EXCELLON

Excellon Resources Inc.

Condensed Interim Consolidated Financial Statements

June 30, 2012
in thousands of U.S. dollars
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

August 7, 2012

Excellon Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of U.S. dollars)

	June 30, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents	9,923	22,262
Marketable securities (note 3)	4,011	-
Trade receivables	4,616	548
Income taxes receivable	653	-
Inventories (note 4)	2,362	1,459
Other current assets	1,388	1,030
	22,953	25,299
Non-current assets		
Long term investments	43	71
Property, plant and equipment (note 5)	21,572	21,154
Mineral rights (note 6)	23,948	20,719
Total assets	68,516	67,243
Liabilities		
Current liabilities		
Trade payables	3,464	2,503
Income taxes payable	-	3,970
	3,464	6,473
Non-current liabilities		
Provisions (note 7)	1,533	1,429
Deferred income tax liabilities	339	331
Total liabilities	5,336	8,233
Equity		
Share capital (note 8)	77,657	77,797
Contributed surplus	9,077	9,639
Accumulated other comprehensive income	219	1,445
Deficit	(23,773)	(29,871)
Total equity	63,180	59,010
Total liabilities and equity	68,516	67,243

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

Approved by the Board	**Director**	**Director**
	"Timothy J. Ryan"	*"Alan R. McFarland"*

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income (loss)

For the three and six months ended June 30, 2012 and 2011

(Unaudited)

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

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	$	$	$	$
Revenues	13,994	15,442	27,100	22,827
Cost of Sales (note 9a)	(5,377)	(4,129)	(10,218)	(8,767)
	8,617	11,313	16,882	14,060
Corporate administrative expenses (note 9b)	(2,294)	(1,493)	(4,098)	(2,960)
Exploration	(2,498)	(1,504)	(4,578)	(2,304)
Other income (expenses) (note 9c)	(2,524)	1,112	(316)	1,525
Income before financing and tax	1,301	9,428	7,890	10,321
Finance income	-	-	15	-
Finance costs	(18)	(9)	(37)	(25)
Net finance costs	(18)	(9)	(22)	(25)
Income before income tax	1,283	9,419	7,868	10,296
Income tax (note 11)	(805)	(1,364)	(1,770)	(1,786)
Net income	478	8,055	6,098	8,510
Other comprehensive loss				
Unrealized loss on available for sale securities	(96)	-	(28)	-
Foreign currency translation differences	(1,208)	(667)	(1,198)	(183)
Total other comprehensive loss	(1,304)	(667)	(1,226)	(183)
Total comprehensive income (loss)	(826)	7,388	4,872	8,327
Earnings per share:				
Basic	$ 0.00	$ 0.03	$ 0.02	$ 0.03
Diluted	$ 0.00	$ 0.03	$ 0.02	$ 0.03
Weighted average number of shares				
Basic	277,884,211	250,288,446	278,369,873	249,565,352
Diluted	278,528,659	252,310,844	279,092,194	251,852,253

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2012 and 2011

(Unaudited)

(in thousands of U.S. dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total equity $
Balance - January 1, 2011	55,937	7,655	1,471	(34,304)	30,759
Net income for the period	-	-	-	8,510	8,510
Total other comprehensive loss	-	-	(183)	-	(183)
Total comprehensive income	-	-	(183)	8,510	8,327
Employee share options:					
Value of services recognized	1,029	(398)	-	-	631
Proceeds on issuing shares	1,566	-	-	-	1,566
Balance - June 30, 2011	58,532	7,257	1,288	(25,794)	41,283
Balance - January 1, 2012	77,797	9,639	1,445	(29,871)	59,010
Net income for the period	-	-	-	6,098	6,098
Total other comprehensive loss	-	-	(1,226)	-	(1,226)
Total comprehensive income	-	-	(1,226)	6,098	4,872
Employee share options:					
Value of services recognized	29	646	-	-	675
Proceeds on issuing shares	42	-	-	-	42
Share payment for mineral rights	1,062	-	-	-	1,062
Repurchased shares	(1,273)	(1,208)	-	-	(2,481)
Balance - June 30, 2012	77,657	9,077	219	(23,773)	63,180

