EXCELLON

Management's Discussion & Analysis of Financial Results

For the year ended December 31, 2017
March 21, 2018

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the year ended December 31, 2017 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at March 21, 2018 and provides information on the operations of the Company for the years ended December 31, 2017 and 2016 and subsequent to the year end, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 and the related notes for the year then ended filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2017 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 the Americas.

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 March 21, 2018)

Common shares issued and outstanding [(1) (2)]	94,980,810
Stock options	1,484,999
DSUs	2,067,872
RSUs	1,973,819
Warrants ($0.50)	1,851,046
Warrants ($0.65)	3,333,333
Warrants ($1.75)	6,568,695
Warrants ($2.80) [(1)]	3,696,875
Fully diluted common shares	115,957,449

(1) On November 9, 2017, the Company completed a public equity financing of 7,393,750 units ("2017 Public Units") at a price of CAD$2.00 per 2017 Public Unit for gross proceeds of CAD$14.8 million (the "2017 Offering"). Each 2017 Public Unit comprised one Common Share and one half-warrant ("$2.80 Warrant") with each whole warrant entitling the holder to acquire a Common Share at a price of CAD$2.80 prior to December 31, 2018. A broker's fee of CAD$0.9 million was paid in respect of the 2017 Offering.

The net proceeds after transaction costs of CAD$13.5 million ($10.6 million) were allocated proportionally between the fair values of the Common Shares and the $2.80 Warrants issued in the 2017 Offering. The Company intends to use the net proceeds of the 2017 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.

(2) On December 28, 2017, the Company issued 9,695,000 Common Shares upon the accelerated conversion of the outstanding convertible debentures (the "Debentures") with principal amount of CAD$4.8 million.

FOURTH QUARTER AND FISCAL YEAR HIGHLIGHTS

(in 000's except amounts per share, cost per tonne, ounces and per ounce)	Q4 2017	Q4 2016	2017	2016
Revenues [1]	$ 7,123	$ 3,354	$ 21,208	$ 16,994
Gross profit (loss)	$ 1,050	$ (961)	$ 399	$ 653
Net income (loss)	$ 1,553	$ (55)	$ (5,691)	$ (14,071)
Adjusted net income (loss) [2][3]	$ 850	$ (2,489)	$ (3,652)	$ (3,408)
Income (loss) per share – basic	$ 0.02	$ (0.00)	$ (0.07)	$ (0.21)
Adjusted profit (loss) per share - basic	$ 0.01	$ (0.03)	$ (0.05)	$ (0.05)
Silver ounces produced	223,349	159,524	718,460	752,689
Silver ounces payable	206,400	126,773	667,370	668,181
Silver equivalent ounces produced	475,007	305,934	1,470,650	1,293,815
Silver equivalent ounces payable [4]	435,924	241,867	1,345,500	1,133,789
Production cost per tonne [5]	$ 267	$ 251	$ 266	$ 250
Total cash cost per silver ounce payable	$ 6.27	$ 18.48	$ 10.38	$ 13.42
AISC per silver ounce payable	$ 18.42	$ 71.17	$ 27.97	$ 33.04
Adjusted AISC per silver ounce payable [6]	$ 15.84	$ 48.49	$ 21.89	$ 25.83
Average realized silver price per ounce sold [7]	$ 16.32	$ 16.70	$ 16.73	$ 17.38

(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 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 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 Phase 1 completed in early July 2017 and ongoing optimization work, comprising additional pump stations and production wells ("Optimization Plan Phase 2") in Q4 2017, as further described below. Adjusted AISC is provided for comparative

purposes to prior periods and to provide information on optimization costs, but is not expected to be referenced independently in subsequent periods. Associated cash expenditures were as follows:

	Q4 2017	2017	Q4 2016	2016
Optimization Plan – Phase 1	-	$3.5 million	$2.9 million	$4.8 million
Optimization Plan – Phase 2	$0.5 million	$0.5 million	-	-
Total Adjustment to AISC	**$0.5 million**	**$4.1 million**	**$2.9 million**	**$4.8 million**

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

Additional highlights from Q1 2018 include:

On February 26, 2018, the Company announced that it entered into an agreement with Hecla Mining Company ("Hecla") to toll mill sulphide ore from Hecla's San Sebastian mine in Durango at Excellon's mill facility in Miguel Auza. The toll milling arrangement is expected to commence in 2019 following successful completion of a 4,000 tonne bulk sample testing program at the Miguel Auza mill facility in Q3 2018.

MINE OPERATION

Production

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

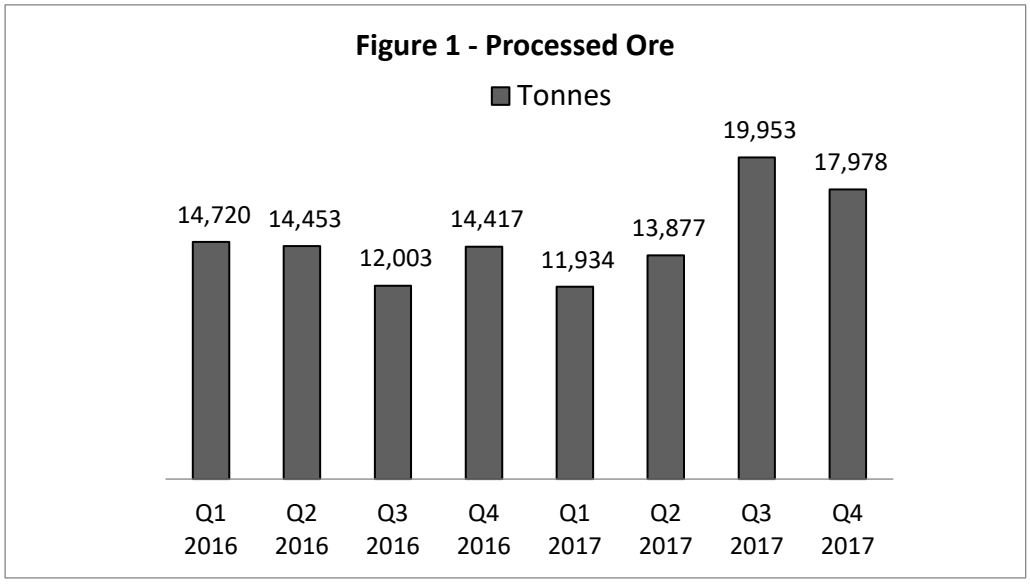
		Q4 2017(1)	Q4 2016(1)	2017(1)	2016(1)
Tonnes of ore produced		16,114	15,320	57,165	53,234
Tonnes of ore processed		17,978	14,417	63,742	55,593
Ore grades:					
	Silver (g/t)	424	375	393	456
	Lead (%)	3.81	3.52	3.75	4.40
	Zinc (%)	5.81	4.80	5.30	5.70
Recoveries:					
	Silver (%)	90.3	90.0	89.3	90.5
	Lead (%)	80.0	81.1	80.9	82.1
	Zinc (%)	82.2	81.3	81.4	80.1
Production:					
	Silver – (oz)	223,349	159,524	718,460	752,689
	Silver equivalent (oz) (2)	475,007	305,934	1,470,650	1,293,815
	Lead – (lb)	1,198,286	903,763	4,241,225	4,427,300
	Zinc – (lb)	1,897,894	1,248,022	6,059,922	5,581,060
Payable: (3)					
	Silver – (oz)	206,400	126,773	667,370	668,181
	Silver equivalent (oz) (2)	435,924	241,867	1,345,500	1,133,789
	Lead – (lb)	1,170,595	740,812	4,134,184	4,092,790
	Zinc – (lb)	1,669,739	955,415	5,219,258	4,602,386
Realized prices: (4)					
	Silver – ($US/oz)	16.32	16.70	16.73	17.38
	Lead – ($US/lb)	1.14	1.03	1.08	0.85
	Zinc – ($US/lb)	1.45	1.22	1.37	0.98

