



## **Excellon Resources Inc.**

Condensed Interim Consolidated Financial Statements

September 30, 2012  
in thousands of U.S. dollars  
(unaudited)

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 13, 2012

# Excellon Resources Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(in thousands of U.S. dollars)

	September 30, 2012	December 31, 2011
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,873	22,262
Marketable securities (note 3)	4,826	-
Trade receivables	1,117	548
Income taxes receivable	2,154	-
Inventories (note 4)	1,701	1,459
Other current assets	1,209	1,030
	<u>16,880</u>	<u>25,299</u>
<b>Non-current assets</b>		
Long term investments	45	71
Property, plant and equipment (note 5)	22,973	21,154
Mineral rights (note 6)	24,805	20,719
<b>Total assets</b>	<u>64,703</u>	<u>67,243</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	1,588	2,503
Income taxes payable	-	3,970
	<u>1,588</u>	<u>6,473</u>
<b>Non-current liabilities</b>		
Provisions (note 7)	1,666	1,429
Deferred income tax liabilities	360	331
<b>Total liabilities</b>	<u>3,614</u>	<u>8,233</u>
<b>Equity</b>		
Share capital (note 8)	77,453	77,797
Contributed surplus	9,054	9,639
Accumulated other comprehensive income	2,705	1,445
Deficit	(28,123)	(29,871)
<b>Total equity</b>	<u>61,089</u>	<u>59,010</u>
<b>Total liabilities and equity</b>	<u>64,703</u>	<u>67,243</u>

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

Approved by the Board

Director

Director

"Timothy J. Ryan"

"Alan R. McFarland"

# Excellon Resources Inc.

## Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

For the three and nine months ended September 30, 2012 and 2011  
(Unaudited)

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

	Three months ended		Nine months ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	\$	\$	\$	\$
Revenues (note 9)	60	11,174	27,160	34,001
Cost of Sales (note 10a)	(3,958)	(6,148)	(14,176)	(14,915)
	(3,898)	5,026	12,984	19,086
Corporate administrative expenses (note 10b)	(1,386)	(2,812)	(5,484)	(5,772)
Exploration	(1,679)	(1,658)	(6,257)	(3,962)
Other income (expenses) (note 10c)	1,490	(1,026)	1,174	499
<b>Income before financing and tax</b>	<b>(5,473)</b>	<b>(470)</b>	<b>2,417</b>	<b>9,851</b>
Finance income	3	25	18	-
Finance costs	(53)	(5)	(90)	(5)
<b>Net finance costs (income)</b>	<b>(50)</b>	<b>20</b>	<b>(72)</b>	<b>(5)</b>
<b>Income (loss) before income tax</b>	<b>(5,523)</b>	<b>(450)</b>	<b>2,345</b>	<b>9,846</b>
Income tax (note 12)	1,173	(526)	(597)	(2,312)
<b>Net income (loss)</b>	<b>(4,350)</b>	<b>(976)</b>	<b>1,748</b>	<b>7,534</b>
<b>Other comprehensive income (loss)</b>				
Unrealized loss on available for sale securities	2	-	(26)	-
Foreign currency translation differences	2,484	(2,392)	1,286	(2,575)
<b>Total other comprehensive income (loss)</b>	<b>2,486</b>	<b>(2,392)</b>	<b>1,260</b>	<b>(2,575)</b>
<b>Total comprehensive income (loss)</b>	<b>(1,864)</b>	<b>(3,368)</b>	<b>3,008</b>	<b>4,959</b>
<b>Earnings (loss) per share:</b>				
Basic	\$ (0.02)	\$ (0.00)	\$ 0.01	\$ 0.03
Diluted	\$ (0.02)	\$ (0.00)	\$ 0.01	\$ 0.03
<b>Weighted average number of shares</b>				
Basic	275,420,391	267,510,426	277,379,536	255,612,776
Diluted	275,991,841	269,176,217	278,020,375	257,745,661

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

# Excellon Resources Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2012 and 2011

(Unaudited)

(in thousands of U.S. dollars)

	Share capital \$	Contributed surplus \$	Accumulated other com- prehensive income (loss) \$	Deficit \$	Total equity \$
<b>Balance - January 1, 2011</b>	55,937	7,655	1,471	(34,304)	30,759
Net income for the period	-	-	-	7,534	7,534
Total other comprehensive loss	-	-	(2,575)	-	(2,575)
Total comprehensive income	-	-	(2,575)	7,534	4,959
Employee share options:					
Value of services recognized	1,113	877	-	-	1,990
Proceeds on issuing shares	1,689	-	-	-	1,689
Share payment for acquisition	22,345	-	-	-	22,345
<b>Balance - September 30, 2011</b>	81,084	8,532	(1,104)	(26,770)	61,742
<b>Balance - January 1, 2012</b>	77,797	9,639	1,445	(29,871)	59,010
Net income for the period	-	-	-	1,748	1,748
Total other comprehensive income	-	-	1,260	-	1,260
Total comprehensive income	-	-	1,260	1,748	3,008
Employee share options:					
Value of services recognized	29	825	-	-	854
Proceeds on issuing shares	42	-	-	-	42
Share payment for mineral rights	1,062	-	-	-	1,062
Repurchased shares	(1,477)	(1,410)	-	-	(2,887)
<b>Balance - September 30, 2012</b>	77,453	9,054	2,705	(28,123)	61,089

