

Management's Discussion & Analysis of Financial Results For the three and six month periods ended June 30, 2018 July 27, 2018

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three and six month periods ended June 30, 2018 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at July 27, 2018 and provides information on the operations of the Company for the three and six month periods ended June 30, 2018 and 2017 and subsequent to the period end, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2018 and the audited consolidated financial statements and the related notes for the year end December 31, 2017 filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2017 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, and All-in Sustaining Cost ("AISC") per Silver Ounce Payable, all of which are Non-IFRS Measures. Please refer to the sections of this MD&A entitled "Production Cost per Tonne", "Total Cash Cost per Silver Ounce Payable" and "All-in Sustaining Cost per Silver Ounce Payable" for an explanation of these measures and reconciliation to the Company's reported financial results.

COMPANY PROFILE

Excellon is a primary silver mining and exploration company listed on the Toronto Stock Exchange trading under the symbol EXN. The Company is focused on optimizing the Platosa Mine's cost and production profile, discovering further high-grade silver carbonate replacement deposit ("CRD") mineralization on its 20,947-hectare Platosa Property located in northeastern Durango, Mexico and epithermal silver mineralization on its 14,000 hectare Miguel Auza Property on the northern Fresnillo silver trend in Zacatecas and capitalizing on the opportunity in current market conditions to acquire undervalued projects in the Americas.

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

COMMON SHARE DATA (as at July 27, 2018)

Common shares issued and outstanding	98,582,786
Stock options	1,724,999
DSUs	2,163,086
RSUs	2,710,711
Warrants (\$0.50)	1,851,046
Warrants (\$2.80)	3,696,875
Fully diluted common shares	<u>110,729,503</u>

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SECOND QUARTER HIGHLIGHTS

(in 000's except amounts per share, cost per tonne, ounces and per ounce)	Q2 2018	Q2 2017	6-Mos 2018	6-Mos 2017
Revenues ⁽¹⁾	\$ 9,877	\$ 3,570	\$ 15,788	\$ 6,983
Gross profit (loss)	\$ 3,850	\$ (1,009)	\$ 4,520	\$ (2,167)
Net Income (Loss)	\$ 1,254	\$ (502)	\$ 32	\$ (1,337)
Income (loss) per share – basic	\$ 0.01	\$ (0.01)	\$ 0.00	\$ (0.02)
Silver ounces produced	277,701	160,820	472,163	268,938
Silver ounces payable	249,309	139,428	415,385	255,555
Silver equivalent ounces produced	637,205	289,566	1,119,284	494,880
Silver equivalent ounces payable ⁽³⁾	568,370	249,733	975,364	465,655
Production cost per tonne ⁽⁴⁾	\$ 226	\$ 288	\$ 219	\$ 311
Total cash cost per silver ounce payable	\$ (1.07)	\$ 18.10	\$ 0.90	\$ 20.07
AISC per silver ounce payable	\$ 9.75	\$ 37.87	\$ 12.21	\$ 48.82
Average realized silver price per ounce sold ⁽⁶⁾	\$ 16.56	\$ 16.67	\$ 16.54	\$ 17.06

- (1) Revenues are net of treatment and refining charges. A reconciliation of revenues can be found in the section "Summary of Financial Quarterly Results" of this MD&A.
- (2) Silver equivalent ("AgEq") ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
- (3) Production cost per tonne includes mining and milling costs, excluding depletion and amortization.
- (4) Average realized silver price is calculated on current period sale deliveries and does not include prior period provisional adjustments recorded in the period.

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MINE OPERATION

Production

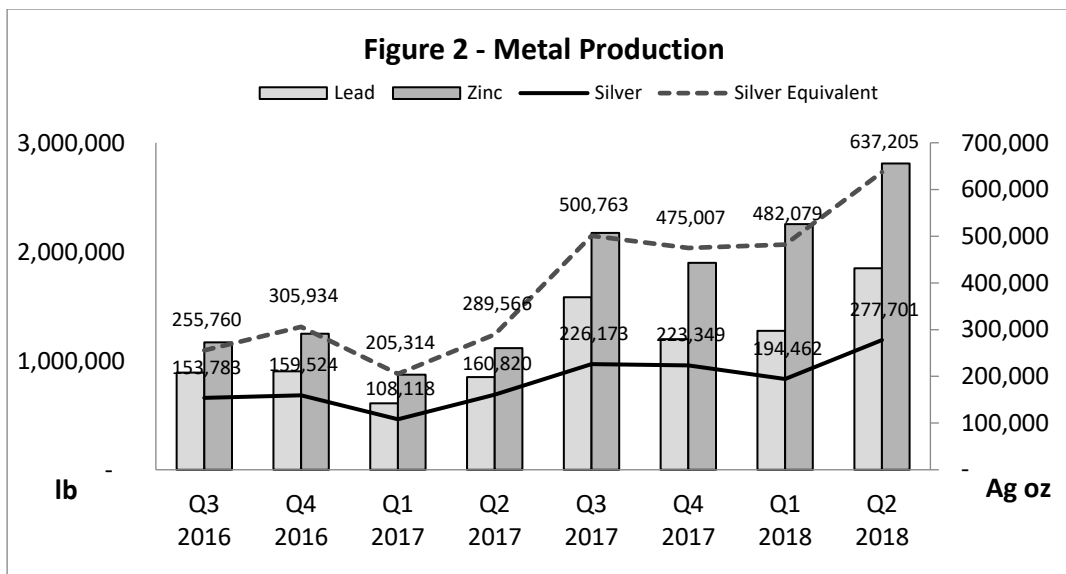
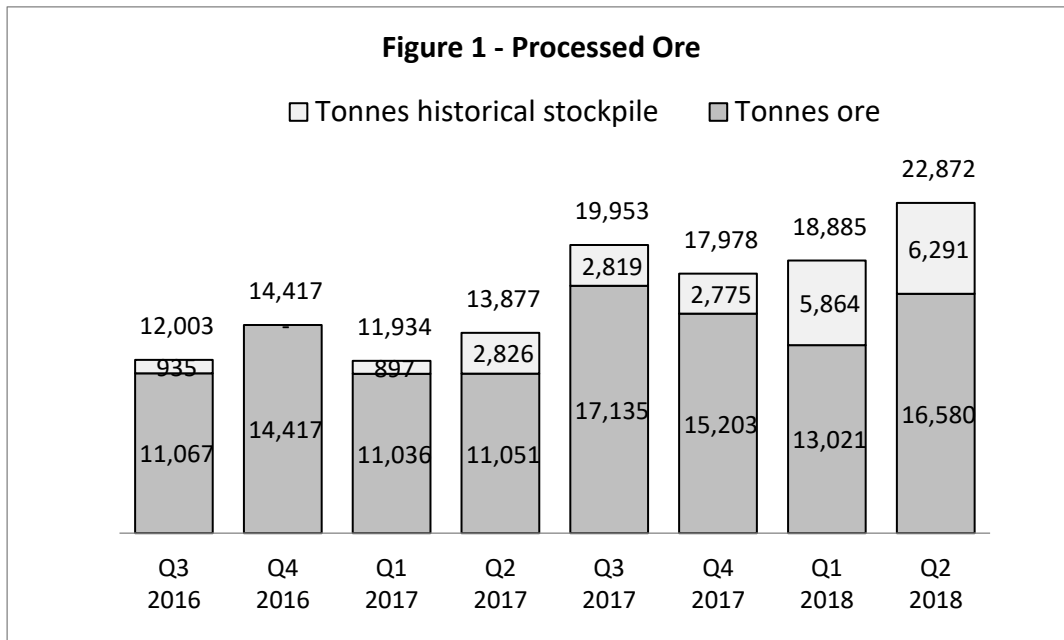
Platosa Mine production statistics for the periods indicated were as follows:

