EXCELLON

Management's Discussion & Analysis of Financial Results

For the three and nine month periods ended September 30, 2017

November 1, 2017

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three and nine month periods ended September 30, 2017 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at November 1, 2017 and provides information on the operations of the Company for the three and nine month periods ended September 30, 2017 and 2016 and subsequent to the period end, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2017 and the audited consolidated financial statements for the year ended December 31, 2016 and the related notes for the year then ended filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures in this MD&A are in United States dollars unless otherwise noted.

This MD&A also makes reference to Production Cost per Tonne, Cash Cost per Silver Ounce Payable, All-in Sustaining Cost ("AISC") per Silver Ounce Payable, Adjusted AISC and Adjusted Net Income (Loss), all of which are Non-IFRS Measures. Please refer to the sections of this MD&A entitled "Production Cost per Tonne", "Total Cash Cost per Silver Ounce Payable" and "All-in Sustaining Cost per Silver Ounce Payable" for an explanation of these measures and reconciliation to the Company's reported financial results.

COMPANY PROFILE

Excellon is a primary silver mining and exploration company listed on the Toronto Stock Exchange trading under the symbol EXN. The Company is focused on optimizing the Platosa Mine's cost and production profile, discovering further high-grade silver and carbonate replacement deposit ("CRD") mineralization on its 20,947-hectare Platosa Property located in northeastern Durango, Mexico and epithermal silver mineralization on its 14,000 hectare Miguel Auza Property on the northern Fresnillo silver trend in Zacatecas and capitalizing on the opportunity in current market conditions to acquire undervalued projects in Latin America.

Ore from Platosa is processed at the Company's mill in Miguel Auza. The Company produces a silver-lead concentrate and a silver-zinc concentrate. The 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, and MK Metal Trading Mexico, S.A. de C.V., a subsidiary within the Ocean Partners group of companies.

COMMON SHARE DATA (as at November 1, 2017)

Common shares issued and outstanding	77,297,919(1)
Stock options	1,393,332
DSUs	2,275,520
RSUs	1,930,354
Warrants ($0.50)	1,851,046
Warrants ($0.65)	3,333,333
Warrants ($1.75)	6,568,695
Convertible Debentures ($0.50)	9,695,000
Fully diluted common shares	104,345,199

(1) On October 20, 2017 the Company announced a bought deal public offering of 6,625,000 units ("Units") at a price of CAD$2.00 per Unit for gross proceeds of CAD$13.25 million (the "Offering"). Each Unit comprises one Common Share and one half-warrant with each whole warrant entitling the holder to acquire a Common Share at a price of CAD$2.80 at any time on or prior to December 31, 2018. The Offering is scheduled to close on or before November 9, 2017 and is subject to certain conditions including, but not limited to, receipt of all regulatory approvals, including the approval of the Toronto Stock Exchange and the applicable securities regulatory authorities. The Company has also granted the Underwriters an over-allotment option to increase the size of the Offering by up to an additional 15%, such option being exercisable in whole

or in part at any time prior to the date that is 30 days after the closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes.

THIRD QUARTER HIGHLIGHTS

(in 000's except amounts per share, cost per tonne, ounces and per ounce)	Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
Revenues (1)	$ 7,102	$ 4,009	$ 14,085	$ 13,640
Earnings/(loss) from mining operations	$ 1,516	$ (93)	$ (651)	$ 1,614
Net loss	$ (5,907)	$ (7,012)	$ (7,244)	$ (14,016)
Adjusted net loss (2)(3)	$ (350)	$ (1,035)	$ (4,502)	$ (919)
Loss per share – basic	$ (0.08)	$ (0.10)	$ (0.10)	$ (0.20)
Adjusted profit (loss) per share - basic	$ (0.00)	$ (0.01)	$ (0.06)	$ (0.01)
Silver ounces produced	226,173	153,783	495,111	593,165
Silver ounces payable	205,414	138,472	460,969	541,408
Silver equivalent ounces produced	500,763	255,760	995,643	987,880
Silver equivalent ounces payable (4)	443,921	228,172	909,576	891,922
Production cost per tonne (5)	$ 208	$ 298	$ 266	$ 250
Total cash cost per silver ounce payable	$ 2.46	$ 17.95	$ 12.22	$ 12.24
AISC per silver ounce payable	$ 11.62	$ 40.85	$ 32.24	$ 24.11
Adjusted AISC per silver ounce payable (6)	$ 11.62	$ 33.92	$ 24.59	$ 20.52
Average realized silver price per ounce sold (7)	$ 17.06	$ 19.52	$ 16.96	$ 17.76

(1) Revenues are net of treatment and refining charges. A reconciliation of revenues can be found in the section "Summary of Financial Quarterly Results" of this MD&A.
(2) Adjusted net loss reflect results before fair value adjustments on embedded derivatives and warrants related to the convertible debentures issued in November 2015 (the "Debentures", as further discussed). Refer to "Summary of Financial Results" for a summary of adjustments in respect of the Debentures.
(3) Adjusted net loss for 9-Mos 2016 reflects results before a $0.2 million reversal of impairment on DeSantis exploration property sold in the period.
(4) Silver equivalent ("AgEq") ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
(5) Production cost per tonne includes mining and milling costs, excluding depletion and amortization.
(6) Adjusted AISC per payable silver ounce excludes the relatively one-time sustaining capital expenditures associated with the Optimization Plan completed in early July 2017, described below (associated cash expenditures were nil$ in Q3 2017; $3.5 million during 9-Mos 2017; $1.0 million in Q3 2016; and $1.9 million during 9-Mos 2016).
(7) Average realized silver price is calculated on current period sale deliveries and does not include prior period provisional adjustments in the period.

Additional highlights from Q3 2017 include:

- Upsized CAD$13.25 million bought deal financing to accelerate exploration at the Platosa Property and Miguel Auza Project announced on October 20, 2017; and
- Appointment of Jacques McMullen, P.Eng. to the Board of Directors, with the retirement of Ned Goodman, and appointment of Nisha Hasan to Vice President Investor Relations.

Outlook

During the fourth quarter, the Company expects to produce from the Rodilla, Guadalupe South, 623 and Pierna mantos, and development has now reached each of these mantos, with production progressing and further development into lower levels of each manto ongoing. Development has reached the high grade 623 Manto directly from the Guadalupe South Manto along a recently identified connector zone of mineralization between the two mantos (refer to press release dated September 6, 2017 for a description of this new mineralized zone and defining drill holes).

The Company's goal is to steadily increase production over the remainder of 2017 to 300 tonnes per day ("tpd") by year-end, ultimately setting up the operation to further materially reduce costs and increase production. The Company also began driving further reductions in key cost centres, most importantly electricity usage, where incremental savings can result in material additional cash flow. Capital expenditures for the Q4 2017 are estimated to be $0.3 million (excluding capitalization of mine development workings).

The Company expects to close the Offering on or before November 9, 2017. The Company intends to use the net proceeds of the Offering to fund exploration at the Company's Platosa Project in Durango, Mexico and Miguel Auza Project in Zacatecas, Mexico, as further described under "Exploration," below, and for general corporate purposes.

MINE OPERATION

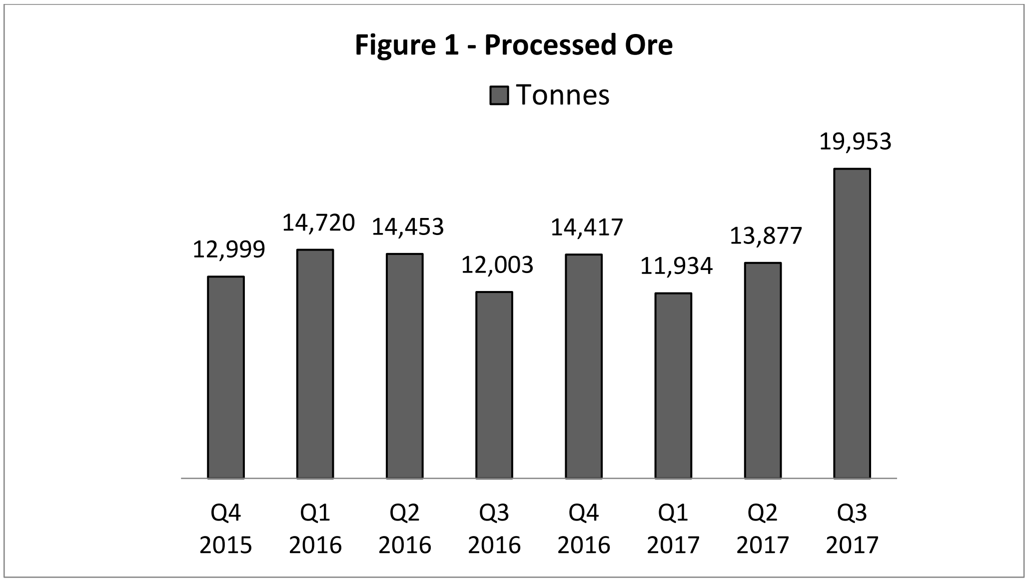
Production

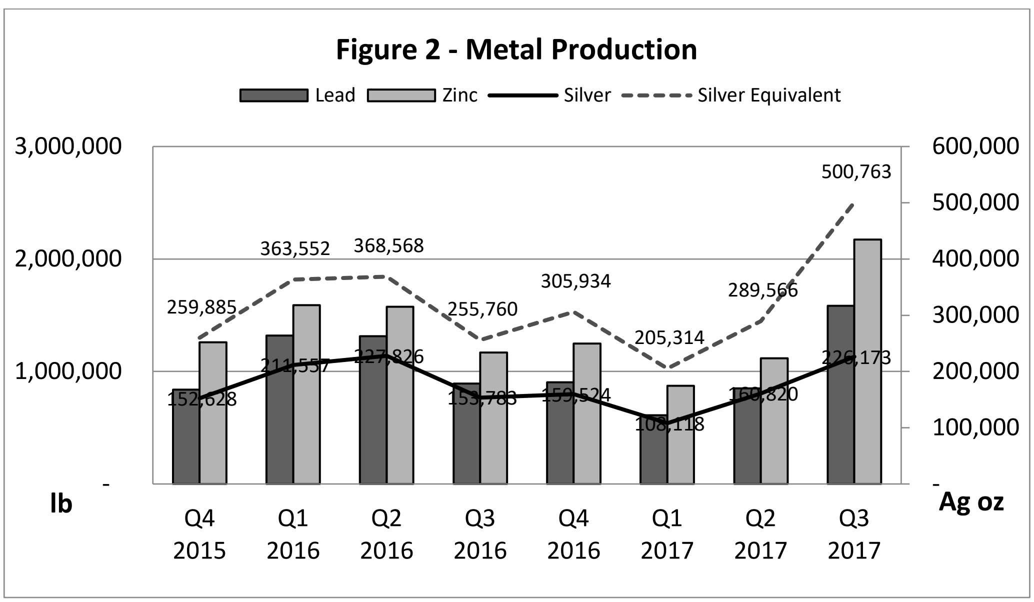
Platosa Mine production statistics for the periods indicated were as follows:

