to the convertible debentures finance.
- (4) Silver equivalent ounces established using average 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) Average realized silver price is calculated on current period sale deliveries and does not include prior period provisional adjustments in the period.

MINE OPERATION AND PRODUCTION

Tonnages mined and milled of 12,778 tonnes and 14,720 tonnes in Q1 2016 reflect an 8% decrease and 6% increase, respectively, compared to Q1 2015. Ore production during Q1 2016 was primarily from the 6A, N1, Guadalupe North and South and Rodilla mantos. In late February 2016, mine operations began accessing ore from the Rodilla Manto, approximately seven months ahead of schedule and at shallower levels than delineated in the resource block model. The Rodilla Manto was significantly below the water table, but mining conditions are now almost entirely dry in this area as ongoing dewatering efforts have lowered water levels below workings and mineralization.

As delineated in the Platosa resource block model, the upper levels of the Rodilla Manto host mineralization grading approximately 800 g/t Ag, 7% Pb and 10% Zn on an undiluted basis. Much of the "bonus" mineralization encountered in Q1 2016 was materially higher grade on a diluted basis, with approximately 1,600 tonnes of ore produced from Rodilla grading in excess of 1,000 g/t Ag, 10% Pb and 10% Zn. Though the deposit is tightly drilled at 15 metre centres, the manto boundaries are generally erratic and additional mineralization is often encountered outside of the resource block model. Additionally, the Company has noted historically that in areas with very high argentiferous-galena content silver and lead grades are underestimated as such mineralization may be washed out and lost during the diamond drilling process.

Approximately 2,300 tonnes of ore milled during the quarter were extracted from historic stockpiles and settling ponds at Platosa at minimal cost with grades of approximately 150 g/t Ag and 1-2% Pb and Zn. High-grade ore produced during the quarter was blended with this lower grade material to improve recoveries and concentrate payability.

Development continued into 6A, Guadalupe South, 623 and the access to the Rodilla Manto. During the period, water management at Platosa was effective at controlling inflows, though continued to limit productivity and development in the operation in the 623 and Guadalupe South mantos. The Company has developed an optimization program to comprehensively manage water at Platosa in 2016 through an enhanced pumping system, as further discussed under "Platosa Optimization Plan", below, the implementation of which is ongoing.

Silver grade of 483 g/t in Q1 2016 decreased by 9% compared to silver grades of 533 g/t mined in Q1 2015, but improved from 406 g/t in the previous quarter due to accessing the higher grade tonnes of Rodilla in late February. Lead grades of 4.80% and zinc grades of 6.15% decreased by 11% and 30% respectively compared to Q1 2015, but improved from 3.65% and 5.33% for lead and zinc, respectively, in the previous quarter.

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Silver recoveries of 91.6% in Q1 2016 were comparable to 90.5% recoveries in Q1 2015. While lead recoveries of 83.6% represent a 6% improvement from Q1 2015, zinc recoveries of 79.3% represent a 5% decrease compared to the same period of last year. Fluctuations in metal recoveries occur in the ordinary course depending on the nature and grade of the ore being processed during the period.

In Q1 2016, silver and lead production of 211,557 ounces and 1.3 million ounces respectively were comparable to Q1 2015 as lower grades were offset by the higher tonnage milled in the quarter. Zinc production of 1.6 million was lower by 29% relative to Q1 2015, primarily a result of lower zinc grades mined, but an improvement from the previous quarter. Overall, the Company produced 363,552 silver equivalent ounces in Q1 2016 compared to 408,095 silver equivalent ounces in Q1 2015 and 259,885 silver equivalent ounces in the previous quarter.

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

	Q1 2016 ⁽¹⁾	Q4 2015 ⁽¹⁾	Q1 2015 ⁽¹⁾
Tonnes of ore produced	12,778	13,145	13,920
Tonnes of ore processed	14,720	12,999	13,828
Ore grades:			
Silver (g/t)	483	406	533
Lead (%)	4.80	3.65	5.37
Zinc (%)	6.15	5.33	8.83
Recoveries:			
Silver (%)	91.6	88.9	91.7
Lead (%)	83.6	79.8	79.2
Zinc (%)	79.3	81.3	83.7
Production:			
Silver – (oz)	211,557	152,628	217,079
Silver equivalent (oz) ⁽²⁾	363,552	259,885	408,095
Lead – (lb)	1,318,916	837,903	1,252,796
Zinc – (lb)	1,588,778	1,261,072	2,239,313
Payable : ⁽³⁾			
Silver – (oz)	193,514	135,928	204,224
Silver equivalent (oz) ⁽²⁾	329,200	230,270	379,279
Lead – (lb)	1,251,340	780,634	1,253,665
Zinc – (lb)	1,345,013	1,061,270	1,960,490
Realized prices: ⁽⁴⁾			
Silver – (\$US/oz)	15.48	13.95	16.22
Lead – (\$US/lb)	0.81	0.75	0.81
Zinc – (\$US/lb)	0.81	0.69	0.93

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

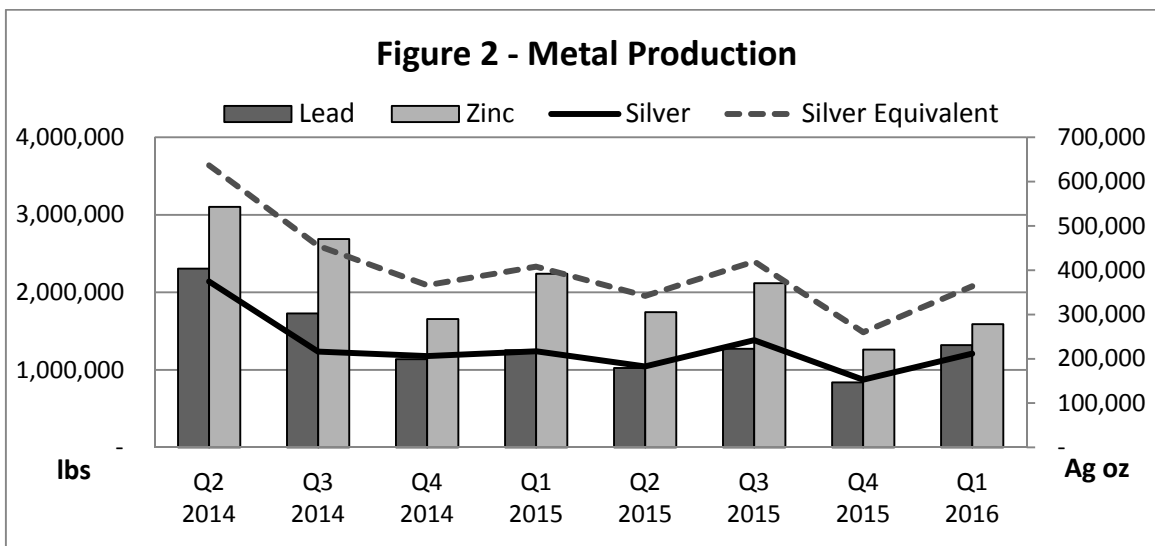
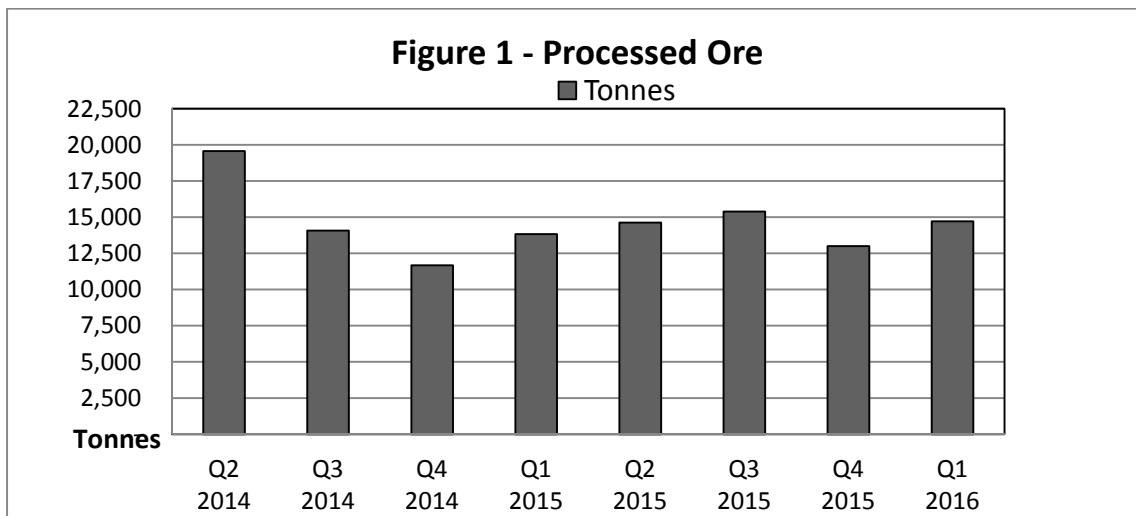
(2) Silver equivalent ounces established using average metal prices during the period indicated applied to the recovered metal content of the concentrates.

