EXCELLON RESOURCES INC.

Management's Discussion & Analysis of Financial Results

For the three and six month periods ended June 30, 2011

August 8, 2011

Excellon Resources Inc. (the "Company", or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ["MD&A"] for the six month period ended June 30, 2011 in accordance with the requirements of National Instrument 51-102 ("NI 51-102"). This MD&A contains information as at August 8, 2011 and provides information on the operations of the Company for the three and six month periods ended June 30, 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 six month period ended June 30, 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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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. 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, and recently began preparation of an updated Mineral Resource estimate and accompanying National Instrument 43-101 ("NI 43-101") compliant technical report.

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.

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 unaudited consolidated financial statements and later in this MD&A.

Impact of the changeover to IFRS

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

Cash flows have not been affected by the change.

Net assets at December 31, 2010 were decreased by only $9 thousand 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 thousand in expense. Therefore the total decrease in comprehensive income was $113 thousand. 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 interim consolidated financial statements to-date.

Regarding presentation, the financial position, income statement and cash flow statement line items relate easily to each other 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 million, net of amortization were reclassified to Intangibles. The remainder of mineral properties was reclassified to property, plant and equipment as mining properties.

International Accounting Standard (IAS) 34 Interim Financial Reporting states that the purpose of interim financial reporting is to provide an update on the latest complete set of annual financial statements. Less note disclosure is required in interim reporting than that required in a full set of IFRS annual financial statements. However, an interim financial report that complies only with the minimum requirements under IAS 34 is less informative in the first quarter after a transition to IFRS, since the latest annual financial statements were prepared under Canadian GAAP. Consequently, additional IFRS transition information, such as the opening consolidated statement of financial position and accounting policies under IFRS, are included in the Company's Q1 interim consolidated financial statements so that financial statements users are better able to understand how the transition to IFRS affected previously reported annual and interim results. Accordingly, the Ontario Securities Commission (OSC) has stated that issuers do not have to repeat this kind of information in their Q2 and Q3 interim financial reports, since the information is already available on public record through their Q1 report. The OSC also stated that it would therefore not object to issuers making a cross-reference to the Q1 report in their Q2 and Q3 interim financial reports. The Company has made such cross-reference in its interim financial statements after Q1.

Other matters related to interim reporting in the year of changeover

Two other matters related to the Company's interim reports in the year of the changeover should be noted.

The Company follows IAS 34 when preparing quarterly consolidated financial statements. Under IAS 34, condensed financial statements may be produced. Accordingly, the reconciliations to Canadian GAAP in the interim 2011 financial statements may not highlight all the items that will be reported in the 2011 annual financial statements. Management does not believe that the more extensive disclosures that will be made in the annual financial statements will have a significant effect on future results.

While interim financial statements need to be prepared in accordance with IAS 34, it is only when preparing the first annual IFRS financial statements that decisions about optional exemptions under IFRS 1 are required to be finalized. Management believes that decisions about IFRS 1 exemptions in 2011 quarterly reporting are expectations of the final elections to be reported in the first annual IFRS financial statements. The IFRS accounting differences, preliminary findings concerning accounting policies and the IFRS 1 selections set out in the interim consolidated financial statements are based on current IFRS which are subject to change. The Company's reporting under IFRS in 2011 will be based on the standards effective at December 31, 2011. Accordingly, the Company continues to monitor standards development by the International Accounting Standards Board and the AcSB.

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

Platosa mine production for the second quarter of 2011 improved as development progressed significantly and was 6% above plan in both tonnes and silver grade. Lead grade was 13% below plan and zinc grade was 2% above plan. Six month production was slightly above plan in terms of tonnes. Silver grade was 7% below plan and lead grade was 20% below plan while zinc grade was on plan. The six-month figures are marked improvements over those of the first quarter. Management expects these improvements to continue as mine development continues to advance favourably and more production areas become available.

