



Excellon Resources Inc.

Condensed Interim Consolidated Financial Statements

March 31, 2015

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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

May 13, 2015

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Financial Position

(unaudited) (in thousands of U.S. dollars)

		March 31, 2015	December 31, 2014
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,273	3,467
Trade receivables		1,857	1,778
Income taxes receivable		2,664	2,556
Inventories	3	1,969	2,364
Other current assets		1,763	1,552
		9,526	11,717
Non-current assets			
Property, plant and equipment	4	17,393	18,384
Mineral rights	5	5,467	5,975
Deferred income tax assets	10	8,152	7,735
Total assets		40,538	43,811
Liabilities			
Current liabilities			
Trade payables		4,394	5,541
Non-current liabilities			
Provisions	6	1,984	1,984
Total liabilities		6,378	7,525
Equity			
Share capital	7	77,352	77,323
Contributed surplus		11,579	11,504
Accumulated other comprehensive income		(8,738)	(6,745)
Deficit		(46,033)	(45,796)
Total equity		34,160	36,286
Total liabilities and equity		40,538	43,811

Going Concern

2b

The accompanying notes are an integral part of these condensed 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 month ended March 31, 2015 and 2014

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

	Notes	March 31, 2015 \$	March 31, 2014 \$
Revenues	12	5,055	10,536
Production Costs		(4,560)	(6,804)
Depletion and amortization		(847)	(993)
Cost of Sales	8a	(5,407)	(7,797)
Gross profit		(352)	2,739
Administrative expenses		(614)	(848)
Share based payments	10	(128)	(267)
Depletion and amortization		(50)	(70)
General and administrative expenses	8b	(792)	(1,185)
Exploration		(226)	(337)
Other income (expense)	8c	550	1,100
Finance costs		(26)	(22)
Income (loss) before income tax		(846)	2,295
Income tax recovery (expense)	10	609	(420)
Net income (loss)		(237)	1,875
Other comprehensive income (loss)			
Foreign currency translation differences		(1,993)	(2,095)
Total other comprehensive income (loss)		(1,993)	(2,095)
Total comprehensive income (loss)		(2,230)	(220)
Income (loss) per share			
Basic		\$ (0.00)	\$ 0.03
Diluted		\$ (0.00)	\$ 0.03
Weighted average number of shares			
Basic		54,935,424	54,987,779
Diluted		54,944,780	55,057,502

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2015 and 2014

(unaudited) (in thousands of U.S. dollars)

	Share capital \$	Contributed surplus \$	Accumulated other com- prehensive income (loss) \$	Deficit \$	Total equity \$
Balance - January 1, 2014	77,434	10,676	(1,955)	(26,504)	59,651
Net income (loss) for the period	-	-	-	1,875	1,875
Total other comprehensive income (loss)	-	-	(2,095)	-	(2,095)
Total comprehensive income (loss)	-	-	(2,095)	1,875	(220)
Employee share options:					
Value of services recognized	2	151	-	-	153
Proceeds on issuing shares	3	-	-	-	3
Repurchased shares under normal course issuer bid	(9)	-	-	-	(9)
Balance - March 31, 2014	77,430	10,827	(4,050)	(24,629)	59,578
Balance - January 1, 2015	77,323	11,504	(6,745)	(45,796)	36,286
Net income (loss) for the period	-	-	-	(237)	(237)
Total other comprehensive income (loss)	-	-	(1,993)	-	(1,993)
Total comprehensive income (loss)	-	-	(1,993)	(237)	(2,230)
Employee share options:					
Value of services recognized	-	43	-	-	43
Deferred and Restricted share units					
Value of units recognized	29	32	-	-	61
Balance - March 31, 2015	77,352	11,579	(8,738)	(46,033)	34,160

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Cash Flow

For the three months ended March 31, 2015 and 2014

(in thousands of U.S. dollars)

