EXCELLON

Excellon Resources Inc.

Condensed Interim Consolidated Financial Statements

June 30, 2013
in thousands of U.S. dollars
(unaudited)

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(in thousands of U.S. dollars)

	June 30, 2013 $	December 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents	509	1,369
Marketable securities (note 3)	2,645	4,152
Trade receivables	1,701	5,467
Income taxes receivable	3,578	3,122
Inventories (note 4)	1,589	2,022
Other current assets	1,332	1,555
	11,354	17,687
Non-current assets		
Long term investments	19	20
Property, plant and equipment (note 5)	21,975	20,972
Mineral rights (note 6)	23,221	24,405
Deferred income tax assets	9,145	8,059
Total assets	65,714	71,143
Liabilities		
Current liabilities		
Trade payables	4,688	2,377
Non-current liabilities		
Provisions (note 7)	1,708	1,637
Total liabilities	6,396	4,014
Equity		
Share capital (note 8)	77,578	77,453
Contributed surplus	10,121	9,329
Accumulated other comprehensive income	(1,282)	1,810
Deficit	(27,099)	(21,463)
Total equity	59,318	67,129
Total liabilities and equity	65,714	71,143

The accompanying notes are an integral part of these condensed 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 (loss) and Comprehensive Income (loss)

For the three and six months ended June 30, 2013 and 2012

Unaudited

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

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	$	$	$	$
Revenues (note 13)	4,187	13,994	14,242	27,100
Cost of Sales (note 9a)	(6,003)	(5,377)	(11,966)	(10,218)
	(1,816)	8,617	2,276	16,882
Corporate administrative expenses (note 9b)	(1,547)	(2,294)	(3,330)	(4,098)
Exploration	(1,368)	(2,498)	(6,207)	(4,578)
Other income (expenses) (note 9c)	(1,770)	(2,524)	342	(316)
Income (loss) before financing and tax	(6,501)	1,301	(6,919)	7,890
Finance income	-	-	-	15
Finance costs	(19)	(18)	(38)	(37)
Net finance costs	(19)	(18)	(38)	(22)
Income (loss) before income tax	(6,520)	1,283	(6,957)	7,868
Income tax recovery (expense) (note 11)	1,485	(805)	1,321	(1,770)
Net income (loss)	(5,035)	478	(5,636)	6,098
Other comprehensive income (loss)				
Unrealized gain on available for sale securities	-	(96)	-	(28)
Foreign currency translation differences	(2,242)	(1,208)	(3,092)	(1,198)
Total other comprehensive income (loss)	(2,242)	(1,304)	(3,092)	(1,226)
Total comprehensive income (loss)	(7,277)	(826)	(8,728)	4,872

Earnings (loss) per share				
Basic	$ (0.09)	$ 0.01	$ (0.10)	$ 0.11
Diluted	$ (0.09)	$ 0.01	$ (0.10)	$ 0.11
Weighted average number of shares				
Basic	54,998,221	55,587,951	55,013,082	55,685,083
Diluted	55,084,033	55,734,369	55,116,839	55,847,754

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2013 and 2012

(Unaudited)

(in thousands of U.S. dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
Balance - January 1, 2012	77,797	9,639	1,445	(29,871)	59,010
Net income (loss) for the period	-	-	-	6,098	6,098
Total other comprehensive income (loss)	-	-	(1,226)	-	(1,226)
Total comprehensive income (loss)	-	-	(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
Balance - January 1, 2013	77,453	9,329	1,810	(21,463)	67,129
Net income (loss) for the period	-	-	-	(5,636)	(5,636)
Total other comprehensive income (loss)	-	-	(3,092)	-	(3,092)
Total comprehensive income (loss)	-	-	(3,092)	(5,636)	(8,728)
Employee share options:					
Value of services recognized	32	844	-	-	876
Proceeds on issuing shares	46	-	-	-	46
Share payment for mineral rights	199	-	-	-	199
Repurchased shares	(152)	(52)	-	-	(204)
Balance - June 30, 2013	77,578	10,121	(1,282)	(27,099)	59,318

