

Excellon Announces Agreement to Acquire Mallay Mine in Transformative Transaction

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Toronto, October 31, 2024 - [Excellon Resources Inc.](#) (TSX: EXN) (OTCQB: EXNRF) (FSE: E4X2) ("Excellon" or the "Company") is pleased to announce that it has entered into a share purchase agreement (the "Agreement") with Adar Mining Corp. ("Adar") to acquire (the "Acquisition"), subject to the satisfaction of certain conditions, all of the issued and outstanding shares (the "Minera Shares") in the capital of Minera CRC S.A.C. ("Minera CRC"), which holds a 100% interest in the Mallay Property, including the past producing Mallay Silver Mine and the Tres Cerros Exploration Property, in Peru. Pursuant to the Agreement, Adar intends to bid for the Minera Shares pursuant to receivership proceedings under the Bankruptcy and Insolvency Act (Canada) (the "Realization Proceedings"). Adar has agreed to sell, subject to the satisfaction of certain conditions, the Minera Shares to Excellon in exchange for US\$1.25 million in upfront cash payments and such number of common shares of Excellon ("Common Shares") that is equal to 12.9% of the issued and outstanding Common Shares on a basic, non-diluted basis, as further described in the Agreement. The Acquisition is subject to, among other things, Adar acquiring the Minera Shares in a proposed sale and investment solicitation process to be conducted in the Realization Proceedings.

Conditional on the completion of the Acquisition, Excellon will enter into agreements (i) with Adar to provide for consideration in the form of a 1.0% net smelter returns royalty (0.5% of which may be repurchased for US\$1.5 million) (the "Royalty") and a 5% to 8% zinc and lead metals stream (the "Stream" and together with the Royalty, the "Deferred Contingency Payments"), payable on the successful restart of the Mallay Mine, and (ii) with Adar and another party to sell up to a 49% interest in the Tres Cerros Exploration Property (the "Back In Right") at a back-in option exercise price of 1.5x attributable historical exploration expenditures incurred.

Excellon has arranged approximately \$3.8 million (US\$2.725 million) to fund the upfront cash payments and for working capital during the Realization Proceedings, as further described below. On completion of the Acquisition, Excellon will focus on restarting the Mallay Mine, with the goal of returning the Company to a silver-producer status.

Mallay Silver Mine Highlights

- Past producing mine, built and operated by Buenaventura, with US\$115 million historical investment.¹
- Fully permitted to restart production, existing infrastructure includes working mill, operational water treatment plant, adit and ramp access to the mine, significant underground development and active workforce.
- Historical Reserves² of 2.67 Moz AgEq @ 626 g/t AgEq and Historical Inferred Resources² of 4.57 Moz AgEq @ 564 g/t AgEq.
- Excellon to review off-take prepay facilities and other non-equity alternatives for mine restart.
- Current mineralized inventory is believed to be sufficient for the basis of a three-year mine plan, the expected six-month restart period includes mine rehabilitation and mill controls upgrade.
- Significant opportunities to expand mineralized inventory through extension of historically mined veins down dip and along strike.
- Excellon has an experienced operating team, capable of delivering a mine restart.

Notes:

1) Source: Compañía de Minas Buenaventura S.A.A.

2) Historical estimates based on historical audit completed in December 2018 by Geomineria S.A., an independent resource auditor in Peru. Mineral inventories have been worked on in accordance with the standards, procedures and technical specifications approved by Compañía de Minas Buenaventura S.A.A. for all its units, which are described in the "V Geology Workshop 2014 - Chap. Mineral Inventory Manual", in the 2016 Sampling Manual, 2016 Quality Control Manuals and 2017 Geological Modeling and Resource Estimation Procedures of Compañía de Minas Buenaventura S.A.A.; and adapting them to international standards such as the JORC Code or similar. Following closing of the transaction, Excellon will update the resources to become NI 43-101 compliant.

Tres Cerros Exploration Property Highlights

- Bulk tonnage potential. Area of interest is a 3 km x 0.5 km gold-silver mineralized corridor near, but not related to, the Mallay Mine.
- Large-scale, classic high sulphidation target. Coincident IP/resistivity anomalies indicative of deep (300m) sulphides overlain by oxide zone +100m thick.
- Several drill targets identified, access by truck - no helicopters required.
- Large exploration package (~110km²) in a region which boasts numerous significant current and historic mines.

Benefits to Excellon Shareholders

- Fully permitted, near-term silver producing asset in an established mining-friendly jurisdiction.
- Acquisition of US\$115 million in historical infrastructure investment for total purchase consideration of approximately US\$2.5 million in cash³ and shares³ plus the Deferred Contingency Payments.
- Minera CRC will be acquired free of existing debt, upon completion of the Realization Proceedings.
- Deferred Contingency Payments are structured to provide a smaller payout stream over a longer period of time, ensuring maximum financial buffer during the sensitive periods of a mine startup.
- Termination fee of US\$2.5 million paid to Excellon if the shares and debt of Minera CRC are sold to an alternative party.

