EXCELLON RESOURCES INC.

Management Discussion & Analysis

[May 14, 2010]

For the three month period ended March 31, 2010

Excellon Resources Inc. [the "Company", "Excellon" or "Corporation"] has prepared this Management's Discussion and Analysis ["MD&A"] for the three month period ended March 31, 2010 in accordance with the requirements of National Instrument 51-102 ["NI 51-102"]. In December 2009 the Company changed its year end to December 31 from July 31. The year end change was desirable to the make the Company's financial statements directly comparable to other mining companies on a quarterly basis and to have a consistent year end with its subsidiaries. This change in year end requires the Company to have a transition year with a five month year ending December 31, 2009 with comparatives for the twelve month year ending July 31, 2009. This MD&A of the results of operations for the three month period ended March 31, 2010 and containing information as at May 12, 2010 provides information on the operations of the Company for the three month period ending March 31, 2010 and April 30, 2009 and subsequent to the period end, and should be read in conjunction with the audited consolidated financial statements for the periods ended December 31, 2009 and July 31, 2009, filed on SEDAR.

Effective January 1, 2010, the Company's foreign subsidiaries were deemed to be operationally and financially self sufficient, and accordingly, classified as self sustaining foreign operations. Prior to 2010 these subsidiaries were considered to be integrated foreign operations since they were financially and operationally dependent upon Excellon. The change was accounted for prospectively.

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of work programs, geological interpretations, potential mineral recovery processes and rates, proposed production rates, the construction of a mill, the acquisition of surface rights and negotiation and closing of future financings. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by these statements. See "Risk Factors".

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Description of Business

Excellon is exploring, developing and mining the high-grade silver-zinc-lead mineralization on its approximately 42,065-hectare [103,945-acre] Platosa Property ["Platosa"] in northeastern Durango State, Mexico. The style of mineralization at Platosa resembles that of several of the world-class carbonate replacement deposits ["CRD"] of Mexico. The Company is also carrying out surface exploration at its Miguel Auza property in northern Zacatecas State where it began processing Platosa ore in March 2009.

On June 2, 2009 the Company concluded its previously announced acquisition of Silver Eagle Mines Inc. [“SEG”]. The acquisition of SEG provided Excellon with a fully operational mill with the capacity to process up to approximately 350 tonnes of Platosa ore per day, a large amount of mining equipment, some of which has been put to use at Platosa, and a large underexplored exploration property. The Company has been processing its Platosa ore at Miguel Auza mill since March 19, 2009. The Company produces two concentrates; a silver-lead concentrate and a silver-zinc concentrate. Both concentrates are shipped to the port of Manzanillo where they are purchased by Consorcio Minero de Mexico Cormin Mex, S.A. de C.V., a Trafigura Group Company, under the terms of a two-year contract.

On December 13, 2009 the Company reported that its Indicated Mineral Resource at Platosa had increased to 579,000 tonnes grading 909 g/t (27 oz/T) Ag, 9.09% Pb, and 10.51% Zn (as at October 31 2009), up from 396,000 tonnes grading 986 g/t (29 oz/T) Ag, 9.00% lead, and 10.10% zinc (as at February 3, 2008). The Inferred Mineral Resource increased from 72,700 to 160,000 tonnes at a somewhat lower grade than that of 2008. All the pertinent figures are shown in the table below.

Platosa Project – Mineral Resource Estimate (as of October 31, 2009)

Category	Tonnes [t]	Silver [g/t]	Silver [oz/T]	Lead [%]	Zinc [%]
Indicated	579,000	909	27	9.09	10.51
Inferred	160,000	731	21	7.44	7.57

Notes:

1. *CIM definitions were followed for the classification of Mineral Resources.*
2. *Mineral Resources are estimated at an incremental NSR cut-off value of U.S. $86 per tonne*
3. *NSR metal price assumptions: Silver U.S. $16.00/oz, Lead U.S. $0.80/lb, Zinc U.S. $1.00/lb.*
4. *Estimate is of Mineral Resources only and, because these do not constitute Mineral Reserves, they do not have any demonstrated economic viability.*

5. *National Instrument 43-101 compliant Mineral Resource estimate prepared by Scott Wilson Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at October 31, 2009.*

The change in resources can be summarized as follows;

Tonnes	**Indicated**	**Inferred**
Opening February 3, 2008	396,000	72,700
Production	(79,000)	
Additions	262,000	87,300
Closing October 31, 2009	**579,000**	**160,000**

The new resource estimate is for the Platosa Project only and does not include any estimates from the Miguel Auza property that was acquired in June 2009.

Corporate Developments

On March 20, 2009 the Company announced that it had entered into a definitive agreement with Silver Eagle Mines Inc. ("SEG") whereby the Company agreed to acquire all the outstanding common shares of SEG (the "Transaction"). Under the terms of the Transaction, SEG shareholders received 0.2704 common shares of the Company in exchange for each SEG share held. As such, the total consideration for the acquisition of SEG by the Company was approximately 15 million Excellon common shares and net cash costs for related expenditures of $1,216,528. The Transaction was completed by way of a statutory plan of arrangement under the *Business Corporations Act* (Ontario). SEG's primary asset is its fully permitted Miguel Auza mine, mill and adjacent properties located in Zacatecas State, Mexico (approximately 220 kilometres from the Company's Platosa Property). The completion of the Transaction was subject to, among other things, obtaining SEG shareholder approval (not less than 66 2/3% of the votes cast at a special shareholder meeting) and obtaining all required court and regulatory approvals.

On June 2, 2009 the Transaction was concluded successfully having gained the required SEG shareholder approval (97.3%) and having obtained all required court and regulatory approvals. Efforts continue to integrate the two companies and realize all possible efficiencies.

The following table shows a breakdown of the purchase price:

Purchase Price	$5,488,722
Purchase Price Allocation	
Current Assets, including cash of $902,194	$2,148,130
Land	261,407
Property, Plant & Equipment	9,464,947
Asset Retirement Cost	314,317
Mineral Interests	1,686,000
Accounts Payable	(5,413,989)
Asset Retirement Obligation	(314,317)
Net assets acquired	$8,146,495
Negative goodwill [a]	(2,657,773)
Purchase Price	$5,488,722

[a] Negative goodwill was allocated, on a pro rata basis, to tangible assets as follows;

Applied to:	FMV	Goodwill Allocated	Adjusted NBV
Mineral interests	1,686,000	(382,121)	1,303,879
Property, plant & equipment	9,464,947	(2,145,168)	7,319,779
Land	261,407	(59,246)	202,161
Asset retirement obligation	314,317	(71,238)	243,079

In addition, the Company acquired unused non-capital tax losses in Mexico totalling $24,390,000, which can be carried forward and applied against taxable income of future years in Mexico. No portion of the purchase price has been allocated to this potential future tax asset.

