EXCELLON

Management's Discussion & Analysis of Financial Results

For the year ended December 31, 2011

March 27, 2012

Excellon Resources Inc. (the "Company", or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the year ended December 31, 2011 in accordance with the requirements of National Instrument 51-102 ("NI 51-102"). This MD&A contains information as at March 27, 2012 and provides information on the operations of the Company for the year ended December 31, 2011 and 2010 and subsequent to the year end, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 and the related notes for the year then ended.

The audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these consolidated annual financial statements. Comparative information included in the December 31, 2011 audited consolidated financial statements and MD&A have been restated in accordance with IFRS. The audited annual financial statements for the year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Effective January 1, 2011, the Company began reporting in United States dollars and this change has been applied retrospectively. All figures in this MD&A are in US dollars unless otherwise noted.

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Description of Business

Excellon is exploring, developing and mining the high-grade silver-lead-zinc mineralization on its approximately 41,000-hectare Platosa Property ("Platosa") located 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 ore minded is processed at the Company's mill located in Miguel Auza in Zacatecas State Mexico. At Miguel Auza, 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.

On October 25, 2011 the Company reported an updated Mineral Resource estimate for the Platosa Mine. The estimate was prepared as at July 31, 2011. The new Measured plus Indicated Mineral Resource estimate is 637,000 tonnes grading 836 g/t (24.4 oz/T) Ag, 8.95% Pb, 10.58% Zn. The Measured plus Indicated tonnage has increased by 10% from that of the previous estimate as at October 31, 2009. Lead and Zn grades are nearly unchanged while the Ag grade has decreased by 8% as most of the added tonnes have a lower Ag grade than those mined since late 2009. The new Inferred Mineral Resource estimate is 69,000 tonnes grading 1,011 g/t (29.5 oz/T) Ag, 11.35% Pb, 11.34% Zn. Inferred Ag, Pb and Zn grades increased significantly while tonnage decreased, principally because 2009 Inferred tonnes with a value below the 2011 Net Smelter Return ("NSR") cut-off of US$200/tonne were dropped. Taking into account the 109,000 tonnes of production since the previous estimate, total tonnage increased by 10%. The increase in tonnage is derived largely from the Pierna, 6A/6B and NE-1 Mantos. The high-grade Pierna Manto, discovered in late 2010, contributed a Measured plus Indicated Mineral Resource of 45,000 tonnes grading 776 g/t (22.6 oz/T) Ag, 8.80% Pb, 15.94% Zn. The new estimate confirms that the Mineral Resource at Platosa has been maintained since the previous estimate.

Platosa Project – Mineral Resource Estimate (as of July 31, 2011)

Category	Tonnes (t)	Ag (g/t)	Ag (oz/T)	Pb (%)	Zn (%)	Contained Ag (oz)	Contained Pb (lb)	Contained Zn (lb)
Measured	88,000	1,064	31.0	9.14	11.99	3,016,000	17,760,000	23,301,000
Indicated	549,000	800	23.3	8.92	10.36	14,104,000	107,918,000	125,248,000
M + I	637,000	836	24.4	8.95	10.58	17,120,000	125,678,000	148,549,000
Inferred	69,000	1,011	29.5	11.35	11.34	2,241,000	17,254,000	17,247,000

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 US$200 per tonne*
3. *NSR metal price assumptions: Ag US$25.00/oz, Pb US$1.15/lb, Zn US$1.15/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 David Ross, P.Geo., of Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at July 31, 2011.*
6. *Totals may not add correctly due to rounding.*

Changes to Accounting Standards

International Financial Reporting Standards (IFRS)

Effective January 1, 2011, the Company adopted IFRS as required for all publicly accountable enterprises by the Canadian Accounting Standards Board ("AcSB"). The adoption date of January 1, 2011 has required the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. A reconciliation from equity under Canadian GAAP to IFRS at the date of transition (January 1, 2010) and reconciliation from profit and loss under Canadian GAAP to IFRS for the prior year comparable quarter and year to date for 2010, has been disclosed in note 5 to the audited consolidated financial statements and later in this MD&A.

Impact of the changeover to IFRS

The conversion to IFRS resulted in a few differences in recognition, measurement, and presentation provided in the audited consolidated financial statements.

Cash flows have not been affected by the change.

Net assets at December 31, 2010 were decreased by only $9,000 which was the impact of the change in the method of measuring the rehabilitation provision (asset retirement obligation).

