Excellon Reports Second Quarter 2018 Financial Results

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TORONTO, July 30, 2018 /CNW/ -

Excellon Resources Inc. (TSX:EXN, EXN.WT.A and OTC:EXLLF) ("Excellon" or the "Company") is pleased to report fir
results for the three and six month periods ended June 30, 2018.

Q2 2018 Financial Highlights (compared to Q2 2017)

- Revenue increased 177% to $9.9 million (Q2 2017 – $3.6 million)
- Production increased 120% to 637,205 silver equivalent ("AgEq") ounces (Q2 2017 – 289,566 AgEq ounce
- Sales increased 128% to 568,370 AgEq ounces payable (Q2 2017 – 249,733 AgEq ounces payable)
- Gross profit of $3.9 million (Q2 2017 – loss of $1.0 million)
- Total cash cost per Ag oz payable of negative $1.07 (Q2 2017 – $18.10)
- All-in sustaining cost ("AISC") per Ag oz payable decreased to $9.75 (Q2 2017 – $37.87) or $7.14 excludi items
- Net income of $1.3 million or $0.01/share (Q2 2017 – net loss of $0.5 million or $0.01/share)
- Net working capital totaled $15.8 million at June 30th (December 31, 2017 – $13.8 million) with $15.7 millio and cash equivalents (December 31, 2017 - $12.3 million)
- Milling arrangement with Hecla Mining Company ("Hecla") amended to provide for increase in bulk sample from 4 12,000 tonnes of San Sebastian ore
- Inaugural Annual Corporate Responsibility Report published on Excellon's website

"We saw strong improvements in all areas of operational and financial performance during the second quarter," stated Cahill, President and CEO. "Most importantly, we realized AISC per silver ounce payable of less than $10, greatly impr flow and added cash to our balance sheet while internally funding exploration programs on both of our projects. During half of the year, we're looking forward to increasing exploration, increasing cash flow through our milling arrangement w and continuing to implement operational improvements at Platosa."

Financial Results

Financial results for the three and six month periods ended June 30, 2018 and 2017 were as follows:

('000s of USD, except amounts per share and per ounce)

	Q2 2018	Q2 2017	6-Mos 2018	6-Mos 2017
Revenues [(1)]	9,877	3,570	15,788	6,983
Production costs	(5,173)	(3,997)	(9,132)	(8,022)
Depletion and amortization	(854)	(582)	(2,136)	(1,128)
Cost of sales	(6,027)	(4,579)	(11,268)	(9,150)
Gross profit (loss)	3,850	(1,009)	4,520	(2,167)
Corporate administration	(1,482)	(842)	(2,905)	(2,177)
Exploration	(1,053)	(618)	(1,761)	(1,182)
Other income	(497)	630	(415)	2,343
Net finance income (cost)	(409)	1,629	615	2,892
Income tax recovery (expense)	845	(292)	(22)	(1,046)
Net income (loss)	1,254	(502)	32	(1,337)
Income (loss) per share – basic	0.01	(0.01)	0.00	(0.02)
Cash flow from (used in) operations [(2)]	2,253	(1,297)	2,724	(2,734)
Cash flow from (used in) operations per share – basic	0.02	(0.02)	0.03	(0.04)
Production cost per tonne ($/tonne) [(3)]	226	288	219	311
Cash cost per payable silver ounce ($/Ag oz)	(1.07)	18.10	0.90	20.07
All-in sustaining cost ("AISC") per silver ounce payable ($/Ag oz)	9.75	37.87	12.21	48.82

(1)	Revenues are net of treatment and refining charges.
(2)	Cash flow from (used in) operations before changes in working capital.
(3)	Production cost per tonne includes mining and milling costs excluding depletion and amortization.

