



Management's Discussion & Analysis of Financial Results For the three and nine month periods ended September 30, 2016 November 1, 2016

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three and nine month periods ended September 30, 2016 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at November 1, 2016 and provides information on the operations of the Company for the three and nine month period ended September 30, 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 and nine month period ended September 30, 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"), 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.



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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").

THIRD QUARTER HIGHLIGHTS

(in 000's except ounces, amounts per share and per ounce)	Q3 2016	Q3 2015	9-Mos 2016	9-Mos 2015
Revenues ⁽¹⁾	\$ 4,009	\$ 4,599	\$ 13,640	\$ 13,690
Earnings/(loss) from mining operations	\$ (93)	\$ 136	\$ 1,614	\$ (1,008)
Net loss	\$ (7,012)	\$ (1,305)	\$ (14,016)	\$ (3,363)
Adjusted net profit/(loss) ⁽²⁾	\$ (1,035)	\$ (1,305)	\$ (919)	\$ (3,363)
Loss per share - basic	\$ (0.10)	\$ (0.02)	\$ (0.20)	\$ (0.06)
Adjusted profit/(loss) per share - basic	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.06)
Silver ounces produced	153,783	241,872	593,165	641,660
Silver ounces payable	138,472	217,138	541,408	585,140
Silver equivalent ounces produced	255,760	419,583	987,880	1,169,654
Silver equivalent ounces payable ⁽³⁾	228,172	372,485	891,922	1,056,748
Production cost per tonne ⁽⁴⁾	\$ 298	\$ 242	\$ 250	\$ 280
Total cash cost per silver ounce payable	\$ 17.95	\$ 11.58	\$ 12.24	\$ 14.01
All-in sustaining cost per silver ounce payable	\$ 40.85	\$ 15.76	\$ 24.11	\$ 19.94
Adjusted All-in sustaining cost per silver ounce payable ⁽⁵⁾	\$ 33.92	\$ 15.71	\$ 20.52	\$ 19.72
Average realized silver price per ounce sold ⁽⁶⁾	\$ 19.52	\$ 14.80	\$ 17.76	\$ 15.45

(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.

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- (2) Adjusted net losses for Q3 2016 and 9-mos 2016 reflect results before fair value adjustments on embedded derivatives and warrants related to convertible debentures issued in November 2015 (Q3 2016 – \$6.0 million; 9-mos 2016 \$13.3 million). The fair value adjustment derives from the strong performance of the Company's stock during each period (Q3 2016 – \$1.23 to \$1.88; 9-mos 2016 \$0.31 to \$1.88), resulting in significant increases in valuation/cost upon the potential conversion or exercise of the debentures or warrants, respectively.
- (3) Silver equivalent ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
- (4) Production cost per tonne includes mining and milling costs excluding depletion and amortization.
- (5) Adjusted AISC per silver excludes the relatively one-time sustaining capital expenditures associated with the "Platosa Optimization Plan", described below (associated cash expenditures were \$1.0 million in Q3 2016 and \$1.9 million during 9-Mos 2016).
- (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

Ore production during the third quarter was primarily from the Rodilla manto. A total of 11,207 tonnes of ore was mined during the quarter, a 20% decrease from the previous quarter. As the Company continued to access the Rodilla Manto ahead of schedule due to drier mining conditions, approximately 10,845 tonnes of ore were mined from Rodilla, with grades averaging approximately 516 g/t Ag, 4.71% Pb and 6.59% Zn. Rodilla workings are currently located in one of the deepest parts of the mine and ore is below the water table. During Q3, the Company continued development into lower levels of Rodilla, which limited productivity from the manto. The currently deepest areas of the mine, in Rodilla, Guadalupe South and 623, are at approximately the 960 elevation, with the water table at 975 elevation. Though these areas are effectively dry and water inflows are entirely under control, development and production conditions are not optimal. Mining conditions are expected to materially improve in the coming months as the pending increase in drawdown rate more rapidly closes the gap between the water table and operating elevations.

Additionally, development is focused on further accessing the Guadalupe South Manto and driving development into the 623 Manto, hosting mineral resources of 83,000 tonnes at 1,231 g/t Ag (1,766 g/t AgEq). The Company currently expects to access 623 Manto mineralization late in Q4, including targeting the mineralization intersected in drill hole EX16UG274, which intersected 662 g/t Ag, 4.9% Pb, 25.5% Zn and 0.57 g/t Au over 13.00 metres, representing the westward extension of the manto.

The Company continues to encounter additional mineralization outside of the block model adjacent to the Rodilla Manto and existing infrastructure. As delineated in the Platosa resource block model, the upper levels of the Rodilla Manto host undiluted resources grading approximately 800 g/t Ag, 7% Pb and 10% Zn. As in previous quarters, the Company mined materially higher grades outside the block model and continues to identify new zones of "bonus" mineralization, most recently on the 674 and 731 headings in Rodilla. Though the deposit is tightly drilled at 15 metre centres, 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 high-grade silver and lead are underestimated as such mineralization may be washed out during the diamond drilling process.

Approximately 760 tonnes of ore milled during the quarter were extracted from historic stockpiles and settling ponds at Platosa at minimal cost with grades of approximately 140 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. The Company expects to continue accessing and blending this low cost ore in coming quarters.



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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. 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 427 g/t in Q3 2016 decreased by 22% compared to silver grades of 547 g/t mined in Q3 2015, partially due to the lower head grade of ore produced from the 6A Manto and in processed stockpiles. Lead grades of 4.14% decreased 13% compared to Q3 2015 (4.75%). Zinc grades of 5.49% decreased by 28% compared to Q3 2015 (7.66%) respectively. The reduction in Pb and Zn head grades during the quarter was also partially due to lower grades from the 6A Manto and processed stockpiles.

