EXCELLON RESOURCES INC.

Management's Discussion & Analysis of Financial Results

For the year ended December 31, 2010

March 22, 2011

Excellon Resources Inc. [the "Company", or "Excellon"] has prepared this Management's Discussion and Analysis of Financial Results ["MD&A"] for the year ended December 31, 2010 in accordance with the requirements of National Instrument 51-102 ["NI 51-102"]. In December 2009 the Company changed its year end to December 31 from July 31. The year end change was desirable to make the Company's financial statements directly comparable to those of other mining companies on a quarterly basis and to have a consistent year end with its subsidiaries. This change in year end required the Company to have a transition year with a five month year ending December 31, 2009 with comparatives for the twelve month year ending July 31, 2009. This MD&A for the year ended December 31, 2010 and containing information as at March 22, 2011 provides information on the operations of the Company for the periods ended December 31, 2010, December 31, 2009 and July 31, 2009 and subsequent to the period end, and should be read in conjunction with the audited consolidated financial statements for the periods ended December 31, 2010 and 2009, filed on SEDAR.

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Description of Business

Excellon is exploring, developing and mining the high-grade silver-zinc-lead mineralization on its approximately 58,054-hectare [143,455-acre] Platosa Property ["Platosa"], including an optioned portion, in northeastern Durango State, Mexico. The style of mineralization at Platosa resembles that of several of the world-class carbonate replacement deposits ["CRD"] of Mexico.

On June 2, 2009 the Company acquired Silver Eagle Mines Inc. ["SEG"]. The acquisition of SEG provided Excellon with a fully operational mill with the capacity to process up to approximately 450 tonnes of Platosa ore per day, a large amount of mining equipment, some of which has been put to use at Platosa, and a large under-explored exploration property. The Company has been processing Platosa ore at the Miguel Auza mill since March 19, 2009. The Company produces two concentrates; a silver-lead concentrate and a silver-zinc concentrate. Both concentrates are shipped to the port of Manzanillo where they are purchased by Consorcio Minero de Mexico Cormin Mex, S.A. de C.V., a Trafigura Group Company.

On December 13, 2009 the Company reported that its Indicated Mineral Resource at Platosa had increased to 579,000 tonnes grading 909 g/t (27 oz/T) Ag, 9.09% Pb, and 10.51% Zn (as at October 31 2009), up from 396,000 tonnes grading 986 g/t (29 oz/T) Ag, 9.00% lead, and 10.10% zinc (as at February 3, 2008). The Inferred Mineral Resource increased from 72,700 to 160,000 tonnes at a somewhat lower grade than that of 2008. All the pertinent figures are shown in the table below. Since October 31, 2009 the Company has discovered additional high-grade massive sulphide mineralization, including that hosted by the Pierna Manto, however, has not prepared a new Mineral Resource estimate.

Platosa Project – Mineral Resource Estimate (as of October 31, 2009)

Category	Tonnes [t]	Silver [g/t]	Silver [oz/T]	Lead [%]	Zinc [%]
Indicated	579,000	909	27	9.09	10.51
Inferred	160,000	731	21	7.44	7.57

Notes:

1. *CIM definitions were followed for the classification of Mineral Resources.*
2. *Mineral Resources are estimated at an incremental NSR cut-off value of U.S. $86 per tonne*
3. *NSR metal price assumptions: Silver U.S. $16.00/oz, Lead U.S. $0.80/lb, Zinc U.S. $1.00/lb.*
4. *Estimate is of Mineral Resources only and, because these do not constitute Mineral Reserves, they do not have any demonstrated economic viability.*
5. *National Instrument 43-101 compliant Mineral Resource estimate prepared by Scott Wilson Roscoe Postle Associates Inc., independent geological and mining consultants of Toronto, Ontario. Prepared as at October 31, 2009. See the technical report dated January 15, 2010 filed at www.sedar.com.*

The above resource estimate is for the Platosa Project only and does not include any estimates from the Miguel Auza property acquired in June 2009.

The Company's previously announced plan to construct its own mill at its Platosa site was suspended in December 2008 and the Miguel Auza mill is being used to process ore from the Platosa mine. The Company is producing ore at the rate of 150-200 tonnes per day (approximately 4,000-6,000 tonnes per month). The Miguel Auza mill can process up to approximately 450 tonnes per day of Platosa ore. The Company expects to complete the construction of the Platosa mill at some point in the future. The timing of this is not currently determinable but would be in response to a variety of factors including production changes and/or corporate development activities. Nearly all the equipment required to complete the mill is on site at Platosa and the construction and operation of the mill is fully permitted. To date $4.2 million has been spent on mill equipment, construction and engineering design.