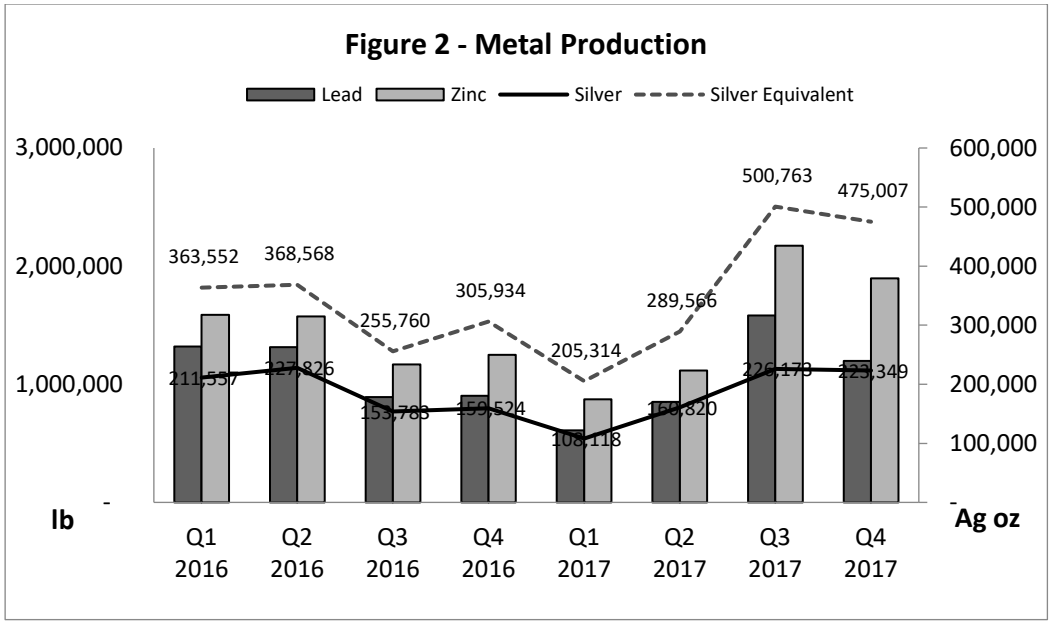
(1) Period deliveries remain subject to assay and price adjustments on final settlement with concentrate purchaser(s). Data has been adjusted to reflect final assay and price adjustments for prior period deliveries settled during the period.

(2) 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:

		Q4		12-Mos	
		2017	2016	2017	2016
Tonnes Milled		**17,978**	**14,417**	**63,742**	**55,593**
Tonnage milled increased by 25% or 3,561 tonnes during Q4 2017 relative to Q4 2016 as the Company's Optimization Plan (as defined below) continued to allow for dry conditions during the quarter. During October, production was primarily from the Pierna and Guadalupe South mantos, as ground support was required in Pierna and 623 Manto, with both mantos silled and bolted simultaneously. Production rates averaged 179 tonnes per day ("tpd") slightly down from the previous quarter's 200 tpd but an overall improvement from 125 tpd in Q2 2017, as the Company began incorporating normal course bolting and screening at much lower cost and time to advance development. Tonnage improved considerably during the remainder of the quarter with multiple operating faces in the Rodilla Manto, Guadalupe South Manto, Pierna Manto and the high-grade 623 Manto. Overall for 2017, tonnage mined of 57,165 tonnes and milled of 63,742 tonnes improved by 7% and 15% respectively compared to 2016.					
Grade	**Ag (g/t)**	**424**	**375**	**393**	**456**
	Pb (%)	**3.81**	**3.52**	**3.75**	**4.40**
	Zn (%)	**5.81**	**4.80**	**5.30**	**5.70**

Higher silver, lead and zinc grades were realized during Q4 2017 compared to Q4 2016 while 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 in 2017, demonstrating the increase in AgEq grades as the year progressed:

	Q1 2017		Q2 2017		Q3 2017		Q4 2017	
Feed Tonnes	**Tonnes**	**AgEq (g/t)***	**Tonnes**	**AgEq (g/t)***	**Tonnes**	**AgEq (g/t)***	**Tonnes**	**AgEq (g/t)***
Ore	11,036	660	11,051	868	17,135	1,015	15,203	1,062
Low grade stockpiles	897	286	2,826	300	2,819	339	2,775	400
Total:	11,934	632	13,877	752	19,953	920	17,978	960

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

Recoveries	**Ag (%)**	**90.3**	**90.0**	**89.3**	**90.5**
	Pb (%)	**80.0**	**81.1**	**80.9**	**82.1**
	Zn (%)	**82.2**	**81.3**	**81.4**	**80.1**

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

		Q4		12-Mos	
		2017	2016	2017	2016
Metal Produced	Ag (oz)	223,349	159,524	718,460	752,689
	Pb (lb)	1,198,286	903,763	4,241,225	4,427,300
	Zn (lb)	1,897,894	1,248,022	6,059,922	5,581,060
	AgEq (oz)	475,007	305,934	1,470,650	1,293,815
As discussed above, access to four manto areas with higher grades in Q4 2017 increased metal production, resulting in production of 475,007 AgEq oz for the quarter, a 55% improvement from Q4 2016, and comparable to total production for H1 2017 (494,880 AgEq oz). Overall, stronger Q4 production resulted in 1,470,650 AgEq oz produced for 2017 representing a 14% improvement over 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 in mid-May and particularly by late June as dry mining conditions were achieved allowing increased access to high-grade ore.

Production during the fourth quarter accessed the Rodilla Manto, Guadalupe South Manto, Pierna Manto and the high-grade 623 Manto. During October, production was primarily from the Pierna and Guadalupe South mantos, as ground support was required in Pierna and 623 Manto, with both mantos silled and bolted simultaneously. Historically, intensive grouting to control water served as enhanced ground support at great cost and time. With grouting eliminated, the operation is incorporating normal course bolting and screening at much lower cost and time to advance development. Tonnage improved considerably during the remainder of the quarter with multiple operating faces in all four mantos. More efficient installation of ground support is a key ongoing project at Platosa, as the mining operation works to increase productivity to reach a steady rate of production at 300 tpd.