The Company's previously announced plan to construct its own mill at its Platosa site was suspended in December 2008 and it is now utilizing the Miguel Auza mill to process all ore produced from its Platosa mine. The Company is producing ore at the rate of 200 tonnes per day (approximately 6,000 tonnes per month). The Miguel Auza mill can process up to approximately 400 tonnes per day of Platosa ore. The Company expects to complete the construction of the Platosa mill at some point in the future. The timing of this is not currently determinable but would be in response to a variety of factors including production changes and or corporate development activities. All mill equipment is on site at Platosa and the construction and operation of the mill is fully permitted. To date $4.2million has been spent on mill equipment, construction and engineering design.

In April 2009 the Company successfully completed a best-efforts private placement financing for gross proceeds of $7,374,048, pursuant to which the Company issued 38,810,779 common shares.

Management Discussion & Analysis

[May 14, 2010]

For the three month period ended March 31, 2010

On May 11, 2009 the Company announced a rights offering to holders of common shares of Excellon (the "Rights Offering"). The Rights Offering entitled shareholders of record at the close of business on May 22, 2009 to one right for each common share held (each a "Right"). Eight (8) Rights will permit the holder to subscribe for one common share of Excellon at a price of $0.23 per share. The Rights Offering was fully subscribed by June 18, 2009 and Excellon received gross proceeds of $5,694,065 and 24,756,804 common shares of Excellon were issued. The net proceeds of the Rights Offering have been and will be used for general working capital purposes, and the recommencement of Excellon's exploration drilling program.

Financial Highlights

The following are the financial highlights for the three months ended March 31, 2010 and five months ended December 31, 2009. Full details of this information are discussed later in this MD&A.

The Company believes that with the recent acquisition of SEG, commencement of concentrate shipments, and successful completion of the recent private placement and rights offering financing, it has stabilized its financial position. However, there are no assurances that the Company will have sufficient cash resources to continue to meet its objectives as this is dependent on adequate metal production levels and prices and potentially the ability to complete future financings. See 'Risk Factors' for further detail.

	Three months ended 31-Mar-10	Five months ended 31-Dec-09
Sales	$ 10,383,269	$ 16,031,660
Cost of production [including amortization]	3,404,237	6,761,477
	6,979,032	9,270,183
Expenses:		
Non-cash items	567,002	1,647,603
Exploration expenditures	2,279,883	2,672,450
G&A and other	2,938,459	3,284,535
Provision for (recovery of) income taxes - current	835,582	(23,039)
Provision for (recovery of) income taxes - future	(190,990)	951,596
	6,429,936	8,533,145
Net income (loss) for the period	$ 549,096	$ 737,038
Cash provided by (used in) operating activities	$ 3,372,243	$ (3,089,166)
Cash, short-term investments and silver bullion	$ 8,169,210	$ 4,703,596
Working capital surplus (deficiency)	$ 8,865,493	$ 7,736,614

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[May 14, 2010]

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Operations

Upon entering into a definitive agreement with SEG on March 20, 2009 to acquire all of the outstanding common shares of SEG, the Company gained exclusive access to SEG's Miguel Auza mill for a period of twelve months. On June 2, 2009 the Company acquired full ownership and control of SEG and the Miguel Auza mill. Between March 19, when milling began and December 31, 2009 the Company processed 57,902 tonnes of Platosa ore at Miguel Auza. Head grades were 994 g/t silver; 8.04% lead; 8.81% zinc and resulted in the production of 5,733 dry metric tonnes ("DMT") of silver-lead concentrate and 6,656 DMT of silver-zinc concentrate. Shipments of concentrates to Ocean Partners, under a three-month trial contract, were completed in June 2009 at which time the Company began selling both concentrates to Consorcio Minero de Mexico Cormin Mex, S.A. de C.V under the terms of a two-year contract. Prior to producing concentrates at Miguel Auza, the Company sold ore directly from Platosa. See table below for provisional shipping statistics.

Silver recoveries averaging 88% since milling began at Miguel Auza have exceeded the Company's expectations and lead and zinc recoveries have generally been improving since start-up. A program of targeted metallurgical testwork is continuing to assist in optimizing the mill flowsheet.

The following are the crushed ore shipping statistics for periods indicated to the Naica and Miguel Auza mills:

		3 months ended	2 months ended		3 months ended		
		31-Mar-10	31-Dec-09	31-Oct-09	31-Jul-09	30-Apr-09	31-Jan-09
Tonnes of ore shipped		21,057	11,513	16,521	18,493	11,376	6,250
Contained metal							
	Silver [ozs.]	565,361	304,816	421,942	672,934	356,076	273,646
	Lead [lbs.]	3,376,378	1,859,516	2,599,211	3,791,618	2,110,464	1,476,337
	Zinc [lbs.]	4,088,800	2,026,556	2,600,238	3,220,837	2,660,965	1,269,544
Average grade:							
	Silver [oz/t] [1]	29.6	29.2	28.1	40.1	34.5	43.8
	Silver [g/t]	920.8	908.0	875.9	1,248.0	1,073.5	1,362.6
	Silver [oz/T]	26.8	26.5	25.5	36.4	31.3	39.7
	Lead [%]	7.3	7.3	7.1	9.3	8.4	10.7
	Zinc [%]	8.8	8.0	7.1	7.9	10.6	9.2
Payable metal:							
	Silver - [ozs.]	431,580	263,281	373,790	493,424	244,958	211,255
	Lead - [lbs.]	2,051,175	1,293,086	2,004,540	2,575,693	1,192,823	1,122,017
	Zinc - [lbs.]	2,200,573	1,289,748	1,781,358	2,041,744	1,244,589	857,367
Realized prices							
	Silver - [$/oz.]	16.31	17.37	16.79	14.14	14.01	13.02
	Lead - [$/lb.]	1.01	1.06	1.00	0.79	0.66	0.98
	Zinc - [$/lb.]	1.03	1.08	0.91	0.74	0.69	1.68

Cash Cost per Payable Ounce of Silver Sold

The Company's cash cost for each payable ounce of silver sold, net of by-product credits, for the three months ended March 31, 2010 was US$5.48 [Five months ended December 31, 2009 - US$4.92]. The calculation of cash cost per payable ounce of silver sold is significantly influenced by by-product metal prices, which may fluctuate going forward.

Cash cost per payable ounce of silver sold, net of by-product credits, is provided as additional information. It is a non-GAAP measure that does not have a standardized meaning and is therefore unlikely to be comparable to similar measures presented by other issuers. This measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles, and is not necessarily indicative of operating expenses as determined under generally accepted accounting principles. This measure is intended to provide investors with information about the cash generating capabilities of the Company's operations. The Company uses this information for the same purpose. This analysis excludes capital expenditures and income taxes.