Mine Operations

On August 18, 2010, the Platosa mine suffered a sudden water inflow and fourteen days of production were lost. Following re-establishment of the stockpile at Miguel Auza, milling of the ore recommenced on September 11, 2010.

The water inflows occur when mining encounters water-filled faults and the Company began a more intensive grouting program in the late summer of 2010. An underground diamond drill remains dedicated to drilling 25- to 50-metre long sub-horizontal grout cover holes in advance of certain production and development headings to seal off these faults. The Company is acquiring additional pumps and has upgraded electrical infrastructure as it continues to enhance the Platosa water management program.

The Company's objective remains to return to previous production levels and grades as early as possible in 2011.

Actual and planned production for the fourth quarter of 2010 and the first quarter of 2011 is as follows:

Period	Tonnes	Ag (g/t)	Pb (%)	Zn (%)
Fourth quarter ended December 30, 2011	12,153	725	5.12	5.01
First quarter 2011 (plan)	11,200	600	5.20	5.20

The following are the Platosa mine production statistics for the periods indicated:

		12 months ended December 31, 2010	Five months ended December 31, 2009	12 months ended July 31, 2009
Tonnes of ore processed		64,462	28,034	43,922
Ore grades:				
	Silver (g/t)	814	889	1,114
	Lead (%)	6.37	7.21	8.90
	Zinc (%)	7.68	7.49	8.86
Recoveries:				
	Silver (%)	85.4	89.0	88.1
	Lead (%)	68.2	77.3	71.4
	Zinc (%)	74.5	66.5	71.3
Production:				
	Silver – (oz)	1,317,605	633,478	1,475,833
	Lead – (lb)	5,804,014	3,278,572	7,585,852
	Zinc – (lb)	8,074,321	2,853,542	8,098,377
Sales:				
	Silver – (oz)	1,302,321	686,072	1,571,668
	Lead – (lb)	5,726,157	3,450,520	8,655,152
	Zinc – (lb)	8,009,077	3,613,929	7,999,072
Realized prizes:				
	Silver – ($US/oz)	19.78	17.66	12.66
	Lead – ($US/lb)	0.95	1.06	0.64
	Zinc – ($US/lb)	0.94	1.03	0.64

Cash Cost per Ounce of Silver Produced

The Company's cash cost for the year ended December 31, 2010 was US$7.18 per oz (five months ended December 31, 2009 - US$4.50/oz, year ended July 31, 2009 – $US5.26/oz). The calculation of cash cost per payable ounce of silver produced is significantly influenced by by-product metal prices, which may fluctuate going forward. During the third quarter of 2010, the Company changed the methodology of calculating cash cost to be more consistent with industry practice. The comparative figures have been prepared on a consistent basis.

Cash cost, net of by-product credits, is provided as additional information. It is a non-GAAP measure that does not have a standardized meaning and is therefore unlikely to be comparable to similar measures presented by other issuers. This measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles, and is not necessarily indicative of operating expenses as determined under generally accepted accounting principles. This measure is intended to provide investors with information about the cash generating capabilities of the Company's operations. The Company uses this information for the same purpose. This analysis excludes capital expenditures and income taxes.

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

	12 months ended December 31, 2010 $	Five months ended December 31, 2009 $	12 months ended July 31, 2009 $
Cost of production	16,307,506	8,222,472	12,063,246
Add: Third party smelting and refining	5,022,485	2,627,941	5,155,817
Inventory changes	286,496	(473,885)	521,424
Deduct: Royalties	(401,010)	(362,233)	(634,863)
Deduct: By-product credits (1)	(11,628,012)	(6,968,738)	(7,988,536)
Cash cost	9,587,465	3,045,557	9,117,088
Ounces of silver produced	1,317,605	633,478	1,475,833
Cash cost per ounce of silver produced, in CAD $/oz	7.28	4.81	6.18
Cash cost per ounce of silver produced in US $/oz	7.18	4.50	5.26

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

Exploration

Platosa Property

The Platosa mine exploits a series of typical, although very high-grade, distal CRD silver, lead, zinc manto deposits located strategically within the prolific Mexican CRD Belt. It is the Company's belief and diamond drilling results to late March 2011 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 mining targets. These include,

- **Size** – Proximal CRDs average 10 to 15 million tonnes of ore and the largest range up to 50 million tonnes;
- **Grade** – Ores are typically polymetallic with metal contents ranging from 2-12% lead; 2-18% zinc, 60-600 g/t silver, up to 2% copper and 6 g/t gold; and
- **Deposit morphology** – Individual CRD orebodies within the overall deposit are continuous and average 0.5 to 2 million tonnes in size, with some up to 20 million tonnes. They are typically metallurgically straight-forward, amenable to low-cost underground mining methods and given

that they are limestone-hosted, the environmental impact of tailings disposal is generally minimal.