	March 31, 2015 \$	March 31, 2014 \$
Cash flow provided by (used in)		
Operating activities		
Net loss for the period	(237)	1,875
Adjustments for:		
Depletion and amortization	897	1,063
Deferred income tax	(417)	(8)
Share-based compensation	128	267
Post-employment benefits	41	20
Rehabilitation provision - accretion	18	22
Unrealized loss (gain) on marketable securities	-	(255)
Unrealized loss (gain) on foreign intercompany loans	-	(848)
Operating cash flows before changes in working capital	430	2,136
Changes in items of working capital:		
Trade receivables	(79)	(432)
Income taxes receivable	(108)	325
Inventories	395	745
Other current assets	(211)	(265)
Trade payables	(1,147)	(184)
Net cash provided by (used in) operating activities	(720)	2,325
Investing activities		
Purchase of property, plant and equipment	(392)	(531)
Purchase of mineral rights	(11)	-
Net cash used in investing activities	(403)	(531)
Financing activities		
Proceeds on issuance of shares	-	3
Repurchased shares under normal course issuer bid	-	(9)
Net cash used in financing activities	-	(6)
Effect of exchange rate changes on cash and cash equivalents	(1,071)	(383)
Increase (decrease) in cash and cash equivalents	(2,194)	1,405
Cash and cash equivalents - Beginning of the period	3,467	2,591
Cash and cash equivalents - End of the period	1,273	3,996
Interest	-	-
Cash paid for income tax	161	469

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

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

1. GENERAL INFORMATION

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

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 AND GOING CONCERN

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") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

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, 2014.

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 4 of the Company's consolidated financial statements as at and for the year ended December 31, 2014.

All financial information presented in USD has been rounded to the nearest thousand unless otherwise stated.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 14, 2015.

b. Going Concern

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the three months ended March 31, 2015, the Company reported a net loss of \$237 and the Company's working capital has also declined during the period to \$5,132 as at March 31, 2015. The Company must secure sufficient funding to cover continued reductions on margins should silver price remain at current price levels in order to meet current liabilities and capital expenditure requirements at its operating mine in Mexico. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is pursuing financing alternatives to fund the Company's operations so it can continue as a going concern. Management plans to secure the necessary financing through a combination of equity and debt instrument arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. INVENTORIES

	March 31, 2015 \$	December 31, 2014 \$
Ore	194	165
Concentrate	32	275
Production spares	1,743	1,924
	<u>1,969</u>	<u>2,364</u>

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

4. PROPERTY, PLANT AND EQUIPMENT

	Mining properties \$	Mining equipment \$	Processing equipment \$	Assets under construction \$	Total \$
At January 1, 2014					
Cost	25,293	12,055	7,829	30	45,207
Accumulated amortization	(14,189)	(5,676)	(4,182)	-	(24,047)
	11,104	6,379	3,647	30	21,160
Year ended December 31, 2014					
Opening net book value	11,104	6,379	3,647	30	21,160
Additions	1,973	883	21	463	3,340
Reclassification	-	-	132	(132)	-
Amortization	(1,441)	(1,394)	(849)	-	(3,684)
Write-down	-	(153)	-	(8)	(161)
Exchange differences	(1,251)	(647)	(340)	(33)	(2,271)
Closing net book value	10,385	5,068	2,611	320	18,384
At December 31, 2014					
Cost	24,482	11,072	7,094	320	42,968
Accumulated amortization	(14,097)	(6,004)	(4,483)	-	(24,584)
	10,385	5,068	2,611	320	18,384
Period ended March 31, 2015					
Opening net book value	10,385	5,068	2,611	320	18,384
Additions	311	-	-	81	392
Amortization	(332)	(293)	(186)	-	(811)
Exchange differences	(347)	(141)	(72)	(12)	(572)
Closing net book value	10,017	4,634	2,353	389	17,393
At March 31, 2015					
Cost	23,662	10,719	6,890	389	41,660
Accumulated amortization	(13,645)	(6,085)	(4,537)	-	(24,267)
	10,017	4,634	2,353	389	17,393

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

5. MINERAL RIGHTS

	Platosa (Mexico) \$	Beschefer (Canada) \$	DeSantis (Canada) \$	Total \$
At January 1, 2014				
Cost	4,755	8,176	11,116	24,047
Accumulated amortization	(1,320)	-	-	(1,320)
	3,435	8,176	11,116	22,727
Year ended December 31, 2014				
Opening net book value	3,435	8,176	11,116	22,727
Amortization	(422)	-	-	(422)
Impairments (1)	-	(6,084)	(9,379)	(15,463)
Exchange differences	(53)	(369)	(445)	(867)
Closing net book value	2,960	1,723	1,292	5,975
At December 31, 2014				
Cost	4,534	1,723	1,292	7,549
Accumulated amortization	(1,574)	-	-	(1,574)
	2,960	1,723	1,292	5,975
Period ended March 31, 2015				
Opening net book value	2,960	1,723	1,292	5,975
Additions	11	-	-	11
Amortization	(86)	-	-	(86)
Exchange differences	(176)	(147)	(110)	(433)
Closing net book value	2,709	1,576	1,182	5,467
At March 31, 2015				
Cost	4,292	1,576	1,182	7,050
Accumulated amortization	(1,583)	-	-	(1,583)
	2,709	1,576	1,182	5,467

