



Management's Discussion & Analysis of Financial Results For the three and nine month periods ended September 30, 2015 November 11, 2015

Excellon Resources Inc. (the "Company" or "Excellon") has prepared this Management's Discussion and Analysis of Financial Results ("MD&A") for the three and nine month periods ended September 30, 2015 in accordance with the requirements of National Instrument 51-102 ("NI 51-102").

This MD&A contains information as at November 11, 2015 and provides information on the operations for the three and nine month periods ended September 30, 2015 and 2014 and subsequent to the period end, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2015 and the audited consolidated financial statements and the related notes for the year ended December 31, 2014 filed on SEDAR. The audited consolidated financial statements for the year ended December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures in this MD&A are in U.S. dollars unless otherwise noted.

This MD&A also makes reference to Production Cost per Tonne, Cash Cost per Silver Ounce Payable and All-in Sustaining Cost per Silver Ounce Payable ("AISC"), all of which are Non-IFRS Measures. Please refer to the sections of this MD&A entitled "Production Cost per Tonne", "Total Cash Cost per Silver Ounce Payable" and "All-in Sustaining Cost per Silver Ounce Payable" for an explanation of these measures and reconciliation to the Company's reported financial results.



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COMPANY PROFILE

Excellon is a primary silver mining and exploration company listed on the Toronto Stock Exchange trading under the symbol EXN. The Company's current activities are exploring, developing and mining the high-grade silver-lead-zinc mineralization on its 20,947-hectare Platosa Property ("Platosa") located in northeastern Durango State, Mexico. The style of mineralization at Platosa resembles that of several 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 a silver-lead concentrate and a silver-zinc concentrate. Both concentrates are shipped to the port of Manzanillo where they are purchased by Trafigura Mexico, S.A. de C.V., a subsidiary within the Trafigura group of companies ("Trafigura").

THIRD QUARTER HIGHLIGHTS

(in 000's except ounces, amounts per share and per ounce)	Q3 2015	Q3 2014	9-Mos 2015	9-Mos 2014
Revenues ⁽¹⁾	\$ 4,599	\$ 7,205	\$ 13,690	\$ 26,533
Earnings/(loss) from mining operations	\$ 136	\$ (142)	\$ (1,008)	\$ 4,727
Net loss	\$ (1,305)	\$ (17,870)	\$ (3,363)	\$ (16,706)
Adjusted net loss ⁽²⁾	\$ (1,305)	\$ (2,407)	\$ (3,363)	\$ (1,243)
Loss per share - basic	\$ (0.02)	\$ (0.33)	\$ (0.06)	\$ (0.30)
Adjusted loss per share - basic	\$ (0.02)	\$ (0.04)	\$ (0.06)	\$ (0.02)
Silver ounces produced	241,872	216,379	641,660	956,586
Silver ounces payable	217,138	213,972	585,140	891,315
Silver equivalent ounces produced	419,583	455,150	1,169,654	1,681,745
Silver equivalent ounces payable ⁽³⁾	372,485	449,060	1,056,748	1,559,532
Production cost per tonne ⁽⁴⁾	\$ 242	\$ 455	\$ 280	\$ 358
Total cash cost per silver ounce payable	\$ 11.58	\$ 15.52	\$ 14.01	\$ 11.66
All-in sustaining cost per silver ounce payable	\$ 15.76	\$ 25.77	\$ 19.94	\$ 18.33
Average realized silver price per ounce sold ⁽⁵⁾	\$ 14.80	\$ 19.00	\$ 15.45	\$ 19.66

(1) Revenues are net of treatment and refining charges. A reconciliation of revenues can be found in the section "Financial Results of Operations" of this MD&A.

(2) Adjusted net income for Q3 2014 reflects results before \$15.5 million impairment charge on exploration properties in Canada.



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- (3) Silver equivalent ounces established using average metal prices during the period indicated applied to the recovered metal content of the concentrates.
- (4) Production cost per tonne includes mining and milling costs excluding depletion and amortization.
- (5) Average realized silver price is calculated on current period sale deliveries and does not include prior period provisional adjustments in the period.

MINE OPERATION AND PRODUCTION

Ore production during the third quarter was primarily from the 6A, Guadalupe South and periphery of the 623 mantos, with development focused on the 6A, 623, Guadalupe South and access to the Rodilla mantos. Tonnages mined and milled of 13,711 tonnes and 15,393 tonnes in Q3 2015 reflect a 9% decrease and 9% increase, respectively, compared to Q3 2014. During the period, water management at Platosa was effective at controlling inflows, though continues to limit productivity and development in the operation. The Company has developed an optimization program to comprehensively manage water at Platosa in the future through an enhanced pumping system, as further discussed under "Platosa Optimization Project", below, the implementation of which is in its early stages.

Grades during the quarter improved and were in line with estimates for the Platosa mineral resources mined during the period and the Company's current mine plans. Silver grades of 547 g/t in Q3 2015 were comparable to the 550 g/t mined in Q3 2014. Lead grades of 4.75% decreased by 32% compared to Q3 2014, and zinc grades of 7.66% decreased by 27% over the same period.

Both silver and lead recoveries improved from the previous quarter, returning to normal levels in Q3 as higher grade ore was processed. Silver recoveries of 90.9% in Q3 2015 were comparable to 91.6% recoveries in Q3 2014. Lead recoveries of 79.9% in Q3 2015 were also comparable to lead of recoveries of 80.1% in Q3 2014. Zinc recoveries of 81.7% in Q3 2015 decreased by 3% compared to the same period last year.

Silver production of 241,872 ounces in Q3 2015 represents a 12% increase compared to Q3 2014, primarily due to increased tonnes milled as grades and recoveries were similar. Lead and zinc production were lower by 26% and 21%, respectively, relative to Q3 2014, a result of lower grades. Overall the Company produced 419,583 silver equivalent ounces in Q3 2015 compared to 455,150 silver equivalent ounces in Q3 2014.

On July 16, 2015, Excellon filed a National Instrument 43-101 technical report (the "Technical Report"), which summarizes an independent preliminary economic assessment ("PEA") in respect of an optimization project (the "Optimization Project") on the Platosa Mine in Durango, Mexico. The report also includes an updated Mineral Resource estimate for the mine as discussed under "Exploration," below. The Platosa Technical Report and PEA were prepared by Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. The Optimization Project outlines a comprehensive dewatering solution for the Platosa Mine, as further discussed under "Platosa Optimization Project" below.



