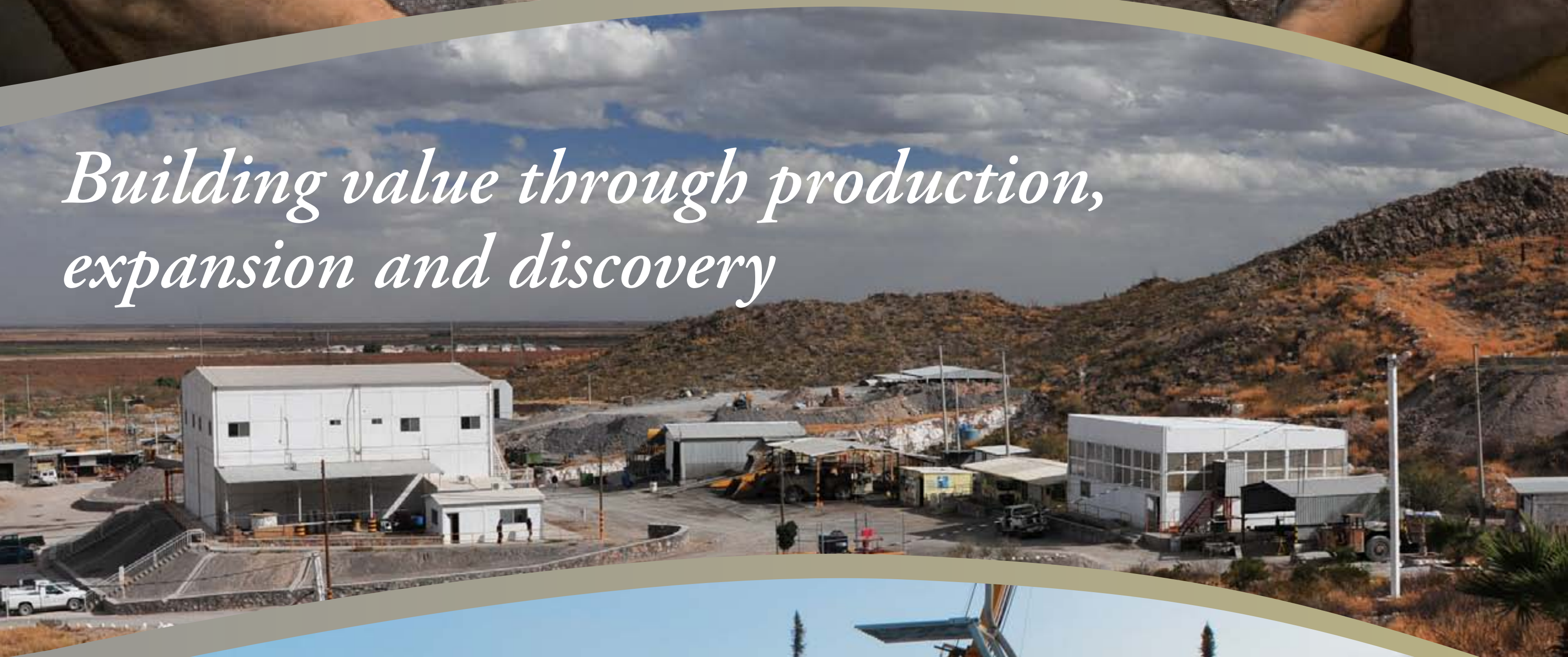
EXCELLON

Building value through production, expansion and discovery



Excellon Resources Inc.

2011 ANNUAL REPORT

Profile

Excellon Resources Inc., is a TSX-listed company with headquarters in Toronto. Excellon, a mineral resource company operating in Durango and Zacatecas States, Mexico, and Ontario and Quebec, Canada, is committed to building value through production, expansion and discovery.

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TSX:**EXN**

Excellon is Mexico's highest-grade silver producer; it produces silver, lead and zinc from the high-grade manto Mineral Resource on its large, 100% owned Platosa Property, strategically located in the middle of the Mexican CRD/silver belt. The Company's focus is on expanding its operating capacity and increasing its Mineral Resources at Platosa where an exploration program focused on diamond drilling and advanced geophysical techniques is ongoing. The 41,000 hectare La Platosa Property, not fully explored, has several geological indicators of a large mineralized system. The Miguel Auza Mill Operation, located in Zacatecas State also encompasses 41,000 hectares of underexplored land.

Excellon also has ongoing gold exploration programs on the DeSantis Project, located near Timmins, Ontario and the Beschefer Project, located in northwestern Quebec. Both of these projects host gold mineralization and significant potential for the discovery of more. Excellon will continue to use cash from operations to fund its ongoing exploration activities.

All financial figures in this Annual Report are in US dollars unless otherwise noted.

Note:
This annual report has been printed in black and white for distribution purposes. For the colour version, please visit our website at www.excellonresources.com

Disclaimer
The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this document, which has been prepared by management. Except for statements of historical fact relating to the Company, this annual report contains or incorporates by reference "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws." 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, proposed production rates, potential mineral recovery processes and rates, business and financing plans, business trends 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: believe, expect, anticipate, intend, estimate, postulate 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 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 reference in this annual report 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. United States investors are cautioned not to assume that all or any part of 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 an Indicated Mineral Resource is economically or legally mineable.

Cautionary Note to United States Investors regarding Adjacent or Similar Properties
This annual report 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 U.S. 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.

Letter to Shareholders

Excellon: A Precious Metals Growth Story

This year, your Company experienced a multitude of positive changes, including a move to become an integrated precious metals company with plenty of upside for growth.

By becoming a Precious Metals Growth Story, Excellon can now provide our investors with a diversity of exploration and growth opportunities in both the silver and gold sectors and we have de-risked our asset base by enhancing and growing our portfolio.

The Year in Review

Mexico: The Highest Grade Producer in Mexico

Excellon's key project remains the La Platosa silver, lead and zinc Mine located in Durango, Mexico, approximately 40 km northwest of the major city of Torreon and encompasses some 41,000 hectares of land. In 2011, the Company produced 1.3 million ounces of silver (avg. grades of 796 g/t Ag) with zinc and lead credits generating a consolidated cash flow of $20.3 million during 2011 for a year-end balance of $22.3 million.

This robust cash position allows the Company to continue funding its aggressive drill campaigns in Mexico, where we continue to look for the Source of our high-grade manto deposit, and in Canada on our newly acquired gold properties.

Growth in Mexico at La Platosa and at the Miguel Auza mill operations, will continue to come from a number of sources; at La Platosa, our 2012 drill campaign will consist of 20,000 m dedicated to finding the Source and 20,000 m to develop and keep replenishing our important high-grade manto deposit, which has grown from its initial 63,000 tonnes in 2002 to its current Measured plus Indicated NI 43-101-compliant Mineral Resource of 637,000 tonnes.

Finding the Source would change the profile of this Company dramatically, most likely vaulting it into the millions of tonnes category, as experienced by many other companies who are also located in the Mexican CRD/Silver Belt.

In late 2011, Excellon's management implemented the purchase of additional equipment at La Platosa, which will assist in further development of the manto deposit. The new equipment consisted of a jumbo drill, bringing the total to three, a new scissor lift, and two large 1,000 hp turbine pumps (ordered in late 2010) with one being installed in early 2012 and the other to be installed later in the year. Another important factor in the development and mining of La Platosa, was the installation of new water-tight doors in 2011. In summary, with the new equipment, pumps and water-tight doors in place, we expect that these improvements will be major factors in water management at the mine and will assist in better development planning, allowing us to keep meeting or exceeding our production quotas.

At Miguel Auza, our mill operations located in Zacatecas State Mexico, we have multiple opportunities for growth. Currently our mill is operating at 60% capacity, thus leaving a 40% surplus. This means that an increase in production at La Platosa would not be a problem for the mill, but in the meantime, we are actively searching for custom tolling opportunities to fill this excess capacity. Our mill is currently processing 6,000 tonnes per month.

Furthermore, when we purchased the mill in 2009, it was part of a mine/mill/exploration package with the mine having closed due to low metal prices at the time. It was well documented that the area had seen considerable historic silver and lead production dating back to the time of the Spaniards. Following up on an exploration program carried out in 2009/2010 we are again reviewing data to see if we can generate additional surface targets and we are revisiting historic resource data for the mine. Depending on the results of these reviews, a drill program may be undertaken in the latter part of 2012.

Although your Company has had a positive year, 2011 was not without its challenges and those challenges remain; they will need to be managed and monitored in the future.

Some of those issues are related to representative union issues; Excellon has a very good relationship with both the State and Federal Governments of Mexico and we continue to work with these authorities to ensure that all laws are observed and adhered to when working with local groups and representative unions in Mexico. Last year, La Platosa was "blockaded" by opposing unions demanding attention from the Mexican Government. Although La Platosa lost a total of seven operating days, it should be noted that the mine still met its yearly production quota, which is a testament to the quality of our mining team and the robustness of the deposit.

Water management continues to be a top priority for La Platosa and with the new water-tight doors, which are functioning and aiding water control and two new larger turbine pumps, Management feels that while water is part of our mining procedure at La Platosa, it can now be appropriately managed. Our new equipment will allow us to increase development of the mine, which will also aid in water management and increased production.

Canada: New Diversity and Upside

In August 2011, Excellon purchased Lateegra Gold Corp. and acquired a number of gold exploration properties, including the two properties on which we are currently conducting exploration programs. The Company is optimistic about both the DeSantis Property and the Beschefer Property, which are both located in prolific gold production areas.

Excellon currently owns 51% of the DeSantis Property, located just outside of the town of Timmins. Full earn-in is expected to be completed by April 2013. The Property, which covers approximately 818 hectares, is a past-producing mine with historic production of over 36,000 oz of gold between 1914 and 1942. Today, we are re-evaluating all of the available historic data from past exploration and based on this information, as well as following up from our 2010 and 2011 drill programs, will continue drill program evaluations of additional potentially economic gold resources.

The Beschefer Property is a grassroots exploration project, which is 100% owned by Excellon. Beschefer is located in northwestern Quebec in the Abitibi Belt and covers 5.3 sq km of volcanic rocks, including one highly prospective, gold-bearing shear zone, the previously discovered "B-14 Zone" and the potential for other gold hosts. Initial assays from our 2012, 8,000 m winter drill program were reported in early March and mid April, but the remainder have yet to be reported upon.

Outlook

Today, La Platosa continues to outperform its forecast. In 2011, La Platosa processed 59,405 tonnes of ore compared to a plan of 57,000 tonnes (4% above plan), at an average head grade of 796 g/t Ag compared to a forecast grade of 793 g/t Ag. For January and February 2012, as previously reported, silver averaged 1,034 g/t Ag, which will assist the Company in meeting its forecast targets for 2012.

> *Growth will be an important and vital part* of the Company's strategy in the future

Growth will be an important and vital part of the Company's strategy in the future. It is Management's belief that the Mexican silver mining sector and the competitive gold sector in the Timmins/Abitibi area, have not experienced the consolidation that some of the other precious metals sectors have experienced in the recent past. With 40% extra mill capacity available for custom milling at Miguel Auza, an increasing cash position from production, along with continuing favourable grades at the mine and expected resilient commodity prices, Excellon is in a good position to evaluate consolidation of potential mining opportunities. The Company also believes that its aggressive exploration programs in Mexico and Canada will lead to organic growth going forward.

Expenditures on exploration in 2011 totalled $6.1 million ($8.8 million in 2010). The majority of expenditures in both years have been for diamond drilling in Mexico, focused on increasing Mineral Resources at La Platosa.

Currently, the Company is looking at several potential opportunities that will continue to enhance value for shareholders by providing further diversity and upside exploration opportunities and exposure to increasing commodity prices.

We look forward to updating shareholders on the Excellon journey and to a value-filled 2012.

Peter A. Crossgrove
Executive Chairman

Jeremy Wyeth
President & Chief Executive Officer

April, 2012

Community, Environmental, Health and Safety Values

Excellon is committed to:

Ensuring that we conduct our business in an ethical and respectful manner in the communities and environments in which we operate;

That we work with local and federal governments to ensure that all laws and regulations in the communities and countries in which we operate are adhered to and reflect our commitment to our stakeholders and communities;

That each stakeholder is treated with dignity and respect;

That each employee is trained, educated and protected in the environments in which they work and operate;

That we will ensure that all stakeholders and communities remain engaged and informed of all material changes to our operating environments.

Health, Safety and Environment

The health and safety of all Excellon's employees is our number one priority. We are very committed to providing training to ensure that all employees are well educated and protected in the environments in which they work and operate.

In October 2006, Excellon adopted a Health, Safety & Environmental Committee Charter. This Charter can be found on our website www.excellonresources.com.

Excellon's HS&E Charter ensures that the Company complies with local health, safety and environmental programs and policies and that it complies with local laws, regulations and other obligations.

In Mexico, Excellon is committed to providing a safe work environment for all employees and ensuring they have the training and the tools to work safely. All new employees must receive induction training prior to starting work and must be trained and qualified before operating any equipment.