	Q2 2018⁽¹⁾	Q2 2017⁽¹⁾	6-Mos 2018⁽¹⁾	6-Mos 2018⁽¹⁾
Tonnes of ore produced	16,146	10,840	29,930	22,904
Tonnes of ore processed:	16,580	11,051	29,601	22,087
Tonnes of historical stockpile processed:	6,291	2,826	12,155	3,723
Total tonnes processed:	22,872	13,877	41,756	25,810
Ore grades:				
Silver (g/t)	507	451	478	390
Lead (%)	5.67	4.00	5.27	3.51
Zinc (%)	8.38	5.29	8.32	4.82
Historical stockpile grades:				
Silver (g/t)	172	171	174	172
Lead (%)	1.76	1.46	1.68	1.40
Zinc (%)	2.38	1.46	2.39	1.40
Blended head grade:				
Silver (g/t)	415	394	390	358
Lead (%)	4.59	3.48	4.23	3.21
Zinc (%)	6.73	4.51	6.59	4.33
Recoveries:				
Silver (%)	89.6	89.8	89.2	89.8
Lead (%)	80.2	80.4	80.8	80.8
Zinc (%)	82.2	80.7	82.9	81.3
Production:				
Silver – (oz)	277,701	160,820	472,163	268,938
Silver equivalent (oz) ⁽²⁾	637,205	289,566	1,119,284	494,880
Lead – (lb)	1,847,967	850,111	3,123,385	1,460,144
Zinc – (lb)	2,810,564	1,116,367	5,064,014	1,989,343
Payable: ⁽³⁾				
Silver – (oz)	249,309	139,428	415,385	255,555
Silver equivalent (oz) ⁽²⁾	568,370	249,733	975,364	465,655
Lead – (lb)	1,773,097	767,145	2,912,762	1,465,168
Zinc – (lb)	2,392,204	922,953	4,226,947	1,760,686
Realized prices: ⁽⁴⁾				
Silver – (\$US/oz)	16.56	16.67	16.54	17.06
Lead – (\$US/lb)	1.08	1.00	1.08	1.01
Zinc – (\$US/lb)	1.41	1.16	1.42	1.20

- (1) Period deliveries remain subject to assay and price adjustments on final settlement with concentrate purchaser(s). Data has been adjusted to reflect final assay and price adjustments for prior period deliveries settled during the period.
- (2) AgEq ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
- (3) Payable metal reflects current metals delivered, net of payable deductions under the Company's offtake arrangements.
- (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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Analysis of the components of mine operating results is as follows:

	Q2		6-Mos		
	2018	2017	2018	2017	
Tonnes Milled	22,872	13,877	41,756	25,810	
Tonnage milled increased by 65% or 8,995 tonnes during Q2 2018 relative to Q2 2017 as multiple, high grade ore faces were accessed in the Rodilla, Pierna and 623 mantos. During the second quarter, the mill continued to process historical stockpiles (6,291 tonnes), which lowered overall head grades, but have proven to be higher-grade and more economic than initially assessed (initial expectations were approximately 300 g/t AgEq).					
Blended Head Grades (ore and historical stockpiles)	Ag (g/t)	415	394	390	358
	Pb (%)	4.59	3.48	4.23	3.21
	Zn (%)	6.73	4.51	6.59	4.33
Higher silver, lead and zinc grades were realized during Q2 2018 compared to Q2 2017, while the Company continued to process historical stockpiles and sump material. This mineralized material is blended with mined ore to improve recoveries (in the case of high-grade lead and/or zinc ore), payability, and is cash flow positive.					
Recoveries	Ag (%)	89.6	89.8	89.2	89.8
	Pb (%)	80.2	80.4	80.8	80.8
	Zn (%)	82.2	80.7	82.9	81.3
Recoveries were generally in line with expectations and historical results. The Company expects silver recoveries of ~90%, though fluctuations in recoveries are also in the normal course.					
Metal Produced	Ag (oz)	277,701	160,820	472,163	268,938
	Pb (lb)	1,847,967	850,111	3,123,385	1,460,144
	Zn (lb)	2,810,564	1,116,367	5,064,014	1,989,343
	AgEq (oz)	637,205	289,566	1,119,284	494,880
As discussed above, increased tonnage from the three manto areas with higher grades in Q2 2018 increased metal production by 120% over Q2 2017.					

Other operational improvements included the acquisition of two bolting units to further improve productivity of ground support installation. In June, two bolting units were commissioned underground to expedite ground support installation as ground conditions have been and remain, at this point, a primary area of focus to support production increases. Historically, intensive grouting to control water acted as enhanced ground support at great cost and time. With grouting eliminated, the operation is incorporating normal course bolting and screening at much lower cost and time to advance development.

The Company continued its focus on driving ramp development to access the next production levels utilizing the 730 ramp in Pierna and Rodilla and the 725 ramp in 623. Development rates were consistent with the previous quarter with 194 metres in ore (9% increase over Q1 2018 – 178 metres) and 221 metres in waste (15% decrease over Q1 2018 – 261 metres).

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Outlook

As noted above, the Company is continuing to improve ground support installation in order to increase production rates. In addition, ongoing dewatering efforts (see Mine Optimization, below), continue to be an integral part of the mining process at Platosa and essential to ensure dry and efficient mining conditions. The Company expects to mine and develop into deeper levels of the Pierna, Rodilla and 623 mantos through the remainder of the year and will continue processing historical stockpiles. Capital expenditures are expected to total approximately \$2.0 million for the remainder of 2018, with approximately \$1.2 million of such expenditures dedicated to Optimization Plan Phase 2, as defined below.

The Company entered a milling arrangement in Q1 2018 with Hecla Mining Company ("Hecla") to process ore from the San Sebastian Mine, 42 kilometres northwest of the Miguel Auza mill. The Company recently amended the agreement to expand the initial bulk tonnage sample from 4,000 to 12,000 tonnes, with initial shipments of San Sebastian ore expected to arrive at Miguel Auza in late Q3 or early Q4 2018 based on ongoing ramp-up of the San Sebastian underground operation. Assuming successful results from the bulk sample, the formal commercial milling arrangement will commence in due course (expected Q1 2019). Preparations for the expansion of milling operations at Miguel Auza are well underway and the Company has engaged consultants to review and propose upgrades to milling performance during Q3 2018.

On the exploration front, the Company is currently drilling with two rigs on surface and one rig underground at Platosa and one rig on surface at Miguel Auza. Current targets at Platosa include additional near-mine manto-style targets and PDN, a skarn-target identified by a large geophysical anomaly, two kilometres north of Platosa and associated with the 2012 Rincon del Caido discovery. The Company may reduce drilling to one rig at Platosa during Q3 2018 as preparations are currently underway for drilling programs at Jaboncillo (11 kilometres northwest of Platosa) and San Gilberto (14 kilometres south of Platosa) later in the year.

The Company has filed an inaugural CR Report on the Company's website at www.excellonresources.com/corporate-responsibility. Through the remainder of 2018, the Company will continue to enhance its corporate responsibility standards and improve its standing under the Towards Sustainable Mining protocols developed by the Mining Association of Canada. A review of the Company's tailing management system will also be conducted by an independent third-party consultant during H2 2018.

Mine Optimization

The Platosa deposit comprises several high-grade massive sulphide mantos hosted in permeable limestone and has been mined by Excellon since 2005. In 2007, as mine workings extended below the local water table, the Company began an intensive program of reactive grouting and pumping to control and prevent water inflows. This program has been effective in managing inflows, but has been time-, labour- and cost-intensive, which has historically limited production to less than 200 tpd. In April 2015, the Company released the results of a hydrogeological study prepared by Hydro-Ressources Inc. and Technosub Inc. (the "Optimization Plan"), which confirmed that dry mining conditions are achievable at Platosa and which proposed to replace the grouting and pumping process with a more efficient and permanent dewatering system.

The Company has commenced the second phase of the Optimization Plan ("Optimization Plan Phase 2"), which is the ordinary course maintenance and expansion of the dewatering system going forward for life of mine. Phase 2 will consist of the periodic development of new well bays and the drilling of new wells, with submersible pumps being moved to the new wells as the higher elevation wells begin to lose pumping efficiency. Capital expenditures on Phase 2 are considered sustaining, primarily relating to well bay development, well drilling and the periodic addition/replacement of existing pump equipment.

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Mineral Resources

The Company has updated its Mineral Resources Estimate (“MRE”) for the Platosa Mine as at March 31, 2018. The MRE will be included in an updated technical report prepared by SRK Consulting (Canada) Inc. (“SRK”) under National Instrument 43-101 (“NI 43-101”), which will be available on SEDAR (www.sedar.com) prior to September 9, 2018.

Mineral Resource Statement, Platosa Mine Mexico, SRK Consulting (Canada) Inc.

Category	Tonnes (’000)	Grade			Contained Metal				
		Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)	Ag (’000s oz)	Pb (’000s lbs)	Zn (’000s lbs)	AgEq (’000 oz)
Measured	-	-	-	-	-	-	-	-	-
Indicated	485	549	5.6	5.9	1,055	8,562	59,752	62,953	16,456
Total	485	549	5.6	5.9	1,055	8,562	59,752	62,953	16,456
Inferred	13	516	4.7	6.5	1,014	216	1,344	1,859	426

(1) Mineral Resources are estimated pursuant to NI 43-101 with an effective date of March 31, 2018.

(2) Mineral Resources are estimated at a cut off grade of 375 g/t AgEq and silver, lead and zinc prices of \$17.00, \$1.10 and \$1.30, and assuming metal recoveries of 89% for silver and 81% for lead and zinc, respectively.

(3) This Mineral Resource Estimate was prepared under the supervision of Sébastien Bernier, Principal Resource Geologist at SRK Consulting (Canada). Mr. Bernier is a Qualified Person as defined in NI 43-101.