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

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



PRODUCTION COST PER TONNE

Management of the Company believes that the Company's ability to control production costs per tonne is a key performance indicator in managing and evaluating operating performance. The Company believes this measure provides investors and analysts with useful information about the underlying cost of operations and how management controls those costs. To facilitate a better understanding of this measure as calculated by the

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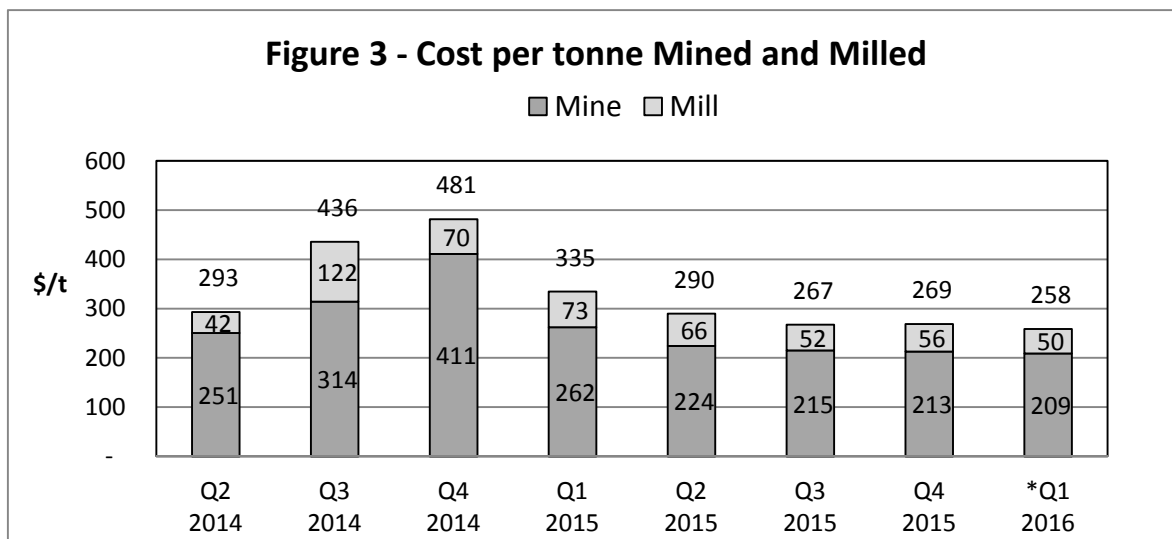
Company, a reconciliation between production cost per tonne milled and the Company's cost of sales as reported in the Company's financial statements is provided below.

	Q1 2016	Q4 2015	Q1 2015
	\$ 000's	\$ 000's	\$ 000's
Cost of Sales	3,874	3,993	5,407
Depletion and amortization	(605)	(675)	(847)
Production Costs (includes mining and milling)	3,269	3,318	4,560
Tonnes milled	14,720	12,999	13,828
Production cost per tonne milled (\$/tonne)	222	255	330

Production costs decreased to \$3.3 million during the quarter from \$4.6 million in Q1 2015 primarily due to continuous improved maintenance practices on pumps and mobile equipment. These improvements resulted in significantly lower production cost per tonne of \$222/t in Q1 2016 compared with \$330/t in Q1 2015, a 28% cost reduction. The Company was also able to mill 2,300 additional tonnes of ore during the quarter that were extracted from historic stockpiles and settling ponds at Platosa at minimal cost, further improving the overall cost per tonne relative the previous quarter.

Production cost per tonne has improved since early 2015 when management implemented various long term cost savings measures at both mining and milling operations, resulting in an approximate 36% operating cost reduction in 2015 and has maintained this cost profile in 2016. Approximately 20% of these cost savings relate to beneficial movements in exchange rate for the Mexican peso, while the other 80% derived from management's efforts in evaluating and managing costs. Management continues to explore additional cost saving initiatives in 2016 during the implementation of the Optimization Plan described below.

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



Cost per tonne includes small exchange differences between mine and mill reported above.

*Q1 2016 mining cost per tonne does not include the positive impact of 2,300 tonnes of stockpile being milled in order to reflect the mining cost of extraction during the quarter.



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TOTAL CASH COST PER SILVER OUNCE PAYABLE

Cost of sales decreased by 28% from \$5.4 million in Q1 2015 to \$3.9 million in Q1 2016. As a result, total cash cost net of by-product credits decreased by 31% to \$2.0 million in Q1 2016 compared to \$2.9 million in Q1 2015. While cost of sales was comparable to the previous quarter, total cash cost decreased by \$0.7 million due to increased byproduct credits as access to Rodilla in late February improved production of both lead and zinc. During Q1 2016, the Company delivered 193,514 silver ounces payable compared to 204,224 silver ounces payable in Q1 2015. As a result, total cash cost per silver ounce payable of \$10.38 for Q1 2016 improved by 27% compared to \$14.24 for Q1 2015 and 48% compared to the previous quarter.

Overall, lower production costs over the last year have facilitated the Company's ability to produce at current commodity prices. 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. 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.

