



EXCELLON RESOURCES INC.

# **EXCELLON RESOURCES INC.**

Suite 900 – 20 Victoria Street Toronto, Ontario Canada M5C 2N8

## **Notice of Annual and Special Meeting of Shareholders & Management Information Circular**

Tuesday, May 24, 2011

10:00 a.m. (Toronto time)

Heenan Blaikie, LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 2900  
Toronto, Ontario M5H 2T4



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**EXCELLON RESOURCES INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the 2010 Annual and Special Meeting (the “Meeting”) of shareholders of Excellon Resources Inc. (the “Company”) will be held at the offices of Heenan Blaikie, LLP, Bay Adelaide Centre, 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4, on Tuesday, the 24th day of May, 2011 at the hour of 10:00 a.m. (Toronto time), for the following purposes:

1. To receive the audited consolidated financial statements of the Company for the year ended December 31, 2010 (with comparative statements relating to the preceding fiscal period) together with the report of the auditors thereon;
2. To elect directors;
3. To appoint the auditors of the Company and to authorize the directors to fix their remuneration;
4. To approve the Company’s Shareholders’ Rights Plan; and
5. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this Notice is a Management Information Circular, a form of Proxy and an Annual/Interim Financial Statement and Management Discussion and Analysis Request Form. The accompanying Management Information Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice.

Shareholders are entitled to vote at the Meeting either in person or by proxy in accordance with the procedures described in the Information Circular accompanying this Notice. Those who are unable to attend the meeting are requested to read, complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Management Information Circular accompanying this Notice. Please advise the Company of any change in your mailing address.

DATED at Toronto, Ontario, this 20<sup>th</sup> day of April, 2011.

BY ORDER OF THE BOARD

*(signed)* “Peter A. Crossgrove”

Peter A. Crossgrove  
Chief Executive Officer

## EXCELLON RESOURCES INC.

### MANAGEMENT INFORMATION CIRCULAR

(Containing information as at April 20, 2011 unless indicated otherwise)

#### SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Excellon Resources Inc. (the "Company") for use at the 2010 Annual and Special Meeting of shareholders of the Company (and any adjournment thereof) to be held at 10:00 a.m. (Toronto time) on Tuesday, May 24, 2011 (the "Meeting") at the place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the regular employees of the Company at nominal cost. All costs of solicitation by management will be borne by the Company.

The contents and the sending of this Management Information Circular have been approved by the directors of the Company.

#### APPOINTMENT OF PROXYHOLDER

The individuals named as proxyholder in the accompanying form of proxy are the Chief Executive Officer and the Chief Financial Officer. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STROKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY.** A proxy will not be valid unless the completed form of proxy is received by COMPUTERSHARE INVESTOR SERVICES INC. ("Computershare"), Proxy Dept., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not less than forty eight (48) hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or, with respect to any matters to be dealt with at any adjournment of the Meeting, before the time of the re-commencement of the adjourned Meeting. Proxies delivered after such time(s) will not be accepted.

#### REVOCAION OF PROXIES

A shareholder who has given a proxy may revoke it by an instrument in writing executed by the shareholder or by his attorney duly authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to the registered office of the Company, at Suite 900 – 20 Victoria Street Toronto, Ontario, Canada. M5C 2N8 (Attention: Chief Financial Officer) at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, preceding any reconvening thereof, or to the Chairman of the Meeting on the day of the meeting or, if adjourned, any reconvening thereof, or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

#### VOTING OF PROXIES

The shares represented by a properly executed proxy in favour of persons designated as proxyholders in the enclosed form of proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be called for; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specification made in such proxy.

**SUCH SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED, OR WHERE BOTH CHOICES HAVE BEEN SPECIFIED, BY THE SHAREHOLDER.**

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly

brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated by management as proxyholders in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Management Information Circular, the management of the Company knows of no such amendment, variation or other matter that may be presented to the Meeting.

#### INFORMATION FOR NON-REGISTERED SHAREHOLDERS

**Only registered shareholders or proxyholders duly appointed by registered shareholders are permitted to vote at the Meeting. Most shareholders of the Company are “non-registered” shareholders because the shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their shares in their own name (referred to herein as “Beneficial Shareholders”) should note that only registered shareholders are entitled to vote at the Meeting.** If common shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those common shares will not be registered in such shareholder’s name on the records of the Company. Such common shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which company acts as nominee for many Canadian brokerage firms). Common shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers’ clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Company to the registered shareholders. However, its purpose is limited to instructing the registered shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“BFS”). BFS typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to BFS, or otherwise communicate voting instructions to BFS (by way of the internet or telephone, for example). BFS then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting. **A Beneficial Shareholder who receives a BFS voting instruction form cannot use that form to vote common shares directly at the Meeting. The voting instruction form must be returned to BFS (or instructions respecting the voting of common shares must be communicated to BFS well in advance of the Meeting) in order to have the common shares voted.**

This Management Information Circular and accompanying materials are being sent to both registered shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“Objecting Beneficial Owners”, or “OBO’s”) and those who do not object to their identity being made known to the issuers of the securities they own (“Non-Objecting Beneficial Owners”, or “NOBO’s”). Subject to the provision of National Instrument 54-101 – Communication with Beneficial Owners of Securities of Reporting Issuers (“NI 54-101”), issuers may request and obtain a list of their NOBO’s from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf.

The Company’s OBO’s can expect to be contacted by BFS or their broker or their broker’s agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the common shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their common shares as proxyholder for the registered shareholder should enter their own names in the blank space on the proxy or voting instruction card provided to them**

**and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Management Information Circular and the accompanying form of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as set forth in this Management Information Circular, no person who has been a director or executive officer of the Company at any time since January 1, 2010, being the beginning of the Company's last completed financial year, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of the foregoing, has or has had any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The company is authorized to issue an unlimited number of common shares without par value. As of April 20, 2011, the Company had 250,288,446 issued and outstanding common shares.

