Excellon Resources Inc.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
in thousands of U.S. dollars

Management's Responsibility for Financial Reporting

The management of Excellon Resources Inc. is responsible for the integrity and fair presentation of the accompanying consolidated financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. Any system of internal control over financial reporting has inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee of the Board of Directors has met with the Company's independent auditor to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting and control matters prior to submitting the consolidated financial statements to the Board for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors and continues to review with management, on an ongoing basis, the Company's systems of internal control, and approves the scope of the independent auditor's audit and non-audit work.

The consolidated financial statements have been audited by Ernst & Young LLP, Chartered Professional Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(Signed) "*Shawn Howarth*"

President & Chief Executive Officer

(Signed) "*Daniel Hall*"

Chief Financial Officer

March 31, 2023

Independent auditor's report

To the Shareholders of
Excellon Resources Inc.

Opinion

We have audited the consolidated financial statements of **Excellon Resources Inc.** and its subsidiaries [the "Company"], which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Company has a shareholders' deficit of $21,895 and negative working capital of $40,528 as at December 31, 2022 and that the Company's revenues ceased after the wind down of operations and, therefore, the Company must utilize its current cash reserves and pursue other financing transactions to fund its working capital requirements, corporate expenditures and exploration activities. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined that matter described below to be a key audit mater to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Rehabilitation provision	
As a result of its mining and processing operations, the Company is obligated to restore and rehabilitate the environment disturbed by these operations and remove related infrastructure. Rehabilitation activities are governed by a combination of legislative requirements and the Company's policies. As at December 31, 2022, the consolidated statement of financial position included provisions for such obligations of $1.3 million related to the Platosa mine and Miguel Auza processing facility. The Company discloses significant judgements, estimates and assumptions relating to the determination of its rehabilitation provision in notes 3 and 9 to the consolidated financial statements. Auditing management's rehabilitation provision was complex given the degree of judgement and subjectivity in evaluating management's estimates and assumptions. The significant estimates and assumptions used in the determination of the provision included the nature and extent of the rehabilitation activities required, the future costs and timing of the rehabilitation activities, and the economic assumptions, such as discount rate and inflation rate, applied to the forecasted cash flows to determine the present value of a future obligation.	Based on our risk assessment, with assistance from our environmental specialists, we performed the following procedures, among others: • Assessed the competence, qualifications and objectivity of the Company's external experts used to support the provision; • Assessed the appropriateness of the rehabilitation activities, future costs and timing used by the Company's external experts by assessing them against regulatory environmental requirements, contractual requirements, engineering drawings and current industry guides and references; • Evaluated the discount and inflation rates utilized by management, which involved assessing comparable market data; and • Assessed the adequacy of the disclosures included at note 9 to the accompanying consolidated financial statements in relation to this matter.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 31, 2022.

Other information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Kerr.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 31, 2023

Excellon Resources Inc.
Consolidated Statements of Financial Position
As at December 31
(in thousands of U.S. dollars)

	Notes	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents		1,468	4,071
Trade receivables		690	326
VAT recoverable	*5*	1,906	3,439
Inventories		-	2,087
Other current assets	*6*	1,861	2,320
		5,925	12,243
Non-current assets			
Property, plant and equipment	*7*	229	9,044
Mineral rights	*8*	20,510	20,273
Total assets		26,664	41,560
Liabilities			
Current liabilities			
Trade and other payables	*11*	7,817	8,143
VAT payable	*5*	2,410	1,839
Convertible Debentures	*10*	11,282	-
Lease liabilities		174	212
Provision for litigation	*14*	22,229	22,162
Provisions	*9*	2,541	1,795
		46,453	34,151
Non-current liabilities			
Convertible Debentures	*10*	-	9,238
Provisions	*9*	1,323	1,813
Deferred tax liabilities	*19*	736	612
Lease liabilities		47	233
Total liabilities		48,559	46,047
Shareholders’ deficit			
Share capital	*12*	141,051	138,961
Contributed surplus		34,760	34,568
Accumulated other comprehensive loss		(16,703)	(15,851)
Deficit		(181,003)	(162,165)
Total shareholders’ deficit		(21,895)	(4,487)
Total liabilities and shareholders’ deficit		**26,664**	**41,560**

Basis of presentation and going concern (Note 2)

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

Approved by the Board	**Director**	**Director**
	“Laurence Curtis”	*“Jeff Swinoga”*

Excellon Resources Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31

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

	Notes	2022 $	2021 $
Revenue	*15*	25,824	37,955
Production costs		(18,055)	(25,472)
Write-down of materials and supplies		(907)	(735)
Depletion and amortization		(7,497)	(7,300)
Cost of sales	*16.a*	(26,459)	(33,507)
Gross (loss) profit		(635)	4,448
Care and maintenance and wind down expenses		(771)	-
Administrative expenses	*16.b*	(4,139)	(4,700)
Share-based payment expenses	*12*	(488)	(1,542)
Amortization		(323)	(447)
General and administrative expenses		(5,721)	(6,689)
Exploration and holding expenses	*17*	(5,576)	(7,194)
Other income (expenses)	*16.c*	1,111	(758)
Provision for litigation	*14*	-	(22,282)
Impairment loss	*5,7*	(3,344)	(16,540)
Finance expenses	*18*	(4,294)	(3,680)
Loss before income taxes		(18,459)	(52,695)
Income tax expense	*19*	(379)	(5,078)
Net loss		(18,838)	(57,773)
Other comprehensive loss			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation differences		(852)	(471)
Total other comprehensive loss		(852)	(471)
Total comprehensive loss		(19,690)	(58,244)
Loss per share			
Basic and diluted	*13*	($0.54)	($1.77)
Weighted average number of shares			
Basic and diluted	*13*	34,917,037	32,662,594

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

Excellon Resources Inc.
Consolidated Statements of Cash Flow
For the years ended December 31
(in thousands of U.S. dollars)

	2022 $	2021 $
Cash flow generated by (used in)		
Operating activities		
Net loss for the year (includes Exploration and holding expenses)	(18,838)	(57,773)
Adjustments for non-cash items:		
Depletion and amortization	7,820	7,747
Income tax expense	379	5,078
Share-based payment expenses	488	1,542
Write-down of materials and supplies	907	759
Interest and accretion expense	4,294	4,748
Unrealized loss on currency hedges	-	21
Gain on disposal of property, plant and equipment	(300)	-
Rehabilitation provision – change in estimate	(730)	-
Fair value loss on marketable securities and warrants	109	933
Other provisions	(174)	-
Onerous contract provision	1,706	-
Provision for litigation	-	22,282
Impairment loss	3,344	16,540
Taxes paid	(172)	(225)
Operating cash flows before changes in working capital	(1,167)	1,652
Changes in non-cash working capital		
Trade receivables	(254)	1,369
VAT recoverable	596	2,023
Provisions	(974)	-
Inventories	1,245	(579)
Other assets	8	(685)
Trade and other payables	(113)	(173)
VAT payable	438	(1,526)
Net cash (used in) generated by operating activities	(221)	2,081
Investing activities		
Proceeds from sale of marketable securities	342	999
Purchase of property, plant and equipment	(1,397)	(7,182)
Proceeds from sale of property, plant and equipment	368	-
Purchase of mineral rights – Silver City	(151)	(154)
Payments received under earn-in agreement - Oakley	100	75
Net cash used in investing activities	(738)	(6,262)
Financing activities		
Proceeds from options and warrants exercised	-	36
Lease payments	(209)	(397)
Interest paid	(39)	(86)
Net cash used in financing activities	(248)	(447)
Effect of exchange rate changes on cash and cash equivalents	(1,396)	319
Change in cash and cash equivalents	(2,603)	(4,309)
Cash and cash equivalents – beginning of year	4,071	8,380
Cash and cash equivalents - end of year	**1,468**	**4,071**

