EXCELLON

Management's Discussion & Analysis of Financial Results

For the year ended December 31, 2013

March 26, 2014

Excellon Resources Inc. (the "Company", or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the year ended December 31, 2013 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at March 26, 2014 and provides information on the operations of the Company for the years ended December 31, 2013 and 2012 and subsequent to the year end, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 and the related notes for the year then ended filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures in this MD&A are in US dollars unless otherwise noted.

This MD&A also makes reference to Cash Cost per Payable Silver Ounce and All-in Cost per Payable Silver Equivalent Ounce ("All-in Cost/Payable Ag Eq Oz"), both of which are Non-IFRS Measures. Please refer to the sections of this MD&A entitled "Cash Cost per Payable Silver Ounce" and "All-in Cost per Payable Silver Equivalent Ounce" for an explanation of these measures and reconciliation to the Company's reported financial results.

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COMPANY PROFILE

Excellon is a primary silver mining and exploration Company listed on the Toronto Stock Exchange trading under the symbol EXN. The Company's current activities are exploring, developing and mining the high-grade silver-lead-zinc mineralization on its 40,854-hectare Platosa Property ("Platosa") located in northeastern Durango State, Mexico. The style of mineralization at Platosa resembles that of several of the world-class carbonate replacement deposits ("CRD") of Mexico.

The ore mined is processed at the Company's mill located in Miguel Auza in Zacatecas State, Mexico. At Miguel Auza, the Company produces two concentrates: a silver-lead concentrate and a silver-zinc concentrate. Both concentrates are shipped to the port of Manzanillo where they are purchased by Trafigura Mexico, S.A. de C/V, a subsidiary within the Trafigura group of companies ("Trafigura").

FOURTH QUARTER AND ANNUAL HIGHLIGHTS

(in 000's except ounces, amounts per share and per ounce)	Q4 2013	*Q4 2012	Year 2013	Year *2012
Revenues	$ 7,445	$ 9,113	$ 33,332	$ 36,273
Gross Profit/(loss) (Earnings from mining operations)	$ 198	$ 4,100	$ 8,730	$ 17,084
Net income (loss)	$ (2,407)	$ 6,660	$ (5,041)	$ 8,408
Earnings (loss) per share - basic	$ (0.04)	$ 0.12	$ (0.09)	$ 0.15
Silver ounces produced	411,277	251,065	1,409,852	1,081,165
Silver ounces sold	393,908	233,773	1,403,783	1,060,211
Silver ounces payable	360,285	208,702	1,279,364	951,707
Silver equivalent ounces produced (1)	545,428	360,831	2,055,567	1,550,964
Silver equivalent ounces sold (1)	513,568	337,642	2,038,295	1,523,422
Silver equivalent ounces payable(1)	466,391	326,729	1,841,335	1,476,413
Cash cost per payable silver ounce	$ 13.02	$ 9.88	$ 10.51	$ 6.80
All-in cost per payable silver equivalent ounce 1)	$ 16.09	$ 18.85	$ 17.29	$ 16.78
Average realized silver price per ounce sold(2)	$ 20.02	$ 35.56	$ 20.93	$ 31.03

* Production was suspended during Q3 2012 and one month of Q4 2012 due to an illegal blockade of the mine (the "Blockade").

(1) Silver equivalent ounces established for each period using prices of US$24 per oz Ag, US$0.90 per lb Pb, and US$0.90 per lb Zn and applied to the recovered metal content of the concentrates.

(2) Average realized silver price is calculated on current period sale deliveries and does not include prior period provisional adjustments in the period. A complete reconciliation of net realizable prices can be found in the section "Financial Results of Operations" of this MD&A.

MINE OPERATION AND PRODUCTION

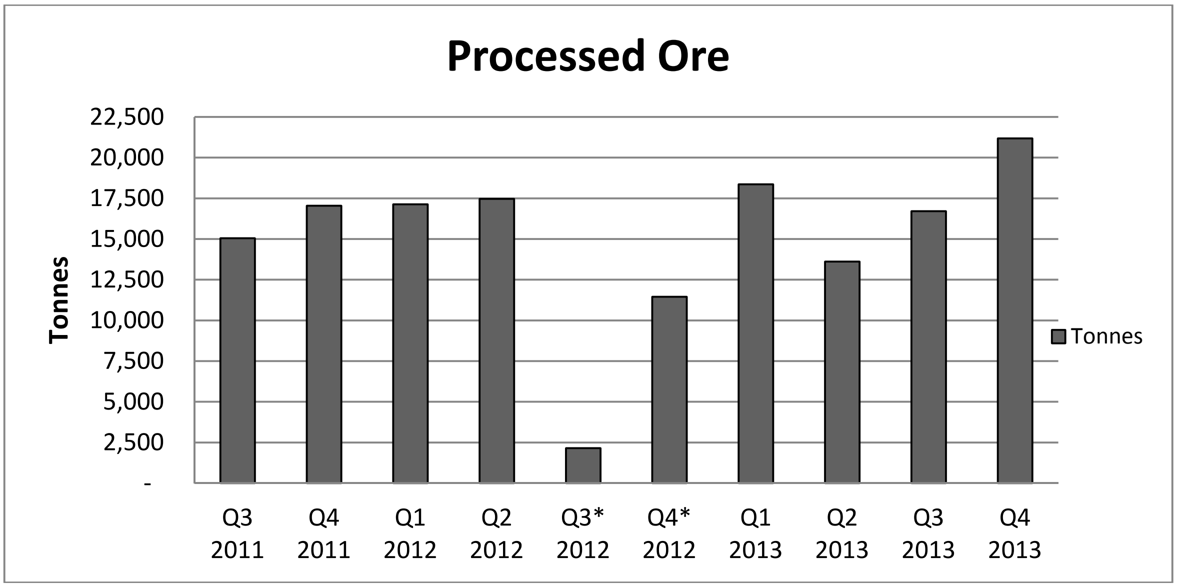
Milled tonnage improved significantly 21,186 tonnes in Q4 2013 relative to Q3 milled tonnage of 16,707 tonnes, with total milled tonnage for the year of 69,862 tonnes (2012 – 48,199 tonnes), a record for Platosa since mining commenced in 2005. Silver production of 1.4 million ounces in 2013 was the highest since 2009, primarily due to the Company's improved ability to manage the water inflows that historically affected production and development targets. Recoveries for silver at 92.6% were comparable to 2012. Lead and zinc recoveries decreased by 3.3% and 5.4% respectively compared to 2012, but were in line with budgeted recoveries of 79.5% and 81.7% for 2013.