All workers participate in daily safety meetings and are members of the Joint Health and Safety committee. Excellon has a trained Mine Rescue team, which competed in the Mexican National Mine Rescue competition. Our Mine Rescue and First Aid teams continue to train on a monthly basis to keep their skills sharp.

Community

Excellon has a long-standing and mutually beneficial relationship with the town of Bermejillo, where it is the largest employer. We are committed to be pro-actively engaged with the community and surrounding environment to ensure that our actions positively affect all community stakeholders.

In 2011, Excellon engaged in community clean-up projects to beautify the immediate area, town square, the City Hall Office Building, and the Casa de la Cultura, a community centre which is used for year-round activities mostly for children and teens and special cultural events.

In March 2012, the citizens of Bermejillo, with the assistance of Excellon, broke a Guiness World Record for the most people at a reading group. More than 3,000 persons from Bermejillo and other surrounding towns took part in the reading group.

La Platosa, Mexico

Mine

While Platosa exceeded its 2011 production forecast in tonnes milled and silver produced, a major focus was placed on water management. The last of three water-control doors were installed. These doors allow various areas of the mine to be sealed in case of unexpected inflows and allowing production to continue in the rest of the mine. An additional underground diamond drill was purchased to be used exclusively in the water management program to identify water-bearing structures and assist with mine development planning. Having two drills allows for better flexibility in grouting and drilling.

Two additional 1,000 hp vertical turbine pumps were purchased and will nearly double pumping capacity and will lower pump repair costs as fewer smaller submersible pumps will be required.

The mill at Miguel Auza continued to perform well at 98% availability and at 60% capacity. Recoveries in all areas improved as a result of continuing "in-house" metallurgical test work. Silver recoveries improved by 3.5% to 88.9% while lead recovery increased by 7.33% to 75.6% and zinc recovery improved by 3.94% to 78.5%.

Exploration

Mexico

The 2011 exploration program in Mexico was directed exclusively at the Platosa property and the Sundance Option property.

> The 2011 exploration program in Mexico *was directed exclusively at the Platosa Area*

At Platosa, two diamond drills operated throughout the year and approximately 32,000 metres ("m") were drilled in 109 exploration holes. The vast majority of the meterage was directed at high-grade massive sulphide manto targets, including the Pierna Manto discovered in late 2010. Pierna and the other known mantos being exploited at the Platosa Mine represent the distal portion of a much larger Carbonate Replacement Deposit ("CRD") system of which many are known and being mined in Mexico. Another portion of the meterage was directed at proximal CRD targets. Proximal CRDs are generally of lower grade than mantos but often measure in the millions of tonnes. Drilling into early 2012 continues to encounter encouraging geological indications of a proximal environment and Company geologists believe the likelihood of discovering such a high-tonnage proximal deposit at Platosa remains high.

In September, the Company announced that it had discovered a Rare Earth Element ("REE") occurrence on the northern portion of the Platosa Property. REE values were low but persistent over widths of up to 281 m in four 2006 drill holes that had not previously been assayed for REEs. Following a mapping, prospecting and compilation program, five holes were drilled between December 2011 and February 2012 on stratigraphic and geophysical targets that resembled the signature of the known occurrence. Anomalous REE values were found in one hole.

In October, the Company announced the results of an updated Mineral Resource estimate for the Platosa Mine. The estimate was prepared as at July 31, 2011. The new Measured plus Indicated Mineral Resource was 637,000 tonnes ("t") grading 836 g/t (24.4 oz/Ton) Ag, 8.95% Pb, 10.58% Zn. The new estimate confirmed that the Mineral Resource at Platosa had been maintained since the previous estimate as at October 31, 2009. Taking into account the 109,000 tonnes of production since the previous estimate, total tonnage increased by 10%. The results met Company expectations and Platosa remains the highest grade producing Ag, Pb, Zn deposit in Mexico.

With respect to the Sundance Option, property owner and project operator, Sundance Minerals Inc., carried out a nine-hole 3,925 m drilling program to test a variety of CRD targets on the Pluton property located contiguous with the western portion of the Platosa property. The program results did not meet Company expectations and following consultation with Sundance the option agreement was terminated in February 2012.


Drilling in Mexico

In 2012, the Company again has two drills operating at Platosa. Subject to change, depending on results, the program will see roughly half of the projected 40,000 m of drilling devoted to each of the search for additional manto massive sulphides and the high-tonnage Source of these mantos. In early April, the Company disclosed the results of seven drill holes. One of these intersected additional significant geologic evidence of a Source environment in the Rincon del Caido area 1.0 km northwest of the mine. Three others intersected new high-grade massive sulphides at the northwest corner of the 6A Manto. The Company also intends to carry out a small ground geophysical program and mapping, prospecting and sampling programs on various portions of the property.

Gold Portfolio, Canada

Geologist at drill in winter, Beschefer, Quebec

Beschefer core

In August 2011, Excellon acquired 100% of the outstanding shares of Lateegra Gold Corp. and its portfolio of gold exploration properties, principally located within the Abitibi Greenstone Belt in northeastern Ontario and northwestern Quebec.

Excellon currently holds its interest in the DeSantis Property via two option agreements entered into in February and April 2010. Under the terms of these agreements, the Company may acquire 100% of the mineral titles of the two adjacent properties by making cash payments totaling CDN$410,000, issuing 1,431,000 Excellon shares, and completing CDN$150,000 in exploration expenditures by April 2013.

In Q4 2011, the Company terminated its option on the Stoughton Project, located on Lake Abitibi, approximately 3 km west of the Ontario-Quebec border.

In February 2012, the Company exercised its option agreement to acquire 100% of the mineral title of the Beschefer Project.

In February 2012, the Company exercised its option agreement to acquire *100% of the mineral title of the Beschefer Project*

The Company continues to hold interests in other exploration properties in Ontario and British Columbia and is actively assessing these projects. Also, an option of the Satterly Lake Property, located near Red Lake, Ontario remains valid with the optionor, Strike Gold Corp. fulfilling its first year option requirements to maintain its interest in the property.

Operational Review

DeSantis Property, Timmins, Ontario

The DeSantis Property is well situated in the Timmins gold camp, being located within highly prospective volcanic stratigraphy on the north side of the Destor-Porcupine Tectonic Zone, and containing the former DeSantis Mine, which produced approximately 36,000 oz of gold over its intermittent production history.

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Following up on its 2010 drill campaign, the Company completed 8,000 m of drilling in 22 drill holes (four of which were abandoned prior to reaching target) from June to December 2011. The 2011 drill campaign focused on testing the down-dip and along strike potential of the Hydrothermal Alteration Zone, the down-dip potential of the Albitite Zone, as well as tested reconnaissance targets located on the DeSantis West portion of the property. Highlights of results include the interception of 3.63 gpt Au over 23.17 m including 14.25 gpt Au over 1.17 m in hole DS11-010a, which tested to the west of known mineralization in the Hydrothermal Alteration Zone. Follow-up drilling, data compilation, and geologic modeling are planned for 2012.

Drilling operations at the DeSantis property

Beschefer Property, Quebec


Excellon geologist inspecting completed drill hole at Beschefer

The Beschefer Project is located 12 km east of the past producing Selbaie Mine, 60 km northwest of the Casa Berardi Mine and 65 km east of the Detour Lake Project.

The Company completed ground magnetometer and induced polarization surveying, and 1,523 m of diamond drilling in 5 holes during Q1 2011, focused on the previously discovered "B-14" Zone. Drill results highlights include the interception of 3.88 gpt Au over 4.35 m including 13.85 gpt Au over 0.30 m in hole BE11-001, and 12.4 gpt Au over 3.78 m including 63.5 gpt Au over 0.43 m in hole BE11-003. Based on these positive results, the Company plans follow-up drilling, primarily exploring along strike and down-dip on the B-14 Zone, as well as testing other reconnaissance targets on the property during 2012.

the Company plans 8,000 metres of drilling, primarily exploring along strike and down-dip on the B-14 Zone

By the end of March 2012, the Company completed 8,867 m of drilling in 33 drill holes at Beschefer. Highlights of these drilling results include the interceptions of 4.54 gpt Au over 7.80 m including 9.16 gpt Au over 1.35 m and 27.30 gpt Au over 0.30 m in hole BE12-006 as well as the interception of 13.07 gpt over 8.75 m including 58.5 gpt Au over 1.50 m in hole BE12-014 (all gold assays are uncut and lengths reported may not be representative of true thickness). Although Excellon has not received complete results for all its 2012 drill program, the Company is encouraged by the results received and particularly in the continuity of the B-14 Zone at Beschefer.

Qualified Persons

Mr. John Sullivan, BSc., P. Geo., Excellon's Vice President of Exploration for Mexico has acted as the Qualified Person, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information related to Mexico contained in this MD&A and has supervised the preparation of the technical information on which such disclosure is based.

Mr. Sullivan is an economic geologist with over 35 years of experience in the mineral industry. Prior to joining Excellon in 2007, he was a senior geologist at a Toronto-based international geological and mining engineering consulting firm where he evaluated properties and prepared NI 43-101 reports on gold and base metal projects in Canada and internationally. In addition, he has held senior positions with two large Canadian mining companies where he directed major exploration programs, managed field offices, and evaluated projects in Canada, Europe, Africa and Latin America. Mr. Sullivan is not independent of Excellon, as he is an officer of the Company.

The Company's Canadian exploration programs are conducted under the supervision of its Vice President of Exploration for Canada Ms. Heather Miree, B.Sc., P. Geo. Ms. Miree has acted as the Qualified Person, as defined by NI 43-101, with respect to the disclosure of the scientific or technical information related to Canada contained in the MD&A and has supervised and verified those portions of the technical activities completed during 2011 on which such disclosure is based and verified technical information related to 2010 exploration activities completed by the Company.

Ms. Miree is an economic geologist with over 25 years of experience in the mineral industry. Ms. Miree has held senior geological and supervisory roles with several junior and mid-sized mining companies, in the areas of exploration and operations. During such roles, Ms. Miree conducted exploration programs, completed project evaluations, managed regional exploration offices, was Chief Mine Geologist, and participated in the advancement of projects from exploration to commercial production. Ms. Miree is not independent of Excellon as she is an officer of the Company.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2011

March 27, 2012

Excellon Resources Inc. (the "Company", or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the year ended December 31, 2011 in accordance with the requirements of National Instrument 51-102 ("NI 51-102"). This MD&A contains information as at March 27, 2012 and provides information on the operations of the Company for the year ended December 31, 2011 and 2010 and subsequent to the year end, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 and the related notes for the year then ended.

The audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these consolidated annual financial statements. Comparative information included in the December 31, 2011 audited consolidated financial statements and MD&A have been restated in accordance with IFRS. The audited annual financial statements for the year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Effective January 1, 2011, the Company began reporting in United States dollars and this change has been applied retrospectively. All figures in this MD&A are in US dollars unless otherwise noted.

Description of Business

Excellon is exploring, developing and mining the high-grade silver-lead-zinc mineralization on its approximately 41,000-hectare Platosa Property ("Platosa") located in northeastern Durango State, Mexico. The style of mineralization at Platosa resembles that of several of the 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 two concentrates; a silver-lead concentrate and a silver-zinc concentrate. Both concentrates are shipped to the port of Manzanillo where they are purchased by Consorcio Minero de Mexico Cormin Mex, S.A. de C.V., a Trafigura Group Company.

On October 25, 2011, the Company reported an updated Mineral Resource estimate for the Platosa Mine. The estimate was prepared as at July 31, 2011. The new Measured plus Indicated Mineral Resource estimate is 637,000 tonnes grading 836 g/t (24.4 oz/T) Ag, 8.95% Pb, 10.58% Zn. The Measured plus Indicated tonnage has increased by 10% from that of the previous estimate as at October 31, 2009. Lead and Zn grades are nearly unchanged while the Ag grade has decreased by 8% as most of the added tonnes have a lower Ag grade than those mined since late 2009. The new Inferred Mineral Resource estimate is 69,000 tonnes grading 1,011 g/t (29.5 oz/T) Ag, 11.35% Pb, 11.34% Zn. Inferred Ag, Pb and Zn grades increased significantly while tonnage decreased, principally because 2009 Inferred tonnes with a value below the 2011 Net Smelter Return ("NSR") cut-off of US$200/tonne were dropped. Taking into account the 109,000 tonnes of production since the previous estimate, total tonnage increased by 10%. The increase in tonnage is derived largely from the Pierna, 6A/6B and NE-1 Mantos. The high-grade Pierna Manto, discovered in late 2010, contributed a Measured plus Indicated Mineral Resource of 45,000 tonnes grading 776 g/t (22.6 oz/T) Ag, 8.80% Pb, 15.94% Zn. The new estimate confirms that the Mineral Resource at Platosa has been maintained since the previous estimate.