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Cash Flow

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(in thousands of U.S. dollars)	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	$	$	$	$
Cash flow provided by (used in)				
Operating activities				
Net income (loss) for the period	(5,035)	478	(5,636)	6,098
Adjustments for:				
Depletion, depreciation and amortization	880	740	1,838	1,456
Deferred income tax	(1,189)	-	(1,135)	-
Share-based compensation	271	410	876	675
Post-employment benefits	19	20	37	35
Rehabilitation provision - accretion	18	18	37	37
Unrealized loss on marketable securities	1,205	674	1,507	989
Unrealized loss (gain) on foreign intercompany loans	551	1,268	(1,380)	(1,360)
Changes in items of working capital:				
Trade receivables	3,542	(1,628)	3,766	(4,068)
Income taxes receivable	6	(499)	(456)	(4,623)
Inventories	295	-	433	(903)
Other current assets	381	50	223	(358)
Trade payables	(701)	(908)	2,311	961
Net cash provided by (used in) operating activities	243	623	2,421	(1,061)
Investing activities				
Purchase of marketable securities	-	-	-	(5,000)
Purchase of property, plant and equipment	(1,632)	(963)	(2,770)	(1,559)
Purchase of royalty interests	-	(2,400)	-	(2,400)
Purchase of mineral rights	(18)	(390)	(18)	(390)
Net cash provided by (used in) investing activities	(1,650)	(3,753)	(2,788)	(9,349)
Financing activities				
Proceeds on issuance of shares	46	42	46	42
Shares repurchased from market	(111)	(1,575)	(204)	(2,481)
Net cash provided by (used in) financing activities	(65)	(1,533)	(158)	(2,439)
Effect of exchange rate changes on cash and cash equivalent	(410)	(747)	(335)	510
Increase (decrease) in cash and cash equivalents	(1,882)	(5,410)	(860)	(12,339)
Cash and cash equivalents - Beginning of the period	2,391	15,333	1,369	22,262
Cash and cash equivalents - End of the period	509	9,923	509	9,923
Interest	-	-	-	-
Cash paid for income tax	29	1,366	406	6,300

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

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 Ontario. 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") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Canadian Institute of Chartered Accountants including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

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, 2012 except as those described below.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013.

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS, 13, *Fair value measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

The Company has adopted the amendments to IAS 1 *Presentation of Financial Statements* effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 36, Impairment of Assets, was amended to limit the scope of required disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014 and will be applied retrospectively. Earlier application is permitted. The Company has earlier adopted these amendments.

(Unaudited) (in thousands of U.S. Dollars)

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 4 of the Company's consolidated financial statements as at and for the year ended December 31, 2012.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 14, 2013.

3. MARKETABLE SECURITIES

The Company invested $5,000 in the Sprott Physical Silver Trust to hold units reflecting an underlying investment in ounces of silver. These securities have been classified as a "held for trading financial instrument" during the period. An unrealized loss of $1,507 was recorded in income in recognition of a decrease in value as at June 30, 2013 (June 30, 2012 - $989).

4. INVENTORIES

	June 30, 2013 $	December 31, 2012 $
Ore	50	29
Concentrate	141	578
Production spares	1,398	1,415
	1,589	2,022

(Unaudited) (in thousands of U.S. Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Mining properties $	Mining equipment $	Processing equipment $	Assets under construction $	Total $
At January 1, 2012					
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
Year ended December 31, 2012					
Opening net book value	8,254	5,440	6,693	767	21,154
Additions	1,115	856	38	768	2,777
Reclassification	-	864	185	(1,049)	-
Disposals	-	(3)	(1,741)	-	(1,744)
Depreciation	(615)	(1,066)	(1,023)	-	(2,704)
Write-down	-	-	(100)	-	(100)
Exchange differences	546	409	587	47	1,589
Closing net book value	9,300	6,500	4,639	533	20,972
At December 31, 2012					
Cost	22,810	10,928	7,685	533	41,956
Accumulated depreciation	(13,510)	(4,428)	(3,046)	-	(20,984)
	9,300	6,500	4,639	533	20,972
Period ended June 30, 2013					
Opening net book value	9,300	6,500	4,639	533	20,972
Additions	1,244	713	203	610	2,770
Reclassification	1,084	-	-	(1,084)	-
Depreciation	(484)	(676)	(479)	-	(1,639)
Exchange differences	(142)	(7)	5	16	(128)
Closing net book value	11,002	6,530	4,368	75	21,975
At June 30, 2013					
Cost	24,584	11,568	7,861	75	44,088
Accumulated depreciation	(13,582)	(5,038)	(3,493)	-	(22,113)
	11,002	6,530	4,368	75	21,975

