EXCELLON

Management's Discussion & Analysis of Financial Results

For the year ended December 31, 2012

March 26, 2013

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, 2012 in accordance with the requirements of National Instrument 51-102 ("NI 51-102"). This MD&A contains information as at March 26, 2013 and provides information on the operations of the Company for the year ended December 31, 2012 and 2011 and subsequent to the year end, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 and the related notes for the year then ended.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Handbook of the Canadian Institute of Chartered Accountants. The consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. 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 was 637,000 tonnes grading 836 g/t (24.4 oz/T) Ag, 8.95% Pb, 10.58% Zn. The new estimate confirmed that the Mineral Resource at Platosa had been maintained and expanded 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 guidelines 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.*

Mine Operations

Mined tonnage in the fourth quarter of 2012 was lower that of than that of the first two quarters of 2012 and the fourth quarter of 2011 due to an illegal blockade of the mine entrance, which commenced on July 8, 2012 and prevented mining until October 16, 2012. Despite production being halted for over 25% of the year, tonnage was only down by 19% from the prior year. For the year, silver grades increased by 6% and zinc and lead grades increased by 8% and 29% respectively. Metal recoveries during 2012 were significantly improved over the prior year.

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

		2012	2011
Tonnes of ore processed		48,199	59,405
Ore grades:			
	Silver (g/t)	846	796
	Silver (oz/T)	24.67	23.22
	Lead (%)	6.75	6.24
	Zinc (%)	11.81	9.17
Recoveries:			
	Silver (%)	93.4	88.9
	Lead (%)	82.1	75.6
	Zinc (%)	84.8	78.5
Production:			
	Silver – (oz)	1,081,165	1,312,146
	Silver equivalent ounces (oz)	1,550,964(1)	1,759,309(2)
	Lead – (lb)	5,731,160	6,529,018
	Zinc – (lb)	10,450,813	8,674,527
Sales:			
	Silver ounces– (oz)	1,060,211	1,312,146
	Silver equivalent ounces (oz)	1,523,422(1)	1,759,309(2)
	Lead – (lb)	5,638,330	6,529,018
	Zinc – (lb)	10,316,726	8,674,527
Realized prices:			
	Silver – ($US/oz)	31.03	34.16
	Lead – ($US/lb)	0.91	0.98
	Zinc – ($US/lb)	0.90	1.02

(1) Silver equivalent ounces in 2012 were established using prices of US$31 per oz, US$0.90 per lb, and US$0.90 per lb for silver, lead and zinc, respectively, and applied to the recovered metal content of the concentrates.
(2) Silver equivalent ounces in 2011 were established using prices of US$34 per oz, US$1.00 per lb, and US$1.00 per lb for silver, lead and zinc, respectively, and applied to the recovered metal content of the concentrates.

On July 5, 2012, a state government-supervised union election was held by the workers of La Platosa. Based on initial results, the Sindicato Nacional Minero Metalúrgico Napoleón Gómez Sada was selected by the workers of La Platosa to be the representative union of the mine. On July 8, 2012, an illegal blockade of the La Platosa Mine was commenced by an opposing union that had lost the election, the Sindicato Nacional de Trabajadores Mineros Metalúrgicos, Siderúrgicos y Similares de la República Mexicana, which is affiliated with the United Steelworkers Union, along with members of the local Ejido La Sierrita, both of which are advised by the non-governmental organization Proyecto de Derechos Económicos, Sociales y Culturales, A.C ("ProDESC"). The Company continued to produce concentrate until July 19, 2012 from stockpiled material that was already on site at Miguel Auza. The Company regained access to the Platosa site on August 29, 2012 but was unable to resume full production until October 16, 2012 due to delays in reissuing certain permits that had been suspended during the illegal blockade. Subsequently, milling resumed at the Miguel Auza flotation plant and deliveries of concentrate recommenced. The Company also incurred significant additional legal fees, consulting fees, and travel and accommodation costs in 2012.

