



Excellon Resources Inc.

Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021
in thousands of U.S. dollars
(unaudited)

Excellon Resources Inc.

Condensed Consolidated Statements of Financial Position

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

		June 30	December 31
		2022	2021
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,865	4,071
Marketable securities and warrants		44	454
Trade receivables		131	326
VAT recoverable		2,797	3,439
Inventories	3	1,182	2,087
Other current assets		2,390	1,866
		9,409	12,243
Non-current assets			
Property, plant and equipment	4	4,681	9,044
Mineral rights	5	20,006	20,273
Total assets		34,096	41,560
Liabilities			
Current liabilities			
Trade and other payables		5,395	8,143
VAT payable		1,588	1,839
Lease liabilities		179	212
Provision for litigation	9	22,194	22,162
Provisions	6	2,120	1,795
		31,476	34,151
Non-current liabilities			
Convertible debentures	7	10,394	9,238
Provisions	6	1,932	1,813
Deferred tax liabilities		629	612
Lease liabilities		142	233
Total liabilities		44,573	46,047
Shareholders' deficit			
Share capital	8	139,767	138,961
Contributed surplus		34,702	34,568
Accumulated other comprehensive loss		(16,344)	(15,851)
Deficit		(168,602)	(162,165)
Total shareholders' deficit		(10,477)	(4,487)
Total liabilities and shareholders' deficit		34,096	41,560

Basis of presentation and going concern (Note 2)

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

Approved by the Board

Director

"André Fortier"

Director

"Jeff Swinoga"

Excellon Resources Inc.

Condensed Consolidated Statements of Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021

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

	Notes	Three months ended		Six months ended	
		June 30 2022	June 30 2021	June 30 2022	June 30 2021
		\$	\$	\$	\$
Revenue	10	7,781	9,717	16,278	19,498
Production costs		(5,789)	(5,814)	(11,424)	(11,967)
Write-down of materials and supplies		(532)	-	(532)	-
Depletion and amortization		(2,939)	(1,773)	(5,217)	(3,563)
Cost of sales	11.a	(9,260)	(7,587)	(17,173)	(15,530)
Gross (loss) profit		(1,479)	2,130	(895)	3,968
Administrative expenses	11.b	(999)	(1,151)	(2,023)	(2,595)
Share-based payment expenses	8	(72)	(362)	(260)	(1,127)
Amortization		(120)	(127)	(218)	(261)
General and administrative expenses		(1,191)	(1,640)	(2,501)	(3,983)
Exploration and holding expenses	12	(839)	(1,800)	(1,955)	(2,873)
Other income (expenses)	11.c	45	(188)	1,037	(837)
Finance expenses	13	(1,186)	(1,025)	(2,101)	(1,750)
Loss before income taxes		(4,650)	(2,523)	(6,415)	(5,475)
Income tax (expense) recovery		(90)	(22)	(22)	8
Net loss		(4,740)	(2,545)	(6,437)	(5,467)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translation differences		243	1,156	(493)	182
Total other comprehensive income (loss)		243	1,156	(493)	182
Total comprehensive loss		(4,497)	(1,389)	(6,930)	(5,285)
Loss per share					
Basic and diluted		\$ (0.14)	\$ (0.08)	\$ (0.19)	\$ (0.17)
Weighted average number of shares					
Basic and diluted		33,795,117	32,400,248	33,794,693	32,385,771

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

Excellon Resources Inc.

Condensed Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2022 and 2021

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

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash flow (used in) generated by				
Operating activities				
Net loss for the period	(4,740)	(2,545)	(6,437)	(5,467)
Adjustments for non-cash items:				
Depletion and amortization	3,059	1,900	5,435	3,824
Income tax expense (recovery)	90	22	22	(8)
Share-based payment expenses	72	362	260	1,127
Write-down of materials and supplies	532	-	532	-
Interest and accretion expense	1,241	1,029	2,312	1,768
Unrealized loss on currency hedges	-	-	-	21
Gain on disposal of property, plant and equipment	(116)	-	(116)	-
Fair value loss on marketable securities and purchase warrants	37	262	97	805
Taxes paid	(216)	(71)	(233)	(169)
Operating cash flows before changes in working capital	(41)	959	1,872	1,901
Changes in non-cash working capital				
Trade receivables	350	(538)	185	(10)
VAT recoverable	242	535	701	1,127
Inventories	211	(55)	433	(652)
Other assets	(759)	(952)	(477)	(1,122)
Trade and other payables	(137)	2,469	(1,996)	556
VAT payable	60	(948)	(298)	(1,155)
Net cash (used in) generated by operating activities	(74)	1,470	420	645
Investing activities				
Proceeds from sale of marketable securities	89	-	317	-
Purchase of property, plant and equipment	(554)	(2,630)	(1,464)	(3,514)
Proceeds from sale of property, plant and equipment	184	-	184	-
Purchase of mineral rights	-	-	-	(75)
Payments received under earn-in agreement	-	-	100	75
Net cash used in investing activities	(281)	(2,630)	(863)	(3,514)
Financing activities				
Proceeds from options and warrants exercised	-	18	-	36
Lease payments	(44)	(88)	(122)	(211)
Interest paid	(6)	(11)	(31)	(26)
Net cash used in financing activities	(50)	(81)	(153)	(201)
Effect of exchange rate changes on cash and cash equivalents	(80)	216	(610)	166
Change in cash and cash equivalents	(485)	(1,025)	(1,206)	(2,904)
Cash and cash equivalents - beginning of the period	3,350	6,501	4,071	8,380
Cash and cash equivalents - end of the period	2,865	5,476	2,865	5,476

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

Excellon Resources Inc.