Pumping rates were lower than planned during Q4 2017, which impacted overall drawdown, as repairs were required to the electrical starters on certain pumps, but are now closer to 30,000 gpm. Drawdown was also impacted by refiltration of water from surface into the aquifer from two areas identified during Q4, which have now been closed off. The Company continues to monitor and is working to eliminate another holding pond ~3.5 km from Platosa during Q2 2018, which also has the potential to impact drawdown rates in the ordinary course. By the end of Q4, drawdown rates were improving and the Company realized further improvement in Q1 2018. Due to the foregoing, development rates were lower than in the previous quarter with 151 metres in ore (44% decrease over Q3 2017 – 269 metres) and 227 metres in waste (22% decrease over Q3 2017 – 292 metres). Development rates are expected to continue to increase as headings drive into the next levels of all four mantos.

Production during Q1 2018 is expected to be below expectation primarily as development focused on driving a ramp deeper on Rodilla and Pierna and a second ramp below 623 mineralization to set up more productive cut-and-fill mining going forward on all three mantos. Development of these ramps was hindered due to slower than planned drawdown in Q4 2017, though improved during Q1 2018. As a result, production during Q1 2018 is expected to be 410,000 - 440,000 AgEq ounces and is expected to increase from both ramps in Q2 2018. The Company expects to publish an updated mineral resource estimate and technical report in April, along with an associated production outlook for the remainder of 2018.

In October, the Company successfully commissioned the second tailings management facility ("TMF") at the Company's milling facility in Miguel Auza, Zacatecas. The new TMF will provide for approximately 19 years of capacity at a 300 tpd

production rate in five stages and replaces the original TMF which had reached its design capacity. The TMF is a key strategic asset in the Company's plans to (i) continue growing resources at the Platosa Mine, (ii) discover additional Platosa-like deposits on the Platosa Property, (iii) discover epithermal silver deposits in the Miguel Auza area, and (iv) generate additional revenue and cash flow from the recently announced toll milling arrangement with Hecla.

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 50% in the second half 2017 relative to the first half of 2017;
- Development rates improved by 15% in the second half relative to the first half of 2017;
- Mobile equipment availability improved by 56% 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 further increase production and development rates and reduce installed pumps to 20-25, 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. The Company has commenced Phase 2 of the Optimization Plan as part of the ordinary course of mining operations going forward. Phase 2 will consist of the periodic development of new well bays and the drilling of new wells going forward, with submersible pumps being moved to the new wells as the higher elevation wells begin to lose pumping efficiency. During Q4 2017, the Company completed the development of two new well bays and the drilling of four new production wells. One of these wells is now in use with another ready for use pending capacity reorganization of vertical turbine pumps. The other two new production wells will be in use early in Q2 2018. Capital expenditures on Phase 2 are considered sustaining and are expected to total approximately $2 million over the course of 2018 and into 2019.

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 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, 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, with less than 10% estimated to be from within the December 31, 2014 resource block model. Mine production during 2016 was estimated to comprise 8,890 tonnes from within and 43,344 tonnes outside of the resource block model. During 2017, the Company accelerated underground drilling and successfully added mineralization to the upper parts of the 623 Manto. The Company is currently revising the Platosa mine plan to incorporate this near-infrastructure and near-term-mineable mineralization and will provide an update on 2018 guidance in due course. The Company also expects to release an updated mineral resource estimate for Platosa early in Q2 2018. The reader is therefore cautioned not to put undue reliance on the resource estimate in the PEA at this time.

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 made considerable progress implementing a CR management framework and system by rolling out 16 standards to Platosa and Miguel Auza. The implementation was prioritized by eight High Consequence Hazard ("HCH") standards that address common workplace hazards that can have adverse impacts on the safety of workers if inadequately managed. The eight HCH standards are:

- Energy isolation and lock-out;
- Confined space entry;
- Working at height;
- Hot work;
- Machine Guarding;
- Vehicular energy;
- Ground control; and
- Working in water.

Standards introduced also included:

- Leadership, roles and responsibilities;
- Legal requirements and compliance management;
- Culture and behaviour;
- Incident classification, notification and investigation;
- Emergency preparedness and crisis management;
- Environmental monitoring;
- Stakeholder identification, mapping and engagement; and
- Site-level grievance mechanism.

These standards introduced new requirements to ensure that the achievement of objectives; much work remains to ensure that the requirements are incorporated into procedures at Platosa and Miguel Auza.

The Company also introduced formal workplace interactions as the first element of a Visible Felt Leadership (VFL) process. VFL is designed to improve workplace culture and behaviour using a series of practical tools that will become habit over time. Workplace interactions are positive, open-ended conversations between workers across all levels of the organization to ensure hazards are properly identified and procedural steps are understood. The conversations also communicate caring and concern about the well being of all people in the workplace. Platosa and Miguel Auza made excellent progress in workplace interactions, recording a total of 887 and 599 interactions, respectively, during the last three months of 2017. Efforts continue to ensure that all workplace interactions are of high quality.

At the corporate level, the Company developed a crisis management and communications plan and performed desktop training to familiarize members of the crisis management team on the elements of the plan and to test responses to a crisis situation.

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 performance indicators and also reporting elements of the VFL process. Total recordable injury frequency and lost time injury frequency and injury severity declined 59%, 41% and 35%, respectively, from the full-year 2016 results. Injury severity was elevated significantly compared to the 2016 results because of a serious injury to an employee in late November 2017.

Tailings management at Miguel Auza

There are two tailings management facilities (TMF) at Miguel Auza. TMF #1 is located immediately northwest of the concentrator and was decommissioned in October, 2017 after having reached its final crest height of 6.52 m and design capacity of approximately 313,000 m^3 (~520,000 tonnes) of tailings. At present, TMF #1 is being dewatered in preparation for closure-related activities which will include re-grading, re-vegetation with approved, native species and 5 years of monitoring to confirm that there are no fugitive dust emissions, that there is no impact to water quality and to confirm the physical stability of the embankment. The cost for these closure related activities for TMF#1 is estimated to be less than $90,000. Stability evaluations will be performed annually. TMF #1 will not have any surface water discharge.

An Environmental Impact Assessment for the construction and operation of a second TMF (TMF #2) located on land owned by Excellon approximately 1 km north of the Miguel Auza concentrator was approved by SEMARNAT on January 31, 2017. The authorization has a term of thirty years and eight months.

TMF #2 will be constructed in five stages, as capacity is required. The first stage is a 6 m centreline embankment with a low permeability core and rock shell. The core was compacted to 90 percent-modified Proctor. Materials for the embankment were sourced from the footprint of the facility, which was excavated and compacted to provide a low permeability foundation. Construction and quality assurance/quality control were provided by third-party contractors. Construction of the first stage of the facility was largely completed by the end of the third quarter of 2017 and the first tailings from the concentrator were routed to TMF #2 in the fourth quarter of 2017. The first stage of TMF #2 is designed to store approximately 207,000 tonnes of tailings.