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

Excellon Resources Inc.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(in thousands of U.S. dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total shareholders' equity (deficit) $
Balance - January 1, 2021	136,199	34,015	(15,380)	(104,392)	50,442
Net loss for the year	-	-	-	(57,773)	(57,773)
Total other comprehensive loss	-	-	(471)	-	(471)
Total comprehensive loss	-	-	(471)	(57,773)	(58,244)
Share options:					
Value of services recognized	-	475	-	-	475
Proceeds on issuing shares	54	(18)	-	-	36
Deferred and restricted share units:					
Shares issued on exercise of RSUs / DSUs	970	(970)	-	-	-
Value of units recognized	-	1,066	-	-	1,066
Value of shares issued in asset acquisition	305	-	-	-	305
Convertible Debentures:					
Interest paid in shares	1,433	-	-	-	1,433
Balance - December 31, 2021	138,961	34,568	(15,851)	(162,165)	(4,487)
Balance - January 1, 2022	138,961	34,568	(15,851)	(162,165)	(4,487)
Net loss for the year	-	-	-	(18,838)	(18,838)
Total other comprehensive loss	-	-	(852)	-	(852)
Total comprehensive loss	-	-	(852)	(18,838)	(19,690)
Share options:					
Value of services recognized	-	182	-	-	182
Deferred and restricted share units:					
Shares issued on exercise of RSUs / DSUs	282	(282)	-	-	-
Value of units recognized	-	292	-	-	292
Value of shares issued in asset acquisition	450	-	-	-	450
Convertible Debentures:					
Interest paid in shares	1,358	-	-	-	1,358
Balance - December 31, 2022	**141,051**	**34,760**	**(16,703)**	**(181,003)**	**(21,895)**

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

1. GENERAL INFORMATION

Excellon Resources Inc. (the "Company" or "Excellon") is engaged in the acquisition, exploration, and advancement of mineral properties. The Company is listed on the Toronto Stock Exchange (the "TSX") under the symbol EXN, the OTCQB Venture Market (the "OTCQB") in the United States under the symbol EXNRF, and the Frankfurt Stock Exchange under the symbol E4X2. Excellon's vision is to realize opportunities for the benefit of its employees, communities and shareholders, through the acquisition of advanced development or producing assets with further potential to gain from an experienced operational management team. The Company is advancing a portfolio of gold, silver and base metals assets including Kilgore, an advanced gold exploration project in Idaho; and Silver City, a high-grade epithermal silver district in Saxony, Germany. Subsequent to the year end, the Company has also entered into an agreement to acquire La Negra, a past-producing Ag-Zn-Cu-Pb mine with exploration potential, located in Querétaro State, Mexico ("La Negra").

Excellon is domiciled in Canada and incorporated under the laws of the Province of Ontario. The address of its registered office is 10 King Street East, Suite 200, Toronto, Ontario, M5C 1C3, Canada.

These consolidated financial statements were approved by the Board of Directors on March 31, 2023.

2. BASIS OF PRESENTATION AND GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The accounting policies set out below were consistently applied to all periods presented.

The Company has incurred recurring losses from operations, has a shareholders' deficit of $21,895, and negative working capital of $40,528 (including the provision for litigation of $22,229 (Note 14)) as of December 31, 2022.

On January 5, 2022, the Company announced that it was assessing the economic viability of mining at Platosa at achievable dewatering rates and with acceptable capital expenditures, beyond mid-2022. The orebody remaining beyond mid-2022 steepened significantly, resulting in fewer vertical-tonnes-per-metre than historically encountered. Underground and surface drilling continued throughout Q1 and Q2 2022; however, based on the drilling results and consideration of current and expected economic factors, production ceased and the Platosa Mine was placed on care and maintenance in early Q4 2022. Revenues ceased after the wind down of operations and, therefore, the Company must utilize its current cash reserves, and pursue other financing transactions to fund its working capital requirements, corporate expenditures and exploration activities.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and therefore realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent on its ability to refinance its Convertible Debentures (Note 10), obtain the necessary financing to advance its exploration projects and meet its ongoing corporate overhead costs. Although the Company has been successful in obtaining debt and equity financing in the past, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company.

The Company is considering various financing, corporate development opportunities and strategic alternatives that may include acquisitions, divestitures, mergers or spin-offs of the Company's or third parties' assets, as applicable. See Note 24 for a summary of Excellon's January 9, 2023 announcement of an agreement to acquire the La Negra mine located in Mexico, conversion and restructuring the Convertible Debentures, and a private placement for gross proceeds of US$10 million on closing of the transaction.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include adjustments to the recoverability and classification of recorded asset and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

3. USE OF ESTIMATES AND JUDGEMENTS

Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The preparation of the consolidated financial statements requires management to make estimates and judgements that may have a significant impact on the consolidated financial statements. Critical judgements exercised in applying accounting policies and key sources of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- **Rehabilitation provision (Note 9)** – the Company records any site rehabilitation obligation as a liability in the period in which the related environmental disturbance occurs, based on the present value of the estimated future costs of rehabilitation. This obligation is adjusted at the end of each reporting period to reflect the passage of time, changes in the estimated future costs and timing of the underlying obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Consolidation

i. Subsidiaries – are entities controlled by the Company where control is achieved when the Company has the power to govern the financial and operating policies of the entity. The Company owns directly and indirectly 100% of all the subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

ii. Transactions eliminated on consolidation - intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions and translation

i. Transactions and balances - foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Company's consolidated statements of comprehensive loss.

   All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within other expense.

ii. Translation - the results and financial position of all the Company's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

   - Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
   - Income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and
   - All resulting exchange differences have been recognized in other comprehensive loss and accumulated as a separate component of equity.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and highly liquid short-term investments with a maturity date of three months or less when acquired. There are no cash equivalents held on December 31, 2022 and 2021.

(d) Financial instruments

Financial assets
Routine purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase or sell the asset. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive loss.

Subsequent measurement of debt instruments depends on the classification of financial assets determined at initial recognition. Classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company classifies and provides for financial assets as follows:

- Financial assets at fair value through profit or loss include principally the Company's cash and cash equivalents, as well as foreign currency forward sales contracts. A financial asset is classified in this category if it does not meet the criteria for amortized cost or fair value through other comprehensive income, or is a derivative instrument not designated for hedging. Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive loss in the period in which they arise.

- Financial assets at fair value through other comprehensive income are financial assets that are held in a business model with an objective that is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive loss, except for the recognition of impairment gains or losses, and foreign exchange gains and losses, which are recognized in the consolidated statements of comprehensive loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive loss is reclassified from equity to the consolidated statements of comprehensive loss and recognized in other gains(losses). Foreign exchange gains and losses are presented in other gains(losses) and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income (loss).

- Financial assets at amortized cost are financial assets with the objective to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This includes the entities trade, and non-trade receivables. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated statements of comprehensive loss and presented in other gains(losses), together with foreign exchange gains and losses.

At each consolidated statement of financial position date, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. When sold or impaired, any accumulated fair value adjustments previously recognized are included in the consolidated statement of comprehensive loss.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Derivative financial instruments
The Company may hold derivative financial instruments to hedge its risk exposure to fluctuations in commodity prices, including the Company's final product, consumables and other currencies compared to the USD. Derivative financial instruments are measured at fair value at each reporting period.

Non-hedged derivative financial instruments
All derivative instruments not designated in a hedge relationship that qualifies for hedge accounting are classified as financial instruments at fair value through profit or loss. Changes in fair value of non-hedged derivative financial instruments are included in the consolidated statements of comprehensive loss as non-hedged derivative gains or losses.

Financial liabilities

Financial liabilities that are not held for trading or designated as at fair value through profit or loss, are measured at amortized cost using the effective interest method. Financial liabilities at amortized cost include trade payables, convertible debentures, and finance lease obligations.

Financial liabilities classified fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in the consolidated statements of comprehensive loss within finance expenses.

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability. The amortization of debt issue costs is calculated using the effective interest method.

