TELSON MINING CORPORATION

(formerly Telson Resources Inc)

Management's Discussion and Analysis

YEAR ENDED DECEMBER 31, 2018

Telson Mining Corporation (formerly Telson Resources Inc), ("Telson" or the "Company") has prepared this Management's Discussion and Analysis ("MD&A") as of December 31, 2018 and should be read in conjunction with the Company's consolidated financial statements and notes thereto for the years ended December 31, 2018. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") or ("GAAP") and all dollar amounts herein are presented in thousands of Canadian dollars unless stated otherwise. References to $ means thousands of Canadian dollars, US$ are to thousands of United States dollars and MXN$ to thousands of Mexican pesos.

The effective date of this MD&A is April 29, 2019. Additional information on the Company, is also available under the Company's profile at www.sedar.com and on the Company's website: www.telsonmining.com.

The information in this MD&A contains "forward-looking information" that are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements.

Cautionary Note Regarding Forward-looking Information

Certain statements included in this MD&A may contain forward-looking statements that relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. These statements include, but are not limited to, statements concerning the future financial and operating performance of the Company and its search for resource properties; the future prices of natural resource based commodities; the estimation of reserves and resources; the realization of reserve estimates; timing of technical reports, scoping studies, and preliminary economic assessments; expected content of scoping studies and preliminary economic assessments; anticipated working-capital requirements; capital expenditures; costs and timing of future exploration; requirements for additional capital; government regulation of resource operations; environmental risks; title disputes or claims; and limitation of insurance coverage.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, general business and economic uncertainties; exploration and resource extraction risks; uncertainties relating to surface rights; the actual results of current exploration activities; the outcome of negotiations; conclusions of economic evaluations and studies; future prices of natural resource based commodities; increased competition in the natural resource industry for properties, equipment and qualified personnel; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; the risk of arbitrary changes in law; title risks; and the risk of loss of key personnel.

The forward-looking statements contained herein are based on a number of assumptions that the Company believes are reasonable but may prove to be incorrect. These assumptions include, but are not limited to, assumptions that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for natural resource based commodities develops as expected; that the Company receives regulatory approvals for its exploration projects on a timely basis; that the Company is able to obtain financing for its projects on reasonable terms; that the Company's reserve estimates are within reasonable bounds of accuracy and that the geological, operational and price assumptions upon which they are based are reasonable; and that the Company is able to hire the personnel needed to carry out its business plan.

The foregoing lists of factors and assumptions are not exhaustive. The reader should also consider carefully the matters discussed under the heading "Risks Factors and Uncertainties" elsewhere in this MD&A. Forward-looking statements contained herein are made as of the date hereof (or as of the date of a document incorporated herein by reference, as applicable). No obligation is undertaken to update publicly or otherwise revise any forward-looking statements or the foregoing lists of factors and assumptions, whether as a result of new information, future events or results or otherwise, except as required by law. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

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1.- Company Profile and Business Overview

Telson Mining Corporation (“Telson” or the “Company”) is a Canadian mining company listed on TSX Venture Exchange under the symbol “TSN” and it’s is focused on the operation and development of mineral resource properties in North America. The Company owns and operates Campo Morado Mine (“Campo Morado”) in Guerrero state, Mexico and is also advancing its Tahuehueto Project towards production, which is in Durango state, Mexico.

The Company was incorporated on April 11, 1986, under the laws of British Columbia, Canada under the name of Samarkand Resources Corp., and most recently, on February 21, 2018, the Company changed its name to Telson Mining Corporation.

Acquisition of Campo Morado

On June 13, 2017, the Company acquired from Nyrstar Mining Ltd. (“Nyrstar”) all the outstanding shares of the Mexican subsidiaries that make up the ownership of Campo Morado Mine. Under the terms of the purchase agreement, the Company agreed to pay for Campo Morado Mine a total purchase price of US$20 million, 1) US$0.8 million at signing of the Agreement (paid); 2) US$2.7 million on or before June 12, 2017 (paid); and 3) US$16.5 million on or before June 13, 2018 (US$8 million paid).

On June 12, 2018, the Company paid US$8 million to Nyrstar and renegotiated the terms of the last payment for the remaining balance owing of US$8.5 million and entered into a loan agreement with the following terms and conditions: 1) Monthly minimum repayment of US$1 million; plus, 2) an interest of 10% per annum; plus, 3) 70% of the monthly free cash flow generated by Telson, and, 4) any monthly excess cash balance above US$500,000.

On November 19, 2018, the Company amended the loan agreement to mainly reduce the monthly principal repayment and effectively extended the repayment period of the remaining US$6.5 million balance owing. The amended terms and conditions are: 1) monthly minimum repayments of US$500,000; plus, 2) an interest of 10% per annum; plus, 3) 70% of any monthly free cash flow generated by Telson; plus, 4) any monthly excess cash balance above US$500,000; plus, 5) 50% of the monthly free cash flow generated by Telson on the Tahuehueto Project once Telson declares commercial production at Tahuehueto.

As part of the purchase agreement, Nyrstar also retained the right to receive a variable purchase price (the “VPP”) on future zinc production on the first 10 million tonnes of ore processed by the Company at the Campo Morado Mine when the price of zinc is at or above US$2,100 per tonne. Telson shall pay Nyrstar the greater of either: US$20 per tonne of zinc sold if the zinc price received is over US$2,100 per tonne; or a percentage that ranges between 0.5% and 4.25% of the net smelter revenues received from zinc when the price of zinc ranges between US$1,200 and US$2,500 from the Campo Morado Mine.

Telson maintains the right under the purchase agreement to terminate the Zinc Royalty at any time by paying Nyrstar an amount of US$4 million.

Mining properties location

Campo Morado Mine

Telson owns 100% of the Campo Morado Mine which includes an underground multi-metal mine with infrastructure, installations and equipment capable of processing 2,500 tonnes of ore per day, as well as six mining concessions occupying approximately 12,045 hectares located in the state of Guerrero, Mexico.

After the acquisition of the Campo Morado Mine, the Company restarted mining operations on a pre-production and test milling basis during the month of October 2017. Later in 2018, the Company declared commercial production effective May 15th, 2018.

Tahuehueto Mining Project

The Tahuehueto Mining Project includes 28 mining concessions that total 7,492 hectares located in the northwest portion of the state of Durango Mexico, about 250 km northwest of Durango city, and 160 km northeast of the city of Culiacan, Sinaloa.

Effective January 1st, 2017 management determined that technical feasibility and commercial viability were established through the positive results associated with the pre-feasibility study completed for this project, therefore, the asset was moved into a development stage asset under IFRS.

2.- Operating and Financial Performance Highlights - Fourth Quarter and Full 2018

- Effective May 15th 2018, Campo Morado Mine declared commercial production
- In the fourth quarter of 2018, the Company produced 9,639 and 2,179 tons of zinc and lead concentrates respectably sold for proceeds of $14,714,504
- Since commencement of commercial production, the Company produced 39,364 and 7,312 tons of zinc and lead concentrate respectably sold for proceeds of $32,436,390
- Total assets in Q4-2018 increased by $7,689,566 from previous quarter and $2,707,799 from previous year. Total liabilities decreased in Q4-2018 by $914,120 from previous quarter and $277,145 from previous year.
- Mine operating profit of $2,288,657 during Q4-2018 (mine operating profit of $107,975 for year ended Dec 31, 2018). See Note 1.
- Working capital position at December 31, 2018 was deficit position $32,626,256 (December 31, 2017 – deficit position of $16,361,582)
- Operating cash flows of $2,043,543 during Q4-2018 ($2,076,610 for the year ended December 31, 2018)
- Total common shares issued 15,341,032 for total gross proceeds of $7,586,008 in connection to a private placement, warrants and stock options exercised.
- During Q4-2018, cash advance received in the amount of $6,600,000 from Trafigura loan facility for Tahuehueto mine construction.
- Total long-term debt repayments including Nyrstar in Q4-2018 was $802,723 ($19,586,546 for the year ending December 31, 2018).

Note 1 – Factors influencing revenue during Q3-2018 and Q4-2018.

