



Excellon Resources Inc.

Condensed Interim Consolidated Financial Statements

March 31, 2014

in thousands of U.S. dollars

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

April 29, 2014

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Financial Position

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

		March 31, 2014	December 31, 2013
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,996	2,591
Marketable securities	3	2,862	2,607
Trade receivables		2,281	1,849
Income taxes receivable		2,364	2,689
Inventories	4	2,171	2,916
Other current assets		1,553	1,288
		15,227	13,940
Non-current assets			
Property, plant and equipment	5	20,697	21,160
Mineral rights	6	21,798	22,727
Deferred income tax assets	14	7,246	7,250
Total assets		64,968	65,077
Liabilities			
Current liabilities			
Trade payables		3,459	3,643
Non-current liabilities			
Provisions	7	1,931	1,783
Total liabilities		5,390	5,426
Equity			
Share capital	8	77,430	77,434
Contributed surplus		10,827	10,676
Accumulated other comprehensive income		(4,050)	(1,955)
Deficit		(24,629)	(26,504)
Total equity		59,578	59,651
Total liabilities and equity		64,968	65,077

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

Approved by the Board

Director

Director

"Timothy J. Ryan"

"Alan R. McFarland"

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

For the three months ended March 31, 2014 and 2013

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

	Notes	March 31, 2014 \$	March 31, 2013 \$
Revenues	13	10,536	10,055
Production Costs		(6,804)	(5,076)
Depletion and amortization		(993)	(887)
Cost of Sales	9a	(7,797)	(5,963)
Gross Profit		2,739	4,092
Administrative expenses		(848)	(1,107)
Share based payments	8	(267)	(605)
Depletion and amortization		(70)	(71)
General and administrative expenses	9b	(1,185)	(1,783)
Exploration		(337)	(4,839)
Other income	9c	1,100	2,112
Finance costs		(22)	(19)
Income (loss) before income tax		2,295	(437)
Income tax expense	11	(420)	(164)
Net income (loss)		1,875	(601)
Other comprehensive income (loss)			
Foreign currency translation differences		(2,095)	(850)
Total other comprehensive income (loss)		(2,095)	(850)
Total comprehensive income (loss)		(220)	(1,451)
Earnings (loss) per share			
Basic		\$ 0.03	\$ (0.01)
Diluted		\$ 0.03	\$ (0.01)
Weighted average number of shares			
Basic		54,987,779	55,028,108
Diluted		55,057,502	55,146,522

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2014 and 2013

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

	Share capital \$	Contributed surplus \$	Accumulated other com- prehensive income (loss) \$	Deficit \$	Total equity \$
Balance - January 1, 2013	77,453	9,329	1,810	(21,463)	67,129
Net income (loss) for the period	-	-	-	(601)	(601)
Total other comprehensive income (loss)	-	-	(850)	-	(850)
Total comprehensive income (loss)	-	-	(850)	(601)	(1,451)
Employee share options:					
Value of services recognized	-	605	-	-	605
Repurchased shares under normal course issuer bid	(62)	(31)	-	-	(93)
Balance - March 31, 2013	77,391	9,903	960	(22,064)	66,190
Balance - January 1, 2014	77,434	10,676	(1,955)	(26,504)	59,651
Net income (loss) for the period	-	-	-	1,875	1,875
Total other comprehensive income (loss)	-	-	(2,095)	-	(2,095)
Total comprehensive income (loss)	-	-	(2,095)	1,875	(220)
Employee share options:					
Value of services recognized	2	151	-	-	153
Proceeds on issuing shares	3	-	-	-	3
Repurchased shares under normal course issuer bid	(9)	-	-	-	(9)
Balance - March 31, 2014	77,430	10,827	(4,050)	(24,629)	59,578

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

Excellon Resources Inc.