Comprehensive income for the year ended December 31, 2010 was also impacted in the same amount by the restatement of the rehabilitation provision and also by a change in the measurement of share-based compensation that added an additional $104,000 in expense. Therefore the total decrease in comprehensive income was $113,000. Both of these changes are non-cash items.

Management expects that future reporting will not be affected by much more than the variation disclosed in the audited consolidated financial statements.

Regarding presentation, the line items of the consolidated statement of financial position, income and cash flow are comparable under Canadian GAAP and IFRS with the exception of mineral properties that had to be reclassified under IFRS. At December 31, 2010 mineral rights of about $2.0 million, net of amortization were reclassified to mineral rights. The remainder of mineral properties was reclassified to property, plant and equipment as mining properties.

Change to United States Dollar Reporting

Effective January 1, 2011, the Company began reporting in US dollars. This change was made in order to improve the comparability of the Company's financial information with other mining companies. This change has been applied retrospectively as if the new presentation currency has always been the US dollar.

Mine Operations

Tonnes produced and milled from the Platosa Mine for the fourth quarter were 14% above plan. Silver and zinc grades were 21% and 25% respectively above plan while lead grade was 3% below plan. Production for the year was 4% above plan in terms of tonnes. Silver grade was on plan, lead grade was 13% below plan and zinc grade was 18% above plan. Management is pleased with these results and they represent a good start to the planned production increase anticipated for 2012.

Actual and planned mine and mill production for the fourth quarter and full year of 2011 are as follows:

Period	Tonnes	Ag (g/t)	Pb (%)	Zn (%)
Fourth quarter ended December 31, 2011 (plan)	15,000	790	7.13	7.89
Fourth quarter ended December 31, 2011 (actual)	17,039	952	6.91	9.86
Year ended December 31, 2011 (plan)	57,000	793	7.15	7.76
Year ended December 31, 2011 (actual)	59,405	796	6.24	9.17

The following are the Platosa Mine production statistics for the years indicated:

		12 months ended December 31, 2011	12 months ended December 31, 2010
Tonnes of ore processed		59,405	64,462
Ore grades:			
	Silver (g/t)	796	814
	Lead (%)	6.24	6.37
	Zinc (%)	9.17	7.68
Recoveries:			
	Silver (%)	88.9	85.4
	Lead (%)	75.6	68.2
	Zinc (%)	78.5	74.5
Production:			
	Silver – (oz)	1,312,146	1,317,605
	Lead – (lb)	6,529,018	5,804,014
	Zinc – (lb)	8,674,527	8,074,321
Sales:			
	Silver – (oz)	1,312,146	1,302,321
	Lead – (lb)	6,529,018	5,726,157
	Zinc – (lb)	8,674,527	8,009,077
Realized prices:			
	Silver – ($US/oz)	34.16	19.78
	Lead – ($US/lb)	0.98	0.95
	Zinc – ($US/lb)	1.02	0.94

Cash Cost per Ounce of Silver Produced

The Company's cash cost per ounce of silver produced for the year ended December 31, 2011 was $5.29 per ounce (year ended December 31, 2010 – $7.46/oz). The calculation of cash cost per ounce produced reflects the cost of production adjusted for by-product and various non-cash costs included in Cost of Sales and this calculation may differ from that used by others. The table which follows presents the details of the calculation.

Cash operating costs in the current year at US $6.9 million (refer to the following table) are lower than last year by US $2.9 million.

Reconciliation of Cash Cost per Ounce of Silver Produced, Net of By-Product Credits:

	12 months ended December 31, 2011 $ (000's)	12 months ended December 31, 2010 $ (000's)
Cost of sales	**17,195**	**18,906**
Adjustments - increase/(decrease):		
Depletion, depreciation and amortization	(2.411)	(2,532)
Inventory changes	(62)	297
Third party smelting and refining charges	6,250	4,983
Royalties	(543)	(387)
By-product credits (1)	(13,485)	(11,437)
Cash operating cost	6,944	9,830
Ounces of silver produced	1,312,146	1,317,605
Cash operating cost per ounce of silver produced in US $/oz	**5.29**	**7.46**

(1) By-product credits comprise revenues from sales of lead and zinc.

Cash operating cost, net of by-product credits, is provided as additional information. It is a non-GAAP measure that does not have a standardized meaning. 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.