Closure Plans, Cost Estimates and Financial Assurance

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 2017 with estimated undiscounted cash costs of $1.1 million for Platosa and $1.2 million for Miguel Auza. These costs are incorporated into an Asset Retirement Obligation, which appears on the Company's balance sheet.

As part of the approval for TMF #2, SEMARNAT established requirements for the provision of financial assurance (FA). Following an initial FA amount of approximately $60,000, annual FA payments escalate from approximately $13,000 in Year 2 to $184,000 in Year 30. The total FA required over the thirty year term of the permit is approximately $1.96 million to provide a guarantee against the operating and closure requirements of TMF #2. A bond for $60,000 for FA has been posted with regulators. Miguel Auza is in compliance with its FA requirements.

Approvals for Platosa pre-date the requirement for FA in Mexico and therefore there is no FA required at Platosa.

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 51% of the Company's net revenues from metals sold in 2017 compared to 41% for the year 2016. Of the 51%, zinc accounted for 31% and lead 20%, relative to 23% and 18% in 2016, a result of improved base metal production and higher metal prices, particularly zinc.

Silver traded between $16-17/oz during Q4 2017 and overall averaged $17/oz for 2017 and 2016. Silver prices have recently been impacted by a stronger U.S. dollar and increasing treasury yields and have not been supported by recent equity volatility or global security concerns, including North Korea. U.S. Mint sales continue to be poor during the first months of 2018 and speculative net short positions have increased. Additionally, the silver:gold ratio increased beyond 80:1 to historical highs. Silver appears relatively range-bound for the coming periods barring, in particular, increased interest in gold investment and an associated normalizing of the silver:gold ratio.

Lead prices continued to strengthen during Q4 2017 as Chinese environmental regulations continued to take supply off the market at both the mine and smelter levels, resulting in the refined lead imports into China for the first time since 2012. A deficit in the lead market is expected to continue in 2018 though, near-term, some weakness in expected batter deliveries in both the U.S. and China may lead to maintained or softer prices.

Zinc prices remained strong through the end of 2017 and significantly stronger than much of 2016. The zinc market remains in sizeable deficit with material drawdowns in warehouse inventories to multi-year lows, somewhat offset by a sudden increase in inventory of ~70,000 tonnes in recent weeks. Chinese zinc imports are up materially year-over-year. The zinc price is expected to remain well supported through most of 2018, with some potential weakening in the latter half of the year as new production comes online.

Average Commodity Prices	Q4 2017	Q4 2016	Change	2017	2016	Change
Silver ($/oz) (1)	16.70	17.18	-3%	17.05	17.10	0%
Lead ($/lb) (2)	1.13	0.98	16%	1.05	0.85	24%
Zinc ($/lbs) (2)	1.47	1.14	29%	1.31	0.95	38%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver ($/oz)(1)	**2017**	16.81	17.87	17.59	18.06	16.76	16.95	16.14	16.91	17.45	16.93	17.01	16.16
	2016	14.02	15.07	15.42	16.26	16.89	17.18	19.93	19.64	19.28	17.74	17.42	16.38
	2015	17.10	16.84	16.22	16.32	16.80	16.10	15.07	14.94	14.72	15.71	14.51	14.05
Lead ($/lb)(2)	**2017**	1.01	**1.05**	**1.03**	**1.01**	**0.97**	**0.97**	**1.03**	**1.07**	**1.08**	**1.14**	**1.12**	**1.14**
	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
Zinc ($/lb)(2)	**2017**	**1.23**	**1.29**	**1.26**	**1.19**	**1.17**	**1.17**	**1.26**	**1.35**	**1.42**	**1.49**	**1.47**	**1.45**
	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 December 31, 2017 and 2016 and last eight quarters are as follows:

(in $000's)	Q4 2017[1] $	Q3 2017[1] $	Q2 2017[1] $	Q1 2017[1] $	Q4 2016[1] $	Q3 2016[1] $	Q2 2016[1] $	Q1 2016[1] $
Revenues	7,123	7,102	3,570	3,413	3,354	4,009	5,370	4,261
Production costs	(4,796)	(4,160)	(3,997)	(4,025)	(3,620)	(3,577)	(3,441)	(3,269)
Depletion and amortization	(1,277)	(1,426)	(582)	(546)	(696)	(525)	(609)	(605)
Cost of sales	(6,073)	(5,586)	(4,579)	(4,571)	(4,316)	(4,102)	(4,050)	(3,874)
Gross profit (loss)	1,050	1,516	(1,009)	(1,158)	(962)	(93)	1,320	387
Expenses:								
Corporate administration	(1,159)	(892)	(842)	(1,335)	(1,214)	(944)	(665)	(654)
Exploration	(345)	(382)	(618)	(564)	(809)	(228)	(171)	(137)
Other	(415)	(88)	630	1,713	(1,112)	440	68	(367)
Write-down of inventories [2]	(568)	-	-	-	-	-	-	-
Recovery (Impairment) of assets [3]	-	-	-	-	-	-	156	-
Net Finance income (cost)	820	(5,974)	1,629	1,263	2,367	(6,100)	(5,575)	(1,980)
Income tax (expense) recovery	2,170	(87)	(292)	(754)	1,674	(87)	489	125
Net income (loss) for the period	1,553	(5,907)	(502)	(835)	(56)	(7,012)	(4,378)	(2,626)
Adjusted net income (loss) [4]	850	(350)	(2,235)	(1,917)	(2,489)	(1,035)	852	(736)
Earnings (loss) per share – basic	0.02	(0.08)	(0.02)	(0.01)	(0.00)	(0.10)	(0.07)	(0.05)
– diluted	0.02	(0.08)	(0.02)	(0.01)	(0.00)	(0.09)	(0.07)	(0.05)
Cash flow from (used in) operations before changes in working capital	571	1,464	(1,297)	(1,437)	(3,147)	(887)	482	261

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

Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
$1.3 million	($5.6 million)	$1.7 million	$1.1 million	$2.4 million	($6.0 million)	($5.4 million)	($1.9 million)

(2) Write-down of production spares to its net realizable value by $0.57 million for slowing moving and obsolescent inventory items identified at the end of the year.
(3) Reflects reversal of impairment of $0.16 million on DeSantis exploration property sold in Q2 2016.
(4) Adjusted net income (loss) reflects net income before adjustment (1)(2) and (3) above.

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.

	Q4 ($000's, except where noted)		Year ($000's, except where noted)	
	2017	2016	2017	2016
Revenue	**7,123**	**3,354**	**21,208**	**16,994**
Net Loss	**1,553**	**(55)**	**(5,691)**	**(14,071)**
Adjusted Net Income (Loss)	**850**	**(2,489)**	**(3,652)**	**(3,408)**

Q4: Net revenues increased by 112% during Q4 2017, primarily due to an 80% increase in AgEq ounces payable to 435,924 oz compared to 241,867 oz in Q4 2016. Realized silver price of $16.32/oz was comparable to Q4 2016 while treatment and refining charges ("TC/RC") continued to reflect the improved terms under 2017 offtake sales agreements. TC/RC charges of $0.7 million was 8% of revenues in Q4 2017 compared to 19% in Q4 2016.