(4) All figures have been rounded to reflect the relative accuracy of the estimates.

(5) Mineral Resources that are not Mineral Reserves do not necessarily demonstrate economic viability. The Mineral Resources reported herein have been estimated using a geostatistical block modelling approach informed from silver, lead and zinc assay data collected in core borehole samples. The construction of the Mineral Resource model was a collaborative effort between Excellon and SRK personnel. The construction and methodology for the creation of the resource wireframes was overseen by Blair Hrabi of SRK, P.Geo. (APGO #1723) and geostatistical analysis, variography, mineral resource evaluation and classification were undertaken by Sébastien Bernier of SRK, P.Geo. (APGO #1847). All technical work was reviewed by Ben Pullinger, SVP Geology of Excellon (APGO #2420).

The MRE were prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum’s (CIM) ‘*Mineral Resources and Mineral Reserves Best Practices*’ guidelines (November 2003) and are classified per the CIM ‘*Definition Standards for Mineral Resources and Mineral Reserves*’ (May 2014).

Corporate Responsibility

Following the progress made in 2017 and Q1 2018 in developing and rolling out CR standards, the Company paused to consolidate and review its progress. The pause also allowed the Platosa and Miguel Auza business units time to implement the lifting and rigging, explosives management, chemical storage and handling, mine waste management and closure standards. At the same time, the Company introduced a CR standards implementation tool to evaluate the overall progress in incorporating the requirements of the standards into standard operating procedures and into practice. The initial implementation status was completed in late Q2 and indicated that good progress was made at both Platosa and Miguel Auza. Business unit management will be using the tool on a go-forward basis to continue to evaluate progress and identify areas that need further attention. The Company will continue a measured pace of developing and implementing standards according to its risk-based prioritization.

The workplace interactions element of the Visible Felt Leadership (“VFL”) process continued to progress during the quarter. Both Miguel Auza and Platosa increased the number of interactions recorded and a direct link between such tools and improvements in lagging safety performance has been evident.

The Company continued the implementation of stakeholder mapping processes. Grievance mechanisms at both Platosa

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and Miguel Auza will be formally in place in early Q3 2018. These processes will help ensure that effective identification, investigation, response to and resolution of any complaints and other incidents resulting from the Company's presence.

At the corporate level, the Company prepared its first annual CR Report which is available on the Company's website.

CR Performance at Platosa and Miguel Auza

Management continues to evaluate and monitor compliance with legal requirements and manage CR risk. The Company's operations continue to report on the key trailing CR performance indicators and elements of the VFL process. There were five lost-time injuries across the Company in Q2 2018. Although the Company is disappointed with this quarterly performance, the injuries involved low-energy incidents and trailing safety performance continues to be significantly improved compared to the full-year 2017 results.

Tailings Management at Miguel Auza

There are two tailings management facilities (TMF) at Miguel Auza. TMF #1 is located immediately northwest of the concentrator and was decommissioned in October 2017 after having reached its final crest height of 6.52 m and design capacity of approximately 313,000 m³ (~520,000 tonnes) of tailings. Dewatering of TMF #1 continued during the second quarter and was substantially progressed with placement of the soil cover on the facility.

An Environmental Impact Assessment for the construction and operation of a second TMF (TMF #2) located on land owned by Excellon approximately 1 km north of the Miguel Auza concentrator was approved by SEMARNAT on January 31, 2017. The authorization has a term of thirty years and eight months.

TMF #2 will be constructed in five stages, as capacity is required. The first stage is a 6 m centreline embankment with a low permeability core and rock shell. The core was compacted to 90 percent-modified Proctor. Materials for the embankment were sourced from the footprint of the facility, which was excavated and compacted to provide a low permeability foundation. Construction and quality assurance/quality control were provided by third-party contractors. Construction of the first stage of the facility was largely completed by the end of the third quarter of 2017 and the first tailings from the concentrator were routed to TMF #2 in the fourth quarter of 2017. The first stage of TMF #2 is designed to store approximately 207,000 tonnes of tailings. The next stage is budgeted to cost approximately \$200,000 and is expected to be required in late 2019 or 2020 depending on processing rates.

The Company received proposals from third-party experts in tailings management, responding to a request for proposal to evaluate the stability and management practices of the two TMFs. The Company expects to award this work in Q3 2018 and to have the evaluation completed before the end of the year.

Closure Plans, Cost Estimates and Financial Assurance

Operations at the Platosa Mine and Miguel Auza Mill are both required to prepare closure plans and cost estimates that describe the actions and performance requirements when these facilities are decommissioned. The plans and cost estimates are prepared by third-party consultants and consider the removal and stabilization of facilities, revegetation and post-closure monitoring to ensure that performance requirements are met. The most recent closure plans and cost estimates were prepared in 2017 with estimated undiscounted cash costs of \$1.1 million for Platosa and \$1.2 million for Miguel Auza. These costs are incorporated into an Asset Retirement Obligation, which appears on the Company's balance sheet.

As part of the approval for TMF #2, SEMARNAT established requirements for the provision of financial assurance (FA). Following an initial FA amount of approximately \$60,000, annual FA payments escalate from approximately \$13,000 in Year 2 to \$184,000 in Year 30. The total FA required over the thirty year term of the permit is approximately \$1.96

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million to provide a guarantee against the operating and closure requirements of TMF #2. A bond for \$60,000 for FA, representing the initial FA amount, has been posted with regulators. Miguel Auza is in compliance with its FA requirements.

Approvals for Platosa pre-date the requirement for FA in Mexico and therefore there is no FA required at Platosa.

There were no material changes on closure aspects at either Platosa or Miguel Auza during the quarter.

COMMODITY PRICES AND MARKET CONDITIONS

While relatively low silver prices continue to impact the Company’s revenues and operating profits, lead and zinc accounted for approximately 56% of net revenues from metals sold in Q2 2018 compared to 44% in Q2 2017. Of the 56%, zinc accounted for 36% and lead 20%, relative to 26% and 18% in Q2 2017, a result of improved base metal production and higher metal prices, particularly zinc.

Silver followed gold lower in Q2 2018, particularly during the latter weeks of the quarter, with no specific reason for either metals decrease, other than reduced investment from large institutional holders or, perhaps, sovereign holders. Unlike gold, silver prices were also likely impacted by uncertainty regarding industrial uses in the face of ongoing global trade tensions. Silver coin sales were materially lower than during the same period in 2017.

Lead prices weakened in the latter weeks of Q2 2018, though less than zinc, and treatment charges dropped below those of zinc. The market is exhibiting a sizeable deficit, greater than forecast, with supply remaining tight and constrained by stricter environmental regulations and inspections in China.

Zinc prices weakened significantly during the latter weeks of Q2 2018 as expected supply deficits did not materialize and the market swung to a surplus during the first part of the year, with some expectation that the market will return to balance in H2 2018. Prices also appeared impacted by trade tensions between the U.S. and China.

Average Commodity Prices	Q2 2018	Q2 2017	Change	6-Mos 2018	6-Mos 2017	Change
Silver (\$/oz) ⁽¹⁾	16.53	17.26	-4%	16.65	17.34	-4%
Lead (\$/lb) ⁽²⁾	1.08	0.98	10%	1.11	1.01	11%
Zinc (\$/lbs) ⁽²⁾	1.41	1.18	20%	1.48	1.22	21%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver (\$/oz) ⁽¹⁾	2018	17.17	16.66	16.47	16.61	16.47	16.52						
	2017	16.81	17.87	17.59	18.06	16.76	16.95	16.14	16.91	17.45	16.93	17.01	16.16
	2016	14.02	15.07	15.42	16.26	16.89	17.18	19.93	19.64	19.28	17.74	17.42	16.38
Lead (\$/lb) ⁽²⁾	2018	1.17	1.17	1.09	1.07	1.07	1.11						
	2017	1.01	1.05	1.03	1.01	0.97	0.97	1.03	1.07	1.08	1.14	1.12	1.14
	2016	0.75	0.80	0.82	0.78	0.78	0.78	0.83	0.85	0.88	0.93	0.99	1.01
Zinc (\$/lb) ⁽²⁾	2018	1.56	1.61	1.49	1.45	1.39	1.40						
	2017	1.23	1.29	1.26	1.19	1.17	1.17	1.26	1.35	1.42	1.49	1.47	1.45
	2016	0.69	0.78	0.82	0.84	0.85	0.92	0.99	1.04	1.04	1.05	1.17	1.21

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

Refer to "Financial Instruments", below, for a discussion of the Company's exposure to foreign currencies.