Silver recoveries of 90.4% in Q3 2016 were comparable to recoveries in Q3 2015. Lead recoveries of 82.1% represent a 3% improvement from Q3 2015 (79.9%). Zinc recoveries of 81.3% were comparable to 81.7% in Q3 2015. Fluctuations in metal recoveries occur in the ordinary course depending on the nature and grade of the ore being processed during the period.

Silver production in Q3 2016 of 153,783 ounces reflects the combined effect of the 22% lower grade and 22% lower volume when compared to Q3 2015. Lead production of 0.9 million pounds was 30% lower than Q3 2015 due to the low tonnage combined with 13% lower grade. Similarly, zinc production of 1.2 million pounds was 45% lower than Q3 2015 due to low tonnage combined with 28% lower zinc grade. Overall, the Company produced 255,760 silver equivalent ounces in Q3 2016 compared to 419,583 silver equivalent ounces in Q3 2015 and 368,568 silver equivalent ounces in the previous quarter.

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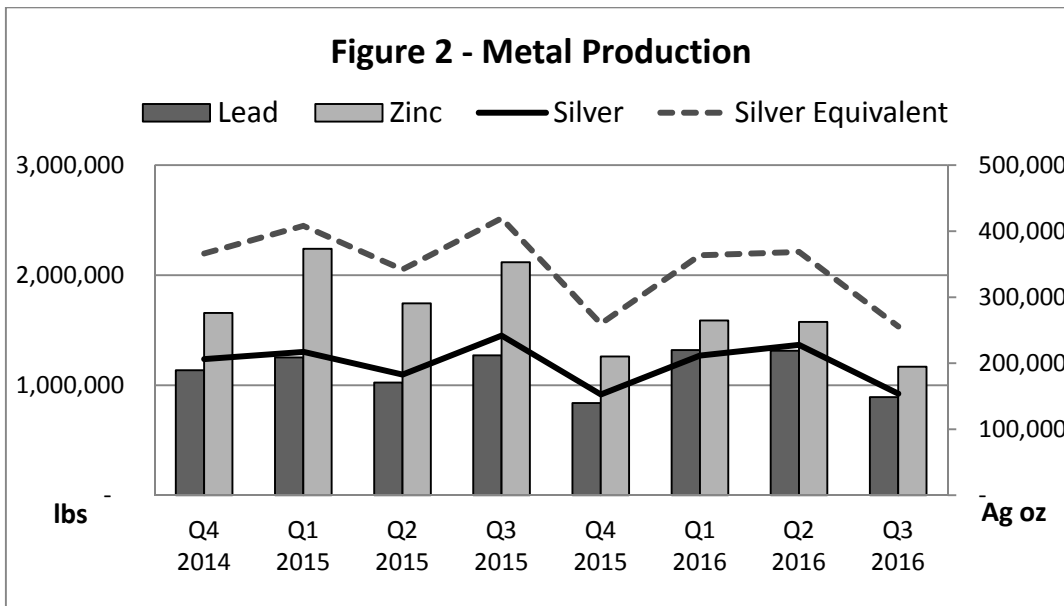
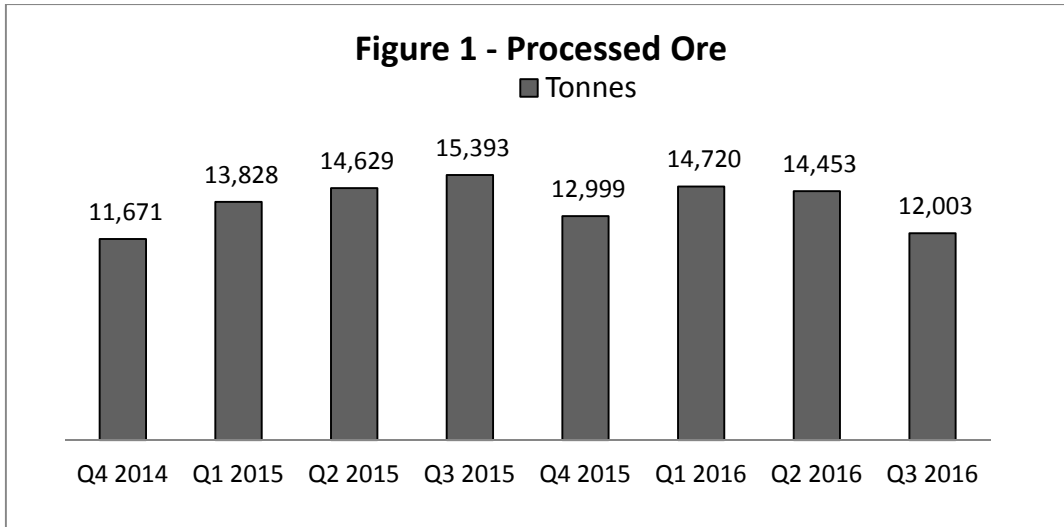
Platosa Mine production statistics for the periods indicated were as follows:

	Q3 2016 ⁽¹⁾	Q3 2015 ⁽¹⁾	9-Mos 2016 ⁽¹⁾	9-Mos 2015 ⁽¹⁾
Tonnes of ore produced	11,207	13,711	37,914	41,339
Tonnes of ore processed	12,003	15,393	41,176	43,850
Ore grades:				
Silver (g/t)	427	547	485	516
Lead (%)	4.14	4.75	4.71	4.83
Zinc (%)	5.49	7.66	6.01	7.76
Recoveries:				
Silver (%)	90.4	90.9	90.7	89.0
Lead (%)	82.1	79.9	82.4	77.1
Zinc (%)	81.3	81.7	79.7	81.8
Production:				
Silver – (oz)	153,783	241,872	593,165	641,660
Silver equivalent (oz) ⁽²⁾	255,760	419,583	987,880	1,169,654
Lead – (lb)	891,424	1,271,847	3,523,537	3,549,455
Zinc – (lb)	1,169,029	2,117,874	4,333,038	6,101,866
Payable : ⁽³⁾				
Silver – (oz)	138,472	217,138	541,408	585,140
Silver equivalent (oz) ⁽²⁾	228,172	372,485	891,922	1,056,748
Lead – (lb)	839,967	1,206,366	3,351,979	3,432,209
Zinc – (lb)	980,621	1,759,871	3,646,971	5,213,110
Realized prices: ⁽⁴⁾				
Silver – (\$US/oz)	19.52	14.80	17.76	15.45
Lead – (\$US/lb)	0.88	0.76	0.82	0.80
Zinc – (\$US/lb)	1.03	0.79	0.92	0.87

- (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 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.

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





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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 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.

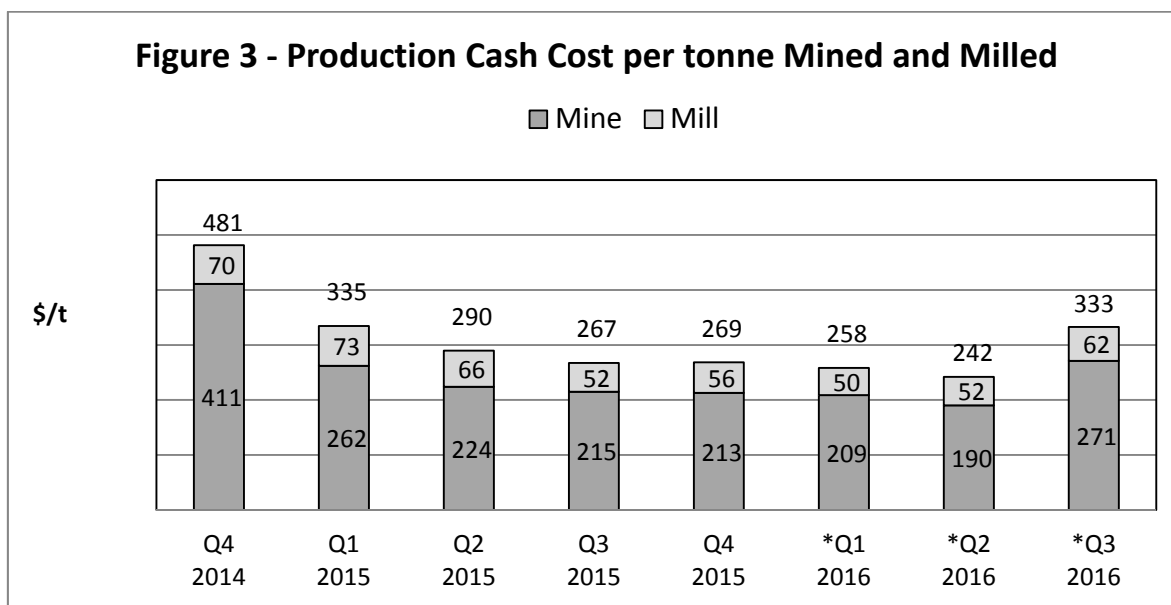
	Q3 2016	Q3 2015	9-Mos 2016	9-Mos 2015
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cost of Sales	4,102	4,463	12,026	14,698
Depletion and amortization	(525)	(743)	(1,739)	(2,405)
Production Costs (includes mining and milling)	3,577	3,720	10,287	12,293
Tonnes milled	12,003	15,393	41,176	43,850
Production cost per tonne milled (\$/tonne)	298	242	250	280

Production costs decreased to \$3.6 million during the quarter from \$3.7 million in Q3 2015 primarily due to continuous improved maintenance practices on pumps and mobile equipment and lower costs of consumables as fewer tonnes were mined. The increase in the cost per tonne during the quarter of \$298/t when compared to the \$242/t from the previous quarter is due to the lower volume mined during Q3 2016. The 9-Mos 2016 cost per tonne of \$250/t continues to be lower than the \$280/t of the same period in 2015, reflecting the longer term improvements made by the Company in respect of costs per tonne. The Company milled 760 additional tonnes of ore during the quarter that were extracted from historic stockpiles and settling ponds at Platosa at minimal cost, partially offsetting the effect of the lower volume of fresh ore produced during the quarter on the overall cost per tonne relative to 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 16% operating cost reduction during 9-Mos 2016 when compared with the same period in 2015. Approximately 15% of these cost savings relate to beneficial movements in exchange rate for the Mexican peso, while the other 85% 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 "Platosa Optimization Plan" described below.

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



- (1) Cost per tonne mined is based on mining cost in the period for produced tonnes at Platosa which excludes depreciation.
- (2) Cost per tonne milled is based on milling cost in the period for processed tonnes at the mill which excludes depreciation.
- (3) Total cost per tonne mined and milled in figure above more accurately reflects the cost per tonne in the period compared to figures reflected in the Production Cost per Tonne table which uses a total consolidated production cost on a per tonne milled basis, and as such, tonnage volume will provide variance in cost per tonne calculations.

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

TOTAL CASH COST PER SILVER OUNCE PAYABLE

Cost of sales decreased by 8% from \$4.5 million in Q3 2015 to \$4.1 million in Q3 2016, however, lower byproduct credits resulting from lower production resulted in a total cash cost of \$2.5 million in Q3 2016, comparable to Q3 2015. The Company delivered 138,472 silver ounces payable in Q3 2016 compared to 217,138 silver ounces payable in Q3 2015. The lower ounces produced during Q3 2016 resulted in an increased cash cost of \$17.95/oz compared to \$11.58/oz during Q3 2015.