Exploration

MEXICO
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 to early November 2011 continue 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 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.

During the fourth quarter, the full year of 2011 and up to the time of the present report, exploration efforts have focussed on two target types in two general areas. Towards the end of the third quarter of 2011 a third target type, Rare Earth Elements, was added to the exploration program and plans made to expand the exploration program to encompass this target in the following months.

The first target is located in an irregularly-shaped area extending roughly 1.5 kilometres ("km") from the Platosa Mine. In this area the primary objective is as follows:

- To further add to the known distal-style, high-grade CRD Mineral Resources and to discover new mantos by drilling the geological, structural and geophysical targets developed by 2010 and previous drilling and geotechnical surveys. This follows on the success in adding mineralization to the 6A/6B Manto and the discovery of the Pierna Manto, both during 2010;

The second area encompasses the vast majority of the remainder of the property, including a portion of the first area. Within this area the objectives are as follows:

- To pursue the potential for discovery of larger-volume medial and proximal CRD mineralization. Geological evidence of this potential has been found in several drill holes completed since 2008 including hole EX10-LP763 drilled in 2010 in the Rincon del Caido area approximately 1.5 km NNW of the Guadalupe Manto. A portion of the early 2011 exploration program focussed on the Rincon del Caido – 6A/6B Corridor after-which efforts focussed elsewhere as Company geologists received the interpreted results of the 2010 ZTEM survey. In October, drilling was again undertaken on another stratigraphic target in the Rincon del Caido area and in February 2012 a rig returned again to the area; and
- Continue to pursue the development of additional targeting tools. From mid 2010 until the end of July 2011 this work focussed on preparing for and then following up the results of the ZTEM airborne geophysical survey flown in the fall of 2010 and the three-dimensional Induced Polarization (3D IP) survey carried out earlier in 2010. Several 3D IP targets were drilled between late 2010 and early 2011 but no significant sulphides were intersected. Company geologists have revisited the survey results and another target has been chosen for drill testing. Between March and late July six ZTEM targets were drilled. No significant results were obtained. The Company and its geophysical consultant continue to study new interpretation options for the survey data and remain confident that additional proximal targets will be defined from this data. Company geologists also plan Natural Source Audio Magnetotelluric ("NSAMT") ground geophysical surveys over several areas believed to host structures that may be favourable locations for the discovery of large-tonnage proximal CRD deposits. This type of survey has demonstrated its effectiveness at Platosa in the past and it was while testing NSAMT-interpreted structures in the early 2000s that the Guadalupe and Guadalupe South mantos were discovered. These surveys will be carried out in April 2012.

The third target is Rare Earth Elements ("REE") found in the Cañón Colorado area approximately 6 km northwest of the Platosa Mine:

- In a press release dated September 27, 2011, the Company announced the discovery of anomalous REE values in four drill holes drilled into an altered rhyolite breccia located six kilometres northwest of the Platosa Mine at Cañón Colorado. Values of Total Rare Earth Element Oxides (TREEO), the manner in which REE content is normally reported, range from 1,308 ppm (0.131%) TREEO over a 36.25 metre ("m") core width in hole EX06-JVN03 to 2,136 ppm (0.214%) TREEO over a 281.25 m core width in hole EX06-JVN04. The TREEO amounts are comprised of Cerium, Dysprosium, Lanthanum, Neodymium, Praseodymium, Samarium and Yttrium oxides. Scattered values of other REE oxides have been encountered but were not included in the reported results. Intersections are reported as core widths since not enough is known about the occurrence to estimate true thicknesses; and
- The Company recognizes that the REE values found to date are low but they are persistent over considerable widths and much remains to be learned about the potential for the discovery of additional occurrences, which may have enhanced grades. To this end, a mapping and prospecting program focussed on discovering additional REE occurrences within five kilometres of Cañón Colorado is underway. In addition, between December 2011 and mid-February 2012, five holes were drilled in the vicinity of the occurrence. These holes tested geophysical targets bearing a resemblance to the geophysical signature of the rhyolite breccia hosting the anomalous REE values. One hole intersected a down-dip portion of the Cañón Colorado rhyolite breccia and encountered anomalous REE values similar to those found in the holes described above. The other holes did not encounter breccia material and encountered no values.