Platosa Project - Mineral Resource Estimate (as of July 31, 2011)

Category	Tonnes (t)	Ag (g/t)	Ag (oz/T)	Pb (%)	Zn (%)	Contained Ag (oz)	Contained Pb (lb)	Contained Zn (lb)
Measured	88,000	1,064	31.0	9.14	11.99	3,016,000	17,760,000	23,301,000
Indicated	549,000	800	23.3	8.92	10.36	14,104,000	107,918,000	125,248,000
M + I	637,000	836	24.4	8.95	10.58	17,120,000	125,678,000	148,549,000
Inferred	69,000	1,011	29.5	11.35	11.34	2,241,000	17,254,000	17,247,000

Notes:
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$200 per tonne.
3. NSR metal price assumptions: Ag US$25.00/oz, Pb US$1.15/lb, Zn US$1.15/lb.
4. Estimate is of Mineral Resources only and, because these do not constitute Mineral Reserves, they do not have any demonstrated economic viability.
5. National Instrument 43-101 compliant Mineral Resource estimate prepared by David Ross, P.Geo., of Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at July 31, 2011.
6. Totals may not add correctly due to rounding.

Changes to Accounting Standards

International Financial Reporting Standards (IFRS)

Effective January 1, 2011, the Company adopted IFRS as required for all publicly accountable enterprises by the Canadian Accounting Standards Board ("AcSB"). The adoption date of January 1, 2011 has required the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. A reconciliation from equity under Canadian GAAP to IFRS at the date of transition (January 1, 2010) and reconciliation from profit and loss under Canadian GAAP to IFRS for the prior year comparable quarter and year to date for 2010, has been disclosed in note 5 to the audited consolidated financial statements and later in this MD&A.

Impact of the changeover to IFRS

The conversion to IFRS resulted in a few differences in recognition, measurement, and presentation provided in the audited consolidated financial statements.

Cash flows have not been affected by the change.

Net assets at December 31, 2010 were decreased by only $9,000 which was the impact of the change in the method of measuring the rehabilitation provision (asset retirement obligation).

Comprehensive income for the year ended December 31, 2010 was also impacted in the same amount by the restatement of the rehabilitation provision and also by a change in the measurement of share-based compensation that added an additional $104,000 in expense. Therefore the total decrease in comprehensive income was $113,000. Both of these changes are non-cash items.

Management expects that future reporting will not be affected by much more than the variation disclosed in the audited consolidated financial statements.

Regarding presentation, the line items of the consolidated statement of financial position, income and cash flow are comparable under Canadian GAAP and IFRS with the exception of mineral properties that had to be reclassified under IFRS. At December 31, 2010 mineral rights of about $2.0 million, net of amortization were reclassified to mineral rights. The remainder of mineral properties was reclassified to property, plant and equipment as mining properties.

Change to United States Dollar Reporting

Effective January 1, 2011, the Company began reporting in US dollars. This change was made in order to improve the comparability of the Company's financial information with other mining companies. This change has been applied retrospectively as if the new presentation currency has always been the US dollar.

Mine Operations

Tonnes produced and milled from the Platosa Mine for the fourth quarter were 14% above plan. Silver and zinc grades were 21% and 25% respectively above plan while lead grade was 3% below plan. Production for the year was 4% above plan in terms of tonnes. Silver grade was on plan, lead grade was 13% below plan and zinc grade was 18% above plan. Management is pleased with these results and they represent a good start to the planned production increase anticipated for 2012.

Actual and planned mine and mill production for the fourth quarter and full year of 2011 are as follows:

Period	Tonnes	Ag (g/t)	Pb (%)	Zn (%)
Fourth quarter ended December 31, 2011 (plan)	15,000	790	7.13	7.89
Fourth quarter ended December 31, 2011 (actual)	17,039	952	6.91	9.86
Year ended December 31, 2011 (plan)	57,000	793	7.15	7.76
Year ended December 31, 2011 (actual)	59,405	796	6.24	9.17

The following are the Platosa Mine production statistics for the years indicated:

	12 months ended December 31, 2011	12 months ended December 31, 2010
Tonnes of ore processed	**59,405**	64,462
Ore grades:		
Silver *(g/t)*	**796**	814
Lead *(%)*	**6.24**	6.37
Zinc *(%)*	**9.17**	7.68
Recoveries:		
Silver *(%)*	**88.9**	85.4
Lead *(%)*	**75.6**	68.2
Zinc *(%)*	**78.5**	74.5
Production:		
Silver - *(oz)*	**1,312,146**	1,317,605
Lead - *(lb)*	**6,529,018**	5,804,014
Zinc - *(lb)*	**8,674,527**	8,074,321
Sales:		
Silver - *(oz)*	**1,312,146**	1,302,321
Lead - *(lb)*	**6,529,018**	5,726,157
Zinc - *(lb)*	**8,674,527**	8,009,077
Realized prices:		
Silver - *($US/oz)*	**34.16**	19.78
Lead - *($US/lb)*	**0.98**	0.95
Zinc - *($US/lb)*	**1.02**	0.94

Cash Cost per Ounce of Silver Produced

The Company's cash cost per ounce of silver produced for the year ended December 31, 2011 was $5.29 per ounce (year ended December 31, 2010 - $7.46/oz). The calculation of cash cost per ounce produced reflects the cost of production adjusted for by-product and various non-cash costs included in Cost of Sales and this calculation may differ from that used by others. The table which follows presents the details of the calculation.

Cash operating costs in the current year at US $6.9 million (refer to the following table) are lower than last year by US $2.9 million.

Reconciliation of Cash Cost per Ounce of Silver Produced, Net of By-Product Credits:

	12 months ended December 31, 2011 $ (000's)	12 months ended December 31, 2010 $ (000's)
Cost of sales	**17,195**	**18,906**
Adjustments - increase/(decrease):		
Depletion, depreciation and amortization	**(2.411)**	(2,532)
Inventory changes	**(62)**	297
Third party smelting and refining charges	**6,250**	4,983
Royalties	**(543)**	(387)
By-product credits[1]	**(13,485)**	(11,437)
Cash operating cost	**6,944**	9,830
Ounces of silver produced	**1,312,146**	1,317,605
Cash operating cost per ounce of silver produced in US $/oz	**5.29**	**7.46**

(1) By-product credits comprise revenues from sales of lead and zinc.

Cash operating cost, net of by-product credits, is provided as additional information. It is a non-GAAP measure that does not have a standardized meaning. 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. This measure is intended to provide investors with information about the cash generating capabilities of the Company's operations. The Company uses this information for the same purpose. This analysis excludes capital expenditures and income taxes.

Exploration

MEXICO

Platosa Property

The Platosa Mine exploits a series of typical, although very high-grade, distal CRD silver, lead, zinc manto deposits located strategically within the prolific Mexican CRD Belt. It is the Company's belief and diamond drilling results to early November 2011 continue 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 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 2-12% lead; 2-18% zinc, 60-600 g/t silver, up to 2% copper and 6 g/t gold; and
- Deposit morphology - Individual CRD orebodies 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 metallurgically straight-forward and given that they are limestone-hosted, the environmental impact of tailings disposal is generally minimal.

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 in exploration to trace mantos into chimneys, sulphides into skarn, or skarn into stock contact deposits.

During the fourth quarter, the full year of 2011 and up to the time of the present report, exploration efforts have focussed on two target types in two general areas. Towards the end of the third quarter of 2011 a third target type, Rare Earth Elements, was added to the exploration program and plans made to expand the exploration program to encompass this target in the following months.

The first target is located in an irregularly-shaped area extending roughly 1.5 kilometres ("km") from the Platosa Mine. In this area the primary objective is 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 developed by 2010 and previous drilling and geotechnical surveys. This follows on the success in adding mineralization to the 6A/6B Manto and the discovery of the Pierna Manto, both during 2010;

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 discovery of larger-volume medial and proximal CRD mineralization. Geological evidence of this potential has been found in several drill holes completed since 2008 including hole EX10-LP763 drilled in 2010 in the Rincon del Caido area approximately 1.5 km NNW of the Guadalupe Manto. A portion of the early 2011 exploration program focussed on the Rincon del Caido - 6A/6B Corridor after-which efforts focussed elsewhere as Company geologists received the interpreted results of the 2010 ZTEM survey. In October, drilling was again undertaken on another stratigraphic target in the Rincon del Caido area and in February 2012 a rig returned again to the area; and
- Continue to pursue the development of additional targeting tools. From mid 2010 until the end of July 2011 this work focussed on preparing for and then following up the results of the ZTEM airborne geophysical survey flown in the fall of 2010 and the three-dimensional Induced Polarization (3D IP) survey carried out earlier in 2010. Several 3D IP targets were drilled between late 2010 and early 2011 but no significant sulphides were intersected. Company geologists have revisited the survey results and another target has been chosen for drill testing. Between March and late July six ZTEM targets were drilled. No significant results were obtained. The Company and its geophysical consultant continue to study new interpretation options for the survey data and remain confident that additional proximal targets will be defined from this data. Company geologists also plan Natural Source Audio Magnetotelluric ("NSAMT") ground geophysical surveys over several areas believed to host structures that may be favourable locations for the discovery of large-tonnage proximal CRD deposits. This type of survey has demonstrated its effectiveness at Platosa in the past and it was while testing NSAMT-interpreted structures in the early 2000s that the Guadalupe and Guadalupe South mantos were discovered. These surveys will be carried out in April 2012.

The third target is Rare Earth Elements ("REE") found in the Cañón Colorado area approximately 6 km northwest of the Platosa Mine:

- In a press release dated September 27, 2011, the Company announced the discovery of anomalous REE values in four drill holes drilled into an altered rhyolite breccia located six kilometres northwest of the Platosa Mine at Cañón Colorado. Values of Total Rare Earth Element Oxides (TREEO), the manner in which REE content is normally reported, range from 1,308 ppm (0.131%) TREEO over a 36.25 metre ("m") core width in hole EX06-JVN03 to 2,136 ppm (0.214%) TREEO over a 281.25 m core width in hole EX06-JVN04. The TREEO amounts are comprised of Cerium, Dysprosium, Lanthanum, Neodymium, Praseodymium, Samarium and Yttrium oxides. Scattered values of other REE oxides have been encountered but were not included in the reported results. Intersections are reported as core widths since not enough is known about the occurrence to estimate true thicknesses; and
- The Company recognizes that the REE values found to date are low but they are persistent over considerable widths and much remains to be learned about the potential for the discovery of additional occurrences, which may have enhanced grades. To this end, a mapping and prospecting program focussed on discovering additional REE occurrences within five kilometres of Cañón Colorado is underway. In addition, between December 2011 and mid-February 2012, five holes were drilled in the vicinity of the occurrence. These holes tested geophysical targets bearing a resemblance to the geophysical signature of the rhyolite breccia hosting the anomalous REE values. One hole intersected a down-dip portion of the Cañón Colorado rhyolite breccia and encountered anomalous REE values similar to those found in the holes described above. The other holes did not encounter breccia material and encountered no values.

Diamond drilling continued to encounter success near existing mine infrastructure. In early-December 2011 the Company reported results from five new holes that intersected high-grade massive sulphides over estimated true widths ranging from 0.67 to 4.53 m. The five holes are located near to but outside of the known mantos. Holes LP971 and LP975, located off the east-central portion of the 623 Manto, intersected 4.53 m of massive sulphides grading 1,028 g/t (30.0 oz/T) Ag, 10.47% Pb, 12.74% Zn and 0.76 m grading 663 g/t (19.3 oz/T) Ag, 5.25% Pb, 14.60% Zn respectively. Intersections are estimated true thicknesses. The assay results for the five holes are included in a press release dated December 2, 2011.

With regard to the Sundance Option, in January the Company received the final report covering the drilling program carried out by project operator and owner Sundance Minerals Ltd. in the summer of 2011. Nine holes totalling 3,925 m were drilled to test a variety of CRD targets on the Pluton property located contiguous with the western portion of the Platosa property. The program results did not meet Company expectations and following consultation with Sundance the option agreement was terminated.

The Platosa exploration program continues to meet with considerable success. In mid-October, the Company reported an updated Mineral Resource estimate for Platosa. It showed that taking into account the 109,000 tonnes mined since the previous estimate in late 2009, tonnage had increased by 10% and the high grades had been maintained. In addition, Rare Earth Elements have been discovered at Cañón Colorado and the search for the source of the mantos has resumed. Planned expenditures for 2012 are $6.9 million, over 80% of which will be for diamond drilling. Approximately 20,000 metres of drilling are planned for the search for additional high-grade manto mineralization and another 20,000 m for the search for the large-tonnage source of the mantos.

Miguel Auza Property

The Miguel Auza property encompasses 41,498 ha and 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 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 the time of the Spaniards and as recently as 2008 when Silver Eagle Mines, through its Mexican subsidiary, carried out mining and milling on the Calvario Vein system.

The Company carried out a modest exploration program at Miguel Auza between the fall of 2009 and the fall of 2010 and while certain areas were highlighted as meriting further exploration work a decision was made to concentrate exploration activities at Platosa for the foreseeable future.