		Q3 2017(1)	Q3 2016(1)	9-Mos 2017(1)	9-Mos 2016(1)
Tonnes of ore produced		18,147	11,207	41,051	37,914
Tonnes of ore processed		19,953	12,003	45,764	41,176
Ore grades:					
	Silver (g/t)	409	427	381	485
	Lead (%)	4.39	4.14	3.72	4.71
	Zinc (%)	6.10	5.49	5.10	6.01
Recoveries:					
	Silver (%)	87.6	90.4	88.9	90.7
	Lead (%)	81.8	82.1	81.2	82.4
	Zinc (%)	81.1	81.3	81.2	79.7
Production:					
	Silver – (oz)	226,173	153,783	495,111	593,165
	Silver equivalent (oz) (2)	500,763	255,760	995,643	987,880
	Lead – (lb)	1,582,794	891,424	3,042,938	3,523,537
	Zinc – (lb)	2,172,685	1,169,029	4,162,027	4,333,038
Payable: (3)					
	Silver – (oz)	205,414	138,472	460,969	541,408
	Silver equivalent (oz) (2)	443,921	228,172	909,576	891,922
	Lead – (lb)	1,498,421	839,967	2,963,589	3,351,979
	Zinc – (lb)	1,788,834	980,621	3,549,519	3,646,971
Realized prices: (4)					
	Silver – ($US/oz)	17.06	19.52	16.96	17.76
	Lead – ($US/lb)	1.09	0.88	1.05	0.82
	Zinc – ($US/lb)	1.37	1.03	1.31	0.92

(1) Period deliveries remain subject to assay and price adjustments on final settlement with concentrate purchaser(s). Data has been adjusted to reflect final assay and price adjustments for prior period deliveries settled during the period.
(2) Silver equivalent ("AgEq") ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
(3) Payable metal is based on the metals shipped and sold during the period and may differ from production due to these reasons.
(4) Average realized price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

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





Analysis of the components of mine operating results is as follows:

		Q3		9-Mos	
		2017	2016	2017	2016
Tonnes Milled		19,953	12,003	45,764	41,176

Tonnage milled increased by 66% or 7,950 tonnes during Q3 2017 relative to Q3 2016 as the Company’s Optimization Plan (as defined below) allowed for dry conditions during the quarter. Production rates averaged 200 tpd, an improvement from 125 tpd in Q2 2017. During July and August, production was primarily from multiple faces on the 730 heading in the Rodilla Manto and the 795 heading in the Guadalupe South Manto. In late September, the Company accessed the Pierna Manto and the upper part of the 623 Manto. Overall, tonnage milled improved by 11% to 45,764 tonnes for the 9-Mos 2017 compared to 41,176 tonnes for 9-Mos-2016.

		Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
Grade	Ag (g/t)	409	427	381	485
	Pb (%)	4.39	4.14	3.72	4.71
	Zn (%)	6.10	5.49	5.10	6.01

Lower silver grades were realized during Q3 2017 and 9-Mos 2017 as the Company continued to process low-grade historical stockpiles and sump material, with minimal associated mining cost. This mineralized material is blended with mined ore to improve recoveries (in the case of high-grade lead and/or zinc ore) and payability, as well as being cash flow generative. The following table sets out the mix of ore and low grade stockpiles processed year-to-date, demonstrating the increase in AgEq grades as the year progressed:

	Q1 2017		Q2 2017		Q3 2017	
Feed Tonnes	**Tonnes**	**AgEq (g/t)***	**Tonnes**	**AgEq (g/t)***	**Tonnes**	**AgEq (g/t)***
Ore	11,036	660	11,051	868	17,135	1,015
Low grade stockpiles	897	286	2,826	300	2,819	339
Total:	11,934	632	13,877	752	19,953	920

** AgEq ounces established using average metal prices during the period indicated applied to the recovered metal content of concentrates.*

		Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
Recoveries	Ag (%)	87.6	90.4	88.9	90.7
	Pb (%)	81.8	82.1	81.2	82.4
	Zn (%)	81.1	81.3	81.2	79.7

Recoveries for the periods were generally in line with expectations and historical results. The Company expects silver recoveries to improve to the historical norm of ~90% in coming quarters, though fluctuations in recoveries are also in the normal course.

		Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
Metal Produced	Ag (oz)	226,173	153,783	495,111	593,165
	Pb (lb)	1,582,794	891,424	3,042,938	3,523,537
	Zn (lb)	2,172,685	1,169,029	4,162,027	4,333,038
	AgEq (oz)	500,763	255,760	995,643	987,880

As discussed above, access to four mantos areas in Q3 2017 increased tonnage and metal production, resulting in production of 500,763 silver equivalent ounces for the quarter, a 96% improvement from Q3 2016, exceeding total production for H1 2017. AgEq production for 9-Mos 2017 was slightly greater than 9-Mos 2016.

The Company completed the Optimization Plan in early Q3 2017 to comprehensively manage water at Platosa through an enhanced pumping system as further discussed under "Mine Optimization". Mining conditions began to improve materially in mid-May and particularly by late June as dry mining conditions were achieved allowing increased access to high-grade ore.

Development rates increased significantly during the quarter with 269 metres of ore development (an 84% increase over Q2 2017 – 146 metres) and 292 metres of waste development (a 39% increase over Q2 2017 – 210 metres). Development rates are expected to continue to increase going forward.

Production during July was particularly strong in Q3 2017, with a weaker August as increased development was necessary and set up a strong September. A primary ongoing goal of the operation is to ensure development is advanced expeditiously to enable consistent month-to-month production, which should improve quarterly production and financial results going forward.

The Company is currently producing from multiple headings on the Rodilla Manto, Pierna Manto and the connection between the Guadalupe South and 623 mantos. Development is currently driving towards the next levels of the Rodilla, Pierna, Guadalupe South and 623 mantos, all of which are expected to yield production during Q4 2017.

Mine Optimization

The Platosa deposit comprises several high-grade massive sulphide mantos hosted in permeable limestone, and has been mined by Excellon since 2005. In 2007, as mine workings extended below the local water table, the Company began an intensive program of reactive grouting and pumping to control and prevent water inflows. This program has been effective in managing inflows, but has been time-, labour- and cost-intensive, which has historically limited production to significantly less than 200 tpd.

In late 2014, the Company engaged Hydro-Ressources Inc. and Technosub Inc. of Quebec, Canada to investigate alternative water management solutions through which mine operations could achieve consistent, increased production rates and lower costs. In April 2015, the Company released the results of a hydrogeological study prepared by Hydro-Ressources and Technosub (the "Optimization Plan"), which confirmed that dry mining conditions are achievable at Platosa and which proposed to replace the grouting and pumping process with a more efficient and permanent dewatering system. The Optimization Plan was further revised in November 2015, with the primary revision being a decrease in the initial capital required to implement the program.

Description of the Optimization Plan

The Optimization Plan, as revised, maintains and deepens a localized "cone of depression" of the water table below the mine workings. Historical data and field observations have already identified that pumping began creating localized drawdown as pumping operations exceeded ~9,000 gpm at Platosa in 2009. The drawdown trend subsequently increased with increased rates of pumping.

The water table is relatively flat throughout the mine site regional area, indicating the presence of highly permeable local rock formations, particularly near the orebody. Water levels in nearby monitoring and private wells are over 60-70 metres higher than at the mine. Therefore, drawdown trends indicate that lateral influx into the mine area is limited by lower permeability (i.e., fewer water-bearing faults) in the surrounding area and indicative of the restricted recharge rate of water into the mine area. The aim of the Optimization Plan is to increase the drawdown rate to 3.8 metres per month allowing access to, and production from, dry mineralization more rapidly.

Previously, pumping operations were primarily conducted directly from the mining face. This water contained solids, resulting in increased pumping costs and wear-and-tear on pumping and piping equipment, decreased pump efficiency and regular movement of pumps as mining faces advance. Under the Optimization Plan pumping is conducted directly from strategically drilled large-diameter drain wells targeting high flow zones below the mine workings, thus allowing high-efficiency pumps to pump clean water directly from faults below the mine. Each well is equipped with a high-efficiency submersible pump to increase flow and maintain consistent pumping in advance of development. Booster pumps are being used to efficiently transfer water out of the mine via existing mine infrastructure.

With complete implementation of the Optimization Plan in early July 2017, approximately 90% of current pumping is now from the optimized system, with 10% from the pre-existing pumping infrastructure. The Company maintains development headings at or just below the water table to ensure development rates are advanced as rapidly as possible (i.e. the drawdown rate determines the lateral development advance rates), with pre-existing mobile pumping equipment installed in those headings to deal with any water ingress.

Continued Optimization of Platosa Operations

The goal of the Optimization Plan is to increase production rates and lower costs. The advantages of dry mining include:

- increased development rates;
- increased production volume;
- elimination of grouting activities for water management;
- increased machine hour availability and reduced maintenance costs; and
- reduced pumping costs in the longer term.

With achievement of dry mining conditions by mid-June, the operation began to realize significant improvements in all areas, including:

- Daily production tonnage increased by 47% relative to 2016 and 54% relative to the first half of 2017;
- Development rates improved by 21% relative to 2016 and 90% relative to the first half of 2017;
- Mobile equipment availability improved by 62% compared to 2016;
- Grouting was eliminated; and
- Installed pumps decreased from 54 to 35, while pumping rates doubled, utilizing 36% less energy per gallon of water pumped.

Going forward, the Company expects to increase production and development rates and reduce installed pumps to 20-25 from approximately 60, each of which will yield further operational and financial returns.

Platosa has no significant capacity constraints on increasing production beyond current rates, with spare mill, ore flow, personnel and equipment capacity of 50% or more.

The Optimization Plan will also allow mining of any new mineral resources discovered and delineated relatively near the current deposit. Additional wells may be installed in the future to influence the cone of depression towards mineralization delineated further from the current deposit.

Refer to the Company's Annual Information Form dated March 22, 2017 (the "AIF") for further discussion of the Optimization Plan, including project economics.

Mineral Resources

For a summary of the key economic metrics disclosed in the report titled Technical Report on the Preliminary Economic Assessment of the Platosa Mine, Durango State, Mexico (the "PEA") prepared for the Company by Roscoe Postle Inc. and dated July 9, 2015, in respect of the Optimization Plan, refer to the AIF. Both the PEA and AIF have been filed under the Company's profile on SEDAR (www.sedar.com).

In July 2015, the Company filed the NI 43-101 compliant PEA technical report, which included an updated mineral resource estimate as at December 31, 2014 for the Platosa Mine. There was no diamond drilling conducted on the property during 2015 or in the first half of 2016. Mine production in 2015 was 54,485 tonnes, less than 10% of which was from within the December 31, 2014 resource block model. Mine production during 2016 was 8,890 tonnes from within and 43,344 tonnes outside of the resource block model. Based on the foregoing, the Company estimates resource depletion of less than 5% from the Mineral Resource of the Platosa Mine as of the December 31, 2014 estimate relative to December 31, 2016, which the Company does not consider material and for which that Mineral Resource estimate remains current. A summary of the December 31, 2014 estimate is shown in the table below.