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.



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

	Q3 2016	Q3 2015	9-Mos 2016	9-Mos 2015
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cost of sales	4,102	4,463	12,026	14,698
Adjustments - increase/(decrease):				
Depletion and amortization	(525)	(743)	(1,739)	(2,405)
Third party smelting and refining charges ⁽¹⁾	784	1,247	2,711	3,556
Royalties ⁽²⁾	(23)	(23)	(68)	(67)
By-product credits ⁽³⁾	(1,852)	(2,430)	(6,305)	(7,583)
Total cash cost net of by-product credits	2,486	2,514	6,625	8,199
Silver ounces payable	138,472	217,138	541,408	585,140
Total cash cost per silver ounce payable (\$/oz)	17.95	11.58	12.24	14.01

(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 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



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(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 was \$40.85 during Q3 2016 compared to \$15.76 in Q3 2015, primarily resulting from lower silver production in the quarter and increased capital investment into the mine development and Optimization Plan, described below. Total sustaining cost increased to \$3.2 million in Q3 2016 as \$2.1 million in sustaining capital expenditure was invested during the period, with significant expenditures of \$1.0 million related to the Optimization Plan, \$0.4 million in a new scoop tram, and increased mine development of \$0.6 million which includes developing a \$0.2 million robbins raise ventilation expected to be completed in Q4 2016. Despite improved silver prices in Q3 2016, further cost reductions in general administration and operational expenditure will continue.

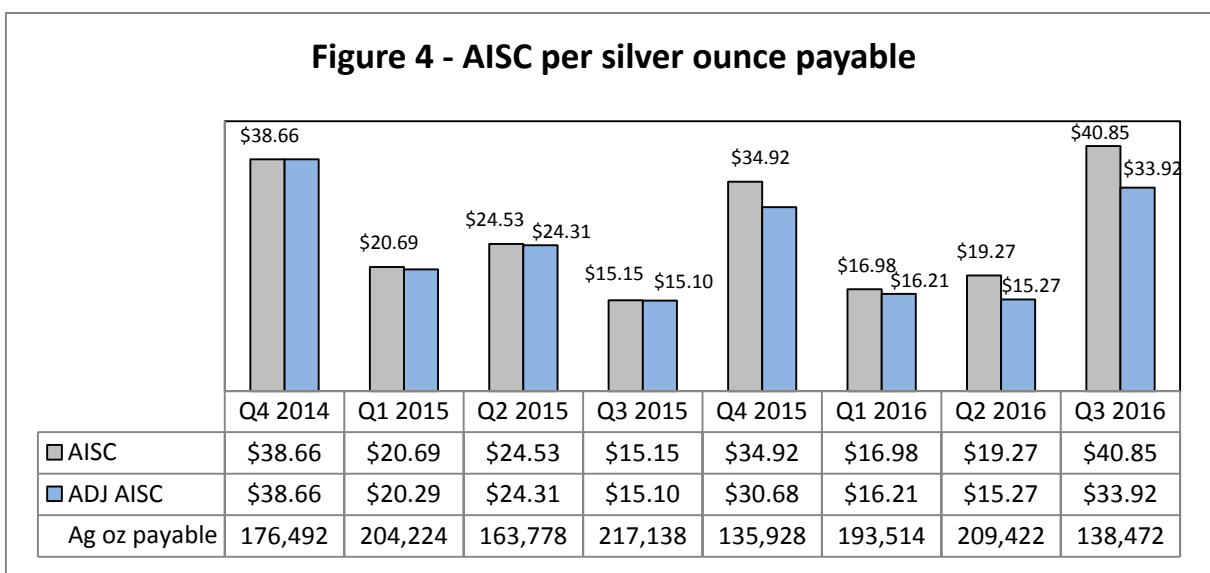
The table below presents details of the AISC per silver ounce payable calculation.

	Q3 2016	Q3 2015	9-Mos 2016	9-Mos 2015
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Total cash costs net of by-product credits	2,486	2,514	6,625	8,199
General and administrative costs (cash)	605	515	1,637	1,677
Share based payments (non-cash)	302	118	500	510
Accretion and amortization of reclamation costs (non-cash)	21	34	69	108
Sustaining exploration (manto resource exploration/drilling)	159	108	430	380
Sustaining capital expenditures ⁽¹⁾	2,083	134	3,791	793
Total sustaining costs	3,170	909	6,427	3,468
All-in sustaining costs	5,656	3,423	13,052	11,667
<i>Silver ounces payable</i>	138,472	217,138	541,408	585,140
All-in Sustaining cost per silver ounce payable (\$/oz) ⁽²⁾	40.85	15.76	24.11	19.94
Adjusted All-in Sustaining cost per silver ounce payable (\$/oz) ⁽³⁾	33.92	15.71	20.52	19.72
Realized silver price per ounce sold ⁽⁴⁾	19.52	14.80	17.76	15.45

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- (1) Capital expenditure includes sustaining capital expenditures and capitalized development costs.
- (2) Excluding non-cash items, AISC per silver ounce payable was \$38.51 (Q3 2016), \$15.07 (Q3 2015), \$23.05 (9-Mos 2016) and \$18.88 (9-Mos 2015).
- (3) Adjusted AISC per silver excludes the relatively one-time sustaining capital expenditures associated with the "Platosa Optimization Plan", described below (associated costs were \$1.0 million in Q3 2016 and \$1.9 million in 9-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.

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



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.

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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 contains 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 120 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.