Condensed Consolidated Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

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

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive (loss) income \$	Deficit \$	Total shareholders' deficit \$
Balance - January 1, 2021	136,199	34,015	(15,380)	(104,392)	50,442
Net loss for the period	-	-	-	(5,467)	(5,467)
Total other comprehensive income	-	-	182	-	182
Total comprehensive income (loss)	-	-	182	(5,467)	(5,285)
Share options:					
Value of services recognized	-	346	-	-	346
Proceeds on issuing shares	54	(18)	-	-	36
Deferred and restricted share units:					
Shares issued on exercise of RSUs and DSUs	504	(504)	-	-	-
Value of units recognized	-	782	-	-	782
Convertible Debentures:					
Interest payable settled with shares	727	-	-	-	727
Balance - June 30, 2021	137,484	34,621	(15,198)	(109,859)	47,048
Balance - January 1, 2022	138,961	34,568	(15,851)	(162,165)	(4,487)
Net loss for the period	-	-	-	(6,437)	(6,437)
Total other comprehensive loss	-	-	(493)	-	(493)
Total comprehensive loss	-	-	(493)	(6,437)	(6,930)
Share options:					
Value of services recognized	-	38	-	-	38
Deferred and restricted share units:					
Shares issued on exercise of RSUs and DSUs	112	(112)	-	-	-
Value of units recognized	-	208	-	-	208
Convertible Debentures:					
Interest payable settled with shares	694	-	-	-	694
Balance - June 30, 2022	139,767	34,702	(16,344)	(168,602)	(10,477)

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

Excellon Resources Inc.

Notes to the Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

1. GENERAL INFORMATION

Excellon Resources Inc. (the “Company” or “Excellon”) is a silver mining and exploration company listed on the Toronto Stock Exchange (the “TSX”) and NYSE American LLC Exchange (the “NYSE American”) under the symbol EXN, and the Frankfurt Stock Exchange under the symbol E4X2. Excellon’s vision is to create wealth by realizing strategic opportunities through discipline and innovation for the benefit of our employees, communities and shareholders. The Company is advancing a precious metals growth pipeline that includes: Kilgore, an advanced gold exploration project in Idaho with strong economics and significant growth and discovery potential; an option on Silver City, a high-grade epithermal silver district in Saxony, Germany with 750 years of mining history and no modern exploration; and Platosa, a high-grade silver mine producing in Mexico since 2005, scheduled to wind-down in Q3 2022, with an 11,000 hectare exploration package on Mexico’s carbonate replacement deposit (CRD) trend. The Company is also actively seeking to capitalize on current market conditions by acquiring undervalued projects in the Americas.

Excellon is domiciled in Canada and incorporated under the laws of the Province of Ontario. The address of its registered office is 10 King Street East, Suite 200, Toronto, Ontario, M5C 1C3, Canada.

These condensed consolidated financial statements were approved by the Board of Directors on July 27, 2022.

2. BASIS OF PRESENTATION AND GOING CONCERN

a) *Statement of compliance and going concern*

The Company prepares its condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and note disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, have been omitted or condensed. These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

On January 5, 2022, the Company announced that it was assessing the economic viability of mining at Platosa at achievable dewatering rates and with acceptable capital expenditures, beyond mid-2022. The mineral resources remaining beyond mid-2022 steepen significantly, with fewer vertical-tonnes-per-metre than historically encountered. Underground and surface drilling continued throughout Q1 and Q2 2022; however, based on the recent drilling results and consideration of current and expected economic factors, the Company expects to wind down operations at Platosa during Q3 2022.

In addition, the Company has incurred losses from operations, has a shareholders’ deficit of \$10,477, and negative working capital of \$22,067 (including the Provision for litigation of \$22,194 (Note 9)) as of June 30, 2022. Operating cash flows from the Platosa Mine are projected to cease after the wind down of operations in Q3 2022 and therefore the Company must utilize its current cash reserves, and other financing transactions to maintain its working capital requirements and planned corporate expenditures, as well as to fund exploration activities.

As indicated in Note 9, the Company is also party to a legal claim (the “Judgment”) against San Pedro Resources SA de CV (“San Pedro”). The Judgment is solely against San Pedro as defendant and the Company

Excellon Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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believes that the Plaintiff has no recourse against the Company's other assets in Mexico (including Platosa), Idaho, Saxony or Canada. San Pedro continues to operate in the ordinary course and there is currently no impact to the operation of the Company's business.