Financial performance improved during Q2 2018 with a 177% increase in net revenues to $9.9 million (Q2 2017 – $3.6 million), primarily due to a 128% increase in AgEq payable ounces to 568,370 (Q2 2017 – 249,733 AgEq oz), and net income of $1.3 million (Q2 2017 – net loss of $0.5 million). Cash increased by $4.8 million during the quarter to $15.7 million, reflecting $2.3 million of cash flow from operations (after exploration and general and administrative expenses), $2.7 million from changes in working capital relating to collection of receivables and VAT credits, $1.7 million from the exercise of outstanding $0.65 warrants, capital expenditures of $1.1 million and negative forex adjustments of $0.8 million on non-USD denominated accounts.

Production cost per tonne improved by 21% to $226/t in Q2 2018, primarily due to a 65% increase in tonnes milled. Production costs are expected to continue to improve as production rates increase. Treatment and refining charges decreased to $0.2 million due to improved 2018 offtake terms that became effective in Q2 2018 and accounted for only 2% of gross revenues, compared to 7% in the comparative quarter.

General and administrative expenses increased by 76% during Q2 2018 compared to Q2 2017, primarily due to an increase to $0.6 million in stock based compensation expense (Q2 2017 – $0.1 million). The increased stock compensation was due primarily to increased probability that certain performance vesting conditions will be achieved for certain RSUs outstanding, resulting in an expense recognition of $0.4 million. Cash general and administrative expenses totaled $839,000 during the quarter versus $667,000 in Q2 2017 due to increases in certain corporate governance and regulatory fees.

The Company incurred $1.1 million in exploration spending in Q2 2018 as surface drilling increased at Platosa and commenced at Miguel Auza. Underground drilling also continued at Platosa adding to a total of 8,423 metres drilled in the quarter.

The Company realized total cash costs per silver ounce payable of negative $1.07 in Q2 2018, demonstrating significant improvements over Q2 2017, resulting from a 79% increase in silver ounces payable and a $4.0 million increase in byproduct credits from higher lead and zinc production and prices. AISC also showed significant improvements relative to previous quarters, decreasing to $9.75 per payable silver ounce or $7.14 excluding non-cash items.

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

All financial information is prepared in accordance with IFRS, and all dollar amounts are expressed in U.S. dollars unless otherwise specified. The information in this press release should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 and associated management discussion and analysis ("MD&A") which are available from the Company's website at www.excellonresources.com and under the Company's profile on SEDAR at www.sedar.com.

The discussion of financial results in this press release includes references to "cash flows from operations before changes in working capital items", "production cost per tonne", "cash cost per silver ounce payable", and "AISC per silver ounce payable", which are non-IFRS performance measures. The Company presents these measures to provide additional information regarding the Company's financial results and performance. Please refer to the Company's MD&A for the three and six month periods ended June 30, 2018, for a reconciliation of these measures to reported IFRS results.

Production Highlights

Operational performance for the periods indicated below was as follows:

	Q2 2018	Q2 2017	6-Mos 2018	6-Mos 2017
Tonnes of ore produced:	16,146	10,840	29,930	22,904
Tonnes of ore processed:	16,580	11,051	29,601	22,087
Tonnes of historical stockpile processed:	6,291	2,826	12,155	3,723
Total tonnes processed:	22,872	13,877	41,756	25,810

Ore grades:					
	Silver (g/t)	507	451	478	390
	Lead (%)	5.67	4.00	5.27	3.51
	Zinc (%)	8.38	5.29	8.32	4.82
Historical stockpile grades:					
	Silver (g/t)	172	171	174	172
	Lead (%)	1.76	1.46	1.68	1.40
	Zinc (%)	2.38	1.46	2.39	1.40
Blended head grade (ore and historical stockpiles):					
	Silver (g/t)	415	394	390	358
	Lead (%)	4.59	3.48	4.23	3.21
	Zinc (%)	6.73	4.51	6.59	4.33
Recoveries:					
	Silver (%)	89.6	89.8	89.2	89.8
	Lead (%)	80.2	80.4	80.8	80.8
	Zinc (%)	82.2	80.7	82.9	81.3
Production:[1]					
	Silver – (oz)	277,701	160,820	472,163	268,938
	AgEq ounces (oz)[2]	637,205	289,566	1,119,284	494,880
	Lead – (lb)	1,847,967	850,111	3,123,385	1,460,144
	Zinc – (lb)	2,810,564	1,116,367	5,064,014	1,989,343
Payable:[3]					
	Silver ounces – (oz)	249,309	139,428	415,385	255,555
	AgEq ounces (oz) [2]	568,370	249,733	975,364	465,655
	Lead – (lb)	1,773,097	767,145	2,912,762	1,465,168
	Zinc – (lb)	2,392,204	922,953	4,226,947	1,760,686
Realized prices:[4]					
	Silver – ($US/oz)	16.56	16.67	16.54	17.06
	Lead – ($US/lb)	1.08	1.00	1.08	1.01
	Zinc – ($US/lb)	1.41	1.16	1.42	1.20