Platosa Project – Mineral Resource Estimate (as at December 31, 2014)

Category	Tonnes (t)	Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)	Contained Ag (oz)	Contained Pb (lb)	Contained Zn (lb)	Contained AgEq (oz)
Measured	28,000	781	7.85	11.52	1,305	711,000	4,896,000	7,188,000	1,187,000
Indicated	400,000	758	8.31	9.77	1,248	9,747,000	73,214,000	86,098,000	16,046,000
M + I	**428,000**	**760**	**8.28**	**9.88**	**1,252**	**10,457,000**	**78,110,000**	**93,286,000**	**17,233,000**
Inferred	4,000	2,027	14.65	2.20	2,492	260,000	1,288,000	193,000	320,000

1. CIM definitions were followed for the classification of Mineral Resources.
2. Mineral Resources are estimated at an incremental net smelter return ("NSR") cut-off value of US$146 per tonne.
3. NSR metal price assumptions: Ag US$17.00/oz, Pb US$0.90/lb, Zn US$1.00/lb.
4. Metal recovery assumptions for NSR cut-off value purposes: 89% Ag, 76% Pb, 81% Zn.
5. The silver equivalent (AgEq) is estimated from metallurgical recoveries, metal price assumptions, and smelter terms, which include payable factors, treatment charges, penalties, and refining charges.
6. The 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, 2014.
8. Totals may not add or multiply accurately due to rounding.

Corporate Responsibility

During Q1 2017, the Company enhanced its Corporate Responsibility ("CR") commitment by appointing an industry leader as Vice President, Corporate Responsibility and recognizing that CR performance builds privilege to operate, enhances reputation and drives business value.

The Company is currently developing a CR management framework and system that formalize the relationship between the Company's Mission and Values statements and the various CR-related elements. The framework and system elements were reviewed and approved by the Company's executive team and provided to the Board of

Directors for review. It integrates all of the functional elements comprising CR – health, safety and security, environmental affairs, community relations and development, human rights and government relations and addresses all significant CR risks, impacts and opportunities. The Company is committed to improving its safety performance, using industry-accepted metrics such as total recordable injury frequency, lost time injury frequency and injury severity, relative to industry benchmarks. The development and implementation of the management system is designed to improve the culture, oversight and outcomes of CR performance over time.

A CR Policy has been developed and has been reviewed and approved by the Company's Corporate Responsibility and Technical Committee and Board. The management system consists of 51 standards designed to reflect all of the aspects of the Company's current business, with flexibility for enhancement as the business grows.

The development and implementation of the 51 standards has been prioritized to reflect current business risks, impacts and opportunities in conjunction with the Platosa and Miguel Auza operations. In addition to the elements discussed in the Q1 and Q2 2017 MD&A, the Company has introduced additional standards to address high consequence work tasks, a standard for leadership, culture and behaviour, and contractor management. We have also introduced a visible felt leadership program to support our efforts to improve workplace culture. Efforts continue at both the Platosa and Miguel Auza operations to incorporate these new requirements into their existing procedures and practices, with all applicable standards to be implemented over the next three years.

CR Performance at Platosa and Miguel Auza

Management continues to evaluate and monitor compliance with legal requirements and manage CR risk. The Company's operations continue to report on the key trailing CR key performance indicators and also reporting elements of the visible felt leadership process. Year-to-date total recordable injury frequency, lost time injury frequency and injury severity have decreased 61 percent, 41 percent and 54 percent, respectively, from the full-year 2016 results.

There were no significant environmental incidents during the third quarter.

New tailings management facility

As reported previously, the existing tailings management facility ("TMF #1") at Miguel Auza was scheduled to reach capacity during Q4 2017. Following the receipt of all required permits, the Company began the construction of a new TMF (TMF #2) during the second quarter. The Company completed construction and commissioning of Phase A of TMF #2 during the third quarter and proceeded with relocation of tailings discharge and water reclaim pipelines. Tailings deposition has now commenced in TMF #2 Phase A and the Company has started the decommissioning of TMF #1. It is expected that Phase B of TMF #2 will be completed during the fourth quarter. The new TMF will provide for approximately 19 years of capacity at a 300 tpd production rate in five stages.

Closure Plans and Cost Estimates

Operations at the Platosa Mine and Miguel Auza Mill are both required to prepare closure plans and cost estimates that describe the actions and performance requirements when these facilities are decommissioned. The plans and cost estimates are prepared by third-party consultants, and consider the removal and stabilization of facilities, revegetation and post-closure monitoring to ensure that performance requirements are met. The most recent closure plans and cost estimates were prepared in 2015 with estimated undiscounted cash costs of $0.9 million for Platosa and $0.5 million for Miguel Auza. These costs are incorporated into an Asset Retirement Obligation, which appears on the Company's balance sheet.

Clean Industry Certification for Miguel Auza

In July 2017, the Company's Miguel Auza operation was granted a Certification of Clean Industry by the *Procuraduría Federal de Protección al Ambiente* ("PROFEPA") for achieving Environmental Performance Level 1. The team at Miguel Auza is now assessing the actions that will be required to achieve Environmental Performance Level 2.

COMMODITY PRICES AND MARKET CONDITIONS

While relatively low silver prices continue to impact the Company's revenues and operating profits, lead and zinc accounted in the aggregate for approximately 50% of the Company's net revenues from metals sold in Q3 and 9-Mos 2017 compared to 41% for the year 2016.

Silver traded at five-month highs during Q3 2017, but faded towards the end of the quarter as the U.S. dollar strengthened. Global security concerns, including from North Korea, had less effect on the price than might perhaps be expected, and the extension of the U.S. debt ceiling further eased price momentum. The U.S. Mint also sold 20% fewer American Eagle coins in August relative to the previous year. Silver prices appear set to remain in the current range during Q4 2017.

Lead prices continued to be strong during Q3 2017 as Chinese environmental inspections continued to take supply off the market at both the mine and smelter levels, resulting in the highest refined lead imports since 2009. Exchange inventories fell materially during the period. The global lead deficit appears likely to widen further, a marked difference from the surplus position in the market in Q3 2016, and is likely to result in continued strong lead prices during Q4 2017.

Zinc prices remained strong through the period and significantly stronger than during Q3 2016. Despite major zinc miners attempting to increase production, Chinese production has weakened and additional smelter closures during the coming winter months are possible. The market deficit is relatively similar to 2016 and prices are expected to remain strong during Q4 2017.

Average Commodity Prices	Q3 2017	Q3 2016	Change	9-Mos 2017	9-Mos 2016	Change
Silver ($/oz) (1)	16.83	19.62	-14%	17.17	17.08	1%
Lead ($/lb) (2)	1.06	0.85	25%	1.03	0.81	27%
Zinc ($/lbs) (2)	1.34	1.02	31%	1.26	0.89	42%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver ($/oz)(1)	**2017**	**16.81**	**17.87**	**17.59**	**18.06**	**16.76**	**16.95**	**16.14**	**16.91**	**17.45**			
	2016	14.02	15.07	15.42	16.26	16.89	17.18	19.93	19.64	19.28	17.74	17.42	16.38
	2015	17.10	16.84	16.22	16.32	16.80	16.10	15.07	14.94	14.72	15.71	14.51	14.05
Lead ($/lb)(2)	**2017**	**1.01**	**1.05**	**1.03**	**1.01**	**0.97**	**0.97**	**1.03**	**1.07**	**1.08**			
	2016	0.75	0.80	0.82	0.78	0.78	0.78	0.83	0.85	0.88	0.93	0.99	1.01
	2015	0.84	0.82	0.81	0.96	0.90	0.83	0.80	0.77	0.76	0.78	0.73	0.77

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Zinc ($/lb)[2]	**2017**	**1.23**	**1.29**	**1.26**	**1.19**	**1.17**	**1.17**	**1.26**	**1.35**	**1.42**			
	2016	0.69	0.78	0.82	0.84	0.85	0.92	0.99	1.04	1.04	1.05	1.17	1.21
	2015	0.96	0.96	0.92	1.00	1.04	0.94	0.91	0.82	0.78	0.78	0.72	0.69

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

SUMMARY OF FINANCIAL QUARTERLY RESULTS

Financial statements highlights for the quarter ended September 30, 2017 and 2016 and last eight quarters are as follows:

	Q3 2017[1] $	Q2 2017[1] $	Q1 2017[1] $	Q4 2016[1] $	Q3 2016[1] $	Q2 2016[1][2] $	Q1 2016[1] $	Q4 2015[1][3] $
Revenues	7,102	3,570	3,413	3,354	4,009	5,370	4,261	2,477
Production costs	(4,160)	(3,997)	(4,025)	(3,620)	(3,577)	(3,441)	(3,269)	(3,318)
Depletion and amortization	(1,426)	(582)	(546)	(696)	(525)	(609)	(605)	(675)
Cost of Sales	(5,586)	(4,579)	(4,571)	(4,316)	(4,102)	(4,050)	(3,874)	(3,993)
Earnings (loss) from mining operations	1,516	(1,009)	(1,158)	(962)	(93)	1,320	387	(1,516)
Expenses:								
Corporate administration	(892)	(842)	(1,335)	(1,214)	(944)	(665)	(654)	(976)
Exploration	(382)	(618)	(564)	(809)	(228)	(171)	(137)	(123)
Other	(88)	630	1,713	(1,112)	440	68	(367)	424
Recovery (Impairment)	-	-	-	-	-	156	-	(662)
Royalty income	-	-	-	-	-	-	-	726
Net Finance Cost	(5,974)	1,629	1,263	2,367	(6,100)	(5,575)	(1,980)	(381)
Income tax (expense) recovery	(87)	(292)	(754)	1,674	(87)	489	125	831
Net loss for the period	(5,907)	(502)	(835)	(56)	(7,012)	(4,378)	(2,626)	(1,677)
Adjusted net income (loss)	(350)	(2,235)	(1,917)	(2,489)	(1,035)	852	(736)	(676)
Earnings (loss) per share – basic	(0.08)	(0.02)	(0.01)	(0.00)	(0.10)	(0.07)	(0.05)	(0.03)
– diluted	(0.08)	(0.02)	(0.01)	(0.00)	(0.09)	(0.07)	(0.05)	(0.03)
Cash flow from (used in) operations before changes in working capital	1,464	(1,297)	(1,437)	(3,147)	(887)	482	261	(1,492)

(1) Includes fair value adjustment to net income (loss) for embedded derivative liability and warrants related to the Debentures as follows:

Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
($5.6 million)	$1.7 million	$1.1 million	$2.4 million	($6.0 million)	($5.4 million)	($1.9 million)

(2) Net income includes $0.16 million reversal of impairment on DeSantis exploration property sold in the period.
(3) Net income includes recognition of impairment charges of $0.7 million on the DeSantis exploration property in Canada.

Quarterly revenue fluctuations are a function of metal prices and the ore tonnage mined/milled, as well as ore grades. The Company currently expenses all exploration costs, which may create volatility in earnings from period to period.