SUMMARY OF FINANCIAL QUARTERLY RESULTS

Financial statement highlights for the quarter ended June 30, 2018 and 2017 and last eight quarters are as follows:

	Q2 2018 ⁽¹⁾	Q1 2018 ⁽¹⁾	Q4 2017 ⁽¹⁾	Q3 2017 ⁽¹⁾	Q2 2017 ⁽¹⁾	Q1 2017 ⁽¹⁾	Q4 2016 ⁽¹⁾	Q3 2016 ⁽¹⁾
(in \$000's)	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	9,877	5,911	7,123	7,102	3,570	3,413	3,354	4,009
Production costs	(5,173)	(3,959)	(4,796)	(4,160)	(3,997)	(4,025)	(3,620)	(3,577)
Depletion and amortization	(854)	(1,282)	(1,277)	(1,426)	(582)	(546)	(696)	(525)
Cost of sales	(6,027)	(5,241)	(6,073)	(5,586)	(4,579)	(4,571)	(4,316)	(4,102)
Gross profit (loss)	3,850	670	1,050	1,516	(1,009)	(1,158)	(962)	(93)
Expenses:								
Corporate administration	(1,482)	(1,423)	(1,159)	(892)	(842)	(1,335)	(1,214)	(944)
Exploration	(1,053)	(708)	(345)	(382)	(618)	(564)	(809)	(228)
Other	(497)	82	(415)	(88)	630	1,713	(1,112)	440
Write-down of inventories ⁽²⁾	-	-	(568)	-	-	-	-	-
Net Finance income (cost)	(409)	1,024	820	(5,974)	1,629	1,263	2,367	(6,100)
Income tax (expense) recovery	845	(867)	2,170	(87)	(292)	(754)	1,674	(87)
Net income (loss) for the period	1,254	(1,222)	1,553	(5,907)	(502)	(835)	(56)	(7,012)
Earnings (loss) per share – basic	0.01	(0.01)	0.02	(0.08)	(0.02)	(0.01)	(0.00)	(0.10)
– diluted	0.01	(0.01)	0.02	(0.08)	(0.02)	(0.01)	(0.00)	(0.09)
Cash flow from (used in) operations before changes in working capital	2,253	471	571	1,464	(1,297)	(1,437)	(3,147)	(887)

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

Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
\$ 0.1 million	\$ 0.5 million	\$1.3 million	(\$5.6 million)	\$1.7 million	\$1.1 million	\$2.4 million	(\$6.0 million)

- (2) Write-down of production spares to its net realizable value by \$0.57 million for slowing moving and obsolescent inventory items identified at the end of the year.

Quarterly revenue fluctuations are a function of metal prices, ore tonnage mined/milled, and ore grades. The Company currently expenses exploration costs not associated with mine resource expansion, which may create volatility in earnings from period to period.

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	Q2 (\$000's, except where noted)		6-Mos (\$000's, except where noted)	
	2018	2017	2018	2017
Revenue	9,877	3,570	15,788	6,983
Net Income (Loss)	1,254	(502)	32	(1,337)

Q2: Net Revenues increased by 177% during Q2 2018, primarily due to a 128% increase in AgEq ounces payable to 568,370 oz compared to 249,733 oz in Q2 2017. In addition, lower treatment and refining charges (“TC/RC”) were charged during the quarter under the Company’s revised offtake sales agreement from Q2 2018. With increased revenues, TC/RC charges of \$0.2 million were only 2% of revenues in Q2 2018 compared to 7% of revenues in the comparative period.

For further discussion, see “Provisionally Priced Sales”, below.

In comparing net income of \$1.3 million in Q2 2018 to net loss of \$0.5 million in Q2 2017, major offsetting line item differences between the periods were:

- (i) 177% increase (\$6.3 million) in revenues as discussed above;
- (ii) 32% increase (\$1.5 million) in cost of sales over Q2 2017 primarily due to increased production tonnage mined and milled and increased electricity cost associated with increased pumping capacity;
- (iii) 324% increase (\$0.5 million) in stock based payments over Q2 2017 due to increased probability that certain performance vesting conditions will be achieved for certain RSUs outstanding, resulting in an immediate expense adjustment of \$0.4 million in June;
- (iv) 70% increase (\$0.4 million) in exploration as surface drilling continued at Platosa and drilling commenced at Miguel Auza in Q2 2018;
- (v) 179% decrease (\$1.2 million) in other income (expenses) due to changes in foreign exchange rates resulting in unrealized and realized foreign exchange losses in Q2 2018 vs. gains in Q2 2017, and provisions in Q2 2018 vs. realized gains in Q2 2017 related to the sale of marketable securities; and
- (vi) A lower fair value adjustment gain of \$0.1 million on warrants related to convertible debentures (the “Debentures”) issued in November 2015 and converted in December 2017 in accordance with IFRS (Q2 2017 – \$1.7 million gain on warrants and embedded derivatives).

6-Mos 2018

Net revenues of \$15.8 million increased by 126% during 6-Mos 2018, primarily due to a 109% increase in AgEq oz ounces payable to 975,364 oz compared to 465,655 oz and improved TC/RC charges as discussed above.

In comparing net income of \$nil in 6-Mos 2018 to net loss of \$1.3 million in 6-Mos 2017, major offsetting line item differences between the periods were:

- (i) 126% increase (\$8.8 million) in revenues over 6-Mos 2017 as discussed above;
- (ii) 23% increase (\$2.1 million) in cost of sales over 6-Mos 2017 primarily due to increased production tonnage mined and milled and increased electricity cost associated with increased pumping capacity, of which \$1.1 million increase is amortization and depletion;
- (iii) 71% increase (\$0.5 million) in stock based payments over 6-Mos 2017 primarily due to changes in vesting probabilities of certain outstanding RSUs, as described above;
- (iv) 49% increase (\$0.6 million) in exploration as surface drill program continued, with increased drilling at Platosa and the commencement of drilling at Miguel Auza in Q2 2018;
- (v) 118% decrease (\$2.8 million) in other income (expenses) primarily due to changes in foreign exchange rates resulting in unrealized and realized foreign exchange losses in Q2 2018 vs. gains in Q2 2017, and realized gain of \$1.8 million in Q2 2017 related to the sale of marketable securities; and

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	Q2 (\$000's, except where noted)		6-Mos (\$000's, except where noted)	
	2018	2017	2018	2017
(vi) A lower fair value adjustment gain of \$0.6 million on warrants related to the Debentures (Q2 2017 – \$2.8 million gain on warrants and embedded derivatives).				
Cost of Sales	(6,027)	(4,579)	(11,268)	(9,150)
<p>Q2 2018: Cost of sales, including depletion and amortization, increased by 32% compared to Q2 2017 primarily due to a \$1.2 million increase in production cost, as described above. These costs were also associated with increased pumping capacity and pumping rates, resulting in increased energy usage and energy costs.</p> <p>6-Mos 2018: Cost of sales including depletion and amortization, increased by 23% compared to 6-Mos 2017 primarily due to increased production and pumping rates, as described above.</p>				
General and Administrative Expense	(1,482)	(842)	(2,905)	(2,177)
<p>Q2 2018: General and administrative expenses increased by 76% during Q2 2018 compared to Q2 2017, primarily due to an increase in stock based compensation expense of \$0.6 million compared to \$0.1 million in Q2 2017. As stated above, the Company increased the probability estimate that certain performance vesting conditions will be achieved for certain outstanding RSUs, resulting in an immediate expense adjustment of \$0.4 million in June.</p> <p>6-Mos 2018: General and administrative expenses increased by 33% during 6-Mos 2018 compared to 6-Mos 2017, primarily due to an increased stock based compensation expense of \$0.4 million, as described above. Cash general and administrative expenses were slightly higher in Q2 due to increased corporate development, legal and regulatory fees.</p>				
Exploration	(1,053)	(618)	(1,761)	(1,182)
<p>Q2 2018: Exploration cost of \$1.1 million increased in the quarter due to increased surface drilling of 4,992 metres at Platosa and 1,229 metres at Miguel Auza which commenced in June (Q2 2017 – 1,210 metres of surface drilling at Platosa), both of which were expensed in each period.</p> <p>The Company has commenced capitalizing sustaining exploration expenses in 2018, generally categorized as underground drilling and associated work. Underground drilling continued in Q2 2018 for 2,202 metres (Q2 2017 – 2,725 metres) for a total of 8,423 metres drilled in the quarter (Q2 2017 – 3,975 metres).</p> <p>6-Mos 2018: Exploration cost of \$1.8 million increased during 6-Mos 2018 primarily due to increased drilling in Q2 2018 as described above. During 6-Mos 2018, surface drilling totaled 7,387 metres at Platosa and 1,229 metres at Miguel Auza (6-Mos 2017 – 2,250 metres of surface drilling at Platosa), both of which were expensed in each period. Underground drilling during 6-Mos 2018 increased to 5,055 metres (6-Mos 2017 – 3,850 metres) for a total of 13,671 metres drilled during 6-Mos 2018 (6-Mos 2017 – 6,100 metres).</p>				
Other income (expenses)	(497)	630	(415)	2,343
<p><i>Other income includes unrealized and realized foreign exchange gains and losses, realized and unrealized gains and losses on marketable securities and provisional adjustments, if any.</i></p> <p>Q2 2018: Other expenses of \$0.5 million during Q2 2018 comprised (i) \$0.3 million of foreign exchange losses and (ii) \$0.2 million in provisions. During Q2 2017, other income of \$0.6 million comprised (i) \$0.4 million in foreign exchange gains and (ii) \$0.2 million realized gain on marketable securities sold from the increased value of the Company's holdings of common shares ("Osisko Shares") of Osisko Mining Corp. ("Osisko").</p> <p>6-Mos 2018: Other expenses of \$0.4 million during 6-Mos 2018 comprised (i) \$0.2 million of foreign exchange losses and (ii) \$0.2 million in provisions. During 6-Mos 2017, other income of \$2.4 million comprised (i) \$0.6 million in foreign exchange gains and (ii) \$1.8 million realized gain on the sale of the Osisko shares.</p>				