(1)	Period deliveries remain subject to assay and price adjustments on final settlement with concentrate purchaser(s). Data has been adjusted to reflect final assay and price adjustments for prior period deliveries settled during the period.
(2)	AgEq ounces established using average realized metal prices during the period indicated applied to the recovered metal content of the concentrates.
(3)	Payable metal reflects current metals delivered, net of payable deductions under the Company's offtake arrangements.
(4)	Average realized price is calculated on current period sale deliveries and does not include the impact of prior period provisional adjustments in the period.

During Q2 2018, the Company accessed multiple high grade ore faces with a continued effort on improving productivity underground. In June, two bolting units were commissioned to facilitate ground support installation as ground conditions have been and remain, at this point, a primary area of focus to support production increases. In addition, ongoing dewatering efforts continue to be an integral part of the mining process at Platosa and are essential to ensure dry and efficient mining conditions.

The Company continued to process historical stockpiles and sump material during the quarter, with minimal associated mining costs. These stockpiles are blended with mined ore to improve recoveries (in the case of high-grade lead and/or zinc ore) and payability, as well as being positive cash flow generative. The cost of processing these stockpiles is less than $50/tonne, with an NSR value of approximately $135/tonne assuming 350 g/t AgEq and a silver price of $16.50.

The Company has entered a milling arrangement with Hecla to process ore from the San Sebastian Mine, 42 kilometres northwest of the Miguel Auza mill. The Company recently amended the agreement to expand the initial bulk tonnage sample from 4,000 to 12,000 tonnes, with initial shipments of San Sebastian ore expected to arrive at Miguel Auza in late Q3 or early Q4 2018 based on ongoing ramp-up of the San Sebastian underground operation. Assuming successful results from the bulk sample, the formal commercial milling arrangement will commence in due course (expected Q1 2019). Preparations for the expansion of milling operations at Miguel Auza are well underway.

The Company has published an inaugural corporate responsibility at www.excellonresources.com/corporate-responsibility.

About Excellon

Excellon's 100%-owned Platosa Mine in Durango has been Mexico's highest-grade silver mine since production commenced in 2005. The Company is focused on optimizing the Platosa Mine's cost and production profile, discovering further high-grade silver and carbonate replacement deposit (CRD) mineralization on the Platosa Project and epithermal silver mineralization on the Miguel Auza Property and capitalizing on the opportunity in current market conditions to acquire undervalued projects in the Americas.

Additional details on Excellon's projects are available at www.excellonresources.com.

Forward-Looking Statements

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this Press Release, which has been prepared by management. This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 27E of the Exchange Act. Such statements include, without limitation, statements regarding the future results of operations, performance and achievements of the Company, including potential property acquisitions, the timing, content, cost and results of proposed work programs, the discovery and delineation of mineral deposits/resources/reserves, geological interpretations, proposed production rates, potential mineral recovery processes and rates, business and financing plans, business trends and future operating revenues. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or are those, which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, variations in the nature, quality and quantity of any mineral deposits that may be located, significant downward variations in the market price of any minerals produced, particularly silver, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies. All of the Company's public disclosure filings may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties. This press release is not, and is not to be construed in any way as, an offer to buy or sell securities in the United States.

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