Cash Cost per Ounce of Silver Produced

As a result of the illegal blockade, production was halted from July 8, 2012 to October 16, 2012 and the Company was unable to realize certain costs efficiencies when production resumed during the fourth quarter. As a consequence the Company's cash cost was impacted. For the year, cash operating cost during the period in which the Platosa Mine was operating was $6.5M (2011 – $6.9M) for production of 1,081,165 ounces of silver (2011 – 1,312,146) resulting in a higher than ordinary course cash cost of US $5.99/oz (2011 – US $5.29/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. This calculation may differ from that used by other companies in the industry. The Company uses this measure internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The table below presents the details of the calculation**.**

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

	2012 $000's	**2011 $000's**
Cost of sales	19,189	17,195
Adjustments - increase/(decrease):		
Depletion, depreciation and amortization	(2,787)	(2,411)
Inventory changes	158	(62)
Third party smelting and refining charges	5,852	6,250
Royalties	(321)	(543)
By-product credits (1)	(12,598)	(13,485)
Suspension-related costs (2)	(3,020)	-
Cash operating cost	6,473	6,944
Ounces of silver produced	1,081,165	1,312,146
Cash operating cost per ounce of silver produced in US $/oz	**5.99**	**5.29**

(1) By-product credits comprise revenues from sales of lead and zinc.
(2) Production was suspended during the illegal blockade. Care-and-maintenance and other costs incurred during the suspension period that were not related to production have been excluded from total cash costs and the calculation of total cash cost per ounce produced.

Cash operating cost, net of by-product credits, is provided as additional information and is a non-IFRS 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 and the Company uses this information for the same purpose. This analysis excludes capital expenditures and income taxes.

Exploration

MEXICO
Platosa Property

This Platosa property covers 40,864 ha and the initial concessions and private lands were acquired by the Company in 1996. 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 2013 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 illegal blockade of the Platosa property, it was not possible to carry out any drilling, however, drilling resumed in early September with three rigs and in late September a fourth rig was added. A fifth rig was added in January. Since resumption of drilling, exploration efforts have focussed on following up on increasingly encouraging results in the search for the source of the high-grade, massive sulphide Platosa mantos at Rincon del Caido ("Rincon"), approximately one kilometre ("km") NW of the known mantos.

In general, recent exploration at Platosa has focused on two target types.

The first target is located in an irregularly-shaped area extending roughly 1.5 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 the Company’s 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 Company expects that this mineralization will add to its Mineral Resource base in the future.

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 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 NW of the Guadalupe Manto and more recently in holes EX12-LP986, LP995, LP1008 and in particular LP1019, which early in Q3 again intersected strong geologic evidence of a proximal environment. Hole LP1019 also intersected a significant width of sulphide mineralization as discussed further below. Following the resumption of drilling in September, drilling for the Source continued in the immediate Rincon area and the corridor linking Rincon with the massive sulphide mantos of the mine. Drilling is ongoing in this corridor as of the date of this report. Depending on progress at Rincon and other factors the Company may direct a portion of its drilling to a renewed search for additional distal high-grade massive sulphide mantos later in 2013; and
- Continue to employ geophysical methods with demonstrated success as targeting tools. To this end a Natural Source and Controlled Source Audio Magnetotelluric (“NSAMT” and “CSAMT”) ground geophysical survey was completed in Q2. It was carried out over several areas, including Rincon del Caido, 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 2005 and 2006 that the Guadalupe and Guadalupe South mantos were discovered. The results have been incorporated into the Company’s target-generation data base. In addition a downhole mis-a-la-masse electrical geophysical was carried out in two of the Rincon holes late in 2012. The results of this survey suggest the presence of sulphide mineralization for some distance from the centre of the immediate Rincon area although these results do not allow provide no quantitative information.

Diamond drilling for the Source continued to encounter success once drilling resumed late in the third quarter and into the first quarter of 2013. Four drill rigs were working at Rincon in the immediate vicinity of hole LP1019 until year end and a fifth was added in January. Hole LP1019 encountered several intervals of semi-massive to massive sulphides within 55.46 m of pyroxene and garnet-rich skarn at Rincon, 1.0 km NW 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, higher-grade intervals were identified within the 55.46 m. This was the first time persistently anomalous gold had been intersected at Platosa and the discovery clearly suggested increasing proximity to the Source of the high-grade Platosa mantos. The hole provided the clearest evidence to date of a near-Source environment. The Company continues to believe it may 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.