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

The Company's adjusted net income of $0.9 million reflects income before recording i) $1.3 million (Q4 2016 – $2.4 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 and ii) $0.6 million inventory write-down for slow moving and obsolete production warehouse spares.

In comparing adjusted net income of $0.9 million in Q4 2017 to adjusted net loss of $2.5 million in Q4 2016, major differences between the periods were:

(i) 112% increase ($3.8 million) in revenues as discussed above;

(ii) 83% increase ($0.6 million) in depletion and amortization over Q4 2016 as amortization of capitalized costs of the Optimization Plan continued. Depletion and amortization will continue to be higher going forward as these capitalized costs are amortized over the life of mine;

(iii) 33% increase ($1.2 million) in cash cost of sales, primarily due to increased electricity usage and rate charges required for the increased pumping of the Optimization Plan and increased production cost (discussed further under Cost of Sales, below).

Year: Overall, net revenues of $21.2 million for 2017 improved by 25% compared to $17.0 million for 2016, primarily due to a 19% increase in AgEq ounces payable to 1,345,500 oz for 2017 compared to 1,133,789 oz for 2016, while the realized silver price of $16.73 was comparable to 2016.

TC/RC of $1.7 million was 7% of revenues in 2017 compared to 17% in 2016, or a reduction of $1.9 million despite lower revenues in 2016, reflecting the improved offtake sales agreement from the previous year.

Adjusted net loss reflects income before recording i) $1.5 million fair value adjustment loss (2016 – $10.8 million loss) on embedded derivatives and warrants related to the Debentures in accordance with IFRS, which is included in Net Financing Cost, discussed below and ii) $0.6 million inventory write-down for slow moving and obsolete production warehouse spares. Adjusted net loss was $3.7 million in 2017 compared to $3.4 million net loss in 2016, though differences in line items between the years are as follows:

(i) 57% increase in depletion and amortization, for the reasons noted above;

(ii) 22% increase in cash cost of sales primarily due to increased electricity usage and rate charges;

(iii) 22% increased general and administrative cost due to the engagement of three new Vice Presidents and two new board members with 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) 42% increased exploration costs as drilling continued at Platosa throughout 2017, though was negligible in H1 2016; and

	Q4 ($000's, except where noted)		Year ($000's, except where noted)	
	2017	2016	2017	2016
(v) $1.8 million realized gain on marketable securities in other income compared to $1.0 million other expenses in 2016, which comprised $1.5 million foreign exchange losses and $0.2 million provision with offsetting unrealized gain of $0.8 million on marketable securities.				
Cost of Sales	**(6,073)**	**(4,315)**	**(20,809)**	**(16,341)**
Q4: Cost of sales, including depletion and amortization, increased by 41% compared to Q4 2016, or 33% excluding depletion and amortization. As discussed above, other than increased tonnage, 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 an increase in electricity usage and average unit cost from MXN1.366 to MXN 1.461 ($0.07/kWh to $0.08/kWh) between the two quarters. 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 resulted in 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. **2017:** Cost of sales, including depletion and amortization, increased by 27% compared to 2016, or 22% excluding depletion and amortization. Over the period, as discussed above and other than increased tonnage, the primary contributor to increased costs of sales was increased depletion and amortization, as well as increased electricity usage and average rate charges from MXN1.17 to MXN1.50 ($0.06/kWh to $0.08/kWh) between the periods. 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, though slightly lower in Q4 at 179 tpd as ground conditions required additional development work prior to accessing further mine workings.				
General and Administrative Expense	**(1,159)**	**(1,214)**	**(4,228)**	**(3,477)**
Q4: General and administrative expenses decreased by 5% during Q4 2017 compared to Q4 2016, primarily due to 5% change in foreign exchange rate translation as general and administrative costs were comparable in the Canadian functional currency at the corporate office. **2017:** General and administrative expenses of $4.2 million increased by 22% during 2017 compared to $3.5 million in 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 $2.9 million in 2017 increased compared to $2.5 million in 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.				

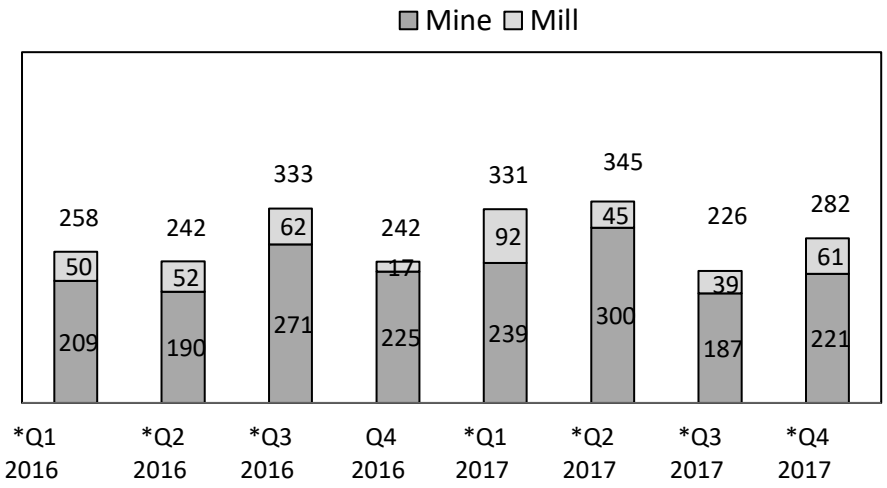
	Q4 ($000's, except where noted)		Year ($000's, except where noted)	
	2017	2016	2017	2016
Exploration	**(345)**	**(809)**	**(1,909)**	**(1,345)**
Q4: Exploration cost of $0.3 million decreased in the quarter primarily due to lower surface drilling of 225 metres compared to 2,500 metres in Q4 2016. Underground drilling resumed in Q4 for 2,261 metres for a total 2,486 metres drilled in the quarter (Q4 2016 – 2,500 metres). **2017:** Exploration cost of $1.9 million increased in 2017 as the 25,000 metre drill program continued from Q3 2016. Overall, a total of 9,318 metres were drilled in 2017 (2,475 metres from surface and 6,843 metres from underground) compared to a total 3,500 metres from surface in 2016.				
Other Income (Expenses)	**(415)**	**(1,112)**	**1,840**	**(971)**
Other income (expenses) includes unrealized and realized foreign exchange gains and losses, realized and unrealized gains and losses on marketable securities and provisional adjustments. **Q4:** Other expenses during Q4 2017 comprised $0.4 million of foreign exchange losses. During Q4 2016, other expenses of $1.1 million comprised i) a foreign exchange loss of $0.5 million, (ii) an unrealized loss on marketable securities of $0.4 million from a decrease in the value of common shares ("Osisko Shares") of Osisko Mining Corp. ("Osisko") received as consideration for the sale of the DeSantis exploration property in Q2 2016 and (iii) $0.2 million in change in provision estimates. **2017:** For 2017, other income includes a $1.8 million realized gain on the sale of 837,000 Osisko Shares sold in Q2 2017 and $0.1 million in foreign exchange gains.				
Financing Cost	**820**	**2,367**	**(2,262)**	**(11,288)**
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. As the Debentures have now been settled, no further fair value adjustments will be required in their respect. **Q4:** During Q4 2017, a decrease in the stock price from CAD$2.03 to CAD$1.84, resulted in a $1.3 million fair value adjustment gain on embedded derivatives and warrants related to the Debentures prior to conversion on December 28, 2017, while during Q4 2016, a decrease from CAD$1.88 to CAD$1.64 resulted in a $2.4 million fair value adjustment gain from these instruments. **2017:** During 2017, an increase in the stock price from CAD$1.64 to CAD$1.84 resulted in a cumulative $1.5 million fair value adjustment loss on embedded derivative and warrants related to the Debentures, while during 2016, an increase from CAD$0.31 to CAD$1.64 resulted in a cumulative $10.8 million fair value adjustment loss from these instruments.				
Production Cost per Tonne (see "Non-IFRS Measures" for reconciliation table)	**$267/t**	**$251/t**	**$266/t**	**$250/t**
Q4: Production cost per tonne of $267/t increased by 6% primarily due to increased electricity consumption relating to the Optimization Plan and increased unit costs for electricity, as discussed above. **2017:** Production cost per tonne of $266/t increased from 2016 primarily due to increased energy consumption relating to the Optimization Plan and increased unit cost for electricity, 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 will improve during 2018 as production rates increase, along with increased pumping efficiency and most recent lower				