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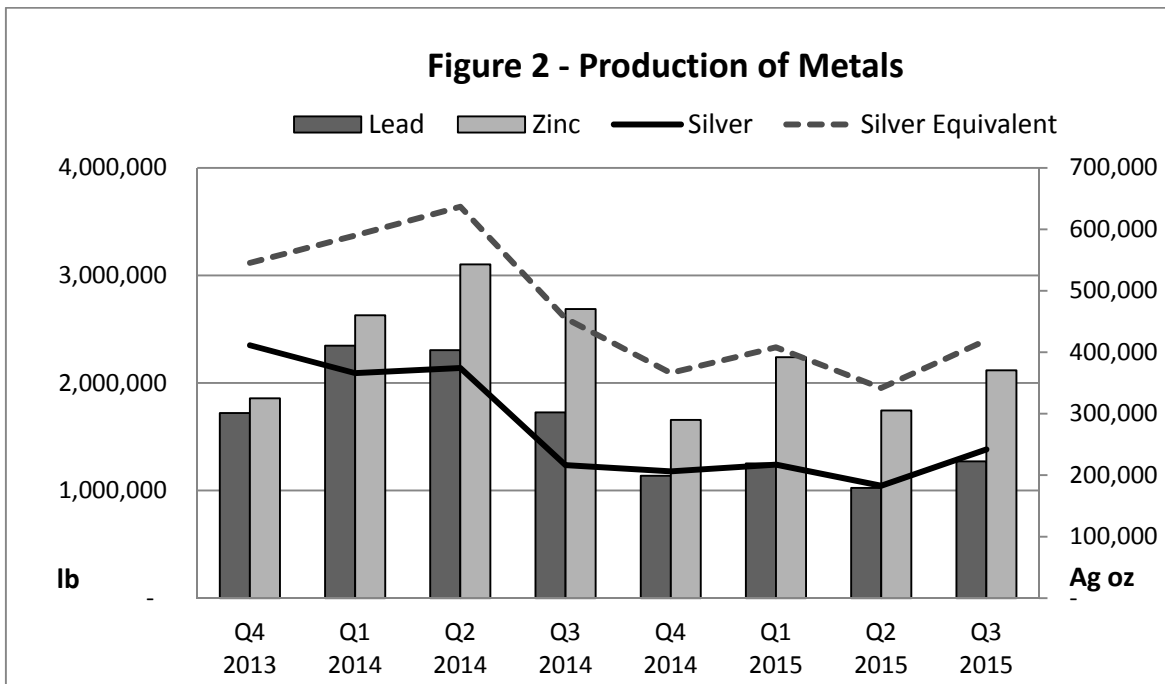
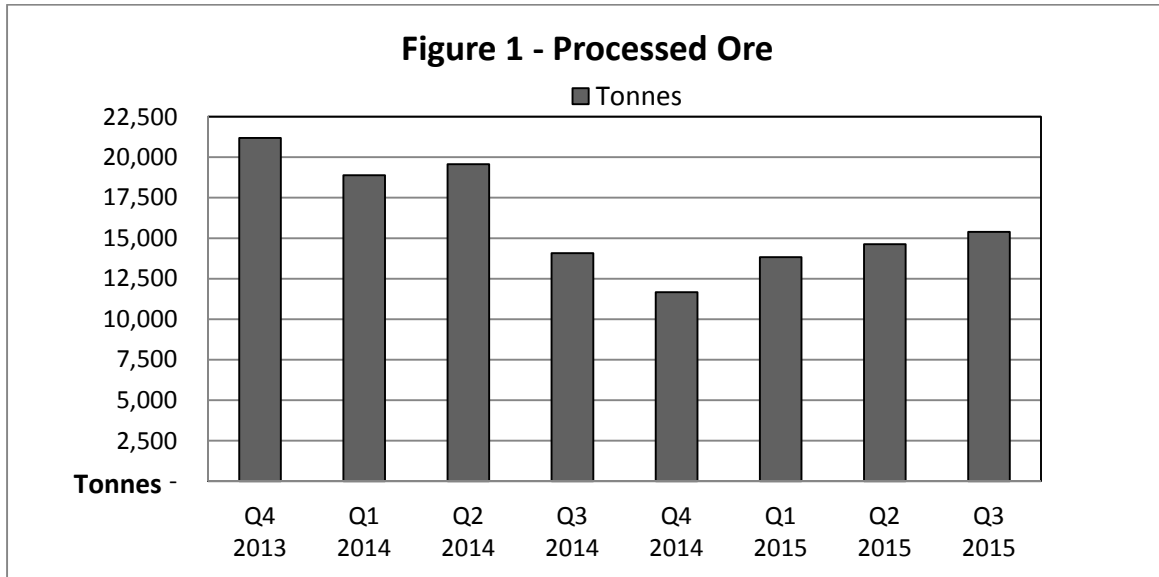
Platosa Mine production statistics for the periods indicated were as follows:

	Q3 2015 ⁽¹⁾	Q3 2014 ⁽¹⁾	9-Mos 2015 ⁽¹⁾	9-Mos 2014 ⁽¹⁾
Tonnes of ore produced	13,711	15,022	41,339	53,376
Tonnes of ore processed	15,393	14,078	43,850	52,535
Ore grades:				
Silver (g/t)	547	550	516	591
Lead (%)	4.75	7.03	4.83	6.70
Zinc (%)	7.66	10.46	7.76	9.03
Recoveries:				
Silver (%)	90.9	91.6	89.0	92.2
Lead (%)	79.9	80.1	77.1	83.3
Zinc (%)	81.7	83.8	81.8	82.3
Production:				
Silver – (oz)	241,872	216,379	641,660	956,586
Silver equivalent (oz) ⁽²⁾	419,583	455,150	1,169,654	1,681,745
Lead – (lb)	1,271,847	1,727,143	3,549,455	6,378,867
Zinc – (lb)	2,117,874	2,686,918	6,101,866	8,418,840
Payable : ⁽³⁾				
Silver – (oz)	217,138	213,972	585,140	891,315
Silver equivalent (oz) ⁽²⁾	372,485	449,060	1,056,748	1,559,532
Lead – (lb)	1,206,366	1,797,505	3,432,209	6,247,093
Zinc – (lb)	1,759,871	2,555,009	5,213,110	7,380,359
Realized prices: ⁽⁴⁾				
Silver – (\$US/oz)	14.80	19.00	15.45	19.66
Lead – (\$US/lb)	0.76	0.98	0.80	0.97
Zinc – (\$US/lb)	0.79	1.06	0.87	0.99

- (1) Period deliveries remain subject to assay and price adjustments on final settlement with concentrate purchaser. Data has been adjusted to reflect final assay and price adjustments for prior period deliveries settled during the period.
- (2) Silver equivalent ounces established using average metal prices during the period indicated applied to the recovered metal content of the concentrates.
- (3) Payable metal is based on the metals shipped and sold during the period and may differ from production due to these reasons.
- (4) Average realized silver price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

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The previous eight quarters of production at Platosa are summarized below:



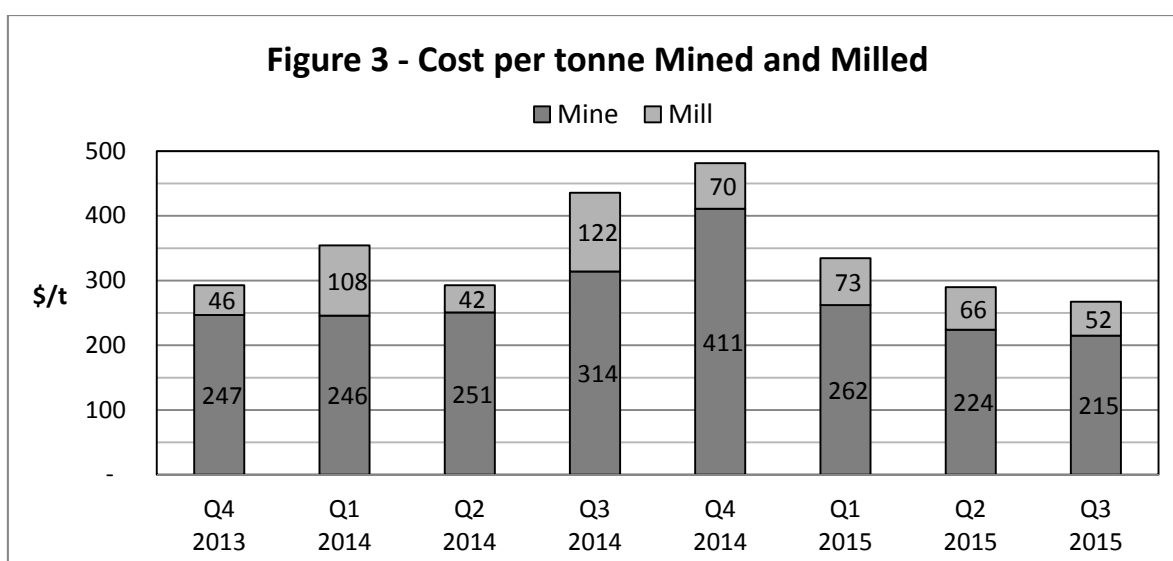
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PRODUCTION COST PER TONNE

Management of the Company believes that the Company's ability to control production cost per tonne produced is one of its key performance indicators in managing and evaluating operating performance. The Company believes this measure provides investors and analysts with useful information about its underlying cost of operations and how management controls those costs. To facilitate a better understanding of this measure as calculated by the Company, a reconciliation between production cost per tonne milled and the Company's cost of sales as reported in the Company's financial statements is provided below.

	Q3 2015	Q3 2014	9-Mos 2015	9-Mos 2014
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cost of Sales	4,463	7,347	14,698	21,806
Depletion and amortization	(743)	(942)	(2,405)	(2,982)
Production Costs	3,720	6,405	12,293	18,824
Tonnes milled	15,393	14,078	43,850	52,535
Production cost per tonne milled (\$/tonne)	242	455	280	358

Production costs decreased to \$3.7 million during the period from \$6.4 million in Q3 2014 primarily due to improved maintenance practices and costs for pumps and mobile equipment in 2015, despite similar tonnes mined and milled. These improvements resulted in significantly lower production cost per tonne of \$242/t in Q3 2015 compared with \$455/t in Q3 2014, reflecting a 47% cost improvement. Production cost per tonne has improved since early 2015 when management implemented various long term cost savings measures at both mining and milling operations, resulting in an approximate 40% operating cost reduction in 2015. Approximately 20% of these cost savings relate to beneficial movements in exchange rate for the Mexican peso, while the other 80% derive from management's efforts in evaluating and managing costs. Additional cost saving initiatives are currently being implemented for the remainder of the year and expected to continue into 2016.