CRD orebodies take the form of lenses or elongate to elongated-tabular bodies referred to as mantos or chimneys depending on whether they are horizontal or steeply inclined. A spectrum of CRD orebodies exists, ranging from distal manto and medial chimney massive sulphide bodies to proximal sulphide-rich skarns associated with unmineralized or porphyry-type intrusive bodies. Transitions of orebody morphology and mineralogy, and alteration zoning can be used in exploration to trace mantos into chimneys, sulphides into skarn, or skarn into stock contact deposits.

During the latter portion of 2010 and up to the time of the present report, exploration efforts have focussed on an area within roughly three kilometres of the Platosa Mine.

In this area there are three primary objectives:

- To further add to the known distal-style, high-grade CRD Mineral Resources and to discover new mantos by drilling the geological, structural, geochemical, biogeochemical and geophysical targets developed by 2010 and previous surveys. This follows on the success in adding mineralization to the 6A/6B Manto and the discovery of the Pierna Manto during 2010;
- To pursue the potential for discovery of larger-volume medial and proximal CRD mineralization. Geological evidence of this potential has been found in several drill holes completed since 2008 including hole EX10-LP763 drilled this year in the Rincon del Caido area approximately 1.5 km NNW of the Guadalupe Manto. The early 2011 exploration program is focussed on the Rincon del Caido – 6A/6B Corridor; and
- Continue to pursue the development of additional targeting tools. At present this work is focussed on following up the results of the ZTEM airborne geophysical survey flown in the fall of 2010 and the three-dimensional Induced Polarization (3D IP) survey carried out earlier in the year.

Diamond drilling continued to encounter success near existing mine infrastructure and during the final quarter of the year the Company announced the discovery of the high-grade Pierna Manto situated between the Rodilla and NE-1 mantos. High-grade masssive sulphides were intersected in seven holes. Among these, hole LP875 intersected 6.10 metres (m) of massive sulphides grading 1,489 g/t (43 oz/T) Ag, 10.65% Pb, 21.63% Zn. Hole LP884 intersected 10.76 m of massive sulphides grading 651 g/t (19 oz/T) Ag, 7.86% Pb, 15.79% Zn. The seven intersections ranged from 0.55 to 10.76 m in estimated true thickness, averaging 5.70 m and the manto remains open to the north, northeast and northwest. In addition to those in Pierna significant massive sulphide assays were disclosed for eight holes in the 6A/6B Manto, the NE-1 Manto SE, the NE-1 Manto SW and the N-1 Manto Extension areas. The assay results relating to these 15 holes are included in the press releases dated November 4, 2010 and November 17, 2010 and January 13, 2011.

Late 2010 and early 2011 drilling has seen the testing of several 3D IP chargeability anomalies. These responses have been explained by either pyritized hornfels or pyritized black limestone, both of which underlie the productive dolomitized fragmental limestone unit at Platosa. These holes have also served as stratigraphic tests since they were located close to or within the Rincon del Caido – 6A/6B Corridor. Hole LP889 was completed at a depth of 942 m and intersected a significant widths of marble, anhydrite and lightly pyritized felsic intrusive, all promising signs in the search for large-scale proximal skarn-type CRD mineralization in the area.

In a press release dated November 2, 2010 the Company announced that in late October it entered into a binding Letter Agreement with Sundance Minerals Ltd., a private Canadian company, to acquire up to a 75% interest in its 17,000 hectare Pluton Property located to the west of and contiguous with portions of the Platosa Property. The property is an excellent fit with the strategic objectives of the Company. Sundance, which has considerable expertise in CRD exploration, will be the initial project operator in cooperation with Excellon's exploration team. Excellon can earn a 60% interest in the property by making an up-front cash payment of $50,000 (paid) and incurring $1,500,000 in exploration expenditures over three years. An additional 15% interest may be earned by completing a pre-feasibility study within another three years.