	Q4 ($000's, except where noted)		Year ($000's, except where noted)	
	2017	2016	2017	2016

electricity unit costs in Mexico.

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 low grade stockpiles to accurately reflect comparable production costs between periods. Low grade stockpiles shipped to mill in recent periods were Q1 2016 – 2,300, Q2 2016 – 1,870, Q3 2016 – 760, Q1 2017 – 1,253, Q2 2017 – 1,620 , Q3 2017 – 2,682 tonnes and Q4 2017 – 2,650.

	Q4 ($000's, except where noted)		Year ($000's, except where noted)	
	2017	2016	2017	2016
Total Cash Cost Per Silver Ounce Payable (see "Non-IFRS Measures" for reconciliation table)	**$6.27/oz**	**$18.48/oz**	**$10.38/oz**	**$13.42/oz**

Q4: Total cash cost per silver ounce payable of $6.27 continued to demonstrate significant improvement from $18.48 in Q4 2016, mainly due to successful completion of the Optimization Plan in early July, allowing access to higher grade mantos with higher AgEq ounces payable (+80%). As a result, silver ounce payable 206,400 oz in Q4 2017 was a 63% improvement over Q4 2016 of 126,773 oz. While cash cost of sales increased by 33%, as discussed above, these costs were offset by a 102% increase in byproduct credits primarily due to significantly higher lead and zinc production and prices. In addition, TC/RC charges decreased materially due to improved offtake terms relative to Q4 2016 as noted above in Revenues, resulting in a lower cash cost of $1.3 million for Q4 2017 compared to $2.3 million in Q4 2016.

2017: Total cash cost per silver ounce payable of $10.38 for 2017 also improved from $12.22/oz for 9-mos 2017 as a result of lower cash cost in Q4 2017. In comparison to 2016 of $13.42/oz, cash costs of sales in 2017 of $17.0 million were 22% higher than $13.9 million in 2016 but were offset by a 39% increase in byproduct credits for a net cash cost of $6.9 million, compared to $9.0 million in 2016, for an overall improvement of 23%. Silver ounces payable of 667,370 oz in 2017 were comparable to 668,181 oz in 2016 resulting in an overall improved cash cost of $10.38/oz for the year.

AISC Per Silver Ounce Payable	**$18.42/oz**	**$71.17/oz**	**$27.97/oz**	**$33.04/oz**
Adjusted AISC Per Silver Ounce Payable (see "Non-IFRS Measures" for reconciliation table)	**$15.84/oz**	**$48.49/oz**	**$21.89/oz**	**$25.83/oz**

Q4: The Company's Adjusted AISC continued to show improvement from H1 2017 and 2016 as Adjusted AISC per silver ounce payable of $15.84 resulted primarily from increased metal produced with the successful completion of the Optimization Plan in Q2 2017, as discussed above compared to $48.49 in Q4 2016. Adjusted AISC for Q4 2017 though increased from previous quarter as a result of (i) lower AgEq oz produced (ii) increased in total cash cost as described above and (iii) increased in general and administrative cost and share based compensation related to additional two new directors at the end of 2017.

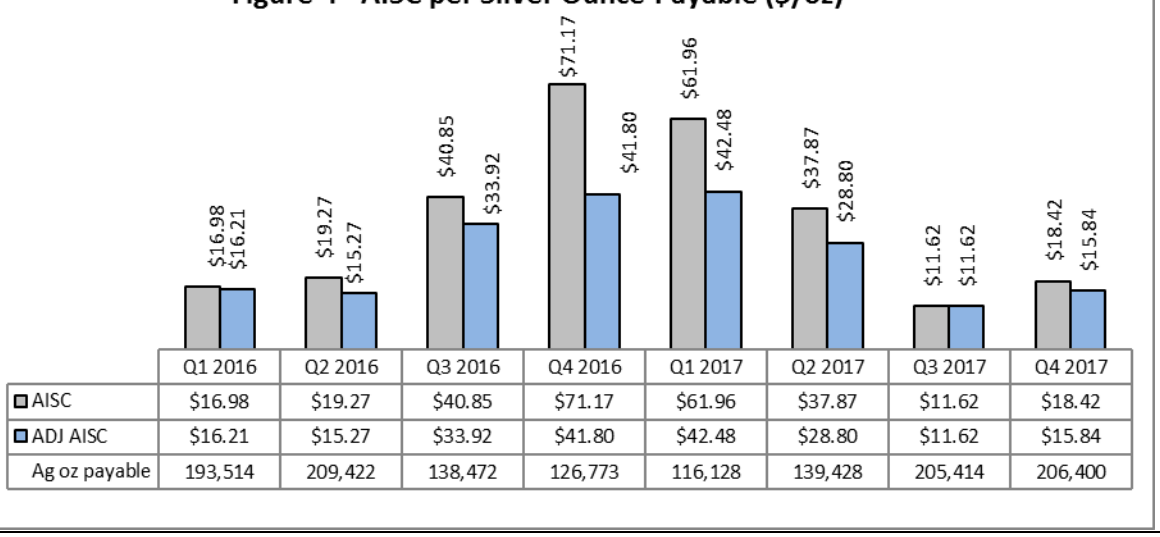
Unadjusted AISC of $18.42 reflects the cost of the Optimization Plan Phase 2 of $0.5 million, which commenced in Q4 2017, compared to $71.17 in Q4 2016, which reflected the cost of the Optimization Plan Phase 1.