(e) Inventories

Silver-lead and silver-zinc in concentrate and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price, less estimated costs of completion and costs of selling final the product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including amortization, incurred in converting materials into finished goods. The cost of production is allocated to joint products using a ratio of weighted average volume by product at each month-end. Separately identifiable costs of conversion of each metal concentrate are specifically allocated.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items. A regular review is undertaken to determine the extent of any provision for obsolescence by comparing items to their replacement costs.

When inventories have been written down to net realizable value, the Company makes a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

(f) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization and any impairment charges. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statements of comprehensive loss as incurred.

Amortization is recorded over the useful life of the asset, or over the remaining life of the mine, if shorter, as follows:

- Mining properties – on a units-of-production basis;
- Associated mining equipment – 3-10 years on a straight-line basis;
- Buildings – 20 years on a straight-line basis; and
- Processing equipment – 4-8 years on a straight-line basis.

Amortization charges on a unit-of-production basis are based on measured and indicated mineral resources.

The method of amortization, estimates of residual values and useful lives are reassessed at least at each financial year-end, and any change in estimate is taken into account in the determination of future amortization charges.

(g) Exploration and evaluation expenditures

Acquisitions of mineral rights are capitalized. Subsequent exploration and evaluation costs related to an area of interest are expensed as incurred on a project-by-project basis. When a licence is relinquished or a project is abandoned, the related costs are immediately recognized in the consolidated statements of comprehensive loss.

Exploration properties that contain estimated proven and probable mineral reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable. At present, the Company does not hold an interest in any properties with mineral reserves.

Exploration and evaluation assets are reclassified to mining properties - mines under construction when the technical feasibility and commercial viability of extracting the mineral resources or mineral reserves are demonstrable and construction has commenced or a decision to construct has been made. Exploration and evaluation assets are assessed for impairment before reclassification to mines under construction, and the impairment loss, if any, is recognized in the consolidated statements of comprehensive loss.

(h) Development expenditures

Development expenditures incurred by or on behalf of the Company are accumulated separately for each property in which an indicated resource has been identified. Such expenditures comprise costs directly attributable to the construction of a mine and the related infrastructure.

General and administrative costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant area of interest. Once a development decision has been taken, the development expenditure is classified under property, plant and equipment as development properties. A development property is reclassified as a mining property' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. No amortization is recognized in respect of development properties until they are reclassified as mining properties. Each development property is tested for impairment in accordance with the Company's impairment policy.

(i) Mining properties

When further development expenditures are incurred in respect of a mining property after the commencement of production, such expenditures are carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise, such expenditures are classified as a cost of production.

Amortization is charged using the units-of-production method. The units-of-production basis results in an amortization charge proportional to the depletion of measured and indicated resources. Mine properties are tested for impairment in accordance with the Company's impairment policy.

(j) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining asset.

The periodic unwinding of the discount applied in establishing the net present value of provisions due to the passage of time is recognized in the consolidated statements of comprehensive loss as a finance cost. Changes in the rehabilitation estimate attributable to development will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

(k) Mineral rights

Mineral rights are carried at cost and amortized using a units-of-production method based on the resources that exist in the location that has access to such rights.

Methods of amortization and estimated useful lives are reassessed annually and any change in estimate is taken into account in the determination of future amortization charges.

(l) Impairment

i. Financial assets - a financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

ii. Non-financial assets - the carrying amounts of the Company's non-financial assets, primarily property, plant and equipment and mineral rights, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, recoverable amount is estimated at the higher of the value-in-use and fair value less costs of disposal.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into cash-generating units (CGUs), the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive loss. Impairment losses recognized in respect of the CGU are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the consolidated statements of comprehensive loss.

(m) Future termination benefits

Employees of the Company's Mexican operations are entitled under local labour laws to employee departure indemnities, generally based on each employee's length of service, employment category and remuneration.

The cost of these retirement benefits is determined using the projected unit credit method. Current service cost and any past service cost are recognized in the same line item in the consolidated statements of comprehensive loss as the related compensation cost.

The most significant assumptions used in accounting for post employment benefits are the discount rate, turnover rate, salary and wage rate increase and the life of mine. The unwinding of the discount on these liabilities is charged to the Company's consolidated statements of comprehensive loss as interest cost. The values attributed to the liabilities are assessed in accordance with the advice of independent qualified actuaries.

(n) Current and deferred income tax

The tax expense for the year is comprised of current and deferred tax. Tax is recognized in the consolidated statements of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity.

The current income tax charge is calculated on the basis of the tax laws substantively enacted at the consolidated statement of financial position date in the countries where the Company's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, the Company establishes provisions expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except in the case of a subsidiary where timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined on a non-discount basis using tax rates (and laws) that have been substantively enacted by the consolidated statement of financial position dates and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing the need to recognize a deferred tax asset, management considers all available evidence including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies.

The Company recognizes neither the deferred tax asset regarding the temporary difference on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Royalties, resource rent taxes and revenue-based taxes are accounted for under taxes when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income – rather than based on quantity produced or as a percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognized as current provisions and included in cost of sales. The 7.5% Mexican mining royalty is based on earnings before interest, tax, depreciation and amortization, and is treated as an income tax in accordance with IFRS, as it is based on a measure of revenue less certain specified costs. The extraordinary mining royalty of 0.5% on precious metals revenues is not considered to be an income tax in accordance with IFRS as it is based on a percentage of revenue and not taxable income.

(o) Share-based payments

i. Share option plan - employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

   In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

ii. Equity-settled transactions - the costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted using the Black-Scholes option-pricing model.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

A Deferred Share Unit (“DSU”) Plan was established for directors of the Company. The cost of the DSUs is measured initially at fair value based on the closing price of the common shares preceding the day the DSUs are granted. The Company has the option of settling the DSUs in cash or common shares either from treasury or from market purchases. The Company has the intent to always settle the DSUs in shares, therefore, the expense is recorded in the consolidated statements of comprehensive loss as share-based payments and credited to equity under contributed surplus.

A Restricted Share Unit (“RSU”) Plan was established for directors, certain employees and eligible contractors of the Company. The cost of the RSUs is measured initially at fair value on the authorization date based on the market price of the common shares preceding the day the RSUs are authorized by the Board of Directors. The Company has the option of settling the RSUs in cash or common shares either from treasury or from market purchases. The Company has the intent to always settle the DSUs in shares, therefore, the expense is recorded in the consolidated statements of comprehensive loss in share-based payments and credited to equity under contributed surplus.

(p) Revenue recognition

Company policy requires all production to be sold under contract. Revenue is only recognized on individual concentrate shipments when the following conditions are satisfied:

- Contracts with customers have been identified.
- Performance obligations in the contract have been identified.
- Transaction price is determined.
- Transaction price is allocated to the performance obligations in the contract.
- Performance obligation in the contract is satisfied.

Satisfaction of these conditions depends on the terms of trade with individual customers. Generally, control over goods is considered to have transferred to the customer upon delivery.
Concentrate products are sold on a provisional pricing basis where the sale price received by the group is subject to a final adjustment at the end of a period that may be up to three months after delivery to the customer. The final sale price is based on the market price on the quotational date in the contract of sale. Sales are initially recognized when the revenue recognition criteria have been satisfied, using market prices

at that date. At each reporting date, the provisionally priced shipment is marked to market based on the forward selling price for the quotational point specified in the contract until that point is reached. Revenue is only recognized on this basis where the forward selling price can be reliably measured.

Many of the Company's sales are subject to an adjustment based on confirmation of the technical specifications of each shipment by the customer. In such cases, revenue is recognized based on the company's best estimate of the technical specifications at the time of shipment, and any subsequent adjustments are recorded against revenue when final specifications are confirmed and agreed to by both parties, as per the offtake agreement terms.

(q) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Excellon's potentially dilutive common shares comprise stock options granted to employees, convertible debentures and warrants.

(r) Segment reporting

The Company has two reportable segments, Mexico and Corporate. The Mexican operation is principally engaged in the acquisition, exploration, evaluation, development and exploitation of mining properties. The Platosa property was in commercial production and was earning revenue through the sale of silver-lead concentrate and silver-zinc concentrate until early Q4 2022, when the Platosa Mine was put on care and maintenance. The Corporate operations are principally engaged in the financing, acquisition, exploration and evaluation of mining properties. Segments are reviewed by the CEO, who is considered to be the chief operating decision maker.