Only shareholders of record holding common shares at the close of business on April 19, 2011 (the "Record Date") who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their shares voted at the Meeting.

On a show of hands, every individual who is present and is entitled to vote as a shareholder or as a representative of one or more corporate shareholders will have one vote, and on a poll every shareholder present in person or represented by a valid proxy and every person who is a representative of one or more corporate shareholders will have one vote for each share registered in that shareholder's name on the list of shareholders, which is available for inspection during normal business hours at Computershare and will be available at the Meeting. Shareholders represented by proxyholders are not entitled to vote on a show of hands.

To the knowledge of the directors and executive officers of the Company, the following are the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than ten percent (10%) of the voting rights attached to all outstanding shares of the Company:

<b>Name of the Holder</b>	<b>Number of Shares</b>	<b>Percentage</b>
Sprott Asset Management Inc. <sup>(1)</sup>	40,228,789	16.1%

**Note:**

<sup>(1)</sup> Based upon the Alternative Monthly Report filed by Sprott under Part 4 of National Instrument 62-103 on July 10, 2010.

#### **ELECTION OF DIRECTORS**

There are five (5) directors to be elected at the Meeting.

The term of office of each of the present directors expires immediately prior to the election of directors at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees and the persons named by management as proxyholders in the accompanying form of proxy will vote for the election of these nominees, unless otherwise instructed on the proxy form. Management does not contemplate that any of these nominees will be unable to serve as directors. Each director elected will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company or the provisions of the *Business Corporations Act* (British Columbia) ("BCBCA").

The following table and notes thereto sets out the name of each person proposed to be nominated by management for election as a director, the province or state and country in which he is ordinarily resident, all offices of the Company now held by him, his principal occupation, the period of time for which he has been a director of the Company, and the number of shares of the Company beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at April 20, 2011:

Name, Position, and Province/State & Country of Residence <sup>(1)</sup>	Principal Occupation and Occupation during the Past 5 Years <sup>(1)</sup>	Previous Service as a Director	Number of shares beneficially owned or directly or indirectly controlled <sup>(1)</sup>
<b>Alan R. McFarland</b> <sup>(2),(3),(5)</sup> Director New York, U.S.A.	Businessman; Managing Member of McFarland Dewey & Co. (investment banking firm) since 1989	Since November 23, 2006	5,000
<b>André Y. Fortier</b> <sup>(2),(4),(5)</sup> Director Québec, Canada	Businessman; President & Chief Executive Officer, Campbell Resources Inc. until December 2009.	Since March 16, 2005	658,000
<b>Peter A. Crossgrove</b> Chairman, Director and Chief Executive Officer Ontario, Canada	Businessman; Chief Executive Officer of the Company since April, 2008, Member, Order of Canada; Director of Barrick Gold Corporation, Lake Shore Gold Corp., Detour Gold Corporation and QLT Inc.; Trustee of Dundee Real Estate Investment Trust.	Since January 25, 2005	3,710,570
<b>Timothy J. Ryan</b> <sup>(2),(3),(4)</sup> Director British Columbia, Canada	Businessman; President of First General Securities Inc. (private venture fund management firm) since 1982.	Since March 27, 2006	1,076,783
<b>Wayne J. O'Connor</b> <sup>(2),(3),(4),(5)</sup> Director Ontario, Canada	Businessman; Former Chairman of West Timmins and CEO of Band-Ore Resources.	Since March 4, 2010	288,500

**Notes:**

- (1) The information, not being within the knowledge of the Company, has been furnished by the respective directors individually.
- (2) Member of the Audit Committee.
- (3) Member of the Nominating and Corporate Governance Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Health Safety & Environmental Committee.

**Corporate Cease Trade Orders or Bankruptcies**

To the Company's knowledge, no proposed management nominee for election as a director of the Company is as at the date of the Information circular, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in any case that was in effect for more than 30 consecutive days (an "order") that was issued while the director, proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director, proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

**Personal Bankruptcies**

To the Company's knowledge, except as noted below, no proposed management nominee for election as a director of the Company: (i) is, as at the date of this Information Circular, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with



creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder. André Fortier was the President and Chief Executive Officer of Campbell Resources Inc., which made application under the Companies' Creditors Arrangements Act in January 2009. Mr. Fortier was also President of Campbell's subsidiary, Meston Resources Inc., which made a petition for bankruptcy in October 2008.

### **Penalties and Sanctions**

To the Company's knowledge, no management nominee for election as director has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The following describes the Company's compensation policies for the Chief Executive Officer, Chief Financial, and the three most highly compensated executive officers of the Company (or three most highly compensated individuals acting in a similar capacity), other than the CEO and the CFO, whose compensation was more than \$150,000 on an annualized basis during the year ended December, 31, 2010 (each a "Named Executive Officer" and collectively the "Named Executive Officers"). Generally, the compensation policies are designed to support the Company's strategic objectives, ensure that incentive programs are designed to motivate senior managers to achieve or exceed corporate objectives and to enhance shareholder value and to ensure that there is reasonable consistency in the application of the compensation policy.

The executive compensation comprises base salary, indirect compensation (benefits), discretionary bonus and long-term incentives in the form of stock options. In determining actual compensation levels, the Compensation Committee considers the total program, rather than any single element in isolation. Total compensation levels are set to reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal equity).

The Company's executive compensation program has the following objectives:

- to attract, retain and motivate qualified executives;
- to provide incentives to executives to maximize productivity and enhance enterprise value by aligning the interests of the executives with those of the shareholders;
- to foster teamwork and entrepreneurial spirit;
- to establish a direct link between all elements of compensation and the performance of the Company, its subsidiaries and individual performance; and
- to integrate compensation incentives with the development and successful execution of strategic and operating plans.