The Company's assets in Mexico, including those held in San Pedro, are security for the Debentures (Note 7). The Company does not consider the Judgment and actions taken by the Plaintiff to date in connection with enforcing the Judgment to constitute an event of default or default under the trust indenture governing the outstanding Debentures (the "Indenture"). An event of default under the Indenture, if not cured or waived, could result in the acceleration of all the Company's debt under the Debentures and could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition, and the economic viability of its projects.

On March 7, 2022, the Company reported that the Sindicato Nacional Minero Metalúrgico (the "Platosa Union") commenced a labour action at the Platosa Mine in Durango, Mexico. On April 1, 2022, the labour action was resolved.

The Company is considering various financing, corporate development opportunities and strategic alternatives that may include acquisitions, divestitures, mergers or spin-offs of the Company's or third parties' assets, as applicable.

These conditions indicate the existence of material uncertainties that cast substantial doubt on the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent on its ability to repay or refinance its non-current Debentures, obtain the necessary financing to advance its exploration projects and meet its ongoing corporate overhead costs. Although the Company has been successful in obtaining debt or equity financing in the past, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company.

These condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed consolidated financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying condensed consolidated financial statements. Such adjustments could be material.

b) Summary of significant accounting policies, judgments, and estimates

These condensed consolidated financial statements have been prepared using the same accounting policies, methods of computation, judgments and estimates as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2021.

Excellon Resources Inc.

Notes to the Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

3. INVENTORIES

	June 30 2022	December 31 2021
	\$	\$
Ore stockpiles ⁽¹⁾	218	587
Concentrate inventory ⁽¹⁾	404	250
Materials and supplies ⁽²⁾	560	1,250
	1,182	2,087

(1) Change in inventories recorded in cost of sales (Note 11.a) excludes a currency translation adjustment of \$23 (credit) for the six months ended June 30, 2022 (December 31, 2021 – debit of \$43).

(2) On June 30, 2022, materials and supplies inventories were written down to net realizable value to align with current mining plans (Note 2). An amount of \$532 was recorded in cost of sales (December 31, 2021 – \$759).

4. PROPERTY, PLANT AND EQUIPMENT

	Mining properties \$	Mining equipment \$	Processing equipment \$	Assets under construction \$	Corporate and right of use assets \$	Total \$
At January 1, 2021						
Cost	36,400	21,272	6,075	522	1,944	66,213
Accumulated amortization	(21,930)	(12,552)	(5,079)	-	(822)	(40,383)
	14,470	8,720	996	522	1,122	25,830
Year ended December 31, 2021						
Opening net book value	14,470	8,720	996	522	1,122	25,830
Additions	4,441	516	263	2,711	30	7,961
Reclassification	2,131	875	196	(3,202)	-	-
Impairment ⁽²⁾	(10,471)	(4,715)	(738)	-	(231)	(16,155)
Depletion and amortization	(4,532)	(2,373)	(275)	-	(348)	(7,528)
Exchange differences ⁽¹⁾	(666)	(333)	(17)	(31)	(17)	(1,064)
Closing net book value	5,373	2,690	425	-	556	9,044
At December 31, 2021						
Cost	41,962	21,995	6,367	-	1,935	72,259
Accumulated amortization and impairment	(36,589)	(19,305)	(5,942)	-	(1,379)	(63,215)
	5,373	2,690	425	-	556	9,044
Period ended June 30, 2022						
Opening net book value	5,373	2,690	425	-	556	9,044
Additions	713	7	58	-	-	778
Disposals	-	(68)	-	-	-	(68)
Reclassification	-	(630)	744	-	(114)	-
Depletion and amortization	(3,885)	(262)	(1,019)	-	(108)	(5,274)
Exchange differences ⁽¹⁾	124	55	21	-	1	201
Closing net book value	2,325	1,792	229	-	335	4,681
At June 30, 2022						
Cost	43,687	20,779	8,895	-	1,126	74,487
Accumulated amortization and impairment	(41,362)	(18,987)	(8,666)	-	(791)	(69,806)
	2,325	1,792	229	-	335	4,681

Excellon Resources Inc.

Notes to the Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

- (1) Unrealized foreign exchange losses on translation of Mexican peso assets at the period-end exchange rate.
- (2) On January 5, 2022, the Company announced that it was assessing the economic viability of mining at Platosa at achievable dewatering rates and with acceptable capital expenditures, beyond mid-2022. The mineral resources remaining beyond mid-2022 steepen significantly, with fewer vertical-tonnes-per-metre than historically encountered. Based on the recent drilling results and consideration of current and expected economic factors, the Company expects to wind down operations at Platosa during Q3 2022.