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

	Q1 2016	Q4 2015	Q1 2015
	\$ 000's	\$ 000's	\$ 000's
Cost of sales	3,874	3,993	5,407
Adjustments - increase/(decrease):			
Depletion and amortization	(605)	(675)	(847)
Third party smelting and refining charges ⁽¹⁾	933	687	1,214
Royalties ⁽²⁾	(97)	(35)	(17)
By-product credits ⁽³⁾	(2,096)	(1,271)	(2,849)
Total cash cost net of by-product credits	2,009	2,699	2,908
Silver ounces payable	193,514	135,928	204,224
Total cash cost per silver ounce payable (\$/oz)	10.38	19.86	14.24

(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.

Total cash cost net of by-product credits is provided as additional information and is a non-IFRS measure that does not have a standardized meaning. This calculation may differ from that used by other companies in the industry. The Company uses this measure internally to evaluate the underlying operating performance of the Company for the reporting periods presented. This measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and is not necessarily indicative of operating expenses as determined under generally accepted accounting principles. Management believes that total cash cost per silver ounce payable is a key performance indicator of the Company's operational efficiency as it accounts for each payable ounce produced. This measure is



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increasingly widely used in the mining industry and is intended to provide investors with information about the cash generating capabilities of the Company's operations.

ALL-IN SUSTAINING COST PER SILVER OUNCE PAYABLE

Excellon has adopted the "all-in sustaining cost" measure ("AISC") 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.

AISC per silver ounce is intended to provide additional information only and does not have any standardized definition under IFRS and may not be comparable to similar measures presented by other mining companies. The AISC measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

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 Company's AISC per silver ounce payable of \$16.98 during Q1 2016 improved by 18% compared to \$20.69 in Q1 2015, despite producing 5% fewer silver payable ounces in the quarter. As total sustaining cost of \$1.3 million in Q1 2016 was comparable to Q1 2015, all-in sustaining cost improvement was driven by the reduced total cash cost net of by-product credit as explained in the previous section. Despite improved silver prices in late Q1 2016, considerable cost reductions in general administration and the deferral of certain capital expenditures to future periods will continue. Considering the Platosa mine's AISC and current metal prices, additional financing may be required in the future to increase mine development and to drill for additional mineable resources.

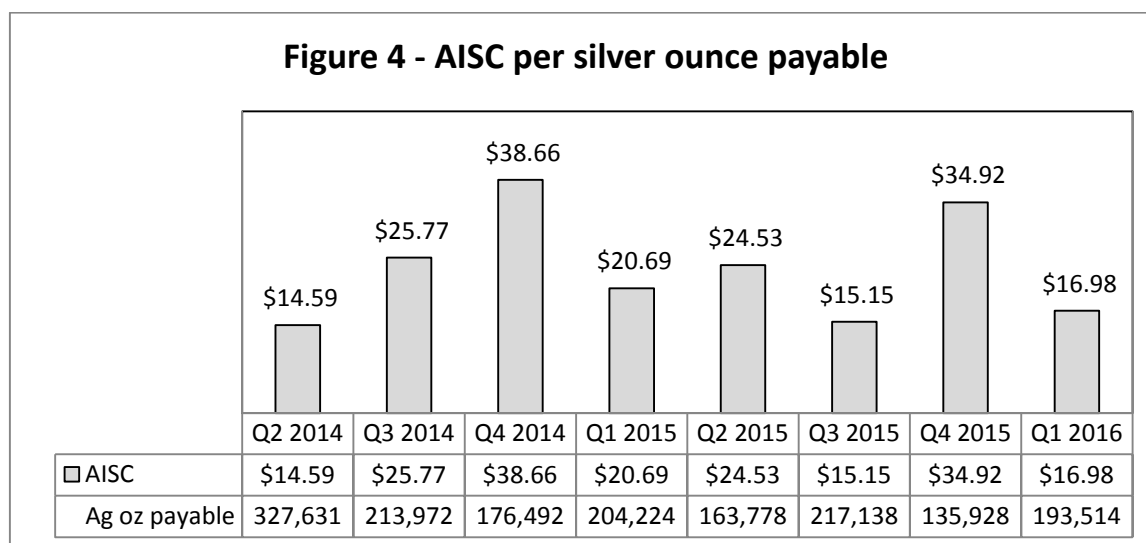
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The table below presents details of the AISC per silver ounce payable calculation.

	Q1 2016	Q4 2015	Q1 2015
	\$ 000's	\$ 000's	\$ 000's
Total cash costs net of by-product credits	2,009	2,699	2,908
General and administrative costs (cash)	505	742	614
Share based payments (non-cash)	108	190	128
Accretion and amortization of reclamation costs (non-cash)	23	32	38
Sustaining exploration (manto resource exploration/drilling)	126	116	146
Sustaining capital expenditures ⁽¹⁾	514	967	392
Total sustaining costs	1,276	2,047	1,318
All-in sustaining costs	3,285	4,746	4,226
<i>Silver ounces payable</i>	193,514	135,928	204,224
All-in sustaining cost per silver ounce payable (\$/oz) ⁽²⁾	16.98	34.92	20.69
Realized silver price per ounce sold ⁽³⁾	15.48	13.95	16.22

- (1) Capital expenditure includes sustaining capital expenditures and capitalized development costs.
 (2) Excluding non-cash items, AISC per payable silver ounce was \$16.30 (Q1 2016), \$33.27 (Q4 2015) and \$19.88 (Q1 2015).
 (3) 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.

The previous eight quarters of AISC per silver ounce payable are summarized below:



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PLATOSA OPTIMIZATION PLAN

The Platosa deposit comprises several high-grade massive sulphide mantos hosted by 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 less than 200 tonnes per day.

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 proposes to replace the current grouting and pumping process with a more efficient and permanent dewatering system. The Optimization Plan was further revised and announced 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, aims to maintain and increase a localized "cone of depression" of the water table below mine workings. Historical data and field observations have already identified that pumping began creating a localized drawdown as pumping operations exceeded ~9,000 gpm at Platosa in 2009. The drawdown trend subsequently increased with increased rates of pumping. Data indicates drawdown rates of ~0.35 metres/month at ~9,000 gpm, 0.75 metres/month at 10,000 gpm and 1.8 metres/month at 18,000 gpm.

The water table is relatively flat throughout the mine site area, indicating a highly permeable local rock formation, particularly near the orebody. Water levels in nearby monitoring wells are over 30 metres higher than at the mine, and over 50 metres higher in private wells located further away from Platosa. 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. Conservatively, the drawdown rate should increase to 3.8 metres per month when the Optimization Plan is fully implemented, in due course allowing access to, and production from, dry mineralization more rapidly.

Current pumping operations are primarily conducted directly from the mining face. The water is laden with 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. Following implementation of the Optimization Plan, pumping will be conducted directly from strategically drilled large-diameter drain wells targeting high flow zones approximately 100 metres below mine workings, thus allowing high-efficiency pumps to pump clean water directly from faults below the mine.

Each drain well will be equipped with a high-efficiency submersible pump to increase flow and maintain consistent pumping in advance of development. Booster pumps will be used to efficiently transit water out of the mine via existing Robbins raises. The Company has already drilled a number of pilot holes underground to guide the placement of the large-diameter holes and those collared below the water table demonstrate impressive yield via gravity flow.