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	Q2 (\$000's, except where noted)		6-Mos (\$000's, except where noted)	
	2018	2017	2018	2017
Finance Income (cost)	(409)	1,629	615	2,892

Net finance income (cost) consists primarily of fair value adjustments on warrants and embedded derivatives related to Debentures, accretion and interest expense related to the Debentures and accretion of the rehabilitation provision for the mine and mill. The fair value adjustment derives primarily from the performance of the Company’s stock during the applicable period. As the Debentures have now been settled, no further fair value adjustments of embedded derivatives will be required in their respect but will however, be required in respect of the associated warrants.

Q2 2018: During Q2 2018, a decrease in the stock price from CAD\$1.48 to CAD\$1.39, resulted in a \$0.1 million fair value adjustment gain on warrants related to the Debentures while during Q2 2017, a decrease from CAD\$1.60 to CAD\$1.42 resulted in a \$1.7 million fair value adjustment gain from warrants and embedded derivatives, both of which were outstanding on the Debentures at the time. Finance cost in Q2 2018 also included a \$0.5 million unrealized loss on forward foreign exchange contracts that were marked to market at the end of quarter (Q2 2017 - \$0.1 million gain).

6-Mos 2018: During the 6-Mos 2018, a decrease in the stock price from CAD\$1.84 to CAD\$1.39 resulted in a \$0.6 million fair value adjustment gain on warrants related to the Debentures while during 6-Mos 2017, a decrease in the stock price from CAD\$1.64 to CAD\$1.42 resulted in a \$2.8 million fair value adjustment gain from warrants and embedded derivatives. Finance income for 6-Mos 2017 also included \$0.4 million in unrealized gain on forwards foreign exchange contracts, offset by interest and accretion expense.

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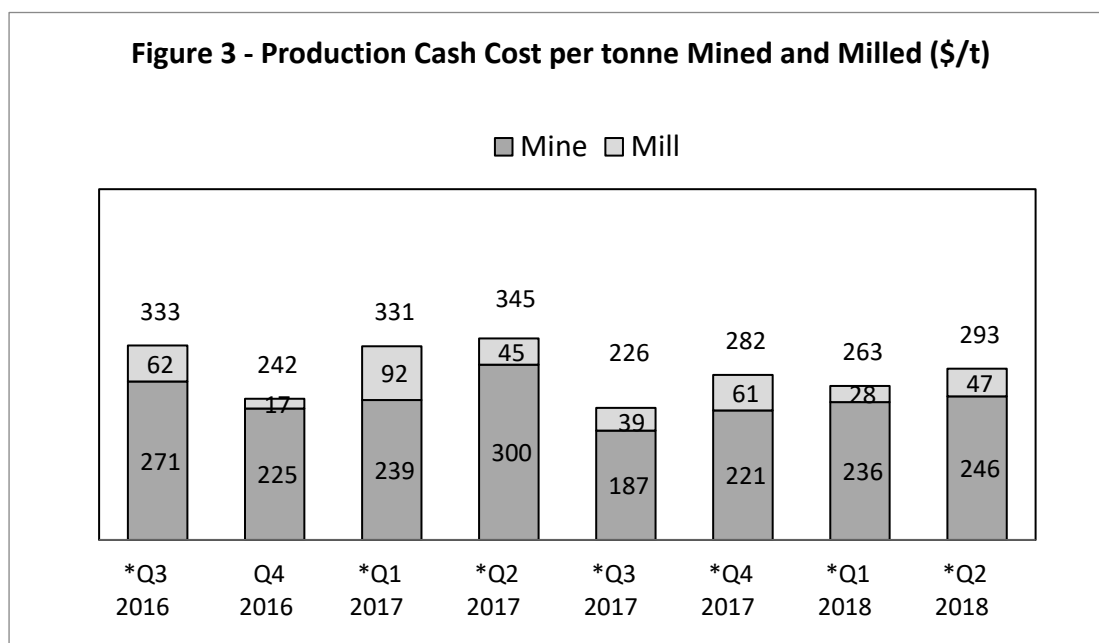
	Q2 (\$000's, except where noted)		6-Mos (\$000's, except where noted)	
	2018	2017	2018	2017
Production Cost per Tonne (see “Non-IFRS Measures” for reconciliation table)	\$226/t	\$288/t	\$219/t	\$311/t

Q2 2018: Production cost per tonne of \$226/t in Q2 2018 decreased by 21%, primarily due to a 65% increase in tonnes milled to 22,872 tonnes, which include the positive impact of milling historical stockpiles mined in prior years but not deemed economic to ship and process at the time. With improved commodity prices, particularly lead and zinc, these stockpiles were reassessed and deemed economic to process and blend with current production ore. As such, only hauling and milling costs are incurred to process these historical stockpiles. While these additional costs were incurred for these stockpiles, total production costs totaled \$5.2 million in Q2 2018. Accordingly, total production cost was compared to total tonnes milled which included the historical stockpile tonnage lowering overall production cost per tonne.

6-Mos 2018: Similarly, for 6-Mos 2018, production cost of \$219/t reflects the 62% increase in tonnes milled of 41,756 tonnes along with the positive impact of milling historical stockpile grades.

The Company expects production cost per tonne to continue to improve during 2018 as production rates increase, along with increased pumping efficiency and relatively low electricity unit costs in Mexico.

The previous eight quarters of production cost per tonne mined and milled are summarized below. This table excludes a portion of the positive impact of milling historical stockpiles on overall production cost per tonne, but does include the positive impact on milling cost per tonne.



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	Q2 (\$000's, except where noted)		6-Mos (\$000's, except where noted)	
	2018	2017	2018	2017
Total Cash Cost Per Silver Ounce Payable (see “Non-IFRS Measures” for reconciliation table)	(\$1.07)/oz	\$18.10/oz	\$0.90/oz	\$20.07/oz

Q2 2018: The Company achieved negative total cash costs per silver ounce payable in Q2 2018 demonstrating significant improvements over Q2 2017, resulting from a 79% increase in silver ounces payable and a \$4.0 million increase in byproduct credits from significantly higher lead and zinc production and prices. In addition, TC/RCs were lower on a percentage of revenue basis due to improved 2018 offtake terms that became effective in Q2 2018.

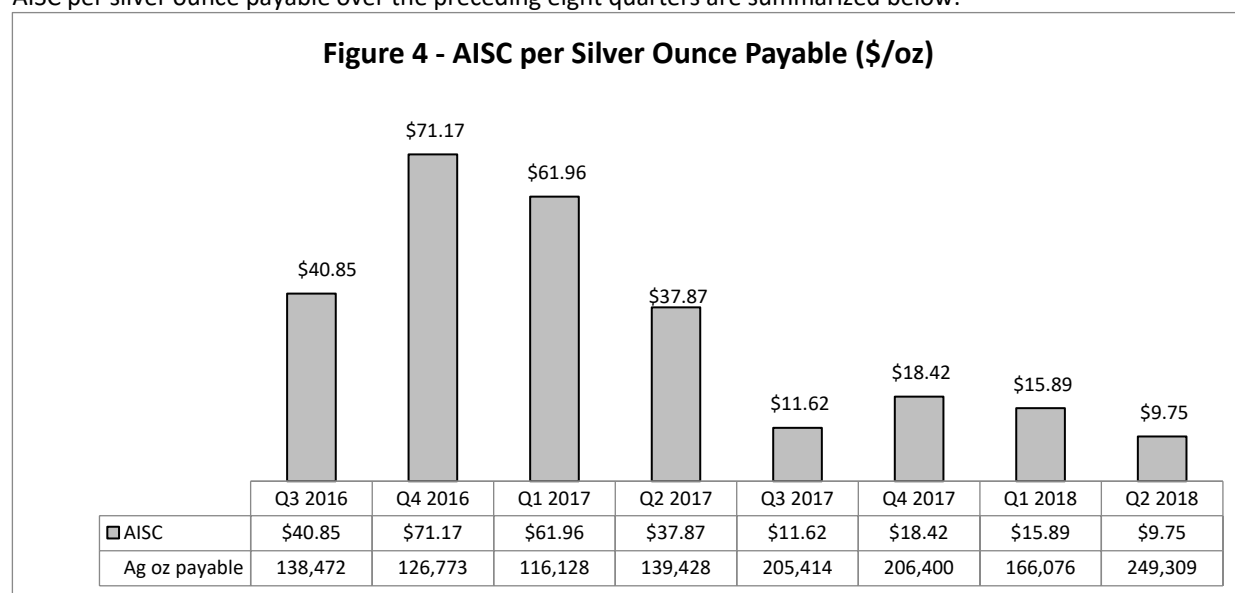
6-Mos 2018: Similarly, for 6-Mos 2018 period, total cash cost per silver ounce payable decreased to \$0.90 compared to \$20.07 for the 6-Mos 2017, mainly due to the increased silver ounces payable (+109%) and \$9.6 million in byproduct credits during 6-Mos 2018 compared to \$3.3 million during 6-Mos 2017.