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TOTAL CASH COST PER SILVER OUNCE PAYABLE

Cost of sales improved by 38% from \$7.3 million in Q3 2014 to \$4.5 million in Q3 2015 and was slightly offset by lower by-product credits. Overall, total cash cost net of by-product credits decreased by 24% to \$2.5 million in Q3 2015 compared to \$3.3 million in Q3 2014. During Q3 2015, the Company delivered 217,138 silver ounces payable compared to 213,972 silver ounces payable in Q3 2014. Total cash cost per silver ounce payable of \$11.58 for Q3 2015 improved by 25% compared to \$15.52 for Q3 2014. Overall, despite lower by-product credits, lower production cost in 2015 has facilitated the Company's produced at current commodity prices. The Company expects total cash costs net of by-product revenues to vary from period to period as planned production and development access different areas of the mine with different ore grades and characteristics. The calculation of total cash cost per silver ounce payable reflects the cost of production adjusted for by-product and various non-cash costs included in cost of sales. Changes in inventory have not been adjusted from cost of sales, as these costs are associated with the payable silver ounces sold in the period.

Reconciliation of total cash cost per silver ounce payable, net of by-product credits:

	Q3 2015	Q3 2014	9-Mos 2015	9-Mos 2014
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cost of sales	4,463	7,347	14,698	21,806
Adjustments - increase/(decrease):				
Depletion and amortization	(743)	(942)	(2,405)	(2,982)
Third party smelting and refining charges ⁽¹⁾	1,247	1,573	3,556	5,121
Royalties ⁽²⁾	(23)	(22)	(67)	(69)
By-product credits ⁽³⁾	(2,430)	(4,635)	(7,583)	(13,484)
Total cash cost net of by-product credits	2,514	3,321	8,199	10,392
Silver ounces payable	217,138	213,972	585,140	891,315
Total cash cost per silver ounce payable (\$/oz)	11.58	15.52	14.01	11.66

(1) Treatment and refining charges recorded in net revenues.

(2) Advance royalty payments on the Miguel Auza property unrelated to production from Platosa.

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

Total cash 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 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. 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. Management believes that total cash cost per silver ounce payable is a key performance indicator of the Company's operational efficiency as it accounts for each payable ounce produced. This measure is increasingly widely used in the mining industry and is intended to provide investors with information about the cash generating capabilities of the Company's operations.



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ALL-IN SUSTAINING COST PER SILVER OUNCE PAYABLE

Excellon has adopted the "all-in sustaining cost" measure ("AISC") to provide further transparency on the costs associated with producing silver and to assist stakeholders of the Company in assessing operating performance, ability to generate free cash flow from current operations and overall value. The AISC measure is a non-GAAP measure based on guidance announced by the World Gold Council in June 2013.

AISC per silver ounce is intended to provide additional information only and does not have any standardized definition under IFRS and may not be comparable to similar measures presented by other mining companies. The AISC measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

Excellon defines AISC per silver ounce as the sum of total cash costs (including treatment charges and net of by-product credits), capital expenditures that are sustaining in nature, corporate general and administrative costs (including non-cash share-based compensation), capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs (non-cash), all divided by the total payable silver ounces sold during the period to arrive at a per ounce figure.

Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Costs excluded from AISC are non-sustaining capital expenditures and exploration costs (as described above), financing costs, tax expense, and any items that are deducted for the purposes of adjusted earnings.

The Company's AISC per silver ounce payable was \$15.76 during Q3 2015 compared to \$25.77 in Q3 2014, the result of lowered total cash costs, significant reductions in general and administration cost and capital expenditures. Quarter-over-quarter, AISC improved from \$20.69 in Q1 2015 and \$24.53 in Q2 2015. Total sustaining costs of \$0.9 million in Q3 2015 is 59% less than Q3 2014 as low silver prices continue to require considerable cost reductions in general administration and the deferral of sustaining capital expenditures to future periods. Considering the Platosa mine's AISC and current metal prices, additional financing may be required in the future to increase mine development and to drill for additional mineable resources.



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The table below presents details of the AISC per silver ounce payable calculation.

	Q3 2015		Q3 2014		9-Mos 2015		9-Mos 2014	
	\$ 000's	\$/oz	\$ 000's	\$/oz	\$ 000's	\$/oz	\$ 000's	\$/oz
Total cash costs net of by-product revenue	2,514	11.58	3,321	15.52	8,199	14.01	10,392	11.66
General and administrative costs (cash)	515	2.37	827	3.86	1,677	2.87	2,539	2.85
Share based payments (non-cash)	118	0.54	126	0.59	510	0.87	595	0.67
Accretion and amortization of reclamation costs (non-cash)	34	0.16	45	0.21	108	0.18	147	0.16
Sustaining exploration (manto resource exploration/drilling)	108	0.50	147	0.69	380	0.65	704	0.79
Sustaining capital expenditures ⁽¹⁾	134	0.61	1,048	4.90	793	1.36	1,960	2.20
Sustaining costs	909	4.18	2,193	10.25	3,468	5.93	5,945	6.67
All-in sustaining costs ⁽²⁾	3,423	15.76	5,514	25.77	11,667	19.94	16,337	18.33
Silver ounces payable		217,138		213,972		585,140		891,315
Realized silver price per ounce sold ⁽³⁾		14.80		19.00		15.45		19.66

(1) Capital expenditure includes sustaining capital expenditures and capitalized development costs.

(2) Excluding non-cash items, AISC per payable silver ounce was \$15.06 (Q3 2015), \$18.89 (9-Mos 2015), \$24.97 (Q3 2014) and \$17.50 (9-Mos 2014).

(3) Average realized silver price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

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PLATOSA OPTIMIZATION PLAN

The Platosa deposit comprises several massive sulphide mantos hosted in permeable limestone, and has been mined by Excellon since 2005. In 2007, as mine workings extended below the local water table, the Company began an intensive program of reactive grouting and pumping to control and prevent water inflows. This program has been effective in managing inflows, but has been time, labour and cost intensive, which has historically limited production to less than 200 tonnes per day.

In late 2014, the Company engaged Hydro-Ressources Inc. and Technosub Inc. of Quebec, Canada to investigate alternative water management solutions through which mine operations could achieve consistent, increased production rates and lower costs. In April 2015, the Company released the results of a hydrogeological study prepared by Hydro-Ressources and Technosub (the "Optimization Plan"), which confirmed that dry mining conditions are achievable at Platosa and which proposes to replace the current grouting and pumping process with a more efficient and permanent dewatering system. The Optimization Plan was further revised and announced in November 2015, with the primary revision being a decrease in the initial capital required to implement the program.

Description of the Optimization Plan

The Optimization Plan, as revised, aims to maintain and increase a localized "cone of depression" of the water table below mine workings. Historical data and field observations have already identified that pumping began creating a localized drawdown as pumping operations exceeded ~9,000 gpm at Platosa in 2009. The drawdown trend subsequently increased with increased rates of pumping. Data indicates drawdown rates of ~0.35 metres/month at ~9,000 gpm, 0.75 metres/month at 10,000 gpm and 1.8 metres/month at 18,000 gpm.

The water table is relatively flat throughout the mine site area, indicating a highly permeable local rock formation, particularly near the ore body. Water levels in nearby monitoring wells are over 30 metres higher than at the mine, and over 50 metres higher in private wells located further away from Platosa. Therefore, drawdown trends indicate that lateral influx into the mine area is limited by lower permeability (i.e. fewer water-bearing faults) in the surrounding area and indicative of the restricted recharge rate of water into the mine area. Conservatively, the drawdown rate should increase to 3.8 metres per month when the Optimization Project is fully implemented, in due course allowing access to, and production from, dry mineralization more rapidly.