At December 31, 2021 and considering results from exploration and drilling assessments in Q4 2021 and Q1 2022, the Company performed an impairment test on the Platosa Mine CGU and Miguel Auza processing facility CGU. The recoverable amounts were calculated using the value-in-use method and estimated based on future cash flows. Key assumptions included future commodity prices, production based on current estimates of recoverable resources, and operating costs. In addition, the estimated residual value of Platosa's property, plant and equipment required significant judgement. No discount rate was applied given the short-term nature of the cash flows. The estimated recoverable amount for the Platosa Mine CGU and Miguel Auza CGU was \$7,264 and \$1,338, respectively. Consequently, an impairment loss of \$15,403 was recognized as at December 31, 2021 (\$14,293 on the Platosa Mine, \$1,110 on Miguel Auza). The recoverable amount and impairment was most sensitive to the future commodity price assumption – a 10% change in commodity prices would result in a \$2,133 change in the recoverable amount and impairment. A 10% change in the residual value of Platosa's property, plant and equipment would result in a \$292 change in the recoverable amount and impairment.

In Q3 2021, the Company had recorded an impairment loss of \$752 on the Miguel Auza CGU reflecting the impact of the Judgment against San Pedro (refer to Note 9).

5. MINERAL RIGHTS

	Platosa (Mexico) \$	Silver City (Germany) ⁽¹⁾ \$	Kilgore (Idaho) \$	Oakley (Idaho) ⁽²⁾ \$	Total \$
At January 1, 2021					
Cost	3,721	587	13,756	5,364	23,428
Accumulated amortization	(2,917)	-	-	-	(2,917)
	804	587	13,756	5,364	20,511
Year ended December 31, 2021					
Opening net book value	804	587	13,756	5,364	20,511
Additions	-	459	-	-	459
Payments received under earn-in agreement	-	-	-	(75)	(75)
Depletion and amortization	(219)	-	-	-	(219)
Impairment ⁽³⁾	(385)	-	-	-	(385)
Exchange differences	(7)	(11)	-	-	(18)
Closing net book value	193	1,035	13,756	5,289	20,273
At December 31, 2021					
Cost	3,665	1,035	13,756	5,289	23,745
Accumulated amortization	(3,472)	-	-	-	(3,472)
	193	1,035	13,756	5,289	20,273

Excellon Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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	Platosa (Mexico)	Silver City (Germany) ⁽¹⁾	Kilgore (Idaho)	Oakley (Idaho) ⁽²⁾	Total
	\$	\$	\$	\$	\$
Period ended June 30, 2022					
Opening net book value	193	1,035	13,756	5,289	20,273
Payments received under earn-in agreement	-	-	-	(100)	(100)
Depletion and amortization	(161)	-	-	-	(161)
Exchange differences	(4)	(2)	-	-	(6)
Closing net book value	28	1,033	13,756	5,189	20,006
At June 30, 2022					
Cost	3,701	1,033	13,756	5,189	23,679
Accumulated amortization and impairment	(3,673)	-	-	-	(3,673)
	28	1,033	13,756	5,189	20,006

- (1) On September 24, 2019, the Company signed an option agreement (the “Globex Agreement”) with Globex Mining Enterprises Inc. (“Globex”) to acquire a 100% interest in the Bräunsdorf exploration license for the Silver City Project in Saxony, Germany, pursuant to which the Company agreed to pay total aggregate consideration of C\$500 in cash and issue common shares valued at C\$1,600 over a period of three years. Upon completion of the payments and common share issuances, the Company will grant Globex a gross metals royalty of 3% for precious metals and 2.5% for other metals, both of which may be reduced by 1% upon a payment of \$1,500. Additional one-time payments of C\$300 and C\$700 will be made by the Company following any future announcement of a maiden resource on the property and upon achievement of commercial production from the project, respectively. The Company has made the following earn-in payments to date:

Option payment date	Number of shares issued	Contractual value of shares issued	Cash payment made	Total – addition to mineral rights
September 24, 2019	45,367	C\$225	C\$100	\$245
September 21, 2020	65,657	C\$325	C\$100	\$317
September 22, 2021	232,240	C\$425	C\$100	\$384

The Company has the option to issue shares to the value of C\$625 and a cash payment of C\$200 to complete the acquisition of the Bräunsdorf exploration license before September 23, 2022.

- (2) On April 22, 2020, the Company acquired 100% ownership of the Oakley Project in Cassia County, Idaho as part of the Otis Gold Corp. (“Otis”) acquisition.

On February 26, 2020, Otis entered into a definitive option agreement with Centerra Gold Inc. (“Centerra”) whereby Centerra can earn up to a 70% interest in the Oakley Project in exchange for total exploration expenditures of \$7,500 and cash payments to the Company of \$550 over a six-year period. Excellon was Project Manager and earned 10% of the approved exploration expenditures for technical oversight and project management until November 30, 2021. Centerra now manages the Oakley Project directly.

In Q1 2021, the Company received a payment of \$75 from Centerra under the earn-in agreement. In accordance with the Company’s farm-out accounting policy, this amount was credited to the Oakley Project. In Q1 2022, the Company received a payment of \$100 from Centerra under the earn-in agreement.

- (3) Refer to Note 4 – mineral rights related to the Platosa Mine were included in the Platosa Mine CGU tested for impairment at December 31, 2021. An impairment of \$385 was recorded.