AISC Per Silver Ounce Payable (see “Non-IFRS Measures” for reconciliation table)	\$9.75/oz	\$37.87/oz	\$12.21/oz	\$48.82/oz
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Q2 2018: AISC continued to show improvement in Q2 2018 primarily from increased metal produced with the successful completion of the Optimization Plan in Q2 2017. During the quarter, \$1.45 of Q2 2018 AISC resulting from increases in stock compensation for the reasons described above. AISC excluding non-cash items was \$7.14 during the period.

6-Mos 2018: Similarly, AISC for 6-Mos 2018 improved significantly relatively to the comparative period, with \$0.87 of 6-Mos 2018 AISC resulting from increased stock compensation during the period, for the reasons described above. AISC excluding non-cash items was \$8.99 during the period.

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



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Provisionally Priced Sales

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

In Q2 2018, the Company recognized a positive adjustment to revenues of \$392,000 primarily relating to the reversal of the mark-to-market taken at the end of March 31, 2018, as receivables were ultimately settled at higher values in the quarter (Q2 2017 – positive adjustment of \$225,000).

During the 6-Mos 2018, the Company recognized positive adjustment to revenues of \$3,000 primarily related to the reversal of the mark-to-market taken at the end of 2017 as receivables were ultimately settled at higher values in 2018 (6-Mos, 2017 – negative adjustment of \$17,000).

As at June 30, 2018, provisionally priced sales totaled \$7.7 million, which are expected to settle at final prices during Q3 2018. A 10% increase or decrease in the prices of silver, lead and zinc will result in a corresponding increase or decrease in revenues of \$0.8 million during the third quarter of 2018.

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

	Q2 2018			
	Silver	Lead	Zinc	Total
	\$	\$	\$	\$
Current period sales ⁽¹⁾	4,216	1,994	3,517	9,727
Prior period provisional adjustments ⁽²⁾	241	49	102	392
Sales before TC/RC	4,457	2,043	3,619	10,119
Less: TC/RC				(242)
Total Sales				9,877

	6-Mos 2018			
	Silver	Lead	Zinc	Total
	\$	\$	\$	\$
Current period sales ⁽¹⁾	7,062	3,281	6,291	16,634
Prior period provisional adjustments ⁽²⁾	11	(32)	24	3
Sales before TC/RC	7,073	3,249	6,315	16,637
Less: TC/RC				(849)
Total Sales				15,788

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

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

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

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

Non-IFRS Measures

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

Production Cost Per Tonne

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

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

	Q2 2018	Q2 2017	6-Mos 2018	6-Mos 2017
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cost of Sales	6,027	4,579	11,268	9,150
Depletion and amortization	(854)	(582)	(2,136)	(1,128)
Production Costs (includes mining and milling)	5,173	3,997	9,132	8,022
Tonnes milled	22,872	13,877	41,756	25,810
Production cost per tonne milled (\$/tonne)	226	288	219	311

Total Cash Cost Per Silver Ounce Payable

The calculation of total cash cost per silver ounce payable reflects the cost of production adjusted for by-product and various non-cash costs included in cost of sales. Changes in inventory have not been adjusted from cost of sales, as these costs are associated with the payable silver ounces sold in the period. The Company expects total cash costs net

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of by-product revenues to vary from period to period as planned production and development access different areas of the mine with different ore grades and characteristics.

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

	Q2 2018	Q2 2017	6-Mos 2018	6-Mos 2017
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cost of sales	6,027	4,579	11,268	9,150
Adjustments - increase/(decrease):				
Depletion and amortization	(854)	(582)	(2,136)	(1,128)
Third party smelting and refining charges ⁽¹⁾	242	229	849	470
Royalties ⁽²⁾	(22)	(17)	(45)	(40)
By-product credits ⁽³⁾	(5,661)	(1,685)	(9,564)	(3,322)
Total cash cost net of by-product credits	(268)	2,524	372	5,130
Silver ounces payable	249,309	139,428	415,385	255,555
Total cash cost per silver ounce payable (\$/oz)	(1.07)	18.10	0.90	20.07

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

AISC Per Silver Ounce Payable

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

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

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

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

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

	Q2 2018	Q2 2017	6-Mos 2018	6-Mos 2017
	\$ 000’s	\$ 000’s	\$ 000’s	\$ 000’s
Total cash costs net of by-product credits	(268)	2,524	372	5,130
General and administrative costs (cash)	839	667	1,587	1,392
Share based payments (non-cash)	593	140	1,215	709
Accretion and amortization of reclamation costs (non-cash)	59	33	122	65
Sustaining exploration (manto resource exploration/drilling)	72	422	177	911
Sustaining capital expenditures ⁽¹⁾	1,136	230	1,597	742
One-time capital expenditures – Optimization Plan	-	1,265	-	3,527
Total sustaining costs	2,699	2,757	4,698	7,346
All-in sustaining costs	2,431	5,281	5,070	12,476
<i>Silver ounces payable</i>	249,309	139,428	415,385	255,555
AISC per silver ounce payable (\$/oz)	9.75	37.87	12.21	48.82
AISC excluding non-cash items, per silver ounce payable (\$/oz)	7.14	36.63	8.99	45.78
Realized silver price per ounce sold ⁽²⁾	16.56	16.67	16.54	17.06

(1) Sustaining capital expenditure includes sustaining property plant and equipment acquisitions and capitalized development costs.

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

LIQUIDITY AND CAPITAL RESOURCES

The primary source of funds available to the Company is cash flow generated by the Platosa Mine. 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 silver prices.

	June 30, 2018	December 31, 2017
	(\$000’s)	
Cash and Cash Equivalents	15,675	\$12,265
The Company’s cash position increased by \$4.8 million during Q2 2018 resulting in a net increase of \$3.4 million for the 6-Mos 2018 period as:		
(i) \$2.7 million was generated from operations before changes in working capital, with \$1.3 million from changes in working capital, for a net \$4.0 million from operating activities;		
(ii) \$1.4 million was invested in capital expenditures, split between the Optimization Plan Phase 2 and mine development and mining equipment; and		
(iii) \$1.5 million was generated from financing activities from \$1.7 million (CAD\$2.17 million) in proceeds from the exercise of \$0.65 Warrants, and \$0.3 million in lease obligation payments for leased mining equipment.		
Cash, current accounts receivable and inventory (ore and concentrate) increased to \$17.6 million during the 6-Mos period from \$14.8 million at the end of Q4 2017.		

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	June 30, 2018	December 31, 2017
	(\$000's)	
Trade Receivables	1,463	2,375
Trade receivables decreased to \$1.5 million due to a portion of June concentrate production being delivered and paid during the month and some remaining concentrate being delivered in July 2018 compared to December 31, 2017 where most deliveries were at the end of the month with minimal concentrate inventory on hand at the end of the year.		
Trade Payables	5,395	5,447
Trade payables increased from Q1 2018 as production increased, resulting in increased operating activity, warehouse purchases and increases in exploration activity at both Platosa and Miguel Auza. As a result, trade payables at the end of Q2 2018 were comparable to December 31, 2017.		
Working Capital	15,828	13,828
Working capital improved by \$1.4 million in Q2 2018 and \$2.0 million in the 6-Mos 2018 period to \$15.8 million as the operations were cash flow positive generating \$2.3 million before changes in working capital, improving net working capital. The Company expects to maintain and grow current levels of working capital during the remainder of 2018 as production continues to ramp-up and exploration expenditures continues.		