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

# Excellon Resources Inc.

## Condensed Interim Consolidated Statements of Cash Flow

For the three and nine months ended September 30, 2012 and 2011

(Unaudited)

(in thousands of U.S. dollars)	Three months ended		Nine months ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	\$	\$	\$	\$
<b>Cash flow provided by (used in)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	(4,350)	(976)	1,748	7,534
Adjustments for:				
Depletion, depreciation and amortization	533	628	1,989	2,002
Deferred income tax	-	183	-	510
Share-based compensation	179	1,328	854	1,961
Post-employment benefits	17	16	52	124
Rehabilitation provision - accretion	19	(23)	56	(4)
Unrealized loss (gain) on marketable securities	(815)	-	174	-
Unrealized loss on foreign intercompany loans	(6)	(1,546)	(1,366)	(1,546)
Changes in items of working capital:				
Trade receivables	3,499	(1,373)	(569)	(2,767)
Income taxes payable	(1,501)	1,176	(6,124)	3,284
Inventories	661	(175)	(242)	(460)
Other current assets	179	268	(179)	240
Trade payables	(1,876)	325	(915)	582
<b>Net cash provided by (used in) operating activities</b>	<b>(3,461)</b>	<b>(169)</b>	<b>(4,522)</b>	<b>11,460</b>
<b>Investing activities</b>				
Purchase of marketable securities	-	-	(5,000)	-
Purchase of property, plant and equipment	(359)	(651)	(1,918)	(1,962)
Purchase of long term investments	-	(48)	-	(48)
Purchase of royalty interests	-	-	(2,400)	-
Purchase of mineral rights	-	52	(390)	-
Net cash acquired on acquisitions	-	1,394	-	1,394
<b>Net cash provided by (used) in investing activities</b>	<b>(359)</b>	<b>747</b>	<b>(9,708)</b>	<b>(616)</b>
<b>Financing activities</b>				
Proceeds on issuance of shares	-	123	42	1,689
Shares repurchased from market	(406)	-	(2,887)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(406)</b>	<b>123</b>	<b>(2,845)</b>	<b>1,689</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>176</b>	<b>2,084</b>	<b>686</b>	<b>577</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(4,050)</b>	<b>2,785</b>	<b>(16,389)</b>	<b>13,110</b>
<b>Cash and cash equivalents - Beginning of the period</b>	<b>9,923</b>	<b>12,303</b>	<b>22,262</b>	<b>1,978</b>
<b>Cash and cash equivalents - End of the period</b>	<b>5,873</b>	<b>15,088</b>	<b>5,873</b>	<b>15,088</b>
Interest	34	-	34	-
Cash paid for income tax	155	388	6,455	388

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

# Excellon Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)

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### 1. GENERAL INFORMATION

Excellon Resources Inc. and its subsidiaries (together the Company or Excellon) is involved in the exploration, development and extraction of high-grade silver-lead-zinc metals in Mexico and the exploration of gold in properties in Canada.

Excellon is domiciled in Canada and incorporated under the laws of the province of Ontario. The address of its principal office is 20 Victoria Street, Suite 900, Toronto, Ontario, M5C 2N8, Canada.

### 2. BASIS OF PRESENTATION

#### *a. Statement of compliance*

These unaudited condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") including IAS34 Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and the application adopted are consistent with those disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2011.

Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 2 of the Company's consolidated financial statements as at and for the year ended December 31, 2011.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 13, 2012.

### 3. MARKETABLE SECURITIES

The Company invested \$5,000 in the Sprott Physical Silver Trust to hold units reflecting an underlying investment in 134,732 ounces of silver. These securities have been classified as a "held for trading financial instrument" during the period. An unrealized loss of \$174 was recorded in income in recognition of a decrease in value as at September 30, 2012.

