EXCELLON

Management's Discussion & Analysis of Financial Results
For the three month period ended March 31, 2018
May 9, 2018

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three month period ended March 31, 2018 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at May 9, 2018 and provides information on the operations of the Company for the three month period ended March 31, 2018 and 2017 and subsequent to the period end, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2018 the audited consolidated financial statements and the related notes for the year end December 31, 2017 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, and All-in Sustaining Cost ("AISC") per Silver Ounce Payable, 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 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 lead-silver concentrate and a zinc-silver 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 May 9, 2018)

Common shares issued and outstanding	98,314,143
Stock options	1,774,999
DSUs	2,381,757
RSUs	2,785,711
Warrants ($0.50)	1,851,046
Warrants ($1.75)	6,568,695
Warrants ($2.80)	3,696,875
Fully diluted common shares	117,373,226

On April 2, 2018, 3,333,333 CAD$0.65 warrants were exercised for proceeds of CAD$2.17 million resulting in the issuance of 3,333,333 common shares.

FIRST QUARTER HIGHLIGHTS

(in 000's except amounts per share, cost per tonne, ounces and per ounce)		Q1 2018		Q1 2017
Revenues (1)	$	5,911	$	3,413
Gross profit (loss)	$	670	$	(1,158)
Net Loss	$	(1,222)	$	(835)
Income (loss) per share – basic	$	(0.01)	$	(0.01)
Silver ounces produced		194,462		108,118
Silver ounces payable		166,076		116,128
Silver equivalent ounces produced		482,079		205,314
Silver equivalent ounces payable (3)		406,995		215,922
Production cost per tonne (4)	$	210	$	337
Total cash cost per silver ounce payable	$	3.85	$	22.44
AISC per silver ounce payable	$	15.89	$	61.96
Average realized silver price per ounce sold (6)	$	16.49	$	17.99

(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) Silver equivalent ("AgEq") ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
(3) Production cost per tonne includes mining and milling costs, excluding depletion and amortization.
(4) 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

On February 26, 2018, the Company announced an agreement with Hecla Mining Company ("Hecla") to toll mill sulphide ore from Hecla's San Sebastian mine in Durango at Excellon's processing facility in Miguel Auza. The 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

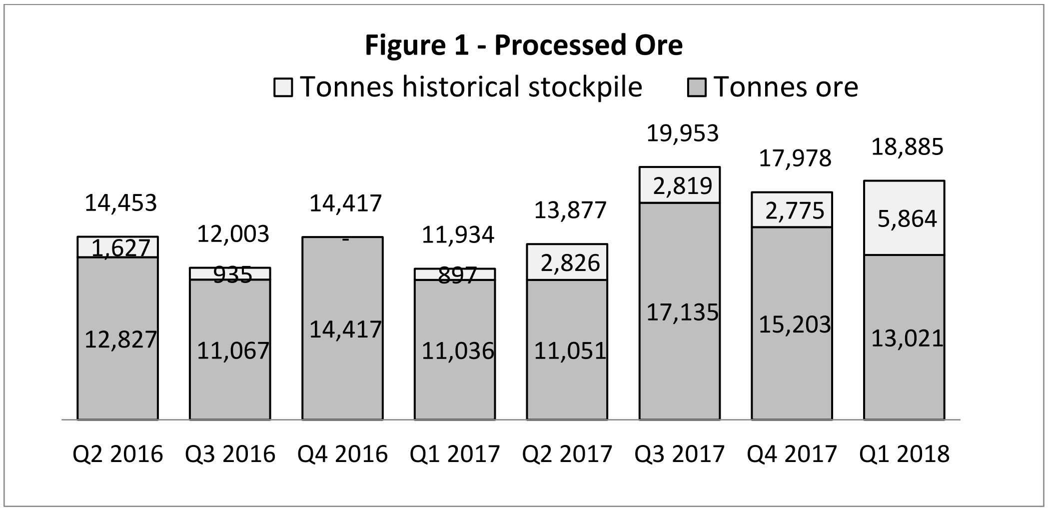
Production

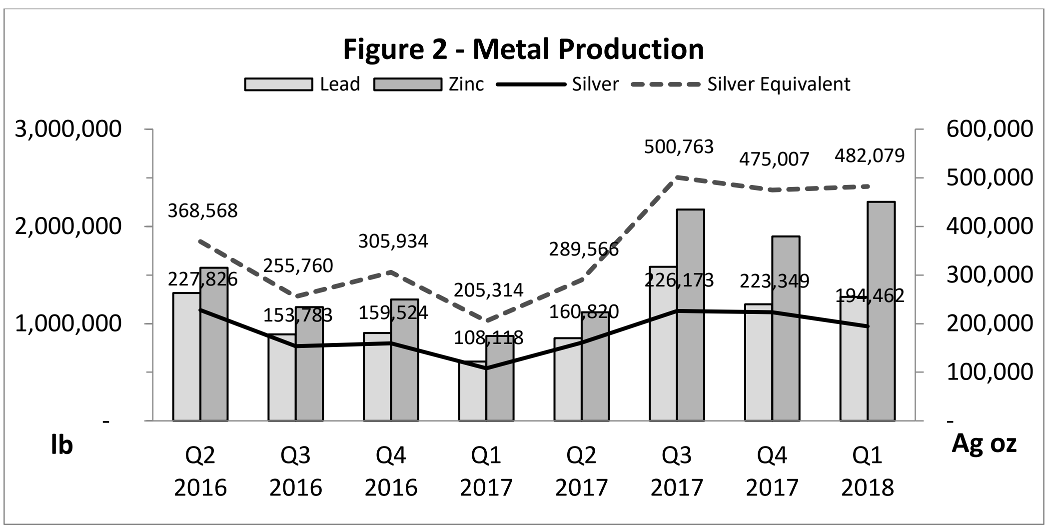
Platosa Mine production statistics for the periods indicated were as follows:

		Q1 2018[1]	Q1 2017[1]
Tonnes of ore produced		13,784	12,064
Tonnes of ore processed:		13,021	11,036
Tonnes of historical stockpile processed:		5,864	897
Total Tonnes processed:		18,885	11,934
Ore grades:			
	Silver (g/t)	441	328
	Lead (%)	4.78	3.02
	Zinc (%)	8.24	4.35
Historical stockpile grades:			
	Silver (g/t)	176	178
	Lead (%)	1.60	1.24
	Zinc (%)	2.40	1.21
Blended head grade:			
	Silver (g/t)	359	317
	Lead (%)	3.79	2.89
	Zinc (%)	6.43	4.12
Recoveries:			
	Silver (%)	87.3	89.8
	Lead (%)	81.2	81.3
	Zinc (%)	83.8	81.8
Production:			
	Silver – (oz)	194,462	108,118
	Silver equivalent (oz) [2]	482,079	205,314
	Lead – (lb)	1,275,418	610,033
	Zinc – (lb)	2,253,449	872,976
Payable: [3]			
	Silver – (oz)	166,076	116,128
	Silver equivalent (oz) [2]	406,995	215,922
	Lead – (lb)	1,139,665	698,023
	Zinc – (lb)	1,834,743	837,733
Realized prices: [4]			
	Silver – ($US/oz)	16.49	17.99
	Lead – ($US/lb)	1.10	1.04
	Zinc – ($US/lb)	1.48	1.28

(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 reflects current metals delivered, net of payable deductions under the Company's offtake arrangements.
(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:

		Q1	
		2018	**2017**
Tonnes Milled		**18,885**	**11,934**
Tonnage milled increased by 58% or 6,951 tonnes during Q1 2018 relative to Q1 2017 as the Optimization Plan (as defined below) allowed for dry conditions during the quarter. Production of 13,784 tonnes during Q1 2018 was from the Rodilla, Guadalupe South, Pierna and 623 mantos. Production improved during the latter half of Q1 2018, particularly in March, as high-grade ore faces were accessed in Pierna and ground support installation allowed access to high-grade tonnes in 623. During the first quarter, the mill continued to process historical stockpiles, which lowered overall head grades, but have proven to be both higher-grade and more economic than initially assessed (initial expectations were approximately 300 g/t AgEq). At the end of Q1 2018, the Company had 1,535 tonnes of ore in stockpile to be milled early in Q2 2018.			
Blended Head Grades (ore and historical stockpiles)	**Ag (g/t)**	**359**	**317**
	Pb (%)	**3.79**	**2.89**
	Zn (%)	**6.43**	**4.12**
Higher silver, lead and zinc grades were realized during Q1 2018 compared to Q1 2017, while the Company continued to process historical stockpiles and sump material. 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 positive. The cost of processing this stockpile totals less than $50/tonne, with an NSR value of approximately $135/tonne assuming 350 g/t AgEq and a silver price of $16.50.			
Recoveries	**Ag (%)**	**87.3**	89.8
	Pb (%)	**81.2**	81.3
	Zn (%)	**83.8**	81.8
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.			
Metal Produced	**Ag (oz)**	**194,462**	108,118
	Pb (lb)	**1,275,418**	610,033
	Zn (lb)	**2,253,449**	872,976
	AgEq (oz)	**482,079**	205,314
As discussed above, access to four manto areas with higher grades in Q1 2018 increased metal production, resulting in production of 482,079 AgEq oz for the quarter, a 135% improvement over Q1 2017.			

Other operational improvements include the procurement of two bolting units to further improve productivity of ground support installation. Both units will be delivered during Q2 2018. More efficient installation of ground support is a key ongoing initiative at Platosa, as the mine continues ramping up to targeted production rates. Historically, intensive grouting to control water acted 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.

The Company also focused on driving ramp development to access the next production levels utilizing the 730 ramp in Pierna and Rodilla and the 725 ramp in 623. Development rates improved compared to the previous quarter with 178 metres in ore (18% increase over Q4 2017 – 151 metres) and 261 metres in waste (15% increase over Q4 2017 – 227 metres). Development rates are expected to continue to increase as headings drive into the next levels of the mantos. With necessary development now completed, the Company has sufficient dry mineral inventory to advance production in Q2 and into Q3 using a more productive cut-and-fill mining method in Pierna, Rodilla and 623. Development rates are expected to continue to increase as headings drive into the next levels of all four mantos.

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. For a further discussion of the Optimization Plan, refer to the Company's AIF on SEDAR.