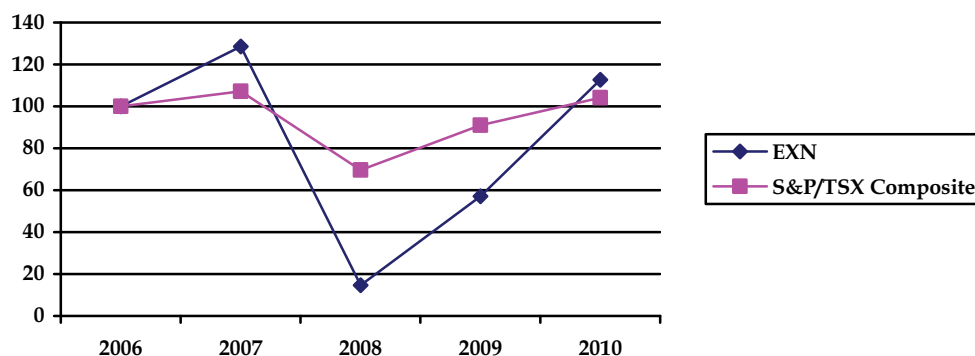
The base salary for all executives is designed to be competitive and is adjusted for the realities of the market. The target salary is the mid-point, or just below the mid-point, of a salary range for an executive officer which is set at median levels in the comparator group to reflect similar positions in these companies using direct comparison of responsibilities. Base salaries for executive officers are then determined by the Compensation Committee within the above policy.

The compensation levels of the Chief Executive Officer are designed to recognize the Chief Executive Officer's personal contributions and leadership. The Compensation Committee, in consultation with the Board, formally evaluates the performance of the Chief Executive Officer each year using both financial and non-financial measurements, and may increase the Chief Executive Officer's total compensation to levels that are consistent with corporate and individual performance.

### **Performance Graph**

The following graph compares the yearly change in the cumulative total shareholder return over the periods indicated of a \$100 investment in the Corporation's Common Shares with the return of the S&P/TSX Composite, assuming the reinvestment of dividends, where applicable, for the comparable period. The Corporation's Common

Shares were originally listed on the TSX Venture Exchange and the listing graduated to the Toronto Stock Exchange on February 4, 2008.



### Option-Based Awards

The timing of the grant, and number of shares made subject to option, with respect to stock options proposed to be granted by the Company to its executive officers is recommended by the Chief Executive Officer, reviewed and approved (or revised, if thought appropriate) by the Compensation Committee, and implemented by a resolution of the Board. The review of proposed option grants by the Compensation Committee (which is composed of independent directors) and the implementation thereof by the Board (which is comprised of a majority of independent directors) provides the independent directors with significant input into such compensation decisions.

### Summary Compensation Table

For the year ended December 31, 2010, the Company had five (5) Named Executive Officers. The table below sets forth all annual and long-term compensation paid, awarded or earned by each of the Named Executive Officers for services rendered in all capacities to the Company during the year ended December 31, 2010.

Summary Compensation Table									
Name and Principal Position	Year <sup>(1)</sup>	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
<b>Peter A. Crossgrove</b> <sup>(4)</sup> Chairman, Director and Chief Executive Officer	2010	\$240,000	NIL	\$192,487	\$240,000	NIL	NIL	\$77,980	\$750,467
	Dec 2009	\$278,674	NIL	\$94,534	NIL	NIL	NIL	\$200,000	\$573,208
	Jul 2009	\$295,417	NIL	\$32,524	NIL	NIL	NIL	\$11,000	\$327,941
<b>Christopher Hopkins</b> Chief Financial Officer <sup>(2)</sup>	2010	\$87,500	NIL	NIL	NIL	NIL	NIL	NIL	\$87,500
	Dec 2009	\$93,948	NIL	\$77,356	NIL	NIL	NIL	NIL	\$196,304
	Jul 2009	\$31,250	N/A	\$42,900	N/A	N/A	N/A	N/A	\$74,150
<b>John R. Sullivan</b> Vice-President Exploration	2010	\$180,000	NIL	\$25,664	\$25,000	NIL	NIL	NIL	\$230,664
	Dec 2009	\$230,341	NIL	\$66,980	NIL	NIL	NIL	NIL	\$297,321
	Jul 2009	\$150,833	NIL	\$32,524	\$75,000	NIL	NIL	NIL	\$258,357

Summary Compensation Table									
Name and Principal Position	Year <sup>(1)</sup>	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
<b>Robert Whittall</b> Chief Financial Officer <sup>(3)</sup>	2010	\$98,077	NIL	\$94,433	\$55,000	NIL	NIL	NIL	\$247,510
	Dec 2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Jul 2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Robert Moore</b> Vice-President, Operations	2010	\$195,000	N/A	\$25,664	\$30,000	NIL	NIL	\$42,188	\$292,852
	Dec 2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Jul 2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Jeffrey A. Hillis</b> Chief Financial Officer <sup>(5)</sup>	Jul 2009	\$142,424	NIL	\$32,524	\$45,000	NIL	NIL	NIL	\$219,948
<b>G. Ross MacFarlane</b> <sup>(6)</sup> Executive Vice President & Chief Operating Officer	Jul 2009	\$167,417	NIL	NIL	NIL	NIL	NIL	NIL	\$167,417
<b>Robert C. Brissenden</b> <sup>(7)</sup> Vice President, Corporate Development, CFO	Jul 2009	\$140,455	NIL	\$32,524	NIL	NIL	NIL	\$180,000	\$352,979

## Notes:

- (1) The fiscal year end date was changed from July to December beginning in December 2009.  
(2) Mr. Hopkins was Chief Financial Officer from June 2009 to June 29, 2010.  
(3) Mr. Whittall was appointed Chief Financial Officer on July 26, 2010.  
(4) Mr. Crossgrove was appointed Chief Executive Officer on April 6, 2008.  
(5) Mr. Hillis was Chief Financial Officer from December, 2007 until June 19, 2009  
(6) Mr. MacFarlane ceased to provide services to the Company on December 9, 2008  
(7) Mr. Robert C. Brissenden was Vice President, Corporate Development until May 12, 2009

**Incentive Plan Awards***Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth, for each Named Executive Officer, all awards outstanding as at December 31, 2010 under option-based and share-based incentive plans of the Company. The closing price of the Company's shares on the TSX on December 31, 2010 was \$1.34.