Diamond drilling continued to encounter success near existing mine infrastructure. In early-December 2011 the Company reported results from five new holes that intersected high-grade massive sulphides over estimated true widths ranging from 0.67 to 4.53 m. The five holes are located near to but outside of the known mantos. Holes LP971 and LP975, located off the east-central portion of the 623 Manto, intersected 4.53 m of massive sulphides grading 1,028 g/t (30.0 oz/T) Ag, 10.47% Pb, 12.74% Zn and 0.76 m grading 663 g/t (19.3 oz/T) Ag, 5.25% Pb, 14.60% Zn respectively. Intersections are estimated true thicknesses. The assay results for the five holes are included in a press release dated December 2, 2011.

With regard to the Sundance Option, in January the Company received the final report covering the drilling program carried out by project operator and owner Sundance Minerals Ltd. in the summer of 2011. Nine holes totalling 3,925 m were drilled to test a variety of CRD targets on the Pluton property located contiguous with the western portion of the Platosa property. The program results did not meet Company expectations and following consultation with Sundance the option agreement was terminated.

The Platosa exploration program continues to meet with considerable success. In mid-October, the Company reported an updated Mineral Resource estimate for Platosa. It showed that taking into account the 109,000 tonnes mined since the previous estimate in late 2009, tonnage had increased by 10% and the high grades had been maintained. In addition, Rare Earth Elements have been discovered at Cañón Colorado and the search for the source of the mantos has resumed. Planned expenditures for 2012 are $6.9 million, over 80% of which will be for diamond drilling. Approximately 20,000 metres of drilling are planned for the search for additional high-grade manto mineralization and another 20,000 m for the search for the large-tonnage source of the mantos.

Miguel Auza Property

The Miguel Auza property encompasses 41,498 ha and 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 Silver Eagle Mines, through its Mexican subsidiary, carried out mining and milling on the Calvario Vein system.

The Company carried out a modest exploration program at Miguel Auza between the fall of 2009 and the fall of 2010 and while certain areas were highlighted as meriting further exploration work a decision was made to concentrate exploration activities at Platosa for the foreseeable future.

CANADA AND OTHER

In August 2011, the Company acquired all of the Lateegra Gold Corp. ("Lateegra") shares by exchanging 0.54 Excellon share for each Lateegra share outstanding. Lateegra is a junior exploration company whose main assets included the DeSantis Property in northeastern Ontario and the Beschefer Property in northwestern Quebec, both important gold exploration projects and also holds several other Canadian exploration properties and the El Condor gold property in southern Ecuador. El Condor is located within 3 km of Kinross's Fruta del Norte gold deposit, on which a feasibility study is in progress and the Company is weighing its options with respect to property.

DeSantis Property, Northeastern Ontario

Lateegra acquired its interest in the DeSantis Property from International Prospectors and Explorers Inc. ("IEP"), via an option agreement dated February 1, 2010 and in the DeSantis West Property via an option agreement dated April 13, 2010. Collectively, these are referred to as the DeSantis Property. Under the terms of the DeSantis (IEP) Property agreement Lateegra has earned a 51% interest in the property. Lateegra may acquire the additional 49% interest in the property by making additional payments of C$375,000 and issuing a total of 2,500,000 Lateegra shares prior to April 2013 (equivalent Excellon shares of 1,350,000). Under the DeSantis West option agreement, Lateegra may acquire a 100% interest in the property by making cash payments totaling C$50,000, of which C$15,000 has already been paid, issuing a total of 225,000 Lateegra shares (equivalent Excellon shares of 121,500), of which 75,000 (equivalent Excellon shares of 40,500) have already been issued, and completing exploration expenditures of C$150,000 prior to April 2013.

The Company's DeSantis Project is located along the Destor-Porcupine Tectonic Zone ("DPZ"), the main structure controlling gold deposits in the Timmins gold camp, approximately 5 km southwest of downtown Timmins, 11 km west of the Dome Mine, currently owned and operated by Goldcorp Inc. and 14 km east of Lake Shore Gold Corp.'s Timmins Mine. The DeSantis property covers approximately 5 km of strike length within highly prospective volcanic stratigraphy on the north side of the DPZ, including the past producing DeSantis Mine. Gold deposits in the Timmins gold camp occur in a variety of forms, but virtually all can be related to structural controls associated with major deformation zones, the foremost being the Destor-Porcupine Tectonic Zone, thus are mesothermal gold deposits, exhibiting the form of 'shear-zone hosted gold deposits.' Such gold deposits are typified by wide alteration envelopes hosted within volcanic sequences with a locus of deformation and alteration in discrete zones which also host significant veining including quartz and accessory minerals and gold.