Excellon Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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6. PROVISIONS

	Post-retirement benefits ⁽¹⁾	Rehabilitation provision ⁽²⁾	Total
	\$	\$	\$
Year ended December 31, 2021			
Opening balance	652	1,556	2,208
Termination payments	(62)	-	(62)
Change in estimate	968	223	1,191
Accretion for the period	236	85	321
Exchange differences	1	(51)	(50)
Closing balance	1,795	1,813	3,608
Current	1,795	-	1,795
Non-current	-	1,813	1,813
Period ended June 30, 2022			
Opening balance	1,795	1,813	3,608
Termination payments	(80)	-	(80)
Accretion for the period	346	64	410
Exchange differences	59	55	114
Closing balance	2,120	1,932	4,052
Current	2,120	-	2,120
Non-current	-	1,932	1,932

(1) Post-retirement benefits: Under Mexican labour law, the Company provides post-retirement indemnities and severance benefits to its employees terminated under certain circumstances. Key assumptions used by the independent 3rd party actuary in the above estimate include an annual discount rate of 7.00%, employee turnover rate of 4%, annual salary rate increase of 3.75% and minimum wage increase rate of 22%, and the life of mine plan to mid-2022.

(2) Rehabilitation provision: Key financial assumptions used in the above estimate include independent 3rd party cost reports, an annual discount rate of 6.68% for Platosa and 7.19% for Miguel Auza, Mexican target inflation rates and the anticipated commencement of rehabilitation work (Platosa – 2023 and Miguel Auza – 2024). The total undiscounted amount of estimated cash flows required to settle the Company's obligations is \$2.0 million of which \$1.0 million relates to the Platosa Mine and \$1.0 million relates to the Miguel Auza processing facility.

7. CONVERTIBLE DEBENTURES

On July 30, 2020, the Company closed a private placement (the "Financing") of secured convertible debentures (the "Debentures") for total proceeds of C\$17.91 million.

The Debentures have a term of 36 months and are convertible into common shares of the Company prior to maturity at a conversion price of C\$5.30 per common share. The Debentures bear interest at an annual rate of 5.75%, 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 the 10-day volume-weighted average price ("VWAP") of the common shares prior to the payment date and an effective annual rate of 10%. The Debentures are secured

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against the Company's assets in Mexico (refer to Note 2). On July 27, 2022, the Company received required approval from the Debentureholders to transfer the security on the Debentures from the Company's assets in Mexico to its Kilgore assets in Idaho. The Company expects the transfer to be completed in due course.

On or after July 30, 2022 and prior to maturity, the Company may accelerate the conversion of the entire issuance of Debentures, provided that the 20-day VWAP of the common shares on or after such 24-month anniversary is equal to or greater than C\$12.50.

The purchasers of the Debentures were also issued 1,006,542 common share purchase warrants, with an exercise price of C\$5.75 and an expiry date of July 30, 2023. In connection with the Financing, the Company granted 136,886 common share purchase warrants (the "Broker Warrants"), with an exercise price of C\$5.75 and an expiry date of July 30, 2023.

Net proceeds from the Debentures were C\$17.1 million (\$12.8 million) after cash transaction costs of C\$768 (\$572). The net proceeds were allocated between debt and equity components. On initial recognition, the fair value of the debt of C\$8,459 (\$6,298) was estimated using a coupled Black-Scholes model based on an expected term of 36 months and a coupon rate of 5.75%. The residual portion of C\$6,382 (\$4,751) represented the value of the conversion option and other features of the Debentures, and was recognized in equity net of a deferred tax recovery of C\$2,301 (\$1,713) related to a taxable temporary difference on this equity component.

The debt component is recorded at amortized cost and is accreted to the principal amount over the term of the Debentures. The Company elected to pay the June 30, 2021, December 31, 2021, and June 30, 2022 interest payments in common shares valued at C\$888 (\$727), C\$903 (\$706), and C\$888 (\$694), respectively. The Company recorded interest expense of C\$2,471 (\$1,942) for the six months ended June 30, 2022.

	\$ CAD	\$ USD
Year ended December 31, 2021		
Opening balance	9,299	7,283
Interest expense	4,294	3,427
Value of shares issued to settle interest payable	(1,791)	(1,433)
Exchange differences	-	(39)
Closing balance	11,802	9,238
Period ended June 30, 2022		
Opening balance	11,802	9,238
Interest expense	2,471	1,942
Value of shares issued to settle interest payable	(888)	(694)
Exchange differences	-	(92)
Closing balance	13,385	10,394

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8. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares.

	Number of shares (000's)	\$
Year ended December 31, 2021		
Opening balance	32,339	136,199
Shares issued on exercise of stock options	15	54
Shares issued on exercise of RSUs and DSUs	281	970
Value of shares issued in asset acquisition ⁽¹⁾	232	305
Shares issued to settle interest on convertible debentures ⁽²⁾	896	1,433
Balance at December 31, 2021	33,763	138,961
Period ended June 30, 2022		
Opening balance	33,763	138,961
Shares issued on exercise of RSUs and DSUs	32	112
Shares issued to settle interest on convertible debentures ⁽²⁾	1,388	694
Balance at June 30, 2022	35,183	139,767

(1) In accordance with the Globex Agreement (Note 5), the Company issued 65,657 common shares (valued at C\$325 or \$246) on September 21, 2020 and 232,240 common shares (valued at C\$385 or \$305) on September 22, 2021.