CANADA AND OTHER

In August 2011, the Company acquired all of the Lateegra Gold Corp. ("Lateegra") shares by exchanging 0.54 Excellon share for each Lateegra share outstanding. Lateegra is a junior exploration company whose main assets included the DeSantis Property in northeastern Ontario and the Beschefer Property in northwestern Quebec, both important gold exploration projects and also holds several other Canadian exploration properties and the El Condor gold property in southern Ecuador. El Condor is located within 3 km of Kinross's Fruta del Norte gold deposit, on which a feasibility study is in progress and the Company is weighing its options with respect to property.

DeSantis Property, Northeastern Ontario

Lateegra acquired its interest in the DeSantis Property from International Prospectors and Explorers Inc. ("IEP"), via an option agreement dated February 1, 2010 and in the DeSantis West Property via an option agreement dated April 13, 2010. Collectively, these are referred to as the DeSantis Property. Under the terms of the DeSantis (IEP) Property agreement Lateegra has earned a 51% interest in the property. Lateegra may acquire the additional 49% interest in the property by making additional payments of C$375,000 and issuing a total of 2,500,000 Lateegra shares prior to April 2013 (equivalent Excellon shares of 1,350,000). Under the DeSantis West option agreement, Lateegra may acquire a 100% interest in the property by making cash payments totaling C$50,000, of which C$15,000 has already been paid, issuing a total of 225,000 Lateegra shares (equivalent Excellon shares of 121,500), of which 75,000 (equivalent Excellon shares of 40,500) have already been issued, and completing exploration expenditures of C$150,000 prior to April 2013.

The Company's DeSantis Project is located along the Destor-Porcupine Tectonic Zone ("DPZ"), the main structure controlling gold deposits in the Timmins gold camp, approximately 5 km southwest of downtown Timmins, 11 km west of the Dome Mine, currently owned and operated by Goldcorp Inc. and 14 km east of Lake Shore Gold Corp.'s Timmins Mine. The DeSantis property covers approximately 5 km of strike length within highly prospective volcanic stratigraphy on the north side of the DPZ, including the past producing DeSantis Mine. Gold deposits in the Timmins gold camp occur in a variety of forms, but virtually all can be related to structural controls associated with major deformation zones, the foremost being the Destor-Porcupine Tectonic Zone, thus are mesothermal gold deposits, exhibiting the form of 'shear-zone hosted gold deposits.' Such gold deposits are typified by wide alteration envelopes hosted within volcanic sequences with a locus of deformation and alteration in discrete zones which also host significant veining including quartz and accessory minerals and gold.

The DeSantis Property hosts at least five known gold-bearing zones, including the Contact Zone, Hydrothermal Zone, Albitite Zone, Arsenopyrite Zone, and East Pit area, all of which are located near the area of historic underground mining on the property. The DeSantis Mine produced 35,800 ounces of gold from 178,650 tonnes of ore which graded 6.2 g/t gold during its intermittent production history. Production was carried out from nine levels sourcing principally the Albitite and Hydrothermal Alteration Zones, accessed via the 379 m-deep DeSantis No. 2 Shaft.

A major exploration effort on the property was undertaken in the mid 1980s by a Noranda Inc. - Stan West Mining Corp. joint venture. Focused on deeper portions of the Albitite Zone, this advanced exploration program rehabilitated the DeSantis No. 2 Shaft, several of the lowest underground levels, and completed test mining and underground drilling from those levels. Resultant from that work and the work of others, a historic resource estimate for the Albitite Zone is 65,500 tonnes grading 7.85 g/t gold, while the Hydrothermal Alteration Zone was estimated to contain 117,000 tonnes grading 9.09 g/t gold. These resource estimates, while considered relevant, are historic in nature, do not have currently demonstrated economic viability and should not be relied upon.

Since acquiring its interest in the DeSantis Property, the Company conducted two diamond drilling campaigns, one in 2010 and another in 2011. During 2011, the Company completed 7,997 metres of diamond drilling on the DeSantis Property focused on expansion of the Hydrothermal Alteration Zone and the Albitite Zone which are located in the vicinity of the DeSantis No. 2 Shaft, as well as tested reconnaissance targets elsewhere on the property.

In a press release dated October 18, 2011, the Company announced results from exploration drilling directed towards the Hydrothermal Zone as shown in the following table. Intersections are reported as core intercept lengths and top cutting factors have not been applied to the reported gold grades.

DeSantis 2011 Drill Program Results Summary as at October 18, 2011:

DDH No.	Interval From (m)	Interval To (m)	Interval Width (m)	Au (g/t)
DS11-001	188.00	188.92	0.92	1.81
DS11-002	168.90	169.57	0.67	4.81
	366.45	368.40	1.95	4.30
	370.20	370.90	0.70	1.39
	374.20	375.05	0.85	1.34
DS11-003	85.50	86.40	0.90	2.05
	290.89	291.23	0.34	1.34
DS11-004	289.50	290.50	1.00	1.06
DS11-005	321.84	323.00	1.16	1.56
	406.60	407.55	0.95	1.10
	410.30	410.75	0.45	2.46
DS11-006			Nsi	
DS11-007	388.00	389.50	1.50	1.09
DS11-008	154.29	154.81	0.52	5.68
DS11-009	248.00	249.45	1.45	6.02
DS11-010	Abandoned			
DS11-010A	194.74	196.00	1.26	1.63
	199.00	222.17	23.17	3.63
Incl.	221.00	222.17	1.17	14.25

Nsi = No significant intercept

Subsequent to the October 18, 2011 release of information, the remainder of the analytical results from 2011 drilling within the Hydrothermal Alteration Zone which were received by end January 2012 contained only anomalous gold grades over relatively narrow widths. Similarly, although drill holes sited on reconnaissance targets intercepted potentially significant rock units (quartz veins), the gold content of these units was found to be low. The geologic information provided by the drilling completed on the heretofore relatively untested western portion of the property will be invaluable in geologic modeling.

Commencing in late October 2011, the DeSantis drill campaign began assessing the potential for down-dip extensions to the Albitite Zone. Drill results from the Albitite Zone indicate rock types and alteration consistent with that occurring in upper areas of the zone continue at depth although no significant gold grades were intercepted in the three drill holes completed in this area to the end of 2011. It was planned that the deeper of the drill holes completed within both the Albitite and Hydrothermal Alteration Zones would be utilized as platforms for downhole geophysical surveying to be completed in early 2012. Other plans for the DeSantis property in 2012 include data compilation, geological modeling, and additional diamond drilling. The Company considers that the DeSantis Property, both in the area of historic mining in the vicinity of the DeSantis No. 2 Shaft and elsewhere on the property continues to host considerable potential for additional gold mineralization.

Beschefer Property, Quebec

Lateegra acquired its interest in the Beschefer Property via an option agreement dated January 31, 2011. Under the terms of the agreement, Lateegra is entitled to earn a 100% interest in the property by making cash payments totalling C$50,000 (already made) and issuing 6,000,000 Lateegra shares (equivalent Excellon shares of 3,240,000) prior to February 15, 2012. As of end February 2012, all cash payments were made and all shares were issued and the Company acquired a 100% interest in the property as per the option agreement. The property is subject to a 1 to 2% net smelting royalty to the Optionors.

The Beschefer Property is located within the Abitibi Greenstone Belt approximately 75 km west of Matagami, in northwestern Quebec, 12 km east of the past producing Selbaie Mine. The Selbaie Mine produced 57.5 million tonnes grading 0.56 g/t gold, 38 g/t silver, 0.87% copper, and 1.85% zinc over its mine life. The property has little or no bedrock exposure and is muskeg-covered such that drilling is most effectively performed during winter conditions.

The property hosts the "B-14" Zone, a gold mineralized shear zone, hosted within a typical Archean volcanic 'greenstone' assemblage. As previously reported, 1,520 m of diamond drilling in five holes were completed in early 2011, primarily on the B-14 Zone. Results of the 2011 drill campaign include 3.80 g/t gold over 4.35 m including 13.85 g/t over 0.30 hole m in BE11-001, and 12.4 g/t gold over 3.78 m including 63.5 g/t gold over 0.43 m in hole BE11-003 (all reported gold grades are uncut). In addition, hole BE11-002 intercepted 2.3% copper over 2.58 m. Intersections are reported as core intercept lengths and top cutting factors have not been applied to reported gold grades.

The Company's early-2011 drilling results confirm that the B-14 Zone has the potential to host a significant gold resource and other portions of the property should be further investigated for gold as well as base metal potential.

Contingent on weather conditions, a planned 8,000 metre drill campaign commenced in early 2012 in order to further assess the B-14 Zone as well as explore other portions of the property. This campaign is on-going at this time.

Stoughton Property, Northeastern Ontario

Lateegra acquired its right to earn an interest in the Stoughton Property, located north of the DPZ near the Quebec-Ontario border, via an option agreement dated November 11, 2010. In Q3, 2011, the Company terminated its option on the property.

Qualified Persons

Mr. John Sullivan, BSc., PGeo., Excellon's Vice President of Exploration for Mexico has acted as the Qualified Person, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information related to Mexico contained in this MD&A and has supervised the preparation of the technical information on which such disclosure is based.

Mr. Sullivan is an economic geologist with over 35 years of experience in the mineral industry. Prior to joining Excellon in 2007, he was a senior geologist at a Toronto-based international geological and mining engineering consulting firm where he evaluated properties and prepared NI 43-101 reports on gold and base metal projects in Canada and internationally. In addition, he has held senior positions with two large Canadian mining companies where he directed major exploration programs, managed field offices, and evaluated projects in Canada, Europe, Africa and Latin America. Mr. Sullivan is not independent of Excellon, as he is an officer of the Company.

The Company's Canadian exploration programs are conducted under the supervision of its Vice President of Exploration for Canada Ms. Heather Miree, B.Sc., P. Geo. Ms. Miree has acted as the Qualified Person, as defined by NI 43-101, with respect to the disclosure of the scientific or technical information related to Canada contained in the MD&A and has supervised and verified those portions of the technical activities completed during 2011 on which such disclosure is based and verified technical information related to 2010 exploration activities completed by the Company.

Ms. Miree is an economic geologist with over 25 years of experience in the mineral industry. Ms. Miree has held senior geological and supervisory roles with several junior and mid-sized mining companies, in the areas of exploration and operations. During such roles, Ms. Miree conducted exploration programs, completed project evaluations, managed regional exploration offices, was Chief Mine Geologist, and participated in the advancement of projects from exploration to commercial production. Ms. Miree is not independent of Excellon as she is an officer of the Company.

Risk and Uncertainties

The Company is exposed to many risks in conducting its business, 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. Risk factors affecting the Company are described in the Annual Information Form on Sedar (www.sedar.com).

In addition, there is no assurance that the Company will have sufficient cash resources to meet its objectives since this is dependent on being able to maintain adequate production levels and to realize adequate revenues based on metal prices as well as being able to raise capital as required.

Overall Performance

Production of silver in 2011 was 1.3 million ounces as compared to the same amount in 2010. Tonnes of ore processed in 2011 was 59,405 as compared to 64,462 for 2010. The lower tonnage processed accounts for the majority of the decrease in cost of goods sold from $18.9 million in 2010 to $17.2 million in 2011. The overall grade of silver processed in 2011 was down slightly from 2010 levels at 796 g/t compared to 814 g/t for the prior year. Compensating for the decrease in tonnage and grade in the year over year comparison was an improvement in overall recovery of silver of 88.9% for 2011 compared to 85.4% for 2010. These factors have all contributed to a production profile that is virtually unchanged in the year to year comparison.

Planned production for mining and processing is 72,000 tonnes for 2012. The increase in tonnage through-put, increased development activity, deeper mining depths and the operation of increased water pumping capacity will put upward pressure on operating costs in 2012. With the significant investment in water control procedures, the Company is now in a good position to manage the underground water flows with the increased pumping capacity and the installation of watertight control doors in key operating areas of the mine in order to facilitate the expected tonnage increase.

The silver price in 2011 averaged $35.12 per ounce on the London Metal Exchange (2010 - $20.20) while the Company realized an average price of $34.16 per ounce sold. The realized price for silver in 2010 was $19.78 per ounce. Sales during 2011 totalled $48.0 million as compared to $29.4 million in 2010. Operating activities, exploration programs and capital investments planned for 2012 are expected to be funded solely from internally generated cash flow.

Due to the strength exhibited in 2011 in commodity prices as compared to 2010, the cash position of the Company has improved significantly. At December 31, 2011 cash and cash equivalents on hand were $22.3 million as compared to $2.0 million in 2010. It is expected that cash balances will continue to grow in 2012 reflecting the continuing strength of commodity prices.