Current pumping operations are primarily conducted directly from the mining face, resulting in increased pumping costs and wear-and-tear on pumping and piping equipment, decreased pump efficiency and regular movement of pumps as mining faces advance. Following implementation of the optimization project, pumping will be conducted directly from strategically drilled drain wells targeting high flow zones approximately 100 metres below mine workings, thus allowing high efficiency pumps to pump clean water directly from faults below the mine.

Each drain well will be equipped with a high efficiency submersible pump to increase flow and maintain consistent pumping in advance of development. Booster pumps will be used to efficiently transit water out of the mine via existing Robbins raises. The Company has already drilled six drain holes underground, which demonstrate impressive yield via gravity flow and will serve as the initial drain wells.

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The following summarizes key economic metrics disclosed in the Technical Report in respect of the Optimization Plan. These metrics do not necessarily reflect the impact of the revisions to the Optimization Plan announced in November 2015, but are indicative of the beneficial impact of the program:

Optimization Plan Base case of \$17/oz silver, \$0.90/lb lead, \$1.00/lb zinc		
IRR	<ul style="list-style-type: none"> 118% after-tax IRR with a 1.9 year payback on invested capital 	
NPV	<ul style="list-style-type: none"> \$39 million after-tax NPV^{7.5%} 	
M+I Resources	<ul style="list-style-type: none"> 428,000 tonnes @ 760 g/t Ag, 8.28% Pb and 9.88% Zn, totaling 10.5 million oz Ag, 78 million lb Pb and 93 million lb Zn 	
Mine Life	<ul style="list-style-type: none"> 6 years (2015-2020) 	
Invested Capital	<ul style="list-style-type: none"> \$9.9 million (prior to revisions) 	
	LOM (2015-2020)	Peak Production (2016-2019)
Net After-Tax Cash Flow	<ul style="list-style-type: none"> \$54.4 million 	<ul style="list-style-type: none"> \$58.4 million
Average Annual Metal Production Recovered	<ul style="list-style-type: none"> 1.6 million ounces silver 10.4 million pounds lead 11.8 million pounds zinc 	<ul style="list-style-type: none"> 1.9 million ounces silver 12.2 million pounds lead 14.3 million pounds zinc
Production Costs	<ul style="list-style-type: none"> \$7.58 total cash cost per payable silver ounce \$12.37 AISC per payable silver ounce 	<ul style="list-style-type: none"> \$6.02 total cash cost per payable silver ounce \$9.00 AISC per payable silver ounce

Preliminary Economic Assessment of the Optimization Project

After-Tax NPV					
	-20%	-10%	Base Case	+10%	+20%
Ag (oz)	\$13.60	\$15.30	\$17.00	\$18.70	\$20.40
Pb (lb)	\$0.72	\$0.81	\$0.90	\$0.99	\$1.08
Zn (lb)	\$0.80	\$0.90	\$1.00	\$1.10	\$1.20
NPV^{7.5%} ('000s)	\$(662)	\$19,405	\$39,472	\$59,539	\$79,607
IRR (%)	6%	56%	118%	221%	466%
Payback⁽¹⁾ (years)	3.0	2.3	1.9	1.5	1.25

(1) Payback on operating cash flow including capital expenditure assuming April 1, 2015 commencement of optimization project and investment.

The PEA calculates a Base Case after-tax NPV of \$39 million, with an after-tax IRR of 118% using a discount rate of 7.5%. The initial capital cost of the Optimization Project was estimated to total \$9.9 million (see below for

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subsequent revisions). The payback period for the base case is estimated at 1.9 years following commencement of the Optimization Project and investment, which was calculated from April 1, 2015 and assumed commencement of surface well drilling early in the third quarter of 2015. For further discussion regarding the period of capital investment and the period in which the Optimization Project will reach full impact, refer to "Timeframe for Implementation," below.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, there is no certainty that the results of this PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Thus, there is no certainty that the results of this PEA will be realized.

Baseline Production Metrics

		LOM		Peak Production	
		(2015-2020)	(annual avg.)	(2016-2019)	(annual avg.)
Tonnes Ore⁽¹⁾	t ('000s)	505	84	384	96
Ore/day	tpd	256	256	274	274
Head Grades⁽¹⁾					
Ag	g/t	638	638	681	681
Pb	%	6.8%	6.8%	7.0%	7.0%
Zn	%	8.1%	8.1%	8.6%	8.6%
Recoveries					
Ag	%	90%	90%	91%	91%
Pb	%	82%	82%	82%	82%
Zn	%	77%	77%	79%	79%
Metals Produced					
Ag	oz ('000s)	9,316	1,553	7,608	1,902
Pb	lb ('000s)	62,424	10,404	48,644	12,161
Zn	lb ('000s)	71,017	11,836	57,144	14,286
Pb Conc.	t	47,237	7,873	36,802	9,200
Zn Conc.	t	63,498	10,583	51,093	12,773

(1) Tonnes of mineable ore and estimated head grades are derived from the application of a 95% mineability factor and 20% dilution to Platosa's mineral resources.

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Payable Metal Cash Cost Summary

	LOM (2015-2020)			Peak Production (2016-2019)		
Ag oz payable ('000s)	8,492			6,932		
Tonnes produced	504,504			383,541		
	\$ M	\$/t	\$/oz	\$ M	\$/t	\$/oz
Mining	101.6	201.4	11.97	72.3	188.5	10.43
Processing	31.1	61.6	3.66	23.4	61.0	3.37
<i>Operating Cash Cost before by-product credits & royalties</i>	132.7	263.0	15.63	95.7	249.5	13.80
By-product credits ⁽¹⁾	(68.9)	(136.5)	(8.11)	(54.3)	(141.5)	(7.83)
Royalties ⁽²⁾	0.5	1.1	0.06	0.3	0.9	0.05
Total cash cost	64.3	127.6	7.58	41.7	108.9	6.02
Corporate G&A	15.9	31.5	1.87	10.7	27.9	1.54
Accretion and amortization of reclamation costs	0.4	0.9	0.05	0.3	0.8	0.04
Sustaining Exploration	5.0	9.8	0.58	3.3	8.5	0.47
Sustaining Capital Expenditure ⁽³⁾	19.8	39.2	2.33	6.4	16.8	0.93
Total sustaining costs	41.1	81.4	4.83	20.7	54.0	2.99
All-in sustaining costs	105.4	209.0	12.37	62.4	162.9	9.00

(1) Net of TC/RC charges.

(2) Advance royalties payable in respect of the Company's Miguel Auza property. Mexican mining tax royalties are included in operating cash costs.

(3) Sustaining capital expenditures include initial \$9.9 million capital investment on optimization project.

During the peak production period of 2016 to 2019 as outlined in PEA, average annual production is estimated to total approximately 96,000 tonnes containing 1.7 million payable silver ounces. Sustaining exploration and sustaining capital expenditures reflect expenditures required in respect of currently defined mineral resources, and expenditures in these areas may be increased to define and access mineralization that may be discovered in the future.

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Sensitivity to Metal Prices and Discount Rate

After-Tax NPV ^{7.5%} ('000s)					
Metal Prices			Discount rate		
Ag (oz)	Pb (lb)	Zn (lb)	5%	7.5%	10%
\$13.60	\$0.72	\$0.80	360	(662)	(1,544)
\$15.30	\$0.81	\$0.90	22,097	19,405	17,036
\$17.00	\$0.90	\$1.00	43,835	39,472	36,617
\$18.70	\$0.99	\$1.10	65,572	59,539	54,197
\$20.40	\$1.08	\$1.20	87,310	79,607	72,778

Cost and Timeframe for Implementation

The revision to the Optimization Plan announced in November 2015 primarily reduced the estimated capital costs of implementing the program from the previously estimated \$9.9 million to \$6 million, as set out and in the timeframes described as follows:

A summary of capital expenditures required to implement the Optimization Project is as follow:

Description	Month	Cost
Phase I – purchase and installation of high efficiency sump and booster pumps; drilling pilot wells	0-3	\$1.42 M
Phase II – drilling of primary wells, purchase and installation of booster pumps	3-6	\$1.54 M
Phase III – purchase and installation of submersible pumps in drain wells and additional booster pumps	6-10	\$2.31 M
Technical studies and installation (casing, screen, etc.)	-	\$0.29 M
Contingency	-	\$0.44 M
	Total:	\$6.00 M

Expenditures on the Optimization Plan will be phased over the period of implementation as set out above. The installation of the system is expected to take approximately ten months, though the benefits of the increasing drawdown rate will begin to be realized during implementation. As mine workings are currently up to 25 metres below the local water table, a period will be required to lower water levels below existing mine-workings and ongoing development.