(2) The Company elected to pay the June 30, 2021, December 31, 2021, and June 30, 2022 interest payments on the Debentures (Note 7) in common shares valued at C\$888 (\$727), C\$903 (\$706), and C\$888 (\$694), respectively.

The outstanding number and weighted average exercise prices of equity-settled Stock Options, Warrants, Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are as follows:

	Options		Warrants		RSUs Outstanding	DSUs Outstanding
	Options Outstanding	Weighted Average Exercise Price (CAD)	Warrants Outstanding ⁽¹⁾	Weighted Average Exercise Price (CAD)		
Outstanding at January 1, 2021	847,437	4.21	2,538,588	6.00	465,511	491,330
Granted/issued	257,500	3.73	-	-	466,122	209,353
Exercised/settled	(15,000)	3.05	-	-	(41,117)	(244,485)
Expired	(104,366)	5.61	(1,092,400)	7.00	(54,448)	-
Forfeited	(40,084)	3.85	-	-	(168,659)	-
Outstanding at December 31, 2021	945,487	3.96	1,446,188	5.24	667,409	456,198
Exercisable at December 31, 2021	816,987	4.03	1,446,188	5.24	-	-

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	Options		Warrants		RSUs Outstanding	DSUs Outstanding
	Options Outstanding	Weighted Average Exercise Price	Warrants Outstanding (¹)	Weighted Average Exercise Price		
		(CAD)		(CAD)		
Outstanding at January 1, 2022	945,487	3.96	1,446,188	5.24	667,409	456,198
Granted/issued	27,000	0.76	-	-	101,966	153,143
Exercised/settled	-	0.00	-	-	(31,787)	-
Expired	(185,750)	4.65	(302,760)	3.30	-	-
Forfeited	(11,250)	3.84	-	-	(101,000)	-
Outstanding at June 30, 2022	775,487	3.69	1,143,428	5.75	636,588	609,341
Exercisable at June 30, 2022	703,362	3.81	1,143,428	5.75	-	-

(1) At June 30, 2022, the Company has 1,143,428 warrants outstanding with an exercise price of C\$5.75, expiring on July 30, 2023 (Note 7). On March 29, 2022, 302,760 warrants with an exercise price of C\$3.30 expired.

Options outstanding and exercisable are as follows:

Exercise Price Range (CAD)	Stock Options	Weighted Average Remaining Contractual Life	Stock Options	Weighted Average Exercise Price
	Outstanding	(years)	Exercisable	(CAD)
\$0.00 to \$1.99	72,000	2.48	29,250	1.56
\$2.00 to \$3.99	323,037	1.20	323,037	2.97
\$4.00 to \$5.99	352,450	1.89	323,075	4.50
\$6.00 to \$7.99	5,000	0.81	5,000	7.50
\$8.00 to \$9.99	23,000	0.74	23,000	8.10
	775,487	1.62	703,362	3.81

Share-based payment expense is recognized over the vesting period of the grant with the corresponding equity impact recorded in contributed surplus. Share-based payment expense comprises the following:

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2022	2021	2022	2021
	\$	\$	\$	\$
Stock options	2	143	40	345
RSU	37	145	152	287
DSU	33	74	68	495
	72	362	260	1,127

9. PROVISION FOR LITIGATION

A subsidiary of the Company is party to an action by a claimant in respect of damages under a property agreement regarding the La Antigua mineral concession ("La Antigua"), a non-material mineral concession within the Evolución Project held by a subsidiary of the Company. La Antigua was subject to an exploration and exploitation agreement with a purchase option (the "Antigua Agreement") between San Pedro Resources SA de CV ("San Pedro", now a subsidiary of Excellon) and the owner (the "Plaintiff") that provides, among other things,

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for a minimum payment of \$2.5 plus value added tax per month and the payment of a 3% NSR royalty. Pursuant to the Antigua Agreement, San Pedro had the right to purchase absolute title to La Antigua including the NSR royalty upon payment of \$500. San Pedro was under no contractual obligation to put the mine into production and has not done so. The Plaintiff was initially awarded damages of \$700 in the court of first instance in Torreón, Coahuila. Both San Pedro and the Plaintiff appealed the decision to the Second District State Court in the Judicial District of Torreón. That Court confirmed the initial decision but, subsequently, pursuant to an order obtained by the Plaintiff, granted the Plaintiff an award of \$22,175 (the "Judgment"), which in the view of management is multiple times greater than any income the applicable NSR royalty could produce even in the event of commercial production. San Pedro's appeal of this decision to the federal courts of Mexico was dismissed on July 1, 2021, a decision that was formally communicated to the Company in August 2021, and as the Judgment is not subject to further legal appeal in Mexico, the Company recorded a provision for litigation of \$22,175 in Q3, 2021.