With achievement of dry mining conditions by mid-June 2017, the operation began to realize significant improvements in H2 2017 in all areas of the operation. 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 the second phase of the Optimization Plan ("Optimization Plan Phase 2"), which is the ordinary course maintenance and expansion of the dewatering system going forward for life of mine. Phase 2 will consist of the periodic development of new well bays and the drilling of new wells, 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, all of which are now in use. Capital expenditures on Phase 2 are considered sustaining and are expected to total approximately $2 million over the course of 2018 and into 2019, primarily relating to well bay development, well drilling and the periodic addition/replacement of existing pump equipment.

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 during Q2 2018. The reader is therefore cautioned not to put undue reliance on the resource estimate in the PEA at this time.

Corporate Responsibility

The Company made considerable progress implementing a CR management framework and system during 2017 and Q1 2018. During the roll-out of High Consequence Hazard ("HCH") standards was completed addressing lifting and rigging, explosives management and chemical storage and handling. The operation also introduced a mine waste management standard and a standard on closure that links site-level closure planning and cost estimating with the corporate-level asset retirement obligation. The mine waste management standard incorporates evolving international best practice for the responsible management of tailings from the Mining Association of Canada. This, among other actions, helps ensure that the Company is meeting the requirements of Towards Sustainable Mining (TSM). The progress of implementing the standards that have been introduced to-date will be measured with a tool that rolled out in the first quarter. This tool evaluates the incorporation of requirements into site-level standard operating procedures (SOP) and the degree of practical implementation in the workplace. This allows business unit and corporate management alike to evaluate where further work is needed to advance implementation in the workplace. The Company will continue a measured pace of developing and implementing standards according to our risk-based prioritization.

These standards introduced new requirements to ensure that we achieve our objectives; much work remains to ensure that the requirements are incorporated into procedures at Platosa and Miguel Auza, that the workforce understands the requirements and has the knowledge and competence to incorporate the requirements into their everyday tasks.

The workplace interactions element of the Visible Felt Leadership process continued to progress during the quarter. Both Miguel Auza and Platosa increased the number of interactions recorded and a direct link between such tools and improvements in lagging safety performance has been evident.

The Company continued the implementation of stakeholder mapping processes and introduced site-level grievance mechanism at both Platosa and Miguel Auza, with grievance mechanisms expected to be formally in place at both sites in Q2 2018. These processes will help ensure that effective identification, investigation, response to and resolution of any complaints and other incidents resulting from the Company's presence.

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. The first quarter ended without a lost-time injury across the Company. This is the first time the Company has recorded an injury-free quarter, a further indication of the positive effects of the standards, tools and expectations that have been introduced. The number of first aid cases increased during the first quarter, a positive result that reflects increased awareness and improved reporting. By investigating these incidents, the Company continues to improve understanding of the causes of workplace injuries and the steps necessary to prevent them.

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. Dewatering of TMF #1 continued during the first quarter and expect to cover the decommissioned facility with locally-sourced soils in the second quarter. 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, representing the initial FA amount, 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 60% of the Company's net revenues from metals sold in Q1 2018 compared to 45% in Q1 2017. Of the 60%, zinc accounted for 41% and lead 19%, relative to 26% and 19% in Q1 2017, a result of improved base metal production and higher metal prices, particularly zinc.

Silver was range-bound between $16-17/oz during Q1 2018 and overall averaged $17/oz for both Q1 2018 and 2017. The silver-gold ratio continued to be at historic highs above 80:1 during the period, though briefly breached that threshold as prices improved above $17 during April. Silver coin sales continued to be lackluster during the period and net short positions continued to be high.

Lead prices, which strengthened during Q4 2017, weakened during Q1 and averaged $1.14/lb during the period. Lead prices were partially impacted by a significant decline in the zinc price by quarter end, along with an increase in LME inventory stocks later in the quarter, though stocks remain down 21% year-to-date. The ongoing deficit in the lead market is expected to continue through 2018.

Zinc prices were strong during Q1 2018 with a high of $1.64 in February before weakening in March for an average of $1.55 for Q1 2018. Significant increases in inventory were evident into March, though inventories remained at low levels for the cycle. With increased production expected to come on line late in 2018 and into 2019, the zinc deficit appears to be tightening somewhat, though remains sizeable.

Average Commodity Prices	Q1 2018	Q1 2017	Change
Silver ($/oz) (1)	16.77	17.42	-4%
Lead ($/lb) (2)	1.14	1.03	11%
Zinc ($/lbs) (2)	1.55	1.26	23%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver ($/oz)(1)	**2018**	17.17	16.66	16.47									
	2017	16.81	17.87	17.59	18.06	16.76	16.95	16.14	16.91	17.45	16.93	17.01	16.16
	2016	14.02	15.07	15.42	16.26	16.89	17.18	19.93	19.64	19.28	17.74	17.42	16.38
Lead ($/lb)(2)	**2018**	1.17	**1.17**	**1.09**									
	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
Zinc ($/lb)(2)	**2018**	**1.56**	**1.61**	**1.49**									
	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

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

SUMMARY OF FINANCIAL QUARTERLY RESULTS

Financial statement highlights for the quarter ended March 31, 2018 and 2017 and last eight quarters are as follows:

(in $000's)	Q1 2018[(1)] $	Q4 2017[(1)] $	Q3 2017[(1)] $	Q2 2017[(1)] $	Q1 2017[(1)] $	Q4 2016[(1)] $	Q3 2016[(1)] $	Q2 2016[(1)] $
Revenues	5,911	7,123	7,102	3,570	3,413	3,354	4,009	5,370
Production costs	(3,959)	(4,796)	(4,160)	(3,997)	(4,025)	(3,620)	(3,577)	(3,441)
Depletion and amortization	(1,282)	(1,277)	(1,426)	(582)	(546)	(696)	(525)	(609)
Cost of sales	(5,241)	(6,073)	(5,586)	(4,579)	(4,571)	(4,316)	(4,102)	(4,050)
Gross profit (loss)	670	1,050	1,516	(1,009)	(1,158)	(962)	(93)	1,320
Expenses:								
Corporate administration	(1,423)	(1,159)	(892)	(842)	(1,335)	(1,214)	(944)	(665)
Exploration	(708)	(345)	(382)	(618)	(564)	(809)	(228)	(171)
Other	82	(415)	(88)	630	1,713	(1,112)	440	68
Write-down of inventories [(2)]	-	(568)	-	-	-	-	-	-
Recovery (Impairment) of assets [(3)]	-	-	-	-	-	-	-	156
Net Finance income (cost)	1,024	820	(5,974)	1,629	1,263	2,367	(6,100)	(5,575)
Income tax (expense) recovery	(867)	2,170	(87)	(292)	(754)	1,674	(87)	489
Net income (loss) for the period	(1,222)	1,553	(5,907)	(502)	(835)	(56)	(7,012)	(4,378)
Earnings (loss) per share – basic	(0.01)	0.02	(0.08)	(0.02)	(0.01)	(0.00)	(0.10)	(0.07)
– diluted	(0.01)	0.02	(0.08)	(0.02)	(0.01)	(0.00)	(0.09)	(0.07)
Cash flow from (used in) operations before changes in working capital	471	571	1,464	(1,297)	(1,437)	(3,147)	(887)	482

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

Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
$ 0.5 million	$1.3 million	($5.6 million)	$1.7 million	$1.1 million	$2.4 million	($6.0 million)	($5.4 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.

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.

	Q1 ($000's, except where noted)	
	2018	**2017**
Revenue	**5,911**	**3,413**
Net Loss	**(1,222)**	**(835)**

Net Revenues of $5.9 million increased by 73% during Q1 2018, primarily due to an 88% increase in AgEq ounces payable to 406,995 oz compared to 215,922 oz in Q1 2017. Revenues were partially offset by 8% decrease in realized silver price of $16.49/oz compared to $17.99/oz in Q1 2017 while treatment and refining charges ("TC/RC") continued to reflect the improved terms under 2017 offtake sales agreements, which carried over to Q1 2018 deliveries. TC/RC charges of $0.6 million were 9% of revenues in Q1 2018 compared to $0.9 million or 18% of revenues in Q1 2017.

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

In comparing net loss of $1.2 million in Q1 2018 to net loss of $0.8 million in Q1 2017, major offsetting line item differences between the periods were:

(i) 73% increase ($2.5 million) in revenues as discussed above;

(ii) 135% increase ($0.7 million) in depletion and amortization over Q1 2017 as amortization of capitalized costs of the Optimization Plan continued after Q3 2017. Depletion and amortization will continue to be higher going forward as these capitalized costs are amortized over the life of mine;

(i) 95% decrease ($1.6 million) in other income over Q1 2017, primarily due to $1.5 million unrealized gain on marketable securities;

(ii) A lower fair value adjustment gain of $0.5 million on warrants related to convertible debentures (the "Debentures") issued in November 2015 and converted in December 2017 in accordance with IFRS (Q1 2017 – $1.1 million gain on warrants and embedded derivatives).

Cost of Sales	**(5,241)**	**(4,572)**

Cost of sales, including depletion and amortization, increased by 15% compared to Q1 2017 primarily due to a $0.7 million increase in depletion and amortization as described above. On a cash basis, production cost of $4.0 million was comparable between the two quarters, despite higher mine and mill production of 14% and 58% respectively, reflecting improved mining efficiency under dry mining conditions and lower milling cost of historical stockpiles processed during the quarter.

General and Administrative Expense	**(1,423)**	**(1,335)**

General and administrative expenses increased by 7% during Q1 2018 compared to Q1 2017, primarily due to a 5% change in foreign exchange rate translation as general and administrative costs were comparable in the Canadian functional currency at the corporate office.

Exploration	**(708)**	**(564)**

Exploration cost of $0.7 million increased in the quarter due to increased surface drilling of 2,395 metres compared to 1,206 metres in Q1 2017, both of which were expensed in each period. Surface drilling expenditures are expected to increase during Q2 2018 and going forward, with an additional rig now in operation at Platosa and drilling expected to commence at Miguel Auza late in Q2 or early in Q3 2018.

The Company has commenced capitalizing sustaining exploration expenses in 2018, generally categorized as underground drilling and associated work. Underground drilling continued in Q1 for 2,853 metres compared to 1,130 metres in Q1 2017 for a total of 5,248 metres drilled in the quarter (Q1 2017 – 2,336 metres).

	Q1 ($000's, except where noted)	
	2018	**2017**
Other Income	**82**	**1,713**

Other income includes unrealized and realized foreign exchange gains and losses, realized and unrealized gains and losses on marketable securities and provisional adjustments, if any.