Non-GAAP Reconciliation of Cash Cost per Payable Ounce of Silver Sold, Net of By-Product Credits;

	Three months ended	Two months ended	Three months ended		5 months ended
	31-Mar-10	31-Dec-09	31-Oct-09	31-Oct-08	31-Dec-09
Expenses					
Cost of production	$ 3,404,237	$ 3,258,412	$ 3,503,065	$ 1,772,086	$ 6,761,477
Operating expenses	5,808,686	3,234,233	4,473,213	5,516,261	7,707,446
	9,212,923	6,492,645	7,976,278	7,288,347	14,468,923
Non-cash operating costs and other:					
Amortization of property, plant and equipment	(241,227)	(145,739)	(180,060)	(169,918)	(325,799)
Exploration expenditures	(2,279,883)	(1,161,378)	(1,511,072)	(2,158,218)	(2,672,450)
Foreign exchange gain (loss)	(13,897)	26,115	(647,801)	(1,460,137)	(621,686)
Stock-based compensation	(241,640)	(337,830)	(197,293)	(273,086)	(535,123)
Amortization of deferred financing costs	-	-	(47,930)	(144,360)	(47,930)
Amortization of acquisition and	-	-			
deferred development costs	(257,134)	(286,898)	(286,898)	(171,184)	(466,181)
Loss on disposition of property, plant	-	-			
and equipment	-	-	-	-	-
Other	-	-	(6,424)	-	(6,424)
	6,179,142	5,098,800	5,098,800	2,911,444	9,793,330
By-product credits [1]	(3,677,029)	(2,766,536)	(3,781,342)	471,619	(6,446,749)
Cash cost	$ 2,502,113	$ 1,927,994	$ 1,317,458	$ 3,383,063	$ 3,346,581
Payable ounces of silver sold	431,580	263,281	393,940	207,677	637,071
Cash cost per payable ounce of silver sold, net of by-product credits in CAD$/oz.	$ 5.80	$ 7.32	$ 3.34	$ 16.29	$ 5.25
Cash cost per payable ounce of silver sold, net of by-product credits in US$/oz.	$ 5.48	$ 6.93	$ 3.11	$ 14.81	$ 4.92

[1] By-product credits include revenues from sale of zinc and lead.

The lower cash cost in the current quarter is due to higher shipment levels, lower production operating expenses and higher by-product prices.

Realized Metal Prices & Average Canadian $/U.S. $ Exchange Rates

The following are the average metal prices realized by the Company and average exchange rates for the three months ended July 31, 2009 and 2008 and the years ended July 31, 2009 and 2008;

	Three Months ended	Five Months ended	Twelve months ended	
	31-Mar-10	31-Dec-09	31-Jul-09	31-Jul-08
Silver (U.S. $/oz)	$ 16.31	$ 17.16	$ 14.13	$ 16.71
Lead (U.S. $/lb)	$ 1.01	$ 1.03	$ 0.74	$ 1.25
Zinc (U.S. $/lb)	$ 1.03	$ 0.99	$ 0.78	$ 1.01
CDN $/U.S $	1.04	1.08	1.18	1.01

Platosa Property

The Platosa mine exploits a series of typical, although very high-grade, distal CRD silver, lead, zinc manto deposits located strategically within the prolific Mexican CRD Belt. It is the Company's belief and diamond drilling results during 2009 and early 2010 continued to confirm, that the Platosa Property holds considerable potential for the discovery of additional high-grade manto mineralization and for the discovery of large-tonnage, though lower grade, proximal CRD mineralization. CRDs are epigenetic, intrusion-related, high-temperature sulphide-dominant, lead-zinc-silver-(copper-gold)-rich deposits that commonly occur in clusters associated with major regional geologic features. The Mexican CRD Belt is perhaps the world's best developed CRD cluster and Platosa lies in the centre of the northwest-southeast trending axis of the largest deposits of the belt.

Several features make CRDs highly desirable mining targets. These include,

- **Size** – Proximal CRDs average 10 to 15 million tonnes of ore and the largest range up to 50 million tonnes;
- **Grade** – Ores are typically polymetallic with metal contents ranging from 2-12% lead; 2-18% zinc, 60-600 g/t silver, up to 2% copper and 6 g/t gold; and
- **Deposit morphology** – Individual CRD orebodies within the overall deposit are continuous and average 0.5 to 2 million tonnes in size, with some up to 20 million tonnes. They are typically metallurgically straight-forward, amenable to low-cost underground mining methods and given that they are limestone-hosted, the environmental impact of tailings disposal is generally minimal.

CRD orebodies take the form of lenses or elongate to elongated-tabular bodies referred to as mantos or chimneys depending on whether they are horizontal or steeply inclined. A spectrum of CRD orebodies exists, ranging from distal manto and medial chimney massive sulphide bodies to proximal sulphide-rich skarns associated with unmineralized or porphyry-type intrusive bodies. Transitions of orebody morphology and mineralogy, and alteration zoning can be used in exploration to trace mantos into chimneys, sulphides into skarn, or skarn into stock contact deposits.

Exploration efforts remain focussed in two geographic areas, the immediate Platosa mine area and the Saltillera-la Zorra area five kilometres west of the mine.

In the immediate mine area there are three primary objectives:

- To further add to the known distal-style, high-grade CRD Mineral Resources and to discover new mantos by drilling the geological, structural, geochemical, biogeochemical and geophysical targets developed by ongoing and previous surveys;
- To pursue the potential for discovery of larger-volume medial and proximal CRD mineralization. (Evidence of this potential was discovered during diamond drilling early in 2008); and
- Renew exploration on the former Apex Joint Venture land, which the Company purchased from Golden Minerals Corp., Apex Silver's successor company, in November 2009.

Drilling continued on the fringes of the high-grade 623 Manto until March 2010. This drilling has shown that 623 joins with the Guadalupe South Manto and extends a short distance towards the northwest and southeast beyond the outlines of the tonnage included in the Mineral Resource estimate as at October 31, 2009. The 623 Manto Indicated Mineral Resource is 62,000 tonnes grading 1,183 g/t Ag, 10.27% Pb, 8.53% Zn.

Recent drilling continues to encounter significant results in the NE-1 Extension/623 Manto area on the downthrown side of a major northwest-southeast trending fault, where breccias containing various amounts of semi-massive and massive sulphide fragments have been intersected in several holes. Hole LP736 intersected 5.22 metres (m) grading 808 g/t (24 oz/T) Ag, 6.00% Pb, 6.44% Zn, including 3.16 m grading 1,275 g/t (37 oz/T) Ag, 8.84% Pb, 8.31% Zn.