The Pluton Property covers the western portion of a large regional magnetic feature that is believed to reflect underlying intrusives favourable to the development of CRD systems. The Platosa Mine is located on the eastern side of the same regional feature and the past producing Ojuela Mine (6 million tonnes of high-grade Ag, Au, Pb, Zn production from a series of CRD chimneys and mantos) sits on the south-central side. The Pluton Property covers favourable geology with sulphide showings and other signs of proximity to a mineralizing source. Prior to entering into the agreement Sundance had carried out geological mapping, soil geochemical, gravity and NSAMT surveys over portions of the property and based on the results plus those of the Company's ZTEM survey the parties plan to begin an initial diamond drilling program in the late spring or early summer of 2011.

The exploration group continues to investigate and employ new geophysical targeting methods available to guide its drilling programs. In the fall of 2010 the results of the test 3D IP survey were received and interpretation indicates correlation between a particular level of chargeability and portions of the known manto massive sulphides at Platosa. A series of holes has been laid out for similar chargeability anomalies found elsewhere in the survey area, which measures roughly five kilometres from NW-SE and one kilometre from SW-NE and was centred roughly on the known mantos.

During October, 2010 the Company carried out 2,800 line kilometres of ZTEM airborne geophysical surveying over a large portion of the original Platosa property, almost all of the 17,000 ha concession acquired in April 2010 and a portion of the Pluton property discussed above. The Company received the initial final interpreted results of the survey in late February as disclosed in a press release dated February 28, 2011. The survey has outlined several previously undetected and untested structural zones or systems of interest. These target areas are being ground truthed and once drill tested they may lead to the discovery of a large-tonnage proximal carbonate replacement deposit (CRD) similar to others in the prolific CRD Belt of Mexico. The discovery of such a deposit, which the Company believes is present on the property, remains the principal goal of its exploration programs. In addition these structural systems may lead to the discovery of new high-grade Ag, Pb, Zn manto sulphides similar to those the Company has been exploiting at Platosa since mid 2005.

Miguel Auza Property

The Miguel Auza property encompasses 41,498 ha (102,540 acres) and lies on the eastern flank of the Fresnillo Mexican Silver Trend some 150-200 km north of Fresnillo and Zacatecas City, both of which areas have and continue to be the source of a large percentage of Mexican silver, lead and zinc production. The property covers numerous high- and low-sulphide epithermal veins carrying Ag, (Au), Pb, and Zn. The property has been the site of a large amount of historic mining since the time of the Spaniards and as recently as 2008 when SEG (through its Mexican subsidiary) carried out mining and milling on the Calvario Vein system.

The large property has seen very little modern exploration other than on Calvario and its immediate surroundings, and the main thrust of the Company's 2009-2010 exploration program was an evaluation of the regional potential. In March 2010 the company announced that it had outlined six northwest-trending quartz veins varying in thickness from two to 10 m, with a strike length of up to 1,500 m. The "Madera Veins" are composed of multiple stages of quartz and calcite banding and the quartz shows the multi-stage brecciation and replacement textures typical of epithermal veins. The lack of significant silver grades in the outcrops explains why these veins historically saw only local shallow prospecting and why their potential importance was previously overlooked. A 12-hole drilling program was completed on the veins in June 2010. This drilling confirmed the presence of a large epithermal system with veins which persist to a depth of at least 440 m vertical. Significant amounts of pyrite and pyrrhotite were found in portions of the veins. The best intersection was 1.75 m (estimated true thickness) running 321 g/t (9.4 oz/T) Ag, 0.72% Pb, 0.20% Zn and reported in a press release dated May 25, 2010.

Subsequent exploration focused on regional mapping and reconnaissance, particularly in an area between the Madera and Calvario veins where historic drilling encountered several narrow intersections of over 1,000 g/t (29.1 oz/T) silver and no significant follow-up was carried out by previous operators. Several other areas of favorable geology and alteration were also investigated. This program was completed in October 2010 and despite the fact that there remain areas of exploration interest on the property the Company has decided that it will concentrate exploration efforts on the Platosa Property for the foreseeable future.

Qualified Persons

Mr. John Sullivan, BSc., PGeo. 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 and has supervised the preparation of the technical information on which such disclosure is based.

Mr. Sullivan is an economic geologist with over 35 years of experience in the mineral industry. Prior to joining Excellon in 2007 he was a senior geologist at a Toronto-based international geological and mining engineering consulting firm where he evaluated properties and prepared NI 43-101 reports on gold and base metal projects in Canada and internationally. In addition he has held senior positions with two large Canadian mining companies where he directed major exploration programs, managed field offices, and evaluated projects in Canada, Europe, Africa and Latin America. Mr. Sullivan is not independent of Excellon as he is an officer.