- (1) At September 30, 2014, the Company wrote down the value of its Beschefer and DeSantis exploration properties in Canada following a review of the Company's portfolio of mineral property assets. The impairment consideration was based on current valuations attributable to similar stage projects in similar jurisdictions, which valuations are related, in part, to current commodity prices, equity market conditions and the availability of exploration financing for such projects. The recoverable amounts of each property have been estimated to be less than its carrying value, resulting in an impairment of \$15,463 being recognized in 2014.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

6. PROVISIONS

	Post-retirement benefits (1) \$	Rehabilitation provision \$	DSU and RSU \$	Total \$
Year ended December 31, 2014				
Opening balance	323	1,276	184	1,783
Change in estimate	423	104	-	527
Accretion for the year	-	86	-	86
Reclassified to contributed surplus (2)	-	-	(161)	(161)
Exchange differences	(77)	(151)	(23)	(251)
Closing Balance	669	1,315	-	1,984
Period ended March 31, 2015				
Opening balance	669	1,315	-	1,984
Change in estimate	41	-	-	41
Accretion for the period	-	18	-	18
Exchange differences	(20)	(39)	-	(59)
Closing Balance	690	1,294	-	1,984

- (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 6.5% (December 31, 2014 – 6.5%) based on the yield curve from short and long term Mexican government bonds, annual salary and minimum wage increase rate of 3.6% (December 31, 2014 – 3.6%) and the life of mine of five years.

- (2) Prior to the amendment of the DSU and RSU Plans in April 2014, the expense related to DSUs and RSUs granted in 2013 was credited to liabilities since the payment method was in cash. Upon the adoption of the amended DSU and RSU Plans in 2014, the balance was reclassified from provisions to equity under contributed surplus since the payment in cash or common shares is at the option of the Company.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

7. SHARE CAPITAL

	Number of shares (000's)	\$
Year ended December 31, 2014		
Opening balance (1)	54,989	77,434
Shares issued on exercise of stock options	3	5
Shares purchased under normal course issuer bid	(88)	(116)
Balance at December 31, 2014	54,904	77,323
Period ended March 31, 2015		
Opening balance	54,904	77,323
Exercise of DSU shares	55	29
Balance at March 31, 2015	54,959	77,352

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. 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 with varying vesting conditions.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

Disclosure of share option program

The number and weighted average exercise prices of share options are as follows:

	Weighted Average Exercise Price (CAD)	Options
Outstanding at January 1, 2014	\$ 2.70	3,144,500
Granted	\$ 1.38	100,000
Exercised	\$ 1.14	(2,500)
Expired	\$ 2.81	(470,000)
Forfeited	\$ 1.87	(20,000)
Outstanding at December 31, 2014	\$ 2.65	2,752,000
Exercisable at December 31, 2014	\$ 2.88	2,216,160

Outstanding at January 1, 2015	2.65	2,752,000
Granted	\$ 0.87	25,000
Expired	\$ 1.14	(20,000)
Forfeited	\$ 1.14	(5,000)
Outstanding at March 31, 2015	\$ 2.62	2,752,000
Exercisable at March 31, 2015	\$ 2.84	2,372,825

As at March 31, 2015, the following stock options were outstanding and exercisable:

CAD	Stock Options Outstanding	Weighted Average Remaining Contractual Life (years)	Stock Options Exercisable	Weighted Average Exercise Price (CAD)
\$0.50 to \$0.99	25,000	4.82	8,333	\$ 0.87
\$1.14 to \$1.49	865,000	3.76	545,825	\$ 1.16
\$1.50 to \$1.99	130,000	3.17	86,667	\$ 1.73
\$2.00 to \$5.21	1,732,000	1.86	1,732,000	\$ 3.43
	2,752,000	2.55	2,372,825	\$ 2.84

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

Inputs for measurement of grant date fair values

The grant date fair value of the share option program was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share option program were the following:

	Three months ended		ee months ended	
	March 31, 2015		March 31, 2014	
Fair value at grant date	\$	0.52	\$	0.84
Share price at grant date	\$	0.87	\$	1.38
Exercise price	\$	0.87	\$	1.38
Risk free interest rate		1.21%		1.47%
Expected life of options in years		5.00		5.00
Expected volatility		73.66%		73.97%
Expected dividend yield		0.00%		0.00%
Estimated forfeiture rate		3.57%		4.09%

Share-based compensation expense

Compensation expense is recognized over the vesting period of the grant with the corresponding equity impact recorded in contributed surplus. Share-based compensation expense is comprised of the following costs:

	2015	2014
	\$	\$
	(CAD)	(CAD)
Share options granted in 2012	-	31
Share options granted in 2013	37	137
Share options granted in 2014	10	-
Share options granted in 2015	6	-
	53	168

DEFERRED SHARE UNITS ("DSU")

During 2013, the Company implemented a DSU plan for directors of the Corporation, which was subsequently amended and approved by the Company's shareholders on April 29, 2014. Pursuant to the new plan, DSUs can be paid in cash or in awards of common shares either from treasury or from market purchases based on the five-day volume weighted average price ("Market Price") of the Company's publicly traded common shares on settlement dates elected by a director between the retirement date and December 15th of the calendar year subsequent to the year of the director's retirement. All grants under the plan are fully vested upon credit to an eligible directors' account. The value of the cash payout is determined by multiplying the number of DSUs vested at the payout date by the Market Price of the Company's shares. The expense is recorded in the consolidated statement of loss and comprehensive loss in share based payments and credited to equity under contributed surplus since the payment in cash or common shares is at the option of the Company.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

Prior to the amendment of the DSU Plan in 2014, the expense related to DSUs granted was credited to provisions since the settlement method was in cash. Upon the adoption of the amended DSU Plan, the balance was reclassified from provisions to equity under contributed surplus.

During the three months ended March 31, 2015, the Company granted 135,383 DSUs (three months ended March 31, 2014 – 26,063 DSUs) with a market value of CAD\$172 (three months ended March 31, 2014 - CAD\$37) at the date of grant to non-executive directors as compensation in lieu of cash director fees. During the three months ended March 31, 2015, there were 55,124 DSUs settled for common shares (three months ended March 31, 2014 – nil). Total share based compensation expensed in the three months ended March 31, 2015 related to vested DSUs was CAD\$77 (three months ended March 31, 2014 – CAD\$92). As at March 31, 2015, the Company has 451,685 outstanding DSUs.

RESTRICTED SHARE UNITS (“RSU”)

During 2013, the Company implemented a RSU plan for officers and employees of the Corporation, which was subsequently amended and approved by the Company’s shareholders on April 29, 2014. The RSU Plan entitles officers or employees to either a cash payment or an award of common shares from treasury or from market purchases at the end of a term or performance period of up to three years following the date of the award. The value of the cash payout is determined by multiplying the number of RSUs vested at the payout date by the Market Price of the Company’s shares prior to a payout date with settlement in cash. The expense is recorded in the consolidated statement of loss and comprehensive loss in share based payments and credited to equity under contributed surplus since the payment in cash or common shares is at the option of the Company.

Prior to the amendment of the RSU Plan in 2014, the expense related to RSUs granted was credited to provisions since the payment method was in cash. Upon the adoption of the amended RSU Plan, the balance was reclassified from provisions to equity under contributed surplus.

During the three months ended March 31, 2015 the Company granted nil RSUs (three months ended March 31, 2014 – 15,000 RSUs with market value of CAD\$22 at the date of grant) to officers and employees. During the three months ended March 31, 2015, there were no RSU settlements (three months ended March 31, 2014 – nil). Total share based compensation expensed in the three months ended March 31, 2015 related to vested RSUs was CAD\$27 (three months ended March 31, 2014 – nil). As at March 31, 2015, the Company has 293,507 outstanding RSUs.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

8. EXPENSE BY NATURE

(a) Cost of sales comprises the following:

	March 31, 2015 \$	March 31, 2014 \$
Direct mining and milling costs (1)	4,362	5,879
Changes in inventories	198	925
Depletion, depreciation and amortization	847	993
Cost of sales	5,407	7,797

(1) Direct mining and milling costs 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.