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

Period	Tonnes	Ag (g/t)	Pb (%)	Zn (%)
Second quarter ended June 30, 2011 (plan)	14,500	793	7.15	7.77
Second quarter ended June 30, 2011 (actual)	15,372	844	6.24	7.92
Six months ended June 30, 2011 (plan)	27,000	797	7.18	7.62
Six months ended June 30, 2011 (actual)	27,318	739	5.75	7.55

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

		3 months ended June 30, 2011	3 months ended June 30, 2010	6 months ended June 30, 2011	6 months ended June 30, 2010
Tonnes of ore processed		15,372	18,861	27,318	39,918
Ore grades:					
	Silver (g/t)	844	730	739	831
	Lead (%)	6.24	6.45	5.75	6.88
	Zinc (%)	7.92	8.41	7.55	8.62
Recoveries:					
	Silver (%)	89.4	86.3	86.7	87.3
	Lead (%)	76.4	67.8	72.8	70.7
	Zinc (%)	75.9	76.2	74.0	77.4
Production:					
	Silver – (oz)	383,500	426,166	577,221	874,136
	Lead – (lb)	1,721,354	2,035,317	2,666,109	4,161,180
	Zinc – (lb)	2,025,098	3,266,064	3,376,925	5,954,689
Sales:					
	Silver – (oz)	383,500	365,082	577,221	813,052
	Lead – (lb)	1,721,354	1,793,475	2,666,109	3,919,338
	Zinc – (lb)	2,025,098	3,005,115	3,376,925	5,693,740
Realized prizes:					
	Silver – ($US/oz)	38.23	18.84	37.12	17.91
	Lead – ($US/lb)	1.11	0.80	1.13	0.90
	Zinc – ($US/lb)	1.06	0.83	1.06	0.89

Cash Cost per Ounce of Silver Produced

The Company's cash cost per ounce of silver produced for the three month period ended June 30, 2011 was US$3.74 per ounce (three months ended June 30, 2010 - US$3.09/oz). For the six month period ended June 30, 2011 the cash cost of silver production was US$6.50 per ounce compared to US$4.54 per ounce for the same period of 2010. The calculation of cash cost per ounce produced reflects the cost of production adjusted for by-product and various non operating costs included in Cost of Sales. The table which follows presents the details of the calculation.

Cash operating costs in the current quarter at $1.4 million (refer to the following table) are slightly higher than the same period last year by $0.1 million. However, unit costs per ounce of silver produced have increased in the current quarter primarily due to the lower volume of production from fewer tonnes of ore processed. Ore processed in Q2 - 2011 at 15,372 tonnes was 18% lower than the same period last year. Unit cash operating costs per ounce of silver produced were 21% higher when compared to the prior year quarter primarily as a result of the lower tonnage throughput. Similarly on a year to date basis ore processed is 32% lower in the current year compared to 2010 and unit cash costs per ounce of silver produced is 43% higher.

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

	3 months ended June 30, 2011	**3 months ended June 30, 2010**	**6 months ended June 30, 2011**	**6 months ended June 30, 2010**
	$	$	$	$
Cost of sales	**3,042,037**	**4,766,000**	**7,073,295**	**9,856,000**
Adjustments - increase/(decrease):				
Depletion, depreciation and amortization	(654,905)	(996,000)	(1,326,912)	(1,284,000)
Unrealized foreign exchange gains/(loss)	1,255,606	(147,146)	1,863,037	(20,425)
Inventory changes	(7,766)	(22,187)	(276,330)	366,471
Third party smelting and refining charges	1,582,179	1,277,736	2,543,907	2,900,893
Royalties	(177,186)	(101,612)	(273,612)	(224,399)
By-product credits (1)	(3,605,931)	(3,462,487)	(5,853,193)	(7,624,058)
Cash operating cost	1,434,034	1,314,304	3,750,192	3,970,482
Ounces of silver produced	383,500	426,166	577,221	874,136
Cash operating cost per ounce of silver produced in US $/oz	**3.74**	**3.09**	**6.50**	**4.54**

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

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

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 August 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 second quarter and first six months of 2011 and up to the time of the present report, exploration efforts have focussed on two areas.

The first is within roughly 1.5 kilometres of 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; and
- Continue to pursue the development of additional targeting tools. 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. The interpreted ZTEM results became available near the end of February and a second drill was added to the program to begin testing the ZTEM targets.