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The following summarizes key economic metrics disclosed in the report titled Technical Report on the Preliminary Economic Assessment of the Platosa Mine, Durango State, Mexico ("PEA") prepared for the Company by Roscoe Postle Inc. and dated July 9, 2015, in respect of the Optimization Plan. These metrics do not necessarily reflect the impact of the revisions to the Optimization Plan announced in November 2015, but are indicative of the beneficial impact of the program:

Optimization Plan		
Base case of \$17/oz silver, \$0.90/lb lead, \$1.00/lb zinc		
IRR	<ul style="list-style-type: none"> • 118% after-tax IRR with a 1.9 year payback on invested capital 	
NPV	<ul style="list-style-type: none"> • \$39 million after-tax NPV^{7.5%} 	
Mine Life	<ul style="list-style-type: none"> • 6 years (2015-2020) 	
Invested Capital	<ul style="list-style-type: none"> • \$9.9 million (prior to revisions) 	
	LOM (2015-2020)	Peak Production (2016-2019)
Net After-Tax Cash Flow	<ul style="list-style-type: none"> • \$54.4 million 	<ul style="list-style-type: none"> • \$58.4 million
Average Annual Metal Production Recovered	<ul style="list-style-type: none"> • 1.6 million ounces silver • 10.4 million pounds lead • 11.8 million pounds zinc 	<ul style="list-style-type: none"> • 1.9 million ounces silver • 12.2 million pounds lead • 14.3 million pounds zinc
Production Costs	<ul style="list-style-type: none"> • \$7.58 total cash cost per payable silver ounce • \$12.37 AISC per payable silver ounce 	<ul style="list-style-type: none"> • \$6.02 total cash cost per payable silver ounce • \$9.00 AISC per payable silver ounce

Preliminary Economic Assessment of the Optimization Plan

After-Tax NPV					
	-20%	-10%	Base Case	+10%	+20%
Ag (oz)	\$13.60	\$15.30	\$17.00	\$18.70	\$20.40
Pb (lb)	\$0.72	\$0.81	\$0.90	\$0.99	\$1.08
Zn (lb)	\$0.80	\$0.90	\$1.00	\$1.10	\$1.20
NPV^{7.5%} ('000s)	\$(662)	\$19,405	\$39,472	\$59,539	\$79,607
IRR (%)	6%	56%	118%	221%	466%
Payback⁽¹⁾ (years)	3.0	2.3	1.9	1.5	1.25

(1) Payback on operating cash flow including capital expenditure assuming April 1, 2015 commencement of Optimization Plan and investment.

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The PEA calculates a Base Case after-tax NPV of \$39 million, with an after-tax IRR of 118% using a discount rate of 7.5%. The initial capital cost of the Optimization Plan was estimated to total \$9.9 million (see below for subsequent revisions). The payback period for the base case is estimated at 1.9 years following commencement of the Optimization Plan and investment, which was calculated from April 1, 2015 and assumed commencement of surface well drilling early in the third quarter of 2015. For further discussion regarding the period of capital investment and the period in which the Optimization Plan will reach full impact, refer to "Timeframe for Implementation," below.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, there is no certainty that the results of this PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Thus, there is no certainty that the results of this PEA will be realized.

Baseline Production Metrics

		LOM		Peak Production	
		(2015-2020)	(annual avg.)	(2016-2019)	(annual avg.)
Tonnes Ore⁽¹⁾	t ('000s)	505	84	384	96
Ore/day	tpd	256	256	274	274
Head Grades⁽¹⁾					
Ag	g/t	638	638	681	681
Pb	%	6.8%	6.8%	7.0%	7.0%
Zn	%	8.1%	8.1%	8.6%	8.6%
Recoveries					
Ag	%	90%	90%	91%	91%
Pb	%	82%	82%	82%	82%
Zn	%	77%	77%	79%	79%
Metals Produced					
Ag	oz ('000s)	9,316	1,553	7,608	1,902
Pb	lb ('000s)	62,424	10,404	48,644	12,161
Zn	lb ('000s)	71,017	11,836	57,144	14,286
Pb Conc.	t	47,237	7,873	36,802	9,200
Zn Conc.	t	63,498	10,583	51,093	12,773

(1) Tonnes of mineable ore and estimated head grades are derived from the application of a 95% mineability factor and 20% dilution to Platosa's mineral resources.

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Payable Metal Cash Cost Summary

	LOM (2015-2020)			Peak Production (2016-2019)		
	\$ M	\$/t	\$/oz	\$ M	\$/t	\$/oz
Ag oz payable ('000s)	8,492			6,932		
Tonnes produced	504,504			383,541		
	\$ M	\$/t	\$/oz	\$ M	\$/t	\$/oz
Mining	101.6	201.4	11.97	72.3	188.5	10.43
Processing	31.1	61.6	3.66	23.4	61.0	3.37
<i>Operating Cash Cost before by-product credits & royalties</i>	132.7	263.0	15.63	95.7	249.5	13.80
By-product credits ⁽¹⁾	(68.9)	(136.5)	(8.11)	(54.3)	(141.5)	(7.83)
Royalties ⁽²⁾	0.5	1.1	0.06	0.3	0.9	0.05
Total cash cost	64.3	127.6	7.58	41.7	108.9	6.02
Corporate G&A	15.9	31.5	1.87	10.7	27.9	1.54
Accretion and amortization of reclamation costs	0.4	0.9	0.05	0.3	0.8	0.04
Sustaining Exploration	5.0	9.8	0.58	3.3	8.5	0.47
Sustaining Capital Expenditure ⁽³⁾	19.8	39.2	2.33	6.4	16.8	0.93
Total sustaining costs	41.1	81.4	4.83	20.7	54.0	2.99
All-in sustaining costs	105.4	209.0	12.37	62.4	162.9	9.00

(1) Net of TC/RC charges.

(2) Advance royalties payable in respect of the Company's Miguel Auza property. Mexican mining tax royalties are included in operating cash costs.

(3) Sustaining capital expenditures include initial \$9.9 million capital investment on Optimization Plan.

During the peak production period of 2016 to 2019 as outlined in the PEA, average annual production is estimated to total approximately 96,000 tonnes containing 1.7 million payable silver ounces. Sustaining exploration and sustaining capital expenditures reflect expenditures required in respect of currently defined mineral resources, and expenditures in these areas may be increased to define and access mineralization that may be discovered in the future.

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Sensitivity to Metal Prices and Discount Rate

After-Tax NPV ^{7.5%} ('000s)					
Metal Prices			Discount rate		
Ag (oz)	Pb (lb)	Zn (lb)	5%	7.5%	10%
\$13.60	\$0.72	\$0.80	360	(662)	(1,544)
\$15.30	\$0.81	\$0.90	22,097	19,405	17,036
\$17.00	\$0.90	\$1.00	43,835	39,472	36,617
\$18.70	\$0.99	\$1.10	65,572	59,539	54,197
\$20.40	\$1.08	\$1.20	87,310	79,607	72,778

Cost and Timeframe for Implementation

The revision to the Optimization Plan announced in November 2015 primarily reduced the estimated capital costs of implementing the program from the previously estimated \$9.9 million to \$6 million, as set out and in the timeframes described as follows:

A summary of capital expenditures required to implement the Optimization Plan is as follow:

Description	Month	Cost
Phase I – purchase and installation of high efficiency sump and booster pumps; drilling pilot wells	0-3	\$1.42 M
Phase II – drilling of primary wells, purchase and installation of booster pumps	3-6	\$1.54 M
Phase III – purchase and installation of submersible pumps in drain wells and additional booster pumps	6-10	\$2.31 M
Technical studies and installation (casing, screen, etc.)	-	\$0.29 M
Contingency	-	\$0.44 M
	Total:	\$6.00 M

Expenditures on the Optimization Plan will be phased over the period of implementation as set out above. The installation of the system is expected to take approximately ten months, though the benefits of the increasing drawdown rate will begin to be realized during implementation. As mine workings are currently up to 25 metres below the local water table, a period will be required to lower water levels below existing mine-workings and ongoing development.