(s) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are amortized to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. In addition, the right-of-use assets may be periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments, and variable payments that are based on an index or a rate.

Cash payments for the principal portion of the lease liability are presented within the financing activities and the interest portion of the lease liability is presented within the operating activities of the consolidated statements of cash flows. Short-term lease payments and variable lease payments not included in the measurement of the lease liability are presented within the operating activities of the consolidated statements of cash flows.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is either made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has lease arrangements that include both lease and non-lease components. The Company accounts for each separate lease component and its associated non-lease components as a single lease component for all its asset classes. Additionally, for certain lease arrangements that involve leases of similar assets, the Company applies a portfolio approach to effectively account for the underlying right-of-use assets and lease liabilities.

(t) Farm-out accounting

Mineral rights held by the Company that are subject to a farm-out arrangement, where a farmee incurs certain expenditures on a property to earn an interest in that property, are accounted as follows:

- The Company does not record exploration expenditures made by the farmee on the property;
- Any cash consideration and the initial fair value of any shares received is credited against the costs previously capitalized to the mineral rights;
- The change in fair value of any shares received by Company as part of a farm-out arrangement are recorded in the consolidated statement of comprehensive income (loss); and
- The Company uses the carrying value of the mineral rights before the farm-out arrangement as the carrying value for the portion of the interest retained (if any).

5. VAT RECOVERABLE AND PAYABLE

VAT recoverable consists of the gross VAT credits claimable by each of the Company's subsidiaries. The Company's value added tax or VAT payable position is reflected separately on the consolidated statements of financial position.

As at December 31, 2022, the Company had a net VAT recoverable of $0.7 million in Germany and $0.1 million in Canada, and a net VAT payable of $1.3 million in Mexico (December 31, 2021 – net VAT recoverable of $0.8 million in Mexico, $0.7 million in Germany and $0.1 million in Canada). At December 31, 2022, the Company determined that the VAT credits held in San Pedro were not recoverable following its petition into insolvency (Note 14), and hence recorded an impairment of $1.0 million in San Pedro.

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

6. OTHER CURRENT ASSETS

	2022	2021
	$	$
Income taxes recoverable	92	130
Prepaid expenses, deposits and bonds	520	708
Marketable securities and warrants (1)	5	454
Restricted cash (2)	-	940
Deferred transactions costs (3)	1,232	-
Other	12	88
	1,861	**2,320**

(1) Marketable securities and warrants are measured at fair value with changes recorded in other income/expense. In 2022 the Company sold marketable securities for $342 (December 31, 2021: $999) and recorded fair value losses of $109 (December 31, 2021: $933).

(2) Following the Platosa Mine closure in Q4 2022, the restricted cash was applied to amounts payable under a power supply contract held by a Mexican subsidiary (Note 9).

(3) On January 9, 2023, the Company announced an agreement to acquire the La Negra mine (Note 24). The Company expects to account for the transaction as an asset acquisition, and hence capitalize transaction costs on closing.

7. PROPERTY, PLANT AND EQUIPMENT

	Mining properties	Mining equipment	Processing equipment	Assets under construction	Corporate and right of use assets	Total
	$	$	$	$	$	$
At January 1, 2021						
Cost	36,400	21,272	6,075	522	1,944	66,213
Accumulated amortization	(21,930)	(12,552)	(5,079)	-	(822)	(40,383)
	14,470	8,720	996	522	1,122	25,830
Year ended December 31, 2021						
Opening net book value	14,470	8,720	996	522	1,122	25,830
Additions	4,441	516	263	2,711	30	7,961
Reclassification	2,131	875	196	(3,202)	-	-
Impairment (2)	(10,471)	(4,715)	(738)	-	(231)	(16,155)
Depletion and amortization	(4,532)	(2,373)	(275)	-	(348)	(7,528)
Exchange differences (1)	(666)	(333)	(17)	(31)	(17)	(1,064)
Closing net book value	5,373	2,690	425	-	556	9,044
At December 31, 2021						
Cost	41,962	21,995	6,367	-	1,935	72,259
Accumulated amortization and impairment	(36,589)	(19,305)	(5,942)	-	(1,379)	(63,215)
	5,373	2,690	425	-	556	9,044

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

	Mining properties	Mining equipment	Processing equipment	Assets under construction	Corporate and right of use assets	Total
	$	$	$	$	$	$
Year ended December 31, 2022						
Opening net book value	5,373	2,690	425	-	556	9,044
Additions	902	9	56	-	-	967
Disposals	-	(68)	-	-	-	(68)
Reclassification	-	(630)	744	-	(114)	-
Impairment (2)	(935)	(1,388)	-	-	-	(2,323)
Depletion and amortization	(5,473)	(704)	(1,244)	-	(199)	(7,620)
Exchange differences (1)	133	91	19	-	(14)	229
Closing net book value	**-**	**-**	**-**	**-**	**229**	**229**
At December 31, 2022						
Cost	44,743	21,403	9,182	-	1,074	76,402
Accumulated amortization and impairment	(44,743)	(21,403)	(9,182)	-	(845)	(76,173)
	-	**-**	**-**	**-**	**229**	**229**

(1) Unrealized foreign exchange losses on translation of Mexican peso assets at the period-end exchange rate.

(2) At December 31, 2021, the Company performed an impairment test on the Platosa Mine CGU and Miguel Auza processing facility CGU. The recoverable amounts were calculated using the value-in-use method and estimated based on future cash flows. Key assumptions included future commodity prices, production based on current estimates of recoverable resources, and operating costs. An impairment loss of $15,403 was recognized as at December 31, 2021. In Q3 2021, the Company had recorded an impairment loss of $752 on the Miguel Auza CGU reflecting the impact of the Judgment (as defined in Note 14) against San Pedro.

The Company wound down operations at Platosa and Miguel Auza in early Q4 2022. At December 31, 2022, the Company determined that the recoverable amount of the assets held at Platosa and Miguel Auza was $nil, following the petition of San Pedro into insolvency (Note 14), and the Platosa Labour Union's actions to restrict access to the Platosa Mine (Note 9). An impairment loss of $2,323 was recognized on December 31, 2022.

8. MINERAL RIGHTS

	Platosa (Mexico)	Silver City (Germany) (1)	Kilgore (Idaho)	Oakley (Idaho) (3)	Total
	$	$	$	$	$
At January 1, 2021					
Cost	3,721	587	13,756	5,364	23,428
Accumulated amortization	(2,917)	-	-	-	(2,917)
	804	587	13,756	5,364	20,511
Year ended December 31, 2021					
Opening net book value	804	587	13,756	5,364	20,511
Additions	-	459	-	-	459
Payments received under earn-in agreement	-	-	-	(75)	(75)
Depletion and amortization	(219)	-	-	-	(219)
Impairment (4)	(385)	-	-	-	(385)
Exchange differences	(7)	(11)	-	-	(18)
Closing net book value	193	1,035	13,756	5,289	20,273

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

	Platosa (Mexico) $	Silver City (Germany) (1) $	Kilgore (Idaho) $	Oakley (Idaho) (3) $	Total $
At December 31, 2021					
Cost	3,665	1,035	13,756	5,289	23,745
Accumulated amortization	(3,472)	-	-	-	(3,472)
	193	1,035	13,756	5,289	20,273
Year ended December 31, 2022					
Opening net book value	193	1,035	13,756	5,289	20,273
Additions	-	601	-	-	601
Payments received under earn-in agreement	-	-	-	(100)	(100)
Depletion and amortization	(187)	-	-	-	(187)
Exchange differences	(6)	(71)	-	-	(77)
Closing net book value	-	1,565	13,756	5,189	20,510
At December 31, 2022					
Cost	3,659	1,565	13,756	5,189	24,169
Accumulated amortization	(3,659)	-	-	-	(3,659)
	-	**1,565**	**13,756**	**5,189**	**20,510**

(1) On September 24, 2019, the Company signed an option agreement (the "Globex Agreement") with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in the Bräunsdorf exploration license for the Silver City Project in Saxony, Germany, pursuant to which the Company agreed to pay total aggregate consideration of C$500 in cash and issue common shares valued at C$1,600 over a period of three years.