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 late-June 2011 the Company reported results from eight new holes that intersected high-grade massive sulphides over estimated true widths ranging from 0.30 to 7.01 metres (m) and expanded the footprint of the Pierna Manto. Among these, hole EX11-LP915 intersected 2.16 m of massive sulphides grading 1,598 g/t (46.6 oz/T) Ag, 18.19% Pb, 17.79% Zn. Hole LP914 intersected 553 g/t (16.1 oz/T) Ag, 5.33% Pb, 14.13% Zn over 3.20 m within a 7.01 m interval grading 282 g/t (8.2 oz/T) Ag, 3.09% Pb, 7.59% Zn. The assay results relating to these eight holes are included in the press release dated June 27, 2011. Pierna has now been largely closed off, however, one drill rig continues to work in the mine area exploring for additional massive sulphides.

A second drill was added to the Platosa exploration program near the end of March to begin testing ZTEM anomalies. As of early August eight holes, of which two were abandoned for technical reasons, had been drilled to test these targets. The deepest was completed at a 1,100 m vertical depth. The completed holes confirmed the expected geology but did not intersect significant mineralization. This is not entirely surprising since the interpretation of ZTEM results is an evolving science, particularly in the Mexican carbonate environment. In mid June Company geologists, in consultation with a consulting geophysicist, completed a review of the drilling results together with the ZTEM data. The Company is currently incorporating the newly-developed ZTEM interpretive elements into on-going drill hole planning and expects that this process of revisiting the ZTEM data as drilling results accumulate will be an ongoing process. The Company also remains confident that this methodical approach will continue to bring it closer to the discovery of a large-tonnage proximal CRD at Platosa. The Company is also reviewing the results of the 2010 3D IP survey to see if additional targets can be found.

With respect to the Sundance Option, the Company and project operator Sundance agreed to an initial diamond drilling program in mid July 2011. This program commenced on August 3rd, and is testing surface sulphide showings, soil geochemical and geophysical CRD targets developed by Sundance on the Pluton Property, located north of the historic mining town of Mapimi and immediately west of and contiguous with the original Platosa Property.

The Platosa exploration program has met with considerable success, including the discovery of the Pierna Manto and the 6A/6B Manto extension, since the preparation of the last Mineral Resource estimate for the property. As such the Company has engaged Roscoe Postle Associates Inc. to prepare an updated

Mineral Resource estimate and accompanying NI 43-101 compliant technical report. This work has begun and is expected to be completed in late 2011.

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 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.

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 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.

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Overall Performance

The Company derives over 74% of its revenue from the sale of silver. The Company's realized price from silver sales during the three month period ended June 30, 2011 was US$38.23 as compared to US$18.84 for the same period in 2010. On a year to date basis the realized price from silver sales was US$37.12 in 2011 as compared to US$17.91 in 2010. Average market silver prices for the three month period ended June 30, 2011 was US$38.25 (June 30, 2010 - US$18.32) and US$34.97 for 2011 year to date (June 30, 2010 year to date - $US17.62).

Sales of silver during the second quarter of 2011 was 383,500 ounces which was 18,418 higher than the same period of 2010 but on a year to date basis at 577,221 is lower than the same period in 2010 by 235,831 ounces. However sales revenues for the second quarter and on a year to date basis exceeded the prior year comparative periods by $7.6 million and $5.0 million. The improved sales revenue in Q2 - 2011 and year to date when compared 2010 was mainly due to improvements in the price of silver.

Results of Operations

Financial statement highlights for the three and six month periods ended June 30, 2011 and 2010 are as follows:

	3 months ended June 30, 2011	**3 months ended June 30, 2010**	**6 months ended June 30, 2011**	**6 months ended June 30, 2010**
	$000's	$000's	$000's	$000's
Revenue	15,442	7,846	22,827	17,821
Cost of sales	3,042	4,766	7,073	9,856
Gross profit	12,400	3,080	15,754	7,965
Expenses:				
Exploration expenditures	1,504	3,195	2,304	5,385
General and administration	1,196	939	2,327	2,034
Other	281	(169)	827	278
Income tax	1,364	(1,214)	1,786	(594)
Net income for the period	8,055	329	8,510	862

During the quarter ended June 30, 2011 the Company recorded net income of $8.1 million which is significantly higher than the same period last year. The improved net income for the quarter primarily reflects the impact of a realized silver price which has increased from US$18.84 per ounce in 2010 to US$38.23 in 2011.