Name	Option Based Award				Share-Based Award	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money options (\$)	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested (\$)
<b>Peter A. Crossgrove</b>	200,000	\$1.07	Jul 8, 2013	\$54,000	NIL	NIL
	250,000	\$0.19	Dec 11, 2013	\$287,500	NIL	NIL
	450,000	\$0.56	Dec 11, 2014	\$351,000	NIL	NIL
	750,000	\$0.98	Dec 16, 2015	\$270,000	NIL	NIL

Name	Option Based Award				Share-Based Award	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money options (\$)	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested (\$)
<b>Robert Whittall</b>	250,000	\$0.77	July 9, 2015	\$142,500	NIL	NIL
	100,000	\$0.98	Dec 16, 2015	\$36,000	NIL	NIL
<b>John R. Sullivan</b>	400,000	\$1.41	Jan 25, 2012	NIL	NIL	NIL
	250,000	\$1.58	Jan 4, 2013	NIL	NIL	NIL
	250,000	\$0.56	Dec 11, 2014	\$195,000	NIL	NIL
	100,000	\$0.98	Dec 16, 2015	\$36,000	NIL	NIL
<b>Robert Moore</b>	21,632	\$3.29	Dec 7, 2012	NIL	NIL	NIL
	81,120	\$4.36	June 1, 2012	NIL	NIL	NIL
	50,000	\$0.27	June 22, 2014	\$53,500	NIL	NIL
	50,000	\$0.60	Oct 21, 2014	\$37,000	NIL	NIL
	250,000	\$0.56	Dec 11, 2014	\$195,000	NIL	NIL
	100,000	\$0.98	Dec 16, 2015	36,000	NIL	NIL

#### *Value Vested or Earned During the Year*

The following table sets forth, for each Named Executive Officer, the value of all incentive plan awards issued during the year ended December 31, 2010.

Name	Option-Based Awards – Value Vested During the Year (\$)	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
<b>Peter A. Crossgrove</b>	\$192,487	NIL	NIL
<b>Robert Whittall</b>	\$94,433	NIL	NIL
<b>John R. Sullivan</b>	\$25,664	NIL	NIL
<b>Robert Moore</b>	\$25,664	NIL	NIL

#### **Pension Plan Benefits**

The Company does not provide retirement benefits for directors or executive officers.

#### **Termination and Change of Control Benefits**

The Company has no plans or arrangements in respect of remuneration received or that may be received by the Named Executive Officers in the Company's most recently completed financial year or current financial year in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control; except for a letter agreement with John R. Sullivan, Vice President, Exploration, which provides that in the event of termination of employment as a result of change of control of the Company, the Company will provide a termination payment of three years salary. Pursuant to the terms of his retention agreement, Mr. Crossgrove, the Chief Executive Officer of the Company, is entitled to 18 months base salary in the event termination as a result of a change of control plus the average amount of the bonus paid in the three preceding years. Under the terms of an employment agreement, Mr. Whittall, the Chief Financial Officer, is entitled to three years of base salary in the event of termination of employment as a result of a change in control of the Company. In the event of termination without cause, he is entitled to two months' salary for each of the first two years of service and one month for each additional year of service subject to a minimum of three months' salary. Mr. Moore, under the terms of an employment agreement is entitled to 18 months base salary in the event of termination of employment as a result of a change in control. In the event of termination without cause, he is entitled to one months' salary for each year of service, with a minimum of three months and a maximum of twelve months.

## DIRECTORS COMPENSATION

### Summary Compensation Table

The following table sets forth all compensation paid, awarded or earned by the non-executive directors of the Company during the year ended December 31, 2010.

Directors Compensation Table <sup>(1)(2)</sup>							
Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
<b>André Y Fortier</b>	\$49,503	NIL	\$64,162	NIL	NIL	NIL	\$113,665
<b>Alan R. McFarland</b>	\$45,747	NIL	\$64,162	NIL	NIL	NIL	\$109,909
<b>Timothy J. Ryan</b>	\$57,833	NIL	\$64,162	NIL	NIL	NIL	\$121,995
<b>Wayne J O'Connor</b>	\$39,164	NIL	\$196,484	NIL	NIL	NIL	\$235,648

**Notes:**

<sup>(1)</sup> Table does not include any amount paid as reimbursement for expenses.

<sup>(2)</sup> Compensation paid to the NEOs who served as directors of the Company is disclosed in the Summary Compensation Table.

The Company compensates its directors, in their capacities as such, through the payment of directors fees (on a monthly and per meeting basis) and through the grant of incentive stock options. Directors receive a monthly fee of \$1,000, and a per meeting fee of \$1,250 for each meeting attended in person or by telephone. In addition, the Company pays the transportation and lodging costs for directors to attend meetings of the board and any board committees. Directors who are not “independent” do not receive any of the foregoing fees.

### Incentive Plan Awards

#### *Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation*

The following table sets out for each independent director the incentive stock options (option-based awards) and share-based awards outstanding as of December 31, 2010. The closing price of the Company’s shares on the TSX on December 31, 2010 was \$1.34.

Director Name	Option Based Award				Share-Based Award	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money options (\$)	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested (\$)
<b>André Y Fortier</b>	250,000	\$0.19	Dec 11, 2013	\$287,500	NIL	NIL
	250,000	\$0.56	Dec 11, 2014	\$195,000	NIL	NIL
	250,000	\$0.98	Dec 16, 2015	\$90,000	NIL	NIL
<b>Alan R. McFarland</b>	500,000	\$0.97	Nov 23, 2011	\$185,000	NIL	NIL
	250,000	\$0.19	Dec 11, 2013	\$287,500	NIL	NIL
	250,000	\$0.56	Dec 11, 2014	\$195,000	NIL	NIL
	250,000	\$0.98	Dec 16, 2015	\$90,000		
<b>Timothy J. Ryan</b>	500,000	\$0.83	Mar 30, 2011	\$255,000	NIL	NIL
	250,000	\$0.19	Dec 11, 2013	\$287,500	NIL	NIL
	250,000	\$0.56	Dec 11, 2014	\$195,000	NIL	NIL
	250,000	\$0.98	Dec 15, 2015	\$90,000		
<b>Wayne J. O'Connor</b>	250,000	\$0.74	March 4, 2015	\$150,000	NIL	NIL
	250,000	\$0.98	Dec 16, 2015	\$90,000	NIL	NIL

*Value Vested or Earned During the Year*

The following table sets forth, for each non-executive director, the value of all incentive plan awards issued during the year ended December 31, 2010.

