



Management's Discussion & Analysis of Financial Results
For the three and six month periods ended June 30, 2012
August 7, 2012

Excellon Resources Inc. (the "Company", or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ["MD&A"] for the three and six month period ended June 30, 2012 in accordance with the requirements of National Instrument 51-102 ("NI 51-102"). This MD&A contains information as at August 7, 2012 and provides information on the operations of the Company for the three and six month periods ended June 30, 2012 and 2011 and subsequent to the period end, and should be read in conjunction with the unaudited interim consolidated financial statements for the three and six month period ended June 30, 2012 and the audited consolidated financial statements for the year ended December 31, 2011 filed on SEDAR.

The unaudited interim consolidated financial statements for the three and six month period ended June 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 40,864-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 mined 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. Taking into account the 109,000 tonnes of production since the previous estimate, total tonnage increased by 10%. 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.

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Mine Operations

Mined tonnage in the second quarter of 2012 was higher than those of the second quarter of 2011. During the second quarter, the silver grade was lower and the zinc grade was much higher than in Q2 of 2011. The higher zinc grades resulted in higher by-product revenues for the quarter. Improvement in water management has continued to allow accessibility into higher grade mantos in 2012. Management is pleased with these results, which put the Company in excellent position to meet or exceed target production for 2012.

Following are the Platosa Mine production statistics for the periods indicated:

	3 months ended June 30, 2012	3 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011
Tonnes of ore processed	17,463	15,373	34,596	27,318
Ore grades:				
Silver (g/t)	825	844	884	739
Silver (oz/T)	24.06	24.63	25.78	21.57
Lead (%)	7.07	6.24	6.83	5.75
Zinc (%)	13.52	7.91	12.07	7.55
Recoveries:				
Silver (%)	93.5	94.7	92.9	86.7
Lead (%)	83.9	81.8	80.6	72.8
Zinc (%)	86.3	76.1	85.4	74.0
Production:				
Silver – (oz)	374,204	383,500	810,555	577,221
Lead – (lb)	2,157,535	1,721,354	4,059,564	2,666,109
Zinc – (lb)	4,348,176	2,025,098	7,638,129	3,376,925
Sales:				
Silver – (oz)	380,299	383,500	782,395	577,221
Lead – (lb)	2,196,453	1,721,354	3,912,626	2,666,109
Zinc – (lb)	4,348,078	2,025,098	7,369,372	3,376,925
Realized prices:				
Silver – (\$US/oz)	29.26	38.23	31.66	37.12
Lead – (\$US/lb)	0.90	1.11	0.93	1.13
Zinc – (\$US/lb)	0.89	1.06	0.92	1.06

On July 8th, members of the Ejido La Sierrita, assisted by the NGO group PRODESC and Sindicato Nacional de Trabajadores Mineros Metalúrgicos, Siderúrgicos y Similares de la República Mexicana, which is affiliated with the United Steelworkers Union of Canada, commenced an illegal action at the Company's La Platosa Mine. Subsequent to July 8th, the Company continued to produce concentrate from stockpiled material which was already on site at the Miguel Auza mill. Mining activity at La Platosa has been temporarily suspended and essential services in the mine are being maintained. Upon completion of the processing of the stockpiled material at Miguel Auza, the mill facility will be placed upon care and maintenance until such time as the issues at La Platosa are resolved and mining resumes.



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Cash Cost per Ounce of Silver Produced

The Company's cash cost per ounce of silver produced for three months period ended June 30, 2012 was US \$4.25 per oz (three months ended June 30, 2011 - US \$3.30/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 second quarter at US \$1.6 million is lower than last year by US \$0.3 million (refer to the following table).

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

	3 months ended June 30, 2012 \$000's	3 months ended June 30, 2011 \$000's	6 months ended June 30, 2012 \$000's	6 months ended June 30, 2011 \$000's
Cost of sales	5,377	4,129	10,218	8,767
Adjustments - increase/(decrease):				
Depletion, depreciation and amortization	(709)	(655)	(1,404)	(1,327)
Inventory changes	(40)	(8)	362	(276)
Third party smelting and refining charges	2,413	1,582	4,300	2,544
Royalties	(120)	(175)	(272)	(274)
By-product credits (1)	(5,331)	(3,606)	(9,140)	(5,853)
Cash operating cost	1,590	1,267	4,064	3,581
Ounces of silver produced	374,204	383,500	810,555	577,221
Cash operating cost per ounce of silver produced in US \$/oz	4.25	3.30	5.01	6.20

(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.