(Unaudited) (in thousands of U.S. Dollars)

6. MINERAL RIGHTS

	Platosa (Mexico) $	Beschefer (Canada) $	Desantis (Canada) $	Total $
At January 1, 2012				
Cost	2,255	8,163	10,960	21,378
Accumulated depreciation	(659)	-	-	(659)
	1,596	8,163	10,960	20,719
Year ended December 31, 2012				
Opening net book value	1,596	8,163	10,960	20,719
Additions	2,400	648	804	3,852
Depreciation	(189)	-	-	(189)
Exchange differences	222	(81)	(118)	23
Closing net book value	4,029	8,730	11,646	24,405
At December 31, 2012				
Cost	4,927	8,730	11,646	25,303
Accumulated depreciation	(898)	-	-	(898)
	4,029	8,730	11,646	24,405
Period ended June 30, 2013				-
Opening net book value	4,029	8,730	11,646	24,405
Additions	-	-	217	217
Depreciation	(199)	-	-	(199)
Exchange differences	(127)	(458)	(617)	(1,202)
Closing net book value	3,703	8,272	11,246	23,221
At June 30, 2013				
Cost	4,793	8,272	11,246	24,311
Accumulated depreciation	(1,090)	-	-	(1,090)
	3,703	8,272	11,246	23,221

(Unaudited) (in thousands of U.S. Dollars)

7. PROVISIONS

	Post-retirement benefits (1) $	Rehabilitation provision $	Total $
Year ended December 31, 2012			
Opening balance	228	1,201	1,429
Change in estimate	59	(34)	25
Accretion for the year	-	75	75
Exchange differences	18	90	108
Closing Balance	305	1,332	1,637
Period ended June 30, 2013			
Opening balance	305	1,332	1,637
Change in estimate	37	-	37
Accretion for the period	-	37	37
Exchange differences	(1)	(2)	(3)
Closing Balance	341	1,367	1,708

(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 6.5% (December 31, 2012 – 6.5%), annual salary and minimum wage increase rate of 3.5% (December 31, 2012 – 3.5%) and the life of the mine of ten years.

(Unaudited) (in thousands of U.S. Dollars)

8. SHARE CAPITAL

	Number of shares (000's)	$
Year ended December 31, 2012		
Opening balance (1)	55,660	77,797
Shares issued on exercise of stock options	17	71
Shares issued on Beschefer agreement	216	648
Shares issued on Desantis agreement	168	414
Share purchase buyback	(1,025)	(1,477)
Balance at December 31, 2012	55,036	77,453
Period ended June 30, 2013		
Opening balance	55,036	77,453
Shares issued on exercise of stock options	50	78
Shares issued on Desantis agreement	118	199
Share purchase buyback	(108)	(152)
Balance at June 30, 2013	55,096	77,578

(1) On May 8, 2013 the Company completed a share consolidation of the issued and outstanding common shares on the basis of one (1) post-consolidated common share for every five (5) pre-consolidated common share issued and outstanding (the "Share Consolidation"). The Company's number of outstanding options were consolidated on the same basis.

The numbers of shares and options presented in these condensed interim consolidated financial statements have been adjusted to include the effect of this share consolidation.

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 $876 for the six months ended June 30, 2013 (six months ended June 30, 2012 - $675) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant were $1,133 (six months ended June 30, 2012 - $433) and is measured using the Black-Scholes pricing model that assumes a risk-free interest rates of 1.29% (six month ended June 30, 2012 – 1.25%), no dividend yield, expected life of 5 years (six month ended June 30, 2012 - 5 years) with an expected price volatility of 92.54% (six month ended June 30, 2012 – 90.62%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of 4.09% is applied (six months ended June 30, 2012 - 2.99%) and at June 30 2013, there was $626 of unamortized stock compensation expense (June 30, 2012 - $733).