	Q3 ($000's, except where noted)		9-Mos ($000's, except where noted)	
	2017	**2016**	**2017**	**2016**
Revenue	**7,102**	**4,009**	**14,085**	**13,640**
Net Loss	**(5,907)**	**(7,012)**	**(7,244)**	**(14,016)**
Adjusted Net Loss	**(350)**	**(1,035)**	**(4,502)**	**(919)**

Q3: Net revenues increased by 77% during Q3 2017, primarily due to a 95% increase in AgEq ounces payable to 443,921 oz compared to 228,172 oz in Q3 2016. A lower realized silver price of $17.06 compared to $19.52 in Q3 2016 was offset by improved treatment and refining charges terms under the 2017 offtake sales agreements.

For further discussion, see "Provisionally Priced Sales", below.

The Company's adjusted net loss reflects income before recording a $5.6 million (Q3 2017 – $6.0 million loss) fair value adjustment loss on embedded derivatives and warrants related to the Debentures in accordance with IFRS, which is included in Net Financing Cost, discussed below. Adjusted net loss of $0.4 million improved during the third quarter from a $1.0 million net loss in Q3 2016, with differences between the periods including:

(i) 172% increase ($0.9 million) in depletion and amortization over Q3 2016 as monthly amortization of capitalized costs of the Optimization Plan commenced during the quarter. Depletion and amortization will continue to be higher going forward as these capitalized costs are amortized over the life of mine;

(ii) 16% increase in cash cost of sales, primarily due to increased tonnage and partially due to increased electricity usage and rate charges required for the increased pumping of the Optimization Plan (discussed further under Cost of Sales, below). This increase in nominal cost of sales was more than offset by a 66% increase in tonnage over Q3 2016;

(iii) marginally increased expensed exploration costs as drilling continued at Platosa.

9-Mos: Net revenues of $14.1 million for the 9-Mos 2017 improved slightly by 3% compared to $13.6 million for the 9-Mos 2016, primarily due to a 2% increase in AgEq ounces payable to 909,576 oz for the 9-Mos compared to 891,922 oz for the 9-Mos 2016, while the realized silver price was $16.96 for the 9-Mos 2017 compared to $17.76 for the 9-Mos 2016.

Adjusted net loss reflects income before recording a $2.7 million (Q3 2016 – $13.3 million loss) fair value adjustment gain on embedded derivatives and warrants related to the Debentures in accordance with IFRS, which is included in Net Financing Cost, discussed below. Adjusted net loss of $4.5 million during the 9-Mos 2017 period compared to $1.0 million net loss in 9-Mos 2016, with differences between the periods including:

(i) 47% increase in depletion and amortization, for the reasons noted above;

(ii) 18% increase primarily due to increased electricity usage and rate charges;

(iii) 36% increased general and administrative cost due to the engagement of three new Vice Presidents and marginally higher cash board compensation, and increased share-based compensation expenses comprising restricted share units subject to performance and time vesting conditions granted to officers and employees and deferred share units granted to directors;

(iv) 192% increased exploration costs as drilling continued at Platosa throughout 2017, but was negligible in H1 2016.

	Q3 ($000's, except where noted)		9-Mos ($000's, except where noted)	
	2017	**2016**	**2017**	**2016**
Cost of Sales	**(5,586)**	**(4,102)**	**(14,736)**	**(12,026)**

Q3: Cost of sales, including depletion and amortization, increased by 36% compared to Q3 2016, or 16% excluding depletion and amortization. As discussed above, the primary contributor to increased cost of sales was depletion and amortization relating to the amortization of capitalized costs associated with the Optimization Plan. On a cash basis, the primary contributor to increased cost of sales was increased tonnage, as discussed above. A secondary contributor to increased cost of sales was an increase in electricity cost from $0.06/kWh to $0.08/kWh. This increase resulted from (i) a Mexico-wide increase in fuel costs, which resulted in higher electricity costs and (ii) the appreciation in the Mexican peso, as electricity tariffs are denominated in pesos. Increased pumping rates associated with mine optimization also resulted in nominal increases in electrical expense, though pumping efficiency increased by 36%. Due to pumping requirements, electrical consumption will continue to be a key input on mining costs at Platosa. The Company is currently applying to become a "qualified user" under the recent energy reforms in Mexico, which will allow it to access the private market for electricity and achieve competitive costs per kWh.

9-Mos: Cost of sales, including depletion and amortization, increased by 23% compared to 9-Mos 2016, or 18% excluding depletion and amortization. Over the period, as discussed above, the primary contributor to increased costs of sale was increased depletion and amortization, as well as increased electricity usage and rate charges.

The Company expects production costs will continue to be reduced on a per unit basis as completion of the Optimization Plan in early Q3 2017 has increased operational run rates from 125 tpd in Q2 2017 to 200 tpd in Q3 2017.

General and Administrative Expense	**(892)**	**(944)**	**(3,069)**	**(2,263)**

Q3: General and administrative expenses decreased by 6% during Q3 2017 compared to Q3 2016, primarily due to less stock based compensation to officers, directors and consultants being granted during the period.

The cash component of general and administrative expenses of $0.7 million in Q3 2017 increased marginally compared to $0.6 million Q3 2016 primarily due to (i) the appointment of three new officers and two new directors in the second half of 2016 and early 2017, and (ii) increased cash board compensation.

9-Mos: General and administrative expenses increased by 36% during 9-Mos 2017 compared to $2.3 million during 9-Mos 2016, primarily resulting from the grant and vesting of stock based compensation to officers, directors and consultants in Q1 2017.

The cash component of general and administrative expenses of $2.1 million in 9-Mos 2017 increased compared to $1.6 million in 9-Mos 2016 primarily due to (i) the appointment of three new officers and two new directors in the second half of 2016 and early 2017, (ii) increased cash board compensation, and (iii) enhancements to the Company's IT network and communication.

Exploration	**(382)**	**(228)**	**(1,564)**	**(536)**

Exploration cost increased in Q3 and 9-Mos 2017 relative to the comparable period as the Company continued its surface and underground drilling program at Platosa, with a total of 732 metres drilled from underground in Q3 2017 (2,250 metres from surface and 4,582 metres from underground for a total of 6,832 metres drilled in 9-Mos 2017).

	Q3 ($000's, except where noted)		9-Mos ($000's, except where noted)	
	2017	**2016**	**2017**	**2016**
Other Income (Expenses)	**(88)**	**440**	**2,255**	**141**

Q3: Other income (expenses) include unrealized and realized foreign exchange gains and losses, realized and unrealized gains and losses on marketable securities and provisional adjustments.

Other expenses during Q3 2017 included $0.2 million of foreign exchange losses. During Q3 2016, other expenses comprised $0.1 million of foreign exchange losses offset with $0.6 million unrealized gain on marketable securities held.

9-Mos: For 9-Mos 2017, other income includes a $1.8 million realized gain on the sale of 837,000 common shares of Osisko Mining Inc. (the "Osisko Shares") received upon the sale of the DeSantis Property in 2016 and $0.5 million in foreign exchange gains.

Financing Cost	**(5,974)**	**(6,100)**	**(3,082)**	**(13,655)**

Q3: Net financing cost consists primarily of fair value adjustments on embedded derivatives and warrants related to outstanding Debentures, accretion and interest expense related to the Debentures and accretion of the rehabilitation provision for the mine and mill. The fair value adjustment derives primarily from the performance of the Company's stock during the applicable period.

During Q3 2017, an increase in the stock price from CAD$1.42 to CAD$2.03, resulted in a $5.6 million fair value adjustment loss on embedded derivative and warrants related to the Debentures, while during Q3 2016, an increase from CAD$1.23 to CAD$1.88 resulted in a $6.0 million fair value adjustment loss from these instruments.

9-Mos: During 9-Mos 2017, an increase in the stock price from CAD$1.64 to CAD$2.03 resulted in a cumulative $2.7 million fair value adjustment loss on embedded derivative and warrants related to the Debentures, while during 9-Mos 2016, an increase from CAD$0.31 to CAD$1.88 resulted in a cumulative $13.3 million fair value adjustment loss from these instruments.

Production Cost per Tonne (see "Non-IFRS Measures" for reconciliation table)	**$208/t**	**$298/t**	**$266/t**	**$250/t**

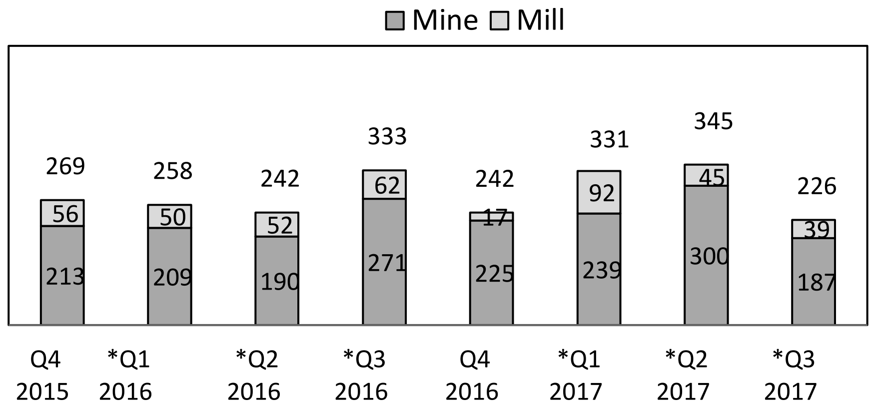
Q3: Production cost per tonne significantly improved to $208/t, representing a $90/t improvement from Q3 2016 primarily resulting from 66% additional tonnes being milled over the same period, despite increased electricity consumption relating to the Optimization Plan and increased unit costs for electricity, as discussed above.

9-Mos: Production cost per tonne of $266/t for the 9-Mos 2017 was higher than 9-Mos 2016, primarily due to increased energy consumption relating to the Optimization Plan and increased unit cost for electricity, as discussed above, which had a greater impact on cost per tonne during H1 2017 as lower tonnage was produced. The Company expects that production cost per tonne in 2017 will continue to improve as production rates increase going forward.

	Q3 ($000's, except where noted)		9-Mos ($000's, except where noted)	
	2017	2016	2017	2016

The previous eight quarters of production cost per tonne mined and milled are summarized below:

Figure 3 - Production Cash Cost per tonne Mined and Milled ($/t)



(1) Cost per tonne mined is based on mining cost in the period for produced tonnes at Platosa, excluding depletion and amortization.
(2) Cost per tonne milled is based on milling cost in the period for processed tonnes at the mill, excluding depletion and amortization.
(3) Variation between the table above and the Production Cost per Tonne stated above derives from the difference between consolidated accounts using monthly averages (in the table) versus using daily transaction amounts in U.S. dollars in the table.

* Production cost per tonne does not include the positive impact of milled lowgrade stockpiles to accurately reflect comparable production costs between periods. Low grade stockpile milled in recent periods were Q1 2016 - 2,300, Q2 2016 - 1,870, Q3 2016 - 760, Q1 2016 - 1,253, Q2 1,620 and Q3 2017 - 2,682 tonnes.

Total Cash Cost Per Silver Ounce Payable (see "Non-IFRS Measures" for reconciliation table)	**$2.46/oz**	**$17.95/oz**	**$12.22/oz**	**$12.24/oz**

Q3: Total cash cost per silver ounce payable of $2.46 significantly improved from $17.95 in Q3 2016, mainly due to successful completion of the Optimization Plan in early July, which resulted in significant improved tonnage (+66%) and silver equivalent ounces payable (+95%) during the quarter. While cash cost of sales increased by 16%, as discussed above, these costs were offset by a 125% increase in byproduct credits primarily due to significantly higher lead and zinc production and prices. In addition, TC/RC charges decreased materially, as expected, due to improved offtake terms relative to Q3 2016.