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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 late July 2012 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 second quarter of 2012 and up to the time of the present report, exploration efforts have primarily focussed on two target types in two general areas.

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. Early in 2012 additional high-grade manto sulphides were discovered in the 6A Manto area.

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:

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- To pursue the potential for discovery of larger-volume medial and proximal CRD mineralization, referred to as the Source. 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 1.0 km NNW of the Guadalupe Manto and more recently in holes EX12-LP986, LP995, LP1008 and in particular LP1019, which again discovered strong geologic evidence of a proximal environment. Hole LP1019 also intersected a significant width of sulphide mineralization and metal values as discussed further below. Drilling for the Source continues in the Rincon del Caido area and depending on the final interpreted results of a surface geophysical survey completed in Q2, will be undertaken on the Saltillera portion of the property west of the Platosa Mine later in 2012; and
- Continue to employ geophysical methods with demonstrated success as targeting tools. To this end a Natural Source Audio Magnetotelluric ("NSAMT") ground geophysical survey was completed in Q2. It was carried out over several areas believed to host structures that may be favourable locations, including Rincon del Caido, 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 2005 and 2006 that the Guadalupe and Guadalupe South mantos were discovered. The final interpreted results of this survey will be available during Q3.

Diamond drilling for the Source continued to encounter success in the second quarter. In early April the Company reported that hole LP986 encountered mineralized marble associated with a sub-horizontal structure 185 m above a felsic intrusive body. The zone assayed 398 g/t (11.6 oz/T) Ag, 3.97% Pb, 4.80% Zn over 1.45 m. In late May, the Company reported that holes LP995 and LP1008 drilled west and east of LP986 respectively both intersected Source-type geology and mineralization in the same marble unit as that encountered in hole LP986. Hole LP995 intersected disseminated to patchy sulphide mineralization over 7.71 m and while it had only slightly anomalous metal values, the character of the mineralization and its location were very similar to that of hole LP986. Hole LP1008 intersected two mineralized zones separated by 100 m. The upper zone is located 100 m above the zones intersected in holes LP986 and LP995 and assayed 332 g/t (9.7 oz/T) Ag, 11.40% Pb, 9.74% Zn over 1.91 m. A narrow felsic dyke, another indication of a Source environment, was found between the upper and lower zones. The second zone coincides in depth with that of hole LP986. It hosts three narrow areas of disseminated to semi-massive sulphides within an overall width of 5.37 m. The most significant of the three assayed 608 g/t (17.7 oz/T) Ag, 4.14% Pb, 7.32% Zn over 0.34 m.

Finally and most importantly, in early July the Company reported that hole LP1019 had encountered several intervals of semi-massive to massive sulphides within 55.46 m of pyroxene and garnet-rich skarn at Rincon del Caido, 1.1 km northwest of the Platosa Mine. The skarn occurs at a marble-hornfels contact and the entire 55.46 m assayed 132 g/t (3.8 oz/T) Ag, 3.13% Pb, 1.74% Zn and 0.075 g/t Au. Five strongly mineralized intervals were identified within the 55.46 m. Two of these run 336 g/t (9.8 oz/T) Ag, 3.27% Pb, 1.96% Zn and 0.240 g/t Au over 4.10 m and 264 g/t (7.7 oz/T) Ag, 10.41% Pb, 7.59% Zn and 0.041 g/t Au over 3.27 m respectively. This is the first time persistently anomalous gold has been intersected at Platosa and this discovery clearly suggests increasing proximity to the Source of the high-grade Platosa mantos. This hole provides the clearest evidence to date of a near-Source environment that should be traceable to the large-tonnage proximal CRD deposit that has been the ultimate object of the Company's exploration program since it acquired the Platosa property in 1996.