Gross profit, or income from mine operations, for Q2 - 2011 was $12.4 million compared to $3.1 million for the Q2 - 2010. The improvement in gross profit reflects the impact of improved commodity prices and a decrease in cost of sales during Q2 - 2011 resulting in part from a lower tonnage of ore through-put processed.

Exploration expenditures during Q2 - 2011 are approximately 50% lower than the comparable period of 2010. The lower expenditure level in the current period is a result of less drills operating than in 2010. Many of the holes being drilled in 2011 are deep holes. Such holes tend to proceed at a slow rate.

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).

Period ended	3 months ended (IFRS) 2011-06-30	3 months ended (IFRS) 2011-03-31	3 months ended (IFRS) 2010-12-31	3 months ended (IFRS) 2010-09-30
Revenue	$ 15,442	$ 7,385	$ 5,213	$ 6,056
Net income (loss) before income taxes	$ 9,149	$ 877	$ (3,642)	$ (2,083)
Net income (loss)	$ 8,055	$ 455	$ (2,752)	$ (2,075)
Earnings (loss) per share – basic	$ 0.03	$ 0.00	$ (0.01)	$ (0.01)
– diluted	$ 0.03	$ 0.00	$ (0.01)	$ (0.01)

Quarter ended	3 months ended (IFRS) 2010-06-30	3 months ended (IFRS) 2010-03-31	2 months ended (CGAAP) 2009-12-31	3 months ended (CGAAP) 2009-10-31	3 months ended (CGAAP) 2009-07-31
Revenue	$ 7,846	$ 9,975	$ 5,868	$ 9,205	$ 8,958
Net income (loss) before income taxes	$ (885)	$ 1,153	$ (155)	$ 1,735	$ 2,208
Net income (loss)	$ 329	$ 533	$ (218)	$ 906	$ 1,120
Earnings (loss) per share – diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Earnings (loss) per share – diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.01

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 June 30, 2011, the Company's cash and cash equivalents were $12.3 million (December 31, 2010 – $2.0 million), and working capital was $15.8 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 six month period ended June 30, 2011, the Company paid an aggregate of $30,000 (six months period ended June 30, 2010 - $149,000) 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 August 8, 2011)

Common shares outstanding (1)	277,318,504
Stock options and warrants granted (1)	19,346,637
Total	296,665,141

(1) Includes 27,030,058 shares to be issued for the Lateegra acquisition (refer to note 15 of the Q2-2011 interim financial statements) and 7,438,045 shares for the Lateegra stock options and warrants exercisable for Excellon shares post acquisition.

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 4 to the interim consolidated financial statements for the period ended June 30, 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 10 to the Company's June 30, 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 June 30, 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 $**	**June 30, 2010 $**	**Jan 1, 2010 $**
Equity as reported under Canadian GAAP		30,766	30,206	30,200
Contributed surplus				
Share based payment amortizatior	iv.	104	72	-
		104	72	-
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	72	65
Rehabilitation cost	ii	(108)	(71)	(63)
Share based payment amortizatior	iv.	(104)	(72)	-
		(2,645)	(2,605)	(2,532)
Equity as reported under IFRS		30,759	30,207	30,202

Comprehensive income (loss)	**Note b**	**Three months ended June 30, 2010 $**	**Six months ended June 30, 2010 $**
As reported under Canadian GAAP		(605)	(457)
Increase (decrease) in net income for:			
Decommissioning and site rehabilitation impact	ii.	(45)	(1)
Share based payment amortization	iv.	(33)	(72)
		(78)	(73)
Increase (decrease) in other comprehensive income			
As reported under IFRS		-	-
		(683)	(530)

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 June 30, 2010 has decreased the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP by $57 and the deficit has been reduced (December 31, 2010 - $101). The corresponding asset has also decreased by $49 net of depreciation and the deficit has been charged (December 31, 2010 - $108). The total impact on comprehensive income net of the foreign exchange difference between January 1, 2010 and June 30, 2010 was income of $1 (December 31, 2010 – 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 $72 at June 30, 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".