Other income during Q1 2018 comprised $0.1 million of foreign exchange gains. During Q1 2017, other expenses of $1.7 million comprised (i) a foreign exchange gain of $0.2 million and (ii) an unrealized gain on marketable securities of $1.5 million from an increase in the value of common shares of Osisko Mining Corp. received as consideration for the sale of the DeSantis exploration property in Q2 2016.

Finance Income	**1,263**	**1,024**

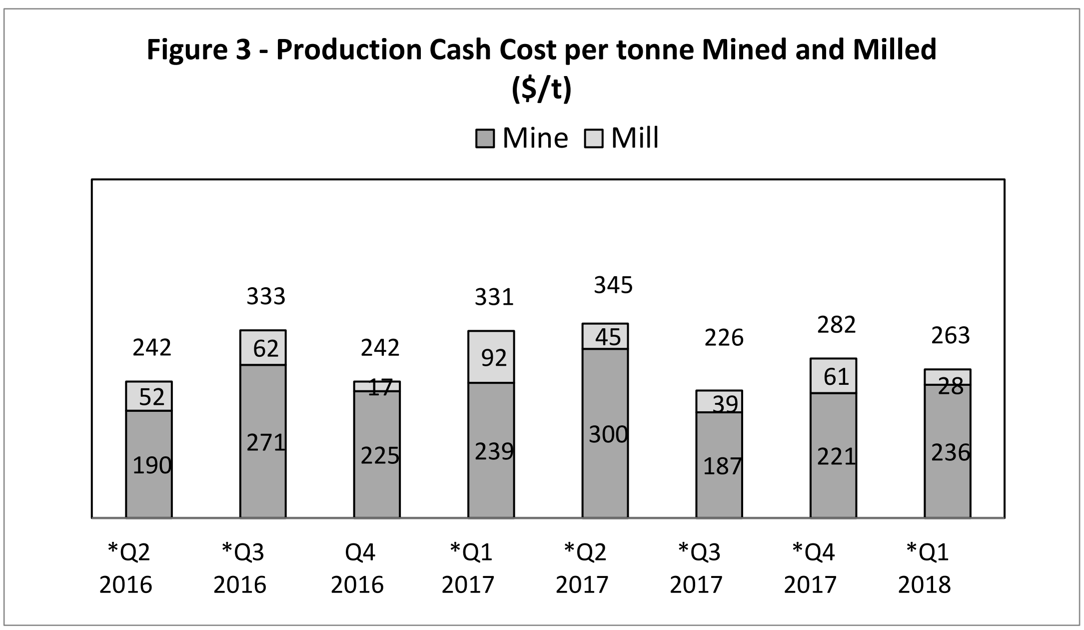
Net finance income consists primarily of fair value adjustments on warrants and embedded derivatives related to outstanding Debentures, accretion and interest expense related to the Debentures and accretion of the rehabilitation provision for the mine and mill. The fair value adjustment derives primarily from the performance of the Company's stock during the applicable period. As the Debentures have now been settled, no further fair value adjustments of embedded derivatives will be required in their respect but will however, be required in respect of the associated warrants.

During Q1 2018, a decrease in the stock price from CAD$1.84 to CAD$1.48, resulted in a $0.5 million fair value adjustment gain on warrants related to the Debentures while during Q1 2017, a decrease from CAD$1.64 to CAD$1.60 resulted in a $1.1 million fair value adjustment gain from warrants and embedded derivatives, both of which were outstanding on the Debentures at the time. Finance income in Q1 2018 also included a $0.5 million unrealized gain on forward foreign exchange contracts that were marked to market at the end of quarter (Q1 2017 - $0.3 million gain)

	Q1 ($000's, except where noted)	
	2018	2017
Production Cost per Tonne (see "Non-IFRS Measures" for reconciliation table)	**$210/t**	**$337t**

Production cost per tonne of $210/t in Q1 2018 decreased by 38%, primarily due to a 58% increase in tonnes milled to 18,885 tonnes, which include the positive impact of milling historical stockpiles mined in prior years but not deemed economical to ship and process at the time. With improved commodity prices, particularly lead and zinc, these stockpiles were reassessed and deemed economical to process and blend with current production ore. As such, only hauling and milling costs are incurred to process these historical stockpiles. While these additional costs were incurred for these stockpiles, total production costs of $4.0 million in Q1 2018 were comparable over the same period, as described above. Accordingly, total production cost was compared to total tonnes milled which included the historical stockpile tonnage lowering overall production cost per tonne. The Company expects production cost per tonne to continue to improve during 2018 as production rates increase, along with increased pumping efficiency and recent decreases in electricity unit costs in Mexico.

The previous eight quarters of production cost per tonne mined and milled are summarized below. This table excludes a portion of the positive impact of milling historical stockpiles on overall production cost per tonne, but does include the positive impact on milling cost per tonne.



(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.

* Historical stockpiles milled in recent periods provided positive reduction in milling per tonne were Q2 2016 – 1,627 tonnes, Q3 2016 – 935 tonnes, Q1 2017 – 937 tonnes, Q2 2017 – 2,826 tonnes, Q3 2017 – 2,819 tonnes, Q4 2017 – 2,775 tonnes and Q1 2018 – 5,864 tonnes.