The Judgment is solely against San Pedro as defendant and the Company believes that the Plaintiff has no recourse against the Company's other assets in Mexico (including Platosa), Idaho, Saxony or Canada. San Pedro is a wholly owned, indirect subsidiary of the Company that holds the Miguel Auza processing facility and the original Miguel Auza mineral concessions, including the Evolución mineral resource. The book value of San Pedro's assets included in the Condensed Consolidated Statements of Financial Position (Note 4) is \$1.5 million, including property, plant and equipment of \$0.2 million, VAT recoverable of \$1.1 million and materials, supplies and other of \$0.2 million. The Platosa Mine is owned and operated by a separate subsidiary.

The Company continues to pursue avenues through our labour, community and government relationships and is investigating remedies under international law. In the interim, San Pedro continues to operate in the ordinary course and there is currently no impact to the operation of the Company's business. In Q1 and Q2 2022, the Plaintiff registered the Judgment against the real property and certain assets owned by San Pedro. The Company is pursuing legal remedies through its counsel in Mexico. This does not currently impact the Company's use of the land, plant or mineral concessions. As of the date of approval of these financial statements, San Pedro has not received any notice that the Plaintiff has initiated any insolvency proceedings that could result in San Pedro losing control of the toll milling operations.

	June 30	December 31
	2022	2021
	\$	\$
Opening balance	22,162	-
Provision recognized	-	22,282
Transfer from accruals	-	243
Interest	2	1
Exchange differences ⁽¹⁾	30	(364)
Closing balance	22,194	22,162

(1) Exchange differences include unrealized foreign exchange gain (\$610) presented in other expenses (December 31, 2021 – loss of \$294) and currency translation adjustment loss (\$639) presented in other comprehensive income (December 31, 2021 – gain of \$658).

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10. REVENUE

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 the risks and rewards of ownership have transferred to the customer. Final pricing of each delivery is not determined until one to four 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 trade receivables. The embedded derivative is recorded at fair value by mark-to-market adjustments at each reporting period until settlement occurs, with the changes in fair value recorded in revenue.

The Company recognized the following amounts related to revenue:

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
	\$	\$	\$	\$
Concentrate revenue from contracts with customers	9,229	9,440	16,986	19,284
Provisional pricing adjustments on concentrate sales	(1,448)	277	(708)	214
Total revenue	7,781	9,717	16,278	19,498

The following table sets out the disaggregation of revenue by metal:

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
	\$	\$	\$	\$
Concentrate revenue:				
Silver	5,054	6,083	9,568	12,682
Lead	930	1,429	2,054	2,737
Zinc	1,797	2,205	4,656	4,079
Total revenue	7,781	9,717	16,278	19,498

The Company has offtake agreements with Trafigura Mexico, S.A. de C.V. ("Trafigura"), a subsidiary within the Trafigura group of companies. Due to the availability of alternative processing and commercialization options for its concentrate, the Company believes it would suffer no material adverse effect if it lost the services of Trafigura.

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11. EXPENSES BY NATURE

(a) Cost of sales consists of the following:

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2022	2021	2022	2021
	\$	\$	\$	\$
Direct mining and milling costs ⁽¹⁾	5,744	5,916	11,186	12,372
Write-down of materials and supplies	532	-	532	-
Changes in inventories ⁽²⁾	45	(102)	238	(405)
Depletion and amortization	2,939	1,773	5,217	3,563
Cost of sales	9,260	7,587	17,173	15,530

(1) Direct mining and milling costs include personnel, general and administrative, fuel, electricity, maintenance and repair costs as well as operating supplies, external consulting and transport fees.

(2) Changes in inventories reflect the net cost of ore and concentrate (i) sold during the current period but produced in a previous period (an addition to direct mining and milling costs) or (ii) produced but not sold in the current period (a deduction from direct mining and milling costs).

(b) Administrative expenses consist of the following:

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2022	2021	2022	2021
	\$	\$	\$	\$
Office and overhead	457	623	1,017	1,225
Salaries and wages	324	430	695	1,142
Corporate development and legal	185	44	244	112
Public company costs	33	54	67	116
Administrative expenses	999	1,151	2,023	2,595

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

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	Three months ended		Six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
	\$	\$	\$	\$
Fair value loss on marketable securities	16	230	59	699
Fair value loss on purchase warrants	21	32	38	106
Gain on disposal of property, plant and equipment	(116)	-	(116)	-
Unrealized foreign exchange loss (gain)	13	140	(503)	272
Realized foreign exchange loss (gain)	12	(93)	(11)	(157)
Interest and other expenses (income)	9	(63)	88	(16)
Insurance proceeds received	-	-	(592)	-
Management fee income (Note 5)	-	(58)	-	(67)
Other (income) expenses	(45)	188	(1,037)	837

12. EXPLORATION AND HOLDING EXPENSES

Exploration and holding expenses were incurred on the following projects:

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
	\$	\$	\$	\$
Platosa property (Mexico) - exploration work ⁽¹⁾	176	886	408	1,254
- holding costs	52	50	103	99
Evolución (Mexico) - exploration work	29	43	69	134
- holding costs	87	72	171	144
Silver City (Germany) - exploration work	234	513	712	717
- holding costs ⁽²⁾	-	-	-	-
Kilgore (USA) - exploration work	261	236	492	525
- holding costs	-	-	-	-
Exploration and holding expenses	839	1,800	1,955	2,873

(1) Platosa property exploration excludes underground drilling at the Platosa Mine which is capitalized to property, plant and equipment (Note 4).