- *During Q3-2018 & Q4-2018, the company lost mill operational time due to faulty SAG Mill liners that failed regularly which resulted in excessive Mill non-operational time changing out the faulty SAG mill liners on a continual basis. The faulty liners along with several other more minor breakdowns within the mill at Campo Morado Mine resulted in just over two months of cumulative, non-consecutive, downtime at the mill seriously negatively impacting potential revenues.*
- *During Q4-2018 management determined from inconsistent assay results between sampling of concentrate loaded on trucks at the mine site and check assaying completed at the point of sale in Manzanillo, that Campo Morado Mine concentrates were subjected to dilution by theft while in transit. The company identified that some of the concentrate trucks were received at the client's warehouses with lower concentrate grades than reported by the Campo Morado Mine site laboratory. After considerable analysis with the various labs and with security contractors, Telson concluded that there was a sophisticated criminal operation to intercept certain concentrate trucks in transit, remove part of the Campo Morado Mine concentrate load from the trailer and replace same with lower quality concentrates. The estimated impact in the yearly cash selling value, although difficult to determine accurate numbers has been estimated by management through a rigorous statistical analysis to range between US$2 - $3 million, to a maximum of approximately 7% of total annual sales from Campo Morado Mine.*

3.- Overall Operations Performance

2018 Annual and Quarterly Operational Performance Results

The following table and subsequent discussion provide a summary of the operating performance of the Company for the year ended and three months ended December 31, 2018 and 2017, unless otherwise noted.

	Note	Years ended December 31, 2018	Years ended December 31, 2017	Note	Three months ended December 31, 2018	Three months ended December 31, 2017
Operational	3					
Ore Processed		585,602	–		146,137	–
Zn concentrate produced (ton)		39,364	–		9,639	–
Average realized zinc price per tonne		$ 2,808	$ –		$ 2,475	$ –
Zn grade		45%	–		46%	–
Zn recovery		71%	–		69%	–
Pb concentrate produced (ton)		7,312	–		2,179	–
Average realized lead price per tonne		$ 2,178	$ –		$ 2,086	$ –
Pb grade		26%	–		22%	–
Pb recovery		30%	–		31%	–
Financial	1,2			1,2		
Gross revenues		$ 34,754,753	$ –		$ 13,518,500	$ –
Mine operating profit		$ 107,975	$ –		$ 2,288,657	$ –
Loss for the year		$ (6,222,620)	$ (2,194,457)		$ (2,784,770)	$ (2,784,770)
Cash		$ 115,721	$ 11,997,057		$ 115,721	$ 11,997,057
Working capital deficiency		$ (32,626,256)	$ (16,361,582)		$ (32,626,256)	$ (16,361,582)
Shareholders						
Basic and diluted loss per share	1	$ (0.05)	$ (0.02)	1	$ (0.02)	$ (1.37)

Notes:
(1) Please refer to note above – Factors influencing revenue during Q3-2018 and Q4-2018
(2) Campo Morado Mine commenced commercial production effective May 15th, 2018. As such, any financial information starting on this date is recognized in the Company's Consolidated Statement of Income (Loss) and Other Comprehensive Income (Loss) for the year ended December 31, 2018, and in the table above. Financial operating results prior to that date were capitalized to Mineral Interest and Development Assets within non-current assets.
(3) Operational figures for the year ended December 31, 2018 in the table above represent twelve months of operations.

Operational Performance Results

a) Production and sales

Campo Morado

Campo Morado Mine operations; during the fourth quarter of 2018,

- Produced 9,639 tonnes of Zinc concentrate grading an average of 45.95% zinc, 1.02g/t gold, 419g/t silver and sold 9,950 tonnes of zinc concentrate generating Q4-2018 revenue from zinc concentrate of US$7,690,644
- Produced 2,179 tonnes of lead concentrate grading an average of 21.93% lead, 3.4% copper, 4.52g/t gold, 774 g/t silver and sold 2,228.9 tonnes generating Q4-2018 revenue from lead concentrate of US$1,345,344.
- Total Campo Morado Q4-2018 revenue was US$9,035,988.

For 12 months year ending 2018 Campo Morado Mine operations,

- Produced 39,363 tonnes of zinc concentrate with average grades of 44.87% Zinc, 1.40g/t gold, 409g/t silver and sold 39,332 tonnes of zinc concentrate with average grade of 41.9% Zinc, 1.29g/t gold, 367.9g/t silver for total sales of US$35,376,039
- Produced 7,311 tonnes of lead concentrate grading 26.24% lead, 2.60% copper, 6.31 g/t gold, 734 g/t silver and sold 7,566 tonnes of lead concentrate for total sales of US$5,605,904

- Total 2018 payable metals produced at Campo Morado were approximately 17,545 tonnes zinc, 1,965 tonnes of lead, 102.81 kg gold, 21,574 Kg silver
- Total 2018 year-end production sales from Campo Morado were US $40,981,944, including pre-production from January 1, 2018 to May 14, 2018 and thereafter commercial production from May 15th to December 31, 2018. Commercial production sale revenue from May 15 to Dec 31st, 2018 totalled US$21,357,134 *(see Note 4 in section immediately above*)

Reader is referred to Note 1 above - Factors influencing revenue during Q3 and Q4 2018

Financial information related to Campo Morado Mine in a full year basis

Financial statements are prepared in accordance with IFRS, which provide readers with a clear basis for financial analysis and comparison among other entities. Management recognizes that non-GAAP financial measures may provide investors with additional information to assist them in understanding critical components of the Campo Morado Mine financial performance.

Since the acquisition of Campo Morado Mine, the Company capitalized all pre-commercial revenues and direct costs related to the commissioning and restart of the operations and up the commencement of commercial production. Effective May 15th, 2018 the Company declared commercial production; therefore, the Company stopped capitalizing pre-commercial sales, costs and expenses to mineral interest and development assets. Since then all revenues and cost of sales are now presented in the audited statement of income or loss.

The table below shows a reconciliation between the mine operating profit as presented in the audited consolidated financial statement and the estimated net result of the full year of operations at Campo Morado Mine without the IFRS requirement to capitalized pre-commercial revenues and direct costs associated to the commissioning of the mine up to the commencement of commercial production. Management believes that this non-GAAP financial information is critical to understand the performance of Campo Morado Mine during its first year of operations.

Minas de Campo Morado, S.A. de C.V.			
Statement of Income			
Presented as if Campo had been in commercial prodcution for the full year 2018			
	Commercial Production Results May 16 - Dec 31, 2018 as Reported in Financial Statements	**Pre-production Results Jan 1 - May 14, 2018 Capitalized into Development Assets**	**Sum of pre-production and commercial production Jan 1 - Dec 31, 2018 (1)**
Revenue			
Gross sales	$ 34,754,753	$ 25,966,387	$ 60,721,140
Treatment and selling costs	(2,318,363)	(3,607,473)	(5,925,836)
	32,436,390	22,358,914	54,795,304
Cost of Sales			
Production cost	30,264,913	14,287,973	44,552,886
Royalties	1,214,030	355,241	1,569,271
Accretion of provision for site reclamation	310,545	–	310,545
Depletion, depreciation and amortization	538,927	107,351	646,278
	32,328,415	14,750,565	47,078,980
Mine operating profit	$ 107,975	$ 7,608,349	$ 7,716,324
Other (income) expenses			
General Expenses	1,011,077		1,011,077
Interest income and other income	-3,125,738	-1,593,258	-2,191,952
Accretion and change of provision for site reclamation and closure			0
Change in value of marketable securities			0
Interest expenses and other expenses	628,456		628,456
Foreign exchange loss (gain)	-204,640		-204,640
	-1,690,845	-1,593,258	-757,059
Foreing currency translation adjustment	330,938		330,938
Total loss for the period	**1,467,882**	**9,201,607**	**8,142,445**
Removal of non-cash items			
Accretion of provision for site reclamation			$ 310,545
Depletion, depreciation and amortization			646,278
Estimated year-end net result of Campo Morado Mine on a cash basis (1)			$ 9,099,268

These are non-GAAP financial information and does not have any standardized meaning under IFRS and therefore may not be comparable to similar measurements presented by other issuers.

Commercial production results May 16th to Dec 31st, 2018 incorporates all the revenues and their related costs for that period and these amounts are presented in the audited consolidated income statement of income of the Company. The second column includes all the transactions related to pre-commercial revenues and their related costs for the period Jan 1st to May 15th, 2018. The third column, a non-GAAP financial information, sum the all the transaction for the year eliminating the IFRS requirement of capitalizing pre-commercial sales and their related costs. Additionally, management estimated the net result of the first year of Campo Morado Mine on a cash basis, which is also a non-GAAP financial measurement.

This analysis demonstrates that Campo Morado Mine generated positive cash of just over $9 million during its first year of operations.

Tahuehueto

Tahuehueto pre-production during 2018 was scaled back as equipment was directed to underground mine development and construction in preparation of commencing full scale mining operations on site upon completion of mine construction.