Between April 23, 2012 and January 17, 2013 the Company issued six press releases covering Platosa drilling results. During that period a total of 12 holes intersected important Source-style sulphide mineralization. The mineralization is found in a skarnified-marble unit located at or close to its contact with an impervious hornfels unit at a depth of between 500 and 600 m vertical and at some distance above the contact of the marble with underlying granite. Of particular interest is the presence of persistent anomalous gold in these intersections, the first time such values have been found at Platosa. These values plus the particular style of the sulphides and the alteration encountered in the host rocks leads Company geologists to believe that the intersections are on the edge of the Source itself. In addition, narrow widths of highly anomalous bismuth and anomalous copper have been found in certain of the Rincon holes. The sulphide mineralization demonstrates multi-stage, pyrite-rich, massive to semi-massive textures that clearly overprint earlier pyroxene and garnet-rich skarn. The multi-stage characteristics are similar to those shown by the sulphides being mined from the Platosa mantos, although there are distinct compositional differences reflected by much higher pyrite content, the appearance of anomalous chalcopyrite and much darker-coloured sphalerite. The consistently anomalous gold, bismuth (8,280 ppm over 1.0 m in LP1023A and 1,685 ppm over 2.6 m in LP1024) and copper (0.23% over 1.1 m in LP1024 and 0.12% over 8.1 m in LP1025) combined with the overall skarn mineralogy indicate that this area is still somewhat distal to the Source itself, but may lie along a feeder system leading from the Source. The Source may lie between Rincon and the high-grade Platosa mantos, or farther to the northwest. The assay intervals mentioned in the Source holes are core widths. Mineralization banding lies at highly-variable angles to core axes and more geometric information is still required to confidently estimate true thicknesses. Results for several of the Rincon holes are shown in the table below and assay results summarized in the press releases can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

Location	DDH No.	Interval From (m)	Interval To (m)	Interval Width (m)*	Silver (g/t)	Silver (oz/T)	Lead (%)	Zinc (%)	Gold (g/t)
Rincon del Caido	LP1019	516.70	572.16	55.46	132	3.8	3.13	1.74	0.075
	Incl.	546.83	549.80	2.97	236	6.9	7.18	5.46	0.146
	and	562.73	566.00	3.27	264	7.7	10.41	7.59	0.041
	LP1023A	513.00	515.00	2.00	610	17.8	3.08	0.11	0.571
	and	525.65	569.05	43.40	146	4.3	2.76	1.85	0.216
	incl.	530.60	536.40	5.80	381	11.1	10.63	11.51	0.354
	LP1030	498.90	509.23	10.33	185	5.4	5.22	5.58	0.478
	and	579.27	581.02	1.75	444	13.0	8.81	5.97	0.067
	and	590.04	596.72	6.68	409	11.9	10.23	8.37	0.114
	LP1038	491.80	499.05	7.25	21	0.6	0.74	3.57	13.066
	incl.	497.10	499.05	1.95	72	2.1	2.40	11.74	39.430

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. The Company periodically reviews the potential of Miguel Auza, including the potential of the Miguel Auza Mine, which has been closed since December 2008.

CANADA AND OTHER

In Q4 the Company continued work on its gold exploration projects in the Abitibi Belt of northeastern Ontario and northwestern Quebec. In addition it continued to weigh its options with respect to its El Condor gold property in southeastern Ecuador. El Condor is located within 3 km of Kinross's Fruta del Norte gold deposit, on which a feasibility study is in progress.