2017: The Company's Adjusted AISC per silver ounce payable of $21.89 during 2017 was lower than $25.83 in 2016 primarily due to (i) a 23% lower net cash cast of $6.9 million and (ii) 36% lower sustaining capital expenditures as in 2016 the Company purchased two scoop trams vehicles and one jumbo vehicle for current operations.

Unadjusted AISC of $27.89 included (i) significant one-time capital and development costs of $3.5 million associated with the Optimization Plan Phase 1, which was completed in July 2017 primarily relating to the purchase of pumping equipment, along with well-drilling and engineering costs and (ii) the commencement of Phase 2 of the Optimization Plan as described above for $0.5 million.

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

	Q4 ($000's, except where noted)		Year ($000's, except where noted)	
	2017	2016	2017	2016



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
AISC	$16.98	$19.27	$40.85	$71.17	$61.96	$37.87	$11.62	$18.42
ADJ AISC	$16.21	$15.27	$33.92	$41.80	$42.48	$28.80	$11.62	$15.84
Ag oz payable	193,514	209,422	138,472	126,773	116,128	139,428	205,414	206,400

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 Q4 2017, the Company recognized a positive adjustment to revenues of $0.5 million primarily relating to the reversal of the mark-to-market taken at the end of September 30, 2017, as receivables were ultimately settled at higher values during the quarter (Q4 2016 – positive adjustment of $7,000).

During 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 (2016 – positive adjustment of $0.3 million).

As at December 31, 2017, provisionally priced sales totaled $3.1 million, which are expected to settle at final prices during the first quarter of 2018. A 10% increase or decrease in the prices of silver, lead and zinc will result in a corresponding increase or decrease in revenues of $0.3 million during the first quarter of 2018.

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

	Q4 2017			
	Silver	Lead	Zinc	Total
	$	$	$	$
Current period sales [1]	3,474	1,389	2,457	7,320
Prior period provisional adjustments [2]	168	76	218	462
Sales before TC/RC [3]	3,642	1,465	2,675	7,782
Less: TC/RC [3]				(659)
Total Sales				7,123

	2017			
	Silver	Lead	Zinc	Total
	$	$	$	$
Current period sales [1]	11,205	4,490	7,190	22,885
Prior period provisional adjustments [2]	44	(5)	(56)	(17)
Sales before TC/RC [3]	11,249	4,485	7,134	22,868
Less: TC/RC [3]				(1,660)
Total Sales				21,208

	Q4 2016			
	Silver	Lead	Zinc	Total
	$	$	$	$
Current period sales [1]	2,156	793	1,196	4,145
Prior period provisional adjustments [2]	(56)	(3)	66	7
Sales before TC/RC [3]	2,100	790	1,262	4,152
Less: TC/RC [3]				(798)
Total Sales				3,354

	2016			
	Silver	Lead	Zinc	Total
	$	$	$	$
Current period sales [1]	11,941	3,607	4,689	20,237
Prior period provisional adjustments [2]	204	48	14	266
Sales before TC/RC [3]	12,145	3,655	4,703	20,503
Less: TC/RC [3]				(3,509)
Total Sales				**16,994**

(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.

	Q4 2017	Q4 2016	2017	2016
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost of Sales	6,073	4,316	20,809	16,341
Depletion and amortization	(1,277)	(696)	(3,831)	(2,435)
Production Costs (includes mining and milling)	**4,796**	**3,620**	**16,978**	**13,906**
Tonnes milled	17,978	14,417	63,742	55,593
Production cost per tonne milled ($/tonne)	267	251	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:

	Q4 2017	Q4 2016	2017	2016
	$ 000's	$ 000's	$ 000's	$ 000's
Cost of sales	6,073	4,316	20,809	16,341
Adjustments - increase/(decrease):				
Depletion and amortization	(1,277)	(696)	(3,831)	(2,435)
Third party smelting and refining charges [1]	659	798	1,660	3,509
Royalties [2]	(22)	(23)	(90)	(90)
By-product credits [3]	(4,139)	(2,052)	(11,619)	(8,358)
Total cash cost net of by-product credits	**1,294**	**2,343**	**6,929**	**8,967**
Silver ounces payable	206,400	126,773	667,370	668,181
Total cash cost per silver ounce payable ($/oz)	**6.27**	**18.48**	**10.38**	**13.42**

(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.

	Q4 2017	Q4 2016	2017	2016
	$ 000's	$ 000's	$ 000's	$ 000's
Total cash costs net of by-product credits	1,294	2,343	6,929	8,967
General and administrative costs (cash)	791	844	2,854	2,481
Share based payments (non-cash)	313	319	1,179	819
Accretion and amortization of reclamation costs (non-cash)	42	5	157	74
Sustaining exploration (manto resource exploration/drilling)	48	765	1,089	1,195
Sustaining capital expenditures (1)	782	1,872	2,397	3,719
One time capital expenditures – Optimization Plan (3)	-	2,875	3,527	4,819
One time capital expenditures – Optimization Plan 2 (3)	532	-	532	-
Total sustaining costs	2,508	6,680	11,735	13,107
All-in sustaining costs	3,802	9,023	18,664	22,074
Silver ounces payable	206,400	126,773	667,370	668,181
AISC per silver ounce payable ($/oz) (2)	**18.42**	**71.17**	**27.97**	**33.04**
Adjusted AISC per silver ounce payable ($/oz) (3)	**15.84**	**48.49**	**21.89**	**25.82**
Realized silver price per ounce sold (4)	**16.32**	**16.70**	**16.73**	**17.38**

(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 $16.70 (Q3 2017), $68.62 (Q4 2016), $25.96 (2017) and $31.70 (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 and Phase 2 that commenced in Q4 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 2018, 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 silver prices.

	December 31, 2017	December 31, 2016
	($000's)	
Cash, Cash Equivalents and Marketable Securities	**$12,265**	**$6,930**
The Company's cash position increased by $10.1 million during 2017 as: (i) $0.7 million was used in operations before changes in working capital, primarily during the first two quarters prior to completion of the Optimization Plan when $2.7 million was used in operations, after which the Company generated $2.0 million of operating cash in flows; (ii) $6.8 million was invested in capital expenditures, of which $3.5 million and $0.5 million related to the Optimization Plan Phase 1 and Phase 2 respectively, with remaining expenditures invested in mine development and completion of the construction of the first phase of the TMF at the mill; (iii) $10.6 million net proceeds from the 2017 Offering on November 9, 2017; and (iv) 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 Phase 1 and for working capital. Cash, current accounts receivable and inventory (ore and concentrate) increased to $14.8 million during the period from $4.1 million in Q3 2017.		
Trade Receivables	**$2,375**	**$738**
Trade receivables increased by $1.6 million relative to December 31, 2016 due to the timing of concentrate deliveries at the end of 2017. The Company delivered concentrate at the end of 2017, with payment received in early January 2018. At the end of Q4 2016, lower concentrate tonnage produced and seasonal closures prevented a portion of inventory from being delivered before period end.		
Trade Payables	**$5,447**	**$4,514**
Trade payables increased by $0.9 million at the end of 2017 relative to December 31, 2016, as significant investments were made towards the end of the year which include $0.5 million towards the Optimization Plan Phase 2 and $0.5 million towards to the tailings facility, amounts that were paid in 2018.		
Working Capital	**$13,828**	**$8,554**
Working capital improved by $8.9 million in Q4 2017 as the operation was cash flow positive during the quarter along with the $10.6 million in proceeds from the Offering. The Company expects to maintain current levels of working capital during H1 2018 as production continues to ramp-up, exploration expenditure continues and Optimization Plan Phase 2 is ongoing.		

