EXCELLON RESOURCES INC.

# Management's Discussion & Analysis of Financial Results

## For the three month period ended March 31, 2011

**May 11, 2011**

*Excellon Resources Inc. (the "Company", or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ["MD&A"] for the three month period ended March 31, 2011 in accordance with the requirements of National Instrument 51-102 ("NI 51-102"). This MD&A contains information as at May 11, 2011 and provides information on the operations of the Company for the three month periods ended March 31, 2011 and 2010 and subsequent to the period end, and should be read in conjunction with the unaudited interim consolidated financial statements for the three month period ended March 31, 2011 and the audited consolidated financial statements for the year ended December 31, 2010 filed on SEDAR.*

*The unaudited interim consolidated financial statements for the three month period ended March 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.*

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## For the three month period ended March 31, 2011

**May 11, 2011**

**Description of Business**

Excellon is exploring, developing and mining the high-grade silver-zinc-lead mineralization on its approximately 58,054-hectare [143,455-acre] Platosa Property ["Platosa"], including an optioned portion, 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 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 December 13, 2009 the Company reported that its Indicated Mineral Resource at Platosa had increased to 579,000 tonnes grading 909 g/t (27 oz/T) Ag, 9.09% Pb, and 10.51% Zn (as at October 31 2009), up from 396,000 tonnes grading 986 g/t (29 oz/T) Ag, 9.00% lead, and 10.10% zinc (as at February 3, 2008). The Inferred Mineral Resource increased from 72,700 to 160,000 tonnes at a somewhat lower grade than that of 2008. All the pertinent figures are shown in the table below. Since October 31, 2009 the Company has discovered additional high-grade massive sulphide mineralization, including that hosted by the Pierna Manto, however, has not prepared a new Mineral Resource estimate.

**Platosa Project – Mineral Resource Estimate (as of October 31, 2009)**

| Category | Tonnes [t] | Silver [g/t] | Silver [oz/T] | Lead [%] | Zinc [%] |
|---|---|---|---|---|---|
| Indicated | 579,000 | 909 | 27 | 9.09 | 10.51 |
| Inferred | 160,000 | 731 | 21 | 7.44 | 7.57 |

*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 U.S. $86 per tonne*
3. *NSR metal price assumptions: Silver U.S. $16.00/oz, Lead U.S. $0.80/lb, Zinc U.S. $1.00/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 Scott Wilson Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at October 31, 2009. See the technical report dated January 15, 2010 filed on www.sedar.com.*

The above resource estimate is for the Platosa Project only and does not include any estimates from the Miguel Auza property acquired in June 2009.

EXCELLON RESOURCES INC.

# Management's Discussion & Analysis of Financial Results

## For the three month period ended March 31, 2011

**May 11, 2011**

**Adoption of IFRS**

Effective January 1, 2011, the Company adopted IFRS. The financial information in this MD&A, including comparative for prior periods, has been prepared in accordance with IFRS. Adoption of IFRS has not had a material effect on the financial position of the Company and is described in Note 5 to the unaudited interim financial statements and later in this MD&A.

**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**

The Platosa mine production in the first quarter was close to planned production but was about 25% lower than the same period last year. In addition, the ore grade was significantly lower than plan and compared to the same period last year. The reduction in ore grade mined reflects increased development work required in the mine during the first quarter of 2011. Dilution was higher than anticipated resulting in the reduced ore grades. April, 2011 results improved significantly. Mine production was 30% ahead of plan at 5,833 tonnes at a silver grade of 1,055 g/t to produce 175,512 oz silver.

Actual and planned mine production for the first quarter of 2011 are as follows:

| Period | Tonnes | Ag (g/t) | Pb (%) | Zn (%) |
|---|---|---|---|---|
| First quarter ended March 31, 2011 (plan) | 12,500 | 801 | 7.21 | 7.45 |
| First quarter ended March 31, 2011 (actual) | 12,391 | 604 | 5.12 | 7.08 |

The following are the Platosa mine production statistics for the periods indicated:

| | | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|---|---|---|---|
| Tonnes of ore processed | | 12,391 | 16,521 |
| Ore grades: | | | |
| | Silver (g/t) | 604 | 921 |
| | Lead (%) | 5.12 | 7.27 |
| | Zinc (%) | 7.08 | 8.81 |
| Recoveries: | | | |
| | Silver (%) | 83.3 | 88.2 |
| | Lead (%) | 68.2 | 73.3 |
| | Zinc (%) | 71.6 | 78.4 |
| Production: | | | |
| | Silver – (oz) | 202,077 | 512,163 |
| | Lead – (lb) | 931,080 | 2,392,238 |
| | Zinc – (lb) | 1,334,575 | 3,228,515 |
| Sales: | | | |
| | Silver – (oz) | 202,077 | 447,970 |
| | Lead – (lb) | 931,080 | 2,125,863 |
| | Zinc – (lb) | 1,334,575 | 2,688,625 |
| Realized prizes: | | | |
| | Silver – ($US/oz) | 33.38 | 17.15 |
| | Lead – ($US/lb) | 1.17 | 0.98 |
| | Zinc – ($US/lb) | 1.09 | 0.96 |