Tahuehueto Pre-production during Q4-2018

- Produced 381 tonnes of lead concentrate grading approximately 44% lead, 5.0% copper, 67 g/t gold, 950 g/t silver and sold 372.8 tonnes of lead concentrate for total sales of US$ 1,157,260
- Produced 510 tonnes of zinc concentrate grading an average of 48.5% zinc, 5.87g/t gold, 66g/t silver and sold 431.6 tonnes of zinc concentrate generating Q4-2018 revenue from zinc concentrate of US$372,980
- Total Tahuehueto sales for Q4-2018 were US$1,530,240

Tahuehueto Pre-production for 12 months year ending 2018

- Produced 851 tonnes of lead concentrate grading an average 46.09% lead, 3.65% copper, 79.23 g/t gold, 996 g/t silver and sold 817.7 tonnes of lead concentrate for total sales of US $3,414,894
- Produced 1,243 tonnes of zinc concentrate with average grades of 44.87% Zinc, 1.40g/t gold, 409g/t silver and sold 1,243.7 tonnes of zinc concentrate with average grade of 49.38% Zinc, 7.11g/t gold, 90.1g/t silver for total sales of US$1,409,040
- Total 2018 payable metals produced at Tahuehueto were approximately 2,470 oz gold 31,230 oz silver, 778 tonnes zinc, 405 tonnes of lead
- Total 2018 year-end pre-production sales from Tahuehueto were US$4,823,934,

Cautionary note - For accounting purposes, pre-commercial production revenues and costs and expenses incurred are capitalized to Mineral Interest and Development Assets up to the total of capitalized development asset. Any excess in revenues over the development asset, if any, is presented in the statement of income and comprehensive income as recovery of expenses under other income (see Note 8 of the annual consolidated financial statements for the year ended December 31, 2018).

b) Mining and Processing

Campo Morado year ending 2018

- Approximately 557,985 Tonnes of mineralized material was mined with average grades of 4.3% zinc, 0.4% copper, 1.1% lead, 123g/t silver, 1.1 g/t gold.
- Average recoveries achieved during 2018 were 70.8% zinc, 29.8% lead, 16.9% gold, 30.9% silver
- 585,602 tonnes of mineralized material were processed through the processing plant.
- 2,055 meters of underground development was advanced within mineralized material and 939 meters was advanced in waste.

Tahuehueto year ending 2018

- Pre-production mining produced approximately 37,771 tonnes of ore.
- 19,069 tonnes of ore were shipped and processed by toll milling with average grades of 4.21g/t gold, 50.8 g/t silver, 4.05% zinc, 1.97% lead. Remaining 18,702 tonnes of ore is stored on project site for future processing upon completion of construction of Tahuehueto processing plant
- Average recoveries achieved during 2018 toll milling were 81.4% gold, 85.0% silver, 86.8% lead, 74.1% zinc and 78.5% copper.

- Telson advanced a total of 1.44 km of underground development, 365 meters within ore which supplied the pre-production toll milling feed and 1,074 meters in waste preparing the mine for future commercial production. Development included the Level 12 decline, the El Perdido development drift, El Creston development drift, the Haulage level portal and the main access decline for Level 20.

4.- Annual and Quarterly Financial Performance Results – 2018

Selected Annual Financial Information

			As at December 31,
	2018	2017	2016*
Gross revenues	$ 34,754,753	$ –	$ –
Mine operating profit	107,975	–	–
Loss for the year	(6,241,636)	(2,194,457)	(3,769,638)
Basic and diluted loss per share	(0.05)	(0.02)	(0.04)
Cash	115,721	11,997,057	2,489,614
Total assets	67,707,578	64,999,779	3,734,098
Non-current liabilities	11,936,569	25,430,368	4,325,534
Equity	4,815,666	1,830,722	(1,726,758)
Working capital (deficiency)	(32,626,256)	(16,361,582)	1,822,993

Reader is referred to Note 1 above - Factors influencing revenue during Q3 and Q4 2018

* During the period ended December 31, 2016, the Company changed its year end from February 28 to December 31. Accordingly, the comparative consolidated financial information represents ten months ended December 31, 2016, and as a result operating figures may not be directly comparable.

The Company was financed and restructured by the end of 2015 with a change of control and management. The year 2016 was dedicated to finding additional funding sources to move the Tahuehueto project forward. In January 2017, the Company released the results of the Tahuehueto project pre-feasibility study which demonstrated economically recoverable reserves, therefore management concluded the project was viable and decided to move the project into development phase. In April of 2017, the Company announced it had entered into a purchase agreement to acquire the Campo Morado Mine. On June 2017, the purchase agreement closed, and management started the rehabilitation of the mine with the intention to put it back into production as soon as possible. In October 2017, Campo Morado Mine restarted operations. During the year 2018, Campo Morado Mine was advanced into commercial production effective May 15th, as a result of over 60 days of operational steady state production at 75% of management's targeted mill capacity of 2,500 tonnes per day

During the year 2017 the Company also began processing Tahuehueto ore, on a test basis, using a third-party toll mill processing plant and as a result of positive results, management decided to enter into a continuous pre-production program by mining and shipping ore to an off-site toll mill. Management later in the same year also elected to advance Tahuehueto into mine construction and acquired a mineral processing facility capable of processing up to 1,000 tonnes per day for that purpose. Management expects to complete Tahuehueto mine construction, underground development and all related infrastructure near the end of 2019 and thereafter be able to start pre-production operation on site in its own processing facility so as to work towards announcing commercial production during 2020.

Comparison of Year ended December 31, 2018 and 2017.

During the year ended December 31, 2018, the Company reported a total net loss of $6,241,636, total comprehensive loss of $6,434,761 and basic and diluted loss per share of $0.04, compared to a total net loss of $2,194,457, comprehensive loss of $533,398 and basic and diluted loss per share of $0.02, respectively, for the year ended December 31, 2017.

Significant variances affecting the income (loss) and comprehensive income (loss) are discussed as follows:

		As at December 31,
	2018	2017
Mine operating profit	$ 107,975	$ –
General Expenses	(6,672,377)	(3,283,816)
Other income	341,782	1,089,359
Total loss before income tax	$ (6,222,620)	$ (2,194,457)
Income tax expense	(19,016)	–
Net loss for the year	$ (6,241,636)	$ (2,194,457)
Foreign currency translation adjustment	(193,125)	(1,338,941)
Total comprehensive loss for the year	$ (6,434,761)	$ (3,533,398)

Mine operating loss is the net result of revenues less cost of sales for the period. Since commercial production started on May 15th, 2018 the Company sold 18,370 million pounds of zinc and 11,717 million pounds of lead at an average price of US$1.21 and US$0.96 per pound respectively. The resulting net revenue were of US$20,801,548 and US$3,524,868. Total revenue is net of treatment and selling costs of $2,318,363 for the year ended December 31, 2018.

Total production cost incurred during the year ended December 31, 2018 was $32,328,415 which includes $30,264913 as production cost. It also includes royalties in the amount of $1,214,030 which relate to a discovery royalty payable to Servicio Geologico Mexicano. Accretion, depreciation and depletion also included was $849,472 since the commencement of commercial production. Accretion relates to the increase in the carrying amount of the provision for site reclamation and closure due to the passage of time by using a discounted cash flow approach. Depreciation and depletion are calculated on the basis of units-of-production over the estimated mine reserves.

General and administration expense for the year ended December 31, 2018 and 2017 is comprised of:

		As at December 31,
	2018	2017
General Expenses		
Consulting fees, wages and benefits	$ 1,895,743	$ 983,681
Legal and professional fees	703,794	240,449
Office, rent and administration	1,308,761	441,900
Regulatory, transfer agent and shareholder information	89,766	32,792
Travel, promotion and investor relations	840,616	334,690
Share-based compensation	1,833,697	1,250,304
	$ 6,672,377	$ 3,283,816

General expenses of $6,672,377, were incurred for year ended December 31, 2018, as compared to $3,283,816 in the same period of 2017. The increase of $3,388,561, in general is mainly attributable to higher expenditures in connection to higher level of activity and operations of the Company and expenses generated by the acquisition of Campo Morado Mine.

General expenses such as consulting fees, wages and benefits total $1,895,743 ($983,681 – year ended December 31, 2017). The increase of $912,062 is mainly comprised of additional salaries paid to newly hired employees as a result of the acquisition of Campo Morado Mine and the increase in the overall activity of the Company as the entity is aligned to an operating entity with another project on development. Legal and professional fees increased from $240,449 to $703,794 in the current year mainly due to additional legal fees in connection to the acquisition of Campo Morado. Office rent and administration increased from $441,900 to $1,308,761 when comparing the year ended December 31, 2018 against the same period of previous year, mainly due to rent increases as new offices were leased in Mexico City and Vancouver and other non-recurrent expenditures related to the new office setup. Travel promotion and investor relations expenses also increased significantly from the previous period in response to additional marketing materials produced and more active participation in investor shows and conferences.

Stock based compensation increased from $1,250,304 to $1,833,697 during the year ended December 31, 2018, mainly attributable to the share-based compensation recorded during the period. The Company granted on November 11, 2017 a total of 3,730,000 stock options with a fair value of $0.71 per option and in April 2018 a total of 1,450,000 stock options with an average fair value of $0.46 per option calculated as of the date of grant using the Black-Scholes option model.

