



TELSON MINING CORPORATION
(formerly Telson Resources Inc)

Management's Discussion and Analysis

For the Three and Nine months Ended September 30, 2018
Report Dated November 29, 2018

1.1 Introduction and forward-looking statements

Telson Mining Corporation (formerly Telson Resources Inc), ("Telson" or the "Company") has prepared this Management's Discussion and Analysis ("MD&A") as of September 30, 2018 and should be read in conjunction with the Company's condensed interim consolidated financial statements as at September 30, 2018 and for the three and nine months then ended. 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.

Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in Canadian dollars unless stated otherwise. References to \$ means Canadian dollars, US\$ are to United States dollars and MXN\$ to Mexican pesos.

The effective date of this MD&A is November 29, 2018.

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

Forward-looking Statements

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.

1.2 Overall performance

1.2.1 Description of business

Telson Mining Corporation is a Canadian based mining company with one mining project in commercial production and advancing a second mining project towards commercial production early 2019. The Company's Tahuehueto Project, located in north-western Durango state, Mexico and its recently acquired Campo Morado Mine in Guerrero state, Mexico are both polymetallic deposits containing significant gold, silver, lead, zinc and copper.

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, and is a reporting issuer in the provinces of British Columbia and Alberta, Canada. The Company is listed on TSX Venture Exchange under the symbol "TSN" and on the OTCBB under the symbol "SOHFF".

The Company's principal business activities include the acquisition, exploration, development and operation of mineral resource properties in North America. The head office of the Company is located at Suite 1000 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6, Canada.

1.2.2 Resource Properties

Campo Morado – Mexico

Effective June 13, 2017, and pursuant a share purchase agreement dated April 27, 2017 as amended by amending agreements dated June 9 and 12, 2017 (collectively the "Campo Morado Agreement), Telson acquired all the shares of the companies that make up and own Campo Morado, an underground multi-metal mine located in the state of Guerrero Mexico, which includes infrastructure, installations and equipment capable of processing 2,500 tonnes of ore per day. As part of the Campo Morado acquisition the Company acquired six mining concessions that comprise an area of approximately 12,045 hectares with six mineralized bodies that have been calculated using a Cut-off zinc equivalent grade of 5.5% and a zinc equivalent grade of 8.68% Zn to obtain approximately 16.6 million tonnes of measured and indicated resources grading 4.01% zinc, 0.80% copper, 0.93% lead, 123 g/t Ag and 1.70 g/t Au plus an additional 0.98 million tonnes of inferred mineral resources as independently calculated under NI 43-101 guidelines and published by the Company April 4, 2018, within a Preliminary Economic Assessment NI 43-101 technical report (the "PEA") dated March 31, 2018.

(Note - these resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. Inferred mineral resources are considered to be too speculative to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the project. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for Preliminary Economic Assessments as defined under 43-101. It cannot be assumed that all or any part of the Inferred resources will ever be upgraded to a higher category.

Zinc equivalent calculations used metal prices of USD\$1.20/lb zinc, US\$2.80/lb for copper, US\$17/oz for silver, US\$1150/oz for gold and US\$0.90/lb for lead and metallurgical recoveries of 70% for zinc, 68% for copper, 38% for silver, 25% for gold and 60% for lead.

Description and location

Telson through its Mexican subsidiaries comprising Campo Morado 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.

Ownership

The Company entered into the definitive share purchase agreement described above (the "Campo Morado Agreement") with Nyrstar Mining Ltd. and Nyrstar Mexico Resources Corp. (collectively "Nyrstar") to purchase all the shares of Nyrstar's Mexican subsidiary companies that make up and own 100% of the Campo Morado mine (the Campo Morado Acquisition).

On June 12, 2018, the Company renegotiated the terms of the last payment for the outstanding balance of US\$8.5 million and entered into a loan agreement with Nyrstar ("Campo Morado Loan Agreement"), under this agreement Nyrstar agrees to lend Telson the principal sum of US\$8.5 million with the following terms and conditions:

On the 13th day of the following month starting July 13th, 2018, the Company will repay Nyrstar:

- a minimum of US\$1 million; plus
- an interest of 10% per annum; plus
- 70% of the monthly free cash flow generated by Telson, and
- any monthly excess cash balance above US\$500,000.

On November 19, 2018, the Company and Nyrstar agreed to amend the terms of the Campo Morado Loan Agreement to mainly reduce the monthly principal repayment from US\$1.0 million to US\$500,000. This change also effectively extended the repayment period of the remaining balance of US\$6.5 million.

Telson has also agreed to repay in full the balance of the Campo Morado Loan Agreement no later than October 31, 2019.

As part of the purchase agreement, Campo Morado Agreement, Nyrstar also retained the right to receive a variable purchase price royalty (the Zinc Royalty) 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 range 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 Campo Morado Agreement to terminate the Zinc Royalty at any time by paying Nyrstar US\$4 million.

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
- Mining rate of 2,500 tonnes per day ("tpd")

Cautionary statement NI 43-101: The PEA was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Note: The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA based will be realized. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. Calendar years used are for illustrative purposes. Some figures may not sum exactly due to rounding. Unless otherwise indicated the currency used is United States dollars.

The current Campo Morado resources as calculated within the PEA occur in five main mineralized zones, G9, El Largo, Naranjo, Reforma and El Rey. Within these main zones, 36 sub-zones of well defined, massive and semi-massive sulphide deposits modeled three dimensionally are used to constrain the resources. The boundaries of these sub-zones are delineated by geological and assay data from extensive drilling and underground excavation. The resource estimate is based on 1,541 surface and underground drill holes and the 33,523 assays obtained from them that intersect and occur within these mineralized zone models. The mined-out volumes of the underground excavations of previous mining operations in turn deplete the resources.

Two contiguous 5-metre cube block models were used to cover this area. The overall combined resource of the five zones estimated by ordinary kriging is presented below. The tabulation is based on zinc equivalency (ZnEq)² that incorporates the contributions of zinc, copper, gold, silver and lead and metal recovery factors achieved at the processing facility on site. The base case at a 5.5% ZnEq cut-off is highlighted in bold typeface. The effective date for the mineral resource estimates³ for the five individual main mineralized zones is September 30, 2017.