Director Name (a)	Option-Based Awards – Value Vested During the Year (\$) (b)	Share-Based Awards – Value Vested During the Year (\$) (c)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$) (d)
André Y Fortier	\$98,618	NIL	NIL
Alan R. McFarland	\$98,618	NIL	NIL
Timothy J. Ryan	\$98,618	NIL	NIL
Wayne J. O'Connor	\$196,484	NIL	NIL

#### STATEMENT OF CORPORATE GOVERNANCE PRACTICE

National Policy 58-101 requires venture issuers, such as the Company, to provide disclosure with respect to their corporate governance practices in accordance with Form 58-101F1. The required disclosure for the Company is set out in Schedule “A”.

#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the year ended December 31, 2010 (being the Company’s last completed financial year), was any director, executive officer, employee, proposed management nominee for election as a director of the Company or any associate of any such director, executive officer, or proposed management nominee of the Company or any former director, executive officer or employee of the Company or any of its subsidiaries, indebted to the Company or any of its subsidiaries or indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than for routine indebtedness

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table provides information regarding the Company’s equity compensation plans as of December 31, 2010 (being the end of the Company’s most recently completed financial year), under which securities of the Company are authorized for issuance to directors, officers, employees and consultants of the Company and its affiliates:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column “A”)
Equity compensation plans approved by shareholders	12,844,272	\$1.00	11,943,072
Equity compensation plans not approved by shareholders	Nil	N/A	N/A
<b>Total</b>	<b>12,844,272</b>	<b>\$1.00</b>	<b>11,943,072</b>

#### Stock Option Plan

In 2004, the Board of Directors of the Company established an incentive stock option plan (the “2004 Stock Option Plan”). The purpose of the 2004 Stock Option Plan is to attract and motivate directors, senior officers, employees, consultants and others providing services to the Company and its subsidiaries, and thereby advance the Company’s interests, by affording such persons with an opportunity to acquire an equity interest in the Company through the issuance of stock options. The principal terms of the 2004 Stock Option Plan are as follows:

1. The aggregate number of shares that may be made subject to issuance pursuant to options granted under the 2004 Stock Option Plan may not exceed that number which is equal to 10% of the shares of the Company issued and outstanding at the time of the grant(s).
2. The aggregate number of shares reserved for issuance pursuant to options granted to:

- (a) insiders may not exceed:
  - (i) 10% of the issued shares of the Company, or
  - (ii) 10% of the issued shares of the Company in any 12 month period;
- (b) any one individual in any one-year period may not exceed 5% of the issued shares of the Company;
- (c) any one consultant during any one-year period may not exceed 2% of the issued shares of the Company; and
- (d) all persons employed to provide investor relations activities (as a group) may not exceed 2% of the issued shares of the Company during any one-year period;

in each case calculated as at the date of grant of the option, including all other shares under option to such person at that time.

3. The exercise price of an option may not be set at less than the minimum price permitted by the TSX.
4. Options may be exercisable for a period of up to 10 years from the date of grant.
5. Options granted to consultants engaged to perform investor relations activities must vest over a period of not less than 12 months, with a maximum of 25% vesting in any 3 month period.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person (as defined in National Instrument 51-102), proposed director of the Company, or any associate or affiliate of any informed person or proposed director of the Company has, since January 1, 2010 (being the commencement of the Company's last completed financial year), had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Company or any of its subsidiaries.

#### **APPOINTMENT OF AUDITORS**

PricewaterhouseCoopers LLP were first appointed auditors of the Company on October 22, 2009. Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the appointment of PricewaterhouseCoopers LLP, as the auditors of the Company and to authorize the directors to fix their remuneration.

#### **PARTICULARS OF MATTERS TO BE ACTED UPON**

##### **Shareholder Rights Plan**

The Board of the Company has recommended that shareholders approve the shareholder rights plan (the "Plan") approved by the Board on April 20, 2011. The Plan replaces the shareholder rights plan approved by shareholders on December 11, 2008, which expires at the Meeting. The Plan authorized the issue of one right (a "Right") in respect of each outstanding common share of the Company ("Share") to holders of record as at 4:00 p.m. (Toronto time) on April 20, 2011 (the "Record Time").

The Company entered into a Shareholders Rights Plan Agreement with Computershare Trust Company of Canada, as rights agent, to act in connection with the exercise of Rights, the issue of certificates evidencing the Rights and other related matters.

The principal terms and conditions of the Plan are summarized below. This summary is qualified in its entirety by the full text of the Plan, a copy of which is available by request made in writing to the Company at Suite 900 – 20 Victoria Street Toronto, Ontario, Canada. M5C 2N8, or made by phone at (416) 364-1130 or facsimile (416) 364-6745 or e-mail at [info@excellonresources.com](mailto:info@excellonresources.com). A full text of the Plan may be viewed in electronic format at [www.sedar.com](http://www.sedar.com).

##### *Term*

If ratified by the shareholders of the Company on or before the date that is six months from the date of the Plan, the Plan will continue in force up to the end of the Company's third annual meeting of shareholders after such approval.

### *Issue of Rights*

The Board implemented the Plan by authorizing the issue of one Right in respect of each outstanding Share to holders of record as at the Record Time. The Board also authorized the issue of one Right in respect of each Share issued after the Record Time and prior to the Separation Time (as defined below) and the Expiration Time (as defined in the Plan).