The Optimization Plan will be implemented independently of ongoing day-to-day operations, which will continue as usual during the implementation period. The Company expects to realize the full impact of the optimization program in the latter half of 2016.

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Continued Optimization of Platosa Operations

The goal of the Optimization Plan is to increase production rates and lower costs. The PEA is based on historical rates of dry versus wet mine production and development, with the identified 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.

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.

Update on Key Assumptions Optimization of Platosa Operations

Since the release of the PEA in July 2015, certain key assumptions and cost inputs varied due to revisions to the plan, including the capital expenditures revisions described above, and external factors such as economic factors and commodity prices, each of which factors may positively or negatively impact the results of the PEA study. Key changes in assumptions, excluding change in commodity prices, are reflected below:

Description	PEA as at July 2015	Current
Capital Expenditure	\$9.9M	\$6.0M
Energy cost per KWH	\$0.13	\$0.06
Foreign exchange rate		
CDN/USD	1.25	1.25
PESO/USD	14.50	17.75

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EXPLORATION

Platosa Property

The initial mining concessions and private lands comprising the property were acquired by the Company in 1996. In 2015 and following a thorough review of the property's exploration potential a decision was made to reduce its size in the face of constantly-increasing and onerous government holding costs. This Platosa property now covers 20,947 ha and more than adequately covers and protects the area Company geologists believe has the potential to host new CRD deposits. The La Platosa Mine exploits a series of typical, though very high-grade, massive sulphide, distal CRD silver, lead, zinc manto deposits located strategically in the middle of the prolific Mexican CRD Belt. Diamond drilling results in 2013 and 2014 continued to confirm that the Platosa property holds considerable potential for the discovery of additional high-grade manto mineralization and for the discovery of large-tonnage, though lower grade, proximal CRD mineralization. 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
- **Deposit morphology** – 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, metallurgically straight-forward and given that they are limestone-hosted, the environmental impact of tailings disposal is generally minimal as the carbonate gangue material reduces the likelihood of acid mine drainage.

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.

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 drilling carried out in the resource area after preparation of the previous estimate as at December 31, 2013 therefore the new estimate was essentially a measure of mining depletion during calendar 2014. There was no diamond drilling conducted on the property during 2015 and mine production was 54,485 tonnes. Less than 10% of that was from within the December 31, 2014 resource block model and it is the Company's opinion that there has been no material change in the Mineral Resource of the La Platosa Mine since the December 31, 2014 estimate and that resource estimate remains current. A summary of the December 31, 2014 estimate is shown in the table

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below and the technical report supporting the PEA can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

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 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.

During Q1 2016 exploration activity at Platosa remained at a low level as part of the Company's cash-conservation program. In general, recent exploration at Platosa has focused on two target types and this focus is being maintained as Company geologists plan future programs on the property, a large portion of which remains underexplored.

The first target is located in an irregularly-shaped area extending roughly 1.5 km from the La Platosa Mine. In this area the objectives are as follows:

- To further add to the known distal-style, high-grade CRD Mineral Resources and to discover new mantos by drilling the geological, structural and geophysical targets generated by detailed study of the Company's previous drilling results and various geotechnical surveys. This follows 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 was encountered in early-2013 drilling and some of this mineralization is included in the current Mineral Resource estimate;
- Outside of the immediate manto area drilling has been limited and where it has been carried out the favourable heterolithic fragmental limestone unit, which hosts all the high-grade massive sulphide mineralization discovered to date at Platosa, has been intersected consistently. There is ample room to find new mantos or a cluster of mantos in a large semi-circular area extending north, northeast, east and southeast of the known mantos.

The second area encompasses the vast majority of the remainder of the property, including a portion of the first area. Within this area the objectives are as follows:

- To pursue the potential for larger-volume medial and proximal CRD mineralization, referred to as the Source. Geological evidence of this potential has been found in a number of drill holes completed since

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2008 in particular in the Rincon del Caido ("Rincon") area approximately 1.0 km NW of the Guadalupe Manto. A concentrated drilling program at Rincon between early 2012 and April 2013 resulted in 13 holes intersecting significant Source-style skarn Ag, Pb, Zn sulphide mineralization hosted by marble beneath the contact with a relatively impermeable hornfels unit. The mineralization is also anomalous in Au, a new and positive development at Platosa. In addition to being of potential economic importance Au can serve as a vectoring tool for future drilling. The Company believes that the sulphide-rich skarn mineralization at Rincon may be traceable to a large-tonnage proximal CRD deposit that has been the ultimate object of the Company's exploration program since it acquired the Platosa property; and

- Continue to evaluate geophysical technologies that may complement those which have already demonstrated success as targeting tools. Natural Source and Controlled Source Audio Magnetotelluric ("NSAMT" and "CSAMT," or generally "MT") ground geophysical surveys and airborne electromagnetic ("AEM") surveys carried out at various times during the exploration history of the property have demonstrated such success and it was while testing NSAMT-interpreted structures in 2005 and 2006 that the Guadalupe and Guadalupe South mantos were discovered. During a re-examination of a 2007 AEM survey a subtle anomaly was noted in the Rincon area and was one of the reasons drilling was resumed there in 2012. More recently the Company tested the applicability of seismic methods to the search for both manto and Source mineralization. In recent years seismic surveying, traditionally associated with petroleum exploration, has been tested successfully by several mining companies over and near known hard-rock mineral deposits and 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. Although the survey did not detect the known mantos structure plays a very important role in the emplacement of both proximal and distal CRD mineralization and having more precise knowledge of the structural environment underlying the property will aid exploration. More recently Company geologists have been re-examining the extensive Platosa geophysical database and in late Q1 engaged Geotech Ltd. to carry out a reprocessing and reinterpretation of all the Company magnetic data with the objective of obtaining a more detailed structural picture of the property. Depending on the results this exercise may be extended to other portions of the geophysical data set taking advantage of techniques and software unavailable when the data were acquired.