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 Canadian 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 associated with labour relations.

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

In addition, there is no assurance that the Company will have sufficient cash resources to meet its objectives since this is dependent on being able to maintain adequate production levels and to realize adequate revenues based on metal prices as well as being able to raise capital as required.

Overall Performance

Silver prices in 2010 averaged US$20.16 on the LME while the Company realized a price of $19.78.

As mining progressed towards a series of major faults, water management underground became a bigger issue and this resulted in lower production. The Company spent a significant portion of its available cash on exploration in 2010 which resulted in the discovery of new manto mineralization and the generation of additional drilling targets.

The Company also spent approximately $4.3 million on new mine equipment and infrastructure including a mine office and warehouse.

During 2010, the decision was made to let the Miguel Auza mine flood to reduce care and maintenance costs and since there are no plans to explore the property in the near future. As a result, all costs capitalized to the property in an amount of $1.3 million were written off.

Selected Annual Information

The following selected annual information has been prepared in Canadian dollars in accordance with Canadian generally accepted accounting principles:

	Year ended December 31, 2010	Five months ended December 31, 2009	Year ended July 31, 2009
	$	$	$
Revenue	30,425,392	16,031,660	20,056,321
Net income (loss)	(3,883,741)	737,038	(4,900,830)
Loss per share – basic and diluted	(0.02)	0.00	(0.03)
Total assets	38,200,092	39,153,724	39,890,718
Total long-term financial liabilities	1,476,659	1,355,176	558,857
Dividends declared per share	-	-	-

Revenue fluctuations are a function of production levels and metal prices. The losses in the above periods are largely a function of the amount of spending on exploration. The decline in total assets in 2010 is largely due to the change in the foreign exchange accounting policy described under Results of Operations.

Results of Operations

In December 2009, the Company changed its year end to December 31 from July 31. The year end change was necessary to the make the Company's financial statements directly comparable to other mining companies on a quarterly basis and to have a consistent year end with its subsidiaries. This change in year end required the Company to have a transition year with a five month year ending December 31, 2009 with comparatives for the twelve month year ending July 31, 2009.

Effective January 1, 2010, the Company's foreign subsidiaries were deemed to be operationally and financially self-sufficient, and accordingly, classified as self sustaining foreign operations. Prior to 2010 these subsidiaries were considered to be integrated foreign operations since they were financially and operationally dependent upon Excellon. The change was accounted for prospectively. As a result of this change, foreign exchange gains and losses on translation of foreign subsidiaries' financial statements flow through other comprehensive income rather than through the consolidated statements of operations. This should reduce earnings volatility due to foreign exchange fluctuations.

Financial statement highlights for the year ended December 31, 2010, the five-month period ended December 31, 2009 and the year ended July 31, 2009 are as follows:

	Year ended December 31, 2010	Five months ended December 31, 2009	Year ended July 31, 2009
	$	$	$
Revenue	30,425,392	16,031,660	20,056,321
Cost of production (including amortization)	18,957,616	9,157,606	14,343,024
Income from mine operations	11,467,776	6,874,053	5,713,297
Expenses:			
Exploration expenditures	9,010,297	2,672,450	3,280,296
Write-down of mineral property	1,303,880	-	-
General and administration	4,895,567	1,769,384	4,815,872
Other	1,689,089	766,623	1,647,527
Income taxes (recovery)	(1,547,316)	928,558	870,432
Net income (loss) for the period	(3,883,741)	737,038	(4,900,830)

During the year ended December 31, 2010 the Company recorded a loss of $3.9 million compared to a loss of $4.9 million for the year ended July 31, 2009 (net income of $737,038 for the five month period ended December 31, 2009).

Income from mine operations for 2010 was $11.5 million compared to $6.9 million for the five month period ended December 31, 2009. This is significantly lower in 2010, compared to annualized 2009 results, due to lower metal sales (as a result of lower grades and recoveries), higher cash costs and higher total production costs. The most significant factor affecting the mine results in 2010 was the underground water problems which disrupted production and increased production costs. Plant throughput rates were similar in the two periods however lower grade ore was processed which negatively affected sales.

Income from mine operations in the year ended July 31, 2009 of 5.7 million was 10% lower than fiscal 2010. Prior to March 2009, the Company was selling ore. With the change to processing ore at Miguel Auza and to selling concentrates, mine profitability improved significantly.

Silver sales account for approximately 67% of total sales in 2010 (63% in the five month period ended December 31, 2009 and 68% in the year ended July 31, 2009).