(2) There are no annual fees associated with exploration licenses in Saxony, Germany. See Note 5 for capitalized earn-in payments under the Globex Agreement.

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13. FINANCE EXPENSES

Finance expenses consist of the following:

	Three months ended		Six months ended	
	June 30 2022	June 30 2021	June 30 2022	June 30 2021
	\$	\$	\$	\$
Interest expense - Debentures ⁽¹⁾	1,120	984	1,942	1,632
Interest expense - other	8	16	38	46
Rehabilitation provision - accretion	32	18	64	36
Post-retirement benefits - accretion ⁽²⁾	26	7	57	15
Unrealized loss on currency hedges	-	-	-	21
Finance expenses	1,186	1,025	2,101	1,750

- (1) The Debentures are recorded at amortized cost and accreted to the principal amount over the term of the Debentures (Note 7). For the six months ended June 30, 2022, \$694 (June 30, 2021 – \$727) relates to the coupon interest expense, and \$1,248 (June 30, 2021 – \$905) relates to accretion using the effective interest rate method.
- (2) Reflects the discounting of post-retirement benefit liabilities. The post-retirement benefit accretion presented in Note 6 includes current service cost accretion of \$209 (December 31, 2021 – \$199) recorded in cost of sales.

14. FINANCIAL INSTRUMENTS

Fair values of non-derivative financial instruments

All financial assets and financial liabilities, other than derivatives, are initially recognized at the fair value of consideration paid or received, net of transaction costs, as appropriate, and are subsequently carried at fair value or amortized cost. At June 30, 2022, the carrying amounts of trade and other payables and other current assets are considered to be reasonable approximations of their respective fair values due to the short-term nature of these instruments. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

Embedded derivatives – provisional pricing

Revenues from the sale of metals produced are based on provisional prices at the time of shipment. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for metals sold and final settlement weights and assays, which result in an embedded derivative in trade receivables. The embedded derivative is recorded at fair value each reporting period until settlement occurs, with the changes in fair value recorded to revenues.

Fair value hierarchy

The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

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- Level 3 – Inputs that are not based on observable market data.

	Fair value hierarchy	June 30 2022 \$	December 31 2021 \$
Financial assets			
Fair value through profit and loss			
Marketable securities	Level 1	35	407
Warrants	Level 2	9	47
Trade receivables from provisionally priced sales	Level 2	131	326
		175	780

There were no transfers between levels 1, 2 or 3 during the six months ended June 30, 2022.

Valuation techniques and inputs used to determine fair values include:

- Marketable securities – the use of quoted market prices
- Warrants – based on a Black-Scholes model which uses quoted observable inputs
- Trade receivables from provisionally priced sales – key inputs are payable metal and future metal prices, marked-to-market based on a quoted forward price and final settlement weights and assays

15. SEGMENT REPORTING

	MEXICO		CORPORATE		TOTAL	
	June 30	December 31	June 30	December 31	June 30	December 31
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	4,346	8,535	335	509	4,681	9,044
Additions - Property, plant and equipment	778	7,931	-	30	778	7,961
Mineral rights	28	193	19,978	20,080	20,006	20,273
Additions - Mineral rights	-	-	-	459	-	459
Total assets	11,300	15,309	22,796	26,251	34,096	41,560
Total liabilities	31,649	34,173	12,924	11,874	44,573	46,047

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	Three months ended		Six months ended	
	June 30 2022 \$	June 30 2021 \$	June 30 2022 \$	June 30 2021 \$
MEXICO				
Revenue	7,781	9,717	16,278	19,498
Cost of sales	(9,260)	(7,587)	(17,173)	(15,530)
Exploration and holding expenses	(344)	(1,051)	(751)	(1,631)
Other expenses and foreign exchange gains	(2,265)	(47)	(270)	(115)
Finance expenses	(60)	(6)	(143)	(51)
Income tax expense	-	(74)	-	(76)
Net (loss) income	(4,148)	952	(2,059)	2,095
CORPORATE				
General and administrative expenses	(1,191)	(1,640)	(2,501)	(3,983)
Exploration and holding expenses	(495)	(749)	(1,204)	(1,242)
Other income (expenses) and foreign exchange gains	2,310	(141)	1,307	(722)
Finance expenses	(1,126)	(1,019)	(1,958)	(1,699)
Income tax (expense) recovery	(90)	52	(22)	84
Net loss	(592)	(3,497)	(4,378)	(7,562)
Net loss	(4,740)	(2,545)	(6,437)	(5,467)