9-Mos: Total cash cost per silver ounce payable of $12.22 for 9-Mos 2017 was virtually the same as Q3 2016 ($12.24), but significantly improved from the previous quarter ($20.07) due to the improvement in cash cost in the current quarter, as discussed above. While cash cost of $5.6 million for the 9-Mos 2017 were 15% lower than 9-Mos 2016, this was offset by a 15% decrease in silver ounce payable over the same period, resulting in similar cash cost per silver ounce payable.

	Q3 ($000's, except where noted)		9-Mos ($000's, except where noted)	
	2017	2016	2017	2016
AISC Per Silver Ounce Payable	**$11.62/oz**	**$40.85/oz**	**$32.24/oz**	**$24.11/oz**
Adjusted AISC Per Silver Ounce Payable (see "Non-IFRS Measures" for reconciliation table)	**$11.62/oz**	**$33.92/oz**	**$24.59/oz**	**$20.52/oz**

Q3: The Company's AISC per silver ounce payable of $11.62 resulted primarily from higher tonnage and metal produced with the successful completion of the Optimization Plan, as discussed above, and improved materially from adjusted and non-Adjusted AISC per ounce payable (excluding the one-time costs associated with the Optimization Plan) in Q2 2017 ($28.80 and $37.87, respectively), as reflected in Figure 4.

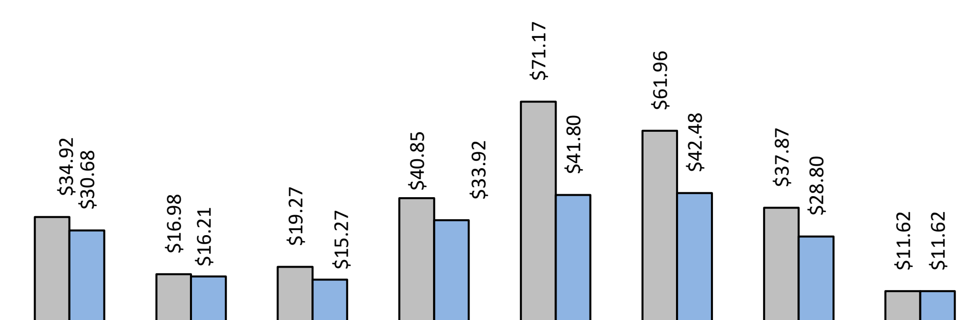
With the completion of the Optimization Plan, the Company has eliminated the "Adjusted AISC" metric in Q3 2017 (post-Optimization Plan), but continues to report Adjusted AISC in previous periods for comparative purposes to AISC post-Optimization Plan. Additionally, AISC is expected to continue decreasing as drier mining conditions are expected to allow for increased production at lower costs in the fourth quarter and going forward.

9-Mos: The Company's Adjusted AISC per silver ounce payable of $24.59 during the 9-Mos 2017 period was higher than Q3 2016 due to (i) 15% lower silver payable ounces (ii) a 26% increase in cash general administrative cost of $0.4 million, (iii) a 73% increase in share based compensation of $0.3 million, reflecting non-cash share based compensation issued to officers, directors and consultants in the period, and (iv) a 142% increase in exploration expenses of $0.6 million.

Non-adjusted AISC of $32.24 included significant one-time capital and development costs of $3.5 million associated with the Optimization Plan, primarily relating to the purchase of pumping equipment, along with well-drilling and engineering costs.

AISC and Adjusted AISC per silver ounce payable over the preceding eight quarters are summarized below:

Figure 4 - AISC per Silver Ounce Payable ($/oz)



	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
AISC	$34.92	$16.98	$19.27	$40.85	$71.17	$61.96	$37.87	$11.62
ADJ AISC	$30.68	$16.21	$15.27	$33.92	$41.80	$42.48	$28.80	$11.62
Ag oz payable	135,928	193,514	209,422	138,472	126,773	116,128	139,428	205,414

Provisionally Priced Sales

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 occurs either one or two months after shipment under the terms of the current concentrate purchase agreements.

In Q3 2017, the Company recognized a negative adjustment to revenues of $24,000, primarily relating to the reversal of the mark-to-market taken at June 30, 2017, as receivables were ultimately settled at lower values during the quarter (Q3 2016 – positive adjustment of $0.3 million).

During the 9-Mos 2017, the Company recognized negative adjustments to revenues of $17,000, primarily related to the reversal of the mark-to-market taken at the end of 2016 as receivables were ultimately settled at lower values in 2017 (9-Mos 2016 – positive adjustment of $0.3 million)

As at September 30, 2017, provisionally priced sales totaled $4.2 million, which are expected to settle during the fourth quarter of 2017. A 10% increase or decrease in the prices of silver, lead and zinc will result in a corresponding increase or decrease in revenues of $0.4 million during the fourth quarter of 2017.

Revenues recognized in the comparable periods are reconciled below (in thousands of US dollars):

	Q3 2017			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	3,560	1,643	2,454	7,657
Prior period provisional adjustments (2)	(84)	(10)	70	(24)
Sales before TC/RC (3)	3,476	1,633	2,524	7,633
Less: TC/RC (3)				(531)
Total Sales				**7,102**

	9-Mos 2017			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	7,563	3,025	4,515	15,103
Prior period provisional adjustments (2)	44	(5)	(56)	(17)
Sales before TC/RC (3)	7,607	3,020	4,459	15,086
Less: TC/RC (3)				(1,001)
Total Sales				**14,085**

	Q3 2016			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	2,657	757	1,033	4,447
Prior period provisional adjustments (2)	284	36	26	346
Sales before TC/RC (3)	2,941	793	1,059	4,793
Less: TC/RC (3)				(784)
Total Sales				**4,009**

	9-Mos 2016			
	Silver	Lead	Zinc	Total
	$	$	$	$
Current period sales [(1)]	9,842	2,817	3,427	16,086
Prior period provisional adjustments [(2)]	203	48	14	265
Sales before TC/RC [(3)]	10,045	2,865	3,441	16,351
Less: TC/RC [(3)]				(2,711)
Total Sales				**13,640**

(1) Includes provisional price adjustments on current period sales.
(2) Prior period sales that settled at amounts different from prior period's estimate or were unsettled and marked to market at provisional amounts at year-end.
(3) TC/RC (Treatment Charges/Refining Charges).

Non-IFRS Measures

Production Cost Per Tonne, Total Cash Cost Net of By-Product Credits Per Silver Ounce Payable and All-In Sustaining Cost Per Silver Ounce Payable are non-IFRS measures that do not have a standardized meaning. The calculation of these measures may differ from that used by other companies in the industry. The Company uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and are not necessarily indicative of operating expenses as determined under generally accepted accounting principles. Management believes that these measures are key performance indicators of the Company's operational efficiency. These measures are increasingly used across the global mining industry and are intended to provide investors with information about the cash generating capabilities of the Company's operations.

Production Cost Per Tonne

The Company's ability to control production costs per tonne is a key performance indicator in managing and evaluating operating performance. This measure provides investors and analysts with useful information about the underlying cost of operations and how management controls those costs.

A reconciliation between production cost per tonne (including mining and milling costs, excluding depreciation) and the Company's cost of sales as reported in the Company's financial statements is provided below.

	Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of Sales	5,586	4,102	14,736	12,026
Depletion and amortization	(1,426)	(525)	(2,554)	(1,739)
Production Costs (includes mining and milling)	**4,160**	**3,577**	**12,182**	**10,287**
Tonnes milled (tonnes)	19,953	12,003	45,764	41,176
Production cost per tonne milled ($/tonne)	208	298	266	250

Total Cash Cost Per Silver Ounce Payable

The calculation of total cash cost per silver ounce payable reflects the cost of production adjusted for by-product and various non-cash costs included in cost of sales. Changes in inventory have not been adjusted from cost of sales, as these costs are associated with the payable silver ounces sold in the period. The Company expects total cash costs net of by-product revenues to vary from period to period as planned production and development access different areas of the mine with different ore grades and characteristics.

Reconciliation of total cash cost per silver ounce payable, net of by-product credits:

	Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of sales	5,586	4,102	14,736	12,026
Adjustments - increase/(decrease):				
Depletion and amortization	(1,426)	(525)	(2,554)	(1,739)
Third party smelting and refining charges (1)	531	784	1,001	2,711
Royalties (2)	(28)	(23)	(68)	(68)
By-product credits (3)	(4,158)	(1,852)	(7,480)	(6,305)
Total cash cost net of by-product credits	**505**	**2,486**	**5,635**	**6,625**
Silver ounces payable	205,414	138,472	460,969	541,408
Total cash cost per silver ounce payable ($/oz)	**2.46**	**17.95**	**12.22**	**12.24**

(1) Treatment and refining charges recorded in net revenues.
(2) Advance royalty payments on the Miguel Auza property unrelated to production from Platosa.
(3) By-product credits comprise revenues from sales of lead and zinc.

AISC Per Silver Ounce Payable

Excellon has adopted the AISC measure to provide further transparency on the costs associated with producing silver and to assist stakeholders of the Company in assessing operating performance, ability to generate free cash flow from current operations and overall value. The AISC measure is a non-GAAP measure based on guidance announced by the World Gold Council in June 2013.

Excellon defines AISC per silver ounce payable as the sum of total cash costs (including treatment charges and net of by-product credits), capital expenditures that are sustaining in nature, corporate general and administrative costs (including non-cash share-based compensation), capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs (non-cash), all divided by the total payable silver ounces sold during the period to arrive at a per ounce figure.

Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Costs excluded from AISC are non-sustaining capital expenditures and exploration costs (as described above), financing costs, tax expense, and any items that are deducted for the purposes of adjusted earnings.

The table below presents details of the AISC per silver ounce payable calculation.

	Q3 2017	Q3 2016	9-Mos 2017	9-Mos 2016
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Total cash costs net of by-product credits	505	2,486	5,635	6,625
General and administrative costs (cash)	671	605	2,063	1,637
Share based payments (non-cash)	157	302	866	500
Accretion and amortization of reclamation costs (non-cash)	50	21	115	69
Sustaining exploration (manto resource exploration/drilling)	130	159	1,041	430
Sustaining capital expenditures (1)	873	1,124	1,615	1,847
One time capital expenditures – Optimization Plan (3)	-	959	3,527	1,944
Total sustaining costs	1,881	3,170	9,227	6,427
All-in sustaining costs	2,386	5,656	14,862	13,052
Silver ounces payable	205,414	138,472	460,969	541,408
AISC per silver ounce payable ($/oz) (2)	**11.62**	**40.85**	**32.24**	**24.11**
Adjusted AISC per silver ounce payable ($/oz) (3)	**11.62**	**33.92**	**24.59**	**20.52**
Realized silver price per ounce sold (4)	**17.06**	**19.52**	**16.96**	**17.76**

(1) Sustaining capital expenditure includes sustaining property plant and equipment acquisitions and capitalized development costs.

