

Excellon Closes Initial Financings for Mallay Silver Mine Acquisition and Provides Update

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Toronto, December 3, 2024 - [Excellon Resources Inc.](#) (TSX: EXN) (FSE: E4X2) ("Excellon" or the "Company") is pleased to announce closing of the initial approximately C\$3.79 million financing in support of the Company's proposed acquisition of the Mallay Silver Mine and Tres Cerros Gold-Silver Exploration Project in Peru, which provide potential opportunities for a near-term return to silver production and highly prospective gold-silver exploration.

As previously announced, the Company arranged a non-brokered private placement offering (the "Unit Offering") of 19,500,000 units of the Company ("Units") at a price of C\$0.105 per Unit for aggregate gross proceeds of C\$2,047,500 (approximately US\$1.46 million) and a non-brokered private placement offering (the "Note Offering" and together with the Unit Offering, the "Offerings") of US\$1,250,000 aggregate principal amount of unsecured non-convertible promissory notes of the Company ("Notes"). The aggregate offering size was approximately C\$3.79 million (approximately US\$2.71 million).

Shawn Howarth, President and CEO of Excellon, commented, "The Mallay acquisition is expected to be accretive for Excellon shareholders, positioning the Company for a potential return to silver production by mid-2025. We are looking to acquire a silver mine that saw US\$115 million in historical investment and produced over 18 million silver equivalent ounces from 2012-2018, prior to temporary suspension of operations due to prevailing silver prices at the time¹."

"The closing of these financings will fund the proceedings to realize on the acquisition, enabling us to resolve legacy debt tied to the assets, while preserving the growth potential. With the Mallay Silver Mine's advanced infrastructure and the gold-silver exploration upside of Tres Cerros, we are prepared to unlock long-term value for our shareholders and stakeholders."

Update on the Mallay Acquisition

Acquisition Opportunity

On October 31, 2024, Excellon announced an agreement with Adar Mining Corp. ("Adar") to acquire, subject to the satisfaction of certain conditions, all of the issued and outstanding shares ("Minera Shares") in the capital of Minera CRC S.A.C. ("Minera CRC"), which owns the Mallay Silver Mine and Tres Cerros Exploration Property in Peru (the "Acquisition").

The Mallay Mine is fully permitted to restart production and was built and operated by Buenaventura from 2012 to 2018, with US\$115 million historical investment. The mine went into care and maintenance in 2018 due to low silver prices (~US\$16.00 per ounce) and a change in strategic priorities at Buenaventura. Annual production by Buenaventura (2013 to 2017) averaged 1.3 million ounces of silver, 9,100 tonnes of zinc and 6,500 tonnes of lead¹.

The Tres Cerros Project is a highly prospective gold-silver exploration project approximately five kilometres northwest of the Mallay Mine. The project's prime area of interest is a 2.5 kilometre by 0.5 kilometre corridor of gold-silver mineralization and coincident IP/resistivity anomalies, indicative of a bulk tonnage, high sulfidation epithermal system. Numerous historical grab samples were taken across the 2.5 kilometre fault, which are being analyzed to determine further follow-up exploration work¹.

Further details on the Mallay Mine and Tres Cerros Project are provided in the news release announcing the Acquisition.

Acquisition Summary

Adar is a secured creditor of Premier Silver Corp., which currently owns the Minera Shares, and will bid for the Minera Shares pursuant to receivership proceedings (the "Realization Proceedings") under the Bankruptcy and Insolvency Act (Canada) (the "BIA"). Adar is owed approximately US\$24 million and plans to bid part or all of its debt for the Minera Shares, pursuant to which the outstanding debt owed to Adar will be exchanged for 100% ownership of Minera CRC, if there is no higher or better bid obtained.

On completion of the Realization Proceedings, assuming Adar is the successful bidder, Excellon will acquire the Minera Shares, free and clear of encumbrances, in exchange for commitments to provide equity in Excellon, restart funding for the Mallay Mine and contingency payments linked to future production. The Acquisition resolves significant debt at Mallay, while positioning Excellon in respect of its goal of being a near-term emerging silver producer.