	Q1 ($000's, except where noted)	
	2018	**2017**
Total Cash Cost Per Silver Ounce Payable (see "Non-IFRS Measures" for reconciliation table)	**$3.85/oz**	**$22.44/oz**

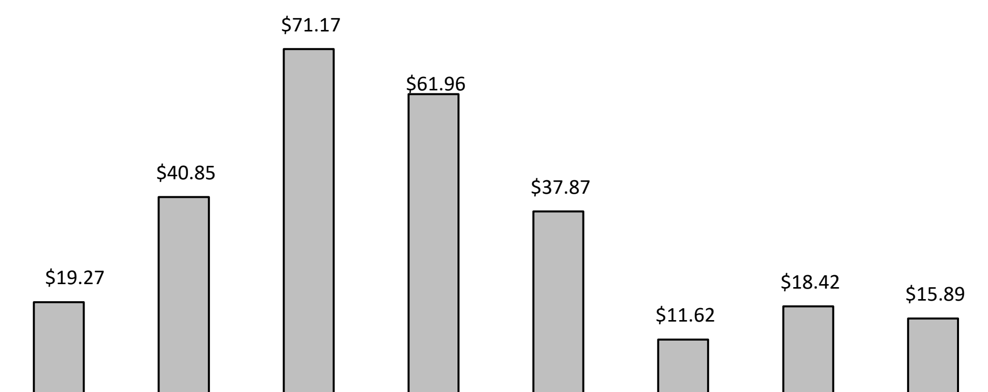
Total cash cost per silver ounce payable of $3.85 in Q1 2018 continued to demonstrate significant improvement from $22.44 in Q1 2017, mainly due to successful completion of the Optimization Plan in early July, allowing access to higher grade mantos with higher AgEq ounces payable (+88%). As a result, silver ounces payable of 166,076 oz in Q1 2018 improved 43% relative to Q1 2017 (116,128 oz). While cash cost of sales were comparable, as discussed above, byproduct credits increased by $2.3 million primarily due to significantly higher lead and zinc production and prices. In addition, TC/RCs, while nominally higher due to higher revenues, were lower on a percentage of revenue basis, due to improved offtake terms relative to Q1 2017 resulting in a lower cash cost of $0.6 million for Q1 2018 compared to $2.6 million in Q1 2017.

AISC Per Silver Ounce Payable (see "Non-IFRS Measures" for reconciliation table)	**$15.89/oz**	**$61.96/oz**

The Company's AISC continued to show improvement in Q1 2018 as AISC per silver ounce payable of $15.89 resulted primarily from increased metal produced with the successful completion of the Optimization Plan in Q2 2017, as discussed above compared to $61.96 in Q1 2017.

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

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



	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
AISC	$19.27	$40.85	$71.17	$61.96	$37.87	$11.62	$18.42	$15.89
Ag oz payable	209,422	138,472	126,773	116,128	139,428	205,414	206,400	166,076

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 Q1 2018, the Company recognized a positive adjustment to revenues of $3,000 primarily relating to the reversal of the mark-to-market taken at the end of 2017, as receivables were ultimately settled at higher values in 2018 (Q1 2017 – negative adjustment of $17,000).

As at March 31, 2018, provisionally priced sales totaled $5.5 million, which are expected to settle at final prices during Q2 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 $0.5 million during the second quarter of 2018.

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

	Q1 2018			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	2,604	1,239	2,672	6,515
Prior period provisional adjustments (2)	11	(32)	24	3
Sales before TC/RC (3)	2,615	1,207	2,696	6,518
Less: TC/RC (3)				(607)
Total Sales				**5,911**

	Q1 2017			
	Silver	**Lead**	**Zinc**	**Total**
	$	**$**	**$**	**$**
Current period sales (1)	1,973	685	1,013	3,671
Prior period provisional adjustments (2)	44	(5)	(56)	(17)
Sales before TC/RC (3)	2,017	680	957	3,654
Less: TC/RC (3)				(241)
Total Sales				**3,413**

(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.

	Q1 2018	Q1 2017
	$ 000’s	$ 000’s
Cost of Sales	5,241	4,571
Depletion and amortization	(1,282)	(546)
Production Costs (includes mining and milling)	3,959	4,025
Tonnes milled	18,885	11,934
Production cost per tonne milled ($/tonne)	210	337

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:

	Q1 2018	Q1 2017
	\$ 000's	**\$ 000's**
Cost of sales	5,241	4,571
Adjustments - increase/(decrease):		
Depletion and amortization	(1,282)	(546)
Third party smelting and refining charges (1)	607	241
Royalties (2)	(23)	(23)
By-product credits (3)	(3,903)	(1,637)
Total cash cost net of by-product credits	**640**	**2,606**
Silver ounces payable	166,076	116,128
Total cash cost per silver ounce payable (\$/oz)	**3.85**	**22.44**

(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 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), finance 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.

	Q1 2018	Q1 2017
	$ 000's	$ 000's
Total cash costs net of by-product credits	640	2,606
General and administrative costs (cash)	748	725
Share based payments (non-cash)	622	569
Accretion and amortization of reclamation costs (non-cash)	63	32
Sustaining exploration (manto resource exploration/drilling)	105	489
Sustaining capital expenditures (1)	461	512
One time capital expenditures – Optimization Plan (3)	-	2,262
Total sustaining costs	1,999	4,589
All-in sustaining costs	2,639	7,195
Silver ounces payable	166,076	116,128
AISC per silver ounce payable ($/oz) (2)	15.89	**61.96**
Realized silver price per ounce sold (3)	16.49	**17.99**

(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 $11.76 (Q1 2018) and $56.78 (Q1 2017).
(3) 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 is cash flow generated by the Platosa Mine. 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.