The DeSantis Property hosts at least five known gold-bearing zones, including the Contact Zone, Hydrothermal Zone, Albitite Zone, Arsenopyrite Zone, and East Pit area, all of which are located near the area of historic underground mining on the property. The DeSantis Mine produced 35,800 ounces of gold from 178,650 tonnes of ore which graded 6.2 g/t gold during its intermittent production history. Production was carried out from nine levels sourcing principally the Albitite and Hydrothermal Alteration Zones, accessed via the 379 m-deep DeSantis No. 2 Shaft.

A major exploration effort on the property was undertaken in the mid 1980s by a Noranda Inc. - Stan West Mining Corp. joint venture. Focused on deeper portions of the Albitite Zone, this advanced exploration program rehabilitated the DeSantis No. 2 Shaft, several of the lowest underground levels, and completed test mining and underground drilling from those levels. Resultant from that work and the work of others, a historic resource estimate for the Albitite Zone is 65,500 tonnes grading 7.85 g/t gold, while the Hydrothermal Alteration Zone was estimated to contain 117,000 tonnes grading 9.09 g/t gold. These resource estimates, while considered relevant, are historic in nature, do not have currently demonstrated economic viability and should not be relied upon.

Since acquiring its interest in the DeSantis Property, the Company conducted two diamond drilling campaigns, one in 2010 and another in 2011. During 2011, the Company completed 7,997 metres of diamond drilling on the DeSantis Property focused on expansion of the Hydrothermal Alteration Zone and the Albitite Zone which are located in the vicinity of the DeSantis No. 2 Shaft, as well as tested reconnaissance targets elsewhere on the property.

In a press release dated October 18, 2011, the Company announced results from exploration drilling directed towards the Hydrothermal Zone as shown in the following table. Intersections are reported as core intercept lengths and top cutting factors have not been applied to the reported gold grades.

DeSantis 2011 Drill Program Results Summary as at October 18, 2011:

DDH No.	Interval From (m)	Interval To (m)	Interval Width (m)	Au (g/t)
DS11-001	188.00	188.92	0.92	1.81
DS11-002	168.90	169.57	0.67	4.81
	366.45	368.40	1.95	4.30
	370.20	370.90	0.70	1.39
	374.20	375.05	0.85	1.34
DS11-003	85.50	86.40	0.90	2.05
	290.89	291.23	0.34	1.34
DS11-004	289.50	290.50	1.00	1.06
DS11-005	321.84	323.00	1.16	1.56
	406.60	407.55	0.95	1.10
	410.30	410.75	0.45	2.46
DS11-006			Nsi	
DS11-007	388.00	389.50	1.50	1.09
DS11-008	154.29	154.81	0.52	5.68
DS11-009	248.00	249.45	1.45	6.02
DS11-010	Abandoned			
DS11-010A	194.74	196.00	1.26	1.63
	199.00	222.17	23.17	3.63
Incl.	221.00	222.17	1.17	14.25

Nsi = No significant intercept

Subsequent to the October 18, 2011 release of information, the remainder of the analytical results from 2011 drilling within the Hydrothermal Alteration Zone which were received by end January 2012 contained only anomalous gold grades over relatively narrow widths. Similarly, although drill holes sited on reconnaissance targets intercepted potentially significant rock units (quartz veins), the gold content of these units was found to be low. The geologic information provided by the drilling completed on the heretofore relatively untested western portion of the property will be invaluable in geologic modeling.

Commencing in late October 2011, the DeSantis drill campaign began assessing the potential for down-dip extensions to the Albitite Zone. Drill results from the Albitite Zone indicate rock types and alteration consistent with that occurring in upper areas of the zone continue at depth although no significant gold grades were intercepted in the three drill holes completed in this area to the end of 2011. It was planned that the deeper of the drill holes completed within both the Albitite and Hydrothermal Alteration Zones would be utilized as platforms for downhole geophysical surveying to be completed in early 2012. Other plans for the DeSantis property in 2012 include data compilation, geological modeling, and additional diamond drilling. The Company considers that the DeSantis Property, both in the area of historic mining in the vicinity of the DeSantis No. 2 Shaft and elsewhere on the property continues to host considerable potential for additional gold mineralization.