(2) Excluding non-cash items, AISC per silver ounce payable was $10.61 (Q3 2017), $38.51 (Q3 2016), $30.11 (9-Mos 2017) and $23.05 (9-Mos 2016).

(3) Adjusted AISC per silver ounce payable excludes the relatively one-time capital expenditures associated with the "Platosa Optimization Plan" that was completed in early July 2017.

(4) Average realized silver price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

LIQUIDITY AND CAPITAL RESOURCES

The primary source of funds available to the Company has historically been cash flow generated by the Platosa Mine. In today's commodity price environment, being able to produce at reduced cost and generate positive cash flows required the Company to externally finance the implementation of the Optimization Plan. While the Optimization Plan continues to be implemented in 2017, a continuous review of capital expenditure programs ensures the Company's capital resources are utilized in a responsible and sustainable manner to conserve cash during ongoing periods of low commodity prices.

	September 30, 2017	Dec 31, 2016
	($000's)	
Cash, Cash Equivalents and Marketable Securities	**$2,176**	**$6,930**
The Company's cash position increased by $0.7 million during Q3 2017 and decreased during the 9-Mos 2017 as: (i) $2.3 million was used in operations, primarily in the first two quarters prior to completion of the Optimization Plan; (ii) $5.3 million was invested in capital expenditures, of which $3.5 million related to the Optimization Plan with remaining expenditures invested in mine development and construction of the first phase of the TMF at the mill; and (iii) Osisko Shares were sold for net proceeds of $3.3 million (CAD$4.4 million) at a price per share of $5.29 in early Q2 2017. The proceeds were used to complete the Optimization Plan and for working capital. Cash, current accounts receivable and inventory (ore and concentrate) increased to $4.1 million during the period from $3.4 million in Q2 2017.		
Trade Receivables	**$1,564**	**$738**
Trade receivables increased by $0.8 million at the end of Q3 2017 relative to December 31, 2016 due to the timing of concentrate deliveries at the end of Q3 2017. The Company delivered concentrate at the end of Q3 2017, with payment received in early October. At the end of Q4 2016, seasonal closures prevented a portion of inventory from being delivered before period end.		
Trade Payables	**$5,125**	**$4,514**
Trade payables increased by $0.6 million at the end of Q3 2017 relative to December 31, 2016, but decreased by $0.5 million from June 30, 2017 as cashflow from operations in the quarter was used to reduced trade payable balances in the quarter from the significant investments were made in the Optimization Plan ($3.5 million) prior to Q3 2017.		
Working Capital	**$4,871**	**$8,554**
Working capital improved by $0.9 million in Q3 2017 as the operation was cash flow positive during the quarter, while overall working capital during the 9-Mos 2017 period decreased by $3.7 million to $4.9 million as the operation was net cash flow negative in H1 2017 due to lower production and sales and increased investment in capital expenditures for the Optimization Plan. The Company expects working capital to improve in Q4 2017 as post-Optimization Plan production continues to improve and with expected proceeds from the Offering.		

	Q3		9-Mos	
	2017	**2016**	**2017**	**2016**
Cash from (used in) operations before changes in working capital ($000's)	**1,464**	**(887)**	**(1,270)**	**(144)**
During Q3 2017, the operation generated positive cashflow of $1.5 million before changes in working capital and net cash flow of $1.3 million after changes in working capital, entirely resulting from benefits of the Optimization Plan being realized, as discussed further above.				
Investing Activities ($000's)	**(945)**	**(2,887)**	**(1,997)**	**(5,237)**
For Q3 2017, the Company's capital expenditure of $0.9 million related primarily to increased mine development and construction of the first phase of the TMF at the mill, which was completed by the end of the quarter. For 9-Mos 2017, capital expenditures of $5.3 million were partially offset by cash proceeds of $3.3 million (CAD$4.4 million) from the sale of Osisko Shares in early Q2 2017. Of the $5.3 million invested in capital expenditures, $3.5 million related to the Optimization Plan, with remaining amounts invested in mine development and construction of the first phase of the TMF at the mill.				
Financing Activities ($000's)	**28**	**10,692**	**113**	**13,032**
No significant financing activities occurred during Q3 2017 or 9-Mos 2017 compared to Q3 2016, where proceeds of $10.7 million were received from a bought deal public offering of units and $13.0 million during 9-Mos 2016, which also included $2.3 million from a private placement of units in Q2 2016.				

In previous quarters, the Company's operations were not cash flow positive and the Company has drawn down on cash reserves raised from equity and debt issuances since 2015. As described above, the Optimization Plan was designed to improve mining conditions at Platosa, allowing for higher production rates, lower costs and greater cash flow from operations. With the completion of the Optimization Plan and dry mining conditions, operating and free cash flows have turned positive and the Company expects this to remain the case for the foreseeable future at Platosa, subject to ordinary course depletion of mineral resources over the life of mine. The Company additionally has in-the-money warrants with a current value of CAD$3.1 million (at a closing price of $1.67 per Common Share on November 1, 2017).

	Warrants Outstanding	In-the-money (CAD)	In-the-money (USD)	Expiry
Warrants ($0.50)	1,851,046	$925,523	$741,622	Nov. 27, 2019
Warrants ($0.65)	3,333,333	$2,166,666	$1,736,150	April 4, 2018
Warrants ($1.75)	6,568,695	-	-	July 26, 2018
	11,753,074	$3,092,189	$2,477,771	

On October 20, 2017, the Company announced the Offering (as defined above) for gross proceeds of $13.25 million, subject to an overallotment option of up to 15%. The Offering is scheduled to close on or before November 9, 2017 and is subject to certain conditions including, but not limited to, receipt of all regulatory approvals, including the approval of the Toronto Stock Exchange and the applicable securities regulatory authorities. The Company intends to use the net proceeds of the Offering to fund exploration at the Company's Platosa Project in Durango, Mexico and Miguel Auza Project in Zacatecas, Mexico, as further described under "Exploration," below, and for general corporate purposes.

Financial Instruments

All financial assets and financial liabilities, other than derivatives, are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost. The carrying values of cash and cash equivalents, trade receivables and other liabilities approximate their fair value, unless otherwise noted.

The Company is sensitive to changes in commodity prices, foreign exchange and interest rates. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company addresses its price-related exposures through the use of options, futures, forwards and derivative contracts.

A significant portion of the Company's capital expenditures, operating costs, exploration, and administrative expenditures are incurred in Mexican pesos ("MXN"), while revenues from the sale of concentrates are denominated in US dollars ("USD"). The fluctuation of the USD in relation to the MXN, consequently, impacts the reported financial performance of the Company. To manage the Company's exposure to changes in the USD/MXN exchange rate, the Company entered into forward contracts to purchase MXN in exchange for USD at various rates and maturity dates. As at September 30, 2017, forward contracts for the purchase of MXN66 million in exchange for $3.5 million at an average rate of 18.89 MXN/USD, at various maturity dates until March 13, 2018, were outstanding. The fair value of these outstanding foreign currency forward contracts resulted in an unrealized gain of $125,000 at September 30, 2017, recorded in finance cost. The Company realized foreign exchange gains of $269,000 within profit or loss from contracts maturing during the quarter, which were recorded in cost of sales to reflect the realized operating cost of production.

Commitments

The following table summarizes the Company's significant commitments as at September 30, 2017 (in thousands of US dollars):

	2017	**2018**	**2019**	**2020**	**2021**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	5,125	-	-	-	-	5,125
Capital Expenditure	257	-	-	-	-	257
Mine restoration provision	-	-	-	-	1,453	1,453
Employee future benefits	-	-	-	-	1,462	1,462
Concession holding fees	266	541	547	556	556	2,466
Office leases	50	202	50	-	-	303
	5,698	743	598	556	3,471	11,066

Mine restoration provisions and employee future benefits committed in 2021 assume the closure of the Platosa Mine and Miguel Auza mill in that year, which may or may not be the case depending upon the Company's ability to find new mineralization at Platosa or near Miguel Auza. Not included above is an NSR royalty payable semi-annually on the Platosa Property of (a) 1.25% in respect of manto mineralization other than skarn mineralization or (b) 0.5% in respect of skarn or "Source" mineralization (as described further below). Such payments vary period to period based on production results and commodity prices.

Contingencies

During Q3 2012, the Company sued the Ejido La Sierrita (the "Ejido") to terminate a 30-year surface rights agreement ("SRA") in respect of 1,100 hectares of exploration ground west and northwest of the Platosa Mine and for various damages relating to an illegal blockade of the mine during Q3 2012. The Ejido also sued for termination of the SRA after being advised of Excellon's suit.

In Q3 2016, the Company received a resolution from the Tribunal Unitario Agrario del Distrito Sexto in Torreón, Coahuila (the "Agrarian Tribunal") on the legal action. The Agrarian Tribunal ruled in favour of the Company's application to rescind the SRA. The Resolution also included (i) an award to Excellon of 5.5 million pesos payable by the Ejido for losses and damages related to the illegal blockade and (ii) an award to the Ejido of 5.5 million pesos payable by Excellon as indemnity for not building a water treatment plant under the terms of the SRA. The two awards set-off against each other, with neither side being required to pay any amount to the other.

After appeal by both parties to the court of appeal in Coahuila, the case was returned to the Agrarian Tribunal. In Q3 2017, the Agrarian Tribunal once again ruled in favour of the Company, with the rescission of the SRA being upheld. The Court also eliminated the set-off in damages between the parties, with the end result being the simple rescission of the SRA. Both the Company and the Ejido have appealed this decision: the Company for payment of damages in respect of the illegal blockade of the mine in third quarter of 2012 and the Ejido for rental payments from 2014-2016.

Excellon holds 20,947 hectares of mineral concessions 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 skarn/source of La Platosa mantos.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

EXPLORATION

Platosa Property

The Company's Platosa Property is approximately 50 km north of the city of Torreon in the state of Durango and comprises a total of 20,947 hectares of mineral concessions. The Company initially acquired the property in 1996 and 1997, and high-grade massive sulphides were discovered on the property in 1998. An initial resource estimate was published in 2002 and test mining commenced in 2005 from the Platosa Mine.

The Platosa mineral resource sits under approximately 56 hectares of the Platosa Property and comprises a series of linked high-grade massive sulphide, silver-lead-zinc manto deposits on the periphery of an under-explored Carbonate Replacement Deposit ("CRD") system. 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
- **Mineability** – Individual CRD bodies 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 coarse-grained and metallurgically simple.

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 as tools to trace mantos into chimneys, sulphides into skarn, or skarn into intrusive contact deposits.

Targets/Upside

Exploration at Platosa is focussed on (i) high grade, massive sulphide, manto deposits, generally found distal to CRD systems and (ii) skarn-style deposits, generally found proximal or associated with the "source" of CRD systems.

(i) Massive Sulphide Manto Deposits

Manto exploration has focused on areas within 1.5 km of the Platosa Mine. This exploration follows up 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 continues to be encountered in ongoing drilling, as further discussed below.