Campo Morado Resource Estimate 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

² Zinc equivalent calculations used metal prices of USD 1.20/lb for zinc, USD 2.80/lb for copper, USD 17/oz for silver, USD 1150/oz for gold and USD 0.90/lb for lead and metallurgical recoveries of 70% for zinc, 68% for copper, 38% for silver, 25% for gold, and 60% for lead. The zinc equivalency calculation is as follows:

$$\text{ZnEq General Equation} = \text{Zn\%} + ((\text{Cu \%} * (\text{Cu recovery} / \text{Zn recovery}) * ((\text{Cu \$ per \%}) / \text{Zn \$ per \%})) + ((\text{Ag g/t} * (\text{Ag recovery} / \text{Zn recovery}) * (\text{Ag \$ per gram} / \text{Zn \$ per \%})) + ((\text{Au g/t} * (\text{Au recovery} / \text{Zn recovery}) * (\text{Au \$ per gram} / \text{Zn \$ per \%})) + ((\text{Pb \%} * (\text{Pb recovery} / \text{Zn recovery}) * ((\text{Pb \$ per \%}) / \text{Zn \$ per \%})))$$

$$\text{ZnEq} = \text{Zn\%} + ((\text{Cu \%} * (68/70) * (61.73/26.455)) + ((\text{Ag g/t} * (38/70) * (0.547/26.455)) + ((\text{Au g/t} * (25/70) * (36.97/26.455)) + ((\text{Pb \%} * (60/70) * ((19.84/26.455)))$$

Where:

Au price = \$1150/oz	Au metal recovery = 25%
Ag price = \$17/oz	Ag metal recovery = 38%
Cu price = \$2.80/lb	Cu metal recovery = 68%
Pb price = \$0.90/lb	Pb metal recovery = 60%
Zn price = \$1.20/lb	Zn metal recovery = 70%

³ Capping to reduce statistically anomalous high values was applied to the updated mineral estimate. All mineral resource estimates, cut-offs and metallurgical recoveries are subject to change as a consequence of more detailed economic analyses that would be required in pre-feasibility and feasibility studies.

Some figures may not sum exactly due to rounding

Capital and Operating Cost Estimates

The Project is a previously operating mine that is being brought back into production. Consequently, this PEA treats the initial capital investment as a sunk cost, and all subsequent investment is considered as sustaining capital expenditure.

Over the LOM period, sustaining capital is provided for as shown in table below.

Sustaining Capital estimate for the Campo Morado Mine

Sustaining Capital	LOM TOTAL (USD'000)
Development	25,500
Mill/Concentrator	12,000
Tailings Storage	10,000
Infrastructure (Other)	10,000
Social Responsibilities	12,000
Rehabilitation & Closure Costs	3,200
Total	72,700

Operating cost estimates for the Project are forecast on the basis of previous operators operating experience at the Project, modified where appropriate to reflect increased throughput and proposed changes in the underground mining method.

Over the LOM period, operating costs are forecast as shown in table below.

Operating cost estimate for the Campo Morado Mine

Project Operating Costs	LOM Average USD/t milled	LOM TOTAL USD'000
Selling Costs	23.52	228,997
Royalties	2.97	28,896
Mining	32.78	319,190
Processing	24.72	240,745
G&A	14.76	143,744
TOTAL Operating Costs	98.74	961,571

The LOM capital and operating costs as discussed in the PEA are being further refined as Telson continues to bring the Campo Morado Project back into production and continues to optimize the various costs at site. For example, since publication of the PEA to meet regulatory deadlines, the Company has established its own preliminary operating costs of approximately US \$48.5 per tonne as calculated by management from first quarter, January 1 – June 30 2018, preproduction operations. This US \$48.5 per tonne is approximately 33% lower than the estimated costs of US \$72.26 per tonne used for the same categories within the PEA. See below for additional information.

Economic Analysis

Micon has prepared its assessment of the project based on a discounted cash flow model, from which Net Present Value (NPV) can be determined. A real discount rate of 8.0% is applied to the base case cash flow.

The prices used in the cash flow projection are rolling average prices for each metal for the 12 months ended January 2018, which Micon believes provide a reasonable estimate of project revenues for this PEA. The prices used are shown in table below:

Metal Price Forecast

Metal	Unit	Price (USD/unit)	Unit	Price (USD/unit)
Zinc	tonne	2,954.70	pound	1.340
Lead	tonne	2,346.40	pound	1.064
Copper	tonne	6,274.20	pound	2.846
Silver	troy ounce	17.08		
Gold	troy ounce	1,269.00		

Since the project has already been constructed, initial capital costs are treated as sunk. However, LOM sustaining capital is estimated at US\$ 72.7 million, mainly for underground development and expansion of tailings storage capacity.

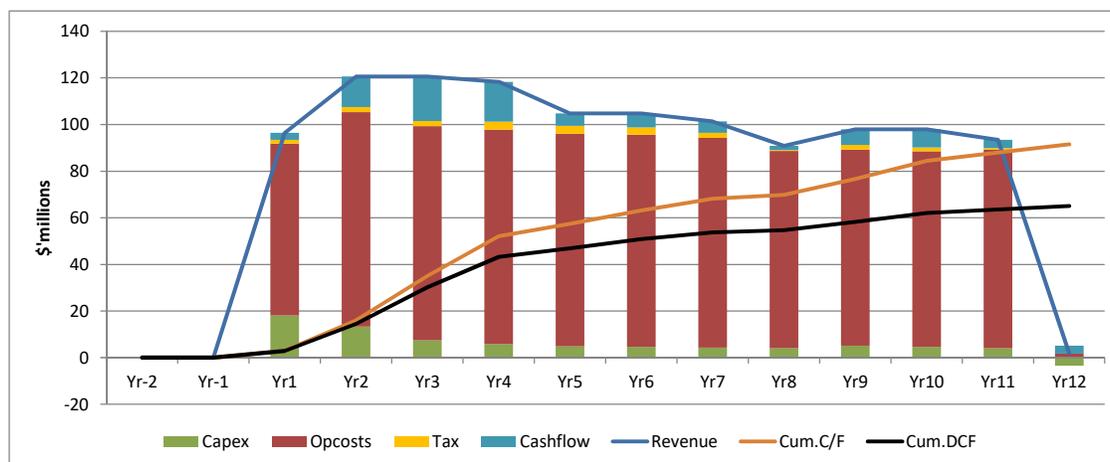
Total cash costs over the LOM period average US\$ 98.74/t milled. Costs incurred in Mexican pesos (MXN) have been converted at the rate of MXN 18.75/USD.

Buy-out of a royalty to Nyrstar is assumed to take place prior to the cash flow period and is treated as a sunk cost. A 3% royalty payable to SGM on the NSR value of concentrate sales (before transport costs) has been provided for in the cash flow model.

This PEA is preliminary in nature; it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized.

Annual base case cash flows and unit costs presented on a zinc equivalent basis are presented in tables below.