In Q3 2021, shares to the value of C$425 and a cash payment of C$100 were made and recorded as an addition to mineral rights ($415). In Q3 2022, the Company made its final issuance of shares valued at C$625 and final cash payment of C$200 recorded as an addition to mineral rights ($601) to maintain its option on the Bräunsdorf exploration license and intends to exercise the option to acquire such licence in 2023, upon which Globex will be granted a gross metals royalty of 3% for precious metals and 2.5% for other metals, both of which may be reduced by 1% upon a payment of $1,500. Additional one-time payments of C$300 and C$700 are to be made by the Company following any future announcement of a maiden mineral resource estimate on the property and upon achievement of commercial production from the project, respectively.

In March 2021, the Frauenstein, Mohorn and Oederan exploration licenses were granted to the Company following applications to the Sächsisches Oberbergamt (Saxon Mining Authority), increasing the Silver City ground position by 17,600 hectares.

(2) In April 2020, the Company acquired 100% ownership of the Oakley Project in Cassia County, Idaho as part of the Otis acquisition.

On February 26, 2020, Otis entered into a definitive option agreement with Centerra (U.S.) Inc., a subsidiary of Centerra Gold Inc. ("Centerra") whereby Centerra can earn up to a 70% interest in the Oakley Project in exchange for total exploration expenditures of $7,000 and cash payments to the Company of $550 over a six-year period. Details are as follows:

- Centerra can earn a 51% interest in Oakley (the "First Option") by incurring $4,500 in exploration expenditures and by making cash payments of $250 over a three-year period.
- Centerra will then have an option to acquire a further 19% of the Oakley Project, for a total of 70% (the "Second Option"), by incurring an additional $3,000 in exploration expenditures and making a cash payment of $300 over three years.

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

- Subsequent to either the First Option or the Second Option, at Centerra's option, the parties shall form a joint venture and fund expenditures going forward on a pro rata basis.
- Should Excellon's interest fall below 10% during the joint venture, that interest will automatically convert to a 2% net service revenue or NSR that is not subject to a buyback provision.

In Q1 2021 and Q1 2022, the Company received payments from Centerra of $75 and $100, respectively, under the earn-in agreement. In accordance with the Company's farm-out accounting policy, these amounts were credited to the Oakley Project.

Subsequent to December 31, 2022, Centerra met the requirements for, and exercised the First Option to earn a 51% interest in the Oakley Project.

(3) Refer to Note 7 – mineral rights related to the Platosa Mine were included in the Platosa CGU tested for impairment at December 31, 2021. An impairment of $385 was recorded.

9. PROVISIONS

	Post-retirement benefits (1) $	Rehabilitation provision (2) $	Onerous contract (3) $	Total $
Year ended December 31, 2021				
Opening balance	652	1,556	-	2,208
Payments	(62)	-	-	(62)
Change in estimate	968	223	-	1,191
Accretion for the year	236	85	-	321
Exchange differences	1	(51)	-	(50)
Closing balance	1,795	1,813	-	3,608
Current	1,795	-	-	1,795
Non-current	-	1,813	-	1,813
Year ended December 31, 2022				
Opening balance	1,795	1,813	-	3,608
Payments	(974)	-	-	(974)
Accretion for the year	79	128	-	207
Change in estimate	(174)	(730)	-	(904)
Exchange differences	109	112	-	221
Provision recognized	-	-	1,706	1,706
Closing balance	835	1,323	1,706	3,864
Current	835	-	1,706	2,541
Non-current	-	1,323	-	1,323

(1) Post-retirement benefits: Under Mexican labour law, the Company provides post-retirement indemnities and severance benefits to its employees terminated under certain circumstances. The Company ceased operations in Mexico in Q4 2022, and settled termination benefits with 72% of its unionized and 80% of its non-unionized workforce in Mexico. The remaining non-unionized employees have been retained for care and maintenance activities and potential transfer to the La Negra Mine following the anticipated closing of the acquisition by the

Company. The remaining unionized employees at the Miguel Auza mill have entered into a legal strike, while the remaining unionized employees at the Platosa Mine have effectively gone on strike, although a legal strike has not yet been declared. At December 31, 2021, key assumptions used by the independent third party actuary in the above estimate included an annual discount rate of 7.00%, employee turnover rate of 4%, annual salary increase of 3.75%, minimum wage rate increase of 22%, and the revised life of mine plan to mid-2022. The December 31, 2022 provision was estimated based on current assumptions due its short-term nature.

(2) Rehabilitation provision: Key financial assumptions used in the above estimate include independent 3rd party cost reports, an annual discount rate of 8.9% (December 31, 2021 – 6.7% for Platosa and 7.2% for Miguel Auza), Mexican target inflation rates and the expected timing of rehabilitation work. The Company ceased operations in Mexico in Q4 2022, and placed the Platosa Mine and Miguel Auza mill in care and maintenance until further notice. No significant rehabilitation work is projected until 2033 while under care and maintenance (at December 31, 2021 the Company was projecting a full closure and hence rehabilitation commencing 2024). Note that the Miguel Auza processing facility is held in the Company's Mexican subsidiary, which is party to the Judgment and was petitioned into insolvency in Q4 2022 (Note 14). The total undiscounted amount of estimated cash flows required to settle the Company's obligations is $2.1 million of which $1.0 million relates to the Platosa Mine and $1.1 million relates to the Miguel Auza processing facility.

(3) Onerous contract: A Mexican subsidiary of the Company has obligations under a power supply contract that expires in September 2023. Following the Platosa Mine closure in Q4 2022, the contract was deemed an onerous contract and a provision recognized based on the estimated costs of fulfilling the contract. The expense was recognized in other (income) expense (Note 16). The Company has a right of assignment and is engaged in ongoing discussions with the provider to reach a mutually beneficial resolution.

Contingent liability

A company retained to perform drilling services at the Kilgore Project in 2022 has commenced legal proceedings against the Company and has separately claimed a statutory lien on six of the project's unpatented mining claims, based on payments alleged as due under the drilling contract in the amount of $1.1 million. Excellon disputes the amounts claimed in such proceedings and asserted under the lien, including the basis therefor. Excellon believes that such legal proceedings and the lien are without merit and is vigorously defending itself against such claims, including advancing a rigorous defence and counterclaim in legal proceedings and challenge of the basis for and validity of the lien. Excellon will continue to steadfastly contest both such claims. Excellon has not accrued for any amounts in respect of these claims.

10. CONVERTIBLE DEBENTURES

On July 30, 2020, the Company closed a private placement (the "Financing") of secured convertible debentures (the "Convertible Debentures") for total proceeds of C$17.91 million.

The Convertible Debentures have a term of 36 months and are convertible by the holder into common shares of the Company prior to maturity at a conversion price of C$5.30 per common share. The Convertible Debentures bear interest at an annual rate of 5.75%, payable in cash semi-annually. Interest on the Convertible Debentures may alternatively be paid in common shares of the Company at the Company's option based on the 10-day volume-weighted average price ("VWAP") of the common shares prior to the payment date and an effective annual rate of 10%. On July 27, 2022, the Company received required approval from the Debenture holders to transfer the security under the Convertible Debentures from the Company's Mexican assets to its Kilgore assets in Idaho (the "security transfer"). The security transfer was effective in late Q3 2022 and in early Q4 2022 cancellation of the Mexican security was registered with the applicable authorities.

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

On or after July 30, 2022 and prior to maturity, the Company may accelerate the conversion of the entire issuance of Convertible Debentures, provided that the 20-day VWAP of the common shares on or after such 24-month anniversary is equal to or greater than C$12.50.