Results of Operations

Financial statement highlights for the year ended December 31, 2011 and 2010 are as follows:

	December 31, 2011 $ 000's	December 31, 2010 $ 000's
Revenue	**48,010**	29,384
Cost of sales	**17,195**	18,906
Gross profit	**30,815**	10,478
Expenses:		
Corporate administration	**8,405**	5,842
Exploration	**6,067**	8,800
Other	**5,096**	1,195
Income tax (recovery)	**6,814**	(1,494)
Net income (loss) for the year	**4,433**	(3,865)

During the year ended December 31, 2011 the Company recorded a net income of $4.4 million compared to a loss of $3.9 million in the prior year. The improved net income for the year primarily reflects the impact of a realized silver price which has increased from $19.78 per ounce in 2010 to $34.16 in 2011.

Gross profit for the year ended December 31, 2011 was $30.8 million compared to $10.5 million for the year ended December 31, 2010. The improvement in gross profit reflects the significant impact of improved commodity prices along with lower costs of sales. The lower cost of sales is primarily due to a lower tonnage through-put in 2011 of 59,405 tonnes compared to 64,462 tonnes in 2010.

Exploration expenditures for the year ended December 31, 2011 was approximately 31% lower than the prior year.

Corporate administrative expenses represent administrative costs incurred in Canada. Management compensation and stock based compensation are the largest component. During the year, there was a number of new stock options issued.

Other expenses include unrealized foreign exchange gains and losses of the Company. The increase in the expense is due to the weakening of the peso relative to the USD that resulted in a unrealized foreign exchange loss of an intercompany loan that is foreign to functional currency of reporting entity. The loan is not treated as long term investment as the loan is expected to be repaid in the near future at which time the loss or loss will be realized.

Summary of Quarterly Results

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

	3 months ended	3 months ended	3 months ended	3 months ended
Quarter ended	**2011-12-31**	**2011-09-30**	**2011-06-30**	**2011-03-31**
Revenue	$ 14,009	$ 11,174	$ 15,442	$ 7,385
Income (loss) before income taxes	$ 1,401	$ (450)	$ 9,419	$ 877
Net income (loss)	$ (3,101)	$ (976)	$ 8,055	$ 455
Earnings (loss) per share - basic	$ (0.01)	$ 0.00	$ 0.03	$ 0.00
- diluted	$ (0.01)	$ 0.00	$ 0.03	$ 0.00

	3 months ended	3 months ended	3 months ended	3 months ended
Quarter ended	**2010-12-31**	**2010-09-30**	**2010-06-30**	**2010-03-31**
Revenue	$ 5,506	$ 6,057	$ 7,846	$ 9,975
Income (loss) before income taxes	$ (3,596)	$ (2,031)	$ (885)	$ 1,153
Net income (loss)	$ (2,696)	$ (2,012)	$ 329	$ 533
Earnings (loss) per share - basic	$ (0.01)	$ (0.01)	$ 0.00	$ 0.00
- diluted	$ (0.01)	$ (0.01)	$ 0.00	$ 0.00

Quarterly revenue fluctuations are a function of metal prices and the volume of ore mined as well as ore grades. The Company has a policy of expensing exploration costs, which creates volatility in earnings. The net income figures for the fourth quarter of 2011 reflect a write-down of mill construction in an amount of $1.7 million (2010 - $1.3 million).

During Q4-2011, revenue has increased significantly over Q4-2010 reflecting the impact of higher commodity price. Operating costs in Q4-2011 improved over Q4-2010 due to better control and greater pumping capacity for mine water inflows.

Liquidity and Capital Resources

As at December 31, 2011, the Company's cash and cash equivalents were $22.3 million (December 31, 2010 - $2.0 million), and working capital was $18.8 million (December 31, 2010 - $6.1 million). The only source of funds available to the Company is cash flow generated by the Platosa Mine. No large capital expenditures are currently planned.

Off-Balance Sheet Arrangements

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

Related Party Transactions

An officer of the Company is a partner in a firm that provides legal services to the Company. During the year, the Company incurred legal services of $162 (2010 - $176) with an outstanding payable balance of $30 at December 31, 2011 (December 31, 2010 - $7).

Common share data (as at March 27, 2012)

Common shares outstanding	277,862,233
Stock options and warrants granted	14,683,038
Total	292,545,271

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 3 to the consolidated financial statements for the year ended December 31, 2011. The preparation of the Company's consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The following is a list of the accounting policies that the Company believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported:

- Valuation of mineral properties and other long-lived assets;
- Decommissioning and site rehabilitation provision;
- Income taxes; and
- Share-based compensation

Valuation of mineral properties and other long lived assets

The Company reviews and evaluates the carrying value of its mineral properties for impairment whenever events or circumstances indicate that the carrying amounts of these assets may not be recoverable. When the carrying amount exceeds the discounted cash flow, an impairment loss is recorded. Discounted cash flows are based on estimated production from the Company's Measured, Indicated and Inferred Mineral Resources. Assumptions underlying the cash flow estimate include, but are not limited to, discount rates, forecasted prices for silver, lead and zinc, production levels, and operating, capital, exploration and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Therefore, it is possible that changes in estimates with respect to the Company's mine plans could occur which may affect the expected recoverability.

The accumulated costs of mineral properties are amortized using the unit of production basis applying Measured, Indicated and Inferred Mineral Resources (as defined by National Instrument 43-101). Property, plant and equipment are recorded at cost and are amortized using the straight-line method.

Decommissioning and site rehabilitation provision

During the year ended December 31, 2011, the Company assessed its reclamation obligations at each of its operations based on updated mine life estimates, rehabilitation and closure plans. The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $2.1 million, which has been discounted using a risk free rate of 1.94%, of which $0.8 million of the reclamation obligation relates to the Platosa Property, and $0.3million relates to the Miguel Auza Property. The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Income taxes

The Company follows the liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is probable that deferred income tax assets will not be utilized against future taxable profit.

Share-based compensation

The Company has a stock-based compensation plan that is described in note 10 to the Company's December 31, 2011 consolidated financial statements. The Company records all stock-based compensation for stock options using the fair value method. The fair value of each stock option issued is estimated on the date of grant using the Black-Scholes option pricing model, with expected volatility based on historical volatility of the Company's share price. Historical data is used to estimate the term of the stock option and forfeiture rate. The risk free rate for expected term of the stock option is based on the Government of Canada yield curve in effect at the time of the grant.

Financial Instruments

The Company's financial instruments as at December 31, 2011 consist of cash and cash equivalents, short-term investments, accounts receivable, income taxes receivable and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash and cash equivalents consist solely of cash deposits with major Canadian and Mexican banks.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

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.

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.

The Company's conversion to IFRS has not materially impacted or changed DC&P.

Additional Sources of Information

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

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of work programs, geological interpretations, potential mineral recovery processes and rates, proposed production rates, the construction of a mill, the acquisition of surface rights and negotiation and closing of future financings. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by these statements. See "Risk Factors".

Management's Responsibility for Financial Reporting

The management of Excellon Resources Inc. is responsible for the integrity and fair presentation of the accompanying consolidated financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable. Any system of internal control over financial reporting has inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance with respect to financial statement preparation and presentation. Management concludes that at December 31, 2011, the Company's internal control over financial reporting was effective. The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the Company's systems of internal control and approves the scope of the independent auditors audit and non-audit work.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

"signed"
Jeremy Wyeth
Chief Executive Officer

"signed"
Steve Poad
Chief Financial Officer

March 27, 2012

Independent Auditor's Report

To the Shareholders of Excellon Resources Inc.

We have audited the accompanying consolidated financial statements of Excellon Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flow for the years ended December 31, 2011 and December 31, 2010, and the related notes, collectively referred to as the financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Excellon Resources Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

March 27, 2012

Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	**22,262**	1,978	4,484
Marketable securities	**–**	–	10
Trade receivables	**548**	1,955	4,088
Income taxes receivable	**–**	2,481	828
Inventories *(note 6)*	**1,459**	1,383	436
Other current assets	**1,030**	1,305	929
	25,299	9,102	10,775
Non-current assets			
Long term investments	**71**	–	–
Property, plant and equipment *(note 7)*	**21,154**	23,805	22,281
Mineral rights *(note 8)*	**20,719**	1,970	1,758
Deferred income tax assets *(note 14)*	**–**	213	–
Total assets	**67,243**	35,090	34,814
Liabilities			
Current liabilities			
Trade payables	**2,503**	2,956	3,382
Income taxes payable	**3,970**	–	–
	6,473	2,956	3,382
Non-current liabilities			
Provisions *(note 9)*	**1,429**	1,375	457
Deferred income tax liabilities *(note 14)*	**331**	–	773
Total liabilities	**8,233**	4,331	4,612
Equity			
Share capital *(note 10)*	**77,797**	55,937	53,166
Contributed surplus	**9,639**	7,655	7,475
Accumulated other comprehensive income	**1,445**	1,471	–
Deficit	**(29,871)**	(34,304)	(30,439)
Total equity	**59,010**	30,759	30,202
Total liabilities and equity	**67,243**	35,090	34,814

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

"signed"
Tim J. Ryan
Director

"signed"
Alan R. McFarland
Director

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the year ended December 31, 2011 and 2010

(in thousands of U.S. dollars, except per share data)

	December 31, 2011 $	December 31, 2010 $
Revenues	**48,010**	29,384
Cost of Sales *(note 11)*	**(17,195)**	(18,906)
	30,815	10,478
Corporate administrative expenses *(note 11)*	**(8,405)**	(5,842)
Exploration	**(6,067)**	(8,800)
Other expenses *(note 11)*	**(5,065)**	(1,164)
Income (loss) before financing and tax	**11,278**	(5,328)
Finance income	**1**	–
Finance costs	**(32)**	(31)
Net finance costs	**(31)**	(31)
Income (loss) before income tax	**11,247**	(5,359)
Income tax *(note 14)*	**(6,814)**	1,494
Net income (loss)	**4,433**	(3,865)
Other comprehensive income (loss)		
Unrealized gains on available for sale ("AFS") financial securities	**22**	–
Foreign currency translation differences	**(48)**	1,471
Total other comprehensive income (loss)	**(26)**	1,471
Total comprehensive income (loss)	**4,407**	(2,394)
Earnings (loss) per share:		
Basic	**$ 0.02**	$ (0.02)
Diluted	**$ 0.02**	$ (0.02)
Weighted average number of shares		
Basic	**261,539,534**	242,736,136
Diluted	**263,327,008**	249,013,444

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2011 and 2010

(in thousands of U.S. dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
Balance - January 1, 2010	**53,166**	**7,475**	**–**	**(30,439)**	**30,202**
Net income (loss)	–	–	–	(3,865)	(3,865)
Total other comprehensive income (loss)	–	–	1,471	–	1,471
Total comprehensive income (loss)	–	–	1,471	(3,865)	(2,394)
Employee share options:					
Value of services recognized	1,082	180	–	–	1,262
Proceeds on issuing shares	1,689	–	–	–	1,689
Balance - December 31, 2010	**55,937**	**7,655**	**1,471**	**(34,304)**	**30,759**
Balance - January 1, 2011	**55,937**	**7,655**	**1,471**	**(34,304)**	**30,759**
Net income (loss)	–	–	–	4,433	4,433
Total other comprehensive income (loss)			(26)	–	(26)
Total comprehensive income (loss)	–	–	(26)	4,433	4,407
Employee share options:					
Value of services recognized	1,146	1,489	–	–	2,635
Proceeds on issuing shares	1,710	–	–	–	1,710
Share payment for acquisition *(note 8)*	18,400	694	–	–	19,094
Share payment for mineral rights *(note 8)*	855	–	–	–	855
Repurchased shares	(251)	(199)	–	–	(450)
Balance - December 31, 2011	**77,797**	**9,639**	**1,445**	**(29,871)**	**59,010**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow

For the year ended December 31, 2011 and 2010

(in thousands of U.S. dollars)

	December 31, 2011 $	December 31, 2010 $
Cash flow provided by (used in)		
Operating activities		
Net income (loss)	**4,433**	(3,865)
Adjustments for:		
Depletion, depreciation and amortization	**2,499**	2,532
Deferred income tax	**544**	(213)
Share-based compensation	**2,635**	1,262
Post-employment benefits	**(628)**	–
Rehabilitation provision - accretion	**34**	31
Rehabilitation provision - change of estimate	**824**	–
Write-down of property, plant and equipment	**1,273**	1,259
Unrealized loss on foreign intercompany loans	**3,319**	(263)
Changes in items of working capital:		
Trade receivables	**1,407**	2,133
Income taxes payable	**6,451**	(1,653)
Inventories	**(76)**	(947)
Other current assets	**275**	(376)
Trade payables	**(453)**	(426)
Net cash provided by (used in) operating activities	**22,537**	(526)
Investing activities		
Purchase of marketable securities	**–**	10
Purchase of property, plant and equipment	**(4,145)**	(4,159)
Net cash acquired on acquisition of Lateegra *(note 8)*	**786**	–
Net cash used in investing activities	**(3,359)**	(4,149)
Financing activities		
Proceeds on issuance of shares	**1,710**	1,689
Shares repurchased from market	**(450)**	–
Net cash provided by financing activities	**1,260**	1,689
Effect of exchange rate changes on cash and cash equivalents	**(154)**	480
Increase (decrease) in cash and cash equivalents	**20,284**	(2,506)
Cash and cash equivalents - Beginning of the year	**1,978**	4,484
Cash and cash equivalents - End of the year	**22,262**	1,978
Cash paid for income tax	**1,144**	1,771

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2011 and 2010

(in thousands of U.S. dollars)

1. GENERAL INFORMATION

Excellon Resources Inc. and its subsidiaries (together the Company or Excellon) is involved in the exploration, development and extraction of high-grade silver-lead-zinc metals in Mexico. Excellon is domiciled in Canada and incorporated under the laws of the province of British Columbia. The address of its principal office is 20 Victoria Street, Suite 900, Toronto, Ontario, M5C 2N8, Canada.