Annual Cash Flow Forecast



Unit cost estimate on Zinc Equivalent Basis

	LOM total (USD'000)	USD/t milled	Gross Rev. (%)	Margin (%)	USD/lb ZnEq
Mining	319,190	32.78	28%		0.35
Mill/Concentrator	240,745	24.72	21%		0.27
G&A	143,744	14.76	13%		0.16
Direct site costs	703,679	72.26	61%	39%	0.78
Transport, TC/RC	228,997	23.52	20%		0.25
Cash Operating Costs	932,676	95.78	81%	19%	1.03
Royalties	28,896	2.97	3%		0.03
Production Taxes	-	-	0%		-
Total Cash Costs	961,571	98.74	84%	16%	1.06
Capital Expenditure	72,700	7.47	6%		0.08
Total Production Costs	1,034,271	106.21	90%	10%	1.15

At an annual discount rate of 8.0%, the discounted cash flow evaluates to a net present value (NPV) of US\$ 65 million after tax. At an annual discount rate of 8.0%, the discounted cash flow evaluates to a net present value (NPV) of US\$ 81 million before tax.

Owing to the absence of pre-production capital expenditures in the forecast period, no internal rate of return (IRR) or payback period can be determined.

Management wishes to point out that the PEA is based on historical operating costs incurred by the previous operator of the Campo Morado mine as Telson was in pre-production stage up to May 15, 2018, the date we announced commercial production at Campo Morado and it has been too early to fully determine detailed cost savings resulting from the changes implemented by Telson. On April 18th Telson provided guidance within its press release to the effect that bulk mining methods, now underway will allow a ramp up pre-production towards the 2,500 t/d capacity of the mill over the coming months and are expected to further reduce direct site costs calculated as of September 30, 2018 at approximately US\$56 per tonne in development mining. These direct site development costs are approximately 28% lower than the estimated direct site costs of US \$72 per tonne used for the same categories in the above noted independent Preliminary Economic Assessment.”

Cautionary Note: Non-IFRS (international financial reporting standards) performance measures - This MD&A refers to total direct site costs, which are non-IFRS performance measures. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS 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 IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable with other issuers. For accounting purposes, any sale proceeds from preproduction prior to the Company declaring commercial production at the Campo Morado Mine are considered directly attributable toward advancing the asset to the condition necessary for it to be capable of operating in the manner intended by management, therefore these are recorded as a reductions of development expenses. Direct site costs - Telson is reporting direct site costs on per tonne of mineral processed. Sale proceeds reported are from preproduction during the mines commissioning period. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management also uses this metric as an important tool to monitor operating performance. Direct site costs are calculated using costs such as costs incurred in mining, processing and site administration divided by total tonnages processed. Costs are exclusive of depreciation and other non-cash items. Other companies may calculate this measure differently.

Among the strategies identified as drivers of increasing the NPV are:

1. Cost reductions resulting from:
 - i) a reduced local workforce. The Company is currently operating the mine and approaching similar output as the former operator with approximately 50% of the previous workforce. It should be noted that the former owner was focused only on zinc production and was mining three separate mineralized bodies at the same time which required additional personnel, services, equipment and infrastructure. Telson is focused on all metals and only mining one mineralized body at a time, such that the mine can operate with a smaller workforce;
 - ii) a change from room and pillar mining to sub-level caving (see s. 16.3 of the PEA); and
 - iii) a reduction in haulage distance as a result of new egress portal being developed;
2. Conducting an aggressive exploration campaign designed to increase the mineral resources at Campo Morado;
3. Analyzing leaching processes to increase recoveries of precious metals from concentrate and existing tailings.

Historic development and production

The Campo Morado mine was commissioned by Farallon Mining Inc. and commenced commercial production in 2009. In 2010 Nyrstar NV purchased Farallon Mining Inc., in a friendly takeover bid valued at \$409 million and thereby took 100% ownership of the project. Subsequently in January 2015, Nyrstar suspended production and the mine was placed on care and maintenance due to deteriorating industry conditions.

During 2014, its last year of operations Campo Morado processed 657,000 tonnes of ore with an average grade of 1.2g/t Au, 115.7 g/t Ag, 4.6% Zn, 1.2% Cu and 0.9% Pb. The concentrates produced in the same year were 48,000 tonnes of Zn concentrate at 47% Zn and 29,000 tonnes of Cu concentrate at 13%, including 6 koz of Au and 0.9mm of Ag.

Telson Mining Corporation development and production

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 and have since remained in continuous 24 x 7 operations.

The processing rate started at approximately 1,400 tonnes per day mid October 2017 and has successfully ramped up to approximately 2000 tonnes per day during November 2018. Telson plans to increase the mine's production rate toward the mill's current capacity of 2,500 tonnes per day during 2019.

The mill processed 148,676 Tonnes of mineralized pre-production development material during first quarter 2018 ending March 31, 2018 with, average head grade of 3.65% zinc, 0.41% Copper, 0.90% Lead, 1.14 g/t Gold 108 g/t Silver producing 8,206 wet tonnes of Zinc concentrate with average grades of 45.16% Zn, 1.26% Cu, 1.94% Pb, 436 g/t Ag, 2.08 g/t Au plus 1,365 wet tonnes of lead concentrate with average grades of 24.94% Pb, 8.29% Zn, 2.11% Cu, 616 g/t Ag, 8.92 g/t Au.

Near the end of the 1st quarter 2018, when copper head grades increased above 0.4%, the mill produced 82.22 wet tonnes of copper concentrate 9.87% Cu, 1,753 g/t Ag, 11.88 g/t Au, 10.54% Pb, 5.76% Zn

During the second quarter of 2018, April 1st to June 30st, 2018, underground development mining totaled 1,076 meters with 752m in mineralized material and 324m in waste producing 138,519 tonnes of mineralized development material available for transport to the mill.

During the 2nd quarter 2018 ending June 30th 2018, the mill processed 162,538 tonnes of mineralized material during first quarter 2018 ending March 31, 2018 with, average head grade of 4.49% zinc, 0.35% Copper, 0.1.26% Lead, 1.02 g/t Gold 127 g/t Silver producing 11,918 wet tonnes of Zinc concentrate with average grades of 44.24% Zn, 1.02% Cu, 2.55% Pb, 399 g/t Ag, 1.34 g/t Au plus 1,884 wet tonnes of lead concentrate with average grades of 32.65% Pb, 9.32% Zn, 1.88% Cu, 759 g/t Ag, 6.98 g/t Au. Roughly half of the processed material was classified as pre-production and as of May 15th, 2018 all production thereafter is classified and accounted for as Commercial Production.

During the 3rd quarter of 2018, the mill processed 128,122 tonnes of mineralized material with average approximate head grads of 4.66% zinc, 0.35% Copper, 0.1.21% Lead, 1.01 g/t Gold 130 g/t Silver producing 10,257 wet tonnes of Zinc concentrate plus 1,840 wet tonnes of lead concentrate with similar average metal content grades as reported above for Q2 2018.