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Cash Flow

For the three and six months ended June 30, 2012 and 2011

(Unaudited)

(in thousands of U.S. dollars)	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	$	$	$	$
Cash flow provided by (used in)				
Operating activities				
Net income for the period	478	8,055	6,098	8,510
Adjustments for:				
Depletion, depreciation and amortization	740	677	1,456	1,374
Deferred income tax	-	1	-	327
Share-based compensation	410	297	675	633
Post-employment benefits	20	60	35	108
Rehabilitation provision - accretion	18	5	37	19
Unrealized loss on marketable securities	674	-	989	-
Unrealized loss (gain) on foreign intercompany loans	1,268	-	(1,360)	-
Changes in items of working capital:				
Trade receivables	(1,628)	(1,323)	(4,068)	(1,394)
Income taxes payable	(499)	2,199	(4,623)	2,108
Inventories	-	(216)	(903)	(285)
Other current assets	50	(138)	(358)	(28)
Trade payables	(908)	(33)	961	257
Net cash provided by (used in) operating activities	623	9,584	(1,061)	11,629
Investing activities				
Purchase of marketable securities	-	-	(5,000)	-
Purchase of property, plant and equipment	(963)	(923)	(1,559)	(1,311)
Purchase of royalty interests	(2,400)	-	(2,400)	-
Purchase of mineral rights	(390)	(1)	(390)	(52)
Net cash used in investing activities	(3,753)	(924)	(9,349)	(1,363)
Financing activities				
Proceeds on issuance of shares	42	-	42	1,566
Shares repurchased from market	(1,575)	-	(2,481)	-
Net cash provided by (used in) financing activities	(1,533)	-	(2,439)	1,566
Effect of exchange rate changes on cash and cash equivalents	(747)	(1,278)	510	(1,507)
Increase (decrease) in cash and cash equivalents	(5,410)	7,382	(12,339)	10,325
Cash and cash equivalents - Beginning of the period	15,333	4,921	22,262	1,978
Cash and cash equivalents - End of the period	9,923	12,303	9,923	12,303
Cash paid for income tax	1,366	-	6,300	-

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

(Unaudited) (in thousands of US 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 and the exploration of gold in properties in Canada.

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 unaudited condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") including IAS34 Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and the application adopted are consistent with those disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2011.

Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 2 of the Company's consolidated financial statements as at and for the year ended December 31, 2011.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 7, 2012.

3. MARKETABLE SECURITIES

The Company invested $5,000 in the Sprott Physical Silver Trust to hold units reflecting an underlying investment in 134,732 ounces of silver. These securities have been classified as a "held for trading financial instrument" during the period. An unrealized loss of $989 was recorded in income in recognition of a decrease in value as at June 30, 2012.

4. INVENTORIES

	June 30, 2012 $	Dec 31, 2011 $
Ore	812	450
Production spares	1,550	1,009
	2,362	1,459

(Unaudited) (in thousands of US Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Mining properties $	Mining equipment $	Processing equipment $	Assets under construction $	Total $
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	-	-	-	(1,273)	(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
Period ended June 30, 2012					
Opening net book value	8,254	5,440	6,693	767	21,154
Additions	768	652	-	95	1,515
Depreciation	(458)	(480)	(434)	-	(1,372)
Exchange differences	161	122	(24)	16	275
Closing net book value	8,725	5,734	6,235	878	21,572
At June 30, 2012					
Cost	21,643	9,414	8,834	878	40,769
Accumulated depreciation	(12,918)	(3,680)	(2,599)	-	(19,197)
	8,725	5,734	6,235	878	21,572

(Unaudited) (in thousands of US Dollars)

6. MINERAL RIGHTS

	Platosa (Mexico) $	Beschefer (Canada) $	Desantis (Canada) $	Total $
At January 1, 2011				
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	-	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
Period ended June 30, 2012				-
Opening net book value	1,596	8,163	10,960	20,719
Additions (1)	2,400	648	804	3,852
Depreciation	(84)	-	-	(84)
Exchange differences	92	(266)	(365)	(539)
Closing net book value	4,004	8,545	11,399	23,948
At June 30, 2012				
Cost	4,760	8,545	11,399	24,704
Accumulated depreciation	(756)	-	-	(756)
	4,004	8,545	11,399	23,948

(1) During the quarter, the Company purchased the 1% Net Smelter Return Royalty (“NSR”) on the Platosa Mine from Golden Minerals Company for $2,400.