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	• 118% after-tax IRR with a 1.9 year payback on invested capital	
NPV	• \$39 million after-tax NPV ^{7.5%}	
Mine Life	• 6 years (2015-2020)	
Invested Capital	• \$9.9 million (prior to revisions)	
	LOM (2015-2020)	Peak Production (2016-2019)

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Optimization Plan Base case of \$17/oz silver, \$0.90/lb lead, \$1.00/lb zinc		
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.

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.

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

As currently being implemented, the Optimization Plan consists of a pumping installation near each of the high-grade Guadalupe South and 623 mantos. At Guadalupe South, infrastructure will include eight wells and associated 250hp submersible pumps, the primary sump and four 600hp booster pumps, while 623 will include six wells and associated 250hp submersible pumps, a secondary sump and three 600hp booster pumps. During Q3, the Company completed all material development required for this infrastructure, including the development of pumping stations, electrical and booster stations and both sumps. Drilling of wells continued during the quarter and accelerated materially in September. As noted, previously, the Company switched drill contractors early in Q3 and, after working through certain adjustments with the second contractor, began to



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see excellent performance in September. The Company has added an additional rig to the program with the aim of completing well drilling during Q1 2017.

During Q4 2016, the Company expects to complete the installation of booster pumps in Guadalupe South and commence pumping from an additional four, and subsequently six, dewatering wells at this installation. These pumps are in addition to two temporary submersible pumps that now pump directly to surface (which these pumps will be replaced with higher efficiency submersibles in due course). The activation of the additional four wells is estimated to increase drawdown (or drying) rates by approximately 150% (of the program's targeted 300% increase in drawdown rates) on a conservative basis. As noted previously, the Company has realized materially faster drawdown rates than forecast at higher pumping rates, so the initiation of these four wells will be an important initial indicator of the upside potential of the Optimization Plan.

The Optimization Plan remains on budget and the Company and its consultants continue to identify opportunities to complete the project at costs below initial targets. Based on recently accelerated well drilling, the Company aims to complete the installation by the end of Q1 2017 and targets a completely dry Platosa Mine during Q2 2017.

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 Regarding Optimization Plan

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:

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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	1.31
PESO/USD	14.50	18.75

EXPLORATION

Platosa Property

The initial mining concessions and private lands comprising the property were acquired by the Company in 1996 and 1997. 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 increasingly 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.

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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 the first half of 2016 mine production was 26,706 tonnes from within and outside of the resource block model. 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 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.Geol., 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 Q3 2016 exploration activity at Platosa ramped up with the commencement of a 25,000 metre surface drilling program. This program consisting of surface and underground drilling has three specific objectives:

1. The short-term objective is to continue to define and delineate additional tonnes of high-grade mineralization around existing mine infrastructure. This program will include drilling around the edges of the resource, upgrading parts of the inferred resource and testing new exploration theories around the current footprint of the mine.
2. The medium term objective of this project is to continue to grow and explore the resource base, particularly where it remains open, such as on the NE-1 corridor.
3. The third and longer-term objective of this program is to continue to grow the regional exploration understanding of the Platosa concessions and define and delineate additional targets with the intention of defining a second resource over time on the property. The most advanced target to date that will be further tested as part of this program is the Rincon del Caido discovery, which was last drilled in 2012/13 and returned results including, 132 g/t Ag, 3.1% Zn, 1.7% Pb and 0.075 g/t Au over 55.5 metres in LP1019, 146 g/t Ag, 2.8% Pb, 1.9% Zn and 0.22 g/t Au over 43.4 metres in LP 1023A and 13 g/t Au, 21 g/t Ag, 0.7% Pb and 3.6% Zn over 7.3 metres in LP 1038.

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At the end of the third quarter the Company had completed approximately 1,000 metres of the program. Initial results from this program and results of drilling from surface and underground include:

DDH No.	Interval ⁽¹⁾		Interval ⁽²⁾	Au	Ag	Pb	Zn	AgEq ⁽³⁾
	From	To	meters	g/t	g/t	%	%	g/t
EX16UG274	23.00	36.00	13.00	0.57	662	4.92	25.53	1886
PH16-13	7.16	9.93	2.77	-	773	11.77	6.27	1438
PH15-03	23.23	23.60	0.37	-	2991	5.01	4.81	3357
PH15-04	29.47	29.80	0.33	-	2272	18.60	1.55	2992
PH16-19 A	22.12	22.54	0.42	-	1751	6.73	3.32	2132
EX16LP1100	90.75	92.90	2.15	-	167	1.18	1.92	276
EX16LP1101	94.66	96.49	1.83	-	115	1.01	1.90	226

(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 in order to estimate true thicknesses.

(3) AgEq in drill results assumes \$17.50 Ag, \$1,265 Au, \$0.90 Pb and \$1.01 Zn with 100% metallurgical recovery.

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

Drilling for Q4 2016 will continue to focus on expanding the current footprint of manto mineralization at Platosa, with a second rig planned for surface drilling in the coming months. This rig 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.

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 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

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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 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. In addition the Company has 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 Pierna or NE-1, 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 aids exploration. More recently the Company has been re-examining the extensive Platosa geophysical database and in Q1 engaged Geotech Ltd. to carry out reprocessing and reinterpretation of all the Company magnetic data with the objective of obtaining a more detailed structural interpretation of the property. This data was received in Q3 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.

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 for previously inaccessible areas northeast of but close to the NE-1 Manto. With regard to exploration for a large-tonnage proximal deposit the emphasis will again be on the Rincon del Caido area northwest of the La Platosa Mine. 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

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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 following table documents several of the significant intersections cut to date at Rincon:

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. 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.

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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.