The optimization project will be implemented independently of ongoing day-to-day operations, which will continue as usual during the implementation period. The Company expects to realize the full impact of the optimization program in mid-2016.

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Continued Optimization of Platosa Operations

The goal of the Optimization Project is to increase production rates and lower costs. The PEA is based on historical rates of dry versus wet mine production and development, with the identified advantages of dry mining including:

- increased development rates;
- increased production volume;
- elimination of grouting activities;
- increased machine hour availability and reduced maintenance costs; and
- reduced pumping costs in the longer term.

Platosa has no significant capacity constraints on increasing production beyond current rates, with spare mill, ramp, personnel and equipment capacity of 50% or more.

The Optimization Project will also allow mining of any new mineral resources discovered and delineated relatively near the current deposit. Additionally, the project is modular, in that additional wells may be constructed in the future to influence the cone of depression towards mineralization delineated further from the current deposit.

Update on Key Assumptions Optimization of Platosa Operations

Since the release of the PEA in July 2015, certain key assumptions and cost inputs varied due to revisions to the plan, including the capital expenditures revisions described above, and external factors such as economic factors and commodity prices, each of which factors may positively or negatively impact the results of the PEA study. Key change in assumptions, excluding change in commodity prices, are reflected below:

Description	PEA as at July 2015	Current
Capital Expenditure	\$9.9M	\$6.0M
Energy cost per KWH	\$0.13	\$0.07
Foreign exchange rate		
CDN/USD	1.25	1.30
PESO/USD	14.50	16.50

Of particular note is the significant reduction in energy costs at the Company's operations in Mexico, which are largely a result of lower oil prices (which have resulted in reduced electricity tariffs) and the depreciation of the Mexican peso. With approximately 25% of the Company's operating costs in 2014 being electricity and 85% of all operating costs in Mexican pesos, the improvements in these inputs are significantly beneficial to the Company's ongoing operation and future operations following implementation of the Optimization Plan.

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EXPLORATION

Platosa Property

The initial mining concessions and private lands comprising the property were acquired by the Company in 1996. Late in Q2 2015 and following a thorough review of the property's exploration potential a decision was made to reduce its size in the face of constantly-increasing and onerous government holding costs. This Platosa property now covers 20,947 ha and more than adequately covers and protects the area Company geologists believe has the potential to host new CRD deposits. The La Platosa Mine exploits a series of typical, though very high-grade, massive sulphide, distal CRD silver, lead, zinc manto deposits located strategically in the middle of the prolific Mexican CRD Belt. Diamond drilling results in 2013 and 2014 continued 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 exploration and 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 60-600 g/t silver, 2-12% lead, 2-18% zinc, up to 2% copper and 6 g/t gold; and
- **Deposit morphology** – Individual CRD bodies 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 as the carbonate gangue material reduces the likelihood of acid mine drainage.

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 intrusive contact deposits.

In July 2015, the Company filed the NI 43-101 compliant PEA Technical Report, which included an updated mineral resource estimate as at December 31, 2014 for the La Platosa Mine. There was no drilling carried out in the resource area after preparation of the previous estimate as at December 31, 2013 therefore the new estimate is essentially a measure of mining depletion during calendar 2014. The decrease of 56,000 t in the Measured and Indicated Resources is mostly attributed to mining. Production for 2014 was 64,171 t thus indicating that some production came from outside the resource model, a not unusual situation in CRD deposits where given the often erratic shape of the bodies accurately determining the outside boundaries is difficult. A summary of the current estimate is shown in the table below and the technical report supporting the PEA and current estimate can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

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Platosa Project – Mineral Resource Estimate (as at December 31, 2014)

Category	Tonnes (t)	Ag (g/t)	Pb (%)	Zn (%)	AgEq (g/t)	Contained Ag (oz)	Contained Pb (lb)	Contained Zn (lb)	Contained AgEq (oz)
Measured	28,000	781	7.85	11.52	1,305	711,000	4,896,000	7,188,000	1,187,000
Indicated	400,000	758	8.31	9.77	1,248	9,747,000	73,214,000	86,098,000	16,046,000
M + I	428,000	760	8.28	9.88	1,252	10,457,000	78,110,000	93,286,000	17,233,000
Inferred	4,000	2,027	14.65	2.20	2,492	260,000	1,288,000	193,000	320,000

1. CIM definitions were followed for the classification of Mineral Resources.
2. Mineral Resources are estimated at an incremental NSR cut-off value of US\$146 per tonne.
3. NSR metal price assumptions: Ag US\$17.00/oz, Pb US\$0.90/lb, Zn US\$1.00/lb.
4. Metal recovery assumptions for NSR cut-off value purposes: 89% Ag, 76% Pb, 81% Zn.
5. The silver equivalent (AgEq) is estimated from metallurgical recoveries, metal price assumptions, and smelter terms, which include payable factors, treatment charges, penalties, and refining charges.
6. The estimate is of Mineral Resources only and, because these do not constitute Mineral Reserves, they do not have any demonstrated economic viability.
7. Mineral Resource estimate prepared by David Ross, P.Geol., of Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at December 31, 2014.
8. Totals may not add or multiply accurately due to rounding.

In Q3 2015, exploration activity at Platosa remained at a low level as part of the Company's cash-conservation program. In general, recent exploration at Platosa has focused on two target types and this focus is being maintained as Company geologists plan future programs on the property, a large portion of which remains underexplored.

The first target is located in an irregularly-shaped area extending roughly 1.5 km from the La Platosa Mine. In this area the objectives are 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 generated by detailed study of the Company's previous drilling results and various geotechnical surveys. This follows on the success in adding mineralization to the 6A Manto in 2010 and 2012 and the discovery of the Pierna Manto during 2010. Additional massive sulphide mineralization was encountered in early-2013 drilling and some of this mineralization is included in the current Mineral Resource estimate;
- Outside of the immediate manto area drilling has been limited and where it has been carried out the favourable heterolithic fragmental limestone unit, which hosts all the high-grade massive sulphide mineralization discovered to date at Platosa, has been intersected consistently. There is ample room to find new mantos or a cluster of mantos in a large semi-circular area extending north, northeast, east and southeast of the known mantos.

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 a number of drill holes completed since 2008 in particular in the Rincon del Caido ("Rincon") area approximately 1.0 km NW of the Guadalupe Manto. A concentrated drilling program at Rincon between early 2012 and April 2013 resulted in 13 holes

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intersecting significant Source-style skarn Ag, Pb, Zn sulphide mineralization hosted by marble beneath the contact with a relatively impermeable hornfels unit. The mineralization is also anomalous in Au, a new and positive development at Platosa. In addition to being of potential economic importance Au can serve as a vectoring tool for future drilling. The Company believes that the sulphide-rich skarn mineralization at Rincon may be traceable to a large-tonnage proximal CRD deposit that has been the ultimate object of the Company's exploration program since it acquired the Platosa property; and

- Continue to evaluate geophysical technologies that may complement those which have already demonstrated success as targeting tools. Natural Source and Controlled Source Audio Magnetotelluric ("NSAMT" and "CSAMT," or generally "MT") ground geophysical surveys and airborne electromagnetic ("AEM") surveys carried out at various times during the exploration history of the property have demonstrated such success and it was while testing NSAMT-interpreted structures in 2005 and 2006 that the Guadalupe and Guadalupe South mantos were discovered. During a re-examination of a 2007 AEM survey a subtle anomaly was noted in the Rincon area and was one of the reasons drilling was resumed there in 2012. More recently the Company tested the applicability of seismic methods to the search for both manto and Source mineralization. In recent years seismic surveying, traditionally associated with petroleum exploration, has been tested successfully by several mining companies over and near known hard-rock mineral deposits and new targets have been generated on various mineral exploration projects. In 2014 the Company carried out a 2D seismic reflection survey along a 2.1 km test-line laid out to pass over the high-grade Pierna and NE-1 mantos, neither of which has been mined to date. Several strong, sub-vertical structures were outlined as were the contacts between the various carbonate, hornfels and marble units. Although the survey did not detect the known mantos structure plays a very important role in the emplacement of both proximal and distal CRD mineralization and having more precise knowledge of the structural environment underlying the property would likely aid exploration. As such consideration is being given to the future use of 3D seismic surveying as a structural mapping tool in conjunction with other geophysical data as the Company continues the exploration program on largely underexplored portions of the property.