Given the volume of mineralization in hole LP1019 and its high pyrite content, the Company plans to carry out downhole geophysical surveying to determine if vectors can be discerned to guide additional drilling. During the quarter, a third drill was mobilized to Platosa and as of late July all three rigs were deployed at

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Rincon del Caido. The assay intervals mentioned in the Source holes are core widths. Mineralization banding lies at variable angles to the core axis and more geometric information is required to confidently estimate true thicknesses.

The Platosa exploration program continues to meet with considerable success. Planned expenditures for 2012 are \$7.3 million, over 80% of which will be for diamond drilling. Given the significant success recently achieved at Rincon del Caido, drilling in this area will take priority and likely result in Source drilling seeing the majority of the 40,000 m of drilling planned for 2012.

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 Inc., 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 early stage exploration work, a decision was made to concentrate exploration activities at Platosa during 2011. In 2012, the Company plans to again review the potential of Miguel Auza, including the potential of the Miguel Auza Mine, which has been closed since December 2008.

CANADA AND OTHER

In Q2, the Company continued work on both the DeSantis Property in northeastern Ontario and the Beschefer Property in northwestern Quebec, both important gold exploration projects. In addition, a site visit was made to the Company's El Condor gold property in southeastern Ecuador. The El Condor property is located within 3 km of Kinross's Fruta del Norte gold deposit, on which a feasibility study is in progress. The Company continues to weigh its options with respect to El Condor.

DeSantis Property, Northeastern Ontario

The Company holds a 51% interest and may increase this interest to 100%, in the original DeSantis property, located five kilometres southwest of downtown Timmins, from International Prospectors and Explorers Inc. ("IEP"), via an option agreement dated February 1, 2010. In addition, it has an option to earn a 100% interest in the contiguous DeSantis West property via an option agreement dated April 13, 2010. Collectively, these two properties are referred to as the DeSantis Property. In April 2012, the Company made a payment of C\$375,000 and issued 810,000 shares to IEP, and by issuing an additional 540,000 shares to IEP by April 2013 will earn the additional 49% interest in the DeSantis portion of the property. Under the terms of the DeSantis West option agreement Excellon made a C\$15,000 payment and issued 32,400 shares to the property owners in April 2012. By making an additional C\$20,000 payment and issuing an additional 48,600 Excellon shares to the owners by April 2013, Excellon will earn a 100% interest in the DeSantis West portion of the property.

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 11 km west of the Dome Mine,

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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, accessory minerals, and gold.

The DeSantis Property hosts at least five known gold-bearing zones, including the Contact Zone, Hydrothermal Alteration 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 Au 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 Au, while the Hydrothermal Alteration Zone was estimated to contain 117,000 tonnes grading 9.09 g/t Au. 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 in 2010, Lateegra and beginning in August 2011 following its acquisition of Lateegra, the Company, have conducted significant diamond drilling campaigns. The 2011/early-2012 program consisted of 27 holes (including seven abandoned because of technical problems) totalling 11,037 m.

Significant results from the 2010 and early part of the 2011/early-2012 programs, largely directed at the Hydrothermal Alteration Zone, were as follows: 7.90 g/t Au over 5.2 m in hole DS10-02, 3.40 g/t Au over 9.9 m, including 13.70 g/t Au over 0.7 m in hole DS10-06, and 3.63 g/t Au over 23.17 m, including 14.25 g/t Au over 1.17 m in hole DS11-010A. In the latter part of 2011 and early-2012 drilling focussed on the Albitite Zone and in a press release dated May 31, 2012 the Company reported the intersection of 1.74 g/t Au over 12.0 m, including 10.39 g/t Au over 1.5 m in hole DS12-004. All intersections are reported as core widths since not enough is yet known to determine true widths.

Geotechnical compilation and planning of follow-up drilling are ongoing with the goal of resuming drilling in the summer of 2012. The Company considers that the DeSantis Property, both in the area of historic mining near the DeSantis No. 2 Shaft and elsewhere on the property continues to host considerable potential for additional gold mineralization.

Beschefer Property, Northwestern Quebec

The Company holds a 100% interest, subject to a small Net Smelter Returns royalty, in the property, which is located within the Abitibi Greenstone Belt approximately 60 km northeast of the Casa Berardi Mine, 80 km

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east-southeast of the Detour Gold Project and 12 km east of the past producing Selbaie Mine. The Selbaie Mine produced 57.5 million tonnes grading 0.56 g/t Au, 38 g/t Ag, 0.87% Cu, and 1.85% Zn over its mine life. The property has little or no bedrock exposure and is muskeg-covered such that drilling is most effectively performed during freezing conditions.