COMMODITY PRICES AND MARKET CONDITIONS

Silver prices continued to improve in Q3 2016, averaging \$19.62/oz, a 32% improvement from \$14.91/oz in Q3 2015. Lead prices during Q3 2016 of \$0.85/lb improved by 9% compared to \$0.78/lb average in Q3 2015. Zinc prices significantly improved to \$1.02/lb in Q3 2016, a 22% increase from Q3 2015. While relatively low silver prices continue to impact the Company's revenues and operating profits, lead and zinc accounted in the aggregate for 39% of the Company's cash inflows from metals sold in Q3 2016 compared to 42% for the year 2015.

Average Commodity Prices	Q3 2016	Q3 2015	Change	9-Mos 2016	9-Mos 2015	Change
Silver (\$/oz) ⁽¹⁾	19.62	14.91	32%	17.08	16.01	7%
Lead (\$/lb) ⁽²⁾	0.85	0.78	9%	0.81	0.83	-3%
Zinc (\$/lbs) ⁽²⁾	1.02	0.84	22%	0.89	0.93	-4%

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	16.89	17.18	19.93	19.64	19.28			
	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	0.78	0.78	0.83	0.85	0.88			
	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	0.85	0.92	0.99	1.04	1.04			
	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 and nine-month periods ended September 30, 2016 and 2015 are as follows (in thousands of US dollars):

	Q3 2016 \$	Q3 2015 \$	9-Mos 2016 \$	9-Mos 2015 \$
Revenues	4,009	4,599	13,640	13,690
Production costs	(3,577)	(3,720)	(10,287)	(12,293)
Depletion and amortization	(525)	(743)	(1,739)	(2,405)
Cost of sales	(4,102)	(4,463)	(12,026)	(14,698)
Earnings/(loss) from mining operations	(93)	136	1,614	(1,008)
Expenses:				
General and administration	(944)	(679)	(2,263)	(2,333)
Exploration	(228)	(148)	(536)	(562)
Other income (expense)	440	(606)	141	(778)
Impairment of mineral rights	-	-	156	-
Net Finance Cost	(6,100)	(21)	(13,655)	(65)
Income tax recovery	(87)	13	527	1,383
Net loss for the period	(7,012)	(1,305)	(14,016)	(3,363)
Adjusted net loss for the period	(1,035) ⁽¹⁾	(1,305)	(919) ⁽²⁾	(3,363)

- (1) Adjusted net profit reflects results before \$6.0 million fair value adjustment loss on embedded derivatives and warrants related to convertible debenture issued in November 2015. See below for further discussion.
- (2) Adjusted net profit reflects results before \$13.3 million fair value adjustment loss on embedded derivatives and warrants related to convertible debentures issued in November 2015 and \$0.2 million reversal of impairment on DeSantis exploration property sold in the period. See below for further discussion.

NET LOSS AND ADJUSTED NET LOSS: The Company recorded a net loss of \$7.0 million in Q3 2016 compared to a net loss of \$1.3 million in Q3 2015. The Company's adjusted net loss of \$1.0 million in Q3 2016 reflects the current period's results before recording a \$6.0 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).

For the 9-mos 2016, the Company recorded a net loss of \$14.0 million compared to a net loss of \$3.4 million in the 9-Mos 2015. The Company's adjusted net loss for the 9-mos 2016 was \$0.9 million before (i) a \$13.3 million fair value adjustment loss on embedded derivative and warrants related to the convertible debentures and (ii) a \$0.2 million reversal of impairment on DeSantis exploration property sold in the period.

REVENUES: During Q3 2016, the Company generated lower net revenues of \$4.0 million compared to \$4.6 million in Q3 2015. Although silver equivalent payable ounces of 228,172 oz in Q3 2016 were 39% lower compared to Q3 2015, average realized silver price improved by 32% to \$19.52 over the period, offsetting the impact on revenues for the quarter. During the period, water management at Platosa was effective at controlling inflows, though water pressure in the deepest parts of the mine continues to limit productivity and development, particularly in the 623 and Guadalupe South mantos, and parts of the Rodilla Manto.



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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, lead and zinc price improved in Q3 2016, revenues were positively impacted by marked-to-market adjustment on provisionally priced sales that had not been settled at the end of Q2 2016. In Q3 2016, these marked-to-market adjustments on provisionally priced sales at the end of Q2 2016 positively impacted revenues by \$0.3 million (Q3 2015 – negative adjustment of \$37,000).

During the 9-mos 2016, these marked-to-market adjustments on provisionally priced sales at the end of 2015 positively impacted revenues by \$0.3 million (9-mos 2015 – positive adjustment of \$0.1 million).

As at September 30, 2016, provisionally priced sales totaled \$1.5 million, which are expected to settle during Q4 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 \$0.2 million during Q4 2016.

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

	Q3 2016			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	2,657	757	1,033	4,447
Prior period provisional adjustments ⁽²⁾	284	36	26	346
Sales before TC/RC ⁽³⁾	2,941	793	1,059	4,793
Less: TC/RC ⁽³⁾				(784)
Total Sales				4,009

	9-Mos 2016			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	9,842	2,817	3,427	16,086
Prior period provisional adjustments ⁽²⁾	203	48	14	265
Sales before TC/RC ⁽³⁾	10,045	2,865	3,441	16,351
Less: TC/RC ⁽³⁾				(2,711)
Total Sales				13,640

	Q3 2015			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	3,390	988	1,505	5883
Prior period provisional adjustments ⁽²⁾	26	18	(81)	(37)
Sales before TC/RC ⁽³⁾	3,416	1,006	1,424	5,846
Less: TC/RC ⁽³⁾				(1,247)
Total Sales				4,599

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	9-Mos 2015			Total \$
	Silver \$	Lead \$	Zinc \$	
Current period sales ⁽¹⁾	9,502	2,883	4,726	17,111
Prior period provisional adjustments ⁽²⁾	161	(20)	(6)	135
Sales before TC/RC ⁽³⁾	9,663	2,863	4,720	17,246
Less: TC/RC ⁽³⁾				(3,556)
Total Sales				13,690