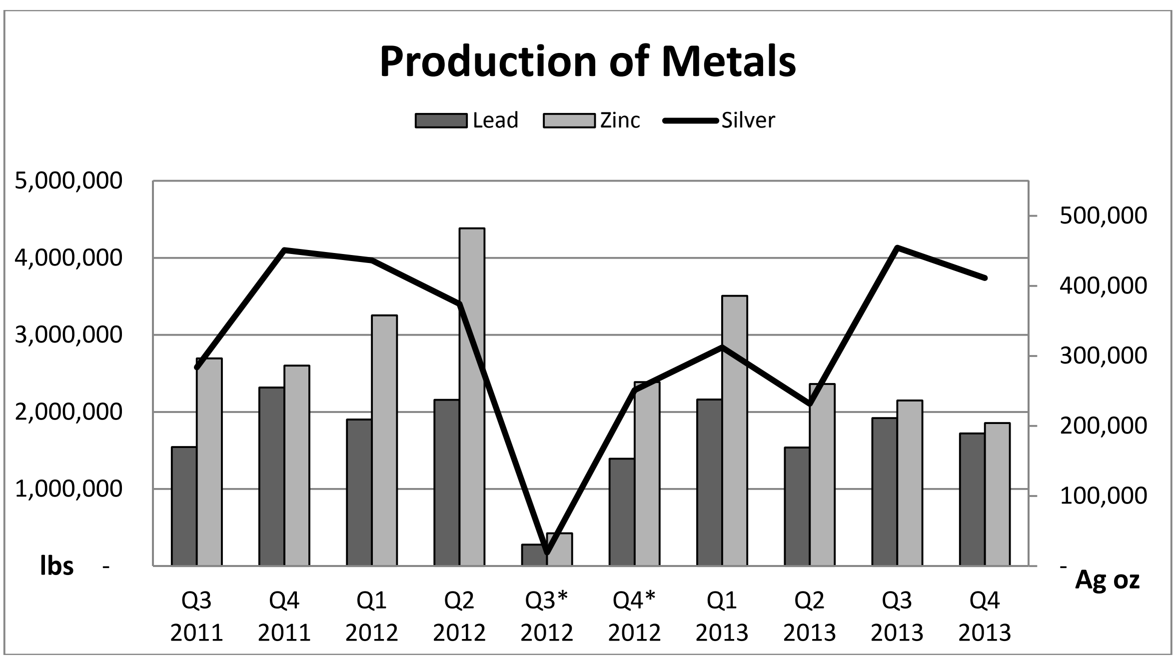
Platosa Mine production statistics for the periods indicated were as follows:

		Q4 2013*	Q4 2012**	Year 2013***	Year 2012**
Tonnes of ore produced		20,481	11,139	70,490	46,495
Tonnes of ore processed		21,186	11,452	69,862	48,199
Ore grades:					
	Silver (g/t)	684	751	718	846
	Silver (oz/T)	19.96	21.89	20.94	24.67
	Lead (%)	5.27	6.59	6.14	6.75
	Zinc (%)	5.08	11.21	8.00	11.81
Recoveries:					
	Silver (%)	89.9	94.4	92.6	93.4
	Lead (%)	71.2	85.7	79.4	82.1
	Zinc (%)	75.8	83.7	80.2	84.8
Production:					
	Silver – (oz)	411,277	251,065	1,409,852	1,081,165
	Silver equivalent ounces (oz) (1)	545,428	360,831	2,055,567	1,550,964
	Lead – (lb)	1,720,303	1,393,067	7,342,108	5,731,160
	Zinc – (lb)	1,857,066	2,387,785	9,876,955	10,450,813
Sales:					
	Silver ounces – (oz)	393,908	233,773	1,403,783	1,060,211
	Silver equivalent ounces (oz) (1)	513,568	337,642	2,038,295	1,523,422
	Lead – (lb)	1,530,833	1,324,026	7,237,003	5,638,330
	Zinc – (lb)	1,660,102	2,253,698	9,683,329	10,316,726
Payable:					
	Silver ounces – (oz)	360,285	208,702	1,279,364	951,707
	Silver equivalent ounces (oz) (1)	466,391	326,729	1,841,335	1,476,413
	Lead – (lb)	1,453,171	1,254,681	6,868,685	5,331,554
	Zinc – (lb)	1,376,336	1,892,706	8,117,208	8,660,607
Realized prices: (2)					
	Silver – ($US/oz)	20.02	35.56	20.93	31.03
	Lead – ($US/lb)	0.96	1.03	0.94	0.91
	Zinc – ($US/lb)	0.87	0.93	0.86	0.90

* Q4 data remains subject to adjustment following settlement with concentrate purchaser.
** Production was suspended during Q3 2012 and one month of Q4 2012 due to the Blockade.
*** Q1, Q2 and Q3 2013 data has been adjusted to reflect settlement with concentrate purchaser.
(1) Silver equivalent ounces established for each period using prices of US$24 per oz Ag, US$0.90 per lb Pb, and US$0.90 per lb Zn and applied to the recovered metal content of the concentrates.
(2) Average realized price is calculated on current period sale deliveries and does not include prior period provisional adjustments in the period. A complete reconciliation of net realizable prices can be found in the section "Financial Results of Operations" of this MD&A.

The previous ten quarters of production at Platosa are summarized below:





*Production was suspended during Q3 2012 and one month of Q4 2012 due to the Blockade.

CASH COST PER PAYABLE SILVER OUNCE

Total cash cost of $4.7 million in Q4 increased from $3.5 million in the previous quarter due to the increased tonnage produced and milled and costs associated with managing water inflows during the quarter. Production during the comparative period of 2012 was significantly limited by an illegal blockade of the mine. During Q4 2013, 360,285 payable silver ounces were delivered compared to 415,962 payable silver ounces in the previous quarter due to lower grade ore being mined during the period (684 g/t Ag v. 975 g/t Ag). By-product credits were also affected by lower milled grades for both lead and zinc, which consequently decreased from $3.4 million in Q3 2013 to $2.6 million in Q4 2013. As a result, cash cost per payable silver ounce net of by-products increased from $8.49/oz in Q3 2013 to $13.02/oz in Q4 2013. Cash costs per payable silver ounce for 2013 increased to $10.51/oz from $6.80/oz in 2012, primarily due to lower silver grades (-15%) and significantly lower zinc grades (-32%) combined with lower recoveries. The Company expects cash costs to fluctuate from period to period as planned production and development continue into different areas of the mine with different ore grades and characteristics. The calculation of net cash cost per payable silver ounce reflects the cost of production adjusted for by-product and various non-cash costs included in cost of sales. This calculation may differ from that used by other companies in the industry. The Company uses this measure internally to evaluate the underlying operating performance of the Company for the reporting periods presented.

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

	Q4 2013	**Q4 2012**	**Year 2013**	**Year 2012**
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of sales	7,246	5,012	24,601	19,189
Adjustments - increase/(decrease):				
Depletion and amortization	(1,260)	(859)	(3,910)	(2,787)
Inventory changes	91	361	644	145
Third party smelting and refining charges	1,242	1,367	5,718	5,852
Royalties (1)	(21)	(23)	(97)	(321)
By-product credits (2)	(2,606)	(3,047)	(13,511)	(12,585)
Suspension related costs (3)	-	(749)	-	(3,020)
Cash operating cost	4,692	2,062	13,445	6,473
Payable silver ounces	360,285	208,702	1,279,364	951,707
Cash operating cost per payable silver ounce in US $/oz	**13.02**	**9.88**(4)	**10.51**	**6.80**

(1) Advance royalty payments remaining on the Miguel Auza property.
(2) By-product credits comprise revenues from sales of lead and zinc.
(3) Production was suspended during the illegal blockade. Care-and-maintenance and other costs incurred during the suspension period that were not related to production have been excluded from total cash costs and the calculation of total cash cost per ounce produced.
(4) As a result of the Blockade, the Company was unable to realize cost efficiencies from a brief period of production early in the quarter when production resumed in high grade areas.