	Q2		6-Mos	
	2018	2017	2018	2017
Cash from (used in) operations before changes in working capital (\$000's)	2,253	(1,297)	2,724	(2,734)
During Q2 2018, the operation generated positive cashflow of \$2.3 million before changes in working capital, primarily due to improved silver equivalent ounces payable (+128%) in the quarter resulting in increased revenues and negative cash cost over the same period.				
Investing Activities (\$000's)	(830)	1,793	(1,427)	(1,052)
Capital expenditures of \$0.8 million were incurred during Q2 2018, primarily related to the continuation of the Optimization Plan Phase 2 and mine development and associated mining equipment (6-Mos 2018 – \$1.4 million). During Q2 2017, the Osisko shares were sold for net proceeds of \$3.3 million (CAD\$4.4 million), which was partially offset by capital expenditures of \$1.5 million in the quarter. Capital expenditures comprised \$1.2 million related to the Optimization Plan (\$3.5 million in 6-Mos 2017) and \$0.3 million for mine development and associated mining equipment (\$0.8 million in 6-Mos 2017).				
Financing Activities (\$000's)	1,462	78	1,464	85
In Q2 2018, the Company received proceeds of \$1.7 million (CAD\$2.17 million) from the exercise of \$0.65 Warrants and made \$0.3 million in lease obligations payments for leased mining equipment entered into during the quarter.				

In previous quarters, the Company was not cash flow positive and the Company drew down cash reserves raised from equity and debt issuances since 2015. The Optimization Plan was designed to improve mining conditions at Platosa, allowing for higher production rates, lower costs and generate greater cash flow from operations. With the completion of the first phase of the Optimization Plan and dry mining conditions, operating cash flows are now sufficient to support

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ordinary course capital expenditures without drawing down cash reserve. The Company expects this to remain the case for the foreseeable future at Platosa, subject to ordinary course depletion of mineral resources over the life of mine.

The Company’s ability to generate cash flows can be impacted by financial market conditions, most notably metal prices since the Company derives its revenues from the sale of silver, lead and zinc as discussed above in section “Commodity Prices and Market Conditions”. In addition, the Company is exposed to currency exchange risk and accordingly manages this exposure with currency hedges as described below in section “Financial Instruments”.

A summary of the Company’s financing activities in 2018 are as follows:

- On April 2, 2018, 3,333,333 CAD\$0.65 Warrants were exercised to Common Shares for proceeds of CAD\$2.17 million.
- The Company has in-the-money warrants with a current exercise value of CAD\$0.9 million as reflected in the table below (at a closing price of \$1.24 per Common Share on July 27, 2018).

	Warrants Outstanding	In-the-money (CAD)	In-the-money (USD)	Expiry
Warrants (\$0.50)	1,851,046	\$925,523	\$708,399	November 27, 2019
Warrants (\$2.80)	3,696,875	-	-	December 31, 2018
Total Warrants	12,116,616	\$925,523	\$708,399	

Financial Instruments

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

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

The Mexican peso (“MXN”) and the Canadian dollar (“CAD”) are the functional currencies of the Company, with currency exposures arising from transactions and balance in currencies other than the functional currencies.

A significant portion of the Company’s capital expenditures, operating costs, exploration, and administrative expenditures are incurred in MXN, while revenues from the sale of concentrates are denominated in US dollars (“USD”). The fluctuation of the USD in relation to the MXN, consequently, impacts the reported financial performance of the Company. To manage the Company’s exposure to changes in the USD/MXN exchange rate, the Company entered into forward contracts to purchase MXN in exchange for USD at various rates and maturity dates. As at June 30, 2018, forward contracts for the purchase of MXN187 million in exchange for \$9.5 million at an average rate of 19.68 MXN/USD, at various maturity dates until May 2019, were outstanding. The fair value of these outstanding foreign currency forward contracts resulted in an unrealized loss position of \$116,000 at June 30, 2018 as the MXN weakened considerably during the quarter (and below the Company’s average rate) in advance of Mexican elections on July 1, 2018. Accordingly, for Q2 2018, the Company recorded an unrealized loss of \$488,000 (Q2 2017 – \$58,000 unrealized

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gain) in finance income. For the 6-Mos 2018, the Company recorded an unrealized gain of \$59 (6-Mos 2017 – \$383 unrealized loss). Subsequent to the elections, the MXN strengthened, reversing the unrealized loss.

During Q2 2018, the Company realized foreign exchange losses of \$22,000 within profit or loss from contracts maturing during 2018. For the 6-Mos 2018, the Company realized exchange gains of \$3,000. These realized gains were recorded in cost of sales to reflect the realized operating cost of production.

Commitments

The following table summarizes the Company's significant commitments as at June 30, 2018 (in thousands of US dollars):

	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	5,231	-	-	-	-	5,231
Lease obligations	170	524				693
Capital expenditures	164	-	-	-	-	164
Mine restoration provision	-	-	-	-	1,546	1,546
Employee future benefits	-	-	-	-	1,099	1,099
Concession holding fees	251	501	509	509	521	2,292
Office leases	100	50	-	-	-	150
	5,915	1,075	509	509	3,166	11,175

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

Contingencies

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

In Q3 2016, the Company received a resolution from the Tribunal Unitario Agrario del Distrito Sexto in Torreón, Coahuila (the "Agrarian Tribunal") on the legal action. The Agrarian Tribunal ruled in favour of the Company's application to rescind the SRA. The Resolution also included (i) an award to Excellon of 5.5 million pesos payable by the Ejido for losses and damages related to the illegal blockade and (ii) an award to the Ejido of 5.5 million pesos payable by Excellon as indemnity for not building a water treatment plant under the terms of the SRA. The two awards set-off against each other, with neither side being required to pay any amount to the other.

After appeal by both parties to the *Segundo Tribunal Colegiado en Materias Administrativa y Penal del Octavo Circuito* in Torreón, the court of appeal in Coahuila, the case was returned to the Agrarian Tribunal. In Q3 2017, the Agrarian

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Tribunal once again ruled in favour of the Company, with the rescission of the SRA being upheld. The Court also eliminated the set-off in damages between the parties, with the end result being the simple rescission of the SRA. Both the Company and the Ejido have appealed this decision: the Company for payment of damages in respect of the illegal blockade of the mine in third quarter of 2012 and the Ejido for rental payments from 2014-2016.

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

Off-Balance Sheet Arrangements

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

EXPLORATION

Platosa Property

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

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

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

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

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

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Targets/Upside

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

(i) Massive Sulphide Manto Deposits

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

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

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

(ii) Skarn/Source Mineralization

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

DDH No.	Interval			Silver (g/t)	Lead (%)	Zinc (%)	Gold (g/t)
	From (m)	To (m)	(m)*				
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

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

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

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

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

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

The Company has also tested the applicability of seismic surveying for both manto and skarn/Source mineralization. In recent years seismic surveying, traditionally associated with petroleum exploration, has successfully generated new targets 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 had been mined at that date. Several strong, sub-vertical structures were outlined, as were the contacts between the various carbonate, hornfels and marble units. Further seismic surveying may be utilized in the future to develop additional structural understanding on the property.

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

Ongoing Exploration Plans

During the first and second quarters of 2018, the Company continued with its surface and underground drilling program at Platosa and by the end of Q2 2018, the Company had completed approximately 7,500 metres from surface and 5,500 metres from underground. The program was planned with three objectives:

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

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Recent Results

Results from this program during Q2 2018 and drilling from surface and underground include:

DDH No.	Interval ⁽¹⁾⁽²⁾			Ag (g/t)	Pb (%)	Zn (%)	Au (g/t)	AgEq ⁽³⁾ (g/t)	Date Released
	From (m)	To (m)	metres						
EX18UG376	58.6	63.8	5.3	1,153	8.2	3.4	-	1,662	5/31/2018
EX18UG378	41.5	46.9	5.4	649	3.3	3.9	-	979	5/31/2018
EX18UG380	78	79.9	1.9	627	6.5	16.7	-	1,727	5/31/2018
EX18UG381	79.1	81.3	2.2	139	2.1	9.1	-	675	5/31/2018
EX18UG390	52.1	60.0	7.9	594	0.9	1.4	-	701	5/31/2018
EX18UG393	52.3	52.8	0.6	538	9.7	6.9	-	1,283	5/31/2018
EX18UG394	59.9	70.1	10.2	2,148	19.2	9.7	-	3,428	5/31/2018
EX18UG396	68.4	74.0	5.6	95	1.6	4	-	361	5/31/2018
EX18UG397	83.0	85.0	2	316	1	1.9	-	448	5/31/2018
EX18UG398	57.4	64.1	6.7	870	13.3	12.4	-	2,034	5/31/2018
EX18UG399	88.8	91.3	2.5	344	6.4	3.6	-	788	5/31/2018
EX18UG402	49.2	51.6	2.4	467	0.2	0	-	475	5/31/2018
EX18UG403	50.2	52.2	2	1,052	0.4	0.2	-	1,080	5/31/2018

(1) From-to intervals are measured from the drill collar, with drill holes marked UG or PH drilled from underground stations.