Condensed Interim Consolidated Statements of Cash Flow

For the three months ended March 31, 2014 and 2013

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

	March 31, 2014 \$	March 31, 2013 \$
Cash flow provided by (used in)		
Operating activities		
Net income (loss) for the period	1,875	(601)
Adjustments for:		
Depletion and amortization	1,063	958
Deferred income tax	(8)	54
Share-based compensation	269	605
Post-employment benefits	20	18
Rehabilitation provision - accretion	22	19
Unrealized loss (gain) on marketable securities	(255)	302
Unrealized loss (gain) on foreign intercompany loans	(848)	(1,931)
Operating cash flows before changes in working capital	2,138	(576)
Changes in items of working capital:		
Trade receivables	(432)	224
Income taxes receivable	325	(462)
Inventories	745	138
Other current assets	(265)	(158)
Trade payables	(184)	3,012
Net cash provided by operating activities	2,327	2,178
Investing activities		
Purchase of property, plant and equipment	(531)	(1,138)
Net cash used in investing activities	(531)	(1,138)
Financing activities		
Proceeds on issuance of shares	3	-
Repurchased shares under normal course issuer bid	(9)	(93)
Net cash used in financing activities	(6)	(93)
Effect of exchange rate changes on cash and cash equivalents	(385)	75
Increase in cash and cash equivalents	1,405	1,022
Cash and cash equivalents - Beginning of the period	2,591	1,369
Cash and cash equivalents - End of the period	3,996	2,391
Interest	-	-
Cash paid for income tax	38	377

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

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

1. GENERAL INFORMATION

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

Excellon is domiciled in Canada and incorporated under the laws of the province of Ontario. The address of its principal office is 20 Victoria Street, Suite 900, Toronto, Ontario, M5C 2N8, Canada.

2. BASIS OF PRESENTATION

a. Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants Canada including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

The accounting policies and the application adopted are consistent with those disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2013 except as described below.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014.

IAS 32, "Financial instruments: presentation" ("IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company does not expect the amendments to have any material effect on its consolidated financial statements.

IFRIC 21, "Levies" ("IFRIC 21") was issued in May 2013 which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The adoption of IFRIC 21 did not affect the Company's financial results or disclosures and the Company has determined that no changes were required to existing accounting treatment of levies.

Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are disclosed in Note 4 of the Company's consolidated financial statements as at and for the year ended December 31, 2013.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on April 29, 2014.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

3. MARKETABLE SECURITIES

The Company invested \$5,000 in the Sprott Physical Silver Trust to hold units representing an underlying investment in 134,732 ounces of silver. These securities have been classified as a “held for trading financial instrument” during the period. An unrealized gain of \$255 was recorded in income in recognition of an increase in value as at March 31, 2014 (March 31, 2013 – loss of \$302).

4. INVENTORIES

	March 31, 2014	December 31, 2013
	\$	\$
Ore	144	187
Concentrate	192	1,049
Production spares	1,835	1,680
	2,171	2,916

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Mining properties \$	Mining equipment \$	Processing equipment \$	Assets under construction \$	Total \$
At January 1, 2013					
Cost	22,810	10,928	7,685	533	41,956
Accumulated amortization	(13,510)	(4,428)	(3,046)	-	(20,984)
	9,300	6,500	4,639	533	20,972
Year ended December 31, 2013					
Opening net book value	9,300	6,500	4,639	533	20,972
Additions	2,068	1,253	200	604	4,125
Reclassification	1,115	-	-	(1,115)	-
Amortization	(1,210)	(1,344)	(1,183)	-	(3,737)
Exchange differences	(169)	(30)	(9)	8	(200)
Closing net book value	11,104	6,379	3,647	30	21,160
At December 31, 2013					
Cost	25,293	12,055	7,829	30	45,207
Accumulated amortization	(14,189)	(5,676)	(4,182)	-	(24,047)
	11,104	6,379	3,647	30	21,160
Period ended March 31, 2014					
Opening net book value	11,104	6,379	3,647	30	21,160
Additions	268	253	-	10	531
Amortization	(395)	(332)	(215)	-	(942)
Exchange differences	(47)	(3)	(3)	1	(52)
Closing net book value	10,930	6,297	3,429	41	20,697
At March 31, 2014					
Cost	25,241	12,277	7,825	41	45,384
Accumulated amortization	(14,311)	(5,980)	(4,396)	-	(24,687)
	10,930	6,297	3,429	41	20,697