Beschefer Property, Quebec

Lateegra acquired its interest in the Beschefer Property via an option agreement dated January 31, 2011. Under the terms of the agreement, Lateegra is entitled to earn a 100% interest in the property by making cash payments totalling C$50,000 (already made) and issuing 6,000,000 Lateegra shares (equivalent Excellon shares of 3,240,000) prior to February 15, 2012. As of end February 2012, all cash payments were made and all shares were issued and the Company acquired a 100% interest in the property as per the option agreement. The property is subject to a 1 to 2% net smelting royalty to the Optionors.

The Beschefer Property is located within the Abitibi Greenstone Belt approximately 75 km west of Matagami, in northwestern Quebec, 12 km east of the past producing Selbaie Mine. The Selbaie Mine produced 57.5 million tonnes grading 0.56 g/t gold, 38 g/t silver, 0.87% copper, and 1.85% zinc over its mine life. The property has little or no bedrock exposure and is muskeg-covered such that drilling is most effectively performed during winter conditions.

The property hosts the "B-14" Zone, a gold mineralized shear zone, hosted within a typical Archean volcanic 'greenstone' assemblage. As previously reported, 1,520 m of diamond drilling in five holes were completed in early 2011, primarily on the B-14 Zone. Results of the 2011 drill campaign include 3.80 g/t gold over 4.35 m including 13.85 g/t over 0.30 hole m in BE11-001, and 12.4 g/t gold over 3.78 m including 63.5 g/t gold over 0.43 m in hole BE11-003 (all reported gold grades are uncut). In addition, hole BE11-002 intercepted 2.3% copper over 2.58 m. Intersections are reported as core intercept lengths and top cutting factors have not been applied to reported gold grades.

The Company's early-2011 drilling results confirm that the B-14 Zone has the potential to host a significant gold resource and other portions of the property should be further investigated for gold as well as base metal potential.

Contingent on weather conditions, a planned 8,000 metre drill campaign commenced in early 2012 in order to further assess the B-14 Zone as well as explore other portions of the property. This campaign is on-going at this time.

Stoughton Property, Northeastern Ontario

Lateegra acquired its right to earn an interest in the Stoughton Property, located north of the DPZ near the Quebec-Ontario border, via an option agreement dated November 11, 2010. In Q3, 2011, the Company terminated its option on the property.

Qualified Persons

Mr. John Sullivan, BSc., PGeo., Excellon's Vice President of Exploration for Mexico has acted as the Qualified Person, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information related to Mexico contained in this MD&A and has 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. Prior to joining Excellon in 2007, he was a senior geologist at a Toronto-based international geological and mining engineering consulting firm where he evaluated properties and prepared NI 43-101 reports on gold and base metal projects in Canada and internationally. In addition, he has held senior positions with two large Canadian mining companies where he directed major exploration programs, managed field offices, and evaluated projects in Canada, Europe, Africa and Latin America. Mr. Sullivan is not independent of Excellon, as he is an officer of the Company.

The Company's Canadian exploration programs are conducted under the supervision of its Vice President of Exploration for Canada Ms. Heather Miree, B.Sc., P. Geo. Ms. Miree has acted as the Qualified Person, as defined by NI 43-101, with respect to the disclosure of the scientific or technical information related to Canada contained in the MD&A and has supervised and verified those portions of the technical activities completed during 2011 on which such disclosure is based and verified technical information related to 2010 exploration activities completed by the Company.

Ms. Miree is an economic geologist with over 25 years of experience in the mineral industry. Ms. Miree has held senior geological and supervisory roles with several junior and mid-sized mining companies, in the areas of exploration and operations. During such roles, Ms. Miree conducted exploration programs, completed project evaluations, managed regional exploration offices, was Chief Mine Geologist, and participated in the advancement of projects from exploration to commercial production. Ms. Miree is not independent of Excellon as she is an officer of the Company.

Risk and Uncertainties

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk since the Company derives its revenues from the sale of silver, lead and zinc; foreign exchange risk since the Company reports in United States dollars but operates in jurisdictions that use other currencies; the inherent risk of uncertainties in estimating Mineral Resources; political risk associated with operating in foreign jurisdictions, environmental risks and risks associated with labour relations issues. Risk factors affecting the Company are described in the Annual Information Form on Sedar (www.sedar.com).

In addition, there is no assurance that the Company will have sufficient cash resources to meet its objectives since this is dependent on being able to maintain adequate production levels and to realize adequate revenues based on metal prices as well as being able to raise capital as required.