**Cash Cost per Ounce of Silver Produced**

The Company's cash cost for the three months ended March 31, 2011 was US$8.46 per oz (three months ended March 31, 2010 - US$4.94/oz). The higher cash costs results from lower grade being processed and from lower mill recoveries. During the third quarter of 2010, the Company changed the methodology of calculating cash cost to be more consistent with industry practice. The comparative figures have been prepared on a consistent basis.

Cash 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.

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

| | **3 months ended March 31, 2011** $ | **3 months ended March 31, 2010** $ |
|---|---|---|
| Cost of sales (excluding amortization) | 3,359,251 | 4,801,997 |
| Add: Third party smelting and refining | 961,728 | 1,623,157 |
| Inventory changes | (268,564) | 388,658 |
| Deduct: Royalties | (96,426) | (123,231) |
| Deduct: By-product credits (1) | (2,247,261) | (4,161,571) |
| Cash cost | 1,708,728 | 2,529,010 |
| Ounces of silver produced | 202,077 | 512,163 |
| Cash cost per ounce of silver produced in US $/oz | 8.46 | 4.94 |

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

## Exploration

### 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 May 2011 continued to confirm, that the Platosa Property holds considerable potential for the discovery of additional high-grade manto mineralization and for the discovery of large-tonnage, though lower grade, proximal CRD mineralization. CRDs are epigenetic, intrusion-related, high-temperature sulphide-dominant, lead-zinc-silver-(copper-gold)-rich deposits that commonly occur in clusters associated with major regional geologic features. The Mexican CRD Belt is perhaps the world's best developed CRD cluster and Platosa lies in the centre of the northwest-southeast trending axis of the largest deposits of the belt.

Several features make CRDs highly desirable 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 first quarter of 2011 and up to the time of the present report, exploration efforts have focussed on an area within roughly three kilometres of the Platosa Mine.

In this area there are three primary objectives:

- To further add to the known distal-style, high-grade CRD Mineral Resources and to discover new mantos by drilling the geological, structural, geochemical, biogeochemical and geophysical targets developed by 2010 and previous surveys. This follows on the success in adding mineralization to the 6A/6B Manto and the discovery of the Pierna Manto, both during 2010;
- 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 large portion of the early 2011 exploration program is focussed on the Rincon del Caido – 6A/6B Corridor; and
- Continue to pursue the development of additional targeting tools. At present this work is focussed on 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.

Diamond drilling continued to encounter success near existing mine infrastructure, in particular in the high-grade Pierna Manto situated between the Rodilla and NE-1 mantos. In early May 2011 the Company reported that high-grade massive sulphides were intersected in five holes drilled in early 2011. Among these, hole EX11-LP903 intersected 3.80 metres (m) of massive sulphides grading 704 g/t (21 oz/T) Ag, 8.86% Pb, 16.40% Zn. Hole LP904 encountered even higher grades, intersecting massive sulphides grading 1,412 g/t (41 oz/T) Ag, 18.99% Pb, 18.44% Zn over 2.55 m. The five intersections ranged from 0.27 to 3.80 m in estimated true thickness and the manto remains open to the north and northwest. In addition lower grade massive sulphides were encountered over an estimated true width of 1.40 m in the only 2011 hole drilled in the 6A/6B Manto Ext. area The assay results relating to these six holes and 15 holes completed during the latter portion of 2010 are included in the press releases dated January 13 and May 2, 2011.

Late 2010 and early 2011 drilling has seen the testing of several 3D IP chargeability anomalies. These responses have been explained by either pyritized hornfels or pyritized black limestone, both of which underlie the productive dolomitized fragmental limestone unit at Platosa. These holes have also served as stratigraphic tests since they were located close to or within the Rincon del Caido – 6A/6B Corridor. Hole LP889 was completed at a depth of 942 m and intersected a significant widths of marble, anhydrite and lightly pyritized felsic intrusive, all promising signs in the search for large-scale proximal skarn-type CRD mineralization in the area.