Cash operating cost, net of by-product credits, is provided as additional information and is a non-IFRS 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. Management believes that cash cost per silver ounce payable is a key performance indicator of the Company's operational efficiency as it accounts for each payable ounce produced. This measure is widely used in the mining industry and is intended to provide investors with information about the cash generating capabilities of the Company's operations and the Company uses this information for the same purpose. This analysis excludes capital expenditures and income taxes.

ALL-IN COST PER PAYABLE SILVER EQUIVALENT OUNCE

The Company had an All-in Cost/Ag Eq Oz of $16.09 during Q4, decreasing the year-to-date all in cash cost from $17.70 at Q3 to $17.29 at Q4. All-in Cost/Ag Eq Oz is an indication of the Platosa Mine's sustainable profitability during the recent period of lower silver prices. The calculation of an All-in Cost/Payable Ag Eq Oz reflects the cost of operations, exploration of existing resource, sustaining and production related capital expenditures, and corporate administrative costs. The calculation omits the inclusion of third party smelting and refining charges as these costs are included in the reported net revenues. The total of these costs are considered the "all-in cost" and can be compared to the net realizable price in determining profit margins on a per payable silver equivalent ounce basis. This calculation may differ from that used by other companies in the industry. The Company uses this measure internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The table below presents the details of the calculation.

	Q4 2013	Q4 2012	Year 2013	Year 2012
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of sales	7,246	5,012	24,601	19,189
Depletion and amortization	(1,260)	(859)	(3,910)	(2,787)
Inventory changes	91	361	644	145
Suspension related costs (1)	-	(749)	-	(3,020)
General and administrative cost (2)	838	1,535	3,944	6,104
Drilling expenses (mantos resource drilling)	-	-	2,439	2,373
Capital expenditures (3)	591	859	4,125	2,777
All-in cost	7,506	6,159	31,843	24,781
Payable silver equivalent ounces (4)	466,391	326,729	1,841,335	1,476,413
All-in Cost/ Payable Ag Eq Oz (4)	**16.09**	**18.85**(1)	**17.29**	**16.78**(1)

(1) Production was suspended during the Blockade. Care-and-maintenance and other costs incurred during the suspension period that were not related to production have been excluded from all-in costs and the calculation of All-in Cost/ Payable Ag Eq Oz.
(2) General and administrative cost excludes share based compensation and depletion and amortization.
(3) Capital expenditure includes sustaining capital expenditures and capitalized development costs.
(4) Silver equivalent ounces established for each period using prices of US$24 per oz Ag, US$0.90 per lb Pb, and US$0.90 per lb Zn and applied to the recovered metal content of the concentrates.

EXPLORATION – MEXICO

Platosa Mine

This Platosa property covers 40,854 ha and the initial mining concessions and private lands were acquired by the Company in 1996. The Platosa Mine exploits a series of typical, though very high-grade, massive sulphide, distal CRD silver, lead, zinc manto deposits located strategically in the middle of the prolific

Mexican CRD Belt. Diamond drilling results in 2013 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 exploration and 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 60-600 g/t silver, 2-12% lead, 2-18% zinc, 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.

Platosa Project – Mineral Resource Estimate (as at December 31, 2013)

Category	Tonnes (t)	Ag (g/t)	Pb (%)	Zn (%)	Ag Eq (g/t)	Contained Ag (oz)	Contained Pb (lb)	Contained Zn (lb)	Contained Ag Eq (oz)
Measured	42,000	825	8.62	11.31	1,358	1,108,000	7,939,000	10,416,000	1,824,000
Indicated	443,000	772	8.40	10.05	1,270	10,985,000	81,925,000	98,011,000	18,064,000
M + I	484,000	777	8.42	10.15	1,277	12,094,000	89,864,000	108,427,000	19,888,000
Inferred	3,000	2,324	16.93	1.74	2,922	255,000	1,274,000	131,000	321,000

Notes:

1. *CIM definitions were followed for the classification of Mineral Resources.*
2. *Mineral resources are estimated at an incremental NSR cut-off value of US$189 per tonne.*
3. *NSR metal price assumptions: Ag US$20.00/oz, Pb US$1.00/lb, Zn US$1.00/lb.*
4. *Metal recovery assumptions: Ag 94%, Pb 85%, Zn 84%.*
5. *The silver equivalent (Ag Eq) is estimated from metallurgical recoveries, metal price assumptions, and smelter terms, which include payable factors, treatment charges, penalties, and refining charges.*
6. *Estimate is of Mineral Resources only and, because these do not constitute Mineral Reserves, they do not have any demonstrated economic viability.*
7. *Mineral Resource estimate prepared by David Ross, P.Geo., of Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at December 31, 2013.*
8. *Totals may not add or multiply accurately due to rounding.*

M+I tonnage decreased by 153,000 t since the previous estimate prepared as at July 31, 2011. Similarly, inferred tonnage decreased by 66,000 t. The decrease in resource tonnage is primarily due to mine depletion, which totaled 167,217 t since the July 2011 estimate. Resource tonnage was further reduced as underground mapping revealed waste in areas that were previously interpreted as resources. Mining depletion was partly offset by the discovery of a new zone in the Manto 6A/6B area and further tonnage was added on the fringes of other mantos. Average grades in the M+I category have declined slightly due to mining of exceptionally high-grade areas, primarily in the Guadalupe Manto, since the July 2011 estimate.

The 2013 Platosa diamond drilling program was temporarily suspended in mid-May 2013. Drilling until then focussed on following up on increasingly encouraging results in the search for the source of the high-grade Platosa mantos at Rincon del Caido, approximately one kilometre ("km") NW of the mine and a small amount of exploration for additional high-grade massive sulphide manto mineralization near the known mantos. As of the date of the present report the program remains suspended, however, the exploration team remains intact and continues to work planning future programs. Several drills are stored on site and the Company can resume drilling on short notice.

In general, recent exploration at Platosa has focused on two target types.

The first target is located in an irregularly-shaped area extending roughly 1.5 km from the Platosa Mine. In this area the objectives are 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 the Company's previous drilling and geotechnical surveys. This follows on the success in adding mineralization to the 6A Manto in 2010 and 2012 and the discovery of the Pierna Manto during 2010. Additional massive sulphide mineralization was encountered in Q1-Q2 2013 drilling and some of this mineralization is included in the recently updated mineral resource.
- Outside of the immediate manto area drilling has been limited and where it has been carried out the favourable heterolithic fragmental limestone unit, which hosts all the high-grade massive sulphide mineralization discovered to date at Platosa, has been consistently intersected. There is ample room to find new mantos or a cluster of mantos in a large area extending north, east and southeast of the known mantos. Further drilling is planned for these areas.