Exploration drilling at Platosa remains temporarily halted due to the continued low price of silver, however, planning for additional drilling continues. 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 once drilling resumes additional holes will be drilled in the NE-1 Manto and 6A Manto areas. Holes have also been planned for previously inaccessible areas northeast of but close to NE-1. The planning exercise includes revisiting all the geophysical data gathered for the property, particularly since 2007, highlighting anomalies and anomalous areas that combined with the Company's drilling-based geological database may be more important than once thought. This review has already had an impact and to date geophysical information from the 2007 Aeroquest AEM survey, the 2008 gravity survey and 2010 Geotech ZTEM AEM survey have been integral to the generation of several new drill targets. With regard to exploration for a large-tonnage proximal deposit the emphasis will again be on the Rincon del Caido area. Geological data indicate that the Rincon skarn mineralization area lies on the edge of a much larger system and the 3D model completed in early 2014 has generated vectors and a starting point for future drilling as the Company works to shorten the time line to discovery. The consistent presence of anomalous gold is another important characteristic of the Rincon mineralization and it is reasonable to assume that the gold content will increase as drilling approaches the heart of the system. Increased gold would have an important positive impact on the economics of a proximal CRD deposit in the Rincon area. The

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following table documents several of the significant intersections cut to date at Rincon corridor northwest of the La Platosa Mine:

Location	DDH No.	Interval From (m)	Interval To (m)	Interval Width (m)*	Silver (g/t)	Lead (%)	Zinc (%)	Gold (g/t)
Rincon del Caido	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
	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.								

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 Ag, Au, Pb, and Zn. 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.

Qualified Person

Mr. John Sullivan, BSc., PGeo., Excellon's Vice President of Exploration 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. Sullivan is an economic geologist with over 40 years of experience in the mineral industry. Prior to joining Excellon in 2007, he was a senior geologist at a Toronto-based international geological and mining engineering consulting firm where he evaluated properties and prepared NI 43-101 reports on gold and base metal projects

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in Canada and internationally. In addition, he has held senior positions with two large Canadian mining companies where he directed major exploration programs, managed field offices, and evaluated projects in Canada, Europe, Africa and Latin America.

COMMODITY PRICES AND MARKET CONDITIONS

Similar to Q4 2015, silver prices averaged under \$15/oz at \$14.84/oz in Q1 2016 compared to \$16.72/oz in Q1 2015. Both average lead and zinc prices rebounded during Q1 2016 to 0.79/lb and \$0.76/lb, respectively with most significant improvements since February 2016 as both metals averaged \$0.82/lb in March 2016. While low silver prices continue to impact the Company's revenues and operating profits, lead and zinc accounted in the aggregate for 40% of the Company's cash inflows from metals sold in Q1 2016 compared to 43% for the year 2015.

Average Commodity Prices	Q1 2016	Q1 2015	Change
Silver (\$/oz) ⁽¹⁾	14.84	16.72	-11%
Lead (\$/lb) ⁽²⁾	0.79	0.82	-4%
Zinc (\$/lb) ⁽²⁾	0.76	0.95	-19%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver (\$/oz) ⁽¹⁾	2016	14.02	15.07	15.42	16.26								
	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
	2014	19.91	20.83	20.74	19.71	19.36	19.78	20.92	19.80	18.49	17.19	15.97	16.24
Lead (\$/lb) ⁽²⁾	2016	0.75	0.80	0.82	0.78								
	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
	2014	0.97	0.96	0.93	0.95	0.95	0.95	0.99	1.01	0.96	0.92	0.92	0.88
Zinc (\$/lb) ⁽²⁾	2016	0.69	0.78	0.82	0.84								
	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
	2014	0.92	0.92	0.91	0.92	0.93	0.96	1.05	1.06	1.04	1.03	1.02	0.99

(1) Source: Kitco

(2) Source: LME



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FINANCIAL RESULTS OF OPERATIONS

Financial statement highlights for three-month periods ended March 31, 2016 and 2015 and December 31, 2015 are as follows (in thousands of US dollars):

	Q1 2016 \$	Q4 2015 \$	Q1 2015 \$
Revenues	4,261	2,477	5,055
Production costs	(3,269)	(3,318)	(4,560)
Depletion and amortization	(605)	(675)	(847)
Cost of sales	(3,874)	(3,993)	(5,407)
Earnings/(loss) from mining operations	387	(1,516)	(352)
Expenses:			
General and administration	(654)	(976)	(792)
Exploration	(137)	(123)	(226)
Other – including finance cost	(2,347)	769	524
Impairment of mineral rights	-	(662)	-
Income tax recovery	125	831	609
Net loss for the period	(2,626)	(1,677)	(237)
Adjusted net loss for the period	(736) ⁽¹⁾	(676) ⁽²⁾	(237)

- (1) Adjusted net loss reflects results before \$1.9 million fair value adjustment loss on embedded derivatives and warrants related to November 2015 convertible debenture financing. See below for further discussion.
- (2) Adjusted net loss reflects results before \$0.7 million impairment charge on DeSantis exploration property in Canada and \$0.3 million fair value adjustment loss on embedded derivatives and warrants related to the convertible debentures finance.

The Company recorded a net loss of \$2.6 million in Q1 2016 compared to a net loss of \$0.2 million in Q1 2015. The Company's adjusted net loss of \$0.7 million in Q1 2016 reflects the current period's results before recording a \$1.9 million fair value adjustment loss on embedded derivative and warrants related to the convertible debentures in accordance with IFRS, the amount which is included in finance cost (further discussed below). Q4 2015 adjusted net income reflects the period's results before recording a \$0.3 million fair value adjustment loss on embedded derivative and warrants related to the convertible debentures and an impairment of \$0.7 million on the DeSantis exploration property in Canada to reflect the estimated fair value of the property for its sale to Oban Mining Corporation ("Oban"), which is now expected to be completed in Q2 2016.

REVENUES: During Q1 2016, the Company generated lower net revenues of \$4.2 million compared to \$5.1 million in Q1 2015 primarily due to lower zinc production of 1.6 million pounds and realized price of \$0.81/lb in Q1 2016 compared to 2.3 million pounds and realized zinc price of \$0.93/lb in Q1, along with lower silver prices. Revenues improved from the previous quarter primarily due to accessing Rodilla mantos where grades in excess of 1,000 g/t Ag, 10% Pb and 10% Zn were mined, improving production to 329,200 silver equivalent ounces payable in Q1 2016 compared to 230,270 silver equivalent ounces in Q4 2015. During the period, water management at Platosa was effective at controlling inflows, though continues to limit productivity and development in the operation, particular in the 623 and Guadalupe South mantos.

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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.

As the silver price continued to be relatively stable in 2015 and 2016, revenues were not significantly impacted by any marked-to-market adjustment on provisionally priced sales that had not been settled at the end of 2015 and 2014. In Q1 2016, these marked-to-market adjustments on provisionally priced sales at the end of 2015 positively impacted revenues by \$0.2 million as provisional priced sales settled at higher prices in Q1 2016.

As at March 31, 2016, provisionally priced sales totalled \$3.1 million which are expected to settle at final prices during Q2 2016. A 10% increase or decrease in the price of silver, lead and zinc will result in a corresponding increase or decrease in revenues of \$0.3 million during Q2 2016.

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

	Q1 2016			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	2,910	987	1,053	4,950
Prior period provisional adjustments ⁽²⁾	188	45	11	244
Sales before TC/RC ⁽³⁾	3,098	1,032	1,064	5,194
Less: TC/RC ⁽³⁾				(933)
Total Sales				4,261

	Q1 2015			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	3,320	1,020	1,858	6,198
Prior period provisional adjustments ⁽²⁾	100	(27)	(2)	71
Sales before TC/RC ⁽³⁾	3,420	993	1,856	6,269
Less: TC/RC ⁽³⁾				(1,214)
Total Sales				5,055

(1) Includes provisional price adjustments on current period sales.