Notes:

3) Includes US\$1.25 million cash plus shares to be issued as purchase consideration, valued at Excellon share price prior to announcement.

Shawn Howarth, President and CEO of Excellon, commented, "Mallay represents an exciting opportunity to return Excellon to silver producer status as early as mid-2025. This highly accretive transaction benefits Excellon shareholders, as the agreement with Adar resolves the existing debt burden on the asset, paving a clear path for value creation. Excellon's operational expertise sets the foundation for a highly collaborative and productive partnership. Upon closing the transaction, our immediate focus will be on mine rehabilitation, finalizing restart plans, conducting near-mine drilling to extend mineralization and mine life, and demonstrating the robust economics of the mine."

Laurence (Laurie) Curtis, Chairman of Excellon, commented, "Excellon and the team worked hard to reach a comprehensive agreement aimed at revitalizing the Mallay Mine, after a prolonged period of downtime. With strong momentum in the metals market, we are confident this project is positioned for substantial success and renewed operational strength."

Transaction Details

The Agreement provides for Excellon acquiring, subject to the satisfaction of certain conditions, the Minera Shares and certain indebtedness of Minera CRC (the "Minera Securities") from Adar in exchange for (i) cash payments to Adar in the aggregate amount of US\$1,250,000 (the "Upfront Payments") within 30 days to fund expenses incurred by Adar pursuant to the Realization Proceedings and advances by Adar to Minera CRC; and (ii) such number of Common Shares (the "Consideration Shares") that is equal to 12.9% of the issued and outstanding Common Shares on a basic, non-diluted basis excluding the completion of the Capital Raise (as defined below). Any portion of such Upfront Payments that is not spent by Adar prior to closing of the Acquisition will remain with Minera CRC. If Adar does not acquire the Minera Securities in the Realization Proceedings and instead receives repayment of indebtedness owed to Adar by the parent company of Minera CRC, Adar will pay Excellon a termination fee of US\$2.5 million. In the event the Acquisition is completed, Excellon is required to deploy at least US\$6.5 million from the Capital Raise and the Debt Raise toward commencing mining operations at the mining unit and processing plant owned by Minera CRC. The Consideration Shares will be subject to a contractual 12-month hold period. The completion of the Acquisition is conditional on, among other things, execution of definitive agreements in respect of the Royalty and the Stream, execution of the Back In Right Agreement (as defined below), Excellon completing a financing, other than the concurrent financings described below, of at least US\$4,500,000 (the "Capital Raise"), Excellon executing a committed debt facility in an amount no less than US\$3,000,000 (the "Debt Raise"), Minera CRC having indebtedness not more than US\$1,000,000 at closing, receipt of regulatory and stock exchange (including Toronto Stock Exchange) approvals (including shareholder approval of the Acquisition and the Capital Raise as will be required by the requirements of the Toronto Stock Exchange),

and Adar acquiring the Minera Securities in the Realization Proceedings. The proceeds of the Capital Raise and the Debt Raise will be used for the purpose of commencing mining operations following completion of the Acquisition and is not part of the consideration for the Acquisition. The outside date to complete the Acquisition is February 27, 2025, which may be extended by 30 days by Excellon up to four times by making a cash payment in the amount of US\$250,000 to Adar for each such 30 day extension. Each such extension payment will be set-off against deliveries required to be made by Excellon pursuant to the Stream.

In connection with the completion of the Acquisition, Excellon will enter into agreements to provide for the Royalty, the Stream and the Back In Right as follows:

- The Royalty: 1% net smelter returns royalty payable in respect of products produced from the Mallay and Tres Cerros properties. Excellon will have the right to purchase one-half of the Royalty for US\$1.5 million within 18 months of commencement of commercial production.
- The Stream: Excellon will have an obligation to deliver 5% of all zinc and lead produced, until a maximum of 2 million pounds of each of zinc and lead, respectively, has been delivered (the "Initial Zinc and Lead Delivery Obligation"). Thereafter Excellon will have an obligation to deliver 8% of all zinc lead produced, until a maximum of 10 million pounds of each of zinc and lead, respectively, has been delivered. All deliveries of zinc and lead will be subject to certain costs incurred by Excellon. Excellon has the right to purchase the Stream for cancellation for (i) US\$18 million up to the first anniversary of the commencement of commercial production, and (ii) US\$15 million after completion of the Initial Zinc and Lead Delivery Obligation, provided that the Stream buy back right will expire on the third anniversary of the commencement of commercial production.
- The Back In Right: Pursuant to the Back In Right Agreement, Adar will have an option to acquire a 32% interest in the Tres Cerros Exploration Property and a third party will have an option to acquire a 17% interest in the Tres Cerros Exploration Property, in each case until the date that is 120 days after Excellon delivers a preliminary economic assessment in respect of the Tres Cerros Exploration Property based on a minimum of 15,000 metres of exploratory drilling and which indicates inferred resources in the form of gold equivalent ounces of at least 500,000 ounces. The Back In Right option exercise price will be 1.5x of attributable historical exploration expenditures incurred following completion of the Acquisition ("Qualifying Expenditures"). During the Back In Right term, Excellon will be the operator of the Tres Cerros Exploration Property and will have an obligation to incur an aggregate of US\$7.5 million in Qualifying Expenditures as follows: (i) US\$ 1 million in year 1, (ii) US\$2.5 million in year 2, and (iii) US\$4 million in year 3. If either party exercises their respective Back In Right, the parties will enter into a joint venture agreement, the form of which will be settled in connection with the Back In Right Agreement.

Concurrent Financings

In connection with the Acquisition, Excellon is also pleased to announce that it has entered into agreements with respect to a non-brokered private placement offering (the "Unit Offering") of up to 19,500,000 units of the Company ("Units") at a price of \$0.105 per Unit for aggregate gross proceeds of up to \$2,047,500 (approximately US\$1,475,000), 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 is approximately \$3.8 million (US\$2.725 million).

Each Unit will be comprised of one Common Share and one half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant will entitle 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 Notes will mature on the date that is 18 months following the closing date of the Notes 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 will 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 Notes 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, following the issuance of the Notes and 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 (the "Back In Right Agreement") to be entered into in connection with the Acquisition (the "Tres Cerros Prepayment Election").

If, following the issuance of the Notes and 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 and unpaid 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 Unit Offering is anticipated to close on or about November 8, 2024, and is subject to satisfaction of certain conditions, including, but not limited to, the receipt of all necessary regulatory and other approvals, including the approval of the Toronto Stock Exchange ("TSX"). The Note Offering is anticipated to close on or about November 1, 2024, and is subject to satisfaction of certain conditions, including, but not limited to, the receipt of all necessary regulatory and other approvals.

The securities will be 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 to be issued pursuant to the Offerings will be 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 law, 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.

Mallay Property

The Mallay Property, located in Peru, is comprised of the concessions encompassing the past-producing Mallay Mine and the Tres Cerros Exploration Property.

Mallay Mine

The Mallay Mine was constructed by Compañía de Minas Buenaventura S.A.A. ("Buenaventura") at a cost of US\$115 million, commenced production in 2012 and operated consistently until early 2018. Average annual production by Buenaventura (2013 to 2017) was 1.3 million ounces silver, 9,100 tonnes zinc and 6,600 tonnes lead (source: Buenaventura company reports). Historical Mineral Reserves and Mineral Resources (JORC compliant) at the time the mine was placed on care-and-maintenance (Table 1) were calculated at metals prices of US\$18.00/oz Ag, US\$2,250/t Pb and US\$2,600/lb Zn. Following closing of the Acquisition, Excellon intends to update the resource calculation to become NI 43-101 compliant, taking into account not only updated metals prices, but additional extension drilling Excellon anticipates to undertake, demonstrating the continued extension of current mineralized zones.

Table 1: Historical Mineral Resource Estimate (As at December 31, 2018; JORC Compliant)

	Tonnes	g/t Ag	% Pb	% Zn	g/t Ag-Eq	000 oz Ag-Eq
Proven & Probable Reserves	133,000	203	3.68%	6.75%	626	2,677
Resources (Exclusive of Reserves)	6,782	229	2.23%	3.42%	457	99
Inferred Resources	251,805	208	4.02%	4.90%	564	4,566

Metals Prices used: US\$18.00/oz Ag, US\$1,300/oz Au, US\$2,250/t Pb, US\$2,600/t Zn

Figure 1: Mallay Mine Processing Facilities and Surface Infrastructure

To view an enhanced version of this graphic, please visit:
https://images.newsfilecorp.com/files/1601/228552_excelloni.jpg

Advisors

Bennett Jones LLP is acting as legal advisor to Excellon. Cassels Brock & Blackwell LLP is acting as legal advisor to Adar.

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. The Company is 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.
Laurie Curtis, Chairman
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 structure and terms of the Offerings; the use of proceeds of the Offerings; the timing and ability of the Company to complete the Offerings; the timing and ability of the

Company to receive necessary approvals; exploration and drilling programs, including the timing, completion and results thereof; 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 complete the Offerings on the terms proposed or at all, the inability of the Company to receive necessary regulatory approvals, termination of the Agreement, 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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