Gold mineralization was discovered in the B-14 Zone in 1995 by Billiton Canada Inc. and since that time and prior to the Company's involvement, saw limited exploration. The gold mineralization is hosted within a typical Archean volcanic 'greenstone' assemblage and is typical of other shear zone-hosted mesothermal gold deposits in that it is hosted within mylonite, highly sheared and altered rock, which also contains increased quartz veining and pyrite. As previously reported, Lateegra carried out 1,523 m of diamond drilling in five holes in early 2011, primarily on the B-14 Zone. Results of the 2011 drill campaign include 3.80 g/t Au over 4.35 m including 13.85 g/t Au over 0.30 hole m in BE11-001, and 12.4 g/t Au over 3.78 m including 63.5 g/t Au over 0.43 m in hole BE11-003. In addition, hole BE11-002 intercepted 2.3% Cu over 2.58 m.

In early 2012, the Company completed 8,867 m of drilling in 33 holes (including one abandoned because of technical problems), again focussed on the B-14 zone. In addition, down-hole induced polarization surveys were completed in several holes. Significant intersections included 13.07 g/t Au over 8.75 m including 58.5 g/t Au over 1.50 m in hole BE12-014, and 10.35 g/t Au over 1.50 m and 3.56 g/t Au over 6.06 m in hole BE12-030. All intersections are reported as core widths since not enough is yet known to determine true widths.

The Company's 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. Geotechnical compilation and planning of follow-up drilling are being undertaken with the goal of resuming drilling when weather conditions allow in late 2012 or early 2013.

Qualified Person

Mr. John Sullivan, BSc., PGeo., Excellon's Vice President of Exploration has acted as the Qualified Person, as defined in NI 43-101, with respect to the disclosure of the scientific and technical information contained in this MD&A.

Mr. 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.



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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 ounces in Q2 -2012 was 374,204 compared to 383,500 in Q2 -2011. Tonnes of ore processed in Q2 -2012 was 17,463 as compared to 15,373 for Q2 -2011. The overall grade of silver processed in Q2 -2012 was slightly lower at 825 g/t compared to 844 g/t for the Q2 -2011.

The silver price in Q2 -2012 averaged \$29.42 per ounce on the London Metal Exchange (Q2 -2011: \$38.17) while the Company's realized price for silver in Q2 -2012 was \$29.26 per ounce (Q2 -2011: \$38.23). On a year to date basis, the realized price from silver sales was \$31.66 in 2012 as compared to \$37.12 in 2011. Sales during Q2 -2012 totalled \$14.0 million compared to \$15.4 million in Q2 -2011 as result in the reduction of the realized price over this period.

At June 30, 2012, cash and cash equivalents on hand were \$9.9 million and trade receivables were \$4.6 million as compared to \$22.3 million cash and cash equivalents and accounts receivables of \$0.5 million at December 31, 2011. It is expected that cash balances will grow in 2012 reflecting the continuing strength of the mine operations.

Results of Operations

Financial statement highlights for the three and six month period ended June 30, 2012 and 2011 are as follows:

	3 months ended June 30, 2012	3 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011
	\$000's	\$000's	\$000's	\$000's
Revenue	13,994	15,442	27,100	22,827
Cost of sales	(5,377)	(4,129)	(10,218)	(8,767)
Gross profit	8,617	11,313	16,882	14,060
Expenses:				
Corporate administration	(2,294)	(1,493)	(4,098)	(2,960)
Exploration	(2,498)	(1,504)	(4,578)	(2,304)
Other	(2,542)	1,103	(338)	1,500
Income tax	(805)	(1,364)	(1,770)	(1,786)
Net income for the period	478	8,055	6,098	8,510



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During the quarter ended June 30, 2012 the Company recorded a net income of \$0.5 million compared to \$8.05 million in the same period of the prior year. The decrease in revenue and gross profit for the quarter primarily reflects the decrease in the silver price and increased operation activities at the mine.

Exploration for the quarter reflects management's planned expenditures for 2012 at the Mexican and Canadian properties.