### *Exercise of Rights*

The Rights are not exercisable initially. The Rights will separate from the Shares and become exercisable at the close of business on the tenth (10th) business day after the earlier of the first public announcement of facts indicating that a person has acquired Beneficial Ownership (as defined in the Plan) of twenty percent (20%) or more of the Shares or the commencement of, or first public announcement of, the intent of any person to commence a take-over bid which would result in such person Beneficially Owning twenty percent (20%) or more of the Shares, or the date upon which a Permitted Bid or Competing Permitted Bid (as defined in the Plan) ceases to be such, or such later time as the Board may determine in good faith (in any such case, the “Separation Time”).

After the Separation Time, but prior to the occurrence of a Flip-in Event (as defined below), each Right may be exercised to purchase one Share at an exercise price per Right of \$50.00.

The exercise price payable and the number of securities issuable upon the exercise of the Rights are subject to adjustment from time to time upon the occurrence of certain corporate events affecting the Shares, as detailed, described and established in the Plan.

### *Flip-in Event and Exchange Option*

Subject to certain customary exceptions, upon the acquisition by any person (an “Acquiring Person”) of twenty percent (20%) or more of the Shares (a “Flip-in Event”) and following the Separation Time, each Right, other than a Right Beneficially Owned by an Acquiring Person, its affiliates and associates, their respective joint actors and certain transferees, may be exercised to purchase that number of Shares which have a market value equal to two (2) times the exercise price of the Rights. Rights beneficially owned by an Acquiring Person, its affiliates and associates, their respective joint actors and certain transferees will be void.

In addition, the Plan permits the Board to authorize the Company, after a Flip-in Event has occurred, to issue or deliver, in return for the Rights and on payment of the relevant exercise price or without charge, debt, equity or other securities or assets of the Company or a combination thereof.

### *Certificates and Transferability*

Prior to the Separation Time, certificates for Shares will also evidence one Right for each Share represented by the certificate.

Prior to the Separation Time, Rights will not be transferable separately from the associated Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and trade separately from the Shares.

### *Permitted Bids*

The Plan will not be triggered by a Permitted Bid or Competing Permitted Bid. A Permitted Bid is one that: (i) is made by means of a take-over bid circular, (ii) is made to all holders of voting Shares; (iii) is open for at least sixty (60) days; (iv) contains a condition that no Shares will be taken up and paid for until at least fifty percent (50%) of the independent shareholders have tendered and not withdrawn, (v) contains a condition that Shares may be deposited at any time and withdrawn until they are taken up and paid for, and (vi) contains a provision that, if fifty percent (50%) of the independent shareholders tender, the bidder will make an announcement to that effect and keep the bid open for at least ten (10) more business days.

### *Redemption and Waiver*

The Rights may be redeemed by the Board at a redemption price of \$0.0001 per Right at any time prior to the occurrence of a Flip-in Event without the prior approval of the holders of Shares or Rights. The Board is obligated to redeem the Rights if a person who has made a take-over bid in respect of which the Board has waived the application of the Plan takes up and pays for Shares pursuant to the terms and conditions of such take-over bid.

The provisions of the Plan which apply upon the occurrence of a Flip-in Event may be waived at the option of the



Board and without the prior approval of the holders of Shares or Rights in certain circumstances prior to the occurrence of a Flip-in Event. The Board would, however, by virtue of such waiver be deemed to have waived the Plan with respect to any other Flip-in Event. In addition, the operation of the Plan may be waived where a person has inadvertently become an Acquiring Person and has reduced its beneficial ownership of Shares such that it is no longer an Acquiring Person.

*Amendment of the Plan*

The Board may amend the Rights Agreement and the Rights without the prior approval of the holders of Shares or Rights in the period before the Plan is initially ratified and approved by the shareholders of the Company. Thereafter, amendments, other than those required to correct clerical or typographical errors or to maintain the validity of the Plan as a result of a change of law, will require shareholder approval.

*Rationale for the Plan*

The Company adopted the Plan to ensure the fair treatment of shareholders in connection with any takeover bid for common shares of the Company. The Plan seeks to provide shareholders with adequate time to properly assess a take-over bid without undue pressure. It is also intended to provide the Board with more time to fully consider an unsolicited take-over bid and, if considered appropriate, to identify, develop and negotiate other alternatives to maximize shareholder value.

*The Resolution*

The rules of the Toronto Stock Exchange require that the shareholder rights plan be approved by the affirmative vote of a majority of the votes cast at the Meeting. Accordingly, the shareholders of the Company will be asked to pass the following resolutions:

“IT IS RESOLVED THAT:

1. The shareholder rights plan containing the terms and conditions substantially set forth in the shareholder rights plan agreement dated as of April 20, 2011 between the Company and Computershare Investor Services Inc. (the “Plan”), a copy of which has been tabled at this Meeting, be and is hereby ratified, confirmed and approved.
2. The actions of the directors of the Company in adopting the Plan and in executing and delivering the Plan be and are hereby ratified, conformed and approved.
3. Any one director or officer of the Company be and is hereby authorized and directed to perform all such acts, deeds and things and execute all such documents and other instruments as may be required to give effect to the intent of this resolution.”

If the Plan is not ratified and confirmed at the Meeting, then the Plan and all Rights issued thereunder will be of no further force and effect.

Management of the Company recommends that shareholders vote in favour of the foregoing resolution, and the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing resolution at the Meeting unless otherwise directed by the shareholders appointing them.

**ADDITIONAL INFORMATION**

Additional information regarding the Company and its business activities is available on the SEDAR website located at [www.sedar.com](http://www.sedar.com) under “Company Profiles – Excellon Resources Inc.” The Company’s financial information is provided in the Company’s audited consolidated financial statements and related management discussion and analysis for its most recently completed financial year and may be viewed on the SEDAR website. Shareholders of the Company may request copies of the Company’s consolidated financial statements and related management discussion and analysis by contacting Robert Whittall, Chief Financial Officer, at the Company’s head office, located at Suite 900 – 20 Victoria Street, Toronto, Ontario, Canada M5C 2N8.