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

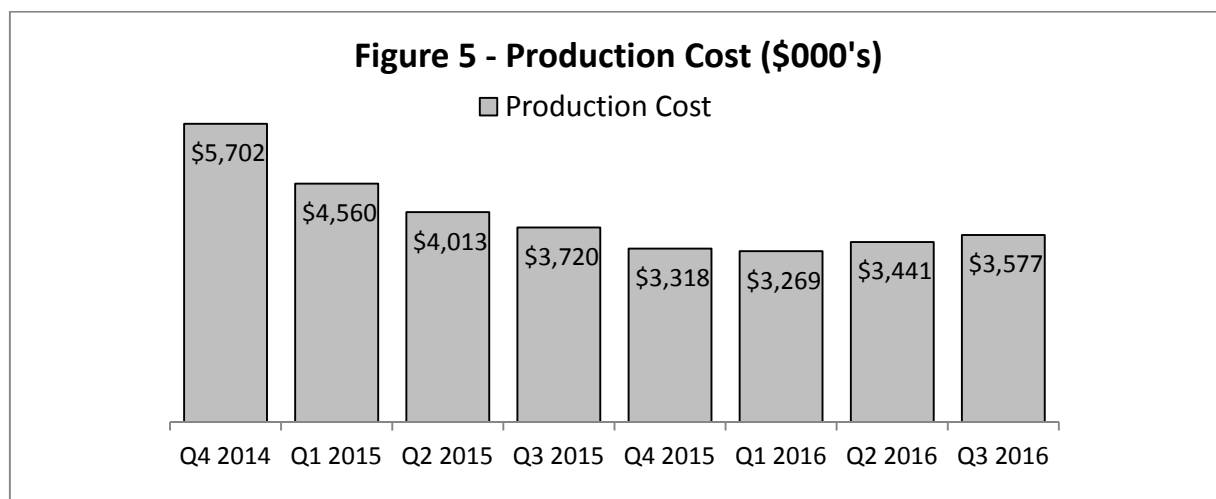
(2) Prior period sales that settled at amounts different from prior quarter's estimate or were unsettled and marked to market at provisional amounts at period end.

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

COST OF SALES: The Company continued to realize significant cost reductions at its mining operations in Q3 2016. Cost of sales, which includes depletion and amortization, decreased by \$0.4 million or 8% to \$4.1 million in Q3 2016 compared to \$4.5 million of Q3 2015.

Excluding depletion and amortization, production cost decreased by 4% to \$3.6 million in Q3 2016 compared to \$3.7 million in Q3 2015. For 9-mos 2016, cost of sales decreased by \$2.7 million to \$12.0 million compared to \$14.7 million in the same period of last year, representing an 18% decrease. Significant cost reductions continue to be realized in pump and mobile equipment maintenance, which continued to decrease from Q2 2015 onwards as a result of improved maintenance programs that were implemented in Q1 2015.

Figure 5 below reflects production costs for the last eight quarters, illustrating the trend of declining costs of sales in the implementation phase and has now provided a consistent cost profile in 2016, which the Company expects to further reduce upon completion of the Optimization Plan. Overall unit costs continue to improve despite lower production, and should further be reflected in total cash costs when normal and increased operational run rates are achieved.





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CASH GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses of \$0.9 million in Q3 2016 increased by 39% compared to Q3 2015, primarily resulting from the vesting of stock based compensation in the quarter. The cash component of general and administrative expenses was \$0.6 million in Q3 2016, a slight increase from \$0.5 million in Q3 2015 and in the prior quarter as the Company increased marketing and investor relation efforts, but continuing to reflect cost discipline at the corporate head office in Toronto.

EXPLORATION: Exploration cost of \$0.2 million in Q3 2016 was comparable to Q3 2015. Exploration activity at Platosa recommenced in Q3 2016 with 1,000 metres drilled late in the quarter. Plans for future drilling were prepared for several areas of the Platosa property, part of the 25,000 meter surface drilling program.

OTHER INCOME (EXPENSES): Other expenses include unrealized and realized foreign exchange gains and losses of the Company and unrealized gains and losses on marketable securities. During Q3 2016, the Company recorded a foreign exchange loss of \$0.1 million, which was offset by an unrealized gain on marketable securities of \$0.6 million from an increase in the value of common shares of Osisko Mining Corp. ("Osisko") that the Company received as consideration for the sale of the DeSantis exploration property in Q2 2016. For 9-mos 2016, the Company recorded foreign exchange loss of \$1.0 million, offset by a \$1.2 million unrealized gain on the common shares of Osisko for a net income of \$0.2 million in other expenses. In Q3 2015, the Company recorded a foreign exchange loss of \$0.6 million and \$0.8 million on a year to date basis for 2015.

NET FINANCING COST: Net financing cost consists primarily of fair value adjustments on embedded derivative and warrants related to convertible debentures issued in November 2015. Other components consist of accretion and interest expense related to the convertible debentures, and accretion of the rehabilitation provision for the mine and mill. 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, further increasing to \$1.23 as of June 30, 2016 and \$1.88 as of September 30, 2016, resulting in significant increases in valuation/cost upon the potential conversion or exercise of the debentures and/or warrants, respectively. In Q3 2016, the Company recorded net financing cost of \$6.1 million comprised primarily of \$6.0 million fair value adjustment loss on embedded derivative and warrants related to the convertible debentures. For the 9-mos 2016, the Company recorded \$13.7 million in net financing cost of which \$13.3 million was a fair value adjustment loss on embedded derivatives.