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 larger-volume medial and proximal CRD mineralization, referred to as the Source. Geological evidence of this potential has been found in several drill holes completed since 2008 in particular in the Rincon del Caido ("Rincon") area approximately 1.0 km NW of the Guadalupe Manto. A concentrated drilling program at Rincon between early 2012 and mid-Q2 2013 when drilling was suspended resulted in 13 holes intersecting significant Source style sulphide mineralization. The Company believes that sulphide-rich skarn mineralization at Rincon may be traceable to a large-tonnage proximal CRD deposit that has been the ultimate object of the Company's exploration program since it acquired the Platosa property in 1996; and
- Continue to re-examine the results of the Company's historic geophysical surveys with demonstrated success as targeting tools, in particular Natural Source and Controlled Source Audio Magnetotelluric ("NSAMT" and "CSAMT," or generally "MT") ground geophysical surveys and airborne electromagnetic ("AEM") surveys carried out at various times during the exploration history of the property. MT surveying has demonstrated its effectiveness at Platosa and it was while testing NSAMT-interpreted structures in 2005 and 2006 that the Guadalupe and Guadalupe South mantos were discovered. During

a re-examination of a 2007 AEM survey a subtle anomaly was noted in the Rincon area and was one of the reasons drilling was resumed there in 2012.

During 2013 the Company disclosed results from seven Rincon drill holes and nine manto holes. Rincon results continued to be encouraging and subsequently a small team carried out a detailed analysis of the Rincon data, including the persistent anomalous gold encountered, in an effort to develop vectors to better direct drilling and move from the edge to the centre of the mineralized system as quickly as possible. The results were compiled in a 3D model in late fall 2013 and Company geologists believe they provide a starting point to continue the search for the Source once drilling resumes. With respect to manto drilling, anomalous gold has been found in various 2013 and historic holes in both the 6A and NE-1 manto areas. In the 6A area the gold is associated directly with the massive sulphides, while in the NE-1 Manto area the gold occurs in a siliceous zone encountered a considerable distance above the massive sulphides. The presence of gold in both areas suggests that feeder zones may be located nearby. Such feeder zones may be conduits channelling the massive sulphides from a much larger mineralized proximal skarn-style body remaining to be found at some depth below the mantos. Company geologists have carried out a comprehensive review of the gold-anomalous drill holes in both areas and while this work is ongoing the results have already been incorporated into draft plans for future manto drilling.

Results of the Company's exploration program can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

Miguel Auza Property

The Miguel Auza property encompasses 41,568 ha and lies on the eastern flank of the Fresnillo Mexican Silver Trend some 150-200 km north of Fresnillo and Zacatecas City, both of which areas have and continue to be the source of a large percentage of Mexican silver, lead and zinc production. The property covers numerous high- and low-sulphide epithermal veins carrying Ag, Au, Pb, and Zn. The property has been the site of a large amount of historic mining since the time of the Spaniards and as recently as 2008 when Silver Eagle Mines Inc., 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 in 2009 and 2010 and while certain areas were highlighted as meriting further early-stage exploration work, a decision was made to concentrate exploration activities at Platosa. The Company periodically reviews the potential of Miguel Auza, including the potential of the Miguel Auza Mine, which has been closed since December 2008.

EXPLORATION – CANADA AND OTHER

No drilling was carried out on the Company's two Canadian gold projects located in the Abitibi Belt of northeastern Ontario and northwestern Quebec in the last three quarters of 2013 and given present market conditions the Company does not plan to resume drilling in the immediate future. Should market conditions improve during 2014 the Company will revisit this decision. Interesting gold intersections were encountered on both the DeSantis and Beschefer properties during Q1 2013 drilling and the potential to host economic deposits remains on both projects as described below.

In addition late in 2013 the Company decided to divest its assets in Ecuador where it held an undeveloped exploration property 3 km from the Fruta del Norte gold deposit, ownership of which has reverted to the Ecuadorian government. A purchase and sale agreement was negotiated and signed with the Company's

Ecuadorian representative in December 2013 and it is expected that the transfer of assets will be completed early in Q2 2014.

DeSantis Property, Northeastern Ontario

The Company holds a 100% interest, subject to a Net Smelter Returns (“NSR”) royalty ranging from 1.5% to 3.5% by portion of the historic DeSantis property, located five kilometres southwest of downtown Timmins. In addition, the Company holds a 100% interest, subject to a 2% NSR royalty, in the contiguous DeSantis West property. Collectively, these two properties are referred to as the DeSantis Property. The Company has the option to buy out portions of each of the NSRs on the overall property.

The property is located along the Destor-Porcupine Tectonic Zone (“DPZ”), the main structure controlling gold deposits in the Timmins gold camp, approximately 11 km west of the Dome Mine, owned by Goldcorp Inc. and 14 km east of Lake Shore Gold Corp.’s Timmins Mine. The property covers approximately 5 km of strike length within highly prospective volcano-sedimentary stratigraphy on the north side of the DPZ, including the past producing DeSantis Mine. Gold deposits in the Timmins camp occur in a variety of forms, but virtually all can be related to structural controls associated with major deformation zones, the foremost being the DPZ.

The property hosts at least five known gold-bearing zones, all of which are located near the area of historic underground mining on the property. The DeSantis Mine produced 35,800 ounces of gold from 178,650 tonnes of ore, which graded 6.2 g/t Au, during its intermittent production history.

Between 2011 and early 2012 the Company completed 25 drill holes on the property, achieving modest success testing Hydrothermal Alteration Zone and Albitite Zone targets as reported in previous MD&As and various press releases. In the fourth quarter of 2012, the Company completed a comprehensive program of geotechnical compilation, relogging and sampling of recent and historic drill core and reviewing the property in a regional context. Based on the results of this work a 6,686 m, 18-hole follow-up drilling program was completed during Q4 2012 and Q1 2013. The program had two objectives: first, to test the down-dip extension of the felsic intrusive-hosted Albitite Zone and, second, to explore untested geophysical and geological targets elsewhere on the property.

The Albitite Zone drilling was initiated by deepening hole DS11-016B, which was drilled in 2011. Though no mineralization or recognizable Albitite Zone was encountered, the hole was continued and encountered a significant new hydrothermal alteration system approximately 300 m into the footwall at approximately 1,050 m vertical. Sampling of this new zone returned assays of 0.51 g/t Au over 57.60 m, including 1.35 g/t Au over 6.15 m. Wedge hole DS11-016D tested the 16B Zone 80 meters above and 20 meters to the west of DS11-016B while DS11-016F intersected the zone 30 meters to the east. DS11-016D returned 0.73 g/t Au over 6.80 m, including 2.88 g/t Au over 0.65 m while DS11-016F assayed 2.16 g/t Au over 31.70 m, including 4.09 g/t Au over 7.20 m. These results indicate that the 16B Zone increases in grade and alteration intensity to the east. The zone is open in all directions and, most importantly, the up-dip extension of the zone has seen virtually no drilling between DS11-016 and surface. These intersections are core widths. True thicknesses are estimated to range between 35% and 55% of core widths. Company geologists continue to be engaged in compiling recent and historic data and planning further drilling aimed at expanding the 16B Zone.