(2) All intervals are reported as core length. Further geologic information is required to estimate true thicknesses.

(3) AgEq in drill results assume \$17.00 Ag, \$1.03 Pb and \$1.23 Zn, with 100% metallurgical recovery.

Results of the ongoing program continue to prove-up the near-mine potential at Platosa, with numerous significant intercepts reported in key areas of the mine close to existing workings. The program to expand and define resources ahead of mining will continue into 2018 with dedicated drill infrastructure completed to accommodate this expansion and definition drilling ahead of mine workings, specifically in the 623, Pierna and Rodilla areas.

Exploration in Q1 and Q2 was focused on defining and extending the Rodilla and Pierna Mantos. In May 2018, further results were released from the expansion and definition program targeting the 623, Pierna and Rodilla Mantos. These results have been incorporated into the updated resource. Surface drilling continued during Q2 2018 and is planned to continue throughout 2018, with targets being tested north and south of Platosa and the Halcon, Aguila and PDN areas north of Platosa.

Regional compilation work continued with new targeting and resampling conducted at Saltillera, northwest of the Platosa Mine. From this work, new surface targets have been generated at Jaboncillo and Saltillera North, west of the Sierra Bermejillo. Fieldwork continued on these target areas throughout Q2 2018 with work also being conducted in the San Gilberto area, where sampling of historical workings and outcrop returned samples with anomalous precious metal values. The Company mobilized a geophysics crews early Q2 2018 to commence an induced polarization (“IP”) survey in the Jaboncillo area. Additional drill pad permitting is underway on the Platosa property to support evolving exploration plans. In addition to the drilling results noted above, highlights from Q2 2018 included:

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- Completion of an initial IP survey at Jaboncillo
- Strong indications of potential mineralization continue to be seen in surface sampling at Jaboncillo, PDN, San Gilberto and Saltillera North;
- Drilling for additional manto-style mineralization, as well as testing for deeper skarn potential;
- Ongoing fieldwork, including mapping and sampling at key outcrops and surface regional targets;
- Community relations work in the area; and
- Site visit by renowned experts in CRD and skarn geology to support exploration completed in Q1 2018.

The Company expects to continue ongoing drilling programs from surface into 2019 following on from the work completed to date since late 2016. The ongoing program will continue to test for new manto-style mineralization near the Platosa Mine and elsewhere on the Platosa Property, as well as pursuing skarn-style targets such as Rincon del Caido and others on the property. Ongoing programs will also include significant geophysical programs, including induced polarization ("IP") surveys at targets such as Jaboncillo and San Gilberto.

Miguel Auza Property

Since early 2017, the Company has been reassessing the Miguel Auza Project, site of the Company's milling facility, in northern Zacatecas approximately 220 kilometres from the Platosa Mine. The Miguel Auza Project encompasses approximately 14,000 hectares of mineral concessions and had a historic indicated and inferred mineral resource hosted in the Calvario Vein. The project is located on the northern trend of the Fresnillo silver belt, 35 kilometres southeast of San Sebastian (Hecla Mining Company) and 130 kilometres northwest of Juanicipio (MAG Silver Corp./Fresnillo plc) and the Fresnillo Mine. Near the end of the second quarter of 2018, the Company announced that it had commenced a proof of concept 3,000 metre program with one surface drill rig at the Miguel Auza Project, targeting four priority targets. This drilling is expected to continue into the fourth quarter and assess targets believed indicative of a distal part of a larger epithermal system.

Mineral deposits and prospects on the Miguel Auza Project comprise polymetallic epithermal veins at the historic Miguel Auza Mine, copper in epithermal quartz veins three kilometres northeast of the mine, silver-lead veins in Caracol Formation sedimentary strata four kilometres northwest of the mine, and tin vein prospects in a rhyolitic intrusion 10 to 12 km east of the mine.

Polymetallic veins at the Miguel Auza Project are broadly similar in age, lithology, and structural geology to other deposits on the Central Meseta, such as Fresnillo, Juanicipio, Velardeña, San Sebastian, Peñasquito, Concepcion de Oro, San Martin, and La Colorado. These deposits are all hosted by the Caracol Formation or other Cretaceous sediments and are structurally controlled epithermal deposits. Several of these deposits extend to depths of 400 to 700 metres.

Since early 2017, the Company has conducted an extensive review of historical data and drill core, conducted structural assessments and commenced field mapping. In the course of reassessing the project, the Company has reviewed the regional setting of the mineralization and veins at Miguel Auza and believes that the Calvario Vein, the primary focus of historical exploration and production on the project, is a northeast-trending compressional or tensional vein off the main west northwest-trending Fresnillo silver trend. The major deposits on the trend typically occur on dilational structures, which are significantly more prospective for mineral deposition in material amounts.

Drilling at Miguel Auza outside of the Calvario Vein is limited, but indicative of significant mineral potential, with historical diamond drilling intersections in northwest-trending structures including:

- 7,601 g/t Ag, 3.35% Pb, 1.9 % Zn over 0.4 metres and 7,377 g/t Ag, 0.28 g/t Au, 4.72% Pb and 5.34% Zn over 0.5 metres in CC-2005-01;

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- 3,291 g/t Ag, 0.35 g/t Au, 1.67% Pb and 0.44% Zn over 0.5 metres in 2008-194; and
- 503 g/t Ag, 6.75 g/t Au, 3.32% Pb and 2.21% Zn over 0.7m in 2007-118.

There has only been limited follow-up work on any of the drilling completed outside of the Calvario Vein. Additionally, the Company has identified broad (up to 10 metres) northwest-trending epithermal veins carrying anomalous precious metal values on surface, which have not been adequately tested to depth and represent near-term drill targets on the property. The veins intersected in this area to-date are generally shallow and exhibit mineral compositions and textures indicative of a cooler part of the epithermal system. Negligible follow-up drilling has been conducted on these veins and the Company believes that they host potential for epithermal-style discoveries.

During Q2 2018, exploration activities continued, including:

- Sampling of previously unsampled core in the Lechuzas vein area;
- Completion of regional mapping and sampling of the whole property;
- Smaller scale detailed mapping on targets derived from regional mapping campaign such as Lomos Las Minas and Lomos Las Gatos as well as orientation soil sampling over the Lomos las Minas target;
- Compilation of and re-interpretation of historical data;
- Modelling of structural and vein features for exploration targeting; and
- Permitting of drill stations for planned drilling that commenced late in Q2.

Exploration work is expected to continue throughout 2018 with the Company evaluating IP surveys and soil geochemistry programs on the permits to generate targets on a regional scale for future drilling.

Qualified Person

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

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

RELATED PARTY TRANSACTIONS

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During Q2 2018, the Company incurred legal services of \$4,000 (Q2 2017 – \$17,000). During 6-Mos 2018, the Company incurred legal services of \$13,000 (6-Mos 2017 – \$27,000). As at June 30, 2018, the Company had an outstanding payable balance of \$4,000 (as at June 30, 2017 – \$24,000).

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

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risks associated with labour relations issues. The current or future operations of Excellon including ongoing commercial production are or will be governed by and subject to federal, state and municipal laws and regulations regarding mineral taxation, mineral royalties and other governmental charges. Any change to the mineral taxation and royalty regimes in the jurisdictions in which Excellon operates or plans to operate could have an adverse financial impact on the Company's current and planned operations and the overall financial results of the Company, the extent of which cannot be predicted. Further factors affecting the Company are described in the AIF.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

Management has designed disclosure controls and procedures ("DC&P") to provide a reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. There were no changes in ICFR during the second quarter of 2018.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 this IFRS accounting standard when this standard becomes effective, if applicable.

ADDITIONAL SOURCES OF INFORMATION

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

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company, such forward-looking statements include, without limitation, statements regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of proposed work programs, the discovery and delineation of mineral deposits/resources/reserves, geological interpretations, the potential of the Company's properties, proposed production rates, potential mineral recovery processes and rates, business plans and future operating revenues. Forward-looking statements are made based on management's beliefs, estimates, assumptions and opinions on the date the statements are made. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct and the Company undertakes no obligation to update forward-looking statements. Forward-looking statements

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are typically identified by words such as: believes, expects, anticipates, intends, estimates, targets, plans, postulates, and similar expressions, or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward-looking statements as a result of various risk factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, significant downward variations in the market price of any minerals produced (particularly silver), the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies. A description of the risk factors applicable to the Company can be found in the AIF under "Description of the Business – Risk Factors." All of the Company's public disclosure filings may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties. This document is not, and is not to be construed in any way as, an offer to buy or sell securities in the United States.

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

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

Cautionary Note to United States Investors regarding Adjacent or Similar Properties

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