### 4. INVENTORIES

	<b>Sept 30, 2012</b>	<b>Dec 31, 2011</b>
	<b>\$</b>	<b>\$</b>
Ore	234	450
Production spares	1,467	1,009
	<u>1,701</u>	<u>1,459</u>

# Excellon Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)

### 5. PROPERTY, PLANT AND EQUIPMENT

	Mining properties \$	Mining equipment \$	Processing equipment \$	Assets under construction \$	Total \$
At January 1, 2011					
Cost	20,443	8,778	7,127	3,968	40,316
Accumulated depreciation	(12,566)	(2,628)	(1,317)	-	(16,511)
	<u>7,877</u>	<u>6,150</u>	<u>5,810</u>	<u>3,968</u>	<u>23,805</u>
<b>Year ended December 31, 2011</b>					
Opening net book value	7,877	6,150	5,810	3,968	23,805
Additions	1,957	837	-	1,351	4,145
Reclassification	367	280	1,784	(2,431)	-
Disposals	-	(41)	-	(28)	(69)
Depreciation	(625)	(841)	(865)	-	(2,331)
Write-down	-	-	-	(1,273)	(1,273)
Exchange differences	(1,322)	(945)	(36)	(820)	(3,123)
Closing net book value	<u>8,254</u>	<u>5,440</u>	<u>6,693</u>	<u>767</u>	<u>21,154</u>
At December 31, 2011					
Cost	20,584	8,636	8,814	767	38,801
Accumulated depreciation	(12,330)	(3,196)	(2,121)	-	(17,647)
	<u>8,254</u>	<u>5,440</u>	<u>6,693</u>	<u>767</u>	<u>21,154</u>
<b>Period ended September 30, 2012</b>					
Opening net book value	8,254	5,440	6,693	767	21,154
Additions	770	714	38	396	1,918
Reclassification	-	860	184	(1,044)	-
Depreciation	(463)	(763)	(646)	-	(1,872)
Exchange differences	559	506	666	42	1,773
Closing net book value	<u>9,120</u>	<u>6,757</u>	<u>6,935</u>	<u>161</u>	<u>22,973</u>
At September 30, 2012					
Cost	22,650	10,924	9,654	161	43,389
Accumulated depreciation	(13,530)	(4,167)	(2,719)	-	(20,416)
	<u>9,120</u>	<u>6,757</u>	<u>6,935</u>	<u>161</u>	<u>22,973</u>

# Excellon Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)

### 6. MINERAL RIGHTS

	Platosa (Mexico) \$	Beschefer (Canada) \$	Desantis (Canada) \$	Total \$
At January 1, 2011				
Cost	2,547	-	-	2,547
Accumulated depreciation	(577)	-	-	(577)
	1,970	-	-	1,970
<b>Year ended December 31, 2011</b>				
Opening net book value	1,970	-	-	1,970
Additions	-	8,163	10,960	19,123
Depreciation	(168)	-	-	(168)
Exchange differences	(206)	-	-	(206)
Closing net book value	1,596	8,163	10,960	20,719
At December 31, 2011				
Cost	2,255	8,163	10,960	21,378
Accumulated depreciation	(659)	-	-	(659)
	1,596	8,163	10,960	20,719
<b>Period ended September 30, 2012</b>				
Opening net book value	1,596	8,163	10,960	20,719
Additions	2,400	648	804	3,852
Depreciation	(117)	-	-	(117)
Exchange differences	274	37	40	351
Closing net book value	4,153	8,848	11,804	24,805
At September 30, 2012				
Cost	4,990	8,848	11,804	25,642
Accumulated depreciation	(837)	-	-	(837)
	4,153	8,848	11,804	24,805



# Excellon Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)

### 7. PROVISIONS

	Post - retirement benefits (1) \$	Rehabilitation provision \$	Total \$
At January 1, 2011			
Opening balance	987	388	1,375
<b>Year ended December 31, 2011</b>			
Opening balance	987	388	1,375
Change in estimate	(628)	824	196
Accretion for the period	-	34	34
Exchange differences	(131)	(45)	(176)
Closing Balance	228	1,201	1,429
<b>Period ended September 30, 2012</b>			
Opening balance	228	1,201	1,429
Change in estimate	52	-	52
Accretion for the period	-	56	56
Exchange differences	22	107	129
Closing Balance	302	1,364	1,666

- (1) Post-retirement benefits: The Company provides post retirement benefits supplements as well as leaving indemnities to employees at the Mexican operations. Under Mexican Labour Law, the Company provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without just cause.

Key financial assumptions used in the above estimate include an annual discount rate of 7%, annual salary and minimum wage increase rate of 3.5% and the life of the mine of ten years.

# Excellon Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)

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### 8. SHARE CAPITAL

	Number of shares (000's)	\$
<b>Year ended December 31, 2011</b>		
Opening balance	247,873	55,937
Shares issued on exercise of stock options	3,165	2,856
Shares issued on Lateegra acquisition	27,031	18,400
Shares issued on Beschefer agreement	1,080	855
Share purchase buyback	(852)	(251)
Balance at December 31, 2011	<u>278,297</u>	<u>77,797</u>
<b>Period ended September 30, 2012</b>		
Opening balance	278,297	77,797
Shares issued on exercise of stock options	84	71
Shares issued on Beschefer agreement	1,080	648
Shares issued on Desantis agreement	842	414
Share purchase buyback	(5,124)	(1,477)
Balance at September 30, 2012	<u>275,179</u>	<u>77,453</u>

### STOCK OPTIONS

#### *Share option program (equity-settled)*

The Company has a share option program that entitles directors, officers, employees and consultants to purchase shares in the Company. Under the program, the Company may grant options for up to 10% of the common shares issued and outstanding. Under the program, the exercise price of each option may not be less than the market price of the Company's common shares on the date of grant, and an option's maximum term is five years. Options may be granted by the board of directors at any time and may vest immediately upon grant.