Other (income) expense for the year ended December 31, 2018 and 2017 is comprised of:

		As at December 31,
	2018	2017
Other (income) expense:		
Interest income and other income	$ (670,253)	$ –
Recovery of expenses	–	(137,773)
Accretion and change of provision for site reclamation and closure	190,400	141,209
Change in value of marketable securities	(125,990)	–
Interest expenses and other expenses	1,226,462	27,660
Foreign exchange gain	(962,401)	(1,120,455)
	$ (341,782)	$ (1,089,359)

Other income is lower by $747,577 when comparing the year ended December 31, 2018 against the same period of previous year. This decrease is mainly attributable to the recognition of interest expense and other expenses in the amount of $1,226,462. Out of this amount $1,159,925 mainly represents interest expense in connection to the Nyrstar loan and the Trafigura loan interest expense after May 15th, since prior to this date interest expense in connection to Trafigura loan for Campo Morado Mine was capitalized as development assets. Other expenses represent $66,537 which relates to the elimination of certain accruals and amounts receivable that in management's view will be unlikely to recover.

Comparison of the three months ended December 31, 2018 and 2017

During the three months ended December 31, 2018, the Company reported a total net loss of $2,803,786, total comprehensive income of $1,553,251 and basic and diluted loss per share of $0.02, compared to a total net loss of ($139,957,704) and comprehensive loss of ($141,296,645) and basic and diluted loss per share of ($1.37), for the three months ended December 31, 2017.

The net loss for the three months ended December 31, 2018 and 2017 is comprised of the following items:

		Three months ended December 31,
	2018	2017
Mine operating profit	$ 2,288,657	$ 3,079,657
General Expenses	(1,762,869)	(1,872,121)
Other income (expesnes)	(3,310,558)	(141,165,240)
Total loss before income tax	$ (2,784,770)	$ (139,957,704)
Income tax expense	(19,016)	-
Net loss for the year	$ (2,803,786)	$ (139,957,704)
Foreign currency translation adjustment	4,357,037	(1,338,941)
Total comprehensive Income (loss) for the year	$ 1,553,251	$ (141,296,645)

Mine operating profit is the net result of revenues less cost of sales for the period. During the three months ended December 31, 2018, the Company sold 7.4 million pounds of zinc concentrates and 4.90 million pounds of lead concentrate at an average price of $1.12 and $0.95 resulting in net revenue of US$9,035,990. Revenue is net of treatment and selling costs.

Total production cost incurred during the three months ended December 31, 2018 was $12,425,847 which includes production cost for $11,489,666. It also includes royalties in the amount of $383,178 which relate to a discovery royalty payable to Servicio Geologico Mexicano. Accretion, depreciation and depletion also included was $553,003 since the commencement of commercial production. Accretion relates to the increase in the carrying amount of the provision for site reclamation and closure due to the passage of time by using a discounted cash flow approach. Depreciation and depletion are calculated on the basis of units-of-production over the estimated reserves.

General and administration expense for the three months ended December 31, 2018 and 2017 is comprised of:

	Three months ended December 31,	
	2018	2017
General Expenses		
Consulting fees, wages and benefits	$ 479,182	$ 357,322
Legal and professional fees	207,736	70,781
Office, rent and administration	739,293	163,197
Regulatory, transfer agent and shareholder information	33,113	10,480
Travel, promotion and investor relations	90,283	80,341
Share-based compensation	213,262	1,190,000
	$ 1,762,869	$ 1,872,121

During the three months ended December 31, 2018 general expenses of $1,762,869 were incurred, as compared to $1,872,121 in the three month period ended December 31, 2017. The decrease of $109,252 is mainly attributable to the share-based compensation recorded during the comparative period. During the current period the Company recorded $213,262 as stock-based compensation expense compared to $1,190,000 recorded in the comparative period as a result of 3,730,000 stock options granted in November 11, 2017 with a fair value of $0.71 per option calculated using the Black-Sholes fair value model. Overall, all other line items also report higher expenditures during the current period in connection to a higher level of activity and operations of the Company as a result of the acquisition and reactivation of Campo Morado and moving forward the Tahuehueto project into development phase.

General expenses such as consulting fees, wages and benefits total $479,182 ($357,322 – three months ended December 31, 2017). The increase of $121,860 is mainly comprised of additional salaries paid to newly hired employees as the company moved into commercial production and aligning staffing needs for an operating entity. Legal and professional fees increased from $70,781 to $207,736 in the current period mainly due to consulting fees related to the preliminary economic assessment, graduation to Tier 1 of the TSX Venture, higher audit fees and other legal matters. Office rent and administration increased from $163,197 to $739,293 when compared to the three months ended December 31, 2018 against the same period of previous year, mainly due to increase in rent as a result of new office space leased for the main office in Mexico City and Vancouver. The Company also removed other amounts receivables and prepaid that are obsolete or no longer valid. It also recorded about $196,007 in surcharges in connection to tax provisions being disputed with the Mexican tax authorities. Travel promotion and investor relations expenses also increased in response to more active participation in investor shows and conferences and additional marketing efforts to promote the Company.

Other (income) expense for the three months ended December 31, 2018 and 2017 is comprised of:

	Three months ended December 31,	
	2018	2017
Other (income) expense:		
Interest income and other income	$ (295,678)	$ 23,612
Recovery of expenses	–	(137,773)
Accretion of provision for site reclamation and closure	1,704	141,209
Change in value of marketable securities	(150,280)	–
Interest expenses and other expenses	604,270	(177,062)
Foreign exchange loss	3,150,542	554,184
Bargain purchase price	–	140,761,070
	$ 3,310,558	$ 141,165,240

Other expense in the amount of $3,310,558 was recorded for the three months ended December 31, 2018, compared to other expense of $141,165,240 recorded in the same period of previous year. The decrease is mainly attributable to the reversal of an initially estimated bargain purchase gain recorded in connection to the acquisition of Campo Morado which was accounted for as a business combination. As required under business combinations the Company allocated the purchase price to the assets acquired and liabilities assumed at estimated fair values on the acquisition date. The initial estimate of the business combination resulted in a bargain purchase transaction because the fair value of assets acquired, and liabilities assumed exceeded the total of the fair value of consideration paid. The fair value of assets acquired include material amounts for supplies inventory, property, plant and equipment which were previously impaired and translated into a higher net cost of assets acquired and liabilities assumed when compared to the purchase price negotiated.

Interest expense and other expenses presented for the three months ended December 31, 2018 represents interest and related financing costs recorded mainly in connection to credit facilities with Nyrstar and Trafigura.

Foreign exchange loss decreased by $2,596,358 during the three months ended December 31, 2018, when compared to the same period in the previous year. The change mainly relates to a reversal of amounts recorded in prior periods that were not entirely accurate.

Selected Quarterly Financial Information

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross revenues	$ 13,518,500	$ 12,258,978	$ 8,977,275	$ –	$ –	$ –	$ –	$ –
Mine operating profit (loss)	2,288,657	(3,167,737)	987,055	–	3,079,657	(3,079,657)	–	–
Net (loss) income	(2,784,770)	(749,622)	(2,470,421)	(217,807)	(139,957,704)	(37,853,862)	176,498,289	(881,180)
Basic and diluted income (loss) per share	(0.02)	(0.01)	(0.02)	(0.00)	(1.37)	(0.40)	1.88	(0.01)
Cash	115,721	1,243,342	1,210,638	6,678,918	11,997,057	145,388,543	177,536,393	1,931,187
Total assets	67,707,578	60,018,012	56,156,224	64,896,471	64,999,779	188,161,103	219,103,656	4,494,313
Non-current liabilities	11,936,569	21,214,377	20,756,456	22,995,130	25,430,368	11,089,487	6,703,420	5,619,776
Equity	4,815,666	(3,788,020)	1,156,043	566,280	1,830,722	140,896,942	178,733,921	(2,310,691)
Working capital (deficiency)	(32,626,256)	(27,283,336)	(19,226,574)	(21,918,243)	(16,361,582)	(15,216,879)	(18,644,862)	1,256,606

The Company declared commercial production at Campo Morado Mine during Q2-2018, resulting in mine operating profit and net loss during that quarter. Before May 15th, 2018 all pre-commercial revenues and costs incurred were capitalized as mineral assets and development costs. Any excess in revenues over the cost incurred is presented in the statement of income and comprehensive income as recovery of expenses under other income (see Note 8 of the annual consolidated financial statements for the year ended December 31, 2018). The Q2-2018 and Q3-2018 losses are also affected by a decline in metal prices during those periods and higher general expenses reduced by foreign exchange gains.