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

6. MINERAL RIGHTS

	Platosa (Mexico) \$	Beschefer (Canada) \$	Desantis (Canada) \$	Total \$
At January 1, 2013				
Cost	4,927	8,730	11,646	25,303
Accumulated amortization	(898)	-	-	(898)
	<u>4,029</u>	<u>8,730</u>	<u>11,646</u>	<u>24,405</u>
Year ended December 31, 2013				
Opening net book value	4,029	8,730	11,646	24,405
Additions	-	-	217	217
Amortization	(443)	-	-	(443)
Exchange differences	(151)	(554)	(747)	(1,452)
Closing net book value	<u>3,435</u>	<u>8,176</u>	<u>11,116</u>	<u>22,727</u>
At December 31, 2013				
Cost	4,755	8,176	11,116	24,047
Accumulated amortization	(1,320)	-	-	(1,320)
	<u>3,435</u>	<u>8,176</u>	<u>11,116</u>	<u>22,727</u>
Period ended March 31, 2014				
Opening net book value	3,435	8,176	11,116	22,727
Additions	-	-	-	-
Amortization	(121)	-	-	(121)
Exchange differences	(77)	(310)	(421)	(808)
Closing net book value	<u>3,237</u>	<u>7,866</u>	<u>10,695</u>	<u>21,798</u>
At March 31, 2014				
Cost	4,665	7,866	10,695	23,226
Accumulated amortization	(1,428)	-	-	(1,428)
	<u>3,237</u>	<u>7,866</u>	<u>10,695</u>	<u>21,798</u>

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

7. PROVISIONS

	Post-retirement benefits (1) \$	Rehabilitation provision \$	DSU and RSU \$	Total \$
Year ended December 31, 2013				
Opening balance	305	1,332	-	1,637
Change in estimate	21	(122)	-	(101)
Accretion for the year	-	74	-	74
New liabilities	-	-	193	193
Variation of fair value	-	-	(9)	(9)
Exchange differences	(3)	(8)	-	(11)
Closing Balance	323	1,276	184	1,783
Period ended March 31, 2014				
Opening balance	323	1,276	184	1,783
Change in estimate	20	-	-	20
Accretion for the year	-	22	-	22
New liabilities	-	-	34	34
Variation of fair value	-	-	82	82
Exchange differences	-	(1)	(9)	(10)
Closing Balance	343	1,297	291	1,931

- (1) Post-retirement benefits: The Company provides post retirement benefits supplements as well as leaving indemnities to employees at the Mexican operations. Under Mexican Labour Law, the Company provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without just cause.

Key financial assumptions used in the above estimate include an annual discount rate of 7.6% (December 31, 2013 – 7.6%) based on yield curve from short and long term government bonds, annual salary and minimum wage increase rate of 3.6% (December 31, 2013 – 3.6%) and the life of mine of ten years.

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

8. SHARE CAPITAL

	Number of shares (000's)	\$
Year ended December 31, 2013		
Opening balance (1)	55,036	77,453
Shares issued on exercise of stock options	100	153
Shares issued on Desantis agreement	118	199
Share purchase buyback	(265)	(371)
Balance at December 31, 2013	54,989	77,434
Period ended March 31, 2014		
Opening balance	54,989	77,434
Shares issued on exercise of stock options	3	5
Share purchase buyback	(7)	(9)
Balance at March 31, 2014	54,985	77,430

SHARE OPTION PROGRAM (EQUITY-SETTLED)

The Company has a share option program that entitles directors, officers, employees and consultants to purchase shares in the Company. Under the program, the Company may grant options for up to 10% of the common shares issued and outstanding. Under the program, the exercise price of each option may not be less than the market price of the Company's common shares on the date of grant, and an option's maximum term is five years. Options may be granted by the board of directors at any time and may vest immediately upon grant.