Exploration drilling at Platosa remains temporarily halted due to the continued low price of silver, however, planning for additional drilling continues. Significant potential remains for further new manto discoveries as the deposit area is open to the north, northeast, east and southeast of the known mantos and once drilling resumes additional holes will be drilled in the NE-1 Manto and 6A Manto areas. Holes have also been planned for previously inaccessible areas northeast of but close to NE-1. The planning exercise includes revisiting all the geophysical data gathered for the property, particularly since 2007, with a view to highlighting anomalies and anomalous areas that combined with the Company's drilling-based geological database may be more important than once thought. This review has already had an impact and to date geophysical information from the 2007 Aeroquest AEM survey, the 2008 gravity survey and 2010 Geotech ZTEM AEM survey have been integral to the generation of several new drill targets. With regard to exploration for a large-tonnage proximal deposit the emphasis will again be on the Rincon del Caido area. Geological data indicate that the Rincon skarn mineralization area lies on the edge of a much larger system and the 3D model completed in early 2014 has generated vectors and a starting point for future drilling as the Company works to shorten the time line to discovery. The consistent presence of anomalous gold is another important characteristic of the Rincon mineralization and it is reasonable to assume that the gold content will increase as drilling approaches the heart of the system. Increased gold would have an important positive impact on the economics of a proximal CRD deposit in the Rincon area. The following table documents several of the significant intersections cut to date at Rincon corridor northwest of the La Platosa Mine:

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

* All intervals are core widths. Further geologic information is required in order to estimate true thicknesses.

Results of the Platosa exploration programs can be viewed on the Company's website or under the Company's profile on SEDAR at www.sedar.com.

Miguel Auza Property

The Company's 14,000 ha Miguel Auza property 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 been 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 Colonial times 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 in 2009 and 2010 and while certain areas were highlighted as meriting further early-stage exploration work, a decision was made to concentrate the Company's 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.

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 40 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

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companies where he directed major exploration programs, managed field offices, and evaluated projects in Canada, Europe, Africa and Latin America.

COMMODITY PRICES AND MARKET CONDITIONS

The silver price continued to average less than \$15/oz during Q3 2015 compared to nearly \$20/oz in Q3 2014 and less than \$17 in Q2 2015. Average lead prices continued to decrease from \$0.83/lb in June to \$0.76 in September for an average price of \$0.78/lb in Q3 2015, a 21% decrease from the same period of last year. Average zinc price also decrease from \$0.94/lb in June to \$0.78 in September for an average price of \$0.84/lb in Q3 2015, a 21% decrease from the same period of last year. While low silver prices continue to impact the Company's revenues and operating profits, lead and zinc accounted in the aggregate for 42% (Q3 2014 – 47%) of the Company's cash inflows from metals sold during the period.

Average Commodity Prices	Q3 2015	Q3 2014	Change	9-Mos 2015	9-Mos 2014	Change
Silver (\$/oz) ⁽¹⁾	14.91	19.74	-24%	16.01	19.95	-20%
Lead (\$/lb) ⁽²⁾	0.78	0.99	-21%	0.83	0.96	-14%
Zinc (\$/lb) ⁽²⁾	0.84	1.05	-20%	0.93	0.97	-4%

Historical Average Prices		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Silver (\$/oz) ⁽¹⁾	2015	17.10	16.84	16.22	16.32	16.80	16.10	15.07	14.94	14.72			
	2014	19.91	20.83	20.74	19.71	19.36	19.78	20.92	19.80	18.49	17.19	15.97	16.24
	2013	31.11	30.33	28.80	25.20	23.01	21.11	19.71	21.84	22.56	21.92	20.76	19.61
Lead (\$/lb) ⁽²⁾	2015	0.84	0.82	0.81	0.96	0.90	0.83	0.80	0.77	0.76			
	2014	0.97	0.96	0.93	0.95	0.95	0.95	0.99	1.01	0.96	0.92	0.92	0.88
	2013	1.06	1.08	0.99	0.92	0.92	0.95	0.93	0.99	0.95	0.96	0.95	0.97
Zinc (\$/lb) ⁽²⁾	2015	0.96	0.96	0.92	1.00	1.04	0.94	0.91	0.82	0.78			
	2014	0.92	0.92	0.91	0.92	0.93	0.96	1.05	1.06	1.04	1.03	1.02	0.99
	2013	0.92	0.97	0.88	0.84	0.83	0.83	0.83	0.86	0.84	0.85	0.85	0.90

(1) Source: Kitco

(2) Source: LME



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FINANCIAL RESULTS OF OPERATIONS

Financial statement highlights for the three and nine month periods ended September 30, 2015 and 2014 as follows (in thousands of US dollars):

	Q3 2015 \$	Q3 2014 \$	9-Mos 2015 \$	9-Mos 2014 \$
Revenues	4,599	7,205	13,690	26,533
Production costs	(3,720)	(6,405)	(12,293)	(18,824)
Depletion and amortization	(743)	(942)	(2,405)	(2,982)
Cost of sales	(4,463)	(7,347)	(14,698)	(21,806)
Earnings/(loss) from mining operations	136	(142)	(1,008)	4,727
Expenses:				
General and administration	(679)	(1,013)	(2,333)	(3,340)
Exploration	(148)	(1,282)	(562)	(1,800)
Other – including finance cost	(627)	49	(843)	224
Impairment of mineral rights	-	(15,463)	-	(15,463)
Income tax recovery (expense)	13	(19)	1,383	(1,054)
Net loss for the period	(1,305)	(17,870)	(3,363)	(16,706)
Adjusted net loss for the period ⁽¹⁾	(1,305)	(2,407)	(3,363)	(1,243)

(1) Adjusted net income reflects results before \$15.5 million impairment charge on exploration properties in Canada recorded in Q3 2014.

The Company recorded a net loss of \$1.3 million in Q3 2015 compared to an adjusted net loss of \$2.4 million in Q3 2014. During Q3 2015, the Company generated lower net revenues of \$4.6 million compared to \$7.2 million of Q3 2014 primarily due to lower silver, lead and zinc prices with lower byproduct production also impacting revenues to a certain extent. During the period, water management at Platosa was effective at controlling inflows, though continues to limit productivity and development in the operation.

REVENUES: Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting sales in the period in which the sale is settled (i.e., finalization adjustment). The finalization adjustment recorded for these sales depends on the actual price when the sale settles, which occurs either one or two months after shipment under the terms of the current concentrate purchase agreements.

As the silver price continued to be relatively stable in Q3 2015, revenues were not significantly impacted by any marked-to-market adjustment on provisionally priced sales that had not been settled at the end of Q2 2015.

During the 9-Mos 2014, marked-to-market adjustments on provisionally priced sales at the end of 2013 positively impacted revenues by \$0.9 million as provisional priced sales settled at higher prices in 2014.

Revenues recognized in the comparable periods are reconciled below (in thousands of US dollars):



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	Q3 2015			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	3,390	988	1,505	5,883
Prior period provisional adjustments ⁽²⁾	26	18	(81)	(37)
Sales before TC/RC ⁽³⁾	3,416	1,006	1,424	5,846
Less: TC/RC ⁽³⁾				(1,247)
Total Sales				4,599

	9-Mos 2015			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	9,502	2,883	4,726	17,111
Prior period provisional adjustments ⁽²⁾	161	(20)	(6)	135
Sales before TC/RC ⁽³⁾	9,663	2,863	4,720	17,246
Less: TC/RC ⁽³⁾				(3,556)
Total Sales				13,690

	Q3 2014			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	4,262	1,781	2,716	8,759
Prior period provisional adjustments ⁽²⁾	(119)	70	68	19
Sales before TC/RC ⁽³⁾	4,143	1,851	2,784	8,778
Less: TC/RC ⁽³⁾				(1,573)
Total Sales				7,205

	9-Mos 2014			
	Silver \$	Lead \$	Zinc \$	Total \$
Current period sales ⁽¹⁾	17,299	6,074	7,388	30,761
Prior period provisional adjustments ⁽²⁾	872	27	(6)	893
Sales before TC/RC ⁽³⁾	18,171	6,101	7,382	31,654
Less: TC/RC ⁽³⁾				(5,121)
Total Sales				26,533

(1) Includes provisional price adjustments on current period sales.