(2) Prior period sales that settled at amounts different from prior quarter's estimate or were unsettled and marked to market at provisional amounts at period end.

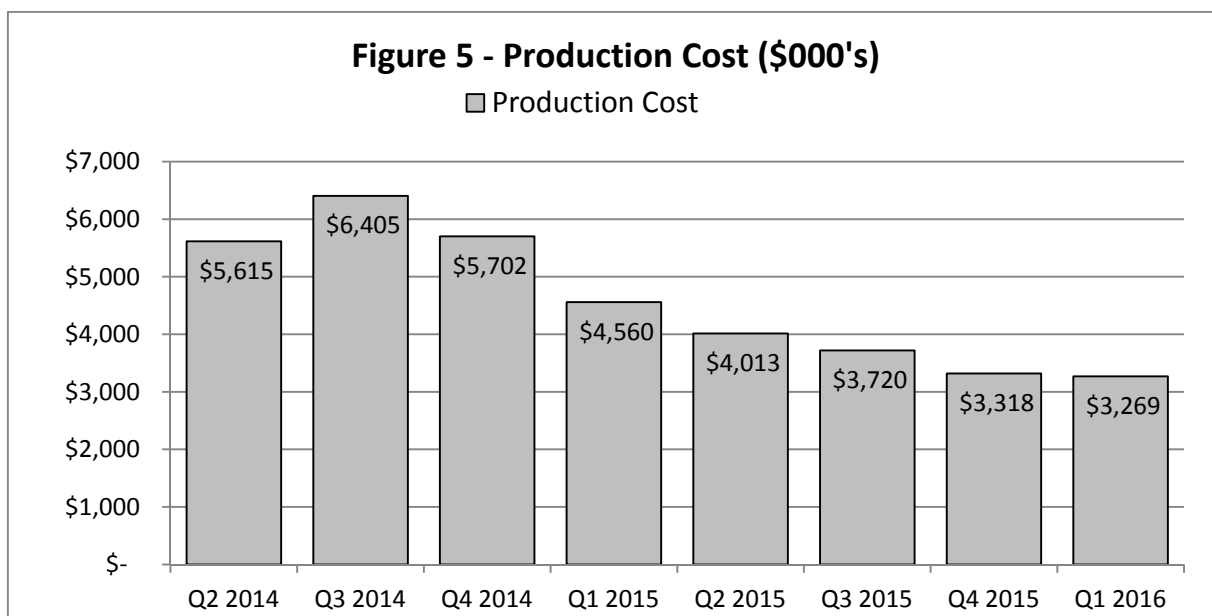
(3) TC/RC (Treatment Charges/Refining Charges).

COST OF SALES: The Company continued to realize significant cost reductions at its mining operations in Q1 2016. Cost of sales, which includes depletion and amortization, decreased by \$1.5 million to \$3.9 million in Q1 2016 compared to \$5.4 million of Q1 2015 representing a 28% improvement.

Excluding depletion and amortization, production cost decreased by 28% to \$3.3 million in Q1 2016 compared to \$4.6 million. Significant cost reductions were realized in pump and mobile equipment maintenance, which

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continued to decrease from Q2 2015 onwards as a result of improved maintenance programs which were implemented in Q1 2015. Figure 5 below reflects production costs for the last eight quarters, illustrating the trend of declining costs of sales. Overall unit costs continue to improve despite lower production, and should further be reflected in total cash costs when normal operational run rates are achieved.



CASH GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses of \$0.7 million in Q1 2016 decreased by 17% compared to Q1 2015, reflecting continued cost discipline at the corporate head office in Toronto. The cash component of general and administrative expenses was \$0.5 million in Q1 2016 compared to \$0.6 million in Q1 2015.

EXPLORATION: Exploration cost of \$0.1 million in Q1 2016 decreased compared to \$0.2 million in Q1 2015. Exploration activity continue to consist of re-logging drill core and carrying out desktop studies on previously completed drilling and surveying results. Plans for future drilling were prepared for several areas of the Platosa property. Exploration was limited during the quarter to conserve cash during the implementation of the Optimization Program.

OTHER EXPENSES: Other expenses include unrealized and realized foreign exchange gains and losses, fair value adjustment on embedded derivative and warrants related to the convertible debentures. The fair value adjustment derives primarily from the strong performance of the Company's stock during the period, with the market price increasing from \$0.31 as of December 31, 2015 to \$0.61 as of March 31, 2016, resulting in significant increases in valuation/cost upon the potential conversion or exercise of the debentures or warrants, respectively. In Q1 2016, the Company recorded losses of \$2.3 million comprised of foreign exchange loss of \$0.4 million and \$1.9 million fair value adjustment loss on embedded derivative and warrants related to the convertible debentures compared to \$0.5 million foreign exchange gain in Q1 2015.



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SUMMARY OF QUARTER RESULTS

The following table sets forth selected quarterly information for the last eight quarters (in thousands of US dollars except for per share amounts).

Quarter ended	Q1 2016 ⁽¹⁾	Q4 2015 ⁽²⁾	Q3 2015	Q2 2015
Revenue	\$ 4,261	\$ 2,477	\$ 4,599	\$ 4,036
Income (loss) before income taxes	\$ (2,751)	\$ (2,508)	\$ (1,318)	\$ (2,582)
Net income (loss)	\$ (2,626)	\$ (1,677)	\$ (1,305)	\$ (1,821)
Earnings (loss) per share – basic	\$ (0.05)	\$ (0.03)	\$ (0.02)	\$ (0.03)
– diluted	\$ (0.05)	\$ (0.03)	\$ (0.02)	\$ (0.03)
Cash flow from (used in) operations before changes in working capital	\$ 261	\$ (1,492)	\$ 382	\$ (1,187)

Quarter ended	Q1 2015	Q4 2014	Q3 2014 ⁽³⁾	Q2 2014
Revenue	\$ 5,055	\$ 4,234	\$ 7,205	\$ 8,792
Income (loss) before income taxes	\$ (846)	\$ (4,630)	\$ (2,388)	\$ (96)
Net income (loss)	\$ (237)	\$ (2,586)	\$ (17,870)	\$ (711)
Earnings (loss) per share – basic	\$ (0.00)	\$ (0.05)	\$ (0.33)	\$ (0.01)
– diluted	\$ (0.00)	\$ (0.05)	\$ (0.32)	\$ (0.01)
Cash flow from (used in) operations before changes in working capital	\$ 430	\$ (1,528)	\$ (1,077)	\$ 1,620

(1) Net Income includes fair value adjustment loss of \$1.9 million for embedded derivative liability and warrants related to the convertible debentures.

(2) Net income includes recognition of impairment charges of \$0.7 million on the DeSantis exploration property in Canada and

(3) Net income includes recognition of impairment charges of \$15.5 million on exploration properties 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.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2016 the Company's cash and cash equivalents totaled \$3.5 million (December 31, 2015 – \$3.5 million) and working capital totaled \$5.4 million (December 31, 2015 – \$5.5 million). As at March 31, 2016, the Company's trade receivables were \$2.0 million (December 31, 2015 – \$1.2 million).