During the 3rd quarter of 2018, July 1st to Sept 30st, 2018, underground development mining totaled 350 meters with 227m in mineralized material and 123m in waste. Underground bulk mining methods plus development mining produced 154,770 tonnes of mineralized material available for transport to the mill. Mining and milling operation are continuing on a continuous 24X7 schedule with daily mill processing production averaging approximately 2,000 tonnes per day.

Cautionary note regarding production decisions.

It should be noted that Telson commenced pre-production mining and declared Commercial Production at Campo Morado without the benefit of pre-feasibility or feasibility studies that outline mineral reserves demonstrating economic and technical viability. Accordingly, readers should be cautioned that Telson's production decision was made without a comprehensive feasibility study of established reserves such that there is greater risk and uncertainty as to future economic results from the Campo Morado mine and a higher technical risk of failure than would be the case if a feasibility study was completed and relied upon to make a production decision. Telson has

completed a preliminary economic assessment (“PEA”) mining study on the Campo Morado mine that provides a conceptual life of mine plan and a preliminary economic analysis based on the previously identified mineral resources (see News Release dated November 8, 2017 and April 4, 2018). This will soon be replaced by a pre-feasibility study (“PFS”) that will allow the application of modifying factors to the mineral resources to allow a portion of them to be converted to mineral reserves; and will support the pre-production activities to bring the Campo Morado mine into commercial production.

Exploration potential and plans

The Campo Morado Project contains excellent exploration potential to potentially develop additional resources. The project’s former operator developed at least 15 largely untested regional geochemical anomalies many of these with coincident geophysical anomalies plus 10 largely untested regional geophysical anomalies identified through various geophysical methods including gravity, induced polarization, electromagnetic and magnetic surveying.

In addition to the regional exploration targets the mines former operator developed a number of significant borehole geophysical anomalies from within the existing mine workings which have identified more than eight underground targets, some of which have been tested with several underground exploration drill holes that have intersected significant massive sulphide mineralization. All of these targets will be drill tested in the future in hopes of identifying additional stacked layers of volcanogenic massive sulfide mineralization that could be accessed from the current underground mine workings if exploration successfully proves up mineable mineralization.

The Company is developing exploration plans to follow up on the various targets identified by the project former operator. Although timing to commence exploration has not yet been scheduled, it is anticipated that exploration could start during 2019 depending on free cash flows from the Company’s mining operations.

Tahuehueto Project – Mexico

Description and Location

The Tahuehueto property consists of 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, the state capital, and 160 km northeast of the city of Culiacan, Sinaloa. The Tahuehueto Project is located about 25 km north of the Topia polymetallic-silver mine, 40 km northwest of the La Cienega gold, silver, base metal mine, 85 km southwest of the Guanacevi silver district, 280 km southeast of the Palmarejo silver and gold mine, and 150 km northwest of the San Dimas mining district, most notable for the Tayoltita silver and gold mine.

Ownership

The Company through one of its wholly owned subsidiaries entered into a share purchase agreement (the “Real Agreement”) in 1997 to purchase 90% of the issued and outstanding shares of Real de la Bufa, S.A. de C.V., which holds a 100% interest in the Tahuehueto mineral property. In 2007, the Company converted into equity a portion of its inter-company debt with Real de la Bufa, S.A. de C.V., thereby increasing its ownership to 99%. A portion of the Tahuehueto mineral property is subject to a 1.6% net smelter return royalty (“NSR”).

Pursuant to the Real Agreement, the Company is obligated to make final payments of US\$200,000 to the some of the Real de la Bufa shareholders.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

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 been prepared by Metal Mining Consultants Inc. based in Highlands Ranch, Colorado. Metal Mining Consultants is a full-service independent mining engineering firm, specializing in all aspects of exploration, mine development, and mine operations. 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 exploration stage polymetallic project. The mineralization consists of epithermal Au-Ag veins and brecciated structures with lead, zinc and copper, and is 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 totaling 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.

Mineralization

Mineralization at Tahuehueto occurs as polymetallic epithermal veins with multiple mineralizing events overprinted on one another in the same vein structure. The primary host rock is andesite of the lower volcanic series, but in at least one case, the hydrothermal system penetrated felsic ignimbrite of the upper volcanic series. Breccias are an integral part of the Tahuehueto hydrothermal system and display several genetic styles. Many of the sulfide-mineralized zones display sulfide transport textures.

Overprinting of the lower-temperature, higher-level mineral assemblage onto the higher temperature, deeper-level mineral assemblage is referred to as telescoping. This telescoping may represent the progressive cooling of the hydrothermal system, although in some instances tectonic un-roofing of the cover rocks may also result in a decrease in overburden and progressive deposition of higher crustal level, lower temperature mineral assemblages. Increasing gold and silver grades in the later higher crustal level assemblages without significant base metals is an important element of this telescoping.

The uppermost portions of the mineralized structures are oxidized. In the oxide zone, mineralization consists of malachite, azurite, chalcocite, covellite, limonite, and hematite. Malachite overprints tetrahedrite, and chalcocite and covellite form coatings on sphalerite. The depth of the oxide-sulfide interface varies considerably, but is generally less than 100 m.

Sulfide mineralization lies below the oxidized zone and consists of sphalerite, galena, chalcopyrite, tennantite, tetrahedrite, and probably electrum. Gangue minerals are quartz, pyrite, chlorite, sericite, and calcite. Locally a light green phyllosilicate mineral interpreted to be celadonite forms as gangue and is closely associated with high-grade gold and silver mineralization.

2016 Mineral Resource Estimate

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 below, lists the current Mineral Resource estimate for the Project at cut-off grade of 2.5 g/t of gold equivalent (AuEq).

Table 1.1 Tahuehueto Project Measured, Indicated, and Inferred Mineral Resource Estimate

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

Mining Engineering

Mineralization at Tahuehueto occurs in different veins under a local mountainous landform. The near vertical dip of the veins and apparent rock mass quality, as demonstrated by the excavations formed by the previous mining and recent underground development, makes the veins suitable for different sublevel mining methods. No trade-off studies have been performed and the Telson Management had based previous mining studies on the Overhand Cut-and-Fill mining method, which in the Author's opinion was suitable for the purposes of this PFS study.

The mining method used as the basis of this PFS design was, therefore, Overhand-Cut and-Fill mining with conventional drilling, blasting, mucking and hauling, scaling and ground support installation and backfilling with unconsolidated, mined waste materials. Full mechanization was assumed using diesel, rubber tired mining equipment and support vehicles. A summary of Project operating metrics is presented in Table 1.2.