**SCHEDULE “A”**  
**DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES**

(National Instrument 58-101)

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices that are both in the interest of its shareholders and contribute to effective and efficient decision making. National Instrument 58-101 Disclosure of Corporate Governance Practices (“NI 58-101”) and National Policy 58-201 Corporate Governance Guidelines (“NP 58-201”) establish corporate governance practices, guidelines and its disclosure procedures that apply to all public companies. The Company has reviewed its own corporate governance practices in light of these rules. In certain cases, the Company’s practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. NI 58-101 mandates disclosure of corporate governance practices in Form 58-101F1, which disclosure is set out below.

**Board of Directors**

The Board is currently composed of five (5) directors, the majority of them being independent directors as follows:

<b>Name</b>	<b>Position</b>	<b>Independent/Not Independent</b>
<b>Peter A. Crossgrove</b>	Director, Chairman and CEO	Not Independent
<b>Alan R. McFarland</b>	Director	Independent
<b>Andre Y. Fortier</b>	Director	Independent
<b>Wayne J. O’Connor</b>	Director	Independent
<b>Timothy J. Ryan</b>	Director	Independent

NP 58-201 suggests that the Board of every listed company should be constituted with a majority of individuals who qualify as “independent” directors under Multilateral Instrument 52-110 Audit Committees (“MI 52-110”), which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Company. “Material relationship” is defined as a relationship that could, in the view of the Company’s board of directors, be reasonably expected to interfere with the exercise of a director’s independent judgment. Of the proposed nominees, all except Peter A. Crossgrove are considered by the Board to be “independent”, within the meaning of MI 52-110. In making the foregoing determinations with respect to the independence of each of the Company’s individual directors, the circumstances of each director have been examined in relation to a number of factors, including a review of the resumes of the directors and the corporate relationships and other directorships held by each of them and their prior involvement (if any) with management of the Company.

Each Board meeting includes a session where independent members may meet in the absence of management. Independent directors are also free to meet separately at any time or to require management to withdraw during certain discussions. Additionally, the Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee and Health, Safety and Environmental Committee are each composed entirely of independent directors and may meet as often as they deem necessary.

The following directors of the Company are directors of other reporting issuers:

Name of Director	Other Reporting Issuers	Exchange
<b>Peter A. Crossgrove</b>	Barrick Gold Corporation; Lake Shore Gold Corp.; Detour Gold Corporation; QLT Inc. and Dundee Real Estate Investment Trust. Lategra Gold Corp., Pelangio Exploration Inc.	TSX,NYSE; LSE; TSX; TSX; TSX; TSX;TSXV; TSXV
<b>Timothy J. Ryan</b>	Lategra Gold Corp.	TSXV

During the year ended December 31, 2010, the Board held 10 meetings. Attendance of the Board members at each Board meeting was as follows:

Name	Position	Meetings Attended
<b>Peter A. Crossgrove</b>	Director, Chairman and Interim CEO	10
<b>Alan R. McFarland</b>	Director	10
<b>Andre Y. Fortier</b>	Director	10
<b>Wayne J. O'Connor</b>	Director	10
<b>Timothy J. Ryan</b>	Director	10

### Board Mandate

The mandate of the Board is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its various committees. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Company's overall business strategies, reviewing and approving the Company's budget for each financial year, reviewing and approving significant acquisitions and capital investments; reviewing major strategic initiatives to ensure that the Company's proposed actions accord with shareholder objectives; reviewing succession planning; assessing management's performance against industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Company's capital resources. The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. At this stage of the Company's development, the Board does not believe it is necessary to adopt a written mandate, as sufficient guidance is found in the applicable corporate legislation and regulatory policies. However, as the Company grows, the Board may determine it is appropriate to develop a formal written mandate.

In keeping with its overall responsibility for the stewardship of the Company, the Board is responsible for the integrity of the Company's internal control and management information systems and for the Company's policies respecting corporate disclosure and communications. The Board adopted a written disclosure policy in October 2008.

Each director understands that he is entitled, at the cost of the Company, to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances.

The positions of CEO and Chairman are combined. The Board believes the Company is well serviced and the independence of the Board from management is not compromised by the combined role. The Board does not, and does not consider it necessary to, have any formal structures or procedures in place to ensure that it can function independently of management. The Board believes that its current composition, in which only one (1) of five (5) members is currently a member of management, is sufficient to ensure that the Board can function independently of management.

### Position Descriptions

The Board has developed written position descriptions for the chair and the chair of each Board committee. The Board, in consultation with the CEO, has developed a written position descriptions for the CEO.

### **Orientation and Continuing Education**

There is no formal orientation for new members of the Board. New directors are briefed on the Company's current property holdings, ongoing exploration programs and mining operations, overall strategic plans, short, medium and long term corporate objectives, financials status, general business risks and mitigation strategies, and existing company policies. In addition, new directors are afforded the opportunity to visit the Company's Platosa and Miguel Auza properties in Mexico, and meet with the on-site Mexican management, including the mine manager. This informal process is considered to be appropriate, given the Company's size and current level of operations and the ongoing interaction amongst the directors. However, if the growth of the Company's operations warrants it, it is possible that a formal orientation process would be implemented.

The skills and knowledge of the Board as a whole is such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing public companies, particularly in the natural resource sector and involving non-Canadian mineral properties. Board members are encouraged to communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with management's assistance. Board members have full access to the Company's records. Reference is made to the table under the heading "Election of Directors" for a description of the current principal occupations of the members of the Board.