Mine development and production are currently taking place in areas with large faults that are water-bearing. It is expected that production from the mine will increase once these faults are crossed. The current mine plan for 2011 includes production of 57,000 tonnes of ore.

The Platosa property is considered to have high exploration potential by the Company and in 2010, over $9 million (five months ended December 31, 2009 - $2.7 million, year ended July 31, 2009 - $3.3 million) was spent on exploration within two kilometers of the mine. The Company's accounting policy is to expense exploration costs so earnings will fluctuate depending on the level of exploration activity.

General and administrative costs represent administrative costs incurred in Canada. Management compensation is the largest component and is comparable to the previous periods presented above. The use of contract staff for projects such as the IFRS conversion has increased in 2010. Legal and audit costs are lower in 2010 partly offset by higher insurance premiums associated with increased coverage.

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Summary of Quarterly Results

The following table sets forth selected quarterly information for the last eight quarters.

		3 months ended		3 months ended		3 months ended		3 months ended
Period ended		2010-12-31		2010-09-30		2010-06-30		2010-03-31
Revenue	$	5,331,314	$	6,303,229	$	8,407,580	$	10,383,269
Net income (loss) before income taxes	$	(3,676,810)	$	(2,152,013)	$	(795,922)	$	1,193,688
Net income (loss)	$	(2,764,424)	$	(2,132,610)	$	464,197	$	549,096
Earnings (loss) per share – basic	$	(0.01)	$	(0.01)	$	0.00	$	0.00
– diluted	$	(0.01)	$	(0.01)	$	0.00	$	0.00

		2 months ended		3 months ended						
Quarter ended		2009-12-31		2009-10-31		2009-07-31		2009-04-30		2009-01-31
Revenue	$	6,202,442	$	9,829,218	$	10,151,661	$	5,296,294	$	3,587,992
Net income (loss) before income taxes	$	(164,306)	$	1,852,940	$	2,502,000	$	710,118	$	(988,231)
Net income (loss)	$	(230,095)	$	967,133	$	1,268,957	$	621,288	$	(857,377)
Earnings (loss) per share – diluted	$	0.00	$	0.00	$	0.01	$	0.00	$	(0.01)
Earnings (loss) per share – diluted	$	0.00	$	0.00	$	0.01	$	0.00	$	(0.01)

Quarterly revenue fluctuations are a function of metal prices and the volume of ore mined as well as ore grades. The Company has a policy of expensing exploration costs which creates volatility in earnings. The net income figures for the fourth quarter of 2010 reflect a write-down of mineral property in an amount of $1.3 million. No write-downs were recorded in the prior quarters presented.

Liquidity and Capital Resources

As at December 31, 2010 the Company's cash and cash equivalents were $1,977,798 (December 31, 2009 – $4,692,698, July 31, 2009 - $7,204,051), and working capital was $6,359,355 (December 31, 2009 – $8,106,979, July 31, 2009 - $7,019,385). In order to provide more operating flexibility in the short-term, the Company is examining financing alternatives such as the use of capital leases and lines of credit. The only present source of funds available to the Company is cash flow generated by the Platosa mine. Current planned capital expenditures in the next six months total approximately $1.9 million to be used to increase water pumping capacity, improve electrical infrastructure and to purchase mining equipment.

Contractual Obligations

The Company has entered into agreements to lease surface rights, premises and equipment under operating lease agreements expiring at various dates to 2014 and thereafter. The future minimum annual lease payments are as follows:

	$
2011	1,313,994
2012	723,160
2013	594,318
2014	613,534
Thereafter	14,111,284
	17,356,290

Accounts payable excluding accrued liabilities are due within 90 days or less. The Company has several lease obligations expiring over the next three years in the amount of $960,667. In addition, annual payments of US $520,000 for a surface rights lease with Ejido La Sierrita are payable over the next 23 years.

In connection with the surface rights lease with Ejido La Sierrita, the Company has committed to, should the untreated water not be of quality appropriate for agricultural purposes, construct and install a water treatment plant for the water extracted from the mine. This commitment is conditional on the granting of permits required by the National Commission of Water of Mexico. At December 31, 2010 no permits have been granted.