Readers are referred to press releases dated January 14 and February 24, 2010 for full assay results for holes in both the 623 Manto and NE-1 Extension/623 Manto areas.

In addition to the continued drilling of known mineralized areas near the Platosa Mine, the Company has been testing prospective areas several hundred metres east, northeast and northwest of the mine. Drilling continues to encounter the favourable fragmental limestone unit, which hosts all the massive sulphides discovered to date, in some cases closer to surface than anticipated. This important discovery has the potential to extend the area available to explore for and discover a deposit close to the same elevation as the existing mine workings.

The exploration group continues to investigate targeting methods available to guide the drilling program and to this end a test 3-D Induced Polarization (IP) survey began in early May. The survey will cover the known mantos and adjacent areas to the northwest, southeast and northeast.

In the Saltillera-la Zorra area, the district-scale search for intrusion-related, large-tonnage, proximal-style CRD sulphide mineralization continues. Targeting is based in large part on the results of ground geophysical surveys (IP, magnetic and gravity) and surface mapping and sampling results. In all cases the anomalies have been explained and occasional small amounts of Ag, Pb and Zn have been intersected in favourable rocks. Follow-up work continues.

In mid-April the Company was successful in acquiring a large (18,000 ha or 44,479 acres) mineral concession adjoining the Platosa Property to the south. This new property is strategically located between the high-grade Platosa Ag, Pb, Zn mantos and the historic Ojuela Mine, which saw over 6 million tonnes of high-grade Ag, Au, Pb, Zn production from a series of CRD chimneys and mantos between the mid 1600s and 1932. The concession covers a large regional magnetic anomaly that is believed to reflect underlying intrusives favourable to the development of CRD systems. Company geologists believe it holds potential to host both high-grade manto/chimney style distal deposits and proximal large-tonnage deposits. Reconnaissance work will be undertaken later in 2010.

The Company has four drill rigs operating. Three are in the general mine area and the fourth is at la Zorra.

Miguel Auza Property

The Miguel Auza property encompasses 41,498 ha (102,540 acres) and was acquired as part of the acquisition of SEG in June 2009. The property lies on the eastern flank of the Fresnillo Mexican Silver Trend some 150-200 km north of Fresnillo and Zacatecas City, both of which areas have and continue to be the source of a large percentage of Mexican silver, lead and zinc production. The property covers numerous high- and low-sulphide epithermal veins carrying Ag, (Au), Pb, and Zn. The property has been the site of a large amount of historic mining since the time of the Spaniards and as recently as 2008 when SEG (through its Mexican subsidiary) carried out mining and milling on the Calvario vein system.

In September 2009 the Company began a surface exploration program to determine whether the Calvario vein system or portions of it can be economically exploited and this portion of the program is ongoing.

The large property has seen very little modern exploration other than on Calvario and its immediate surroundings, and the main thrust of the Miguel Auza exploration program has become an evaluation of the regional potential. This work began in earnest in late 2009 and on March 8, 2010 the company announced that it had outlined six northwest-trending quartz veins varying in thickness from two to 10 m, with a strike length of up to 1,500 m. The “Madera Veins” are composed of multiple stages of quartz and calcite banding and the quartz shows the multi-stage brecciation and replacement textures typical of epithermal veins. Traces of silver sulfides can be found locally. The lack of significant silver grades in the outcrops explains why these veins have seen only local shallow prospecting and why their importance was previously overlooked. However, a few historic drill holes directed at the extreme east end of the Calvario Veins have intersected one of the Madera Veins at about 150 m vertical depth. These intercepts show significant reduction in the amount of calcite banding, an increase in quartz grain size, and an increase in silver sulphides. Most importantly, these intercepts cut hydrothermal breccias, which contain fragments of highly-mineralized vein material derived from somewhere deeper in the vein. These features combine to indicate that the Madera Veins are exposed at a high level with respect to where significant silver-gold mineralization should be expected and that they should be explored at least another 150-200 m deeper. These specific characteristics, combined with the district's location in the world's most prolific silver belt, make the Madera Veins important, high-potential exploration targets.

The regional mapping and reconnaissance program is ongoing and a drilling program began in early April. The Madera veins were initially targeted at 300 to 350 m vertical and the Company expects to complete the program near the end of May. No results have been released as of the date of this MD&A.

Qualified Persons

Mr. John Sullivan, BSc., PGeo. and Dr. Peter Megaw, PhD, CPG, have acted as the Qualified Persons, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information contained in this MD&A and have supervised the preparation of the technical information on which such disclosure is based.

Mr. Sullivan is an economic geologist with over 35 years of experience in the mineral industry. Most recently a senior geologist at a Toronto-based international geological and mining engineering consulting firm, he has directed exploration programs, managed field offices and evaluated properties in Canada, Europe and Latin America. Mr. Sullivan is not independent of Excellon as he is an officer and holds common share purchase options.

Dr. Megaw has a PhD in geology and more than 25 years of relevant experience focused on silver and gold mineralization, and exploration and drilling in Mexico. He is a Certified Professional Geologist [CPG 10227] by the American Institute of Professional Geologists and an Arizona Registered Geologist [ARG 21613]. Dr. Megaw is not independent of Excellon as he is a shareholder.

Directors and Management

On December 11, 2009 Mr. Richard W. Brissenden, Director resigned from the Board of Directors. The Company extends its gratitude to Mr. Brissenden for his significant contributions to Excellon since its founding and through its development and growth and wishes him well in his future endeavours. Mr Brissenden has been named honourary chairman of the Company.

On March 4th, 2010, Wayne J O'Connor was appointed to the Board of Directors. Mr. O'Connor brings over 20 years of junior mining company, mergers and acquisitions and capital markets experience as former Chairman of West Timmins Mining and CEO of Band-Ore Resources. His leadership and fund raising capabilities through the exploration and discovery stage resulted in the value generating merger with Lake Shore Gold in 2009. West Timmins Mining also held a prominent land position near Goldcorp's recent acquisition of Canplats in Mexico near the Penasquito bulk minable deposit.

Corporate Social Responsibility

The Company is dedicated to engaging with the communities in which it operates in a responsible manner. In Mexico, many of the Company's corporate activities have focused on improving the lives of children located in the communities close to Platosa. The Company has granted scholarships, modernized a nursery school, expanded the yard of a primary school, and donated sports equipment to a high school. It participates in community festivals, financially supports local events, and provides uniforms for sports teams.

Risk Factors

There are many risk factors facing companies in the mining industry which could materially affect the Company. Certain of such risks are:

Mining Industry is Intensely Competitive

The Company's business is the acquisition, exploration, development, and exploitation of mineral properties. The mining industry is intensely competitive and the Company competes with other companies that have far greater resources.