### **Ethical Business Conduct**

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives. To this end, in October, 2006 the Board adopted a "Code of Business Conduct and Ethics" (the "Code") for its directors, officers and employees and, in appropriate cases, consultants. Interested shareholders may obtain a copy at [www.sedar.com](http://www.sedar.com). Pursuant to the Code, the Company has appointed its Chief Financial Officer to serve as the Company's Ethics Officer to ensure adherence to the Code, reporting directly to the Board. A review of the Code is included in the orientation of new employees at the Company's head office in Toronto and the Company's Mexican management and employees. To ensure familiarity with the Code, directors, officers and employees are asked to read the Code and sign a Compliance Certificate annually (in connection with the preparation and filing of its annual audited financial statements and annual and special general meeting materials). Directors, officers and employees are required to report any known violations of the Code to the Chairman of the Audit Committee or, alternatively, to the Company's outside U.S. or Canadian counsel.

There have not been, since adoption of the Code in October, 2006, any material change reports filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

In addition to the provisions of the Code, directors and senior officers are bound by the provisions of the Company's articles and the BCBCA which set forth how any conflicts of interest are to be dealt with. In particular, any director who has a material interest in a particular transaction is required to disclose such interest and to refrain from voting with respect to the approval of any such transaction.

In October, 2006, the Board has also adopted a Share Trading Policy, which prescribes rules with respect to trading in securities of the Company where there is any undisclosed material information or a pending material development. Strict compliance with the provisions of this policy is required, with a view to enhancing investor confidence in the Company's securities and contributing to ethical business conduct by the Company's personnel.

The Board has also created a Health, Safety and Environmental Committee in order to reflect the Company's continuing commitment to improving the environment and ensuring that its activities are carried out in a safe, sustainable and environmentally sound manner (see "Other Board Committees" below).

### **Nomination of Directors**

The Nominating and Corporate Governance Committee ("NCGC") of the Board is comprised of Messrs. Alan McFarland (Chair), Tim Ryan and Wayne O'Connor, each of which is an independent director. The Nominating and Corporate Governance Committee has a written charter (adopted October 25, 2006). The role of the Nominating and Corporate Governance Committee is to (1) develop and monitor the effectiveness of the Company's system of corporate governance; (2) establish procedures for the identification of new nominees to

the Board and lead the candidate selection process; (3) develop and implement orientation procedures for new directors; (4) assess the effectiveness of directors, the Board and the various committees of the Board; (5) ensure appropriate corporate governance and the proper delineation of the roles, duties and responsibilities of management, the Board and its committees; and (6) assist the Board in setting the objectives of the Chief Executive Officer and evaluating the performance of the Chief Executive Officer.

The committee is responsible for reviewing proposals for new nominees to the Board, and conducting such background reviews, assessments, interviews and other procedures as it believes necessary to ascertain the suitability of a particular nominee. The selection of potential nominees for review by the NCGC is generally the result of recruitment efforts by the individual Board members, including both formal and informal discussions among Board members and with the Chief Executive Officer, and are usually based upon the desire to have a specific set of skills or expertise included on the Board. The appointment of new directors (either to fill vacancies or to add additional directors as permitted by applicable corporate legislation) or the nomination for election as a director of a person not currently a director by the shareholders at an annual general meeting is carried out by the Board, based on the recommendation of the NCGC. Prior to proceeding with the nomination for appointment or election as a director, potential nominees are advised of the expectations for the commitment of time and resources necessary to serve as an effective director of the Company.

The Board has reviewed the overall expertise and skills of the Board as a whole, and does not consider it necessary, at this time, to add any additional directors, as it has not identified any particular skill set or expertise which it believes is lacking from the Board (as a whole).

### **Compensation**

The Compensation Committee recommends compensation policies to the Board and sets the compensation of the Chief Executive Officer of the Company. The committee's guiding philosophy is to establish executive compensation based on corporate performance. The members of the Compensation Committee are Messrs. André Fortier (Chair), Wayne O'Connor and Timothy Ryan, each of which is an independent director.

The Compensation Committee has a written charter (adopted on October 25, 2006). The overall purpose of the Compensation Committee is to implement and oversee human resources and compensation policies and best practices for recommendation to the Board for approval and implementation. The responsibilities of the Compensation Committee generally include: (1) recommending human resources and compensation policies to the Board for approval and thereafter implementing such policies; (2) ensuring the Company has programs in place to attract and develop management of the highest calibre and a process to provide for the orderly succession of management; (3) assessing and reporting to the Board on the performance of the Chief Executive Officer; (4) reviewing the compensation of the Chief Executive Officer and other officers and members of the Board and making recommendations in respect thereof to the Board; (5) reviewing and approving any proposed amendments to the Company's incentive stock options plan; and (6) making recommendations to the Board concerning stock option grants.

### **Other Board Committees**

#### *Health, Safety and Environmental Committee*

The Company has a Health, Safety and Environmental Committee comprised of Wayne O'Connor (Chair), Andre Fortier and Alan McFarland, each of which is an independent director. The Health, Safety and Environmental Committee has a written charter (adopted October 25, 2006). The overall purpose of the SDC is to assist the Board in fulfilling its oversight responsibilities with respect to the Company's continuing commitment to improving the environment and ensuring that its activities are carried out, and that its facilities are operated and maintained, in a safe and environmentally sound manner. The primary function of the Health, Safety and Environmental Committee is to monitor, review and provide oversight with respect to the Company's policies, standards, accountabilities and programs relative to health, safety and environmental-related matters. The Health, Safety and Environmental Committee will also advise the Board and make recommendations for the Board's consideration regarding health, safety and environmental-related issues. Members of the Health, Safety and Environmental Committee visit the Company's Platosa property periodically to review the health, safety and environmental aspects of the operation, and meet with the on-site individual(s) responsible for the Company's health and safety program, and environmental compliance, at the mine.

### **Assessments**

The Board has traditionally monitored, but not formally assessed, its performance or the performance of individual directors or committee members or their contributions. The Nominating and Corporate Governance Committee has, as part of its mandate, the responsibility for producing reports (which may be oral) with respect to performance evaluations of the Chief Executive Officer, the Board as a whole, the individual committees of the Board and individual directors, on an annual basis.

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