Table 1.2 Tahuehueto Project Operating Metrics

Operating Metrics	Units	Value
Mill Throughput	t/year	155,000
Mine Life	Years	21
Pre-Production/Development Period	Years	2
Ore Mining Rate	t/year	155,000
Development Rate	t/year	77,000
Total Mining Rate	t/year	232,000
Development Tonnes to Ore Tonnes Ratio*	w/o	0.5

* waste: ore ratio

The mine design and Mineral Reserve estimate have been completed to a level appropriate for pre-feasibility studies. The Mineral Reserve estimate stated herein is consistent with the CIM Standards on Mineral Resources and Mineral Reserves and is suitable for public reporting. As such, the Mineral Reserves are based on Measured and Indicated Resources, and do not include any Inferred Resources.

A mine design was created in the Maptek Vulcan™ model to define access and mining of the stope shapes defined by the Stope Optimizer module within Vulcan™ software. The defined stope shapes and development excavations were scheduled to produce a basis for economic analysis. The resulting reserve is classified as Probable, and is listed in Table 1.3. No Proven Reserves were defined due to the limited definition resource drilling, limited definition by exploratory mining and the lack of geotechnical data that addresses underground mining.

Table 1.3 Tahuehueto Reserve Estimate Summary from Scheduled Stopes

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
Probable Reserves	3,264	3.40	356	41.80	4,387	0.35	25,028	1.19	85,762	2.24	161,314

1. Canadian Institute of Mining, Metallurgy and Petroleum standards were followed in the estimation of the Mineral Reserves.
1. Mineral Reserves are estimated using metal price forecasts of US\$0.60/lb for lead, US\$0.75/lb for zinc, US\$2.10/lb for copper, US\$1,000/oz for gold and US\$19.12/oz for silver.
2. Totals may not add due to rounding.
3. The foregoing mineral reserves are based upon and are included within the current mineral resource estimate for the Project.

Mineral Processing

Based on metallurgical tests performed to date, the previous metallurgical campaigns provide sufficient data to reach a level of confidence that the flotation process chosen will work, flotation targets are attainable, and an economical concentrate can be produced. The proposed processing plant is a conventional crushing/milling/flotation/filtering process designed to process 165,000 tonnes per year in 300 operating days, equivalent to 550 tonnes per day through the grinding and flotation circuits producing lead, copper, and zinc concentrates. Concentrate recoveries are shown in Table 1.4 and life of mine metal production is shown in Table 1.5.

Table 1.4 Tahuehueto Average Metallurgical Recoveries

Product	kTonnes	Distribution % (Recoveries)				
		Au	Ag	Cu	Pb	Zn
Head	3,264	100%	100%	100%	100%	100%
Pb Concentrate	58	77.1%	62.8%	31.6%	85.5%	1.6%
Cu Concentrate	18	6.8%	10.3%	51.4%	0.6%	17.1%
Zn Concentrate	108	11.0%	11.7%	11.5%	6.1%	80.0%
Tails	3,096	5.4%	15.2%	5.4%	7.8%	1.3%

Table 1.5 Life of Mine Metal Production

LOM Metal Production	Units	Value
Gold	koz	340
Silver	koz	3,720
Lead	klbs	73,100
Copper	klbs	20,800
Zinc	klbs	128,700

Capital and Operating Cost Estimate

Capital and operating costs used for the Tahuehueto Project were developed from cost build up from first principles engineering along with vendor and contractor quotations. In addition, all available project technical data and metallurgical test work were considered to build up a processing operating cost estimate.

A project configuration which included the underground mines and a central process facility was developed as the basis for capital cost estimation. Preliminary site infrastructure alternatives (process plant, tails storage facility, and

power) were examined as a basis to estimate costs. Generalized arrangements were evaluated to establish a physical basis for the capital costs estimates. Cost accuracy is estimated to be + or - 20%. The estimated capital costs are listed in Table 1.6 and operating costs are listed in Table 1.7.

Table 1.6 Tahuehueto Total Capital Costs

Capital Category	Initial (US\$M)	Sustaining (US\$M)	Total (US\$M)
Mine Mobile Equipment	8.8	4.4	13.2
Mine Fixed Equipment	1.1	0.3	1.4
Mine Development	5.1	0.7	5.8
Processing	16.1	-	16.1
Infrastructure	1.1	-	1.1
Total CAPEX	32.2	5.4	37.6

Table 1.7 Tahuehueto Unit Operating Costs

Operating Costs	LOM Cost US\$M	Unit Cost US\$/t mineralized
Mining	69.4	21.62
Processing	100.5	30.80
G&A	22.2	6.82
Total OPEX	192.2	59.24
Smelter	78.0	23.91
Freight & Marketing	15.7	4.80
Royalties	9.5	2.91
Total Operating Cash Cost	295.4	90.86

Conclusions

The work completed by Telson has resulted in sufficient drill sample density, and confidence in the geological interpretation, for MMC to reasonably estimate Mineral Resources and Mineral Reserves for Tahuehueto.

The economic performance of the Tahuehueto Project was evaluated with a cash flow based economic model using project costs and revenues as the financial basis. The revenue factors for the project are dependent on metal prices calculating into the net smelter return. Costs are in constant 2016 US\$, no escalation of cost has been assumed. Operating costs are generated based on production physicals (tonnes) and unit rates. The Tahuehueto project is expected to yield an after-tax undiscounted LOM net cash flow of US\$209.7 million, and an NPV of US\$77.8 million at a discount rate of 8% per year. The results for the Tahuehueto Project economic analysis are summarized in Table 1.8.

Table 1.8 Tahuehueto Project Economic Results

Economic Metrics	Units	LOM Value
Total Ore Processed	kTonnes	3,264
Contained Gold Produced	kOz	340
Contained Silver Produced	kOz	3,720
Contained Lead Produced	kLb	73,100
Contained Copper Produced	kLb	20,800
Contained Zinc Produced	kLb	128,700

Economic Metrics	Units	LOM Value
Gold Price	\$/oz	1,180
Silver Price	\$/oz	16.70
Copper Price	\$/lb	2.65
Lead Price	\$/lb	0.87
Zinc Price	\$/lb	0.92
Gross Revenue	US\$M	590.8
Refining and Freight Costs	US\$M	91.3
Royalty (1.6%)	US\$M	9.5
Operating Costs	US\$M	192.2
Capital Costs	US\$M	37.6
Pre-Tax Cash Flow	US\$M	351.5
Special Mining Tax (7.5%)	US\$M	36.6
Special Mining Royalty (0.5%)	US\$M	2.2
Income Tax (30%)	US\$M	104.8
Post-Tax Cash Flow	US\$M	207.9
Pre-tax NPV (8%)	\$M	137.8
Pre-tax IRR	%	56%
Post-tax NPV (8%)	\$M	77.0
Post-tax IRR	%	36%

The complete PFS is available through the Internet under the Company's profile on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Company's website at www.telsonresources.com.