Beschefer Property, Northwestern Quebec

The Company holds a 100% interest (subject to a 3% NSR) in the property, which is located within the Abitibi Greenstone Belt approximately 60 km northeast of the Casa Berardi Mine, 80 km east-southeast of the Detour Mine and 12 km east of the past producing Selbaie Mine. The Company has the option to buy out 1.75% NSR of the 3% NSR royalty for $1.5 million. The Beschefer property has little or no bedrock exposure and is muskeg-covered such that drilling is most effectively performed during freezing conditions.

The property hosts the B14 gold zone, which was discovered in 1995 by Billiton Canada Inc. and, apart from a short program by SOQUEM, the property has seen limited exploration since then. The gold mineralization is hosted within a typical Archean volcanic 'greenstone' assemblage and consists of an intensely sheared and strongly sericite-, ankerite-, hematite-altered and sulphide-bearing deformation zone, which trends in a northeast-southwest direction across the property. Felsic to intermediate intrusives form an important component of the stratigraphy in many drill holes.

Following up on a five-hole program carried out in 2011 by Lateegra Gold, the Company completed 33 additional holes on the property during Q1 2012. B14 results included 4.54 g/t Au over 7.80 m including 9.16 g/t Au over 1.35 m in hole BE12-006 and 13.07 g/t Au over 8.75 m including 58.5 g/t Au over 1.50 m in hole BE12-014.

In mid-December 2012 the Company completed a comprehensive program of geotechnical compilation, relogging and sampling of recent and historic drill core and reviewing the property in a regional context. Based on the results of this work a 6,668 m, 16-hole follow-up drilling program was carried out on the B14 Zone during Q1 2013.

Once again promising results were encountered. Hole BE13-038 returned the best result ever intersected on the project: 55.60 g/t Au (uncut) over 5.57 m (13.64 g/t Au cut to 34 g/t), including 224.0 g/t Au over 1.23 m. This hole tested the zone approximately 100 m down dip from BE12-014. BE13-035 tested the zone approximately 250 m along strike to the southwest of BE13-038, intersected the zone over a width of approximately 25 m and returned assays of 1.95 g/t Au over 17.85 m, including 3.08 g/t Au over 2.51 m. Hole BE13-042 drilled below BE13-035 intersected 5.49 g/t Au (uncut) over 5.07 m (4.12 g/t Au cut to 34 g/t) in an upper zone and 5.43 g/t Au (uncut) over 8.00 m (3.28 g/t Au cut to 34 g/t) in the B14 Zone. Visible gold was observed in both intersections. Hole BE13-045 was drilled below BE13-042 and intersected 3.03 g/t Au over 11.10 m including 4.25 g/t Au over 6.00 m in the B14 Zone. All quoted intersections are core widths. True thicknesses are estimated to range between 75 and 90% of core widths. Company geologists continue to be engaged in compiling recent and historic data and planning further drilling focussed on the B14 Zone and adjacent little-tested and poorly understood areas of the property.

Complete results of the Company's 2012 and 2013 drilling programs at DeSantis and Beschefer are available on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

Qualified Person

Mr. John Sullivan, BSc., PGeo., Excellon's Vice President of Exploration 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.

Mr. Sullivan is an economic geologist with over 40 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.

COMMODITY PRICES AND MARKET CONDITIONS

Spot silver prices averaged $21/oz during Q4 2013, 36% lower than the average spot silver price during Q4 2012. Silver began 2013 at $30/oz and declined to as low as $19/oz during Q2 and Q4 2013, closing 2013 just below $20/oz. The significant decrease in silver prices has impacted the Company's revenues and operating profits for 2013 as silver is the Company's main product, accounting for approximately 66% of the Company's cash inflows from metals sold.

Lead and zinc followed a similar trend during the first six months of 2013, with lead and zinc declining by $0.10/lb and $0.09/lb, respectively, an average decline of 10% for these metals since January 2013. During the second half of the year, lead prices improved to an average price of $0.97/lb at the end of the year. Zinc improved during the second half of the year gaining $0.07/lb to average $0.90/lb at the end of 2013, a 2% decline from the 2012 closing average price.

Average Commodity Prices	Q4 2013	Q4 2012	Change	Year 2013	Year 2012	Change
Silver ($/oz)(1)	20.76	32.64	-36%	23.83	31.15	-23%
Lead ($/lb)(2)	0.96	1.00	-4%	0.97	0.94	4%
Zinc ($/lb)(2)	0.87	0.89	-2%	0.87	0.88	-2%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver ($/oz) (1)	**2013**	**31.11**	**30.33**	**28.80**	**25.20**	**23.01**	**21.11**	**19.71**	**21.84**	**22.56**	**21.92**	**20.76**	**19.61**
	2012	30.77	34.14	32.95	31.55	28.67	28.05	27.43	28.70	33.61	33.19	32.77	31.96
Lead ($/lb)(2)	**2013**	**1.06**	**1.08**	**0.99**	**0.92**	**0.92**	**0.95**	**0.93**	**0.99**	**0.95**	**0.96**	**0.95**	**0.97**
	2012	0.95	0.96	0.94	0.94	0.91	0.84	0.85	0.86	0.98	0.98	0.99	1.03
Zinc ($/lb)(2)	**2013**	**0.92**	**0.97**	**0.88**	**0.84**	**0.83**	**0.83**	**0.83**	**0.86**	**0.84**	**0.85**	**0.85**	**0.90**
	2012	0.90	0.93	0.92	0.91	0.88	0.84	0.84	0.82	0.91	0.87	0.86	0.92

(1) Source: Kitco
(2) Source: LME

FINANCIAL RESULTS OF OPERATIONS

Financial statement highlights for the year ended December, 2013 and 2012 are as follows (in thousands of US dollars):

	Q4 2013 $	Q4 2012 $	Year 2013 $	Year 2012* $
Revenues	7,445	9,113	33,332	36,273
Production costs	(5,987)	(4,153)	(20,692)	(16,401)
Depletion and amortization	(1,260)	(860)	(3,910)	(2,788)
Cost of sales	(7,247)	(5,013)	(24,602)	(19,189)
Gross profit (loss)	198	4,100	8,730	17,084
Expenses:				
General and administration	(1,448)	(1,854)	(5,831)	(7,338)
Exploration	(212)	(3,650)	(6,718)	(9,907)
Other – including finance cost	512	(417)	202	685
Income tax recovery (expense)	(1,457)	8,481	(1,424)	7,884
Net income (loss) for the period	(2,407)	6,660	(5,041)	8,408

*Production was suspended during Q3 2012 and one month of Q4 2012 due to the Blockade.