Excellon Commitments

- Equity: Common shares in the capital of the Company ("Common Shares") representing 12.9% of the issued and outstanding Common Shares prior to any future capital raise (including the Restart Funding, below);
- Restart Funding for the Mallay Mine: Allocate US\$6.5 million towards commencing mine operations at the Mallay Mine, including rehabilitation and initial upgrades; and
- Contingency Payments, only payable on successful restart of the mine:
 - A 1% net smelter returns royalty with the right to buy back 0.5% for US\$1,500,000; and
 - A base metals stream of 5% of zinc and lead production, increasing to 8% after a minimum delivery threshold (representing approximately three years of production).

Realization Proceedings Timeline

Excellon anticipates the completion of the Realization Proceedings within an approximately 14-week timeline, subject to the requirements under the BIA and ordinary course delays that are attendant in such proceedings. Updates on the process will be provided as relevant.

Next Steps

The Company has commenced various funding discussions for the Mallay Mine restart, including offtake prepay financing, strategic partnerships, other debt financing solutions and minority equity investment. The Realization Proceedings afford Excellon significant opportunity to arrange a beneficial financing package and finalization of such financing is expected to align with completion of the Realization Proceedings.

Unit Offering

On December 3, 2024, the Company closed the Unit Offering. Each Unit was comprised of one Common Share and one half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.15 per Common Share for a period of 24 months from the closing date of the Unit Offering.

The Unit Offering remains subject to the final approval of the Toronto Stock Exchange.

Note Offering

On November 1, 2024, the Company closed the Note Offering. The Notes will mature on May 1, 2026, being the date that is 18 months following the closing date of the Note Offering (the "Maturity Date"). On the Maturity Date, any outstanding principal amount of the Notes plus any accrued and unpaid interest thereon shall be repaid by the Company in cash. The Notes bear interest at a rate of 10% per annum. Interest on the principal amount outstanding under the Notes will accrue during the period commencing on the closing date

of the Note Offering until the Maturity Date and will be payable in cash on the Maturity Date, subject to earlier prepayment or exercise of the Tres Cerros Prepayment Election (as defined below).

If, prior to the Maturity Date, the Acquisition is completed, the holder of the Notes will be able to elect to direct that the principal amount of the Notes plus any accrued and unpaid interest thereon be applied as a prepayment against a portion of the purchase price payable by the holder to exercise its back in right pursuant to a back in right agreement to be entered into in connection with the Acquisition (the "Tres Cerros Prepayment Election").

If, prior to the Maturity Date, the Acquisition is not completed on or before the outside date for completion of the Acquisition, the Company will be required, within 30 calendar days following expiry of such outside date, to prepay in cash any outstanding principal amount of the Notes plus any accrued and unpaid interest thereon.

The Company may elect, at any time, to prepay in cash any or all of the principal amount of the Notes plus any accrued interest on such principal amount being prepaid.

The Company intends to use the net proceeds of the Offerings to fund acquisition costs, including upfront cash payments in respect thereof, and for working capital and general corporate purposes.

The securities were offered: (a) by way of private placement in each of the provinces of Canada pursuant to applicable exemptions from the prospectus requirements under applicable Canadian securities laws; (b) in the United States or to, or for the account or benefit of, U.S. persons, by way of private placement pursuant to the exemptions from the registration requirements provided for under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"); and (c) in jurisdictions outside of Canada and the United States on a private placement or equivalent basis. The securities issued pursuant to the Offerings are subject to a four-month hold period in Canada pursuant to applicable Canadian securities laws.

The securities offered have not been, nor will they be, registered under the U.S. Securities Act, or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an exemption from such registration requirements. This news release shall not constitute an offer to sell or the solicitation of an offer to buy in the United States nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

Qualified Person

Paul Keller, Chief Operating Officer of Excellon and a qualified person within the meaning of National Instrument 43-101 - Standards of Disclosure for Mineral Projects, has reviewed and approved the scientific and technical information in this news release.