2. BASIS OF PRESENTATION

a. Statement of compliance

These consolidated financial statements are expressed in thousands of US dollars and have been prepared in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these consolidated financial statements, the term Canadian generally accepted accounting principles ("Canadian GAAP") refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS applicable to the preparation of consolidated financial statements, including IFRS 1, "First-time Adoption of IFRS". Subject to certain transition elections disclosed in Note 5, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at January 1, 2010 and throughout the current 2011 year and 2010 comparative periods, as if these policies had always been in effect. Note 5 provides reconciliations, descriptions and explanations of how the transition to IFRS has impacted the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements reported under Canadian GAAP for the year ended December 31, 2010.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. See section c below for accounting estimates and judgments.

The consolidated financial statements have been prepared under the historical cost convention, except for marketable securities which are measured at fair value.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2011. The Board of Directors approved the statements on March 27, 2012.

b. Functional currency and change in presentation currency

The functional currency of the parent Company is Canadian dollars. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Effective January 1, 2011, the Company changed its presentation currency to the US dollar ("USD"). The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Prior to January 1, 2011, the Company presented its consolidated financial statements in the Canadian dollar ("CAD"). In making this change to the presentation currency, the Company followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new presentation currency at the beginning of the comparative period, January 1, 2010, using the opening exchange rate and retranslated at the closing rate at the date of each balance sheet;
- Income and expenses for each statement of comprehensive income presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been translated at the beginning of the comparative period, January 1, 2010, at the opening exchange rate on that date. Subsequently, equity transactions are translated at historical rates; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (accumulated other comprehensive income).

All financial information presented in USD has been rounded to the nearest thousand unless otherwise stated.

c. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The following areas involve a higher degree of judgement or are areas where assumptions and estimates are significant to the consolidated financial statements. Actual results may differ significantly from these estimates included in the consolidated financial statements.

i. Valuation of mining properties and other long lived assets

Mining properties and other long-lived assets are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Common indicators of impairment in the mining industry include:

- A significant deterioration in expected future commodity prices;
- A significant adverse movement in foreign exchange rates;
- A significant increase in production costs;
- A large cost overrun during the development and construction of a new mine;
- A significant increase in the expected cost of dismantling assets and restoring the site;
- A significant reduction in the mineral content of ore reserves/resources;
- Serious mine accidents;
- A significant increase in market interest rates; and
- Adverse changes in government regulations and environmental law, including a significant increase in the taxes payable by the mine.

As at December 31, 2011 the Company determined that there were no indicators of impairment in carrying values of mining properties or any other long lived assets or cash generating units ("CGU").

ii. Useful economic life of property, plant and equipment

The cost less the residual value of each item of property, plant and equipment is amortized over its useful economic life. Amortization is charged to cost of production over the shorter of the estimated lives of the individual assets or the life of mine using the units-of-production method. Amortization commences when assets are available for use. Land is not amortized.

The assets useful lives, expected units-of-production and methods of amortization are reviewed and adjusted if appropriate at each fiscal year end.

iii. Decommissioning and site rehabilitation provision

The Company records any decommissioning and site rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs, based on the net present value of the estimated future costs (note 9). This obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used.

The undiscounted estimate of the asset retirement obligation ("ARO") has been discounted to its present value at a risk free rate which represents the 10 year Government of Canada bond rate and an estimate of the Company's pricing in the market to obtain debt. Assuming that all other variables remain constant, a one percent change in the discount rate would result in the liability change of approximately $110. The estimate also assumes a long term inflation rate. Assuming all other variables remain constant, a one percent change in the long term inflation rate would result in the liability change of approximately $30. Assuming all other variables remain constant, a 10% change in the undiscounted estimate of the ARO would result in the liability change of approximately $120.

iv. Calculation of share-based compensation expense

The amount expensed for stock-based compensation is based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility of the Company's registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different. While the estimate of stock-based compensation can have a material impact on the operating results reported by the Company, it is a non-cash charge and as such has no impact on the Company's cash position or future cash flows.

v. Determination of reserves and resources

The Company uses the services of experts to estimate the indicated and inferred resources of its mineral properties in Mexico. These experts express an opinion based on certain technological and legal information as prepared by management as being current, complete and accurate as of the date of their calculations and in compliance with National Instrument 43-101. These estimated resources are used in the evaluation of potential impairment of asset carrying values, the useful lives of assets, amortization rates and the timing of cash flows.

vi. Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statements of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a. Consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company where control is achieved when the Company has the power to govern the financial and operating policies of the entity. Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. The Company owns directly and indirectly 100% of all the subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

ii. Transactions eliminated on consolidation

Intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

b. Segment reporting

The Company has two reportable segments based on a geographical basis. During the year, the consolidated entity operated in Mexico and Canada.

The Mexican operation is principally engaged in the acquisition, exploration, evaluation, and development of mining properties. The Platosa property is in commercial production and is earning revenue through the sale of silver-lead concentrate and silver-zinc concentrate to a single customer that accounts for 100% of revenues.

The Canadian operations are principally engaged in the acquisition, exploration and evaluation of mining properties in Ontario and Quebec.

Non-current assets located at the corporate office in Canada are minor in relation to the total.

c. Foreign currency transactions and translation

i. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

All foreign exchange gains and losses are presented in the statement of income within 'other expenses'.

ii. Translation

The results and financial position of all the Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of income and comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity in accumulated other comprehensive income.

d. Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company's financial instruments primarily consist of cash and cash equivalents (classified as loans and receivables), trade receivable (classified as loans and receivables), trade payable (classified as other financial liabilities). The fair values of these financial instruments approximate their carrying values. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

Loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net income (loss).

Held for trading financial instruments are measured at fair value. All gains and losses are included in net income (loss) for the period in which they arise.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from remeasurement are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in "other gains and losses (net)". Available-for-sale investments are classified as non-current, unless an investment matures within twelve months, or management expects to dispose of it within twelve months.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

e. Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and highly liquid short-term investments with a maturity date of three months or less when acquired.

f. Inventories

Silver-lead and silver-zinc in concentrate and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price, less estimated costs of completion and costs of selling final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items. A regular review is undertaken to determine the extent of any provision for obsolescence by comparing those item to their replacement costs.

When inventories have been written down to net realizable value, the Company makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

g. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment charges.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is recorded over the useful life of the asset, or over the remaining life of the mine, if shorter, as follows:

- Mining properties - on a units-of-production basis;
- Associated mining equipment - 3-10 years on a straight line basis;
- Buildings - 20 years on a straight line basis; and
- Processing equipment - 4-8 years on a straight line basis.

Depreciation charges on a unit-of-production basis are based on indicated and inferred mineral resources.

The method of amortization, estimates of residual values and useful lives are reassessed at least at each financial year-end, and any change in estimate is taken into account in the determination of future depreciation charges.

h. Exploration and evaluation expenditures

Acquisitions of mineral rights are capitalized. Subsequent exploration and evaluation costs related to an area of interest are expensed as incurred on a project-by-project basis pending determination of indicated resources. Upon determination of indicated resources, further development costs are capitalized.

The capitalized costs are presented as either tangible or intangible development assets according to the nature of the assets acquired. When a licence is relinquished or a project is abandoned, the related costs are immediately recognized in profit or loss.

i. Development expenditure

Development expenditures incurred by or on behalf of the Company are accumulated separately for each area of interest in which an indicated resource has been identified. Such expenditures comprise costs directly attributable to the construction of a mine and the related infrastructure.

General and administrative costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant area of interest.

Once a development decision has been taken, the development expenditure is classified under property, plant and equipment as ‘’development properties”.

A development property is reclassified as a “mining property” at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No depreciation is recognized in respect of development properties until they are reclassified as “mining properties”.

Each development property is tested for impairment in accordance with the policy in note 3 m ii Impairment.

j. Mining properties

When further development expenditures are incurred in respect of a mining property after the commencement of production, such expenditures are carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditures are classified as a cost of production.

Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of indicated and inferred resources.

Mine properties are tested for impairment in accordance with the policy in note 3 m ii Impairment.

k. Decommissioning and site rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation is attributable to development when the asset is installed or the environment is disturbed at the production location. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money. When the liability is initially recognized, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining asset.

The periodic unwinding of the discount applied in establishing the net present value of provisions due to the passage of time is recognized in the consolidated statement of income as a finance cost. Changes in the rehabilitation estimate attributable to development will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

l. Mineral Rights

Mineral rights are carried at cost and amortized using a units-of-production method based on the resources that exist in the location that has access to such rights. Methods of amortization and estimated useful lives are reassessed annually and any change in estimate is taken into account in the determination of future amortization charges.

Mineral rights are tested for impairment in accordance with the policy in note 3 m ii Impairment.

m. Impairment

i. Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset or CGU recoverable amount is estimated. Recoverability of assets or CGU (mine operation) to be held and used are measured by a comparison of the carrying value of the asset to the recoverable amount, which is value in use, and is determined based on the future discounted net cash flows expected to be generated by the asset.

In assessing recoverable amounts, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the CGU are allocated to reduce the carrying amount of long-lived assets in the unit on a pro rata basis.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into earnings immediately.

n. Future employee Benefits

Employees of the Company's Mexican mines are entitled by local labor laws to employee leaving indemnities, generally based on each employee's length of service, employment category and remuneration.

The cost of these retirement benefits is determined using the projected unit credit method. Current service cost and any past service cost are recognized in the same line item in the statements of income as the related compensation cost. Changes in actuarial assumptions used to determine the accrued benefit obligation are recognized in full in the period in which they occur, in the statements of income.

The most significant assumptions used in accounting for post employment benefits are the discount rate, the mortality and the life of mine assumptions. The discount rate is used to determine the net present value of future liabilities. Each year, the unwinding of the discount on those liabilities is charged to the Company's income statement as the interest cost. The life of mine and mortality assumptions are used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities. The values attributed to the liabilities are assessed in accordance with the advice of independent qualified actuaries.

o. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income and comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except in the case of a subsidiary where timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined on a non discount basis using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company recognizes neither the deferred tax asset regarding the temporary difference on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

i. Royalties

Royalties, resource rent taxes and revenue-based taxes are accounted for under taxes when they have the characteristics of an income tax. This is considered to be the case when they are imposed under Government authority and the amount payable is based on taxable income - rather than based on quantity produced or as a percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognized as current provisions and included in cost of sales. The royalties incurred by the Company are considered not to meet the criteria to be treated as part of income tax.

p. Share-based payments

i. Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company, as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

ii. Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted using the Black-Scholes option-pricing model.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

q. Revenue recognition

Company policy requires all production to be sold under contract. Revenue is only recognized on individual shipments when persuasive evidence exists that the following criteria are satisfied:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the sale will flow to the Company; and
- The costs incurred or to be incurred in respect of the sale can be measured reliably.

Satisfaction of these conditions depends on the terms of trade with individual customers. Generally the risks and rewards are considered to have transferred to the customer when title and insurable risk of loss transfer.

Certain products are sold on a 'provisional pricing' basis where the sale price received by the group is subject to a final adjustment at the end of a period that may be up to 60 days after delivery to the customer. The final sale price is based on the market price on the quotational date in the contract of sale. Sales are initially recognized when the revenue recognition criteria have been satisfied, using market prices at that date. At each reporting date the provisionally priced shipment is marked to market based on the forward selling price for the quotational point specified in the contract until that point is reached. Revenue is only recognized on this basis where the forward selling price can be reliably measured.

Many of the Company's sales are subject to an adjustment based on inspection of the shipment by the customer. In such cases, revenue is recognized based on the group's best estimate of the grade at the time of shipment, and any subsequent adjustments are recorded against revenue when advised.

r. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of Excellon by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Excellon's potentially dilutive common shares comprise stock options granted to employees and warrants.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IAS 1, *Presentation of Financial Statements,* has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

IFRS 9, *Financial Instruments* was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities are included in IFRS 9 and they largely carry forward existing requirements from IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10, *Consolidated Financial Statements* was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

IFRS 11, *Joint Arrangements* supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

IFRS 12, *Disclosures of Interests in Other Entities* was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

IFRS 13, *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

IAS 19, *Employee Benefits,* has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. This is consistent with the company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

IFRS 20, *Stripping Costs in the Production Phase of a Surface Mine,* provides guidance on the accounting for stripping costs in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, Inventories. The latter should be accounted for as an addition to or enhancement of an existing asset. IFRS 20 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 20 on its consolidation financial statements.