Metal Concentrate Sales

The Company currently sells its silver, lead, and zinc concentrates to third party purchasers. The loss of any one customer could have a material adverse effect on the Company in the event of the possible unavailability of alternative purchasers. No assurance can be given that alternative purchasers would be available on a timely basis if the need for them were to arise, or that delays or disruptions in sales would not be experienced that would result in a materially adverse effect on the Company's operations and the Company's financial results. Furthermore, the marketing of metals is dependent on market fluctuations and the availability of processing facilities and storage and transportation infrastructure at economic tariff rates over which the Company may have limited or no control.

Resource Exploration and Development is a Speculative Business

Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, and government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on its invested capital. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company’s properties can be mined on a profitable basis.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company currently has all permits and licences that it believes are necessary to carry out its current exploration, development and mining operations at its projects including, without limitation, the permits required to construct and operate a mill at Platosa. The Company may require addition licences or permits in the future and there can be no assurance that the Company will be able to obtain all such additional licenses and permits. In addition, there can be no assurance that any existing licences and permits will be renewable if and when required or that such existing licences and permits will not be revoked.

Failure to Achieve Production Estimate

Estimates of future production from the Platosa mine operations as a whole are derived from the original mine plan prepared in fiscal year 2004, as subsequently reviewed/revised by management with input from Scott Wilson RPA. These estimates are subject to change. The Company cannot give any assurance that it will achieve its production estimates. The failure to achieve the anticipated production estimates could have a material and adverse effect on any or all of the Company's future cash flows, results of operation and financial condition. The mine plan has been developed based on, among other things, mining experience, mineral resource estimates, assumptions regarding ground conditions and physical characteristics of the Platosa mineralization such as hardness, specific gravity and presence or absence of certain metallurgical characteristics and estimated rates and costs of production.

Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above, and as set out below:

♦ actual ore mined varying from estimates in grade, tonnage and metallurgical recoveries and other characteristics;

♦ mining dilution;

♦ excessive water encountered during mine development and production;

♦ ramp wall failures or cave-ins;

♦ ventilation and adverse temperature levels underground;

♦ industrial accidents;

♦ equipment failures;

♦ natural phenomena such as inclement weather conditions, floods, blizzards, droughts, rock slides and earthquakes;

♦ encountering unusual or unexpected geological conditions;

♦ changes in power costs and potential power shortages;

♦ shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants;

♦ restrictions imposed by government agencies; and

♦ inability to find and retain qualified personnel.

Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to the Company's property or the property of others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable.

No Assurance of Profitability

The Company has a limited history of earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the anticipated cash flow generated by the Company’s mining program or through the sale of its equity shares, short-term high-cost borrowing or the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through cash flow from mining operations, further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uncertainty of Resource/Reserve Estimates

The mineral resource estimate in respect of the Platosa property, while prepared in compliance with National Instrument 43-101, is based on limited information acquired through drilling and, in some cases, through underground exploration and mining. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The grade of mineralization actually recovered may differ materially and adversely from the estimated average grades in the resource estimate. Future production could differ dramatically from resource estimates for, among others, the following reasons:

1. mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
2. increases in operating mining costs and processing costs could adversely affect mineral resources;
3. the grade of the mineral resources may vary significantly from time to time and there is no assurance that any particular level of silver, lead or zinc may be recovered from the mineral resources; and
4. declines in the market price of silver, lead or zinc may render the mining of some or all of the mineral resources uneconomic.

Any of these factors may require the Company to reduce its resource estimate or increase its costs. Short-term factors, such as the need for the additional development of a deposit or the processing of new different grades, may impair the Company's profitability. Should the market price of metals fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or the development of new projects.

Mineral Reserves

The Company has not defined any mineral reserves on its claims and there can be no assurance that any of the mineral claims under exploration contain commercial quantities of any minerals. However, the Company has externally confirmed the existence of Indicated and Inferred Mineral Resources on the Platosa Property that are currently being exploited for commercial gain. Even if commercial quantities of minerals are identified, there can be no assurance that the Company will be able to exploit the reserves or, if the Company is able to exploit them, that it will do so on a profitable basis. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Uninsured or Uninsurable Risks

In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the Common Shares.

The Company is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy. Should the Company be unable to fully fund the remedial cost of an environmental problem that arises, it might be required to enter into interim compliance measures pending completion of the required remedy.

Government Regulation

Any exploration, development or mining operations carried on by the Company is subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. As indicated above, the Company requires licenses and permits from a variety of governmental authorities. The Company cannot predict the extent to which future legislation and regulation could cause additional expense, capital expenditures, restrictions, and delays in the development of its properties, including those with respect to unpatented mining claims.

Environmental Matters

Existing and possible future environmental legislation, regulations and actions could result in significant expenses, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company’s right to exploit the mining properties is subject to various reporting requirements and to obtaining certain government approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without inordinate delay or at all.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Foreign Countries and Regulatory Requirement

Platosa is located in Mexico where mineral exploration and mining activities may be affected in varying degrees by political instability, expropriation or nationalization of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws, all of which could affect the Company's business or operations in that country. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business, or if significant enough, may make it impossible to continue to operate in the country. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

Dependence Upon Others and Key Personnel

The success of the Company's operations will depend upon its ability to attract and retain key personnel in sales, marketing, technical support and finance and to hire outside consultants having the specific expertise required by the Company. The inability of the Company to hire or retain key personnel of retain the services of qualified consultants when required by the Company could have a material adverse effect on the operations and financial results of the Company.

Currency Fluctuations

The Company maintains its accounts in Canadian and US dollars and in Mexican pesos. The Company's operations in Mexico and its payment commitments and exploration expenditures under the various agreements governing its rights to Platosa are denominated in US dollars, making it subject to foreign currency fluctuations. Such fluctuations may materially affect the Company's financial position and results. The Company does not engage in any hedging or price protection programs to manage such risk.

Price Fluctuations and Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual severe fluctuations in price will not occur.

Surface Rights and Access

Although the Company acquires the rights to some or all of the minerals located in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no assurance that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

Conflicts of Interest

Certain directors and officers are directors and/or officers of other mineral exploration companies and as such may, in certain circumstances, have a conflict of interest, if any, the resolution of which will be subject to and governed by procedures prescribed by the Company's governing corporate law statute which requires a director of a Company who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation.

Results of Operations

In December 2009 the Company changed its year end to December 31 from July 31. The year end change was necessary to the make the Company's financial statements directly comparable to other junior mining companies on a quarterly basis and to have a consistent year end with its subsidiaries. This change in year end requires the Company to have a transition year with a five month year ending December 31, 2009 with comparatives for the twelve month year ending July 31, 2009.