	March 31, 2018	December 31, 2017
	($000's)	
Cash, Cash Equivalents and Marketable Securities	**$10,872**	**$12,265**

The Company's cash position decreased by $1.4 million during Q1 2018 as:

(i) $0.5 million was generated from operations before changes in working capital, with $1.5 million used to pay down accounts payable, for a net $1.0 million used in operating activities; and

(ii) $0.6 million was invested in capital expenditures, split between the Optimization Plan Phase 2 and mine development and mining equipment;

Cash, current accounts receivable and inventory (ore and concentrate) decreased to $14.1 million during the period from $14.8 million at the end of Q4 2017.

	March 31, 2018	December 31, 2017
	($000's)	
Trade Receivables	**$2,671**	**$2,375**
Trade receivables increased to $2.7 million due to the timing of March concentrate deliveries at the end of the quarter, with payment received in early Q2 2018.		
Trade Payables	**$4,252**	**$5,447**
Trade payables decreased by $1.2 million at the end of Q1 2018 primarily due to i) settlement of accruals in the quarter related to operating costs, accounting, legal, and statutory payroll withholding taxes and ii) outstanding forward foreign exchange contracts that are included in accruals and marked to market. The mark to market on forward foreign exchange contracts resulted in an unrealized gain of $0.5 million recorded in finance income and a corresponding decrease in accruals resulting in a net asset balance of $373 charge against accruals (as at December 31, 2017 - $0.2 million liability balance in accruals).		
Working Capital	**$14,463**	**$13,828**
Working capital improved by $0.6 million in Q1 2018 as the operation generated $0.5 million of cash flow before changes in working capital with an overall reduction in payables improving net working capital. The Company expects to maintain and grow current levels of working capital during the remainder of 2018 as production continues to ramp-up and exploration expenditure continues.		

	Q1 2018	Q1 2017
	($000's)	
Cash from (used in) operations before changes in working capital	**471**	**(1,437)**
During Q1 2018, the operation generated positive cashflow of $0.5 million before changes in working capital, primarily due to improved silver equivalent ounces payable (+88%) in the quarter resulting in increased revenues while maintaining similar cash cost of sales over the same period.		
Investing Activities	**(597)**	**(2,845)**
For Q1 2018, the Company's capital expenditures of $0.6 million related to the continuation of the Optimization Plan Phase 2 and mine development and associated mining equipment.		
Financing Activities	**2**	**7**
For Q1 2018, financing activities were limited to exercise of stock options for proceeds of $2,000 compared to $7,000 in Q1 2017.		

In previous quarters, the Company's operations were not cash flow positive and the Company drew down cash reserves raised from equity and debt issuances since 2015. 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 first phase 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 in 2018 are as follows:

- On April 2, 2018, 3,333,333 CAD$0.65 Warrants were exercised to Common Shares for proceeds of CAD$2.17 million.
- The Company has in-the-money warrants with a current exercise value of CAD$3.1 million (at a closing price of $1.39 per Common Share on May 9, 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 ($1.75)	6,568,695	-	-	July 26, 2018
Warrants ($2.80)	3,696,875	-	-	December 31, 2018
Total Warrants	**12,116,616**	**$925,523**	**$723,065**	

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, with\ currency exposures arising 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 March 31, 2018, forward contracts for the purchase of MXN123 million in exchange for $6.3 million at an average rate of 19.51 MXN/USD, at various maturity dates until February 2019, were outstanding. The fair value of these outstanding foreign currency forward contracts resulted in an unrealized gain of $547,000 at March 31, 2018, recorded in finance income. The Company realized foreign exchange gains of $25,000 within profit or loss from contracts maturing during the quarter, which were recorded in cost of sales to reflect the realized operating cost of production.

Commitments

The following table summarizes the Company's significant commitments as at March 31, 2018 (in thousands of US dollars):

	2018	2019	2020	2021	2022	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	4,252	-	-	-	-	4,252
Capital Expenditures	306	-	-	-	-	306
Mine restoration provision	-	-	-	-	1,639	1,639
Employee future benefits	-	-	-	-	1,181	1,181
Concession holding fees	537	543	551	552	564	2,747
Office leases	154	51	-	-	-	205
	5,249	594	551	552	3,384	10,330

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 *Segundo Tribunal Colegiado en Materias Administrativa y Penal del Octavo Circuito* in Torreón, 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.

Drilling outside of the immediate area of the Platosa Mine 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. Drillholes are planned with the objective of expanding the NE-1 Manto to the east where it has been drilled off 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 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.