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

5. TRANSITION TO IFRS

The effect of the Company's transition to IFRS is summarized in this note as follows:

a. Transition elections
b. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

a. Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in note b.
Cumulative translation adjustment	i.
Rehabilitation provision	ii.
Business combinations	iii.
Share based payments	iv.
Cash flows	v.

b. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

Equity	Note	Dec 31, 2010 $	Jan 1, 2010 $
Canadian GAAP equity reported (CAD)		30,766	34,259
CTA effect for change in presentation currency	i.	–	(1,505)
CTA effect for change from integrated to self sustaining operation	i.	–	(2,554)
Rehabilitation provision	ii.	101	65
Rehabilitation cost	ii.	(108)	(63)
Equity as reported under IFRS		30,759	30,202

Comprehensive income (loss)	Note	Dec 31, 2010 $
As reported under Canadian GAAP (CAD)		(6,438)
Increase in other comprehensive income for		
CTA effect for change in presentation currency	i.	1,471
CTA effect for change from integrated to self sustaining operation	i.	2,554
		4,025
Decrease (increase) in net income for:		
CTA effect for change in presentation currency	i.	132
Decommissioning and site rehabilitation impact	ii.	(9)
Share based payment amortization	iv.	(104)
		19
Increase (decrease) in other comprehensive income		–
As reported under IFRS		(2,394)

i. On transition to IFRS, the Company assessed that the functional currency for its Mexican operation was the local currency. In addition the company changed the presentation currency from Canadian Dollars to US Dollars. In accordance with IFRS 1 (first time adoption of IFRS) transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations to the Company's presentation currency, to zero at the date of transition to IFRS.

ii. Similar to Canadian GAAP, when a decommissioning and site rehabilitation provision (asset retirement obligation) is established, the Company is required to set up a corresponding asset and depreciate it over the remaining useful life of the asset to which the rehabilitation provision relates. Any changes in the rehabilitation provision are added to or subtracted from the cost of the asset to which the obligation relates. In accordance with IFRS 1 transitional provisions, the Company elected to take a simplified approach to calculate and record the asset related to the rehabilitation provision in the opening IFRS consolidated balance sheets. The rehabilitation provision on the transition date calculated in accordance with IFRS is discounted back to the date when the provision first arose, at which date the corresponding asset is set up. This asset is then depreciated to its carrying amount at the transition date.

   The rehabilitation provision calculated at the transition date has decreased the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP by $65 and the deficit has been reduced. The corresponding asset has also decreased by $63 net of depreciation and the deficit has been charged.

   Over time the provision is impacted by the unwinding of the discount rate used to determine its carrying value. This unwinding amount is referred to as accretion and is recognized in the statements of income as a finance cost. Likewise the rehabilitation cost is amortized.

   The rehabilitation provision calculated at December 31, 2010 has decreased the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP by $101 and the deficit has been reduced. The corresponding asset has also decreased by $108 net of depreciation and the deficit has been charged. The total impact on comprehensive income net of the foreign exchange difference was expense of $7.

iii. In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. There were no adjustments arising from this election as all acquired assets and liabilities conformed to IFRS.

iv. In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS relating to share-based payments retrospectively to outstanding stock options that had not vested prior to January 1, 2010. There were no adjustments arising from this election as all outstanding stock options had vested by January 1, 2010. Subsequent to the transition date, increases in the amortization of the fair value of vested stock options were required under IFRS in the amount of $104 at December 31, 2010.

v. The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the company except that, under IFRS, cash flows relating to interest are classified in a consistent manner as operating, investing or financing each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

6. INVENTORIES

	Dec 31, 2011 $	Dec 31, 2010 $	Jan 1, 2010 $
Ore	**450**	76	216
Concentrate	**–**	436	–
Production spares	**1,009**	871	220
	1,459	1,383	436

7. PROPERTY, PLANT AND EQUIPMENT

	Mining properties $	Mining equipment $	Processing equipment $	Assets under construction $	Total $
At January 1, 2010					
Cost	21,405	4,928	6,481	3,698	36,512
Accumulated depreciation	(12,027)	(1,799)	(405)	–	(14,231)
Net book value	9,378	3,129	6,076	3,698	22,281
Year ended December 31, 2010					
Opening net book value	9,378	3,129	6,076	3,698	22,281
Additions	335	3,811	13	–	4,159
Depreciation	(669)	(1,104)	(578)	–	(2,351)
Write-down(1)	(1,259)	–	–	–	(1,259)
Exchange differences	92	314	299	270	975
Closing net book value	7,877	6,150	5,810	3,968	23,805
At January 1, 2011					
Cost	20,443	8,778	7,127	3,968	40,316
Accumulated depreciation	(12,566)	(2,628)	(1,317)	–	(16,511)
	7,877	6,150	5,810	3,968	23,805
Year ended December 31, 2011					
Opening net book value	7,877	6,150	5,810	3,968	23,805
Additions	1,957	837	–	1,351	4,145
Reclassification	367	280	1,784	(2,431)	–
Disposals	–	(41)	–	(28)	(69)
Depreciation	(625)	(841)	(865)	–	(2,331)
Write-down(1)	–	–	–	(1,273)	(1,273)
Exchange differences	(1,322)	(945)	(36)	(820)	(3,123)
Closing net book value	8,254	5,440	6,693	767	21,154
At December 31, 2011					
Cost	20,584	8,636	8,814	767	38,801
Accumulated depreciation	(12,330)	(3,196)	(2,121)	–	(17,647)
	8,254	5,440	6,693	767	21,154

(1) Write-down
The Company recognized a write-down of $1,273 related to mill construction at the Platosa mine. The construction of the mill at Platosa has been postponed and the carrying value of the mill equipment has been reduced to its recoverable amounts.

In 2010, the Company decided to cease keeping the mine on care and maintenance at Miguel Auza. Accordingly, mineral property in an amount of $1,259 was written- down.

8. MINERAL RIGHTS

	Minera (Mexico) $	Beschefer[1] (Canada) $	Desantis[1] (Canada) $	Total $
At January 1, 2010				
Cost	2,221	–	–	2,221
Accumulated depreciation	(463)	–	–	(463)
Net book value	1,758			1,758
Year ended December 31, 2010				
Opening net book value	1,758	–	–	1,758
Depreciation	(181)	–	–	(181)
Exchange differences	393	–	–	393
Closing net book value	1,970	–	–	1,970
At December 31, 2010				
Cost	2,547	–	–	2,547
Accumulated depreciation	(577)	–	–	(577)
	1,970	–	–	1,970
Year ended December 31, 2011				
Opening net book value	1,970	–	–	1,970
Additions[1]	–	8,163	10,960	19,123
Depreciation	(168)	–	–	(168)
Exchange differences	(206)	–	–	(206)
Closing net book value	1,596	8,163	10,960	20,719
At December 31, 2011				
Cost	2,255	8,163	10,960	21,378
Accumulated depreciation	(659)	–	–	(659)
	1,596	8,163	10,960	20,719

(1) On August 5, 2011 the Company completed the purchase of the net assets of Lateegra Gold Corp. ("Lateegra"). An aggregate of 50,056,999 common shares of Lateegra were exchanged for 27,030,787 common shares of Excellon representing an exchange ratio of one Lateegra share being equal to 0.54 Excellon share. The fair value of the net assets acquired were as follows:

	August 5, 2011 $
Cash and cash equivalents	**1,191**
Trade receivables	**127**
Other current assets	**38**
Long term investments	**51**
Mineral rights	**18,266**
Trade payables	**(174)**
Net assets acquired	**19,499**

Acqusition cost is comprised of the following	$
Share capital issuance	**(18,400)**
Options and warrants issuance	**(694)**
Legal and professional fees	**(405)**
	(19,499)

9. PROVISIONS

	Post - retirement benefits(1) $	Rehabilitation provision $	Total $
At January 1, 2010			
Opening balance	109	348	457
Year ended December 31, 2010			
Opening balance	109	348	457
Change in estimate	861	20	881
Accretion for the period	–	31	31
Exchange differences	17	(11)	6
Closing balance	987	388	1,375
Year ended December 31, 2011			
Opening balance	987	388	1,375
Change in estimate	(628)	824	196
Accretion for the period	–	34	34
Exchange differences	(131)	(45)	(176)
Closing Balance	228	1,201	1,429

(1) Post-retirement benefits: The Company provides post retirement benefits supplements as well as leaving indemnities to employees at the Mexican operations. Under Mexican Labour Law, the Company provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without just cause.

Key financial assumptions used in the above estimate include an annual discount rate of 7%, annual salary and minimum wage increase rate of 3.5% and the life of the mine of ten years.

10. SHARE CAPITAL

	Number of shares (000s)	$
Year ended December 31, 2010		
Opening balance at January 1, 2010	241,414	53,166
Shares issued on exercise of compensation options	3,881	1,871
Shares issued on exercise of stock options	2,578	900
Balance at December 31, 2010	247,873	55,937
Year ended December 31, 2011		
Opening balance at January 1, 2011	247,873	55,937
Shares issued on exercise of stock options	3,165	2,856
Shares issued on Lateegra acquisition *(note 8)*	27,031	18,400
Share issued on Beschefer agreement	1,080	855
Share purchase buyback	(852)	(251)
Balance at December 31, 2011	278,297	77,797

SHARE BASED PAYMENTS

Share option program (equity-settled)

The Company has a share option program that entitles directors, officers, employees and consultants to purchase shares in the Company. Under the program, the Company may grant options for up to 10% of the common shares issued and outstanding. Under the program, the exercise price of each option may not be less than the market price of the Company's common shares on the date of grant, and an option's maximum term is five years. Options may be granted by the board of directors at any time and may vest immediately upon grant.

Disclosure of share option program

The number and weighted average exercise prices of share options are as follows:

	2011 Weighted Average Exercise Price (CAD)	Options	2010 Weighted Average Exercise Price (CAD)	Options
Outstanding at January 1	**1.18**	**12,844,272**	1.00	12,721,312
Granted(1)	**0.67**	**6,198,400**	0.94	3,095,000
Exercised	**0.53**	**(3,165,000)**	0.27	(2,578,333)
Expired	**1.54**	**(1,669,385)**	1.93	(227,540)
Forfeited	**0.90**	**(443,335)**	0.56	(166,167)
Outstanding at December 31	**1.07**	**13,764,952**	1.18	12,844,272
Exercisable at December 31	**1.15**	**10,818,270**	1.26	10,280,928

The options outstanding at December 31, 2011 have an exercise price in the range of CAD $0.19 to CAD $5.21 (2010 - CAD $0.19 to CAD $5.21) and a weighted average remaining contractual life of 2.69 years (2010 - 2.91 years).

The weighted average share price at the date of exercise for share options exercised in 2011 was CAD $0.94 (2010 - CAD $0.83).

(1) Of the amount of stock options granted in 2011, a total of 3,335,000 are subject to shareholder approval.

Inputs for measurement of grant date fair values

The grant date fair value of the share option program was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share option program are the following:

Weighted average	2011	2010
Fair value at grant date	**$0.42**	$0.68
Share price at grant date	**$0.79**	$0.94
Exercise price	**$0.67**	$0.94
Risk free interest rate	**1.58%**	2.21%
Expected life of options in years	**2.92**	5.00
Expected volatility	**81.04%**	94.85%
Expected dividend yield	**0.00%**	0.00%
Estimated forfeiture rate	**2.99%**	2.99%

Share-based compensation expense

Compensation expense is recognized over the vesting period of the grant and the corresponding entry is recorded in equity as contributed surplus. Share-based compensation expense is comprised of the following costs:

	2011 $	2010 $
Share options granted in 2009	**132**	395
Share options granted in 2010	**687**	867
Share options granted in 2011	**1,816**	–
	2,635	1,262

WARRANTS

During the year, the Company exchanged Excellon warrants in exchange for Lateegra warrants at an exchange ratio of one Lateegra warrant being equal to 0.54 Excellon warrants. There were no warrants outstanding at December 31, 2010.

Disclosure of warrants

The number and weighted average exercise prices of warrants are as follows:

	2011 Weighted Average Exercise Price (CAD)	Warrants
Outstanding at January 1	–	–
Granted during the period	**0.86**	6,244,650
Expired during the period	**0.92**	(2,315,988)
Outstanding at December 31	**0.82**	3,928,662
Exercisable at December 31	**0.82**	3,928,662

The warrants outstanding at December 31, 2011 have an exercise price in the range of CAD $0.75 to CAD $0.93 and a weighted average remaining contractual life of 0.18 years.