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the five month period ended December 31, 2009 and the twelve month period ended July 31, 2009 should be read in conjunction with the consolidated financial statements of the Company and notes thereto and the audited consolidated financial statements of the Company and the notes thereto for the five month period ended December 31, 2009. There have been no changes in accounting policies during these periods except for the Company's adoption of Canadian Institute of Chartered Accountants ["CICA"] Section 1535, "Capital Disclosures;" Section 3031, "Inventories;" Section 3862, "Financial Instruments – Disclosures;" and Section 3863, "Financial Instruments – Presentation."

Three month period ended March 31, 2010 compared to the three month period ended April 30, 2009

During the three month period ended March 31, 2010 the Company recorded net income of $549,097 compared to net income of $621,288 for the three month period ended April 30, 2009. Gross operating income for the quarter was $6,979,032 compared to $3,484,464 for the quarter ended April 30, 2009. Income before taxes of $1,193,690 for the three months ended March 31, 2010 compared to net income before income taxes for the year ended April 30, 2009 was $710,118. The financial performance of the Company in the prior period was negatively impacted by less than a full quarter of sales activities due to the establishment of milling activities at Migual Auza on March 19, 2009. In addition, declining market prices of silver, lead and zinc negatively impacted sales in the prior period.

Cash generated from operating activities for the three month period ended March 31, 2010 was $3,372,243 compared to a use of $6,835,313 for the three months ended April 30, 2009 and working capital as at March 31, 2010 was $8,865,493 compared to $7,736,614 at December 31, 2009.

Sales were $10,383,269 for the three month period ended March 31, 2010 compared to $5,296,294 for the three months ended April 30, 2009 and cost of production was $3,404,238 [April 30, 2009 – $1,811,830], resulting in gross operating income of $6,979,032 [April 2009 – $3,484,464]. The Company ceased ore shipments in February 2009 and commenced shipments of concentrate in April 2009. For the three months ended March 31, 2010 the Company shipped 431,580 oz of payable silver, 2,051,175 lbs of payable lead and 2,200,573 lbs of payable zinc. For the three months ended April 30, 2009 the Company shipped 244,958 oz of payable silver, 1,192,823 lbs of payable lead and 1,244,589 lbs of payable zinc.

Expenses increased in the period from $2,791,167 for the 3 months ended April 30, 2009 to $5,808,683 for the three months ended March 31, 2010. The increase in expenses is explained as follows:

i. Exploration expenditures increased to $2,279,883 from $210,827 in the prior period due to increased exploration activity in the current period and the Company's suspension of surface exploration drilling activities in October 2008. Drilling was temporarily suspended in order to conserve cash due to the mine water inflow and decline in metals prices. Drilling resumed in July 2009;
ii. Salaries increased to $945,412 from $665,684 in the prior period due to increased activities and the additional staff acquired in the acquisition of Silver Eagle which closed June 2009 and a non-recurring charge relating to withholding taxes for prior periods.
iii. Mine administration increased to $647,243 from $400,948 from in the prior period due to increased activities and the additional staff acquired in the acquisition of Silver Eagle which closed June 2009.;

iv. Stock-based compensation increased to $259,394 from $29,259 in the prior period due to an incresase in the fair value and number of stock options issued in the current period versus the prior year.

Selected quarterly financial information

The following table sets forth selected quarterly information for the last eight quarters.

	3 months ended	2 months ended		3 month quarter ended	
Period ended	2010-03-31	2009-12-31	2009-10-31	Jul. 31/09	Apr. 30/09
Sales	$ 10,383,269	$ 6,202,442	$ 9,829,218	$ 10,151,661	$ 5,296,294
Net income (loss) before income taxes	$ 1,193,688	$ (164,306)	$ 1,852,940	$ 2,502,000	$ 710,118
Net and comprehensive income (loss)	$ 549,096	$ (230,095)	$ 967,133	$ 1,268,957	$ 621,288
Earnings (loss) per share - basic	$ 0.00	$ 0.00	$ 0.00	$ 0.01	$ 0.00
- diluted	$ 0.00	$ 0.00	$ 0.00	$ 0.01	$ 0.00
Quarter Ended			2008-10-31	Jul. 31/08	Apr. 30/08
Sales			$ 3,922,647	$ 3,922,647	$ 9,661,688
Net income (loss) before income taxes			$ (5,729,578)	$ (5,729,578)	$ 669,479
Net and comprehensive income (loss)			$ (4,829,394)	$ (4,829,394)	$ (1,660,395)
Earnings (loss) per share - basic			$ (0.03)	$ (0.03)	$ (0.01)
- diluted			$ (0.03)	$ (0.03)	$ (0.01)

Liquidity and Capital Resources

As at March 31, 2010 the Company's cash and cash equivalents were $8,169,210 [December 31, 2009 – $4,692,698], working capital was $8,698,566 [December 31, 2009 – $7,736,614] and the deficit was $28,657,005 [July 31, 2009 – $29,206,102]. Cash was higher at year end due to the on-going profitable mining operations and the improvement in the net working capital position.

For the year ended July 31, 2009 the Company carried out a rights offering to holders of common shares of Excellon (the “Rights Offering”). On the terms set out in an offering circular dated May 8, 2009 (the “Rights Offering Circular”), shareholders of record at the close of business on May 22, 2009 received one right for each common share held (each a “Right”). Eight (8) Rights permitted the holder to subscribe for one common share of Excellon at a price of $0.23 per share. On June 18 2009, the all of the rights offered were exercised and the Company issued 24,756,804 common shares at a price of $0.23 per share for aggregate gross proceeds of $5,694,065. Share issuance costs consisted of an upfront managing dealer fee of $75,000 and a soliciting dealer fee of 1.5% of the value of each subscription for common shares under the Rights Offering, with Maison Placements Canada Inc being entitled to 0.5% and any other member or members of the soliciting dealer group being entitled to the remaining 1.0%, if applicable.

During the five month period ending December 31, 2009, 1,040,000 options to purchase common shares were exercised for cash proceeds of $208,000 [2008 – 4,545,000 options exercised for cash proceeds of $1,119,800]. Upon exercise of the options in 2008, the fair value of the options in contributed surplus of $143,512 was added to share capital.

Off-Balance Sheet Arrangements

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

Summary of Securities Outstanding

Capital stock

Authorized: Unlimited common shares.

Issued at	March 31, 2010	December 31, 2009
Shares	242,239,036	241,414,036
Amount	$ 55,850,977	$ 55,641,977

During the period, the Company issued 350,000 options to employees and directors:

[i] On March 4, 2010, the Company issued 250,000 options to certain directors, officers, employees and consultants. The options are exercisable at a price of $0.74 per share for a period of five years ending March 4, 2015. The options vest immediately on the date of grant. The Company recorded stock-based compensation expense and contributed surplus of $132,322 during the three months ended March 31, 2010 since issuance of these options.