Overall Performance

Production of silver in 2011 was 1.3 million ounces as compared to the same amount in 2010. Tonnes of ore processed in 2011 was 59,405 as compared to 64,462 for 2010. The lower tonnage processed accounts for the majority of the decrease in cost of goods sold from $18.9 million in 2010 to $17.2 million in 2011. The overall grade of silver processed in 2011 was down slightly from 2010 levels at 796 g/t compared to 814 g/t for the prior year. Compensating for the decrease in tonnage and grade in the year over year comparison was an improvement in overall recovery of silver of 88.9% for 2011 compared to 85.4% for 2010. These factors have all contributed to a production profile that is virtually unchanged in the year to year comparison.

Planned production for mining and processing is 72,000 tonnes for 2012. The increase in tonnage through-put, increased development activity, deeper mining depths and the operation of increased water pumping capacity will put upward pressure on operating costs in 2012. With the significant investment in water control procedures, the Company is now in a good position to manage the underground water flows with the increased pumping capacity and the installation of watertight control doors in key operating areas of the mine in order to facilitate the expected tonnage increase.

The silver price in 2011 averaged $35.12 per ounce on the London Metal Exchange (2010 - $20.20) while the Company realized an average price of $34.16 per ounce sold. The realized price for silver in 2010 was $19.78 per ounce. Sales during 2011 totalled $48.0 million as compared to $29.4 million in 2010. Operating activities, exploration programs and capital investments planned for 2012 are expected to be funded solely from internally generated cash flow.

Due to the strength exhibited in 2011 in commodity prices as compared to 2010, the cash position of the Company has improved significantly. At December 31, 2011 cash and cash equivalents on hand were $22.3 million as compared to $2.0 million in 2010. It is expected that cash balances will continue to grow in 2012 reflecting the continuing strength of commodity prices.

Results of Operations

Financial statement highlights for the year ended December 31, 2011 and 2010 are as follows:

	December 31, 2011 $ 000's	December 31, 2010 $ 000's
Revenue	48,010	29,384
Cost of sales	17,195	18,906
Gross profit	30,815	10,478
Expenses:		
Corporate administration	8,405	5,842
Exploration	6,067	8,800
Other	5,096	1,195
Income tax (recovery)	6,814	(1,494)
Net income (loss) for the year	4,433	(3,865)

During the year ended December 31, 2011 the Company recorded a net income of $4.4 million compared to a loss of $3.9 million in the prior year. The improved net income for the year primarily reflects the impact of a realized silver price which has increased from $19.78 per ounce in 2010 to $34.16 in 2011.

Gross profit for the year ended December 31, 2011 was $30.8 million compared to $10.5 million for the year ended December 31, 2010. The improvement in gross profit reflects the significant impact of improved commodity prices along with lower costs of sales. The lower cost of sales is primarily due to a lower tonnage through-put in 2011 of 59,405 tonnes compared to 64,462 tonnes in 2010.

Exploration expenditures for the year ended December 31, 2011 was approximately 31% lower than the prior year.

Corporate administrative expenses represent administrative costs incurred in Canada. Management compensation and stock based compensation are the largest component. During the year, there was a number of new stock options issued.

Other expenses include unrealized foreign exchange gains and losses of the Company. The increase in the expense is due to the weakening of the peso relative to the USD that resulted in a unrealized foreign exchange loss of an intercompany loan that is foreign to functional currency of reporting entity. The loan is not treated as long term investment as the loan is expected to be repaid in the near future at which time the loss or loss will be realized.

Summary of Quarterly Results

The following table sets forth selected quarterly information for the last eight quarters (in thousands of US dollars except for per share amounts).

Quarter ended		3 months ended 2011-12-31		3 months ended 2011-09-30		3 months ended 2011-06-30		3 months ended 2011-03-31
Revenue	$	14,009	$	11,174	$	15,442	$	7,385
Income (loss) before income taxes	$	1,401	$	(450)	$	9,419	$	877
Net income (loss)	$	(3,101)	$	(976)	$	8,055	$	455
Earnings (loss) per share – basic	$	(0.01)	$	0.00	$	0.03	$	0.00
– diluted	$	(0.01)	$	0.00	$	0.03	$	0.00