Other expenses include unrealized foreign exchange gains of the Company. In Q2 -2012, the increase in the expense is due to the weakening of the peso relative to the USD since Q1 -2012 that resulted in an unrealized foreign exchange loss on an intercompany loan that is foreign to the functional currency of a 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 gain 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		3 months ended		3 months ended		3 months ended	
	<u>2012-06-30</u>		<u>2012-03-31</u>		<u>2011-12-31</u>		<u>2011-09-30</u>	
Revenue	\$	13,994	\$	13,106	\$	14,009	\$	11,174
Income (loss) before income taxes	\$	1,283	\$	6,585	\$	1,401	\$	(450)
Net income (loss)	\$	478	\$	5,620	\$	(3,101)	\$	(976)
Earnings (loss) per share – basic	\$	0.00	\$	0.02	\$	(0.01)	\$	0.00
– diluted	\$	0.00	\$	0.02	\$	(0.01)	\$	0.00

Quarter ended	3 months ended		3 months ended		3 months ended		3 months ended	
	<u>2011-06-30</u>		<u>2011-03-31</u>		<u>2010-12-30</u>		<u>2010-09-30</u>	
Revenue	\$	15,442	\$	7,385	\$	5,506	\$	6,057
Income (loss) before income taxes	\$	9,419	\$	877	\$	(3,596)	\$	(2,031)
Net income (loss)	\$	8,055	\$	455	\$	(2,696)	\$	(2,012)
Earnings (loss) per share – basic	\$	0.03	\$	0.00	\$	(0.01)	\$	(0.01)
– diluted	\$	0.03	\$	0.00	\$	(0.01)	\$	(0.01)

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.

Liquidity and Capital Resources

As at June 30, 2012, the Company's cash and cash equivalents were \$9.9 million (December 31, 2011 – \$22.3 million), and working capital was \$19.5 million (December 31, 2011 – \$18.8 million). As at June 30, 2012, the Company's trade receivable were \$4.6 million (December 31, 2011 - \$0.5 million). The Company also



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invested \$5.0 million in the Sprott Physical Silver Trust to hold units reflecting an underlying investment in 134,732 ounces of silver. 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 six months ended June 30, 2012, the Company incurred legal services of \$126,000 (June 30, 2011 – \$56,000) with an outstanding payable balance of \$15,000 at June 30, 2012 (June 30, 2011 – \$37,000).

Common share data (as at August 7, 2012)

Common shares outstanding	275,179,467
Stock options and warrants granted	<u>13,887,162</u>
Total	<u>289,066,629</u>

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.

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.

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This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company, such forward-looking statements include, without limitation, statements regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of proposed work programs, the discovery and delineation of mineral deposits/resources/reserves, geological interpretations, the potential of the Company's properties, proposed production rates, potential mineral recovery processes and rates, business plans and future operating revenues. Forward looking statements are made based on management's beliefs, estimates, assumptions and opinions on the date the statements are made. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct and the Company undertakes no obligation to update forward-looking statements. Forward-looking statements are typically identified by words such as: believes, expects, anticipates, intends, estimates, targets, plans, postulates, and similar expressions, or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward-looking statements as a result of various risk factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, significant downward variations in the market price of any minerals produced (particularly silver), the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies. A description of the risk factors applicable to the Company can be found in the Company's most recent Annual Information Form under "Description of the Business – Risk Factors". All of the Company's public disclosure filings may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties, and particularly the latest NI 43-101-compliant technical report prepared by Roscoe Postle Associates Inc. with respect to the Platosa Property. This document is not, and is not to be construed in any way as, an offer to buy or sell securities in the United States.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The terms "Measured", "Indicated" and "Inferred" Mineral Resources used or reference in this MD&A are defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves. The CIM standards differ significantly from standards in the United States. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category or that Mineral Resources will ever be upgraded to Mineral Reserves. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable, or that an Indicated Mineral Resource is economically or legally mineable."



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Cautionary Note to United States Investors regarding Adjacent or Similar Properties

This MD&A may also contain information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises United States investors that the United States Securities and Exchange Commission's mining guidelines strictly prohibit information of this type in documents filed with the SEC. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties are not indicative of mineral deposits on the Company's properties.