During the quarter, 100,000 options were issued to a director of the Company at an exercise price of $1.68 and 50,000 options were exercised at an exercise price of $0.95. Additionally, 58,000 options expired with an exercise price of $2.54 leaving an outstanding balance of 2,530,652 options at June 30, 2013 (June 30, 2012 – 2,685,292 options).

(Unaudited) (in thousands of U.S. Dollars)

9. EXPENSE BY NATURE

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

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	$	$	$	$
Direct mining and milling costs (1)	5,060	4,496	9,780	8,891
Changes in inventories	111	52	411	(349)
Depletion, depreciation and amortization	832	709	1,719	1,404
Royalties	-	120	56	272
Cost of sales	6,003	5,377	11,966	10,218

(1) Direct mining and milling costs 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, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	$	$	$	$
Office and overhead costs	786	819	1,395	1,596
Salaries and wages	442	1,034	940	1,775
Share based compensation	271	410	876	675
Depletion, depreciation and amortization	48	31	119	52
Corporate administrative expenses	1,547	2,294	3,330	4,098

(c) Other income consist of the following:

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	$	$	$	$
Unrealized loss on marketable securities	1,205	674	1,507	989
Foreign exchange loss (gain)	565	1,850	(1,849)	(673)
Other expense (income)	1,770	2,524	(342)	316

(Unaudited) (in thousands of U.S. Dollars)

10. RELATED PARTIES

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During the six months ended June 30, 2013, the Company incurred legal services of $107 (six month ended June 30, 2012 – $126) with an outstanding payable balance of $6 at June 30, 2013 (June 30, 2012 – $15).

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, 2012 was 26.5% and the six months ended June 30, 2013 was 26.5%.

12. SEGMENT REPORTING

	MEXICO		CANADA	
	June 30, 2013 $	Dec 31, 2012 $	June 30, 2013 $	Dec 31, 2012 $
Property, plant and equipment	21,969	20,964	6	8
Capital expenditures	(2,770)	(2,777)	-	-
Mineral rights	3,703	4,029	19,518	20,376
Total assets	43,396	45,426	22,318	25,717

	For the three months		For the six months	
	June 30, 2013 $	June 30, 2012 $	June 30, 2013 $	June 30, 2012 $
MEXICO				
Revenue	4,187	13,994	14,242	27,100
Cost of sales	(6,003)	(5,377)	(11,966)	(10,218)
Exploration	(1,153)	(1,593)	(4,480)	(2,700)
Other expenses	(1,749)	(1,677)	(14)	643
Net finance costs	(19)	(18)	(38)	(37)
Income tax	1,153	(805)	989	(1,770)
Net income (loss)	(3,584)	4,524	(1,267)	13,018
CANADA				
Corporate administrative expenses	(1,547)	(2,294)	(3,330)	(4,098)
Exploration	(215)	(905)	(1,727)	(1,878)
Other expenses	(21)	(847)	356	(959)
Net finance costs	-	-	-	15
Income tax	332	-	332	-
Net income (loss)	(1,451)	(4,046)	(4,369)	(6,920)
Net income	**(5,035)**	**478**	**(5,636)**	**6,098**

13. REVENUES

Under the terms of the concentrate sales contract, silver, lead and zinc are sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when the revenue recognition criteria have been met, namely when title, and risks and rewards of ownership have transferred to the customer. Final pricing is not determined until a subsequent date, typically two or four months later. Price recorded at the time of sale may differ from the actual final price received from the customer due to the changes in market prices for metals. The price volatility is to be considered an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each reporting period until settlement occurs, with the changes in fair value recorded to revenues.

The Company recognized a charge against revenues representing a negative price adjustment of $2,965 during the three-month period ended June 30, 2013 relating to shipments occurring before April1, 2013 which were settled or repriced during the quarter and includes $1,300 representing the fair value adjustment to June 30, 2013 for shipments which will settle subsequent to the period end.

During the six month period, ended June 30, 2013, the Company recognized a charge against revenues of $1,373 for sales made prior to 2013 relating to metal price reduction that occurred between January 1, 2013 and the date of final settlement, primarily in the three month period ended June 30, 2013.

Currently, one customer represents 100% of the Company's trade receivables which contains the embedded derivative. As at June 30, 2013, unsettled provisionally priced sales were $9,730. A 10% increase or decrease in the price of silver will result in a corresponding increase or decrease in revenues of $600.