During historical quarters, the quarterly results fluctuate depending on: 1) timing of stock option grants. A large stock option grant, in which all eligible employees were considered happened in November of 2017 which resulted in higher stock-based compensation expense, 2) foreign exchange fluctuations; During Q1-2018 the Company changed its functional currency in Real de la Bufa from the Canadian dollar to the US dollar as the Tahuehueto property, held by Real de la Bufa, had transitioned to the development stage and commenced mine commissioning activities, and is now generating US dollar cash flows from pre-production sales. In addition, the US dollar was also determined to be the functional currency of Campo Morado since it represents the currency of the primary economic environment it operates, as the majority of the development, operational and pre-commercial sales activities are denominated or are influenced by, and 3) changes in the initially estimated fair value of Campo Morado Mine in connection to its acquisition as required under business combinations.

Cash flow results

	Years ended December 31,		Three months ended December 31,	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating activities	$ 2,076,610	$ (8,997,743)	$ 2,043,543	$ (147,698,901)
Investing activities	(7,800,343)	(2,058,411)	(7,626,457)	4,656,273
Financing activities	(5,400,538)	21,336,634	6,503,265	10,559,507
Effect of foreign exchange rate changes on cash	(757,065)	(773,037)	(2,047,972)	(908,365)
(Decrease) increase in cash and cash equivalents during the period	(11,881,336)	9,507,443	(1,127,621)	(133,391,486)
Cash and cash equivalents, beginning of period	11,997,057	2,489,614	1,243,342	145,388,543
Cash and cash equivalents, end of period	$ 115,721	$ 11,997,057	$ 115,721	$ 11,997,057

As of December 31, 2018, the Company had a cash balance of $115,721 and working capital deficiency of $32,626,256. Current liabilities as of December 31, 2018 are in the amount of $50,955,343, which have been incurred in connection with the acquisition and restart of Campo Morado mining project, the advancement of the Tahuehueto project into development and maintaining the Company's public listing in good standing. In addition, the Company is outside in certain covenants related to the credit facility with Trafigura and as a result all of the balances outstanding in connection to these credits are presented as current liabilities.

During the year ended December 31, 2018, the Company generated net cash in operating activities in the amount of $2,076,610 compared to cash used of $8,997,743. The increase in cash is due to favourable changes in working capital items. This was in connection to the operating activities and revenues provided by the restart of operations at Campo Morado Mine and the increasing activities at Tahuehueto project since the start of the development phase.

The Company also used cash for $7,800,342 in investing activities during the year ended December 31, 2018 compared to $2,058,411 recorded during the year ended December 31, 2017. The increase predominantly relates to additions to the property plan and equipment for Campo Morado Mine, and the construction of different facilities at Tahuehueto. It also includes additions to mineral properties and development assets which in the case of Campo Morado Mine resulted in a reduction of the asset as the revenues from pre-production were higher than their related costs. As for the Tahuehueto project the Company added $5,471,758 in development related to advancing Tahuehueto project into production. The Company also purchased marketable securities from cash generated in connection to a private placement which are designated to be used mainly for Tahuehueto.

During year ended December 31, 2018, the Company generated cash from its financing activities in the amount of $5,400,538 (December 31, 2017 – cash used $21,336,634). This was the result of mainly issuing shares in a private placement and receiving a cash advance from a credit facility with Trafigura. The company also paid $15,933,307 to Nyrstar in connection to the purchase agreement for the acquisition of the Campo Morado Mine and repaid credit facilities of $3,721,493 to Trafigura and Escorfin.

5.- Campo Morado Mine and Tahuehueto Mining Project

Campo Morado Mine

Summary of NI 43-101 compliant Mineral Resources and Preliminary Economic Assessment, the "PEA"

The PEA Report was prepared by Eric Titley BSc, PGeo of Titley Consulting Ltd., William J. Lewis BSc, PGeo of Micon International Limited ("Micon"), Christopher Jacobs CEng, MIMMM of Micon, James W.G. Turner BSc(Hons) ACSM, MSc MCSM, MIMMM CEng of Micon and Eur Ing Bruce Pilcher CEng, FIMMM, FAusIMM (CP) of Micon.

Campo Morado PEA Highlights

Undiscounted cash flow before income and mining taxes of US$114M

- Pre-tax Net Present Value ("NPV") at a 8% discount rate of US$81M
- Undiscounted cash flow after income and mining taxes of US$91M
- After-tax NPV at a discount rate of 8% of US$65M
- Life of mine ("LOM") of 12 years, with 9.7 million tonnes of potential mill feed at an average grade of 4.33% zinc grade, 1.00% lead grade, 0.78% copper grade, 131.9 grams per tonne ("g/t") of silver and 1.71 grams per tonne ("g/t") of gold.
  Note – only potential mill feed resources located in close proximity to existing underground mine workings that are easily accessible with limited mine development are currently included in the PEA mine plan. There are additional measured and indicated resources of approximately 6.9 million tonnes available that could extend the projects LOM.
- Mining rate of 2,500 tonnes per day ("tpd")

Campo Morado Mine resources estimate with effective date as at November 5th, 2017:

Cut-off ZnEq (%)	ZnEq (%)	Tonnes	Au (g/t)	Ag (g/t)	Cu (%)	Pb %	Zn (%)
Measured							
3.0	6.94	17,004,000	1.34	91	0.73	0.67	3.17
4.0	7.87	13,412,000	1.49	104	0.76	0.78	3.71
5.5	**9.27**	**9,292,000**	**1.70**	**124**	**0.82**	**0.94**	**4.56**
7.0	10.71	6,318,000	1.88	143	0.87	1.11	5.44
Indicated							
3.0	5.78	16,848,000	1.25	85	0.68	0.61	2.25
4.0	6.62	12,324,000	1.42	99	0.72	0.73	2.68
5.5	**7.94**	**7,335,000**	**1.70**	**123**	**0.78**	**0.92**	**3.31**
7.0	9.32	4,086,000	1.96	151	0.86	1.12	3.94
Measured + Indicated							
3.0	6.36	33,852,000	1.29	88	0.70	0.64	2.71
4.0	7.27	25,736,000	1.46	102	0.74	0.76	3.22
5.5	**8.68**	**16,627,000**	**1.70**	**123**	**0.80**	**0.93**	**4.01**
7.0	10.16	10,404,000	1.91	146	0.87	1.11	4.85
Inferred							
3.0	5.03	3,316,000	0.98	76	0.52	0.58	2.10
4.0	5.85	2,152,000	1.11	90	0.55	0.71	2.54
5.5	**7.27**	**988,000**	**1.32**	**116**	**0.64**	**0.92**	**3.20**
7.0	8.75	416,000	1.52	148	0.76	1.10	3.78

Compo Morado Operations

Telson purchased Campo Morado in June 2017 and during the fourth week of August 2017, Telson commenced underground pre-production mining operations at Campo Morado. Mining development commenced within the El Largo Zone with mineralized mined development material transported and stockpiled at the mill site.

Pre-production test milling operations started on October 14, 2017. Mining and milling pre-production operations continued from January 1, 2018 through to May 14th, 2018 and on May 15th, 2018 Telson declared Commercial Production.

The processing rate started at approximately 1,400 tonnes per day mid October 2017 and successfully ramped up to approximately 2000 tonnes per day during November 2018. Mining and milling operations continued on a continuous 24X7 schedule subject to normal short mill maintenance procedural shut downs as well as a number of extended mill shut downs for unforeseen circumstances. (*Reader is referred to Note 1 above - Factors influencing revenue during Q3 and Q4 2018)* As of the date of this Management Discussion & Analysis the mill processing rate continues at approximately 2,000 tonnes per day.

Telson plans to increase the mine's production rate toward the mill's current capacity of 2,500 tonnes per day during 2019.

During 2018 underground development at Campo Morado fully prepared the El Largo zone for Sub-Level Caving, a bulk underground mining method and has provided access to several other zones being targeted for future mining, namely; the Naranjo, Fish and Baby Fish. De-watering has commenced on the G9 Zones. Most of these zones contained resources, as outlined in the PEA technical report published in March 2018, that have higher metal grades in gold, silver and copper when compared to the El Largo zone currently being mined. In the case of the G9 Zone, metallurgical recoveries have historically been better than the other referenced zones. This development has been initiated by management to be able to target zones with higher copper grades and/or higher precious metal grades which will provide alternative sources of mill feed should future zinc prices decline.

Management is investigating technologies for the potential increase of precious metal recoveries at Campo Morado and if successful, will have additional mine flexibility to target precious metal rich zones in times of reduced base metal pricing.