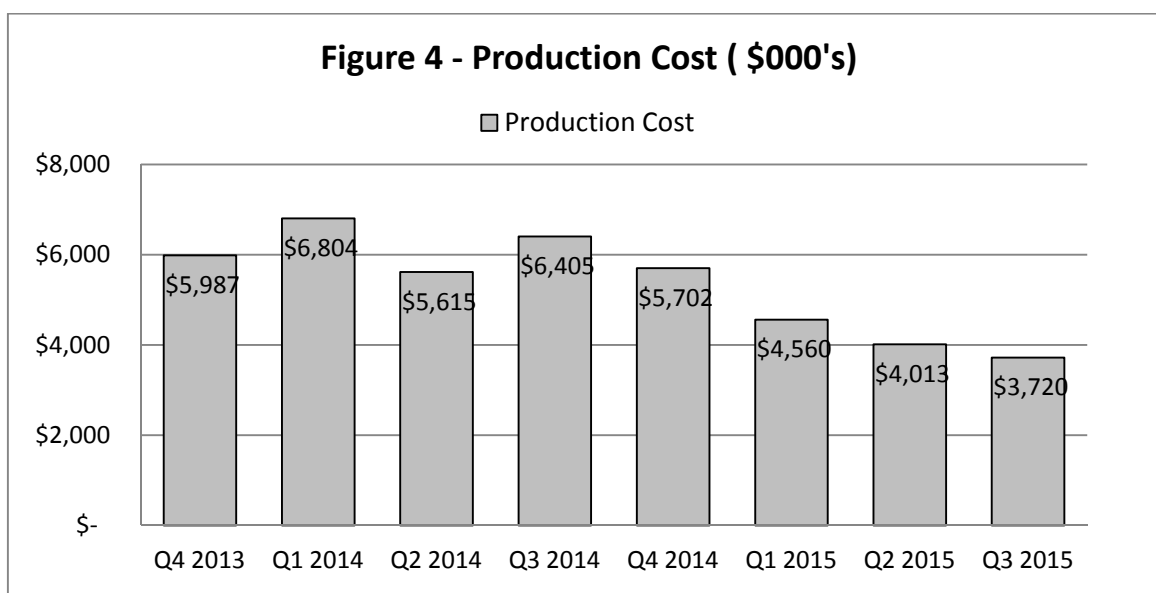
(2) Prior period sales that settled at amounts different from prior quarter's estimate or were unsettled and marked to market at provisional amounts at period end.

(3) TC/RC (Treatment Charges/Refining Charges).

COST OF SALES: The Company continued to realize significant cost reductions at its mining operations. Cost of sales which includes depletion and amortization decreased by \$2.9 million to \$4.5 million in Q3 2015 compared to \$7.3 million the same period of 2014 representing a 39% improvement. On a year-to-date basis, cost of sales decreased by \$7.1 million to \$14.7 million compared to \$21.8 million in Q3 2014, representing a 33% decrease, though significantly resulting from lower mined and processed tonnes. Significant portion of the cost improvement are the cash cost of production as \$2.7 million of the \$2.9 million cost of sales improvement were cash production cost for Q3 2015. This is important to the long term cost of the mine as quarter-over-quarter production cost has declined on a total cost basis which is driven by lower unit cost of production. This is why

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we see a lower cost per tonne when comparing period of similar tonne production. As the mining activity advance to lower depths of the mine, maintaining a cost discipline is important in order to maintain cost from rising over future production periods. One of the major cost improvements was in maintenance which continued to decrease in Q2 and Q3 2015 as a result of improved maintenance programs for the pumps and mobile equipment which were implemented in Q1 2015. The chart in Figure 4 below reflects the production costs for the last eight quarters despite lower tonnes production in 2015 indicating that per unit costs drivers have been significantly reduced. Overall unit costs continue to improve, despite lower production, and should be reflected in total cash costs when normal operational run rates are achieved.



CASH GENERAL AND ADMINISTRATIVE EXPENSES: Cash general and administrative expenses were reduced by 38% to \$0.5 million in Q3 2015 relative to \$0.8 million in Q3 2014, reflecting continued cost discipline at the corporate head office in Toronto during both periods. Cash G&A was comparable to \$0.5 million in the prior quarter, continuing to represent the lowest G&A expenditures since commencement of Platosa operations in 2005.

EXPLORATION: Exploration cost of \$0.1 million during Q3 2015 was limited to desktop studies on previously completed drilling and surveying results compared to \$1.3 million in Q3 2014 when the Company carried out a seismic reflection survey at its Platosa Property in Mexico and drilled nine diamond drill holes totalling 4,328 metres. Exploration in both Mexico and Canada was limited during the quarter to conserve funds in the current silver price environment.

OTHER EXPENSES: Other expenses include unrealized and realized foreign exchange gains and losses of the Company. The Company recorded a foreign exchange loss of \$0.7 million in Q3 2015 compared to a foreign exchange gain of \$0.5 million in Q3 2014 net against a \$0.4 million loss on marketable securities.



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SUMMARY OF QUARTER 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	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue	\$ 4,599	\$ 4,036	\$ 5,055	\$ 4,234
Income (loss) before income taxes	\$ (1,318)	\$ (2,582)	\$ (846)	\$ (4,630)
Net income (loss)	\$ (1,305)	\$ (1,821)	\$ (237)	\$ (2,586)
Earnings (loss) per share – basic	\$ (0.02)	\$ (0.03)	\$ (0.00)	\$ (0.05)
– diluted	\$ (0.02)	\$ (0.03)	\$ (0.00)	\$ (0.05)
Cash flow from (used in) operations before changes in working capital	\$ 382	\$ (1,187)	\$ 430	\$ (1,528)

Quarter ended	Q3 2014 ⁽¹⁾	Q2 2014	Q1 2014	Q4 2013
Revenue	\$ 7,205	\$ 8,792	\$ 10,536	\$ 7,445
Income (loss) before income taxes	\$ (2,388)	\$ (96)	\$ 2,295	\$ (950)
Net income (loss)	\$ (17,870)	\$ (711)	\$ 1,875	\$ (2,407)
Earnings (loss) per share – basic	\$ (0.33)	\$ (0.01)	\$ 0.03	\$ (0.04)
– diluted	\$ (0.32)	\$ (0.01)	\$ 0.03	\$ (0.04)
Cash flow from (used in) operations before changes in working capital	\$ (1,077)	\$ 1,620	\$ 2,136	\$ 790

(1) Net income includes recognition of impairment charges of \$15.5 million on exploration properties in Canada.

Quarterly revenue fluctuations are a function of metal prices and the volume of ore mined as well as ore grades. The Company currently expenses all exploration costs, which creates volatility in earnings from period to period based on actual versus planned exploration expenditures.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015 the Company's cash and cash equivalents totaled \$1.3 million (December 31, 2014 – \$3.5 million) and working capital totaled \$2.9 million (December 31, 2014 – \$6.2 million). As at September 30, 2015, the Company's trade receivables were \$1.6 million (December 31, 2014 – \$1.8 million).

During Q3 2015, net cash from operations before changes in working capital was \$0.4 million (Q3 2014 - \$1.1 million used in operations) and \$1.5 million after changes in working capital (Q3 2014 – \$0.8 million from operations).

The Company invested \$0.1 million in capital expenditures for mine development in Q3 2015 compared to \$1.1 million in Q3 2014. The Company is preparing the mine for the implementation of the Optimization Project in Q4 2014. Mine development continues to be a priority for the remainder of 2015 as the Company prepares to access higher grade mantos at lower mining depths. A continuous review of capital expenditure programs ensures the Company's capital resources are utilized in a responsible and sustainable manner to conserve cash during periods of low commodity prices.



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The primary source of funds available to the Company has historically been cash flow generated by the Platosa Mine. In today's commodity price environment, being able to produce at reduced cost and generate positive cash flows required the Company to finance the implementation of the Optimization Project.

On November 2, 2015 the Company announced that it had arranged a fully subscribed financing of CAD\$6,000 through the private placement of CAD\$5,100 principal amount of secured convertible debentures of the Company (the "Debentures") and the sale of a net smelter return royalty (the "NSR") on the Platosa Project for CAD\$900 (collectively, the "Financing"). The proceeds from the Financing will be used to implement the Optimization Plan at the Platosa Mine and for general corporate purposes.