[ii] On March 24, 2010, the Company issued 100,000 options to certain directors, officers, employees and consultants. The options are exercisable at a price of $0.99 per share for a period of five years ending March 24, 2015. The options vest over a period of three years from the date of grant. The Company recorded stock-based compensation expense and contributed surplus of $26,626 during the three months ended March 31, 2010 since issuance of these options.

During the five month year ended December 31, 2009, options to acquire 1,965,000 [July 31, 2009- 1,040,000] common shares were exercised for total proceeds of $399,600 [July 31, 2009- $208,000]. Upon exercise of the options, the fair value of the options in contributed surplus of $278,096 [July 31, 2009- $143,312] was added to share capital.

Warrants to purchase common shares

As at March 31, 2010, the Company had the following warrants outstanding:

No. of Warrants	Expiry Date	Price per Share Warrant [$]
770,000	May 14, 2010	1.35
3,881,077	April 9, 2011	0.24
4,651,077		

Incentive stock options

As at March 31, 2010, the following incentive stock options were outstanding:

Exercise Price	Number outstanding and exercisable	Weighted average remaining contractual life
$	#	[years]
0.40	865,000	0.82
0.83	500,000	0.97
0.97	750,000	1.65
1.41	400,000	1.82
1.58	2,355,000	2.77
1.07	200,000	3.27
0.19	2,300,000	3.70
0.28	200,000	4.15
3.91	1,326,312	1.94
0.27	100,000	4.23
0.61	150,000	4.56
0.56	2,750,000	4.70
0.74	350,000	4.93
0.19 – 3.91	12,246,312	3.04

During the three months ended March 31, 2010, options to acquire 825,000 [December 31, 2009- 1,965,000] common shares were exercised for total proceeds of $209,000 [December 31, 2009- $677,696]. Upon exercise of the options, the fair value of the options in contributed surplus of $162,312 [December 31, 2009- $278,096] was added to share capital.

During the five months ended December 31, 2009, the Company issued 2,900,000 options to employees and directors:

[iii] On December 11, 2009, the Company issued 2,750,000 options to certain directors, officers, employees and consultants. The options are exercisable at a price of $0.56 per share for a period of five years ending December 11, 2014. The options vest over a period of three years from the date of grant. The Company recorded stock-

based compensation expense and contributed surplus of $408,075 during the five month year ended December 31, 2009 since issuance of these options.

[iv] On October 21, 2009, the Company issued 150,000 options to certain directors, officers, employees and consultants. The options are exercisable at a price of $0.61 per share for a period of five years ending October 21, 2014. The options vest immediately. The Company recorded stock-based compensation expense and contributed surplus of $83,950 during the five month year ended December 31, 2009 since issuance of these options.

In May 2009, the Company issued 200,000 options to an officer. The options are exercisable at a price of $0.28 for a period of 5 years ending May 25, 2014. The options vested immediately upon issuance.

On June 2, 2009, in connection with the Company's acquisition of SEG, incentive stock options were issued to SEG option holders based on the conversion ratio of 0.2704. As a result the Company issued 1,326,312 options to SEG option holders. The exercise price of these options ranges from $1.11 to $5.21 and has a weighted average price of $3.91with expiry dates ranging from September 15, 2010 to September 15, 2013.

In June 2009, the Company issued 200,000 options to certain directors, officers, employees and consultants. The options are exercisable at a price of $0.266 per share for a period of five years ending June 22, 2014. The options vested immediately upon issuance.

In July 2009, the Company issued 1,000,000 options to an officer. The options are exercisable at a price of $0.33 per share for a period of five years ending July 15, 2014. The options are subject to vesting provisions, whereby 30% vest immediately upon signing, a further 20% vest one year after signing, a further 20% vest two years after signing and the balance three years after signing. Subsequent to the year end, the 700,000 unvested options were cancelled as the optionee ceased to be an officer of the Company.

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2009. There were no material changes in the nature of the Company's critical accounting estimates during the three months ended March 31, 2010 from those disclosed in the Company's MD&A for the year ended December 31, 2009.

Adoption of New Accounting Standards

The Company monitors the recently issued Canadian Institute of Chartered Accountants ("CICA") accounting pronouncements to assess the applicability and impact, if any, of these pronouncements on our consolidated financial statements and note disclosures.

Financial Instruments

The Company's financial instruments as of March 31, 2010 consisted of cash and cash equivalents, short-term investments, accounts receivable, loan receivable and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value. There were no off balance sheet financial instruments.

Cash and cash equivalents consist solely of cash deposits with major Canadian and Mexican banks.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the CEO and the CFO have limited the scope of their design of the Company's disclosure controls and procedures ("DC&P) and internal control over financial reporting ("ICFR") to exclude controls, policies and procedures of Silver Eagle Inc., which the Company acquired on June 2, 2009. Silver Eagle's contribution to the Company's consolidated financial statements for the five months ended December 31, 2009 was approximately 24% of consolidated expenses (Silver Eagle does not generate revenues). Additionally, at December 31, 2009, Silver Eagle's current assets and current liabilities were 8% and 6% of consolidated current assets and current liabilities, respectively, and its long-term assets and long-term liabilities were both less than 15% of consolidated long-term assets and long-term liabilities.

The CEO and CFO have evaluated the effectiveness of the company's DC&P and ICFR as of December 31, 2009, pursuant to the requirements of National Instrument 52-109.

Material Weakness

The CEO and CFO have determined and previously reported that there was an inherent weakness in the Company's internal controls which is typical of small companies, which have a limited ability to segregate incompatible functions. Management believes that during the three months ended March 31, 2010, the weakness was remedied by expanding the number of individuals involved in the accounting function as a result of the following changes in accounting systems and processes.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended March 31, 2010, the Company established an accounting function in Mexico with sufficient staff to manage the accounting for all of the Company's Mexican subsidiaries. The books and records of the Company's Mexican subsidiaries that had been managed in Toronto were relocated and converted to the financial system in Mexico that had been used by Silver Eagle Inc.

During the three months ended March 31, 2010, the Company implemented a new financial reporting consolidation application. The implementation of this new application was not in response to any deficiency in the Company's internal controls; rather management believes that this application provides an increased level of control over the consolidated financial statement preparation process.

There have been no other significant changes in the Company's internal control over financial reporting during the three months ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The AcSB has set January 1, 2011, as the date that IFRS will replace current Canadian GAAP for publicly accountable enterprises, which includes Canadian reporting issuers. Financial reporting under IFRS differs from Canadian GAAP in a number of respects, some of which are significant. IFRS on the date of adoption also is expected to differ from current IFRS due to new IFRS standards and pronouncements that are expected to be issued before the changeover date.