The purchasers of the Convertible Debentures were also issued 1,006,542 common share purchase warrants ("Warrants"), with an exercise price of C$5.75 and an expiry date of July 30, 2023. In connection with the Financing, the Company granted 136,887 common share purchase warrants, with an exercise price of C$5.75 and an expiry date of July 30, 2023.

Net proceeds from the Convertible Debentures were C$17.1 million ($12.8 million) after cash transaction costs of C$768 ($572). The net proceeds were allocated between debt and equity components. On initial recognition, the fair value of the debt of C$8,459 ($6,298) was estimated using a coupled Black-Scholes model based on an expected term of 36 months and a coupon rate of 5.75%. The residual portion of C$6,382 ($4,751) represented the value of the conversion option and other features of the Convertible Debentures and was recognized in equity net of a deferred tax recovery of C$2,301 ($1,713) related to a taxable temporary difference on this equity component.

The debt component is recorded at amortized cost and is accreted to the principal amount over the term of the Convertible Debentures. The Company elected to pay the June 30, 2021, December 31, 2021, June 30, 2022 and December 31, 2022 interest payments in common shares valued at C$888 ($727), C$903 ($706), C$888 ($694) and C$903 ($664), respectively. The Company recorded interest expense of C$5,269 ($4,039) for the year ended December 31, 2022 and C$4,294 ($3,427) for the year ended December 31, 2021.

See Note 24 for a summary of Excellon's January 9, 2023 announcement including a planned conversion and restructuring of the Convertible Debentures on closing of the La Negra acquisition.

	$ CAD	**$ USD**
Year ended December 31, 2021		
Opening balance	9,299	7,283
Interest expense	4,294	3,427
Value of shares issued to settle interest payable	(1,791)	(1,433)
Exchange differences	-	(39)
Closing balance	**11,802**	**9,238**
Year ended December 31, 2022		
Opening balance	11,802	9,238
Interest expense	5,269	4,039
Value of shares issued to settle interest payable	(1,791)	(1,358)
Exchange differences	-	(637)
Closing balance	**15,280**	**11,282**

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

11. TRADE AND OTHER PAYABLES

The Company's payables comprise trade payables, accruals and other payables as at December 31, 2022. Trade payables comprise $4,602 of the $7,817 balance (December 31, 2021 $3,990 of the $8,143 balance), of which $2,611 relate to operations in Mexico (December 31, 2021 – $2,989). Accruals and other payables of $3,215 (December 31, 2021 – $4,153) include administrative and operating costs, accounting and legal services, income taxes and statutory payroll withholding taxes. Trade payables and accruals related to property, plant and equipment additions totalled $286 at December 31, 2022 (as at December 31, 2021 – $543).

12. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares.

	Number of shares (000's)	$
Year ended December 31, 2021		
Opening balance	32,339	136,199
Shares issued on exercise of stock options	15	54
Shares issued on exercise of RSUs and DSUs	281	970
Value of shares issued in asset acquisition (1)	232	305
Shares issued to settle interest on Convertible Debentures (2)	896	1,433
Balance at December 31, 2021	**33,763**	**138,961**

	Number of shares (000's)	$
Year ended December 31, 2022		
Opening balance	33,763	138,961
Shares issued on exercise of RSUs and DSUs	162	282
Value of shares issued in asset acquisition (1)	1,330	450
Shares issued to settle interest on Convertible Debentures (2)	2,799	1,358
Balance at December 31, 2022	**38,054**	**141,051**

(1) In accordance with the Globex Agreement, the Company issued 232,240 common shares (fair valued at C$385 or $305) in Q3 2021, and 1,329,787 common shares (fair valued at C$598 or $450) in Q4 2022.

(2) The Company elected to pay the June 30, 2021, December 31, 2021, June 30, 2022 and December 31, 2022 interest payments on the Convertible Debentures (Note 10) in common shares valued at C$888 ($727), C$903 ($706), C$888 ($694) and C$903 ($664), respectively.

The outstanding number and weighted average exercise prices of equity-settled stock options, purchase warrants, DSUs and RSUs are as follows:

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

	Options		Warrants			
	Options Outstanding	Weighted Average Exercise Price (CAD)	Warrants Outstanding	Weighted Average Exercise Price (CAD)	RSUs Outstanding	DSUs Outstanding
Outstanding at January 1, 2021	847,437	4.21	2,538,588	6.00	465,511	491,330
Granted/issued/acquired	257,500	3.73	-	-	466,122	209,353
Exercised/settled	(15,000)	3.05	-	-	(41,117)	(244,485)
Expired	(104,366)	5.61	(1,092,400)	7.00	(54,448)	-
Forfeited	(40,084)	3.85	-	-	(168,659)	-
Outstanding at December 31, 2021	945,487	3.96	1,446,188	5.24	667,409	456,198
Exercisable at December 31, 2021	816,987	4.03	1,446,188	5.24	-	-
Outstanding at January 1, 2022	945,487	3.96	1,446,188	5.24	667,409	456,198
Granted/issued	942,000	0.58	-	-	1,124,948	380,417
Exercised/settled	-	0.00	-	-	(31,787)	(130,455)
Expired	(382,375)	4.01	(302,760)	3.30	-	-
Forfeited	(54,375)	1.76	-	-	(574,570)	-
Outstanding at December 31, 2022	1,450,737	1.84	1,143,428	5.75	1,186,000	706,160
Exercisable at December 31, 2022	808,987	2.83	1,143,428	5.75	-	368,649

The Company has 1,143,428 Warrants with an exercise price of C$5.75, expiring on July 30, 2023 (Note 10).

Options outstanding and exercisable are as follows:

Exercise Price Range (CAD)	Stock Options Outstanding	Weighted Average Remaining Contractual Life (years)	Stock Options Exercisable	Weighted Average Exercise Price (CAD)
$0.00 to $1.99	910,750	2.53	266,000	0.74
$2.00 to $3.99	248,037	0.77	248,037	2.92
$4.00 to $5.99	273,950	1.40	273,950	4.44
$6.00 to $7.99	5,000	0.30	5,000	7.50
$8.00 to $9.99	13,000	0.23	13,000	8.10
	1,450,737	1.99	805,987	2.83

The grant date fair values of the options were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the option fair values at grant date were the following:

	Year ended December 31 2022	Year ended December 31 2021
Fair value at grant date (CAD)	$0.32	$2.03
Share price at grant date (CAD)	$0.59	$3.73
Exercise price (CAD)	$0.59	$3.73
Risk-free interest rate	3.09%	0.39%
Expected life of options in years	2.88	3.26

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

Expected volatility	85.72%	80.37%
Expected dividend yield	0.00%	0.00%
Estimated forfeiture rate	5.82%	5.87%

Compensation expense is recognized over the vesting period of the grant with the corresponding equity impact recorded in contributed surplus. Share-based compensation expense comprises the following:

	2022 $	2021 $
Stock options	184	476
RSU	126	454
DSU	178	612
	488	1,542

13. LOSS PER SHARE

	2022	2021
Net loss for the year	$ (18,838)	$ (57,773)
Weighted average number of shares outstanding - basic and diluted	34,917,037	32,662,594
Net loss per share - basic and diluted	$ (0.54)	$ (1.77)

When calculating earnings per share for periods where the Company has a loss, the calculation of diluted earnings per share excludes any incremental shares from the assumed conversion of stock options, Convertible Debentures and Warrants as they would be anti-dilutive.