(b) General and administrative expenses consist of the following:

	March 31, 2015 \$	March 31, 2014 \$
Office and overhead costs	296	448
Salaries and wages	318	400
Share based compensation	128	267
Depletion and amortization	50	70
General and administrative expenses	792	1,185

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

	March 31, 2015 \$	March 31, 2014 \$
Unrealized loss (gain) on marketable securities	-	(255)
Foreign exchange loss (gain)	(550)	(845)
Other expense (income)	(550)	(1,100)

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

9. RELATED PARTIES

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During the three months ended March 31, 2015, the Company incurred legal services of \$24 (three months ended March 31, 2014 – \$20) with an outstanding payable balance of \$40 at March 31, 2015 (March 31, 2014 – \$20).

10. 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 estimated average annual rate used for the year ended December 31, 2014 was 26.5% and the three months ended March 31, 2015 was 26.5%.

In 2013, the Mexican tax authority (Servicio de Administración Tributaria – "SAT") in the state of Zacatecas completed an income tax audit of the 2008 and 2009 years in respect of one of the Company's Mexican subsidiaries. As a result of this audit, on February 24, 2014 and March 13, 2014 the Company received notice of reassessments from SAT for 2009 and 2008 respectively, denying deductions in the amount of 115.2 million pesos (\$8,800) and 72.9 million pesos (\$5,600) respectively that relate primarily to foreign exchange losses. The combined impact of the 2009 and 2008 reassessments is a reduction in the available non-capital loss balance totaling 188.1 million pesos (\$14,400), which, consequently, would result in a reduction in the deferred tax asset balance of \$4,300 and a corresponding increase in deferred income tax expense. Management was of the view that there was a strong case to support the Company's position, particularly because the SAT has only made adjustments to foreign exchange losses but has not made offsetting adjustments to foreign exchange gains recognized in the same period. Accordingly, the Company appealed the 2008 and 2009 reassessments through the SAT's appeal procedures. Since management believed that it was more likely than not that the Company's position will be sustained, no amounts related to this issue had been recorded in the financial statements as of December 31, 2013.

In December 2014, the Company was notified by SAT that a favourable resolution had been issued, confirming the Company's tax treatment of the foreign exchange losses in its 2009 annual tax return. This resolution should also support the tax treatment that was previously denied in the 2008 tax return, for which the appeal remained outstanding at the end of the period. Accordingly, management believes, based on the tax advice from its tax advisors that it is more likely than not that the Company's position will be sustained and no amounts related to this issue has been recorded in the financial statements as of March 31, 2015.

11. SEGMENT REPORTING

	MEXICO		CANADA		TOTAL	
	Mar 31, 2015	Dec 31, 2014	Mar 31, 2015	Dec 31, 2014	Mar 31, 2015	Dec 31, 2014
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	17,393	18,384	-	-	17,393	18,384
Capital expenditures	(392)	(3,340)	-	-	(392)	(3,340)
Mineral rights	2,709	2,960	2,758	3,015	5,467	5,975
Total assets	35,992	38,655	4,546	5,156	40,538	43,811

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

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

	Mar 31, 2015 \$	Mar 31, 2014 \$
MEXICO		
Revenue	5,055	10,536
Cost of sales	(5,407)	(7,797)
Exploration	(208)	(223)
Other expenses	945	(214)
Net finance costs	(26)	(22)
Income tax	609	(420)
Net income (loss)	968	1,860
CANADA		
General and administrative expenses	(792)	(1,185)
Exploration	(18)	(114)
Other expenses	(395)	1,314
Net income (loss)	(1,205)	15
Net income (loss)	(237)	1,875

12. REVENUES

Under the terms of the Company's concentrate sales contracts, lead-silver and zinc-silver concentrates are sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when the revenue recognition criteria have been met, namely when title, and risks and rewards of ownership have transferred to the customer. Revenue is recorded net of treatment and refining charges. Final pricing of each delivery is not determined until one or two months post-delivery. The price recorded at the time of sale may differ from the actual final price received from the customer due to changes in market prices for metals. The price volatility is considered an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value at each reporting period until settlement occurs, with the changes in fair value recorded to revenues.

During the three months ended March 31, 2015, the Company recognized positive adjustment to revenues of \$71 primarily related to the reversal of the mark to market taken at the end of 2014 as receivables were ultimately settled at higher values in 2015 (three months ended March 31, 2014 – positive adjustment of \$888).

As at March 31, 2015, unsettled provisionally priced sales totalled \$1,618. A 10% increase or decrease in the price of silver will result in a corresponding increase or decrease in revenues of \$162 during the second quarter of 2015.