- Maelgwyn Mineral Services, a UK based consulting engineering company specializing in metal recovery technology particularly in the recovery of precious metals from refractory ores, conducted preliminary Leachox Process testing of samples from Campo Morado in 2013 for Nyrstar, the mines' former owner. Samples tested were from 2013 process tailings, presumably G9 Zone, as well as fresh mineralization from the Reforma deposit, a future production zone. For more detailed technical information on the Leachox process, please visit the Maelgwyn website at: *https://www.maelgwyn.com/maelgwyn-minerals-leachox-refractory-gold-process-hits-the-gold-standard/*
  Maelgwyn Leachox testing indicated that substantial increases in precious metal recoveries could be available at Campo Morado using Maelgwyn Leachox Process. Very positive results were obtained in the 2013 testing for both of the samples submitted with a maximum recovery of 65% gold and 75% silver at a grind size of 20 microns from the process tailings sample and a maximum recovery of 45% gold and 81% silver at a grind of 40 microns from the Reforma deposit sample. The report stated, "It should be noted that the above test work was performed at a scouting level only and higher recoveries would probably be achieved with optimization work".
  Telson Management intends to continue Leachox testing to determine the viability of incorporating this technology at Campo Morado to achieve markedly increased gold and silver precious metal recoveries.

- Management is also testing a leaching process to determine the viability of reprocessing the existing tailings currently stored on site in the lower tailings disposal facility. This method envisions the recovery of precious metals as well as copper where precious metals are recovered with industry standard leaching technology and copper recovered from solution as a copper sulphate participate and the recovery of cyanide to be recycled for subsequent re-use. Should initial testing results for this method prove positive, management envisions advancing to pilot plant testing for proof of concept.

- In November 2018 retained Glencore Technology to conduct Albion Process™ leach testing of newly processed flotation tailings and historic tailings to increase recoveries of gold and silver. During April 2019 Glencore Technologies informed Telson that initial Albion testing returned marginal results and recommended cessation of testing for material from the mineralized El Largo zone currently being mined, as well as the historic tailings stored at the project. Glencore advised that should future mined mineralized zones have elevated precious metal values it would recommend Albion testing for materials from those zones.

During 2018 the Company initiated work on the expansion on the Naranjo Alto tailings storage facility in order to expand its capacity. To date $300,916 has been invested in this initiative.

Tahuehueto Mining Project

NI 43–101 Compliant Pre-Feasibility Study

In January 2017, Telson announced the results of a NI 43–101 compliant Prefeasibility Study (the "PFS") for its Tahuehueto Project.

The PFS was prepared by Metal Mining Consultants Inc. based in Highlands Ranch, Colorado. The PFS was authored by Scott E. Wilson of MMC along with contributions from other industry experts. This PFS has been prepared in compliance with Form 43-101F1 (Technical Report) and Companion Policy 43-101CP. The effective date of the report is November 18, 2016.

The following summarizes the PFS.

The Tahuehueto Project ("Tahuehueto" or the "Project") is an advanced stage polymetallic project. The mineralization consists of epithermal Au-Ag veins and brecciated structures with lead, zinc and copper, located in the Durango State within the prolific Sierra Madre Mineral Belt which hosts a series of historic and producing mines and most of México´s active exploration and development projects.

From 1996 to the day of this PFS, Telson and Real de la Bufa, S.A. de C.V., a Mexican subsidiary of Telson, have conducted surface and underground sampling and mapping, drilled 248 holes totalling 47,276m into several mineralized bodies, and conducted metallurgical testing, as well as geophysics and other geological studies. The Project consists of 28 mining concessions that total 7,492.7889 ha.

The Project configuration evaluated in the PFS is an owner-operated 790 tpd underground mine that will utilize overhand cut and fill mining with conventional mining equipment in a blast/load/haul operation. Mill feed will be processed in a 550 tpd comminution circuit consisting of primary and secondary crushing, grinding in a single ball mill followed by three floatation circuits producing lead, copper, and zinc concentrates. The concentrates will be trucked from site for smelting and refining.

The highlights of this Pre-Feasibility Study report include:

- Post-tax Net Present Value ("NPV"), using an 8% discount, of US$77M, with an internal rate of return ("IRR") of 36% and a payback period of three years.
- Pre-tax NPV, using an 8% discount, of 138M with an IRR of 56%.
- Financial Analysis completed on base case metal price forecasts of US$0.87/lb for lead, US$0.92/lb for zinc, US$2.65/lb for copper, US$1,180/oz for gold and US$16.70/oz for silver.
- Metal Prices lower than 3-year averages.
- Average annual earnings before interest, taxes, depreciation, and amortization ("EBITDA") of US$16.7M per year and US$352M over the life of the Project.
- Probable Mineral Reserves of 3.3 million tonnes, grading 3.4 g/t gold, 41.8 g/t silver, 0.31% copper, 1.1% lead and 2.0% zinc.
- 21-year mine life with average annual production of 16,100 oz of gold, 177,100 oz of silver, 900 k-lbs of copper, 3,200 k-lbs of lead and 5,600 k-lbs of zinc.

Pre-production capital costs of US$32.2M including US$17.2M surface site development including mill construction and US$14.9M of mining equipment and preliminary underground development.

The mineral resource has been limited to mineralized material that occurs within the mineralized blocks and which could be scheduled to be processed based on the defined cut-off grade. All other material was reported as non-mineralized material.

Table 1.1 Tahuehueto Project Measured, Indicated, and Inferred Mineral Resource Estimate cut-off grade of 2.5 g/t of gold equivalent (AuEq)

Classification	kTonnes	Au Grade (gpt)	Cont Au kOz	Ag Grade (gpt)	Cont Ag kOz	Cu Grade (%)	Cont Cu klbs	Pb Grade (%)	Cont Pb klbs	Zn Grade (%)	Cont Zn klbs
Total Measured	2,771	2.77	247	44.70	3,982	0.31	18,914	1.27	77,827	2.29	139,821
Total Indicated	3,343	2.23	240	41.26	4,435	0.30	22,466	1.15	84,455	2.04	155,687
Total Measured and Indicated	**6,114**	**2.48**	**487**	**42.82**	**8,417**	**0.31**	**41,380**	**1.20**	**162,282**	**2.15**	**295,508**
Total Inferred	3,501	1.31	147	37.59	4,230	0.27	20,469	1.34	103,080	2.44	188,409

Tahuehueto Bulk Sample and Pre-production Testing

On February 23, 2017, the Company announced that it had finalized the sale of lead and zinc concentrates produced from its industrial scale bulk sample collected from the El Creston zone during late 2016 and 2017, on its 100% owned Tahuehueto Project.

The collection and processing of this industrial test provided proof of concept that the selective mining method utilized in the bulk sample collection to be employed at Tahuehueto in future mining operations resulted in industry-standard mining costs and metal recovery processes utilized at the sulphide flotation toll mill were very successful in producing saleable lead and zinc concentrates.

Tahuehueto Pre-production Program

Based upon the successful results of the above referenced industrial scale bulk sample, Management elected to start a program of continuous pre-production during the Tahuehueto mine development and construction phase currently underway. Mining commenced early June 2017.

Tahuehueto Pre-production operations during 2018 achieved concentrate production and sales results outlined above in the Operational Performance Results section of this MD&A.

Purchase of Sulphide Flotation Processing Facility

During February 2017, the Company purchased a sulphide flotation mineral processing facility which included most of the milling equipment required, once installed and operational, to process Tahuehueto ore at an estimated capacity of up to 1,000 tonnes per day. The remainder of the necessary major milling equipment has been purchased and all equipment has been transported and located on site at Tahuehueto

Mine Construction and Underground Development in advanced stages.

The Company initiated underground development work in November 2017. Underground development is continuing and is targeted to expose over 16 working faces to provide continuous ore feed to the on-site processing facility currently being constructed. Telson advanced a total of 1.44 km of underground development, 365 meters within ore which supplied the pre-production toll milling feed and 1,074 meters in waste preparing the mine for future commercial production. Development included the Level 12 decline, the El Perdido development drift, El Creston development drift, the Haulage level portal and the main access decline for Level 20.

Telson initiated construction activities on site at Tahuehueto in January 2018 and to date, mill construction is progressing well with concrete foundations and retaining walls nearing completion. Steel structures to house mill equipment is in final stages of assembly and flotation cell, conditioning tanks, pumps and other processing equipment are currently being installed while grinding and crushing areas are advancing under the construction plans. Preparation of the mine laboratory and camp facilities such as dormitories, cafeteria and sanitation facilities are nearing completion. Water pumping system and electrical supply infrastructure are advancing as planned and the Company anticipated completion of mine construction near the end of 2019.