Tahuehueto Pre-Preproduction

On February 23, 2017, the Company announced that it has 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 sulfide flotation toll mill were very successful in producing 201 tonnes of lead concentrate and 259 tonnes zinc concentrates which were marketed and sold generating cash receipts of about US\$1,470,000.

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 Preproduction operations to date have achieved the following results:

Six-month pre-production operations ending December 31, 2017

- 22,662 tonnes ore mined during July – Dec 31, 2017 from El Creston Zone Averaging of 132 t/day
- Tahuehueto Toll Milling processed 14,377 tonnes of ore during 2017,
- Average recoveries of ore processed in 2017 - 82.4% gold, 87.8% silver, 79.4% lead and 74.4% zinc.
- Produced 666 tonnes of lead concentrate and 1,130 tonnes of zinc concentrate in 2017

Cautionary note - Readers should be cautioned that cash sales should not be equated with revenues, as until commercial production is achieved at Tahuehueto, which is not expected until early 2019, once Telson completes construction of its proposed onsite mineral processing facility, any proceeds from the sale of concentrates are considered under IFRS to be applied as an offset to development costs and not counted as revenues on Telson's

income statement. Furthermore, Telson is not, during the pre-production stage, able to disclose the costs/expenses associated with generating such cash sales or provide guidance on profitability (if any).

Three-month preproduction operations, first quarter ending March 31, 2018, "Q1",

- Tahuehueto Toll Milling processed 9,503 tonnes of ore during first three months 2018, Q1,
- Average Head Grade of ore milled in Q1 2018 was 5.44 g/t gold, 61.59 g/t silver, 4.54% zinc, 2.25% lead.
- Average payable recoveries of ore processed in Q1 2018 – 79.4% gold, 85.7% silver, 84.4% lead, 76.4% zinc.
- Produced 360.29 tonnes of lead concentrate and 712.71 tonnes of zinc concentrate in Q1 2018
- Average grade of Q1 lead concentrate - 50.18% Pb, 99.25 g/t Au, 1,185 g/t Ag, 12.19 % Zn.
- Average grade of Q1 zinc concentrate – 46.28% Zn, 7.41 g/t Au, 105 g/t Ag, 0.93% Pb.

Tahuehueto pre-production was markedly scaled back during Q2 and Q3 2018 as equipment utilized in the pre-production mining was directed towards mine construction efforts and therefore unavailable for mining purposes. Pre-production operations are again being scaled up with 855 tonnes mined in late June and 2,409 tonnes mined in July and 3,344 mined to August 26, 2018. Underground development and preproduction mining operations recommenced in Q3 2018. Preproduction milling operations at the Atocha Toll Mill restarted in October and November with 2 million campaigns completed as of the date of this management discussion and analysis.

Two-month preproduction operations during October and November of 2018, "Oct-Nov"

- Tahuehueto Toll Milling processed 7,933 tonnes of ore during Oct-Nov,
- Average Head Grade of ore milled in Oct-Nov was 3.09 g/t gold, 38.69 g/t silver, 3.60% zinc, and 1.78% lead.
- Average payable recoveries of ore processed in Oct-Nov – 81.80% gold, 87.11% silver, 86.67% lead, 70.84% zinc, and 76.8% copper.
- Produced 285.9 tonnes of lead concentrate and 412.3 tonnes of zinc concentrate in Oct-Nov
- Average grade of Q1 lead concentrate – 43.02% Pb, 60.41 g/t Au, 812.93 g/t Ag, 15.19 % Zn, 3.16%Cu.
- Average grade of Q1 zinc concentrate – 46.82% Zn, 6.17 g/t Au, 81.21 g/t Ag, 0.92% Pb, 0.4% Cu.

Purchase of Sulfide Flotation Processing Facility

On February 2017, the Company announced that it completed an agreement for the acquisition of a sulfide flotation mineral processing facility, (the "Processing Plant Agreement"). Pursuant to the terms of the Processing Plant Agreement Telson paid \$1,300,000 to purchase a mineral processing plant.

The mineral processing plant acquired consists of 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

On Site Underground Development, Surface Work for Mine Construction Underway.

The Company initiated underground development work in November 2017. During 2018, January to end of October underground development advanced over 960 m on a 5m X 5m basis on three separate levels preparing the mine for future continuous production. A 264 m of this drifting was in mineralized ore with 696 m drifted in waste. 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 initiated construction activities on site at Tahuehueto in January 2018. Mill site excavation has been completed and foundations for the milling facility are currently being prepared and poured with concrete subsequently installation and assembly of the milling equipment.

Camp construction is well advanced with most major accommodation including cafeteria is nearing completion. Mine site infrastructure developments such as access and haulage road upgrading and underground development to advance the mine plan. Planning, preparation and subsequent initiation of various infrastructure works such as water line and electrical power generation and delivery are in process.

Management is pleased with the progress and anticipates completion of construction towards end of Q1 2019 and intends to commence preproduction mining operations immediately thereafter and will advance towards commercial production during mid 2019.

1.2.3 Qualified Person

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.

1.2.4 Environment and Community

Telson conducts its exploration and development activities in a socially and environmentally progressive manner consistent with the principles of Sustainable Development. Particular emphasis is placed on establishing good relationships with community leaders and residents, as well as state authorities to ensure citizens are kept informed of the Company's exploration and mining activities.

Campo Morado has environmental permits in place to restart mining operations and Tahuehueto project has environmental permits in place to allow construction of its mineral processing facility and mine development and has filed two other environmental permits, one which will allow commencement of mining operations using existing impacted areas from previous mining operations with another permit recently filed to allow mine expansion within a new tailings disposal facility with life of mine capacity. The Company will continue to comply with all regulations and closely monitor its activities to minimize damage to the ecosystem.

Telson participates in a range of social initiatives in support of local communities. Telson emphasis in hiring local labor and procurement policies have been adopted to ensure that benefits flow to the communities and region surrounding the projects.

On April 26, 2016, the Company renewed and extended a temporary land use agreement (the "Agreement") with the Comunidad La Bufa ("Comunidad"), holders of certain surface rights at Tahuehueto. The renewed Agreement allows the Company to explore, develop and produce minerals within an area of 2,062 ha over a period of 30 years beginning on the date of the Agreement and may be extended upon request by the Company. This 30-year Agreement is obligatory to Comunidad, not for the Company. The Company will pay to Comunidad a fee of US\$46,540 or the equivalent amount in Mexican Pesos for each 365- day period as compensation for the temporary land use for mining exploration and exploitation. Payments will be due yearly on the anniversary date of the Agreement and will be subject to annual increase of 5% on the value of the preceding year's payment.