During Q1 2016, net cash from operations was \$0.4 million (Q1 2015 – \$0.7 million used in operations).

The Company continued preparing the mine for the implementation of the Optimization Plan during Q1 2016. In Q1 2016, the Company invested \$0.6 million in capital expenditures for mine development compared to \$0.4 million in Q1 2015. While the Optimization Plan is implemented in Q2 and Q3 2016, 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.

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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.

On November 27, 2015 the Company completed a financing of \$4.8 million (CAD\$6.60 million) through the private placement of \$4.0 million (CAD\$5.61 million) principal amount of secured convertible debentures of the Company (the "Debentures") and the sale of a net smelter return royalty (the "NSR") on the Platosa Project for \$0.7 million (CAD\$0.99 million) (collectively, the "Debenture Financing").

- The Debentures have a term of four years and are convertible into common shares ("Common Shares") of the Company prior to maturity at a conversion price of CAD\$0.50 per Common Share. The Debentures bear interest at an annual rate of 3.75%, payable in cash semi-annually. Interest on the Debentures may alternatively be paid in Common Shares of the Company at the Company's option based on (i) the 10-day volume-weighted average price ("VWAP") of the Common Shares prior to the payment date and (ii) an effective rate of interest of 5% for the applicable period.
- On or after the second anniversary of the date of issue and prior to maturity, the Company may accelerate the conversion of the Debentures as follows: (i) 50% of the principal amount, provided that the 20-day VWAP of the Common Shares is CAD\$1.10; and (ii) the remaining 50% principal amount provided that the 20-day VWAP of the Common Shares is CAD\$1.40.
- The purchasers of the Debentures also acquired an aggregate of 2,002,772 Common Share purchase warrants ("Warrants"). Each Warrant shall be exercisable at a price of CAD\$0.50 for a period of four years from the date of issuance.
- On May 31, 2017 (the "Put Date"), Debenture holders shall have the option to request repayment in cash of the outstanding principal amount of the Debentures plus accrued interest by providing the Company with two months prior written notice and a one month period for repayment following the Put Date.
- The NSR shall apply to the Platosa Project and bears a rate of either (a) 1.25% in respect of manto or mineralization other than skarn mineralization or (b) 0.50% in respect of skarn or "Source" mineralization.
- In connection with the Debenture Financing, the Company granted 480,000 broker warrants (the "Broker Warrants") entitling the holder to purchase one Common Share at an exercise price of CAD\$0.50 per Common Share for a period of three years from the closing of the Financing.

On April 4, 2016, the Company completed a non-brokered equity private placement (the "Unit Financing") in the Company for gross proceeds of CAD\$3.0 million through the issuance of 6,666,667 units (each a "Unit") at a price of \$0.45 per unit. Each Unit comprised one common share and one half-share purchase warrant of the Company ("Warrant"). Each full Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.65 per share for a period of 24 months from the closing date.

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- A finder's fee of CAD\$60,000 was paid in respect of the Unit Financing. The Common Shares issued or the subsequent exercise of the Warrants are subject to a four-month hold period in accordance with applicable securities legislation.

On April 8, 2016 the Company closed the sale of the mining claims composing a portion of DeSantis exploration property in exchange for 620,400 common shares of Oban. The Oban shares are subject to a hold period of four months plus one day. The Company will further receive an additional 229,600 common shares of Oban on the transfer of the mining leases comprising the remainder of DeSantis for a total of 850,000 common shares of Oban, which is expected to be completed in Q2 2016.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During Q1 2016, the Company incurred legal services of \$20,000 (Q1 2015 – \$24,000). As at March 31, 2016, the Company had an outstanding payable balance of \$150,000 (March 31, 2015 – \$40,000).

COMMON SHARE DATA (as at May 10, 2016)

Common shares issued and outstanding	61,559,901
Stock options	1,383,331
DSUs	1,760,344
RSUs	1,109,911
Warrants	5,800,932
Total common shares (fully diluted)	<u>71,614,419</u>

RISK AND UNCERTAINTIES

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 Annual Information Form filed on SEDAR (www.sedar.com).

During Q3 2012, the Company sued the Ejido La Sierrita (the "Ejido") to terminate a surface rights agreement ("SRA") in respect of the surface rights to 1,100 hectares of exploration ground west and northwest of the La



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Platosa Mine and for various damages relating to an illegal blockade of the mine during Q3 and part of Q4 2012. The Ejido also sued for termination of the SRA, one week after being advised of Excellon's suit.

Since filing of the suits, the Agrarian Court has held a series of hearings between the Company and the Ejido. During these hearings, the Company demonstrated its willingness to negotiate a purchase or lease from the Ejido of 10 of the 1,100 hectares on which certain non-essential and movable infrastructure is located. This offer was made to avoid the time, cost and inconvenience of moving this infrastructure. To date, the Ejido has refused to negotiate in respect of these hectares and the Company will take such other legal measures as necessary to further its claims against the Ejido for damages.

The Company's decision to sue for rescission of the SRA was driven by a need to limit the risk exposure of the SRA on La Platosa production capabilities. This decision was subsequently validated and solidified by current capital markets conditions and has become an element of Excellon's business strategy. Excellon also intends to continue its suit against the Ejido for damages relating to the illegal blockade of the mine in 2012.

Excellon holds approximately 21,000 hectares of mineral and mining rights 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 Source of the La Platosa mantos.

In 2013, the Mexican tax authority (Servicio de Administración Tributaria – "SAT") in the state of Zacatecas completed an income tax audit of the 2008 and 2009 years in respect of one of the Company's Mexican subsidiaries. As a result of this audit, on February 24, 2014 and March 13, 2014 the Company received notice of reassessments from SAT for 2009 and 2008 respectively, denying deductions in the amount of 115.2 million pesos (\$6.7 million) and 72.9 million pesos (\$4.2 million), respectively, that relate primarily to foreign exchange losses. The combined impact of the 2009 and 2008 reassessments was a reduction in the available non-capital loss balance totaling 188.1 million pesos (\$10.9 million), which, consequently, would result in a reduction in the deferred tax asset balance of \$3.3 million and a corresponding increase in deferred income tax expense. Management believed that the Company's position on these deductions was strong, particularly as the SAT made adjustments to foreign exchange losses, but did not make offsetting adjustments to foreign exchange gains recognized in the same periods. Accordingly, the Company appealed the 2008 and 2009 reassessments through the SAT's appeal procedures.

In December 2014, the Company was notified by the SAT that a favourable resolution had been issued, confirming the Company's tax treatment of the foreign exchange losses in its 2009 annual tax return and has since received a formal tax reassessment notice. In October 2015, the Company was notified by the SAT that a further favourable resolution had been issued, confirming the Company's tax treatment of the foreign exchange losses in its 2008 annual tax return. The Company expects to receive the formal tax reassessments notice from the SAT reflecting this favourable resolution for 2008. Accordingly, management believes, based on the tax advice from its tax advisors that it is more likely than not that the Company's position will be sustained and no amounts related to this issue have been recorded in the financial statements as of March 31, 2016.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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



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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.

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 quarter ended March 31, 2016.

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:

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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 Company's most recent Annual Information Form 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.