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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	Q3 2016 ⁽¹⁾	Q2 2016 ⁽²⁾	Q1 2016 ⁽³⁾	Q4 2015 ⁽⁴⁾
Revenue	\$ 4,099	\$ 5,370	\$ 4,261	\$ 2,477
Income (loss) before income taxes	\$ (6,925)	\$ (4,867)	\$ (2,751)	\$ (2,508)
Net income (loss)	\$ (7,012)	\$ (4,378)	\$ (2,626)	\$ (1,677)
Earnings (loss) per share – basic	\$ (0.10)	\$ (0.07)	\$ (0.05)	\$ (0.03)
– diluted	\$ (0.09)	\$ (0.07)	\$ (0.05)	\$ (0.03)
Cash flow from (used in) operations before changes in working capital	\$ (887)	\$ 482	\$ 261	\$ (1,492)

Quarter ended	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue	\$ 4,599	\$ 4,036	\$ 5,055	\$ 4,234
Income (loss) before income taxes	\$ (1,318)	\$ (2,582)	\$ (846)	\$ (4,630)
Net income (loss)	\$ (1,305)	\$ (1,821)	\$ (237)	\$ (2,586)
Earnings (loss) per share – basic	\$ (0.02)	\$ (0.03)	\$ (0.00)	\$ (0.05)
– diluted	\$ (0.02)	\$ (0.03)	\$ (0.00)	\$ (0.05)
Cash flow from (used in) operations before changes in working capital	\$ 382	\$ (1,187)	\$ 430	\$ (1,528)

- (1) Net Income includes fair value adjustment loss of \$6.0 million for embedded derivative liability and warrants related to convertible debenture issued in November 2015.
- (2) Net Income includes fair value adjustment loss of \$5.4 million for embedded derivative liability and warrants related to convertible debenture and \$0.16 million reversal of impairment on DeSantis exploration property sold in the period.
- (3) Net Income includes fair value adjustment loss of \$1.9 million for embedded derivative liability and warrants related to the convertible debentures.
- (4) 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.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016 the Company's cash and cash equivalents, and marketable securities totaled \$12.3 million (December 31, 2015 – \$3.5 million) and working capital totaled \$14.7 million (December 31, 2015 – \$5.5 million). As at September 30, 2016, the Company's trade receivables were \$2.4 million (December 31, 2015 – \$1.2 million).

During Q3 2016, net cash used in operations before changes in working capital was \$0.9 million (Q3 2015 – \$0.4 million from operations), result of lower revenues in the quarter and \$0.5 million used in operations after changes in working capital (Q3 2015 – \$1.5 million from operations after changes in working capital).

The Company continued implementing the Optimization Plan during Q3 2016. In Q3 2016, the Company invested \$1.0 million in capital expenditures for the Optimization Plan and \$1.1 million in sustaining capital



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expenditures which consists primarily of a \$0.4 million new scoop tram, and increased mine development of \$0.6 million which includes developing a \$0.2 million robbins raise ventilation. While the Optimization Plan is implemented over the remainder of 2016 and into early 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.

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.

Private Placement of Convertible Debentures

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 ("\$.50 Warrants"). Each \$.50 Warrant is exercisable at a price of CAD\$0.50 prior to November 27, 2019.

On the 18-month anniversary of the closing of the Debenture Financing (May 27, 2017 or 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 prior to November 27, 2018.



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Private Placement of Units

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 ("0.65 Warrant"). Each full \$0.65 Warrant entitles the holder to purchase one additional Common Share of the Company at a price of \$0.65 per share prior to April 4, 2018. A finder's fee of CAD\$60,000 was paid in respect of the Unit Financing

Sale of DeSantis Property

On June 6, 2016 the Company closed the sale of the mining claims composing a portion of DeSantis exploration property in exchange for 837,000 common shares of Osisko net of commission fees for a consideration value of \$843,000. As at September 30, 2016, the fair value of the Osisko shares was \$1.9 million and is recorded as marketable securities.

Bought Deal Public Offering of Units

On July 26, 2016, the Company completed an oversubscribed bought deal public offering (the "Bought Deal") of 13,250,000 units ("Public Units") at a price of CAD\$1.15 per Public Unit for gross proceeds of approximately CAD\$15.2 million. Each Public Unit comprises one Common Share and one half-warrant, with each whole warrant entitling the holder to acquire a Common Share at a price of CAD\$1.75 prior to July 26, 2018. A broker's fee of CAD\$914 was paid in respect of the Bought Deal and net proceeds after transaction costs were CAD\$13,953.

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 2016, the Company incurred legal services of \$13,000 (Q3 2015 – \$14,000). During the 9-Mos 2016, the Company incurred legal services of \$41,000 (9-mos 2015 – \$47,000). As at September 30, 2016, the Company had an outstanding payable balance of \$7,000 (September 30, 2015 – \$55,000).

COMMON SHARE DATA (as at November 1, 2016)

Common shares issued and outstanding	74,814,901
Stock options	1,403,331
DSUs	1,850,403
RSUs	1,245,000
Warrants	<u>12,425,932</u>
Total common shares (fully diluted)	<u>91,739,567</u>



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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 and in the "Risks Related to the Company and its Business" set out in the (final) short form prospectus dated July 19, 2016", both of which have been filed on SEDAR (www.sedar.com).

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. Subject to the outcome of this litigation, under the terms of the SRA, the Company is obligated to make annual payments of US\$400 to the Ejido subject to CPI adjustments.

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 has also commenced and is near completing the removal of all infrastructure from the aforementioned 10 hectares at marginal cost.

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 20,947 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.

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:



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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

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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 a single purchaser, a global commodities trader. Upon completion of the sale of such metal concentrates, the purchaser 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 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.



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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.

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 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 September 30, 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



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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 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



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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.