1.2.5 Overall plan analysis and economics

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 that the technical feasibility and commercial viability had been established through the positive results associated with the pre-feasibility study and board approval to start develop the project, thereby making it a development stage asset under IFRS.

Additionally, since the acquisition of Campo Morado the Company capitalized all direct costs related to the restart of the operations and up the commencement of commercial production on May 15, 2018.

As at September 30, 2018, the Company capitalized an amount of \$27,913,764 in mineral interest and development assets as detailed in the table below:

	Tahuehueto	Campo Morado	Total
Balance as at December 31, 2017	\$ -	\$ 32,415,734	\$ 32,415,734
Costs incurred:			
Assaying, data and maps	30,217	-	30,217
Camp cost, equipment and field supplies	938,972	3,050,528	3,989,500
Development costs	534,313	-	534,313
Ore processing	942,334	-	942,334
Freight and related costs	1,411,177	1,551,030	2,962,207
Fuel and consumables	394,310	639,823	1,034,133
Supplies, lubricants and other	-	3,941,627	3,941,627
Electricity	-	936,566	936,566
Project general and office expenses	199,113	1,383,915	1,583,028
Geological consulting services	(285)	223,774	223,489
Permitting, environmental and community costs	271,531	-	271,531
Salaries and wages	995,880	2,278,802	3,274,682
Travel and accommodation	47,529	2,540	50,069
Depreciation capitalized	390,339	106,040	496,379
Royalties	66,348	355,241	421,589
Interest capitalized	1,061,190	161,487	1,222,677
Pre - commercial sales	(4,317,747)	(21,979,726)	(26,297,473)
Total additions for the period	2,965,221	(7,348,353)	(4,383,132)
Foreign currency movement	129,861	(248,699)	(118,838)
Balance as at September 30, 2018	\$ 3,095,082	\$ 24,818,682	\$ 27,913,764

Included in mineral interest and development assets there are \$1,222,677 (December 31, 2017 - \$812,991) of capitalized borrowing costs based on a capitalization rate of 100%.

The Company recorded \$nil recoveries on the statement of loss relating to pre-commercial sales which exceeded the capitalized costs of the Tahuehueto property.

1.3 Selected Annual Financial Information

Year ended	Total assets	Non-current liabilities	Total loss and comprehensive loss	Basic loss per share	Diluted loss per share
Year ended December 31, 2017	\$ 64,999,779	\$ 25,430,368	\$ 881,180	\$ (0.01)	\$ (0.01)
Ten months ended December 31, 2016	3,734,098	4,325,534	3,769,638	(0.04)	(0.04)
Year ended February 29, 2016	992,124	100,319	951,004	(0.02)	(0.02)

As at December 31, 2017, the Company has yet to achieve commercial production from its mineral related assets, the Company has no revenues to report nor declare or distribute cash dividends during the financial reporting periods noted above. Effective May 15, 2018 the Company declared commercial production at its 100% owned Campo Morado Mine located in Guerrero State, Mexico, with over 60 days of operational steady state production at 75% of management's targeted mill capacity of 2,500 tonnes per day, achieving zinc recoveries and concentrate grades within management's expectations. Therefore, proceeds from concentrate sales and cost of sales from May 15, 2018, forward will be reflected on its statement of earnings.

1.4 Results of Operations

Three months ended September 30, 2018 and 2017 (Q3 2018 Vs Q3 2017).

During the three months ended September 30, 2018, the Company reported a total loss of (\$749,622) total comprehensive loss of (\$5,337,215) and basic and diluted loss per share of (\$0.01), compared to a total loss of (\$37,853,862) and comprehensive loss of (\$37,853,862) and basic loss per share of (\$0.40) and diluted loss per share of (\$0.32), for the three months ended September 30, 2017.

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

1. Effective May 15th, 2018, the Company declared commercial production in its 100% owned Campo Morado project and since then all income produced and related costs and expenses are presented in the statement of income or loss. During the three months ended September 30, 2018, the company recorded net revenues of \$10,215,558 and total related costs of \$13,383,295 resulting in an operating loss of (\$3,167,737). Furthermore, these amounts captured in the statement of income or loss only represent operations since the start of commercial production or about 4.5 months.
2. During the three months ended September 30, 2018, the Company incurred general expenses in the amount of \$1,446,383 compared to \$444,950 over the three months ended September 30, 2017. The current balance in the period represents administration and general expenses attributable to the Campo Morado and Tahuehueto mining projects, while the amount presented in the comparative period mainly relates to expenditures for the Tahuehueto project. Additionally, Campo Morado was acquired in June of 2017 and effective January 1, 2017, the Tahuehueto project transitioned from exploration into a development stage based on the decision by the board of directors to advance the project into development due to the positive results from the pre-feasibility study. Since the transition all related expenditures to the development and commissioning of the mine are being capitalized.
3. General expenses of \$1,446,383, were incurred for the three months ended September 30, 2018, as compared to \$444,950 in the three months period ended September 30, 2017. The increase of \$1,001,433 is mainly attributable to the share-based compensation recorded during the period. During the current period the Company recorded \$364,824 as stock-based compensation expense compared to \$nil recorded in the comparative period. Overall, all other line items also report higher expenditures in connection to higher level of activity and operations of the Company as a result of the acquisition and reactivation of Campo Morado and moving the Tahuehueto project into development stage.

General expenses such as consulting fees, wages and benefits total \$491,195, (\$226,845 – three months ended September 30, 2017). The increase of \$264,350 is mainly comprised of additional salaries paid to newly hired employees as a result of the increase in activity of the Company, the acquisition of Campo Morado and salary increases to management and other key employees effective October 1, 2017. Legal and professional fees increased from \$7,963 to \$171,175 in the current period mainly due to consulting fees related to the preliminary economic assessment, graduation to Tier 1 of the TSX Venture and other legal matters. Office rent and administration increased from \$110,925 to \$274,803 when compared the three months ended September 30, 2018 against the same period of previous year, mainly due to increase in rent as a result of new office space acquired for the main office in Mexico City and Vancouver. Travel promotion and investor relations expenses also increased significantly from the previous period in response to more active participation in investor shows and conferences and additional marketing efforts to promote the Company.

4. Other income and expense increased from a loss of (\$34,329,255) to an income of \$3,864,498 when compared to the three months ended September 30, 2018 against the same period of previous year. This increase is mainly attributable to foreign exchange differences and estimated bargain purchase gain recorded as a result of the Campo Morado acquisition.