About Excellon

Excellon's vision is to realize opportunities through the acquisition of advanced development or producing assets with further potential to gain from an experienced management team for the benefit of our employees, communities and shareholders. Excellon recently announced an agreement to acquire the past-producing Mallay Silver Mine and Tres Cerros Exploration Project in Peru. The Company is also advancing a portfolio of gold, silver and base metals assets including Kilgore, an advanced gold exploration project in Idaho; and Silver City, a high-grade epithermal silver district in Saxony, Germany with 750 years of mining history and little modern exploration.

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

For Further Information, Please Contact:

Excellon Resources Inc.
Shawn Howarth, President & Chief Executive Officer
info@excellonresources.com

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, contained, referenced or incorporated by reference in this news release constitute "forward-looking statements" and "forward looking information" (collectively, "forward-looking statements") within the meaning of applicable Canadian and United States securities legislation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as: "actively", "advance", "anticipated", "assess", "believe", "cause", "commence", "completion", "conditions", "consideration", "continues", "development", "due course", "expectation", "exploration", "extend", "extension", "flexibility", "focused", "forward", "further", "future", "if", "implement", "liquidity", "looking", "maturity", "may", "negotiations", "occur", "opportunities", "options", "outcome", "outstanding", "potential", "providing", "reach", "restructuring", "risk", "subject to", "to be", "update", "vision", "waive", "when", "will", and "would", or variations of such words, and similar such words, expressions or statements that certain actions, events or results can, could, may, should, to, will, would (or not) be achieved, occur, provide, result, complete or support in the future or which, by their nature, refer to future events. In some cases, forward-looking information may be stated in the present tense, such as in respect of current matters that may be continuing, or that may have a future impact or effect. Forward-looking statements include statements regarding the structure and terms of the Acquisition; the timing and ability of the Company to complete the Acquisition; the benefits of the Acquisition; the use of proceeds of the Offerings; the timing and ability of the Company to receive necessary approvals, including the approval of the Toronto Stock Exchange; the ability of Adar to acquire the Minera Shares pursuant to the Realization Proceedings; the timing of the Realization Proceedings; the structure and terms of additional financing transactions; the timing and ability of the Company to complete additional financing transactions; exploration and drilling programs, including the timing, completion and results thereof; the ability of the Company to restart production at the Mallay Mine and the timing thereof; exploration prospects; potential mineralization; and the Company's objectives, goals and future plans and strategies. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct, and any forward-looking statements by the Company are not guarantees of future actions, results or performance. Forward-looking statements are based on assumptions, estimates, expectations and opinions, which are considered reasonable and represent best judgment based on available facts, as of the date such statements are made. If such assumptions, estimates, expectations and opinions prove to be incorrect, actual and future results may be materially different than expressed or implied in the forward-looking statements. Forward-looking statements are inherently subject to known and unknown risks, uncertainties, contingencies and other factors which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by the forward-looking statements. Such risks, uncertainties, contingencies and other factors include, among others, the inability of the Company to complete the Acquisition on the terms proposed or at all, the inability of the Company to receive necessary regulatory approvals, termination of the Agreement, the inability of Adar to acquire the Minera Shares pursuant to the Realization Proceedings on the terms proposed or at all; participation of other third parties in the court proceedings; court delays; failure of the Company to complete additional financing transactions on the terms proposed or at all; the inability to complete a feasibility study which recommends a production decision, the "Risk Factors" in the Company's annual information form dated April 1, 2024 (the "2024 AIF"), and the risks, uncertainties, contingencies and other factors identified in the Company's Management's Discussion and Analysis, and accompanying financial statements, for the year ended December 31, 2023, and the Company's other applicable public disclosure (collectively, "Company Disclosure"). The foregoing list of risks, uncertainties, contingencies and other factors is not exhaustive; readers should consult the more complete discussion of the Company's business, financial condition and prospects that is provided in the 2024 AIF and the other Company Disclosure. The forward-looking statements referenced or contained in this news release are expressly qualified by these Cautionary Statements as well as the Cautionary Statements in the other Company Disclosure. Forward-looking statements contained herein are made as of the date of this news release (or as otherwise expressly specified) and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable laws.

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¹ Source: Buenaventura and Minera CRC historical information and public disclosure.

To view the source version of this press release, please visit <https://www.newsfilecorp.com/release/232393>

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