Off-Balance Sheet Arrangements

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

Related Party Transactions

The Corporate Secretary of the Company is a partner in a firm that provides legal services to the Company. During the year ended December 31, 2010, the Company paid an aggregate of $286,854 (five months ended December 31, 2009- $258,463, year ended July 31, 2009 - $574,297) for legal services from the firm. These services were provided in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

Common share data (as at March 22, 2011)

Common shares outstanding	249,788,446
Stock options granted	12,844,272
Total	262,632,718

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2010. The preparation of the Company's consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The following is a list of the accounting policies that the Company believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported:

- Carrying value of mineral properties and property, plant and equipment;
- Asset retirement obligations;
- Future income taxes; and
- Stock-based compensation

Carrying value of mineral properties and property, plant and equipment

The Company reviews and evaluates the carrying value of its mineral properties for impairment whenever events or circumstances indicate that the carrying amounts of these assets may not be recoverable. When the carrying amount exceeds the undiscounted cash flow, an impairment loss is measured and recorded. Future cash flows are based on estimated recoverable production from the Company's Indicated and Inferred resources. Assumptions underlying the cash flow estimate include, but are not limited to, forecasted prices for silver, lead and zinc, production levels, and operating, capital, exploration and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Therefore, it is possible that changes in estimates with respect to the Company's mine plans could occur which may affect the expected recoverability.

The accumulated costs of mineral properties are amortized using the units of production basis using Indicated and Inferred mineral resources (as defined by National Instrument 43-101). Property, plant and equipment are recorded at cost and are amortized using the straight-line method.

Asset retirement obligations

Due to uncertainties relating to environmental remediation, the cost of future site restoration could differ from the amount recorded in the consolidated financial statements. The estimate of the liability associated with site restoration costs is subject to change based on expected inflation, changes to laws and regulations, changes in technology and other factors.

Future income taxes

The Company follows the liability method of accounting for future income taxes. Under this method, future tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Stock-based compensation

The Company has a stock-based compensation plan that is described in note 9(b) to the Company's December 31, 2010 consolidated financial statements. The Company records all stock-based compensation for stock options using the fair value method. The fair value of each stock option issued is estimated on the date of grant using the Black-Scholes option pricing model, with expected volatility based on historical volatility of the Company's share price. Historical data is used to estimate the term of the stock option and the risk free rate for expected term of the stock option is based on the Government of Canada yield curve in effect at the time of the grant.

Adoption of New Accounting Standards

The Company monitors the recently issued Canadian Institute of Chartered Accountants ("CICA") accounting pronouncements to assess the applicability and impact, if any, of these pronouncements on our consolidated financial statements and note disclosures.

Financial Instruments

The Company's financial instruments as at December 31, 2010 consist of cash and cash equivalents, short-term investments, accounts receivable, income taxes receivable and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value. There were no off-balance sheet financial instruments.

Cash and cash equivalents consist solely of cash deposits with major Canadian and Mexican banks.

The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Disclosure Controls and Procedures

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.

Internal Control over Financial Reporting

Management has designed internal control 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 Canadian GAAP.

Evaluation of DC&P and ICFR

The Company's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P and ICFR at the financial year end and have concluded that the Company's DC&P and ICFR were effective at the financial year end based on that evaluation.

No Changes in ICFR in Fourth Quarter

There were no changes in the Company's policies and procedures and other processes that comprise its ICFR during the period beginning on October 1, 2010 and ended on December 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

International Financial Reporting Standards ("IFRS")

Canadian publicly listed companies will be required to prepare financial statements in accordance with IFRS for interim and annual periods beginning on or after January 1, 2011. The Company's reporting under IFRS will commence in the first quarter of 2011.

The changeover to IFRS from Canadian GAAP is a significant undertaking, and as a result, the Company has established a dedicated IFRS changeover resource to lead this process. The audit committee of the Company is kept informed of management's decisions on accounting policy choices under IFRS, project status and IFRS developments. The project planning and design phases have been substantially completed and included a review of significant IFRS differences. Based on the work done so far, the Company does not expect that the conversion to IFRS will have a significant impact on its accounting processes and internal controls (including information technology systems). The Company will be updating its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. In addition, the Company does not expect the conversion to IFRS to have a significant impact on its risk management or other business activities.

During the fourth quarter of 2010, the Company continued to execute on the implementation phase of its changeover plan. During this period, specific project milestones achieved include: further progression in the identification and amendment of internal controls over financial reporting and business processes impacted by IFRS; further progression in determining and selecting accounting policies and progression in the preparation of draft mock-up of the consolidated financial statements and notes under IFRS.