DeSantis Property, Northeastern Ontario

The Company holds a 51% interest and may increase this interest to 100%, subject to a Net Smelter Returns ("NSR") royalty ranging from 1.5% to 3.5% by portion of the original DeSantis property, located five kilometres southwest of downtown Timmins, pursuant to an option agreement dated February 1, 2010 with International Prospectors and Explorers Inc. ("IEP"). In addition, the Company has an option to earn a 100% interest, subject to a 2% NSR royalty, in the contiguous DeSantis West property pursuant to an option agreement dated April 13, 2010 with a group of Timmins area prospectors. Collectively, these two properties are referred to as the DeSantis Property. The Company has the option to earn the additional 49% interest in the DeSantis portion of the property by issuing an additional 540,000 shares to IEP by April 24, 2013. Excellon has the option to earn a 100% interest in the DeSantis West portion of the property by making an additional C$20,000 payment and issuing an additional 48,600 Excellon shares to the owners by April 13, 2013. The Company has the option to buyout portions of each of NSRs on the overall property.

The property 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, owned by Goldcorp Inc. and 14 km east of Lake Shore Gold Corp.'s Timmins Mine. The property covers approximately 5 km of strike length within highly prospective volcanosedimentary stratigraphy on the north side of the DPZ, including the past producing DeSantis Mine. Gold deposits in the Timmins 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 DPZ.

The DeSantis Property hosts at least five known gold-bearing zones, 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.

A major exploration effort on the property was undertaken in the mid-1980s by a Noranda Inc. - Stan West Mining Corp. joint venture. Focussed on deeper portions of the Albitite Zone, this advanced exploration program rehabilitated the 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.

Lateegra completed 15 diamond drill holes on the property in 2010 prior to the involvement of the Company. These holes were directed at evaluating the known gold mineralization within the Hydrothermal Alteration and Albitite Zones that are situated within 400 metres of the DeSantis No. 2 Shaft. The presence of gold was confirmed in certain of the holes and in addition gold was found in holes that tested the historic Arsenopyrite and Green Carbonate Zones, both in proximity to the Albitite Zone. Recent gold discoveries at Lake Shore's Thunder Creek and 144 Zones occur near the contact of volcanic sequences with Porcupine metasedimentary rocks and in shear zones proximal to porphyritic intrusions within the Porcupine metasedimentary sequence. A similar geological setting may exist in the poorly exposed and largely untested northern portion of the DeSantis Property.

In 2011, the Company completed 22 additional drill holes. This campaign focussed on expansion of the Hydrothermal Alteration Zone, as well as the Albitite Zone, and tested reconnaissance targets located elsewhere on the property.

Results from the first 10 holes of the 2011 campaign included an intersection of 3.63 g/t Au over 23.17 m including 14.25 g/t Au over 1.17 m in drill hole DS11-020A. Assay results for the first 10 holes completed during 2011 are summarized in an October 18, 2011 press release, which can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com. The remainder of the holes completed during 2011, while intersecting favourable geology, alteration and occasional quartz veining did not intersect noteworthy gold mineralization.

Between January and April 2012, three additional drill holes were completed, one on a reconnaissance target on the western portion of the property, one as follow-up within the Hydrothermal Alteration Zone and one at depth testing the down-dip extension of the Albitite Zone. The first two intersected quartz veining but returned only low gold values over narrow widths, however, hole DS12-004 intersected 1.74 g/t Au over 12.00 m including 10.39 g/t Au over 1.50 m on the down-dip extension of the Albitite Zone. The quoted intersections are core widths and may not represent true thicknesses.

In mid-October 2012 the Company completed a comprehensive program of geotechnical compilation, relogging and sampling of recent and historic drill core and reviewing the property in a regional context. Based on the results of this work a 5,000 m follow-up drilling program began in late October. Drilling is focused on following up on promising previous results and the testing of undrilled areas east of and below the known Albitite Zone. In addition geophysical and geology targets are being tested in a series of holes on portions of the property that have seen little or no previous work such as the volcanic-sedimentary contact referred to above. As of the date of this report, while certain holes have intersected interesting geology and alteration there have been no material assay results obtained.