During the quarter, at an average silver price of $21/oz, the Company generated net revenues of $7.5 million compared to $11.6 million in Q3. Revenues in Q4 2013 were reduced from $8.3 million to $7.4 million as the Company recognized a $0.3 million charge against revenues for prior period sales and an additional $0.6 million charge against revenue for mark to market adjustment on provisionally priced sales that had not been settled at year end. Furthermore, the decline in revenues in Q4 2013 is a result of mining lower grade ore affecting production of both silver and by-products lead and zinc. Overall, revenues of $33.3 million for 2013 reflect the significant impact of the lower silver price for the year as the net realized price for 2013 was $21/oz on 1.3 million payable silver ounces (2012 - $31/oz on 1.0 million payable silver ounces).

The following summarizes the two major contributors to net losses during 2013:

1) Lower produced tonnage and silver grades as the Company focused on necessary development into the higher grade 6A, 6B, Guadalupe South and 623 Mantos, primarily during Q1 and Q2.

2) The impact of a declining silver price:

    a. The average silver price in 2013 was $24/oz compared to $31/oz in 2012, a 23% decline that reduced revenues in 2013. Based on the sales contract terms with Trafigura, final settlement occurs four months after deliveries at the silver price settlement date. As a result, silver ounces sold during Q1 at an average silver price of $30/oz were settled in Q2/Q3 at a silver price of $21/oz. The average *realized* silver price of $20.93 in 2013 reflects the impact of this price adjustment relative to the average spot silver price of $24/oz in 2013.

b. Silver ounces delivered at the end of 2012 that were provisionally priced at $32/oz in 2012 were subsequently settled in early Q2 2013 at $25/oz. This settlement required negative revenue adjustments totaling $1.4 million to reflect amounts repaid to Trafigura upon final pricing and settlement, which also contributed to lower realized price in 2013.

c. As at December 31, 2013, the silver price spot rate closed at $19.50/oz requiring a mark to market downward adjustment of $0.6 million on provisionally priced sales that had not been settled as at the end of the year.

Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting sales in the period in which the sale is settled (i.e. finalization adjustment). The finalization adjustment recorded for these sales depends on the actual price when the sale settles, which occurred either one or four months after shipment under the terms of the concentrate purchase agreements in place during 2012 and 2013. Due to the significant decline in silver prices during the first six months of 2013 and, marginally less so, during Q4 2013, revenues were adjusted downward to reflect finalization adjustments, which negatively impacted 2013 and Q4 sales and cash flows. The following table reconciles revenues and realized prices:

		Q4 2013		
	Silver	**Lead**	**Zinc**	**Total**
(000's)	**$**	**$**	**$**	**$**
Current period sales [1]	6,375	1,383	1,186	8,945
Prior period provisional adjustments [2]	(297)	14	25	(258)
Sales before TC/RC [3]	6,079	1,397	1,211	8,687
Less: TC/RC [3]				(1,242)
Total Sales				**7,445**
	oz	**Lbs**	**lbs**	
Payable Metals	**360,285**	**1,453,171**	**1,376,336**	
	$/oz	**$/lb**	**$/lb**	
Current period sales	**20.02**	0.96	0.87	
Prior period provisional adjustments	(3.15)	-	0.01	
Net Realized Prices	**16.87**	**0.96**	**0.88**	

(1) Includes provisional price adjustments on current period sales.
(2) Prior period sales that were settled or provisionally priced in the current period at prices less than prior period end commodity prices.
(3) TC/RC (Tolling Charge/Refining Charges)

	Year 2013			
	Silver	Lead	Zinc	Total
(000's)	**$**	**$**	**$**	**$**
Current period sales [1]	26,739	6,595	7,089	40,423
Prior period provisional adjustments [2]	(1,200)	(121)	(52)	(1,373)
Sales before TC/RC [3]	25,539	6,474	7,037	39,050
Less: TC/RC [3]				(5,718)
Total Sales				**33,332**
	oz	**Lbs**	**lbs**	
Payable Metals	**1,279,364**	**6,868,685**	**8,117,208**	
	$/oz	**$/lb**	**$/lb**	
Current period sales	20.93	0.94	0.86	
Prior period provisional adjustments	(0.98)	-	0.01	
Net Realized Prices	**19.95**	**0.94**	**0.87**	

(4) Includes provisional price adjustments on current period sales.
(5) Prior period sales that were settled or provisionally priced in the current period at prices less than prior period end commodity prices.
(6) TC/RC (Tolling Charge/Refining Charges)

As at December 31, 2013, unsettled provisionally priced sales of $12.6 million were outstanding and adjusted to December 2013 commodity prices as at the end of the period. Final pricing will be known upon settlement. A 10% change in the price of silver will result in a corresponding increase or decrease of $1.1 million of revenues upon settlement, which will be recognized by revenue adjustments in future quarters.

During the third quarter of 2012, production was suspended during the Blockade resulting in suspension-related costs that would not be comparable to productive periods. During Q4 2013 relative to Q3 2013, cost of sales increased from $5.4 million to $7.2 million. This increase was due to increased mined and milled tonnage, as well as increased electricity usage related to water management in Manto 6A. Overall, 2013 cash production cost was $20.7 million and depreciation was $3.9 million for a total cost of $24.6 million for the year.

Exploration cost was minimal in the last two quarter of 2013 at $0.3 million and $0.2 million for Q3 and Q4, respectively, as both Mexico and Canada drilling programs were limited in consideration of low commodity prices in 2013. The La Platosa drilling program was put on hold in early May and drilling in Canada was completed in Q1. As a result, exploration cost decreased from $9.9 million in 2012 to $6.7 million in 2013.

General and administrative expenses represent administrative costs incurred in Canada. In Q2 2013, corporate cost saving measures were initiated which included reduced executive and board compensation and other administration costs. As a result, corporate administration expenses were reduced by $0.8 million in office costs and $1.4 million in office salaries reducing cash expenses by $2.2 million from $6.1 million in 2012 to $3.9 million for 2013.

Other expenses include an unrealized loss on marketable securities of $1.5 million compared to a loss of $0.8 million in 2012. These marketable securities are 344,000 units of the Sprott Physical Silver Trust, representing an underlying investment in 134,732 ounces of silver. The decrease in silver metal price at the end of the period relative to the beginning of the period impacted the fair value of these securities, which resulted in an unrealized loss. Other expenses also include unrealized foreign exchange gains and losses of the Company. At the end of the year, the strengthening of the USD relative to the Mexican peso and Canadian dollar resulted in unrealized foreign exchange gains on an intercompany loan that is foreign to the functional currency of the reporting entity. The net impact was an unrealized gain of $0.3 million for 2013 compared to an unrealized gain of $0.8 million in 2012.