The Company has commenced the process to changeover its basis of accounting from Canadian GAAP to IFRS effective with the Company's first quarter report in fiscal 2011. The transition date of January 1, 2010 will require the restatement, for comparative purposes, of the consolidated balance sheet at December 31, 2009 and the Company's interim and annual consolidated fiscal statements for fiscal 2010.
The Company has identified the following major differences between its current accounting policies and those required or expected to apply in preparing IFRS consolidated financial statements.

Property, Plant and Equipment (PP&E)
The Company is capital intensive, incurring significant expenditures on property (including mineral properties), plant and equipment. IFRS requires significant components of PP&E for which different depreciation methods or rates are applicable to be depreciated separately. IFRS also requires the separate recognition and depreciation of certain non-physical components such as major overhauls and refurbishments, as well as certain major spare parts. The Company in converting to IFRS will reassess its accounting for PP&E to determine how much componentization of PP&E is required. Capitalization of administration and indirect overhead costs is not permitted under IFRS. In addition, IFRS provides more prescriptive guidance regarding capitalization of borrowing costs.

The first time adoption of IFRS generally requires full retrospective application of IFRS (i.e. the recreation of financial results "as if" IFRS accounting policies had always applied). The retrospective application of IFRS policies will be challenging and depends upon the state of the Company's current depreciation practices and PP&E records. IFRS 1 allows certain transitional elections relating to opening carrying values of PP&E. Working through these elections is complex but the Company is adopting a practical approach.

Impairment of PP&E

IFRS has one impairment model covering PP&E, goodwill and intangible assets. Assets are evaluated either individually or grouped in a CGU for impairment testing purposes. A CGU is the smallest group of assets that generates independent cash inflows and may be smaller than asset groups or reporting units as defined under Canadian GAAP.

The timing of impairment testing under IFRS is consistent with that testing under Canadian GAAP.

Impairment charges relating to PP&E, goodwill and intangible assets are recognized if an asset's (CGU's) carrying amount exceeds its recoverable amount. Impairment charges relating to PP&E may be more frequent under IFRS as the cash flow test for recoverability is based on discounted cash flows, rather than being based on undiscounted cash flows.

Reversals of impairment charges, other than goodwill, are possible under IFRS as the Company will be required to reverse such charges if the circumstances leading to the impairment have changed.

Foreign Currency

The concept of functional currency is similar to the measurement currency concept under Canadian GAAP. However, differences in functional currencies can arise due to differences in the criteria to be considered and the priority given to certain of the criteria under IFRS. Functional currency depends on an entity's primary economic environment with particular emphasis on the currency that mainly influences sales prices and costs of labour, materials and other costs. At this time, the Company believes that the functional currency under IFRS of at least one of its Mexican subsidiaries may be the USD rather than the MXD that is now used as the measurement currency.

The retroactive adoption of a different functional currency can be very complex and time consuming and will affect determinations made under other standards, such as income taxes and financial instruments. A validation of functional currency for each entity will be completed early in the IFRS changeover process.

Closure and Environmental Costs
IFRS requires that decommissioning provisions (asset retirement obligation) be recognized when a present obligation from a past event exists and it is probable that future costs will be incurred to restore or rehabilitate a property or other long-lived asset.

The definition of a provision under IFRS is broader than Canadian GAAP. IFRS requires a liability to be recorded even when only a constructive obligation exists, which may have been created by promises or established patterns of carrying out similar activities. In addition, measurement of the liability under IFRS differs in several respects including use of a current discount rate specific to the liability and presentation of accretion of the discount as interest expense in the income statement.

IFRS CHANGEOVER PLAN
The changeover to IFRS from Canadian GAAP is a significant undertaking, and as a result, the Company has established a dedicated IFRS changeover resource to lead this process. The changeover plan consists of three primary phases, which in certain cases will be in process concurrently:

- Initial diagnostic phase
- Impact analysis, evaluation and solution development phase
- Implementation and review phase

Phase 1: Initial diagnostic
The objective of this phase is to identify the required changes to the Company's accounting policies and practices resulting from the changeover to IFRS to determine the scope of the work effort required for the next two phases.
Phase 1 involves:

- A detailed review of all relevant IFRS standards to identify differences with the Company's current accounting policies and practices
- The separate consideration of one-time accounting policy alternatives that must be addressed at the changeover date and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS
- The prioritization of those differences that could have a more than inconsequential impact on the Company's consolidated financial statements, business processes or IT systems
- The identification of internal stakeholders and business areas that may be affected by the changeover.

Phase 2: Impact analysis, evaluation and solution development
Phase 2 will result in the design and development of detailed solutions to address the differences identified in the first phase of the changeover plan. These solutions will result in certain necessary changes to the Company's internal business processes and financial systems to comply with IFRS accounting and disclosure requirements. Phase 2 activities include:

- The evaluation of accounting policy alternatives

- The investigation, development and documentation of solutions to resolve differences identified in Phase 1, reflecting changes to existing accounting policies and practices, business processes, IT systems and internal controls
- The implementation of a change management strategy to address the information and training needs of internal and external stakeholders.

Phase 3: Implementation and review phase
This phase involves the implementation of the required changes to the Company's information systems and business policies and procedures identified in the previous phase of the plan. It will culminate in the collection of financial information necessary to prepare consolidated IFRS financial statements and audit committee approval of IFRS consolidated financial statements.

PROGRESS TOWARDS COMPLETION OF THE IFRS CHANGEOVER PLAN
The Company has completed Phase 1 of its changeover plan and has identified the differences between Canadian GAAP and IFRS that impact its consolidated financial statements. The Company's detailed analysis has identified a number of accounting differences and policy alternatives under IFRS as compared to Canadian GAAP. The Company has also determined that its accounting policies are largely aligned with IFRS requirements in many key areas other than those set out above.

Work on phase 2 has commenced and the Company has begun assessing the impact and designing solutions to address the differences, focusing initially on those differences that may require changes to its financial systems or that are more complex or time-consuming to resolve.
Appropriate resources have been secured to complete the changeover on a timely basis according to the Company's plan milestones. The Company is also ensuring that training needs are met and will continue to be addressed throughout the changeover period.

The Company has detailed project plans and progress reporting in place to support and communicate the changeover. At this time, the Company cannot quantify the impact that the future adoption of IFRS will have on its consolidated financial statements and operating performance measures; however, such impact may be material. Additional information will be provided as the Company moves towards the changeover date.

Additional Sources of Information
Additional disclosures pertaining to the Company, including its most recent audited and unaudited interim financial statements, management information circular, material change reports, press releases and other information, are available on the SEDAR website at www.sedar.com or on the Company's website at www.excellonresources.com