Beschefer Property, Northwestern Quebec

The Company holds a 100% interest (subject to a 3% NSR) in the property, which is located within the Abitibi Greenstone Belt approximately 60 km northeast of the Casa Berardi Mine, 80 km east-southeast of the Detour Mine and 12 km east of the past producing Selbaie Mine. The Company has the option to buy out 1.75% NSR of the 3% NSR royalty for $1.5 million. 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, the B-14 Zone, was discovered in 1995 by Billiton Canada Inc. and apart from a short program by SOQUEM , the property has seen limited exploration since then. 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, prior to the involvement of the Company. Results included 3.80 g/t Au over 4.35 m including 13.85 g/t Au over 0.30 m in hole 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.

Between January and late March 2012, the Company completed 33 additional holes on the property. Drilling focused on expansion of the B-14 Zone, as well as exploration targets elsewhere on the property. Results included 4.54 g/t Au over 7.80 m including 9.16 g/t Au over 1.35 m in hole BE12-006, 13.07 g/t Au over 8.75 m including 58.5 g/t Au over 1.50 m in hole BE12-014 and 10.50 g/t Au over 1.50 m and 3.56 g/t Au over 6.06 m, both in hole BE12-030. The quoted intersections are core widths and may not represent true thicknesses.

Assay results for all the Company's 2012 drill holes are summarized in press releases issued in March, April and May 2012 and can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

The Company's 2011 and 2012 drilling results confirmed that the B-14 Zone has the potential to host a gold resource. In mid-December 2012 the Company completed a comprehensive program of geotechnical compilation, relogging and sampling of recent and historic drill core and reviewing the property in a regional context. Based on the results of this work a 5,000 m follow-up drilling program began in early February 2013. Drilling is primarily focused on expanding the B-14 Zone. In addition historic geophysical targets on portions of the property, which have seen little or no work and may represent structures with gold potential are being tested by a small number of holes. As of the date of this report while various holes have intersected interesting geology, alteration and varying amounts of pyrite mineralization there have been no material assay results obtained.

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.

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. Further factors affecting the Company are described in the Annual Information Form on SEDAR (www.sedar.com).

Overall Performance

Mined tonnage for 2012 of 48,199 tonnes were significantly far lower than the 59,405 tonnes mined in 2011 due to the previously referenced illegal blockade and subsequent permitting delays, which halted production from July 8, 2012 until October 16, 2012. Consequently, production of silver in 2012 was 1.1 million ounces as compared to 1.3 million in 2011. The overall silver grade of ore processed in 2012 improved to 846 g/t compared to 796 g/t for the prior year. The overall recovery of silver at 93.4% in 2012 was a significant improvement from 88.9% for 2011. Recoveries for lead and zinc improved to 82.1% and 84.8% respectively, an overall increase of 8.4% from the prior year.

The silver price in 2012 averaged $31.15 per ounce on the London Metal Exchange (2011 - $35.12) while the Company realized an average price of $31.03 per ounce sold (2011 - $34.16). Sales declined in 2012 to $36.3 million as compared to $48.0 million in 2011, a result of production being halted due to the illegal blockade previously referenced.

As at December 31, 2012 cash and cash equivalents on hand were $1.4 million, marketable securities were $4.2 million and trade receivables were $5.5 million as compared to $22.3 million cash and cash equivalents and accounts receivables of $0.5 million at December 31, 2011. The Company has now resumed full production and expects that cash balances will increase in 2013 reflecting the continuing strength of the mine operations.

Results of Operations

Financial statement highlights for the year ended December 31, 2012 and 2011 are as follows (in thousands of US dollars):

	2012	**2011**
	$	**$**
Revenue	36,273	48,010
Cost of sales	(19,189)	(17,195)
Gross profit	17,084	30,815
Expenses:		
Corporate administration	(7,338)	(8,405)
Exploration	(9,907)	(6,067)
Other	685	(5,096)
Income tax refund (expense)	7,884	(6,814)
Net income for the year	8,408	4,433

Overall, the Company recorded a net income of $8.4 million compared to $4.4 million in the previous year.

Despite losing over three months production and having a lower net realizable price of silver at $31.03 (2011 - $34.16), revenues for 2012 were $36.3 million compared to $48.0 million in 2011.