14. PROVISION FOR LITIGATION

A Mexican subsidiary of the Company, San Pedro Resources S.A. de C.V. (“San Pedro”), is party to an action by a claimant (the “Plaintiff”) in respect of damages under a property agreement regarding the La Antigua mineral concession (“La Antigua”), a non-material mineral concession within the Evolución Project. La Antigua is subject to an exploration and exploitation agreement between San Pedro and the Plaintiff dated December 3, 2006, with a purchase option and, among other obligations, a 3% NSR if the property is brought into production (the “Antigua Agreement”). Pursuant to the Antigua Agreement, San Pedro had the right to purchase absolute title to La Antigua including the NSR royalty upon payment of $500. San Pedro was under no contractual obligation to put the mine into production and has not done so. The Plaintiff was initially awarded damages of $700 in the court of first instance. On appeal by both parties, the appellate court confirmed the initial decision but, subsequently, in late 2019, granted the Plaintiff an award of $22,175 (the “Judgment”), which San Pedro and the Company both believe is multiple times greater than any income the applicable NSR royalty could ever have produced had La Antigua ever been put into commercial production. In Q3 2021, San Pedro’s appeal of this decision was fully and finally dismissed by the Mexican Federal Court, with no further right of appeal in Mexico. Accordingly, the Company recorded a corresponding provision for litigation of $22.3 million.

The Judgment is solely against San Pedro as defendant and the Company believes that the Plaintiff has no recourse against the Company’s other assets in Mexico, Idaho, Saxony, Germany or Canada. San Pedro is a wholly owned, indirect subsidiary of the Company that holds the Miguel Auza processing facility and the original Miguel Auza mineral concessions. The book value of San Pedro’s assets included in the consolidated statements of financial position is $nil.

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

San Pedro continued to operate in the ordinary course until it had processed the last ore from the Platosa Mine following its completion of production and transition to care and maintenance in early Q4 2022 (Note 2). In Q1 and Q2 2022, the Plaintiff registered the Judgment against the real property and certain assets owned by San Pedro. With no further ore to process, and the continuing recourse of the Plaintiff under the Judgment, in Q4 2022 San Pedro filed a petition for bankruptcy, which was a confidential submission pending acceptance by the Mexican Bankruptcy Court. On December 15, 2022, the Mexican Bankruptcy Court accepted the petition and, in Q1 2023, the Court-appointed auditor completed their review of San Pedro's petition and confirmed San Pedro's insolvency. On March 30, 2023, the Company received notice that San Pedro was declared bankrupt by the Mexican Bankruptcy Court effective March 28, 2023. As a result, the liabilities of San Pedro will be deconsolidated from our first quarter 2023 consolidated financial statements, which will remove all such liabilities (including the Judgment) from the Company's March 31, 2023 consolidated statement of financial position.

	2022 $	2021 $
Opening balance	22,162	-
Provision recognized	-	22,282
Transfer from accruals	-	243
Interest	5	1
Exchange differences (1)	62	(364)
Closing balance	**22,229**	**22,162**

(1) Exchange differences include unrealized foreign exchange gain of ($1,292) presented in other expenses (December 31, 2021 – loss of $294) and currency translation adjustment loss ($1,354) presented in other comprehensive loss (December 31, 2021 – gain of $658).

15. REVENUE

Under the terms of the Company's concentrate sales contracts, lead-silver and zinc-silver concentrates are sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when the revenue recognition criteria have been met, namely when title and the risks and rewards of ownership have transferred to the customer. Final pricing of each delivery is not determined until one to three months post-delivery. The price recorded at the time of sale may differ from the actual final price received from the customer due to changes in market prices for metals. The price volatility is considered an embedded derivative in trade receivables. The embedded derivative is recorded at fair value by mark-to-market adjustments at each reporting period until settlement occurs, with the changes in fair value recorded in revenue.

The Company recognized the following amounts related to revenue:

	2022 $	2021 $
Concentrate revenue from contracts with customers	26,564	37,846
Provisional pricing adjustments on concentrate sales	(740)	109
Total revenue	**25,824**	**37,955**

The following table sets out the disaggregation of revenue by metal and form of sale:

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

	2022 $	2021 $
Concentrate revenue:		
Silver	16,105	24,043
Lead	3,399	5,730
Zinc	6,320	8,182
Total revenue	**25,824**	**37,955**

16. EXPENSES BY NATURE

(a) Cost of sales consists of the following:

	2022 $	2021 $
Direct mining and milling costs (1)	17,197	25,895
Write-down of materials and supplies	907	735
Changes in inventories (2)	858	(423)
Depletion and amortization	7,497	7,300
Cost of sales	**26,459**	**33,507**

(1) Direct mining and milling costs include personnel, general and administrative, fuel, electricity, maintenance and repair costs as well as operating supplies, external services and transport fees.

(2) Changes in inventories reflect the net cost of ore and concentrate (i) sold during the current period but produced in a previous period (an addition to direct mining and milling costs) or (ii) produced but not sold in the current period (a deduction from direct mining and milling costs).

(b) Administrative expenses consist of the following:

	2022 $	2021 $
Office and overhead	2,087	2,303
Salaries and wages	1,395	1,938
Corporate development and legal	507	290
Public company costs	150	169
Administrative expenses	**4,139**	**4,700**

(c) Other (income) expenses consist of the following:

	2022 $	2021 $
Fair value loss on marketable securities and warrants	109	933
Gain on disposal of assets	(300)	-
Unrealized foreign exchange (gain) loss	(1,235)	367
Realized foreign exchange gain	(19)	(120)
Interest income and other	(50)	(422)
Rehabilitation provision – change in estimate (Note 9)	(730)	-
Insurance proceeds received	(592)	-
Provision for onerous contract (Note 9)	1,706	-
Other (income) expenses	**(1,111)**	**758**

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

17. EXPLORATION AND HOLDING EXPENSES

Exploration and holding expenses were incurred on the following projects:

		2022	2021
		$	$
Platosa property (Mexico)	- exploration work(1)	659	1,730
	- holding costs	208	197
Evolución (Mexico)	- exploration work	109	226
	- holding costs	345	286
Silver City (Germany)	- exploration work(2)	1,109	3,190
	- holding costs	-	-
Kilgore (USA)	- exploration work	3,015	1,434
	- holding costs	131	131
Exploration and holding expenses		**5,576**	**7,194**

(1) Platosa property exploration excludes underground drilling at the Platosa Mine, which is capitalized to property, plant and equipment (Note 7).

(2) There are no annual fees associated with exploration licenses in Saxony, Germany. See Note 8 for capitalized earn-in payments under the Globex Agreement.

18. FINANCE EXPENSES

Finance expenses consist of the following:

	2022	2021
	$	$
Interest expense - Convertible Debentures (1)	4,039	3,427
Interest expense - other	48	110
Rehabilitation provision - accretion	128	85
Post-retirement benefits - accretion	79	37
Unrealized loss on currency hedges	-	21
Finance expenses	**4,294**	**3,680**

(1) The Convertible Debentures are recorded at amortized cost and accreted to the principal amount over the term of the Convertible Debentures (Note 10). For the year ended December 31, 2022, $1,358 (December 31, 2021 – $1,433) relates to the coupon interest payment paid in common shares of the Company (Note 12) and $2,681 (December 31, 2021 – $1,994) relates to the additional accretion using the effective interest rate method.

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

19. INCOME TAXES

The Company's provision for income tax differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income tax as a result of the following:

	2022 $	2021 $
Statutory tax rates	**26.5%**	**26.5%**
Income tax (recovery) computed at the statutory rates	(4,892)	(13,964)
Non-deductible items	1,667	1,210
Change in tax benefit not recognized	3,838	18,501
Foreign tax differentials	(262)	(1,028)
Other	(190)	259
Special mining royalty	217	100
Income tax expense	379	5,078

The tax provision calculation applies enacted or substantively enacted tax rates of 26.5% in Canada and 30% in Mexico (both being tax rates as of 2021). The 7.5% mining royalty in Mexico is treated as an income tax in accordance with IFRS for financial reporting purposes, as it is based on a measure of revenue less certain specified costs. On substantive enactment, a taxable temporary difference arises, as certain mining assets related to extractive activities have a book basis but no tax basis for purpose of the royalty.