Disclosure of share option program

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

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

	Weighted Average Exercise Price (CAD)	Options
Outstanding at January 1, 2013	\$ 4.25	2,449,396
Granted	\$ 1.75	1,452,500
Exercised	\$ 0.95	(100,000)
Expired	\$ 6.83	(629,729)
Forfeited	\$ 2.56	(27,667)
Outstanding at December 31, 2013	\$ 2.70	3,144,500
Exercisable at December 31, 2013	\$ 3.15	2,059,488

Outstanding at January 1, 2014	2.70	3,144,500
Granted	-	-
Exercised	1.14	(2,500)
Expired	-	-
Forfeited	-	-
Outstanding at March 31, 2014	\$ 2.70	3,142,000
Exercisable at March 31, 2014	\$ 3.11	2,231,989

As at March 31, 2014, the following stock options were outstanding and exercisable:

CAD	Stock Options Outstanding	Weighted Average Remaining Contractual Life (years)	Stock Options Exercisable	Weighted Average Exercise Price (CAD)
\$1.14 to \$1.49	780,000	4.71	264,991	\$ 1.15
\$1.50 to \$1.99	130,000	4.17	43,334	\$ 1.73
\$2.00 to \$5.21	2,232,000	2.39	1,923,664	\$ 3.42
	3,142,000	3.04	2,231,989	\$ 3.11

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

Inputs for measurement of grant date fair values

The grant date fair value of the share option program was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. During the period, there were no options granted to directors, officers and employees. The inputs used in the measurement of the fair values at grant date of the share option program in 2013 were the following:

		2013
Fair value at grant date	\$	1.19
Share price at grant date	\$	1.75
Exercise price	\$	1.75
Risk free interest rate		1.42%
Expected life of options in years		5.00
Expected volatility		85.75%
Expected dividend yield		0.00%
Estimated forfeiture rate		2.99%

Share-based compensation expense

Compensation expense is recognized over the vesting period of the grant and the corresponding entry is recorded in equity as contributed surplus. During the period, the Company recorded a stock compensation expense of \$168 (period ended March 31, 2013 - \$605).

DEFERRED SHARE UNITS ("DSU")

During 2013, the Company implemented a DSU plan in respect of the directors of the Corporation. The DSU's are currently paid in cash based on the five-day volume weighted average price ("Market Price") of the Company's publicly traded common shares on settlement dates elected by a director between the retirement date and December 15th of the calendar year subsequent to the year of the director's retirement. All grants under the plan are fully vested upon credit to an eligible directors' account. The value of the payout is determined by multiplying the number of DSU vested at the payout date by the market price of the Company's shares on the five trading days immediately prior to a settlement date, with settlement in cash. The plan has been amended by the Board to provide for settlement of DSU's from treasury, subject to the approval of the Company's shareholders at the annual meeting to be held on April 29, 2014.

During the period, the Company granted 26,063 DSU's with a market value of CAD\$37 at the date of grant to non-executive directors as compensation in lieu of cash director fees. During the period, there were no DSU settlements. Total share based compensation expensed in the period related to vested DSU's was CAD\$92. The fair value of the DSU's are classified as a liability and disclosed in note 7.

RESTRICTED SHARE UNITS ("RSU")

During 2013, the Company implemented a RSU plan in respect of officers and employees of the Corporation. The RSU Plan entitles officers or employees to a cash payment at the end of a term or performance period of up to three years following the date of the award. The value of the payout is determined by multiplying the number of RSUs vested at the payout date by the Market Price of the

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

Company's shares on the five trading days immediately prior to a payout date with settlement in cash. The plan has been amended by the Board to provide for settlement of RSU's from treasury, subject to the approval of the Company's shareholders at the annual meeting to be held on April 29, 2014.

During the period, the Company granted 15,000 RSU's with a market value of CAD\$22 at the date of grant to officers and employees. During the period there were no RSU settlements. Total share based compensation expensed in the period related to vested RSU's was CAD\$34. The fair value of the RSU's are classified as a liability and disclosed in note 7.