Outside of the immediate area of the Platosa Mine drilling has been limited, but has consistently encountered the favourable heterolithic fragmental limestone unit that hosts all the high-grade massive sulphide mineralization discovered to date at Platosa. There is excellent potential to continue to discover mantos beyond the periphery of those that have already been defined.

The Company believes that significant potential remains for further new manto discoveries as the deposit area is open to the north, northeast, east and southeast of the known mantos and there are also smaller areas closer to the known mantos that could host additional massive sulphides within easy reach of existing underground infrastructure. Holes have also been planned to expand the NE-1 Manto to the east where it has been drilled off deep under cover in excess of 80 metres. Potential exists on other parts of the permit too where deep seated mineralized structures intersect the limestone packages to the north, south and west of Platosa.

(ii) Skarn/Source Mineralization

The vast majority of the Platosa Property is prospective for skarn or "Source"-style mineralization. Geological evidence of this potential has been found in a number of drill holes completed since 2008 in particular in the Rincon del Caido ("Rincon") area approximately 1.0 km NW of the Guadalupe Manto. Drilling in 2012/2013 intersected skarn silver-lead-zinc sulphide mineralization hosted by marble beneath the contact with a relatively impermeable hornfels unit. The consistent presence of anomalous gold is another important characteristic of the Rincon mineralization and gold content may increase as drilling approaches the heart of the system and would have an important positive impact on the economics of a proximal CRD deposit in the Rincon area. Significant intersections cut to date at Rincon include:

DDH No.	Interval			Silver (g/t)	Lead (%)	Zinc (%)	Gold (g/t)
	From (m)	To (m)	(m)*				
LP1019	**516.70**	**572.16**	**55.46**	**132**	**3.13**	**1.74**	**0.075**
incl.	546.83	549.80	2.97	236	7.18	5.46	0.146
and	562.73	566.00	3.27	264	10.41	7.59	0.041
LP1023A	513.00	515.00	2.00	610	3.08	0.11	0.571
and	**525.65**	**569.05**	**43.40**	**146**	**2.76**	**1.85**	**0.216**
incl.	530.60	536.40	5.80	381	10.63	11.51	0.354
LP1030	**498.90**	**509.23**	**10.33**	**185**	**5.22**	**5.58**	**0.478**
and	579.27	581.02	1.75	444	8.81	5.97	0.067
and	**590.04**	**596.72**	**6.68**	**409**	**10.23**	**8.37**	**0.114**
LP1038	**491.80**	**499.05**	**7.25**	**21**	**0.74**	**3.57**	**13.066**
incl.	497.10	499.05	1.95	72	2.40	11.74	39.430

* All intervals are core widths. Further geologic information is required in order to estimate true thicknesses.

The mineralization at Rincon may be traceable to a skarn/Source-style deposit and will be investigated with further exploration in the future.

Other potentially interesting mineralization has been observed in drilling at a target on the western side of the Sierra Bermejillo where skarn mineralization has been identified in structures within the hornfels that are indicative of strong mineral bearing fluid pathways. This mineralization may be traced to further skarn mineralization below the hornfels and closer to a heat source or into the limestone package in this area where replacement deposits may be formed.

Geophysical methods have also proven variably effective in locating both manto and skarn-style mineralization at Platosa. Natural Source and Controlled Source Audio Magnetotelluric ("NSAMT" and "CSAMT," or generally "MT") ground geophysical surveys and airborne electromagnetic ("AEM") surveys and led to the discovery of the Guadalupe and Guadalupe South mantos. During a re-examination of a 2007 AEM survey a subtle anomaly was noted in the Rincon area, which led to follow-up drilling and its discovery in 2012.

The Company has also tested the applicability of seismic surveying for both manto and skarn/Source mineralization. In recent years seismic surveying, traditionally associated with petroleum exploration, has successfully generated new targets on various mineral exploration projects. In 2014, the Company carried out a 2D seismic reflection survey along a 2.1 km test-line laid out to pass over the high-grade Pierna and NE-1 mantos, neither of which had been mined at that date. Several strong, sub-vertical structures were outlined, as were the contacts between the various carbonate, hornfels and marble units. Further seismic surveying may be utilized in the future to develop additional structural understanding on the property.

During 2016, the Company engaged Geotech Ltd. to carry out reprocessing and reinterpretation of the Company's geophysical data to enhance structural interpretation of the property. This data was received in Q3 2016 and will be used going forward in enhancing the understanding of geology in the area as well as integrated into targeting for the current drill program.

Plans

During 2016, the Company commenced a surface and underground drilling program at Platosa with three objectives:

- Short term: Define and delineate additional high-grade mineralization around existing mine infrastructure by drilling around the edges of the defined resource, upgrading parts of the inferred resource and testing new exploration theories around the current footprint of the mine.
- Medium term: Continue to grow and explore the resource base, particularly where it remains open, such as on the NE-1 corridor with the aim of discovering new independent massive sulphide deposits.
- Long term: Improve regional understanding of the Platosa concessions and define and delineate additional targets with the intention of defining a second resource on the property.

Recent Results

At the end of the third quarter the Company had completed approximately 15,000 metres of the program. Results from this program and drilling from surface and underground include:

DDH No.	Interval(1)(2)			Ag (g/t)	Pb (%)	Zn (%)	Au (g/t)	AgEq(3) (g/t)	Date Released
	From (m)	To (m)	metres						
EX16LP1107	**186.0**	**189.0**	**3.0**	**795**	**9.3**	**25.9**	**-**	**2,522**	2/2/2017
EX16LP1108	196.6	198.0	1.4	124	3.2	7.0	-	623	2/2/2017
EX16LP1110	195.4	198.0	2.7	305	4.3	0.9	-	532	2/2/2017
EX16UG281	**18.2**	**20.5**	**2.4**	**686**	**4.7**	**6.2**	**-**	**1,203**	2/2/2017
and	**23.8**	**25.4**	**1.6**	**504**	**4.3**	**7.1**	**-**	**1,052**	
and	**30.4**	**31.6**	**1.2**	**843**	**0.4**	**0.0**	**-**	**861**	
EX17LP1116	**321.4**	**323.5**	**2.2**	**104**	**2.6**	**1.2**	**-**	**276**	7/26/2017
EX17UG310	**7.8**	**11.3**	**3.5**	**124**	**5.2**	**5.2**	**-**	**616**	7/26/2017
EX17UG323	**20.8**	**27.5**	**6.8**	**886**	**8.8**	**20.5**	**-**	**2,318**	7/26/2017
EX17UG324	**73.8**	**75.3**	**1.5**	**2,965**	**16.4**	**0.9**	**-**	**3,702**	7/26/2017
and	**78.6**	**79.7**	**1.1**	**1,171**	**9.3**	**2.9**	**-**	**1,713**	7/26/2017
EX17UG325	87.8	91.5	3.7	1,600	6.4	8.7	-	2319	7/26/2017
EX17UG326	90.9	92.7	1.8	316	3.2	0.9	-	496	7/26/2017
and	**97.7**	**99.0**	**1.3**	**287**	**6.3**	**0.6**		**584**	
EX14UG200	60.6	61.9	1.3	3,574	28.2	18.7	-	5727	7/26/2017
PH17-27	9.9	12.0	2.1	1,238	5.3	2.9	-	1611	7/26/2017
EX17UG328	**16.1**	**19.3**	**3.2**	**1,366**	**7.9**	**13.6**	**-**	**2,369**	9/6/2017
EX17UG329	**22.1**	**25.6**	**3.6**	**2,291**	**15.0**	**13.3**	**-**	**3,570**	9/6/2017
EX17UG330	**15.9**	**27.1**	**11.1**	**1,204**	**9.3**	**13.4**	**0.1**	**2,255**	9/6/2017
including	**18.9**	**24.1**	**5.2**	**2,079**	**14.2**	**23.9**	**0.2**	**3,857**	
EX17UG332	**27.4**	**30.0**	**2.6**	**864**	**5.0**	**6.9**	**-**	**1,415**	9/6/2017

DDH No.	Interval(1)(2)			Ag (g/t)	Pb (%)	Zn (%)	Au (g/t)	AgEq(3) (g/t)	Date Released
	From (m)	To (m)	metres						
EX17UG333	**17.3**	**22.9**	**5.6**	**521**	**5.0**	**8.6**	-	**1,155**	9/6/2017
EX17UG335	**25.9**	**33.0**	**7.1**	**278**	**2.6**	**11.5**	-	**957**	9/6/2017
EX17UG336	**22.0**	**30.0**	**8.0**	**612**	**9.4**	**4.6**	-	**1,232**	9/6/2017
EX17UG338	19.9	25.9	6.0	644	5.8	13.0	0.3	1528	9/6/2017
and	29.2	33.5	4.3	233	2.5	4.7	0.1	570	

(1) From-to intervals are measured from the drill collar, with drill holes marked UG or PH drilled from underground stations.
(2) All intervals are reported as core length. Further geologic information is required to estimate true thicknesses.
(3) AgEq in drill results released on 02/02/2017 assumes $16.30 Ag, $1.03 Pb and $1.23 Zn, 07/26/2017 and 09/06/2017 assumes $17.00 Ag, $1.03 Pb and $1.23 Zn, with 100% metallurgical recovery respectively.

Results of the ongoing program continue to prove up the near mine potential at Platosa, with numerous significant intercepts reported in key areas of the mine close to existing workings. The program to expand and define resources ahead of mining will continue into 2018 with dedicated drill infrastructure being set up to accommodate this expansion and definition drilling ahead of mine workings.

Exploration in Q3 2017 was successful in expanding the current manto footprint at Platosa. Drilling focused on an area between the Guadalupe South and 623 Manto (83,000 tonnes grading 1,866 g/t AgEq), which has been defined and infilled with consistent high-grade massive sulphide intersections. Surface drilling is expected to resume upon receipt of ordinary course drilling permits during Q4.

Regional compilation work continued with new targeting and resampling conducted at Saltillerra, northwest of the Platosa Mine. From this work, new surface targets have been generated at Jaboncillo and Saltillera North, west of the Sierra Bermejillo. Field work will continue on these target areas throughout the fourth quarter. The Company is also looking to commence regional soil sampling and geophysical programs on the Platosa concessions and is also applying for additional drill pad permits on the Platosa property to support evolving exploration plans. In addition to the drilling results noted above, highlights in exploration for Q3 2017 included:

- Strong indications of potential mineralization seen in surface sampling at Jaboncillo and Saltillera North;
- Continued compilation and modeling of historical data including, old regional paper drill logs, geophysics and surface work programs;
- Completion and implementation of surface work plans for Q3 and Q4 and budgeting for exploration through year-end;
- Ongoing fieldwork including mapping and sampling at key outcrops and surface regional targets;
- Commencement of regional interpretations for targeting including structural and alteration mapping, isotope studies and compilations of hyperspectral and Aster analysis on the Platosa Property; and
- Community relations work in the area.

The Company currently has planned approximately 30,000 metres of further drilling from surface and underground following on from the work completed in late 2016 and the first half of 2017. The ongoing program will continue to test for new manto-style mineralization near the Platosa Mine and elsewhere on the Platosa Property, as well as pursuing skarn-style targets such as Rincon del Caido and others on the property. Ongoing programs will also include significant geophysical programs, including induced polarization ("IP") surveys at targets such as Jaboncillo and Saltilliera and soil geochemistry programs at Jaboncillo, Saltillera and San Gilberto.