Ongoing Exploration Plans

In the third quarter of 2016 and into 2017, the Company commenced a surface and underground drilling program at Platosa and by the end of 2017, the Company had completed approximately 7,200 metres from underground and 4,000 metres from surface. The program was planned 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

During Q1 2018 the Company had completed approximately 3,400 metres from underground and 3,550 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

DDH No.	Interval(1)(2)			Ag (g/t)	Pb (%)	Zn (%)	Au (g/t)	AgEq(3) (g/t)	Date Released
	From (m)	To (m)	metres						
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**	**-**	**2,319**	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**	**-**	**5,727**	7/26/2017
PH17-27	**9.9**	**12.0**	**2.1**	**1,238**	**5.3**	**2.9**	**-**	**1,611**	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**	**1,528**	9/6/2017
and	29.2	33.5	4.3	233	2.5	4.7	0.1	570	
EX17UG347	**76.5**	**81.5**	**5.1**	**858**	**8.8**	**9.7**	**-**	**1,705**	22/2/2018
EX17UG348	20.3	27.8	7.6	299	3.7	4	-	646	22/2/2018
EX17UG358	63	67.6	4.6	739	4.1	1.1	-	962	22/2/2018
EX17UG359	71	73	2	521	3.3	0.2	-	670	22/2/2018
EX17UG361	94.8	96.6	1.9	161	3.4	0.3	-	317	22/2/2018
EX17UG365	55.6	58.9	3.3	208	2.9	4	-	526	22/2/2018
EX17UG366	45.6	47.2	1.5	221	2.1	0.2	-	322	22/2/2018
EX17UG367	**65.4**	**68.2**	**2.8**	**536**	**4.9**	**9**	**-**	**1,188**	22/2/2018
EX17UG369	**105.4**	**108.5**	**3.1**	**1528**	**13.5**	**16.9**	**-**	**2,926**	22/2/2018
EX17UG370	**123.8**	**126.2**	**2.5**	**639**	**7.3**	**2.7**	**-**	**1,076**	22/2/2018
EX17UG370A	**123**	**124.8**	**1.8**	**1,132**	**7.9**	**2.9**	**-**	**1,609**	22/2/2018
EX17UG371	**63.9**	**72.9**	**9.1**	**1,192**	**13.2**	**18.3**	**-**	**2,648**	22/2/2018
including	**66.7**	**72.9**	**6.2**	**1473**	**14.8**	**25.6**	**-**	**3,355**	
EX18UG373	**49.9**	**51.3**	**1.4**	**3125**	**27.1**	**3**	**-**	**4,402**	22/2/2018
EX18UG375	**72.4**	**79.7**	**7.3**	**1,397**	**7.4**	**23.2**	**-**	**2,858**	22/2/2018

(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 2/2/2017 assumes $16.30 Ag, $1.03 Pb and $1.23 Zn, 7/26/2017, 9/6/2017 and 22/2/2018 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 Q1 2018 was focused on defining and extending the Rodilla and Pierna Mantos. In Q1 2018 more results were released from the expansion and definition program targeting the 623 Manto. These results will be incorporated into an updated resource due in Q2 2018. Surface drilling continued during Q1 2018 and is planned to continue throughout 2018, with targets being tested north and south of Platosa and the Halcon, Aguila and PDN areas north of Platosa.

Regional compilation work continued with new targeting and resampling conducted at Saltillera, 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 Q1 2018 with work also being conducted in the San Gilberto area, where sampling of historical workings and outcrop returned samples with anomalous precious metal values. The Company also prepared for the mobilization of a geophysics crews early Q2 2018 to commence an induced polarization ("IP") survey in the Jaboncillo area. Additional drill pad permitting is underway on the Platosa property to support evolving exploration plans. In addition to the drilling results noted above, highlights from Q1 2018 included:

- Strong indications of potential mineralization continue to be seen in surface sampling at Jaboncillo, PDN, San Gilberto and Saltillera North;
- Drilling for additional manto-style mineralization, as well as testing for deeper skarn potential;
- 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
- Site visit by renowned experts in CRD and skarn geology to support exploration completed 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.

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 from 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.

There has only been limited follow-up work on any of the drilling completed outside of the Calvario Vein. Additionally, the Company has identified broad (up to 10 metres) 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 Q1 2018, exploration activities continued, including:

- Sampling of previously unsampled core in potentially mineral bearing structures;
- Regional mapping and sampling of the whole property which will be completed in early Q2 2018;
- Smaller scale detailed mapping on targets derived from regional mapping campaign;
- 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. The Company is currently permitting priority target areas for a small proof of concept program that is scheduled to commence in late Q2 or early Q3 2018.

Qualified Person

Mr. Ben Pullinger, BSc., PGeo., Excellon's Senior 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 Q1 2018, the Company incurred legal services of $10,000 (Q1 2017 – $10,000). As at March 31, 2018, the Company had an outstanding payable balance of $7,000 (as at March 31, 2017 – $7,000).

RISK AND UNCERTAINITIES

The Company's business entails exposure to certain risks, including but not limited to: metal price risk since the Company derives its revenues from the sale of silver, lead and zinc; foreign exchange risk since the Company reports in United States dollars but operates in jurisdictions that use other currencies; the inherent risk of uncertainties in estimating Mineral Resources; political risk associated with operating in foreign jurisdictions; environmental risks and risks associated with labour relations issues. The current or future operations of Excellon including ongoing commercial production are or will be governed by and subject to federal, state and municipal laws and regulations regarding mineral taxation, mineral royalties and other governmental charges. Any change to the mineral taxation and royalty regimes in the jurisdictions in which Excellon operates or plans to operate could have an adverse financial impact on the Company's current and planned operations and the overall financial results of the Company, the extent of which cannot be predicted. Further factors affecting the Company are described in the AIF.

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 first quarter of 2018.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 this IFRS accounting standard when this standard becomes 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.