Underground Exploration

Tahuehueto underground development along the major mineralized structure, El Perdido, has now been extended approximately 225 meters along strike to the north-east from the Level 12 access decline. The first 60 meters of this development was designed to prepare reserves identified by previous drilling for mining, however, the development drift is being extended in continuous mineralization beyond known reserves/resources outlined by previous drilling and to date has exposed approximately an additional 165 meters of continuous mineralization beyond the known drilling. This development is effectively serving as both mine development and underground exploration and is adding new resources at Tahuehueto. Underground exploration drilling is planned to further explore this newly exposed mineralization within the El Perdido structure.
Channel sampling results from this newly exposed El Perdido mineralization are the subject of corporate news releases available on the Company's web site and are verifying the continuity of mineralization along the El Perdido structure helping to prove managements assumption that the El Perdido Zone connects with the Santiago Zone on the same structure and if continuously mineralized will allow new exploration along approximately 800 meters of unexplored structure which should add significant additional resources to the project.

Mineral Properties and Development Assets

Effective January 1, 2017, the Company commenced capitalization of all direct costs related to the development of the Tahuehueto project to property, plant and equipment under IAS 16, as management determined the technical feasibility and commercial viability were established through the positive results associated with the pre-feasibility study, thereby moving it into a development stage asset under IFRS.

Additionally, since the acquisition of Campo Morado Mine the Company capitalized all direct costs related to the restart of the operations and the commencement of commercial production. Effective May 15th, 2018 the Company declared commercial production; therefore, the Company stopped capitalizing costs and expenses related to mineral interest and development assets for this project and since then, all revenues and cost of sales are now presented in the statement of income or loss.

As at December 31, 2018, the Company capitalized the following acquisition and developments costs:

	Tahuehueto	Campo Morado	Total
Balance as at December 31, 2017	$ -	$32,415,734	$32,415,734
Costs incurred:			
Assaying, data and maps	39,014	-	39,014
Camp cost, equipment and field supplies	1,372,633	725,364	2,097,997
Development costs	1,285,122	-	1,285,122
Ore processing	1,718,401	-	1,718,401
Freight and related costs	2,148,931	1,569,958	3,718,401
Fuel and consumables	574,173	647,631	1,221,804
Supplies, lubricants and other	-	2,775,085	2,775,085
Electricity	-	947,996	947,996
Project general and office expenses	289,760	1,341,490	1,631,250
Geological consulting services	(284)	232,578	232,294
Permitting, environmental and community costs	386,723	(6,073)	380,650
Salaries and wages	1,496,132	2,590,236	4,086,368
Travel and accommodation	89,028	(5,074)	83,954
Depreciation capitalized	634,955	107,351	742,306
Royalties	157,589	359,576	517,165
Interest capitalized, net	1,167,107	163,458	1,330,565
Pre - commercial sales	(5,657,842)	(19,057,925)	(24,715,767)
Total additions for the year	5,701,442	(7,608,349)	(1,906,907)
Depletion for the year	-	(494,387)	(494,387)
Change of provision for site reclamation and closure	287,595	(1,675,521)	(1,387,926)
Foreign currency movement	405,271	1,189,834	1,595,105
Balance as at December 31, 2018	**$6,394,308**	**$23,827,311**	**$30,221,619**

<u>Qualified Person</u>

The Qualified Person who has reviewed and approved all technical disclosure in this MD&A is Ralph Shearing, P. Geol, who is the Company's President and Director.

6.- Non-GAAP financial measures

The Company has included certain non-GAAP performance measures throughout this MD&A. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, as explained elsewhere herein, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

7.- Liquidity

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, development, exploration and evaluation of assets. The Board does not impose quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

As of December 31, 2018, the Company had a cash balance of $115,721 and working capital deficiency of $32,626,256. Current liabilities as of December 31, 2018 are in the amount of $50,955,343, which have been incurred in connection with the acquisition and restart of Campo Morado mining project, the advancement of the Tahuehueto project into development and maintaining the Company's public listing in good standing. In addition, the Company is outside in certain covenants related to the credit facility with Trafigura and as a result all of the balances outstanding in connection to these credits are presented as current liabilities.

The Company expects that it will have sufficient cash flow from operations to cover the cost of operating Campo Morado Mine and its overheads. However, there can be no assurances that the Company will meet its production targets and that realized metal prices will be sufficient to cover the cost of operations and overheads.

There are inherent risks to mining that may affect the Company's liquidity. The ability to generate revenue and positive cash flow will depend on the ability of the Company to meet its production targets, ship concentrates and realize economic commodity prices for Zinc, Lead, Gold and Silver. Exchange rates could also have a significant impact on the Company's profitability since some of its costs and expenses are denominated in currencies other than the US dollar.

The Company has received the following sources of capital:

Line of Credit

On July 22, 2016, the Company entered into an agreement for a MXN$150,000,000 line of credit (the "LOC"). The funds drawn down under the LOC accrue interest at a rate of 15% per year, payable monthly after a grace period of 12 months. Interest generated during the grace period will be subsequently paid in 12 consecutive monthly instalments. Furthermore, the Company is required to pay back any cash disbursements in 24 equal consecutive monthly instalments following a 36-month grace period and no later than July 28, 2022. The Company may repay any outstanding balance of the LOC at any time without penalty. In case of default of any payment under the LOC, the Company will pay a moratorium interest rate of 30% per annum. The funds from the LOC are to be applied towards advancing the Tahuehueto Project in the development phase. The obligations of the Company under the LOC are secured by substantially all the Real de la Bufa's assets, including a few of its the mining concessions.

As at December 31, 2018, the Company has a balance of $3,381,846, it has accrued interest in the amount of $467,661 and repaid principal and interest in the amount of $2,198,323, during the current period.

Due to Nyrstar Mining Ltd

As at December 31, 2018, the Company has a balance owing of $7,593,922, which includes accrued interest of $86,158 for the period.

On June 13, 2017, The company acquired Campo Morado Mine for a total purchase price of US$20 million as follows: 1) US$0.8 million at signing of the agreement (paid), 2) US$2.7 million on or before June 12, 2017 (paid), and 3) US$16.5 million on or before June 13, 2018 (US$8 million paid).

On June 12, 2018, the Company renegotiated the terms for the remaining US$8.5 million balance of the Campo Morado Mine acquisition and entered into a loan agreement with Nyrstar. Subsequently, on November 19, 2018, the Company amended the terms of the loan agreement to mainly reduce the monthly principal repayment from US$1.0 million to US$500,000, which also effectively extended the repayment period. The main terms of the amended loan agreement are as follows:

- Monthly principal repayment of US$500,000, plus
- A fixed interest rate of 10% per annum, plus
- Along with the monthly principal repayments and interest mentioned above, the Company will also pay:
    - 70% of any monthly free cash flow generated by Telson; plus, any monthly excess cash balance above US$500,000; plus
    - 50% of the monthly free cash flow generated by Telson on the Tahuehueto Project once Telson declares commercial production.

At the option of the lender any outstanding balance and accrued interest will become immediately due and payable if the Company does not pay, within three days of the due date, any amount payable, or in the event the Company falls into insolvency. As at December 31, 2018 the company has paid the loan as agreed.

Subsequent to year-end, the Company has missed four subsequent monthly payments with interests on the loan. The Company is currently working on negotiating with Nyrstar new terms on the loan agreement, however there is no assurance the Company will be successful in reaching new terms on this loan.

Loan Facilities

On September 11, 2017, the Company entered into a loan agreement with Trafigura Mexico, S.A. de C.V.in the amount of US$5 million for financing working capital to initiate the restart of continuous mining operations at the Campo Morado Mine. The loan bears interest at an effective annual rate equivalent to LIBOR (3M) plus 5%, it has a three-year term with nine months grace period followed by thirty monthly repayments. In connection to the loan agreement the Company also entered into an Offtake agreement ("Offtake Agreement") in which the Company will sell all of its zinc and lead concentrates for a fifty-one-month term.

As at December 31, 2018, the Company has a balance owing of $4,813,451 which includes accrued interest of $31,765.

On December 7, 2017, the Company entered into a loan agreement with Trafigura Mexico, S.A. de C.V.in the amount of US$15 million for financing working capital, rehabilitation and operation of the Tahuehueto Project. The loan facility is available in three tranches, the first tranche equivalent to US$7.5 million was received upon signing of the agreement. The second tranche equal to US$5 million was received on November 6, 2018 after certain conditions were met. The third tranche for US$2.5 million will be available nine months after the signing of the agreement but shall not pass nine months after the signing of the agreement subject to secure additional funding of US$2.5 million in the form of equity and/or loan and at least US$2 million of these funds are invested on capital expenditures.

The loan bears interest at an effective annual rate equivalent to LIBOR (1Y) plus 6%, it has a three-year term with twelve months grace period followed by twenty-four repayments. In connection to the loan agreement the Company also entered into an Offtake agreement with Real de la Bufa, S.A. de C.V., ("Offtake Agreement Real") in which the Company will sell all its zinc and lead concentrates for sixty months term.

As at December 31, 2018, the Company has a balance of $17,207,852 which includes accrued interest in the amount of $1,043,892.

The loans are secured by the Campo Morado Mine and Tahuehueto Project mining concessions and certain property plant and equipment.