Miguel Auza Property

Since early 2017, the Company has been reassessing the Miguel Auza Project, site of the Company's milling facility, in northern Zacatecas approximately 220 kilometres fom the Platosa Mines. The Miguel Auza Project encompasses approximately 14,000 hectares of mineral concessions and had a historic indicated and inferred mineral resource hosted in the Calvario Vein. The project is located on the northern trend of the Fresnillo silver belt, 35 kilometres southeast of San Sebastian (Hecla) and 130 kilometres to northwest of Juanicipio (MAG Silver Corp./Fresnillo plc) and the Fresnillo mine.

Mineral deposits and prospects on the Miguel Auza Project comprise polymetallic epithermal veins at the historic Miguel Auza Mine, copper in epithermal quartz veins three kilometres northeast of the mine, silver-lead veins in Caracol Formation sedimentary strata four kilometres northwest of the mine, and tin vein prospects in a rhyolitic intrusion 10 km to 12 km east of the mine.

Polymetallic veins at the Miguel Auza Project are broadly similar in age, lithology, and structural geology to other deposits on the Central Meseta, such as Fresnillo, Juanicipio, Velardeña, San Sebastian, Peñasquito, Concepcion de Oro, San Martin, and La Colorado. These deposits are all hosted by the Caracol Formation or other Cretaceous sediments and are structurally controlled epithermal deposits. Several of these deposits extend to depths of 400 to 700 metres.

Since early 2017, the Company has conducted an extensive review of historical data and drill core, conducted structural assessments and commenced field mapping. In the course of reassessing the project, the Company has reviewed the regional setting of the mineralization and veins at Miguel Auza and believes that the Calvario Vein, the primary focus of historical exploration and production on the project, is a northeast-trending compressional or tensional vein off the main west northwest-trending Fresnillo silver trend. The major deposits on the trend typically occur on dilational structures, which are significantly more prospective for mineral deposition in material amounts.

Drilling at Miguel Auza outside of the Calvario Vein is limited, but indicative of significant mineral potential, with historical diamond drilling intersections in northwest-trending structures including:

- 7,601 g/t Ag, 3.35% Pb, 1.9 % Zn over 0.4 metres and 7,377 g/t Ag, 0.28 g/t Au, 4.72% Pb and 5.34% Zn over 0.5 metres in CC-2005-01;
- 3,291 g/t Ag, 0.35 g/t Au, 1.67% Pb and 0.44% Zn over 0.5 metres in 2008-194; and
- 503 g/t Ag, 6.75 g/t Au, 3.32% Pb and 2.21% Zn over 0.7m in 2007-118.

Limited follow-up work has been conducted on any of the drilling completed outside of the Calvario Vein. Additionally, the Company has identified broad (up to 10 metre) northwest-trending epithermal veins carrying anomalous precious metal values on surface, which have not been adequately tested to depth and represent near-term drill targets on the property. The veins intersected in this area to date are generally shallow and exhibit mineral compositions and textures indicative of a cooler part of the epithermal system. Negligible follow-up drilling has been conducted on these veins and the Company believes that they host potential for epithermal-style discoveries.

The Company is currently conducting mapping programs and additional structural analyses at Miguel Auza, and expects shortly to commence geophysical and geochemical assessments to identify additional drill targets. The proceeds raised from the Offering will fund this work and initial drilling programs at Miguel Auza planned for early 2018.

During the Q3 2017, exploration activities continued, including:

- Sampling of previously unsampled core
- Regional mapping and sampling of southern sections of property
- Compilation of and re-interpretation of historical data
- Modelling of structural and vein features for exploration targeting
- Commencement of regional interpretations for targeting including structural and alteration mapping, isotope studies and compilations of hyperspectral and Aster analysis on the Miguel Auza Property

Exploration work is expected to continue throughout the fourth quarter with the Company evaluating IP surveys and soil geochemistry programs on the permits to generate targets on a regional scale for future drilling.

Qualified Person

Mr. Ben Pullinger, BSc., PGeo., Excellon's Vice President of Geology 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. Pullinger is an economic geologist who was appointed by the Company during Q3 2016. Prior to joining Excellon, he worked as Vice President, Exploration at Roxgold Inc., where he made a significant contribution to the growth of the company from resource stage through to production, which was reached in Q2 2016. Before Roxgold, Mr. Pullinger was engaged as a sell side analyst providing analysis and insight to buy side clients across North America. Additionally, Mr. Pullinger has worked on projects in North and South America, Africa and Asia and has made contributions to enhancing value through discovery, development and efficient operations on various projects in these regions. Mr. Pullinger also serves as a director for Red Eagle Exploration, which has exploration assets in Colombia.

RELATED PARTY TRANSACTIONS

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During Q3 2017, the Company incurred legal expenses of $9,000 (Q3 2016 – $17,000). During 6-Mos 2017, the Company incurred legal expenses of $36,000 (9-Mos 2016 – $41,000). As at September 30, 2017, the Company had an outstanding payable balance of $10,000 (September 30, 2016 – $7,000).

RISK AND UNCERTAINITIES

The Company's business entails exposure to certain risks, 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 AIF.

SUBSIDIARY CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Company has implemented a system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that apply at all levels of the Company and its subsidiaries. These systems are overseen by the board of directors of the Company, and implemented by the Company's senior management. The relevant features of these systems include:

Control Over Subsidiaries

The Company's corporate structure has been designed to ensure that the Company controls, or has a measure of direct oversight over, the operations of its subsidiaries. The Company's subsidiaries are 100% beneficially owned, controlled or directed, directly or indirectly, by the Company. The Company, as the ultimate shareholder, has internal policies and systems in place which provide it with visibility into the operations of its subsidiaries, including its subsidiaries operating in emerging markets, and the Company's management team is responsible for monitoring the activities of the subsidiaries.

In addition, the Company directly controls the appointments of the directors and officers of its subsidiaries. The directors of the Company's subsidiaries are ultimately accountable to the Company as the shareholder appointing him or her, and the board of directors of the Company and its senior management. Further, the annual budget, capital investment and exploration program in respect of the Company's mineral properties are established by the Company.

Further, the authorized signing officers for the bank accounts of the foreign subsidiaries are either employees of the Company or employees of the subsidiaries, as the case may be.

All of the minute books and corporate records of the Company's subsidiaries are kept at the offices of local corporate secretarial services in the respective jurisdictions in which such subsidiaries exist. All disbursements of corporate funds and operating capital to subsidiaries of the Company are reviewed and approved by the Chief Executive Officer and the Chief Financial Officer of the Company and are based upon pre-approved budgeted expenditures.

In connection with the acquisition, ownership and disposition of material property interests in Mexico, including mining concessions and real property interests, the Company engages a reputable law firm located in Mexico to periodically conduct a review of the Company's ownership of its material property interests. In respect of other assets, such as equipment or materials purchased by its foreign subsidiaries, the Company has enacted internal control procedures to ensure that all appropriate documentation is obtained for the legal transfer of assets to the Company (or its applicable subsidiary). The Company and its local legal counsel are familiar with the nature of transactions customary in the Mexican mining industry which allows them to identify and ensure that ownership of property interests and other assets is legally valid.

Strategic Direction

While the mining operations of each of the Company's subsidiaries are managed locally, the board of directors of the Company is responsible for the overall stewardship of the Company and, as such, supervises the management of the business and affairs of the Company (and its subsidiaries). More specifically, the board of directors of the Company is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are material to the Company including those of its material subsidiaries.

The Company has ensured that only the Chief Executive Officer and the Chief Financial Officer of the Company have the authority to authorize the sale or disposition of the property of the Company's foreign subsidiaries in order to protect the Company's interests and to ensure that appropriate authorization of material asset transactions has been provided. In addition, the Company has established a series of internal control procedures to govern the operation of the foreign subsidiaries and has granted certain limited powers of attorney to employees who are involved with the management of the foreign subsidiaries in order to allow such individuals to operate the day-to-day operations of the foreign subsidiaries.

Internal Control Over Financial Reporting

The Company prepares its consolidated financial statements and management's discussion and analysis on a quarterly and annual basis, using International Financial Reporting Standards, which require financial information and disclosures from its subsidiaries. The Company implements internal controls over the preparation of its financial statements and other financial disclosures to provide reasonable assurance that its financial reporting is reliable and that the quarterly and annual financial statements and management's discussion and analysis are being prepared in accordance with International Financial Reporting Standards and applicable Canadian securities laws.

All public documents and statements relating to the Company and its subsidiaries containing material information (including financial information) are reviewed by senior management, including the Chief Executive Officer and the Chief Financial Officer before such material information is disclosed, to make sure that all material information has been considered by management of the Company and properly disclosed.

The Company currently sells its metal concentrates to two purchasers, both global commodities traders. Upon completion of the sale of such metal concentrates, the purchasers deposits the proceeds into an account in Mexico that is controlled from Toronto by the Chief Executive Officer and Chief Financial Officer of the Company. In order to allow the utilization of the funds when appropriate, the Company has granted certain members of management located in Mexico powers of attorney. Notwithstanding the foregoing, upon the receipt of funds from the purchaser, the majority of such funds received by the foreign subsidiaries are immediately transferred to the Company's Canadian bank accounts, with only sufficient funds required to fund day-to-day operations of the foreign subsidiaries retained in the foreign subsidiaries' bank accounts.

These systems of corporate governance, internal control over financial reporting and disclosure controls and procedures are designed to ensure that, among other things, the Company has access to all material information about its subsidiaries, including those operating in emerging markets.

Local Laws and Government Relations

The Company hires and engages local experts and professionals (i.e. legal and tax consultants) to advise the Company with respect to current and new regulations in Mexico in respect of banking, financial, tax, permitting and operational matters. The Company utilizes large, established and well recognized financial institutions in both Canada and Mexico. There are no material differences between day-to-day banking operations in Mexico and those in Canada. The government of Mexico regulates mining activities through the Ministry (Secretariat) of Mining. The Company uses local counsel and local consultants to assist it with its government and community relations.

Enforcement of Judgments

All of the Company's material assets (i.e. permits, land, equipment, etc.), other than its unallocated cash (which is maintained with Canadian chartered bank) are located in Mexico. An investor's cause of action under Canadian securities laws would be against the Company, not against any of its subsidiaries outside of Canada. Accordingly, any investor with jurisdiction to do so is entitled to file suit against the Company in order to exercise its statutory rights and remedies under Canadian securities laws. The location of the assets does not affect this right, although the presence of the Company's cash resources in Canada would, if any suit were ever successful, provide an investor with the potential option to enforce against a material pool of assets in Canada. That said, to the extent the Company's cash resources are advanced to the Company's foreign subsidiaries, investors may have difficulty collecting from and enforcing against the Company and its foreign subsidiaries any judgments obtained in Canada.

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. The Company's internal control framework was designed based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO", 2013).

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 third quarter of 2017.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15, Revenue from contracts with Customers ("IFRS 15") was issued by the IASB in May 2014. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16") was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

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

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 AIF 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 July 9, 2015, 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.