The Debentures have a term of four years and are convertible into common shares ("Common Shares") of the Company prior to maturity at a conversion price of CAD\$0.50 per Common Share. The Debentures shall bear interest at an annual rate of 3.75%, payable in cash semi-annually. Interest on the Debentures may alternatively be paid in Common Shares of the Company at the Company's option based on (i) the 10-day volume-weighted average price ("VWAP") of the Common Shares prior to the payment date and (ii) an effective rate of interest of 5% for the applicable period.

On or after the second anniversary of the date of issue and prior to maturity, the Company may accelerate the conversion of the Debentures as follows: (i) 50% of the principal amount, provided that the 20-day VWAP of the Common Shares is CAD\$1.10; and (ii) the remaining 50% principal amount provided that the 20-day VWAP of the Common Shares is CAD\$1.40.

The purchasers of the Debentures shall also be entitled to 1,999,200 Common Share purchase warrants ("Warrants"). Each Warrant shall be exercisable at a price of CAD\$0.50 for a period of four years from the date of issuance.

On the second anniversary of the closing of the Financing (the "Put Date"), Debenture holders shall have the option to request repayment in cash of the outstanding principal amount of the Debentures plus accrued interest by providing the Company with two months prior written notice and a one month period for repayment following the Put Date.

The NSR shall apply to the Platosa Project and bears a rate of either (a) 1.25% in respect of manto or mineralization other than skarn mineralization or (b) 0.50% in respect of skarn or "Source" mineralization.

In connection with the Financing, the Company has agreed to grant 480,000 broker warrants (the "Broker Warrants") entitling the holder to purchase one Common Share at an exercise price of CAD\$0.50 per Common Share for a period of three years from the closing of the Financing. The Common Shares underlying the Debentures, Warrants and Broker Warrants shall be subject to a four-month hold period following closing of the Financing in accordance with applicable securities legislation.

The Financing is subject to final documentation and is expected to close on or about November 16, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

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



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RELATED PARTY TRANSACTIONS

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During the three month period ended September 30, 2015, the Company incurred legal services of \$14,000 (three months ended September 30, 2014 - \$6,000). During the nine month period ended September 30, 2015, the Company incurred legal services of \$47,000 (nine month period ended September 30, 2014 – \$38,000) with an outstanding payable balance of \$55,000 at September 30, 2015 (September 30, 2014 – \$7,000).

ADDITIONAL DISCLOSURE REGARDING CORPORATE GOVERNANCE PRACTICES

The following provides information on the Corporation's gender diversity practices in accordance with requirements under National Instrument 58-101 *Disclosure of Corporate Governance Practices* on policies regarding the representation of women on the board and in executive officer positions.

In 2015, the Corporation adopted a diversity policy representing its commitment to increased diversity, including the identification and nomination of women to the Board of Directors. The objective of the diversity policy is to ensure that diversity criteria such as gender, age, ethnicity and geographic residence, along with other key considerations relevant to an individual's skill and ability to provide valuable oversight of the Corporation's affairs.

The Corporation has not adopted a target regarding the representation of women on the Board and in executive officer positions as the Board considers highly-qualified candidates and considers diversity to include any dimension that can be used to differentiate groups and people from one another, including the respect for and appreciation of differences in gender, age, ethnic origin, religion, education, sexual orientation, political belief and disability. Gender diversity is only one element of the diversity criteria that the Board considers important.

The Company has not adopted a specific policy with respect to the representation of women in the director identification and selection process as, in light of current equity and commodity markets, current market capitalization, competition in the industry for qualified executives and directors and the current number of executive officers (3), non-executive employees in Canada (5) independent directors (6), gender targets for executive or board positions are not appropriate at this time.

The Company currently has no women (0%) on the Board of seven directors and no women executives (0%) among its three executive officers. Historically the Company has had strong representation from both women on the Board and in executive positions. The Corporation otherwise has strong female representation throughout, with 50% of head office in Toronto, 24% of staff at the Platosa Mine and 25% of staff at the Miguel Auza Mill.

The Board will annually review the diversity policy to assess the Corporation's progress on diversity at the Board level and in executive officer positions. This review will enable the Board to assess the effectiveness of the diversity policy on an ongoing basis, with progress to be reported in the annual information circular.



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COMMON SHARE DATA (as at Nov 11, 2015)

Common shares outstanding	54,958,121
Stock options granted	3,308,667
DSUs granted	1,021,826
RSUs granted	718,507
Total common shares (fully diluted)	<u>60,007,121</u>

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. The current or future operations of Excellon including ongoing commercial production are or will be governed by and subject to federal, state and municipal laws and regulations regarding mineral taxation, mineral royalties and other governmental charges. Any change to the mineral taxation and royalty regimes in the jurisdictions in which Excellon operates or plans to operate could have an adverse financial impact on the Company's current and planned operations and the overall financial results of the Company, the extent of which cannot be predicted. Further factors affecting the Company are described in the Annual Information Form filed on SEDAR (www.sedar.com).

During Q3 2012, the Company sued the Ejido La Sierrita (the "Ejido") to terminate a surface rights agreement ("SRA") in respect of the surface rights to 1,100 hectares of exploration ground west and northwest of the La Platosa Mine and for various damages relating to an illegal blockade of the mine during Q3 and part of Q4 2012. The Ejido also sued for termination of the SRA, one week after being advised of Excellon's suit.

Since filing of the suits, the Agrarian Court has held a series of hearings between the Company and the Ejido. During these hearings, the Company demonstrated its willingness to negotiate a purchase or lease from the Ejido of 10 of the 1,100 hectares on which certain non-essential and movable infrastructure is located. This offer was made to avoid the time, cost and inconvenience of moving this infrastructure. To date, the Ejido has refused to negotiate in respect of these hectares and the Company will take such other legal measures as necessary to further its claims against the Ejido for damages.

The Company's decision to sue for rescission of the SRA was driven by a need to limit the risk exposure of the SRA on La Platosa production capabilities. This decision was subsequently validated and solidified by current capital markets conditions and has become an element of Excellon's business strategy. Excellon also intends to continue its suit against the Ejido for damages relating to the illegal blockade of the mine in 2012.

Excellon holds approximately 21,000 hectares of mineral and mining rights at La Platosa. These rights entitle the Company to explore for and mine minerals at La Platosa and in an extensive surrounding area. Excellon also owns all surface rights needed to produce silver from the La Platosa Mine and conduct further surface and underground exploration for further high-grade manto mineralization and the Source of the La Platosa mantos.



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The Company's operations in Mexico are subject to Mexican federal and State laws and regulations. In 2013, the Mexican Congress approved a tax reform package, which came into effect on January 1, 2014. The tax reform includes, among other things, the introduction of a 7.5% mining royalty on profits derived from the sale of minerals and the introduction of an extraordinary mining royalty of 0.5% on the gross income derived from the sale of precious metals. In addition, a new 10% withholding tax on dividend distributions to non-residents (subject to income tax treaty provisions) will be imposed at the distributing company level. The tax reform applies on a prospective basis and therefore could have a material impact on the Company's future earnings and cash flows, and possibly on future capital investment decisions.

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 (\$6.8 million) and 72.9 million pesos (\$4.3 million), 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 (\$11.1 million), which, consequently, would result in a reduction in the deferred tax asset balance of \$3.3 million and a corresponding increase in deferred income tax expense. Management believed that the Company's position on these deductions was strong, particularly as the SAT made adjustments to foreign exchange losses, but did not make offsetting adjustments to foreign exchange gains recognized in the same periods. Accordingly, the Company appealed the 2008 and 2009 reassessments through the SAT's appeal procedures.

In December 2014, the Company was notified by the 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. In October 2015, the Company was notified by the SAT that a further favourable resolution had been issued, confirming the Company's tax treatment of the foreign exchange losses in its 2008 annual tax return. The Company expects to receive formal tax reassessments notices from the SAT reflecting these favourable resolutions for both 2009 and 2008. 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 have been recorded in the financial statements as of at September 30, 2015 and December 31, 2014.

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. The Company's internal control framework was designed based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO", 2013).

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. There were no changes in ICFR during the quarter ended September 30, 2015.



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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, dated July 9, 2015, 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 referenced 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



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studies other than a Preliminary Economic Assessment ("PEA"). United States investors are cautioned not to assume that all or any part of Measured or 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 a Measured or 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.