During October, 2010 the Company carried out 2,800 line kilometres of ZTEM airborne geophysical surveying over a large portion of the original Platosa property, almost all of the 17,000 ha Excelmex VII concession acquired in April 2010 and a portion of the Pluton property optioned from Sundance Minerals Ltd. in October 2010. The Company received the initial final interpreted results of the survey in late February as disclosed in a press release dated February 28, 2011. A second drill was added to the Platosa exploration program near the end of March to begin testing ZTEM anomalies. Although interpretation will be a continuing process as actual drilling results improve our knowledge of how the ZTEM results relate to the bedrock geology and structures encountered, the survey has already outlined a large number of previously undetected and untested conductive areas and structural zones or systems of interest. Drilling progress has been slow and as of the date of this report there are no results to report, however, Company geologists are confident that this survey will materially guide exploration for a large-tonnage proximal carbonate replacement deposit similar to others in the prolific CRD Belt of Mexico. The discovery of such a deposit, which the Company believes is present on the property, remains the principal goal of its exploration programs. In addition ZTEM-related structural systems may lead to the discovery of new high-grade Ag, Pb, Zn manto sulphides similar to those the Company has been exploiting at Platosa since mid 2005.

## Miguel Auza Property

The Miguel Auza property encompasses 41,498 ha (102,540 acres) 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 SEG (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 has been made to concentrate exploration activities at Platosa for the foreseeable future.

## Qualified Persons

Mr. John Sullivan, BSc., PGeo. has acted as the Qualified Person, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information contained in this MD&A 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.

### 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 Canadian 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 associated with labour relations. 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

The Company derives over 70% of its revenue from the sale of silver. During the first quarter of 2011, silver prices averaged $31.86 per ounce and reached a high of $38.16 per ounce. The Company's realized price from silver sales during the three month period ended March 31, 2011 was $33.38 ($17.15 in the three month period ended March 31, 2010).

Despite significantly higher silver prices in 2011, gross profit was approximately $1.5 million lower than last year due to the lower grade of ore mined and lower mill recoveries. Net income for the three months ended March 31, 2011 was not changed significantly compared to the same period last year primarily due to lower expenditures on exploration. The Company spent $0.8 million on exploration in the first quarter of 2011 compared to $2.2 million in the first quarter of 2010.

### Results of Operations

Financial statement highlights for the three month period ended March 31, 2011 and the three month period ended March 31, 2010 are as follows:

| | **Three months ended March 31, 2011** | Three months ended March 31, 2010 |
|---|---|---|
| | $000's | $000's |
| Revenue | 7,385 | 9,975 |
| Cost of sales | 4,031 | 5,090 |
| Gross profit | 3,354 | 4,885 |
| Expenses: | | |
| Exploration expenditures | 800 | 2,190 |
| General and administration | 1,131 | 1,095 |
| Other | 546 | 447 |
| Income tax | 422 | 620 |
| Net income for the period | 455 | 533 |

During the quarter ended March 31, 2011 the Company recorded a net income of $0.5 million, essentially the same as the same period last year.

Gross profit, or income from mine operations, for the first quarter of 2011 was $3.4 million compared to $4.9 million for the three month period ended March 31, 2010. This is significantly lower in 2011 as a result of lower grade ore being mined and lower mill recoveries.

General and administrative costs represent administrative costs incurred in Canada. Management compensation is the largest component and is comparable to the previous periods presented above.

**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 |
|---|---|---|---|---|---|---|---|---|
| | | (IFRS) | | (IFRS) | | (IFRS) | | (IFRS) |
| Period ended | | 2011-03-31 | | 2010-12-31 | | 2010-09-30 | | 2010-06-30 |
| Revenue | $ | 7,385 | $ | 5,213 | $ | 6,056 | $ | 8,140 |
| Net income (loss) before income taxes | $ | 877 | $ | (3,642) | $ | (2,083) | $ | (787) |
| Net income (loss) | $ | 455 | $ | (2,752) | $ | (2,075) | $ | 429 |
| Earnings (loss) per share – basic | $ | 0.00 | $ | (0.01) | $ | (0.01) | $ | 0.00 |
| – diluted | $ | 0.00 | $ | (0.01) | $ | (0.01) | $ | 0.00 |

| | | 3 months ended | | 2 months ended | | 3 months ended (CGAAP) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | (IFRS) | | (CGAAP) | | | | | |
| Quarter ended | | 2010-03-31 | | 2009-12-31 | | 2009-10-31 | | 2009-07-31 | 2009-04-30 |
| Revenue | $ | 9,975 | $ | 5,868 | $ | 9,205 | $ | 8,958 | 4,256 |
| Net income (loss) before income taxes | $ | 1,153 | $ | (155) | $ | 1,735 | $ | 2,208 | 571 |
| Net income (loss) | $ | 533 | $ | (218) | $ | 906 | $ | 1,120 | 499 |
| Earnings (loss) per share – diluted | $ | 0.00 | $ | 0.00 | $ | 0.00 | $ | 0.01 | 0.00 |
| Earnings (loss) per share – diluted | $ | 0.00 | $ | 0.00 | $ | 0.00 | $ | 0.01 | 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 2010 reflect a write-down of mineral property in an amount of $1.3 million. No write-downs were recorded in the prior quarters presented.