Under the terms of the loan agreements with Trafigura, the Company is subject to certain covenants, including the Company must maintain a minimum current ratio of 1:1 without taking into consideration amounts due to Nyrstar Mining Ltd. In addition, the Company must maintain in good standing by keeping all payments current in relation to the mining concession of Campo Morado Mine and Tahuhueto project. As at December 31, 2018, the Company is not in compliance with certain covenants, therefore all the outstanding balances owing on these loans are presented within current liabilities.

The Company is currently working on negotiating with Trafigura new terms on the loan agreements, however there is no assurance the Company will be successful in reaching new terms on these loans. Additionally, Trafigura has confirmed there is no intention to demand repayment before the loan's normal maturity dates.

Finance Leases

During 2017, the Company entered into three equipment lease contracts. Lease payments are payable monthly and comprise principal payments and interest, interest being at a fixed rate between 7.5% and 8.10%. As at December 31,2018, the Company paid $381,746 in lease payments and has a balance owing of 1,547,069. No lease payments were made as at December 31, 2017. As at December 31, 2018 the company has paid the lease agreements as agreed.

8.- Capital resources

Common shares issued

During the year ended December 31, 2018, the Company issued 15,341,032 common shares for total net proceeds of $7,586,008 in connection with common shares issued in a private placement and the exercise of warrants and stock options. During the same period of the previous year the Company issued 31,317,125 common shares for gross proceeds of $5,840,574 in connection with a private placement and the exercise of warrants and stock options.

Other sources of funds

As at December 31, 2018, the other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants with terms as follows:

Stock options outstanding are as follows:

	Outstanding			Exercisable
Expiry date	**Number of options**	**Exercise price**	**Remaining contractual life (years)**	**Number of options**
April 16, 2019	1,000,000	$0.80	0.29	1,000,000
March 22, 2021	5,457,166	$0.13	2.22	5,457,166
November 10, 2022	3,730,000	$0.71	3.87	3,730,000
April 16, 2023	400,000	$0.77	4.29	266,667
April 23, 2023	50,000	$0.72	4.31	33,333
	10,637,166			**10,487,167**

Share purchase warrants outstanding are as follows:

Number of warrants	Exercise price	Expiry date
4,562,402	$ 1.25	October 9, 2020

In the future, the Company may have capital requirements in excess of its currently available resources and may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

9.- Commitments

At December 31, 2018, the Company has the following commitments:

	Within 1 year	Between 1 and 5 years	More than 5 years	Total December 31, 2018
Operating lease payments	$ 9,902	$ 322,965	$ -	$ 442,867
Finance lease	553,667	1,132,309	-	1,685,675
Credit facilities	20,593,314	16,459,600	-	37,052,914
Provision for site reclamation and closure	–	–	7,395,455	7,395,455
	$ 21,156,883	$ 17,914,874	$ 7,395,455	$ 46,476,212

Other commitments not included in the table above are as follows:

VPP – Variable Purchase Price

As part of the Campo Morado acquisition agreement, the seller retained the right to receive a variable purchase price on future zinc production on the first 10 million tonnes of ore processed at the Campo Morado Mine when the price of zinc is at or above US$2,100 per tonne. Telson shall pay Nyrstar the greater of either:

US$20 per tonne of zinc sold if the zinc price received is over US$2,100 per tonne; or
a percentage that ranges between 0.5% and 4.25% of the net smelter revenues received from zinc when the price of zinc ranges between US$1,200 and US$2,500 from the Campo Morado Mine.

The Company maintains the right under the Campo Morado acquisition agreement to purchase 100% of the variable purchase price at any time for US$4 million.

Royalties

The Campo Morado Mine is subject to a royalty between 2% and 3% of the net value of liquidation over the minerals extracted during the term of existence of the mining concession to the Servicio Geológico Mexicano (“SGM”). A portion of the Tahuehueto mineral property is also subject to a 1.6% net smelter return royalty (“NSR”).

Off-take agreements

The Company has a concentrate off-take agreement with a third party whereby it will purchase 100% of the zinc and lead concentrate produced by the Campo Morado Mine up to December 2021.

The Company has a concentrate off-take agreement with a third party whereby it will purchase 100% of the zinc and lead concentrate produced by Tahuehueto project up to December 2022.

10.- Off-balance sheet arrangements

The Company does not utilize off-balance sheet arrangements.

11.- Transactions between related parties

The Company's related parties consist of the Company's directors, officers and companies associated with them including the following:

Reyna Minas, S.A. de C.V., a company owned by Antonio Berlanga Balderas, the Chief Executive Officer.

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management.

Compensation of key management personnel

Key management personnel include members of the Board, the Chief Executive Officer, President, Chief Financial Officer and the Vice President, Corporate Development. The net aggregate compensation paid or payable is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Short-term benefits	$ 758,883	$ 870,789
Share-based compensation	1,039,922	603,014
	$ 1,798,805	$ 1,473,803

Related party balances:

As at December 31, 2018, directors and officers or their related companies were owed $3,506,055 (December 31, 2017 – $107,759) included in accounts payable and accrued liabilities mainly in respect to reimbursement of expenses and labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

As at December 31, 2018, directors and officers or their related companies owed the Company $10,093 (December 31, 2017 – $1,820) included in prepaid expenses and deposits.

Estrategica Corporativa en Finanzas, S.A.P.I. DE C.V. (“Escorfin”)

Effective November 6, 2018 the Company appointed Roberto Guzman to the Board of Directors. Roberto is also the president, director and shareholder of Escorfin. Escorfin is a private equity fund that specialize in real estate development, energy innovations, and tourism investment in Mexico.

The following summarizes the transactions and balances owing to Escofin as at December 31, 2018:

	December 31, 2018	December 31, 2017
Current portion of the debt	$ 184,399	$ 519,156
Long term portion of the debt	2,921,567	4,140,681
Interest owning	274,880	-
Balance	**$ 3,380,846**	**$ 4,659,837**

Since November 6, 2018, the Company incurred interest on the line of credit in the amount of $71,197, from which $nil were paid.

12.- Subsequent events

None

13.- Proposed transaction

None

14.- Critical accounting estimates

This section is not required as the Company is a Venture Issuer, as the term is defined in National Instrument 51-102 Continuous Disclosure Obligations.

15.- Changes in accounting policies including initial adoption

These consolidated financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2018. The adoption of these IFRS and their impact on these Financial Statements are discussed below.

IFRS 9 – Financial Instruments ("IFRS 9")

Effective January 1, 2018 the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting.

The adoption of this standard did not impact the Company’s financial statements as currently the Company does not hold any financial instruments for which the underlying accounting was impacted.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018 the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The adoption of IFRS 15, did not have an impact on the recognition, measurement or disclosure of the Company’s revenue from its customer.

New accounting standards issue but not yet effective

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases (“IAS 17”) and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

The Company is currently quantifying the effect of this standard in approximately $500,000 which will be recognized on balance sheet due to the right of use assets and their associated lease liabilities. The Company does not expect there will be a material impact to the Consolidated Statement of Loss and Comprehensive Loss.

16.- Financial Instruments

As at December 31, 2018, the Company’s financial instruments consist of cash, marketable securities, amounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, obligation under share purchase obligation, current portion of the long-term debt and Nyrstar Mining, Ltd. The fair values of these financial instruments approximate their carrying values due to their short-term to maturity. Marketable securities are classified as level one and recorded at fair value using quoted market prices. The fair value of the long-term debt has been determined based on Level 1 of the fair value hierarchy and approximates their carrying values as the cost of the long-term debt is consistent with market rates.

The Company’s financial instruments are exposed to certain financial risks including, credit risk, liquidity risk, foreign currency risks, interest rate risk, commodity and equity price risk and capital risk management. Details of each risk are laid out in the notes to the Company’s consolidated financial statements.

17.- Other requirements

Outstanding share data

Authorized: Unlimited number of common shares
Number of common shares issued and outstanding as at April 29, 2019: 139,569,152
Number of common shares issued and outstanding as at December 31, 2018: 139,559,152

Stock options as at April 29, 2019:

	Outstanding			Exercisable
Expiry date	**Number of options**	**Exercise price**	**Remaining contractual life (years)**	**Number of options**
April 16, 2019	1,000,000	$0.80	0.54	1,000,000
March 22, 2021	5,457,166	$0.13	2.48	5,457,166
November 11, 2022	3,730,000	$0.71	4.11	2,486,667
April 16, 2023	400,000	$0.77	4.54	133,333
April 23, 2023	50,000	$0.72	4.56	16,667
	10,637,166			**9,093,833**

Share purchase warrants as at April 29, 2019:

Number of warrants	Exercise price	Expiry date
4,562,401	$ 1.25	October 9, 2020

18.- Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2018 and 2017, and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at www.sedar.com.