On December 11, 2013, the Mexican government enacted a tax reform on mining companies which included a 7.5% mining royalty payable on net profits derived from sales of minerals, 0.5% royalty on net sales from gold and silver, and maintaining the current corporate tax rate of 30% (previously scheduled as 29% in 2014 and 28% in 2015), effective January 1, 2014. The introduction of the royalty results in temporary differences as property plant and equipment will have book basis but no tax basis for the purpose of the royalty. As a result of this royalty, the Company recognized $0.8 million in deferred tax expense as at December 31, 2013, which affected both 2013 and Q4 income.

SUMMARY OF QUARTER RESULTS

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

Quarter ended		**Q4 2013**		**Q3 2013**		**Q2 2013**		**Q1 2013**
Revenue	$	7,445	$	11,645	$	4,187	$	10,055
Income (loss) before income taxes	$	(950)	$	4,290	$	(6,520)	$	(437)
Net income (loss)	$	(2,407)	$	3,002	$	(5,035)	$	(601)
Earnings (loss) per share – basic	$	(0.04)	$	0.05	$	(0.09)	$	(0.01)
– diluted	$	(0.04)	$	0.05	$	(0.09)	$	(0.01)

Quarter ended		***Q4 2012**		***Q3 2012**		**Q2 2012**		**Q1 2012**
Revenue	$	9,113	$	60	$	13,994	$	13,106
Income (loss) before income taxes	$	(1,821)	$	(5,523)	$	1,283	$	6,585
Net income (loss)	$	6,660	$	(4,350)	$	478	$	5,620
Earnings (loss) per share – basic	$	0.12	$	(0.08)	$	0.01	$	0.10
– diluted	$	0.12	$	(0.08)	$	0.01	$	0.10

*Production was suspended during Q3 2012 and one month of Q4 2012 due to the Blockade.

Quarterly revenue fluctuations are a function of metal prices and the volume of ore mined as well as ore grades. The Company expenses exploration costs, which creates volatility in earnings from period to period based on planned exploration expenditures.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2013, the Company's cash and cash equivalents were $2.6 million (December 31, 2012 - $1.4 million), and working capital was $10.3 million (December 31, 2012 - $15.3 million). As at December 31, 2013, the Company's trade receivables were $1.8 million (December 31, 2012 - $5.5 million).

The Company has invested $5.0 million in 344,000 units of marketable securities of the Sprott Physical Silver Trust reflecting an underlying investment of 134,732 ounces of silver. As at December 31, 2013, the value of these securities was $2.6 million (December 31, 2012 - $4.1 million).

Net cash provided by operations was $2.0 million in 2013 (2012 - $3.6 million), a result of the impact of lower silver prices during the year. During the first six months of 2013, silver prices were volatile, declining from as high as $32.00/oz in January to as low as $19.00/oz in June and December. As a result, the Company made net cash repayments of $4.5 million to Trafigura on previous provisionally priced sales. At stable silver prices of $20-$22/oz, similarly significant repayment obligations upon final settlement should not arise and the Company projects that cash balances will continue to grow. In 2014, the company entered into a new sales agreement with Trafigura with the most notable changes being in the settlement terms of one or two months after delivery (M+1 or M+2) compared to the previous contract terms of one or four months after delivery (M+1 or M+4). The new contract will reduce the Company's exposure to declining prices and provide more certainty in respect of cash inflows.

The Company also secured a $5.0 million line of credit facility (the "Facility") with Trafigura to provide additional working capital flexibility over the next two years. Pursuant to the Facility, Excellon may draw down up to $5.0 million in the minimum amount of $500,000 until no later than December 31, 2014. Any amounts drawn down under the facility bear interest at a rate of one month US LIBOR plus 5% and shall be repaid in twelve equal monthly installments from deliveries made during 2015. The Facility has other terms and conditions customary to a facility of this type. As of March 26, 2014, Excellon had not drawn down any amounts under the Facility nor had provided any notice to Trafigura of its intention to do so.

The Company invested $0.6 million in capital expenditures for mine development in Q4 and $4.2 million in 2013. The Company continuously reviews its capital expenditure program to ensure its capital resources are utilized in a responsible and sustainable manner to conserve cash during periods of low commodity prices.

The primary source of funds available to the Company is cash flow generated by the Platosa Mine.

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 year, the Company incurred legal services of $171,000 (2012 – $182,000) with an outstanding payable balance of $19,000 at December 31, 2013 (December 31, 2012 – $18,000).

COMMON SHARE DATA (as at March 26, 2014)

Common shares outstanding	54,984,197
Stock options granted	3,142,000
Total	58,126,197

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 outstanding options were consolidated on the same basis. The numbers of shares and options presented in this MD&A have been adjusted to include the effect of this share consolidation.

OUTLOOK

The Company is targeting 2014 production of 1.4 to 1.6 million ounces of silver, 7.5 to 8.5 million pounds of lead and 9.0 to 10 million pounds of zinc or 2.1 to 2.3 million silver equivalent ounces (based on $24/oz silver, $0.90/lb lead and $0.90/lb zinc).

The Company expects cash costs to decrease in 2014 as normal production continues and new production faces are opened, while cost reduction and efficiency initiatives continue to be identified. The Company has already implemented a number of changes given the significant reduction in commodity prices experienced in the last year and will continue to monitor and enhance productivity in the most efficient and safest manner. Capital expenditures and mine planning continue to be reviewed to ensure capital resources are utilized responsibly under the current market conditions. Exploration drilling in Mexico will remain suspended for the time being, however, a revised exploration program is being developed and should be ready to resume commodity prices and/or the Company's financial position warrant. The Company will maintain its focus on increasing production to maximize operating cash flow and rebuild its cash reserves.

RISK AND UNCERTAINITIES

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. The current or future operations of Excellon including ongoing commercial production are or will be governed by and subject to federal, state and municipal laws and regulations regarding mineral taxation, mineral royalties and other governmental charges. Any change to the mineral taxation and royalty regimes in the jurisdictions in which Excellon operates or plans to operate could have an adverse financial impact on the Company's current and planned operations and the overall financial results of the Company, the extent of which cannot be predicted. Further factors affecting the Company are described in the Annual Information Form on SEDAR (www.sedar.com).

During Q3 2012, the Company sued the Ejido La Sierrita (the "Ejido) to terminate a surface rights agreement ("SRA") in respect of the surface rights to 1,100 hectares of exploration ground west and northwest of the La Platosa Mine and for various damages relating to an illegal blockade of the mine during Q3 and part of Q4 2012. The Ejido also sued for termination of the SRA, one week after being advised of Excellon's suit.

During and subsequent to the end of the period, the Agrarian Court held a series of hearings of the suit between the Company and the Ejido. During these hearings, the Company demonstrated its willingness to negotiate a purchase or lease from the Ejido of 10 of the 1,100 hectares on which certain non-essential and movable infrastructure is located. This offer was made to avoid the time, cost and inconvenience of moving this infrastructure. To date, the Ejido has refused to negotiate in respect of these hectares and the Company will take such other legal measures as necessary to further its claims against the Ejido for damages.