**Liquidity and Capital Resources**

As at March 31, 2011, the Company's cash and cash equivalents were $4.9 million (December 31, 2010 – $1.98 million), and working capital was $8.9 million (December 31, 2010 – $6.1 million). The only present 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**

The Corporate Secretary of the Company is a partner in a firm that provides legal services to the Company. During the three month period ended March 31, 2011, the Company paid an aggregate of $7,000 (three months ended March 31, 2010- $102,000) for legal services from the firm. These services were provided in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

**Common share data (as at May 11, 2011)**

| | |
|---|---|
| Common shares outstanding | 250,288,446 |
| Stock options granted | 12,009,992 |
| Total | 262,298,438 |

**Critical Accounting Estimates**

The Company's significant accounting policies are described in Note 4 to the interim consolidated financial statements for the period ended March 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 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 units of production basis using 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*

Due to uncertainties relating to environmental remediation, the cost of future site restoration could differ from the amount recorded in the consolidated financial statements. The estimate of the liability associated with site rehabilitation costs is subject to change based on expected inflation, changes to laws and regulations, changes in technology and other factors.

*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 9 to the Company's March 31, 2011 interim 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 March 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 internal control 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 is not expected to impact the effectiveness of ICFR however, management will continue to monitor the effectiveness of ICFR.

**TRANSITION TO IFRS**

The adoption of IFRS has not had a material impact on the Company's financial position, operations or business decisions.

The effect of the company's transition to IFRS is summarized as follows:

a. Transition elections
b. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS
c. Adjustments to the statement of cash flows

*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. |

b. *Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (figures in thousands of US Dollars)*

| **Equity** | **Note *b*** | **Dec 31, 2010 $** | **Mar 31, 2010 $** | **Jan 1, 2010 $** |
|---|---|---|---|---|
| Equity as reported under Canadian GAAP | | 30,766 | 30,626 | 30,200 |
| Accumulated other comprehensive loss | | | | |
| Cumulative translation adjustment | i. | 2,534 | 2,534 | 2,534 |
| | | 2,534 | 2,534 | 2,534 |
| Deficit | | | | |
| Cumulative translation adjustment | i. | (2,534) | (2,534) | (2,534) |
| Rehabilitation provision | ii | 101 | 70 | 65 |
| Rehabilitation cost | ii | (108) | (24) | (63) |
| | | (2,541) | (2,488) | (2,532) |
| Equity as reported under IFRS | | 30,759 | 30,672 | 30,202 |

| **Comprehensive income** | **Note *b*** | **2,010 $** | **2,010 $** |
|---|---|---|---|
| As reported under Canadian GAAP | | (2,281) | 148 |
| Increase (decrease) in net income for: | | | |
| Decommissioning and site rehabilitation impact | ii. | (9) | 44 |
| Share based payment expense | iv. | (104) | (39) |
| | | (113) | 5 |
| As reported under IFRS | | (2,394) | 153 |

Explanatory notes

i. In accordance with IFRS transitional provisions, the company has elected to reset the cumulative translation account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. The cumulative translation account has decreased and the deficit has been increased by $2,534.

ii. Similar to Canadian GAAP, when a 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. 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 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 but 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 statement of income as a finance cost. Likewise the rehabilitation cost is amortized. Foreign exchange gains and losses resulting from the translation of these items are recognized in the statement of income.

The rehabilitation provision calculated at March 31, 2010 has decreased the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP by $70 and the deficit has been reduced (December 31, 2010 - $101). The corresponding asset has also decreased but by $24 net of depreciation and the deficit has been charged (December 31, 2010 - $108).

iii. In accordance with IFRS transitional provisions, the company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date have been carried forward without adjustment except where such balances do not meet the transitional requirement to recognize or derecognize assets and liabilities in accordance with IFRS. There were no adjustments arising from this election as all acquired assets and liabilities conformed to IFRS.

iv. In accordance with IFRS 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 amounts of $39 at March 31, 2010 and $104 at December 31, 2010.

*c. Adjustments to the statement of cash flows*

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.

**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".*