Income tax expense consists of the following:

	2022 $	2021 $
Current income taxes	217	270
Deferred income taxes	162	4,808
	379	5,078

The following table reflects the Company's deferred income tax assets (liabilities):

	2022 $	2021 $
Non-capital losses carried forward	-	1,712
Resource-related assets	1,084	-
Property, plant and equipment	(99)	-
Deferred income and other	-	-
Accrued revenue	-	-
Prepaid expenses, deposits and other	(1,099)	(1,844)
Net Capital Losses	113	132
Deferred tax assets	-	-
Prepaid expenses, deposits and other	(735)	(612)
Special mining royalty	-	-
Deferred tax liabilities	(735)	(612)
Net deferred tax (liabilities) assets	(735)	(612)

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

The Company recognized net deferred tax liability of $735 as at December 31, 2022 (December 31, 2021 – net deferred tax liability of $612).

The following temporary differences have not been recognized in the consolidated financial statements.

	2022 $	2021 $
Non-capital losses carried forward	62,235	55,573
Capital losses	3,506	3,613
Resource related deductions	19,427	31,204
Share issuance costs	-	1
Property, plant and equipment	762	12,043
Prepaid expenses, deposits and other	29,478	31,420
	115,408	133,854

As at December 31, 2022, the Company has non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

	2022 $	2021 $
2021	-	1,426
2022	-	-
2023	-	-
2024 and thereafter	62,235	60,593
	62,235	62,019

As at December 31, 2022, the Company has Canadian capital losses of $7,866 (December 31, 2021 – $8,226) that may be carried forward indefinitely and applied against capital gains of future years. The Company also has loss carryforwards of $4,697 for U.S. tax purposes. Of this amount, $433 expires between 2033 and 2037 fiscal years, and $4,263 is not subject to expiration.

At December 31, 2022, $nil (as at December 31, 2021 – $nil) was recognised as a deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and the investments are not held for resale and are expected to be recouped by continued use of these operations by the subsidiaries. The amount of temporary differences not booked for these unremitted earnings at December 31, 2022 is $5,849 (as at December 31, 2021 – $4,527).

20. KEY MANAGEMENT TRANSACTIONS

Remuneration to directors and key management who have the authority and responsibility for planning, directing and continuing the activities of the Company:

	2022 $	2021 $
Salaries, fees and benefits	932	1,342
Director's fees	302	311
Share-based payments	354	970
	1,588	**2,623**

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

21. FINANCIAL INSTRUMENTS

Fair values of non-derivative 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 are subsequently carried at fair value or amortized cost. At December 31, 2022, the carrying amounts of trade and other payables, VAT recoverable and payables and other current assets are considered to be reasonable approximations of their respective fair values due to the short-term nature of these instruments. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

Embedded derivatives – provisional pricing

Revenues from the sale of metals produced are based on provisional prices at the time of shipment. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for metals sold and final settlement weights and assays, which result in an embedded derivative in trade receivables. The embedded derivative is recorded at fair value each reporting period until settlement occurs, with the changes in fair value recorded to revenues.
Fair value hierarchy

The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	Fair value hierarchy	2022 $	2021 $
Financial assets			
Fair value through profit and loss			
Marketable securities	Level 1	-	407
Warrants	Level 2	5	47
Trade receivables from provisionally priced sales	Level 2	690	326
		695	780

There were no transfers between Levels 1 or 2 during the year ended December 31, 2022.

Valuation techniques and inputs used to determine fair values include:
- Marketable securities – the use of quoted market prices
- Warrants – based on a Black-Scholes model which uses quoted observable inputs
- Provisional pricing receivables – key inputs are payable metal and future metal prices, marked-to-market based on a quoted forward price and final settlement weights and assays

Risk management policies and hedging activities

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 were appropriate.

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes the credit risk on cash and cash equivalents is low since the Company's cash and cash equivalents are held at large international financial institutions with strong credit ratings.

Trade receivables are subject to normal industry credit risks and are considered to have a low credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to determine the funds required to meet its operating and growth objectives. To the extent that the Company may foresee insufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions. With the closure of operations at Platosa in early Q4 2022, the Company's main source of liquidity will be derived from equity or debt transactions (Note 2).

Currency risk

The Mexican peso ("MXN"), US dollar ("USD"), Euro ("EUR") and the Canadian dollar ("CAD") are the functional currencies of subsidiaries of the Company, while the parent company has a CAD functional currency. As a result, currency exposures arise from transactions and balances in currencies other than the functional currencies. The Company's potential currency exposures comprise:

- Translational exposure in respect of non-functional currency monetary items.
- Transactional exposure in respect of non-functional currency expenditure and revenues.
- Commodity price risk; and
- Interest rate risk.

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 USD. The fluctuation of the USD in relation to the MXN, consequently, impacts the reported financial performance of the Company.

Translational exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation are periodically revalued to the functional currency equivalents as at that date, and the associated unrealized gain or loss is recorded in the consolidated statements of comprehensive loss to reflect this risk.

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

The principal non-functional currency to which the Company is exposed is the USD. Based on the Company's net financial assets and liabilities in USD as at December 31, 2022, a weakening of the USD against the MXN and CAD functional currencies by 1%, with all other variables held constant, would have increased (decreased) net income and equity by approximately $205.

Transactional exposure in respect of non-functional currency expenditure and revenues

Certain operating and capital expenditures are incurred by some operations in currencies other than their functional currency. Revenue is earned in currencies other than the functional currency of operations, and certain exchange controls may require that funds be maintained in currencies other than the functional currency of the operation.

Interest rate risk

Cash and cash equivalents earn interest at floating rates dependent upon market conditions.

22. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to continue as a going concern (Note 2) and to continue the exploration and development of its mineral properties.

The capital of the Company consists of the elements within shareholders' deficit. Risk and capital management are monitored by the Board of Directors. The Company manages the capital structure and makes adjustments depending on economic conditions. Funds have been primarily secured through issuances of equity capital. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial institutions. Significant risks are monitored, and actions are taken, when necessary, according to the Company's approved policies.

23. SEGMENT REPORTING

	MEXICO		CORPORATE		TOTAL	
	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$
Property, plant and equipment	-	8,535	229	509	229	9,044
Additions– Property, plant and equipment	967	7,931	-	30	967	7,961
Mineral rights	-	193	20,510	20,080	20,510	20,273
Additions - Mineral rights	-	-	601	459	601	459
Total assets	1,588	15,309	25,076	26,251	26,664	41,560
Total liabilities	31,098	34,173	17,461	11,874	48,559	46,047

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

	2022 $	2021 $
MEXICO		
Revenue	25,824	37,955
Cost of sales	(26,459)	(33,507)
Care and maintenance expenses	(771)	-
Exploration and holding expenses	(1,321)	(2,439)
Other (expenses) income	(5,237)	215
Provision for litigation (Note 14)	-	(22,282)
Impairment loss (Note 5, 7 and 8)	(3,344)	(16,540)
Finance income (expenses)	499	(183)
Income tax expense	(217)	(5,075)
Net loss	(11,026)	(41,856)
CORPORATE		
General and administrative expenses	(4,950)	(6,689)
Exploration and holding expenses	(4,255)	(4,755)
Other income (expenses)	6,348	(973)
Finance expenses	(4,793)	(3,497)
Income tax expense	(162)	(3)
Net loss	(7,812)	(15,917)
Net loss	**(18,838)**	**(57,773)**

24. SUBSEQUENT EVENTS

On January 9, 2023, the Company entered into a definitive acquisition agreement (the "Acquisition Agreement") to acquire the permitted, past-producing La Negra Mine located in Querétaro State, Mexico from Dalu S. à r.l., an entity owned by an investment fund managed by Orion Resource Partners for aggregate consideration of US$50 million paid through upfront payments totalling US$20 million, payable in common shares of the Company, and a further US$30 million of deferred, contingent consideration payable in common shares of the Company or in cash at the Company's option, following the restart of commercial production (the "La Negra Acquisition").

Concurrent with the execution of the Acquisition Agreement, Excellon entered into a binding term sheet with holders representing approximately 66 2/3% of the principal amount of outstanding Convertible Debentures to, among other things, convert 25% of the Convertible Debentures into equity and reprice and extend maturity of remaining principal outstanding upon closing the La Negra Acquisition.