The Company determination to sue for rescission of the SRA was driven by a need to limit the risk exposure of the SRA on La Platosa production capabilities. This decision was subsequently validated and solidified by current capital markets conditions and has become an element of Excellon's business strategy. Excellon also intends to continue its suit against the Ejido for damages relating to the illegal blockade of the mine.

Excellon holds approximately 41,000 hectares of mineral and mining rights at La Platosa. These rights entitle the Company to explore for and mine minerals at La Platosa and in an extensive surrounding area. Excellon also owns all surface rights needed to produce silver from the La Platosa Mine and conduct further surface and underground exploration for further high-grade manto mineralization and the CRD/Source of the La Platosa mantos.

The Company's operations in Mexico are subject to Mexican federal and State laws and regulations. In 2013, the Mexican Congress approved a tax reform package, which came into effect on January 1, 2014. The tax reform includes, among other things, repealing the previous planned reduction of corporate tax rates to 29% in 2014 and 28% in 2015, a broadened tax base, the elimination of the single rate business tax, the introduction of a 7.5% mining royalty on profits derived from the sale of minerals and the introduction of an extraordinary mining royalty of 0.5% on the gross income derived from the sale of precious metals. In addition, a new 10% withholding tax on dividend distributions to non-residents (subject to income tax treaty provisions) will be imposed at the distributing company level. The tax reform applies on a prospective basis and therefore could have a material impact on the Company's future earnings and cash flows, and possibly on future capital investment decisions.

During the year, the Mexican tax authority (Servicio de Administración Tributaria – "SAT") in the state of Zacatecas completed an income tax audit of the 2008 and 2009 years in respect of one of the Company's Mexican subsidiaries. As a result of this audit, on February 24, 2014 the Company received a notice of reassessment from SAT with respect to 2009 denying deductions in the amount of 115.2 million pesos (USD$8.8 million) that relate primarily to foreign exchange losses. In addition, SAT has notified the Company that it will be issuing a notice of reassessment for the 2008 year, denying deductions in the amount of 72.9 million pesos (USD$5.6 million) relating primarily to foreign exchange losses. The combined impact of the 2009 reassessment and the pending 2008 reassessment is a reduction in the available non-capital loss balance totaling 188.1 million pesos (USD$14.4 million), which, consequently, would result in a reduction in the deferred tax asset balance of USD$4.3 million and a corresponding increase in deferred income tax expense. In addition, the Company would be subject to penalty and interest, an amount that has not been included in this estimate.

The Company is of the view from its tax advisors that there is a strong case to support the Company's position, particularly because the SAT has made adjustments to foreign exchange losses but has not made offsetting adjustments to foreign exchange gains. Accordingly, the Company has appealed the 2009 reassessment and will be appealing the pending 2008 reassessment through the SAT's appeals procedures, a process that could take up to 24 months before a final decision is made.

The Company believes, based on the tax advice from its tax advisors, that it is more likely than not that its position will be sustained and no amounts related to this issue have been recorded in the consolidated financial statements as at December 31, 2013.

ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 10, "Consolidated Financial Statements" was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any changes in the consolidation status of any of its subsidiaries and investees.

IFRS 11, "Joint Arrangements" supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. The Company has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities. The Company assessed its interests in other entities on January 1, 2013 and determined that the adoption of IFRS 12 did not result in any changes in the accounting for its interests in other entities.

IFRS 13, "Fair Value Measurement" is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. 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.

IAS 1, "Presentation of financial statements" has been amended to require entities to separate items presented in other comprehensive income (loss) into two groups, based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income (loss) items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has adopted the amendments to IAS 1 effective January 1, 2013 and has reclassified comprehensive loss items of the comparative period. These changes did not result in any adjustments to other comprehensive income (loss) or comprehensive loss.

IAS 19, "Employee benefits" has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income (loss) as they arise, without subsequent recycling to net loss. This is consistent with the Company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures. The adoption of IAS 19 did not require any changes to the recognition of actuarial gains and losses or past service costs used by the Company and did not result in any retrospective adjustments to prior period comparative information.

IAS 28, "Investments in associates and joint ventures" ("IAS 28") was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The Company assessed its investments in associates and joint ventures on January 1, 2013 and determined that the amendments to IAS 28 did not result in any changes in the accounting for its investments in associates and joint ventures.

IAS 36, "Impairment of assets" ("IAS 36") has been amended to require entities to disclose the recoverable amount of an asset or cash generating unit when an impairment loss has been recognized or reversed, and to provide detailed disclosure on how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed. These changes did not result in any changes in the accounting for impairment of assets.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9, "Financial instruments" ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39, "Financial instruments: recognition and measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income (loss) rather than the statement of loss. IFRS 9 amends some of the requirements of IFRS 7, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income (loss), and guidance on financial liabilities and derecognition of financial instruments. In December 2011, amendments to IFRS 7 were issued to require additional disclosures on transition from IAS 39 to IFRS 9.

In November 2013, IFRS 9 was amended to include guidance on hedge accounting and to allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (loss) (without having to adopt the remainder of IFRS 9). In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement.

IAS 32, "Financial instruments: presentation" ("IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IFRIC 21, "Levies" ("IFRIC 21") was issued in May 2013 which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management has designed and implemented internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has designed disclosure controls and procedures ("DC&P") to provide a reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. There were no changes in ICFR during the last quarter of December 31, 2013.

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 contains "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company, such forward-looking statements include, without limitation, statements regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of proposed work programs, the discovery and delineation of mineral deposits/resources/reserves, geological interpretations, the potential of the Company's properties, proposed production rates, potential mineral recovery processes and rates, business plans and future operating revenues. Forward-looking statements are made based on management's beliefs, *estimates, assumptions and opinions on the date the statements are made. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct and the Company undertakes no obligation to update forward-looking statements. Forward-looking statements are typically identified by words such as: believes, expects, anticipates, intends, estimates, targets, plans, postulates, and similar expressions, or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward-looking statements as a result of various risk factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, significant downward variations in the market price of any minerals produced (particularly silver), the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies. A description of the risk factors applicable to the Company can be found in the Company's most recent Annual Information Form under "Description of the Business – Risk Factors." All of the Company's public disclosure filings may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties, and particularly the latest NI 43-101-compliant technical report, dated March 25, 2014, prepared by Roscoe Postle Associates Inc. with respect to the Platosa Property. This document is not, and is not to be construed in any way as, an offer to buy or sell securities in the United States.*

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The terms "Measured," "Indicated" and "Inferred" Mineral Resources used or referenced in this MD&A are defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves. The CIM standards differ significantly from standards in the United States. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category or that Mineral Resources will ever be upgraded to Mineral Reserves. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies other than a Preliminary Economic Assessment ("PEA"). United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable, or that a Measured or Indicated Mineral Resource is economically or legally mineable.

Cautionary Note to United States Investors regarding Adjacent or Similar Properties

This MD&A may also contain information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises United States investors that the United States Securities and Exchange Commission's mining guidelines strictly prohibit information of this type in documents filed with the SEC. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties are not indicative of mineral deposits on the Company's properties.