(Unaudited) (in thousands of US Dollars)

7. PROVISIONS

	Post - retirement benefits (1) $	Rehabilitation provision $	Total $
At January 1, 2011			
Opening 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
Period ended June 30, 2012			
Opening balance	228	1,201	1,429
Change in estimate	35	-	35
Accretion for the period	-	37	37
Exchange differences	4	28	32
Closing Balance	267	1,266	1,533

(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.

8. SHARE CAPITAL

	Number of shares (000s)	$
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	27,031	18,400
Shares issued on Beschefer agreement	1,080	855
Share purchase buyback	(852)	(251)
Balance at December 31, 2011	278,297	77,797
Period ended June 30, 2012		
Opening balance at January 1, 2011	278,297	77,797
Shares issued on exercise of stock options	84	71
Shares issued on Beschefer agreement	1,080	648
Shares issued on Desantis agreement	842	414
Share purchase buyback	(4,409)	(1,273)
Balance at June 30, 2012	275,894	77,657

STOCK OPTIONS

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.

The Company uses the fair value method of accounting for all stock-based payments to employees, directors and officers. Under this method, the Company recorded a stock compensation expense of $675 for the six months ended June 30, 2012 (June 30, 2011 - $633) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rates of 1.25% (2011 - 2.36%), no dividend yield, expected life of 5 years (2011 - 5 years) with an expected price volatility of 90.62% (2011 - 93.00%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of 2.99% is applied (2011 - 2.99%) and at June 30, 2012, there was $733 of unamortized stock compensation expense (June 30, 2011 - $612).

During the quarter 1,000,000 options were issued to Directors of the Company and 83,334 options were exercised.

WARRANTS

During the quarter 1,768,082 of the remaining warrant balance expired, unexercised.

(Unaudited) (in thousands of US Dollars)

9. EXPENSE BY NATURE

(a) Cost of sales is comprised of the following:

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	$	$	$	$
Direct mining and milling costs (1)	4,548	3,297	8,542	7,165
Depletion, depreciation and amortization	709	655	1,404	1,327
Royalties	120	177	272	275
Cost of sales	5,377	4,129	10,218	8,767

(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.

(b) Corporate administrative expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	$	$	$	$
Office and overhead costs	823	598	1,600	1,153
Salaries and wages	1,034	577	1,775	1,128
Share based compensation	406	297	671	633
Depletion, depreciation and amortization	31	21	52	46
Corporate administrative expenses	2,294	1,493	4,098	2,960

(c) Other (income) expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	$	$	$	$
Unrealized loss on marketable securities	674	-	989	-
Foreign exchange loss (gain)	1,850	(1,112)	(673)	(1,525)
Other (income) expenses	2,524	(1,112)	316	(1,525)

10. RELATED PARTIES

An officer of the Company is a partner in a firm that provides legal services to the Company. During the six months ended June 30, 2012, the Company incurred legal services of $126 (June 30, 2011 – $56) with an outstanding payable balance of $15 at June 30, 2012 (June 30, 2011 – $37).

11. INCOME TAX

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual rate used for the year ended December 31, 2011 was 28% and the six months ended June 30, 2012 was 26.5%. The reduction is due to the previously announced decrease in Canadian deferral and provincial tax rates.

12. SUBSEQUENT EVENTS

In July 2012, Company has repurchased 715,000 of its own common shares for CAD $411 under a normal course issuer bid program that expires November 30, 2012.

On July 16, 2012, the mining activity at La Platosa was suspended by the Company due to illegal actions taking place outside its premise by various labour unions and groups which commenced on July 8, 2012. The Company is working with the State and Federal Government on this issue to assist in ending this action as soon as possible.