Inputs for measurement of grant date fair values

The grant date fair value of the warrants was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the warrants are the following:

Weighted average	**2011**
Fair value at issue date	**$0.07**
Share price at issue date	**$0.67**
Exercise price	**$0.86**
Risk free interest rate	**1.47%**
Expected life of warrants in years	**0.46**
Expected volatility	**68.51%**
Expected dividend yield	**0.00%**
Estimated forfeiture rate	**2.99%**

11. Expenses by Nature

Cost of sales in comprised of the following:

	2011 $	2010 $
Direct mining and milling costs(1)	**14,241**	15,987
Depletion, depreciation and amortization	**2,411**	2,532
Royalties	**543**	387
Total cost of sales	**17,195**	18,906

(1) Cost of sales consists of direct mining and milling costs; which include personnel, general and administrative, fuel and electricity, maintenance and repair costs as well as, operating supplies, external services, third party smelting, refining and transport fees.

Corporate administrative expenses consist of the following:

	2011 $	2010 $
Office and overhead costs	**2,672**	1,751
Salaries and wages	**3,033**	2,697
Share based compensation	**2,474**	1,114
Depletion, depreciation and amortization	**88**	106
Other	**138**	174
Total corporate administrative costs	**8,405**	5,842

Other expenses consist of the following:

	2011 $	2010 $
Impairment Long term assets	**1,278**	1,259
Foreign exchange (gains) losses	**3,787**	(95)
Other expenses	**5,065**	1,164

12. COMPENSATION OF KEY MANAGEMENT

Key management includes the Company's directors and officers. Compensation awarded to key management included:

	2011 $	2010 $
Salaries and short-term employee benefits	**2,272**	1,648
Share-based payments	**1,656**	1,237
	3,928	2,885

13. RELATED PARTIES

An officer of the Company is a partner in a firm that provides legal services to the Company. During the year, the Company incurred legal services of $162 (2010 - $176) with an outstanding payable balance of $30 at December 31, 2011 (December 31, 2010 - $7).

14. INCOME TAX

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income tax as a result of the following:

	December 31, 2011 $	December 31, 2010 $
Statutory tax rates	**28.25%**	31.00%
Income taxes (recovery) computed at the statutory rates	**3,177**	(1,626)
Non-deductible items	**773**	(558)
Change in tax benefit not recognized	**2,283**	3,602
Foreign tax differentials, rate changes and other	**581**	(2,912)
Provision for income taxes (recovery)	**6,814**	(1,494)

The enacted or substantially enacted tax rate in Canada (28.25% in 2011) and Mexico (31% in 2011) where the company operates is applied in the tax provision calculation. The Canadian tax rate decreased from 31% in 2010 to 28.25% in 2011 due to reductions in the enacted Ffederal and Ontario rates.

Provision for income taxes consists of the following:

	December 31, 2011 $	December 31, 2010 $
Current income taxes (recovery)	**6,270**	(508)
Deferred income taxes (recovery)	**544**	(986)
	6,814	(1,494)

The following table the Company's reflects deferred income tax assets (liabilities):

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Prepaid expenses, deposits and other	**364**	294	–
Deferred income and other	**(34)**	(81)	(734)
Accrued revenue	**(661)**	–	–
Prepaid expenses, deposits and other	**–**	–	(39)
Net deferred income tax assets (liabilities)	**(331)**	213	(773)

The following temporary differences and non-capital losses have not been recognized in the consolidated financial statements:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Non-capital losses carried forward	**51,528**	46,985	34,173
Capital losses	**5,703**	5,581	5,581
Resource related deductions	**9,335**	8,297	9,303
Share issuance costs	**874**	1,013	2,411
Property, plant and equipment	**8,489**	10,421	6,570
Prepaid expenses, deposits and other	**2,110**	1,213	596
	78,039	73,510	58,634

As at December 31, 2011, the Company has non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

	December 31, 2011 $	December 31, 2010 $
2012	**172**	176
2013	**24**	25
2014	**2,001**	883
2015	**460**	–
2016	**2,643**	2,643
2017	**6,861**	6,861
2018	**11,587**	11,587
2019	**485**	485
2020 and thereafter	**27,295**	24,325
	51,528	46,985

As at December 31, 2011, the Company has Canadian capital losses of $11,405 (2010 - $11,162) that may be carried forward indefinitely and applied against capital gains of future years.

As a December 2011, $nil (2010 - $nil) was recognized as a deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and the investments are not held for resale and are expected to be recouped by continued use of these operations by the subsidiaries. The amount of temporary differences not booked for these unremitted earnings at December 31, 2011 is $21,425 (2010 - $18,823).

15. FINANCIAL INSTRUMENTS

Fair Values of non-derivative 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, as indicated in the tables below.

The financial assets and liabilities are presented by class in the following table at their carrying values, which generally approximate to the fair values due to their short period to maturity:

	Dec 31, 2011 $	Dec 31, 2010 $	Jan 1, 2010 $
Financial assets			
Loans and receivables			
Cash and cash equivalents	**22,262**	1,978	4,484
Trade receivables	**548**	1,955	4,088
Fair value through profit and loss			
Marketable securities	**–**	–	10
Available for sale investments			
Long term investments	**71**	–	–
	22,881	3,933	8,582
Financial liabilities			
Other liabilities			
Trade payables	**2,503**	2,956	3,382
	2,503	2,956	3,382

Fair Value Hierarchy

The Company values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The Company had no level 3 instruments for the years ended December 31, 2011 and 2010 or at January 1, 2010.

Risk management policies and hedging activities

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. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements. Similarly, derivative financial instruments are not used to reduce these financial risks.

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes the credit risk on cash and cash equivalents is very low since the Company's cash and cash equivalents balance are held at large international financial institutions with strong credit ratings.

The Company is exposed to credit risk from its customer, which is a large multi-national corporation operating in the mining and oil & gas industries. Accounts receivable are subject to normal industry credit risks and are considered low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions. Accounts payable excluding accrued liabilities are due within 90 days or less. In addition, the company is obligated to make annual payments of US $532 under a surface rights lease with the Ejido La Sierrita. These annual payments are subject to a CPI adjustment and the final payment is in 2037.

Currency risk

The Mexican peso (MXN) and the Canadian dollar are the functional currencies of the Company and as a result currency exposures arise from transactions and balance in currencies other than the functional currencies. The Company's potential currency exposures comprise:

- translational exposure in respect of non-functional currency monetary items

Translational exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation are periodically revalued to the functional currency equivalents as at that date, and the associated unrealized gain or loss is taken to the income statement to reflect this risk.

The principal non-functional currency to which the Company is exposed is the United States dollar (USD). Based on the Company's net financial assets and liabilities in USD as at December 31, 2011, a weakening of the USD against the MXN and CAD functional currencies by 1% with all other variables held constant, would increase/(decrease) net loss and equity by approximately $100.

Transactional exposure in respect of non-functional currency expenditure and revenues

Certain operating and capital expenditures are is incurred by some operations in currencies other than their functional currency. To a lesser extent, certain sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation.

At December 31, 2011, there are no forward exchange contracts outstanding to manage short-term foreign currency cash flows relating to operating activities.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices of silver, lead and zinc.

The Company is particularly exposed to the risk of movements in the price of silver. Declining market prices for silver could have a material effect on the Company's profitability, and the Company's policy is not to hedge its exposure to silver. The London Silver Spot price average, in USD per ounce, was $35.12 in 2011 (2010: $20.20). The Company estimates that an increase (decrease) in the commodity prices by 10% in 2011 with all other variables held constant would have resulted in an increase (decrease) in net income of approximately $6,000.

Interest rate risk

Cash and cash equivalents earn interest at floating rates dependent upon market conditions.

Economic dependence

The Company`s sole customer is Consorcio Minero de Mexico Cormin Mex S.A. de C/V (a subsidiary within the Trafigura group of companies) ("Trafigura") accounting for 100% of sales of $48,010 (December 31, 2010 - $29,384). An amount of $138 is included in the trade receivables from Trafigura as at December 31, 2011 (December 31, 2010 - $1,732; January 1, 2010 - $3,882).

16. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to continue as a going concern and to continue the exploration and extraction of ore from its mining properties.

The capital of the Company consists of the items included in shareholders' equity. Risk and capital management are monitored by the board of directors. The Company manages the capital structure and makes adjustments depending on economic conditions. Funds have been primarily secured through issuances of equity capital. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial institutions. Significant risks are monitored and actions are taken, when necessary, according to the Company's approved policies.

17. SEGMENT REPORTING

The Chief Operating Decision Maker (CODM) is the Company's Board of Directors. The CODM monitors the operating results of segments separately in order to allocate resources between segments and to assess performance.

	Canada		Mexico	
	December 31, 2011 $	December 31, 2010 $	**December 31, 2011 $**	December 31, 2010 $
Property, plant and equipment	**44**	118	**20,482**	23,687
Capital expenditures	**(19)**	(24)	**(3,723)**	(4,135)
Mineral Rights	**19,123**	–	**1,596**	1,970
Total assets	**30,039**	1,457	**37,204**	33,633
Revenue	**–**	–	**48,010**	29,384
Cost of sales	**–**	–	**(17,195)**	(18,906)
Corporate Administrative expenses	**(8,405)**	(5,842)	–	–
Exploration	**(858)**	–	**(5,209)**	(8,800)
Other expenses	**(280)**	(1,640)	**(4,785)**	476
Net Finance costs	**–**	–	**(31)**	(31)
Income tax	**43**	(91)	**(6,857)**	1,585
Net income (loss)	**(9,500)**	(7,573)	**13,933**	3,708

18. SUBSEQUENT EVENTS

Subsequent to the year end, the Company issued 1,080,000 common shares valued at $648 as the final instalment for a 100% interest in the mineral rights of the Beschefer property. The property is subject to a 1 to 2% net smelting royalty to the Optionors.

Subsequent to year end, the Company has repurchased 1,515,500 of its own common shares for $936 under a normal course issuer bid program that expires November 30, 2012.

In March 2012, the Company invested $5 million in the Sprott Physical Silver Trust to hold units reflecting an underlying investment in 134,732 ounces of silver.

Investor Information

Directors

Peter A. Crossgrove, *Executive Chairman*
André Y. Fortier[1, 2, 3 Chair, 4]
Timothy J. Ryan[1 Chair, 2, 3]
Alan R. McFarland[1, 2 Chair, 4]
Thor E. Eaton[1, 2, 3, 4 Chair]

Ned Goodman, *Special Advisor to the Board*

Committees:
1 Audit Committee
2 Nominating & Corporate Governance Committee
3 Compensation Committee
4 Health, Safety and Environmental Committee

Officers/Management

Jeremy Wyeth, President & Chief Executive Officer
Steve Poad, Chief Financial Officer
Rob Moore, Chief Operating Officer
John Sullivan, VP Exploration, Mexico
Heather Miree, VP Exploration, Canada
Joanne Jobin, VP Investor Relations

Registrar and Transfer Agent

Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, British Columbia V6C 3B9

Legal Advisors

Heenan Blaikie LLP
Bay Adelaide Centre
333 Bay Street, Suite 2900
P.O. Box 2900
Toronto, Ontario M5H 2T4

Offices

Toronto Office
Excellon Resources Inc.
20 Victoria Street, Ste 900
Toronto, Ontario M5C 2N8
E: info@excellonresources.com
T: 416 364 1130
www.excellonresources.com

Mexico Office
Minera Excellon de Mexico, S.A. de C.V.
Unidad La Platosa
Av. Aldama No. 135 Sur Int. 2
Col. Centro C.P. 35000, Gomez Palacio
Durango, Mexico

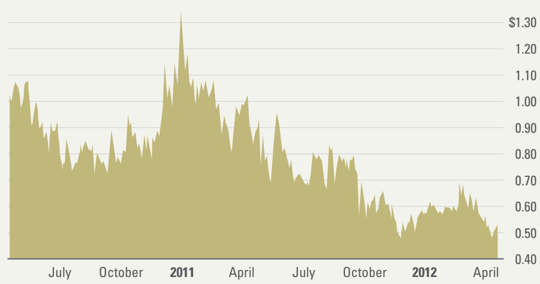
Timmins Exploration Office
170 Jaguar Road North, Unit 1
Timmins, Ontario P4N 7C3
T: 705 268 1900

Shareholder Information

as at December 31, 2012

Listed: TSX:	EXN
Shares O/S:	278.3M
Shares F/D:	296M
Treasury/Cash	$22M
Market Cap:	$159M

Share Price *(May 2010-April 2012)*



Annual and Special Meeting of Shareholders

The Annual and Special Meeting of Shareholders will take place on Thursday, May 31, 2012 at 10:00 am (Toronto time) at the offices of Heenan Blaikie, LLP located at the Bay and Adelaide Centre, 333 Bay Street, Suite 2900, Toronto, Ontario, Canada.

www.excellonresources.com

Why Excellon?

- Highest Grade Silver Producer in Mexico
- 20% throughput (tonnage) increase planned for 2012
- Excellent portfolio of diversified assets
- Growth potential
- Treasury/Cash: $22M (Dec/11)
- Offering Investor Diversity
- Excellent management and board with proven track records

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