Quarter ended		3 months ended 2010-12-31		3 months ended 2010-09-30		3 months ended 2010-06-30		3 months ended 2010-03-31
Revenue	$	5,506	$	6,057	$	7,846	$	9,975
Income (loss) before income taxes	$	(3,596)	$	(2,031)	$	(885)	$	1,153
Net income (loss)	$	(2,696)	$	(2,012)	$	329	$	533
Earnings (loss) per share – basic	$	(0.01)	$	(0.01)	$	0.00	$	0.00
– diluted	$	(0.01)	$	(0.01)	$	0.00	$	0.00

Quarterly revenue fluctuations are a function of metal prices and the volume of ore mined as well as ore grades. The Company has a policy of expensing exploration costs, which creates volatility in earnings. The net income figures for the fourth quarter of 2011 reflect a write-down of mill construction in an amount of $1.7 million (2010 - $1.3 million).

During Q4-2011, revenue has increased significantly over Q4-2010 reflecting the impact of higher commodity price. Operating costs in Q4-2011 improved over Q4-2010 due to better control and greater pumping capacity for mine water inflows.

Liquidity and Capital Resources

As at December 31, 2011, the Company's cash and cash equivalents were $22.3 million (December 31, 2010 – $2.0 million), and working capital was $18.8 million (December 31, 2010 – $6.1 million). The only source of funds available to the Company is cash flow generated by the Platosa Mine. No large capital expenditures are currently planned.

Off-Balance Sheet Arrangements

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

Related Party Transactions

An officer of the Company is a partner in a firm that provides legal services to the Company. During the year, the Company incurred legal services of $162 (2010 – $176) with an outstanding payable balance of $30 at December 31, 2011 (December 31, 2010 – $7).

Common share data (as at March 27, 2012)

Common shares outstanding	277,862,233
Stock options and warrants granted	14,683,038
Total	292,545,271

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 3 to the consolidated financial statements for the year ended December 31, 2011. The preparation of the Company's consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The following is a list of the accounting policies that the Company believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported:

- Valuation of mineral properties and other long-lived assets;
- Decommissioning and site rehabilitation provision;
- Income taxes; and
- Share-based compensation

Valuation of mineral properties and other long lived assets

The Company reviews and evaluates the carrying value of its mineral properties for impairment whenever events or circumstances indicate that the carrying amounts of these assets may not be recoverable. When the carrying amount exceeds the discounted cash flow, an impairment loss is recorded. Discounted cash flows are based on estimated production from the Company's Measured, Indicated and Inferred Mineral Resources. Assumptions underlying the cash flow estimate include, but are not limited to, discount rates, forecasted prices for silver, lead and zinc, production levels, and operating, capital, exploration and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Therefore, it is possible that changes in estimates with respect to the Company's mine plans could occur which may affect the expected recoverability.

The accumulated costs of mineral properties are amortized using the unit of production basis applying Measured, Indicated and Inferred Mineral Resources (as defined by National Instrument 43-101). Property, plant and equipment are recorded at cost and are amortized using the straight-line method.

Decommissioning and site rehabilitation provision

During the year ended December 31, 2011, the Company assessed its reclamation obligations at each of its operations based on updated mine life estimates, rehabilitation and closure plans. The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $2.1 million, which has been discounted using a risk free rate of 1.94%, of which $0.8 million of the reclamation obligation relates to the Platosa Property, and $0.3million relates to the Miguel Auza Property. The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in the remediation technology or changes to applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

The costs of performing the decommissioning and reclamation must be funded by the Company's operations. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Income taxes

The Company follows the liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is probable that deferred income tax assets will not be utilized against future taxable profit.

Share-based compensation

The Company has a stock-based compensation plan that is described in note 10 to the Company's December 31, 2011 consolidated financial statements. The Company records all stock-based compensation for stock options using the fair value method. The fair value of each stock option issued is estimated on the date of grant using the Black-Scholes option pricing model, with expected volatility based on historical volatility of the Company's share price. Historical data is used to estimate the term of the stock option and forfeiture rate. The risk free rate for expected term of the stock option is based on the Government of Canada yield curve in effect at the time of the grant.

Financial Instruments

The Company's financial instruments as at December 31, 2011 consist of cash and cash equivalents, short-term investments, accounts receivable, income taxes 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.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Management has designed and implemented internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has designed disclosure controls and procedures ("DC&P") to provide a reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company's conversion to IFRS has not materially impacted or changed DC&P.

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.

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".