Transition to IFRS

Subject to review by the Company's auditor the effect of the Company's transition to IFRS at January 1, 2010 is summarized in this note as follows:

1. Presentation differences
2. Transition elections

3. Reconciliation of equity as previously reported under Canadian GAAP to IFRS

The IFRS accounting differences, preliminary findings concerning accounting policies and the IFRS 1 elections set out below are subject to review by the Company's auditor and should be considered preliminary. Additionally, these findings are based on current IFRS that are subject to change. The Company's reporting under IFRS in 2011 will be based on the standards effective for that year. Accordingly, the Company continues to monitor standards development by the International Accounting Standards Board and the AcSB.

1. **Presentation differences** — Certain presentation differences between Canadian GAAP and IFRS have no impact on reported equity.

   Mineral properties will be reclassified on the balance sheet at the date of transition. Tangible components of mineral properties will be reclassified to property, plant and equipment. The intangible component of mineral properties (acquisition costs) will be reclassified to intangible assets.

   Some line items on the balance sheet will be described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows (with previous GAAP descriptions in brackets):

   - Rehabilitation provision (asset retirement obligation)
   - Deferred income tax liabilities (future income tax liabilities)
   - Share premium (contributed surplus)

2. **Transition elections**

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in note 3
Cumulative translation adjustment	b.
Rehabilitation provision	c.
Business combinations	e.
Share based payments	f.
Borrowing costs	g.

3. Preliminary Reconciliation of equity as previously reported under Canadian GAAP to IFRS

Equity *(In thousands of U.S. dollars)*	a.	**Jan 1, 2010**
Equity as reported under Canadian GAAP		30,501
Accumulated other comprehensive loss		
Cumulative translation adjustment	b.	2,232
		2,232
Deficit		
Cumulative translation adjustment	b.	(2,232)
Rehabilitation provision	c.	65
Rehabilitation cost	c.	(63)
Deferred income tax liabilities	d.	13
		(2,217)
Equity as reported under IFRS		30,516

a. Presentation currency — simultaneous with the transition to IFRS, the Company will change the presentation currency of its consolidated financial statements to U.S. dollars consistent with the predominant presentation currency of the mining industry. In making this change at the transition date, all assets and liabilities have been translated at the closing rate on December 31, 2009. In the first consolidated financial statements prepared under IFRS at March 31, 2011, the change in presentation currency to U.S. dollars will be applied retrospectively back to the transition date, January 1, 2010. There is no need to restate beyond the transition date when the exemption described in the next paragraph is taken.

b. Cumulative translation adjustment — in accordance with IFRS transitional provisions, the Company will elect to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. The accumulated other comprehensive loss will be decreased and the deficit has been increased by $2,232.

c. **Rehabilitation provision** — similar to Canadian GAAP, when a rehabilitation provision (asset retirement obligation) is established, the Company is required to set up a corresponding asset and depreciate it over the remaining useful life of the asset. Any changes in the rehabilitation provision are added to or subtracted from the cost of the asset to which the obligation relates. In accordance with IFRS transitional provisions, the Company elected to take a simplified approach to calculate and record the asset related to the rehabilitation provision in the opening IFRS consolidated balance sheets. The rehabilitation provision on the transition date calculated in accordance with IFRS is discounted back to the date when the provision first arose, at which date the corresponding asset is set up. This asset is then depreciated to its carrying amount at the transition date.

The rehabilitation provision calculated at the transition date would decrease the carrying amount of the previous asset retirement obligation recognized under Canadian GAAP by $65 and the deficit will be reduced. The corresponding asset will also decrease but by $63 net of depreciation and the deficit will be charged.

d. **Deferred income tax liabilities** — a portion of deferred (future) income tax liabilities recognized under Canadian GAAP amounting to $13 will be derecognized under IFRS and the deficit will be reduced. Derecognition is required because under IFRS the tax liability would have been exempted at initial recognition as its tax base was zero.

e. **Business combinations** — in accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date have been carried forward without adjustment except where such balances do not meet the transitional requirement to recognize or derecognize assets and liabilities in accordance with IFRS. There were no adjustments arising from this election as all acquired assets and liabilities conformed to IFRS.

f. **Share-based payments** — in accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to share-based payments retrospectively to outstanding stock options that had not vested prior to January 1, 2010. There were no adjustments arising from this election as all outstanding stock options had vested by January 1, 2010.

g. **Borrowing costs** — in accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to borrowing costs prospectively from January 1, 2010. There were no adjustments arising from this election at the date of transition.

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 may contain "forward-looking statements" that reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of work programs, geological interpretations, potential mineral recovery processes and rates, proposed production rates, the construction of a mill, the acquisition of surface rights and negotiation and closing of future financings. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by these statements. See "Risk Factors".