	Q4		Year	
	2017	2016	2017	2016
Cash from (used in) operations before changes in working capital ($000's)	**571**	**(3,147)**	**(699)**	**(3,291)**
During Q4 2017, the operation generated positive cashflow of $0.6 million before changes in working capital and net cash flow of $1.1 million after changes in working capital, entirely resulting from benefits of the Optimization Plan being realized, as discussed further above.				
Investing Activities ($000's)	**(1,566)**	**(2,956)**	**(3,563)**	**(8,193)**
For Q4 2017, the Company's capital expenditures of $1.6 million related primarily to commencement of the Optimization Plan Phase 2 construction ($0.5 million), continued mine development and completion of the first phase of the TMF at the mill which was commissioned in late Q4 2017. For 2017, capital expenditures of $6.8 million comprised: $3.5 million related to Optimization Plan Phase 1 and $0.5 million related to Phase 2, $0.5 million towards the initial phase of the TMF at the mill and remaining amounts invested in mine development and mining equipment.				
Financing Activities ($000's)	**10,691**	**240**	**10,804**	**13,272**
For 2017, the Company's financing activities generated $10.6 million were primarily in Q4 from the 2017 Offering compared to $10.7 million from the public offering in Q3 2016 and $2.3 million from a private placement 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 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.

A Summary of the Company's financing activities for 2017 were as follows:

- On November 9, 2017, the Company completed the 2017 Offering of 7,393,750 2017 Public Units at a price of CAD$2.00 per 2017 Public Unit for gross proceeds of CAD$14.8 million. Each 2017 Public Unit comprised one Common Share and one half $2.80 Warrant with each whole $2.80 Warrant entitling the holder to acquire a Common Share at a price of CAD$2.80 until December 31, 2018.

  A broker's fee of CAD$0.9 million was paid in respect of the 2017 Offering.

- On December 28, 2017, the Company issued 9,695,000 Common Shares for conversion of the outstanding Debentures of CAD$4.8 million on its balance sheet. The warrants associated with the Debentures remain outstanding and continue be to classified as a liability on the balance sheet to conform with IFRS presentation but do not represent a cash liability to the Company in the future when exercised by the warrant holders.

- The Company has in-the-money warrants with a current exercise value of CAD$3.1 million (at a closing price of $1.66 per Common Share on March 21, 2018).

	Warrants Outstanding	In-the-money (CAD)	In-the-money (USD)	Expiry
Warrants ($0.50)	1,851,046	$925,523	$723,065	Nov. 27, 2019
Warrants ($0.65)	3,333,333	$2,166,666	$1,692,708	April 4, 2018
Warrants ($1.75)	6,568,695	-	-	July 26, 2018
Warrants ($2.80)	3,696,875	-	-	December 31, 2018
Total Warrants	**15,449,949**	**$3,092,189**	**$2,415,773**	

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.

The Mexican peso ("MXN") and the Canadian dollar ("CAD") are the functional currencies of the Company and as a result currency exposures arise from transactions and balance in currencies other than the functional currencies.

A significant portion of the Company's capital expenditures, operating costs, exploration, and administrative expenditures are incurred in 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 December 31, 2017, forward contracts for the purchase of MXN154 million in exchange for $8.0 million at an average rate of 19.11 MXN/USD, at various maturity dates until November 9, 2018, were outstanding. The fair value of these outstanding foreign currency forward contracts resulted in an unrealized loss of $174,000 at December 31, 2017, recorded in finance cost. The Company realized foreign exchange gains of $0.6 million within profit or loss from contracts maturing during the year, 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 December 31, 2017 (in thousands of US dollars):

	2018	2019	2020	2021	2022	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	5,420	-	-	-	-	5,420
Capital Expenditures	441	-	-	-	-	441
Mine restoration provision	-	-	-	-	1,491	1,491
Employee future benefits	-	-	-	-	1,098	1,098
Concession holding fees	499	505	512	513	524	2,553
Office leases	210	50	-	-	-	261
	6,570	555	512	513	3,113	11,263

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 Platosa. These rights entitle the Company to explore for and mine minerals at Platosa and in an extensive surrounding area. Excellon also owns all surface rights needed to produce silver from the Platosa Mine and conduct further surface and underground exploration for further high-grade manto mineralization and the skarn/source of the 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 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 also exists on other parts of the permit where deep seated mineralized structures intersect the limestone packages to the north, south and west of Platosa.

(ii) Skarn/Source Mineralization

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 and in drilling under the Platosa mantos. Drilling in 2012/2013 at Rincon Del Caido 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 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 has enhanced the understanding of geology in the area as well as integrated into targeting for the current drill program.

Plans

In the third quarter of 2016 and into 2017, 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 fourth quarter the Company had completed approximately 7,200 metres from underground and 4,000 metres from surface. 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
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 completed to accommodate this expansion and definition drilling ahead of mine workings specifically in the 623, Pierna and Rodilla areas.

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 resumed upon receipt of ordinary course drilling permits during Q4 and is planned to continue throughout 2018.

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. Fieldwork continued on these target areas throughout the fourth quarter. The Company also commenced regional soil sampling and permitting for geophysical programs on the Platosa concessions in Q4. Additional drill pad permits are also scheduled for application on the Platosa property to support evolving exploration plans. In addition to the drilling results noted above, highlights in exploration for Q4 2017 included:

- Strong indications of potential mineralization seen in surface sampling at Jaboncillo, PDN, San Gilberto 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 2017 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;
- Community relations work in the area; and
- Planning for mobilization of renowned experts in CRD and skarn geology to support exploration in Q1 2018.

The Company currently has planned approximately 30,000 metres of further drilling from surface by mid 2019 following on from the work completed in late 2016 and 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 San Gilberto 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 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 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 Q4 2017, exploration activities continued, including:

- Sampling of previously unsampled core in potentially mineral bearing structures;
- Regional mapping and sampling of the whole property;
- Compilation of and re-interpretation of historical data;
- Modelling of structural and vein features for exploration targeting; and
- 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 2018 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 2017, the Company incurred legal expenses of $65,000 (2016 – $134,000). As at December 31, 2017, the Company had an outstanding payable balance of $42,000 (as at December 31 , 2016 – $5,000).

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.

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 fourth 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 completed its evaluation of the impact of this standard and does not expect the Company's consolidated financial statements to be affected by IFRS 9.

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 completed its evaluation of the impact of this standard and does not expect the Company's consolidated financial statements to be affected by IFRS 15.

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 AIF, 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.