The Company uses the fair value method of accounting for all stock-based payments to employees, directors and officers. Under this method, the Company recorded a stock compensation expense of \$854 for the nine months ended September 30, 2012 (September 30, 2011 - \$1,961) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rates of 1.23% (2011 - 1.56%), no dividend yield, expected life of 5 years (2011 - 5 years) with an expected price volatility of 90.83% (2011 - 72.20%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of 5.03% is applied (2011 - 2.90%) and at September 30, 2012, there was \$507 of unamortized stock compensation expense (September 30, 2011 - \$904).

During the quarter 500,000 options were issued to officers of the Company and 1,799,356 options expired.

### 9. REVENUES

On July 8, 2012 an illegal blockade at the mine halted production for the remainder of the quarter and the mine was on care-and-maintenance resulting in minimal revenues. The Company regained access to the mine site on August 29, 2012 and production resumed subsequent to the period on October 16, 2012.

# Excellon Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)

### 10. EXPENSE BY NATURE

(a) Cost of sales is comprised of the following:

	Three months ended		Nine months ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	\$	\$	\$	\$
Direct mining and milling costs (1)	3,408	5,413	11,950	12,578
Depletion, depreciation and amortization	524	600	1,928	1,927
Royalties	26	135	298	410
<b>Cost of sales</b>	<b>3,958</b>	<b>6,148</b>	<b>14,176</b>	<b>14,915</b>

(1) Cost of sales consists of direct mining and milling costs; which include personnel, general and administrative, fuel and electricity, maintenance and repair costs as well as operating supplies, external services, third party smelting, refining and transport fees. Care and maintenance costs incurred at the mine during the illegal blockade have been included in cost of sales.

(b) Corporate administrative expenses consist of the following:

	Three months ended		Nine months ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	\$	\$	\$	\$
Office and overhead costs	725	518	2,325	1,671
Salaries and wages	468	938	2,243	2,066
Share based compensation	184	1,327	855	1,960
Depletion, depreciation and amortization	9	29	61	75
<b>Corporate administrative expenses</b>	<b>1,386</b>	<b>2,812</b>	<b>5,484</b>	<b>5,772</b>

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

	Three months ended		Nine months ended	
	Sept 30, 2012	Sept 30, 2011	Sept 30, 2012	Sept 30, 2011
	\$	\$	\$	\$
Unrealized loss (gain) on marketable securities	(815)	-	174	-
Foreign exchange loss (gain)	(675)	1,026	(1,348)	(499)
<b>Other (income) expenses</b>	<b>(1,490)</b>	<b>1,026</b>	<b>(1,174)</b>	<b>(499)</b>

# **Excellon Resources Inc.**

## **Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2012 and 2011 (Unaudited) (in thousands of US Dollars)**

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### **11. RELATED PARTIES**

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During the nine months ended September 30, 2012, the Company incurred legal services of \$166 (September 30, 2011 – \$348) with an outstanding payable balance of \$33 at September 30, 2012 (September 30, 2011 – \$87).

### **12. INCOME TAX**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual rate used for the year ended December 31, 2011 was 28% and the nine months ended September 30, 2012 was 26.5%. The reduction is due to the previously announced decrease in Canadian deferral and provincial tax rates.

### **13. SUBSEQUENT EVENTS**

The Company regained access to the mine site on August 29, 2012 but was unable to resume full production until October 16, 2012 due to delays in releasing certain permits that had been suspended during the illegal blockade. Milling has resumed at the Mill plant and deliveries of concentrate have recommenced.

On November 9, 2012, the Company received a statement of claim from the Ejido La Sierrita, which participated in the previously referenced illegal blockade. The claim alleges that the Company breached the surface rights agreement with the Ejido for access to 1,100 hectares of exploration ground and includes demands for (i) the termination of the surface rights agreement (ii) one year's surface rent in respect of such termination and (iii) 55 million pesos in respect of alleged damages.

The Company, in consultation with its legal counsel in Mexico, considers the Ejido's claims unfounded, baseless and a response to Company's previously filed action for damages in respect of losses caused by the illegal blockade and rescission in respect of the Ejido's breaches of the surface rights agreement by participating in the illegal blockade. The Company intends to vigorously defend this action.