While lower tonnages were processed in 2012, the mine incurred care-and-maintenance costs and was unable to utilize production cost efficiencies increasing cost of sales in 2012 to $19.2 million (2011 - $17.2 million). As a result, gross profit margin decreased from 64% in 2011 to 47% in 2012.

Exploration cost increased to $9.9 million (2011 – $6.1 million) as the Company invested its resources into drilling with up to four rigs on the Platosa property.

Corporate administrative expenses represent administrative costs incurred in Canada. Management compensation and stock based compensation are the largest component.

A future tax asset of $8.4 million was recognized in 2012 as the Company was able to utilize its tax loss carry-forwards based on a tax planning reorganization in the year.

Other expenses include unrealized foreign exchange gains of the Company. In 2012, the decrease in the expense is due to the strengthening of the peso relative to the USD since 2011, which resulted in an unrealized foreign exchange gain 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.

Outlook

Exploration:

The Platosa exploration program continues to meet with considerable success. Planned expenditures for 2013 are $11.0 million, approximately 90% of which will be for diamond drilling. The budgeted expenditures will be split between the continued search for the high-tonnage proximal source of the manto mineralization in the Rincon del Caido area and the renewed search for additional high-grade massive sulphide mineralization in the vicinity of the known mantos. Some of the manto holes will be drilled to the contact of the carbonate package with the underlying felsic intrusive contact to determine whether a Source environment is present outside of the Rincon-Mantos Corridor. Two rigs will be deployed for manto holes, a third to Rincon del Caido and the Company plans to drill 58,000 m for the year.

In Canada the Company has drilling programs underway on its DeSantis gold property in Timmins and on the Beschefer gold project in northwestern Quebec. Both projects are expected to amount to 5,000 m of drilling and should be completed in early spring.

Operations:

The Company has projected 72,000 tonnes of ore mined and silver production of 1.5 million ounces (silver equivalent ounces of 2.2 million) for 2013. The Company's cash costs in 2013 are projected to be US$5.50 to $6.50 per ounce, net of by-products. Increased development activities, deeper mining depths and increasing water pumping capacity will put upward pressure on operating costs in 2013. The Company has made significant investment in water control procedures and will continue in 2013 to manage the underground water flows with increased pumping capacity and the previously installed watertight control doors in key operating areas of the mine in order to facilitate the expected tonnage production.

The Company plans to spend approximately $1.8 million in growth capital expenditures to develop and expand the mine and $1.1 million in sustaining capital in 2013.

The Company expects to fund all expenditures for 2013 from cash generated from operations at La Platosa, reflecting the robustness of the mine and its operations, and expects to maintain a strong financial position in 2013.

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	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Revenue	$ 9,113	$ 60	$ 13,994	$ 13,106
Income (loss) before income taxes	$ (1,821)	$ (5,523)	$ 1,283	$ 6,585
Net income (loss)	$ 6,660	$ (4,350)	$ 478	$ 5,620
Earnings (loss) per share – basic	$ 0.02	$ (0.02)	$ 0.00	$ 0.02
– diluted	$ 0.02	$ (0.02)	$ 0.00	$ 0.02

Quarter ended	December 31, 2011	September 30 2011	June 30, 2011	March 31, 2011
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

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 December 31, 2012, the Company's cash and cash equivalents were $1.4 million (December 31, 2011 - $22.3 million), and working capital was $15.3 million (December 31, 2011 - $18.8 million). As at December 31, 2012, the Company's trade receivables were $5.5 million (December 31, 2011 - $0.5 million). The Company also invested $5.0 million in marketable securities of 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. The Company plans to spend a total of $2.9 million in capital expenditures for 2013.

Off-Balance Sheet Arrangements

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

Related Party Transactions

The corporate secretary 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 $182,000 (2011 – $162,000) with an outstanding payable balance of $18,000 at December 31, 2012 (December 31, 2011 – $30,000).

Common share data (as at March 26, 2013)

Common shares outstanding	274,960,967
Stock options granted	12,693,264
Total	287,654,231

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.

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 other than a Preliminary Economic Assessment ("PEA"). 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.

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.