9. EXPENSE BY NATURE

(a) Cost of sales comprises the following:

	March 31, 2014	March 31, 2013
	\$	\$
Direct mining and milling costs (1)	5,879	4,776
Changes in inventories	925	300
Depletion, depreciation and amortization	993	887
Royalties	-	-
Cost of sales	7,797	5,963

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

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

	March 31, 2014	March 31, 2013
	\$	\$
Office and overhead costs	446	609
Salaries and wages	400	498
Share based compensation	269	605
Depletion and amortization	70	71
General and administrative expenses	1,185	1,783

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

	March 31, 2014	March 31, 2013
	\$	\$
Unrealized loss (gain) on marketable securities	(255)	306
Foreign exchange loss (gain)	(845)	(2,418)
Other expense (income)	(1,100)	(2,112)

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

10. RELATED PARTIES

The corporate secretary of the Company is a partner in a firm that provides legal services to the Company. During the period, the Company incurred legal services of \$20 (period ended March 31, 2013 – \$43) with an outstanding payable balance of \$20 at March 31, 2014 (March 31, 2013 – \$14).

11. INCOME TAX

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual rate used for the year ended December 31, 2013 was 26.5% and the three months ended March 31, 2014 was 26.5%.

In 2013, the Mexican tax authority (Servicio de Administración Tributaria – "SAT") in the state of Zacatecas completed an income tax audit of the 2008 and 2009 years in respect of one of the Company's Mexican subsidiaries. As a result of this audit, on February 24, 2014 and March 13, 2014 the Company received notice of reassessments from SAT for 2009 and 2008 respectively, denying deductions in the amount of 115.2 million pesos (USD\$8.8 million) and 72.9 million pesos (USD\$5.6 million) respectively that relate primarily to foreign exchange losses. The combined impact of the 2009 and 2008 is a reduction in the available non-capital loss balance totaling 188.1 million pesos (USD\$14.4 million), which, consequently, would result in a reduction in the deferred tax asset balance of USD\$4.3 million and a corresponding increase in deferred income tax expense. In addition, the Company would be subject to penalty and interest, an amount that has not been included in this estimate.

The Company is of the view, with support from its tax advisors, that there is a strong case to support the Company's position, particularly because the SAT has made adjustments to foreign exchange losses but has not made offsetting adjustments to foreign exchange gains. Accordingly, the Company has appealed the 2008 and 2009 reassessment through the SAT's appeals procedures, a process that could take up to 24 months before a final decision is made.

The Company believes, based on the tax advice from its tax advisors, that it is more likely than not that its position will be sustained and no amounts related to this issue have been recorded in the condensed Interim consolidated financial statements as at March 31, 2014.

12. SEGMENT REPORTING

	MEXICO		CANADA	
	Mar 31, 2014 \$	Dec 31, 2013 \$	Mar 31, 2014 \$	Dec 31, 2013 \$
Property, plant and equipment	20,697	21,160	-	-
Capital expenditures	(531)	(4,125)	-	-
Mineral rights	3,237	3,435	18,561	19,292
Total assets	42,567	41,010	22,401	24,067

Excellon Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2014 and 2013

(Unaudited) (in thousands of US Dollars)

	Three months ended	
	Mar 31, 2014	Mar 31, 2013
	\$	\$
MEXICO		
Revenue	10,536	10,055
Cost of sales	(7,797)	(5,963)
Exploration	(223)	(3,327)
Other expenses	(214)	1,735
Net finance costs	(22)	(19)
Income tax	(420)	(164)
Net income (loss)	1,860	2,317
CANADA		
General and administrative expenses	(1,185)	(1,783)
Exploration	(114)	(1,512)
Other expenses	1,314	377
Net finance costs	-	-
Income tax	-	-
Net income (loss)	15	(2,918)
Net income (loss)	1,875	(601)

13. REVENUES

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

At the beginning of the period, the Company entered into a new sales agreement with Trafigura with the most notable amendment being in the settlement terms of one or two months after delivery compared to the previous contract terms of one or four months after delivery.

Revenues in the current period include a positive adjustment to sales of \$888, primarily related to the reversal of the mark to market taken at year end as receivables were ultimately settled at higher values.

As at March 31, 2014, unsettled provisionally priced sales totalled \$9,695. A 10% increase or decrease in the price of silver will result in a corresponding increase or decrease in revenues of \$860.