Effective January 1, 2017 all financing and interest costs were capitalized in the current year in connection to the long-term debt for Real de la Bufa and Campo Morado, except for costs recorded after May 15th in Campo Morado as the Company declared commercial production and since then these costs are presented in the statement of income and loss.

Nine months ended September 30, 2018 and 2017.

During the nine months ended September 30, 2018, the Company reported a total loss for the period of \$3,437,850 and a comprehensive loss of (\$7,988,012) and basic and diluted loss per share of (\$0.03), compared to an income and comprehensive income of \$137,763,247 and basic earnings per share of \$1.47 and diluted earnings per share of \$1.16, respectively, for the nine months ended September 30, 2017.

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

1. Effective May 15th, 2018, the Company declared commercial production in its 100% owned Campo Morado project and since then all income produced and related costs and expenses are presented in the statement of income or loss. During the three months ended September 30, 2018, the company recorded net revenues of \$17,721,886 and total related costs of \$19,902,568 resulting in an operating loss of (\$2,180,682). Furthermore, these amounts captured in the statement of income or loss only represent operations since the start of commercial production or about 4.5 months.
2. General expenses of \$4,909,508, were incurred for the nine months ended September 30, 2018, as compared to \$1,411,695 in the same period of 2017. The increase of \$3,497,813 is mainly attributable to the share-based compensation recorded. All other line items report higher expenditures in connection to higher level of activity and operations of the Company and expenses generated by the acquisition of Campo Morado.

General expenses such as consulting fees, wages and benefits total \$1,416,561 (\$626,359 – nine months ended September 30, 2017). The increase of \$790,202 is mainly comprised of additional salaries paid to newly hired employees as a result of the increase in activity of the Company and the acquisition of Campo Morado. Legal and professional fees increased from \$169,668 to \$496,058 in the current nine months period mainly due to additional legal fees in connection to the acquisition of Campo Morado. Office rent and administration increased from \$278,703 to \$569,468 when compared the nine months ended September 30, 2018 against the same period of previous year, mainly due to rent increase as new offices were leased 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 \$60,304 to \$1,620,435 during the nine months period ended in September 30, 2018, mainly attributable to the share-based compensation recorded during the period, since the Company granted on November 11, 2017 a total of 3,730,000 stock options with a fair value of \$0.71 per option, in April 2018 a total of 1,450,000 stock options with a fair value of \$0.79 per option calculated as of the date of grant using the Black-Scholes option model. No stock options were granted during the nine months ended September 30, 2017.

3. Other income is lower by \$138,602,259 when compare with the nine months ended September 30, 2018 against the same period of previous year. This decrease is mainly attributable to the result of 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.

Financing and interest costs in the current nine months period were recorded mainly in connection to interest incurred in the long-term debt.

1.5 Summary of Quarterly Results:

Three months ended	Working capital (deficiency)	Total assets	Total gain (loss) and comprehensive gain (loss)	Gain (loss) per share
	\$	\$	\$	\$
September 30, 2018	(27,283,336)	60,018,012	(7,988,012)	(0.03)
June 30, 2018	(19,226,574)	56,1546,224	(2,650,797)	(0.02)
March 31, 2018	(21,918,243)	64,896,471	(1,795,846)	0.00
December 31, 2017	(16,361,582)	64,999,779	(141,296,645)	(1.38)
September 30, 2017	(15,216,879)	188,161,103	(37,853,862)	(0.40)
September 30, 2017	(18,644,862)	219,103,656	176,498,289	1.87
September 30, 2017	1,256,606	4,494,313	(881,180)	(0.01)
December 31, 2016 ⁽¹⁾	1,822,993	3,734,098	(1,069,573)	(0.01)
August 31, 2016	1,142,793	2,886,299	(1,869,210)	(0.02)

(1) This represents figures for 4 months ended December 31, 2016 as the Company changed its fiscal year-end from February 28 to December 31. Accordingly, this quarter was a four-month period.

The Q3 September 2018 loss is mainly determined by a higher cost of sales compared to revenues due to a decline in metal prices during the period and higher general expenses reduced by foreign exchange gains.

The Q2 June 2018 loss is affected mainly by the introduction of revenues and cost of sales because of declaring commercial production at Campo Morado project effective May 15th, 2018; before all pre-commercial sales and costs associated to these were capitalized as mineral assets and development costs.

The Q1 Mar 2018 gain is mainly due to foreign currency translation adjustment as 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.

The Q4 Dec 2017 loss is mainly due to the revaluation of assets and liabilities acquired in relation to the acquisition of Campo Morado. General expenses also increased as the overall activity of the Company incremented by the acquisition of Campo Morado and moving the Tahuehueto project into development stage. The Company also recorded material adjustments in relation to the fair values allocated to the net assets acquired in the Campo Morado Acquisition. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair values and are subject to change within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. During the period the Company also recorded share-based compensation in connection to stock options granted in November which increased the loss and it was reduced by the net gain on foreign exchange.

The Q3 Sep 2017 loss is produced mainly as a result of changes to the fair values initially estimated in 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 assessment of the fair values of the assets acquired and liabilities assumed exceeded the purchase price resulting in a bargain purchase gain included as other income during this period.

The Q2 Jun 2017 gain is produced mainly as a result of 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 fair value on the acquisition date. The initial assessment of the fair value of the assets acquired exceeded the purchase price resulting in a bargain purchase gain included as other income during this period.

The Q1 Mar 2017 loss decreased compared to the prior quarter since effective January 1, 2017, the Company started capitalizing exploration and development costs as mineral interest and development assets. Also, during this quarter the Company recorded a foreign exchange loss of \$400,935 due to the effect on translation of non-monetary assets related to the quarterly additions to plant and equipment.

The Q4 Dec 2016 loss of the period decreased in comparison with prior quarter but it is consistent with Q1 May 2016 on a pro-rated basis. During the period, the Company continued with the advancement of the mine, increased the bulk sample from 2,000 tonnes to 3,500 tonnes. During this period, the Company also received income from the sale of concentrate which was recorded against development and exploration expenditures and drew down for the second time from its line of credit in the amount of MXN\$40 million.

The Q2 Aug 2016 loss increased in connection to higher exploration and evaluation expenses related to the advancement of the mine and the collection of the 3,500 tonnes bulk sample produced and shipped to the milling facility about 120km away for the mine site. The company also incurred in higher general expenses mainly due to stock-based compensation recorded and other expenses related to the increase in the Company's overall activities. The total assets and working capital increase mainly in connection to the increase in cash as a result of the Company drawing down on its recently acquire line of credit in the amount of MXN\$25,000,000 or approximately \$1,740,000.

1.6/1.7 Liquidity, capital resources

As of September 30, 2018, the Company had a cash balance of \$1,243,342 and a working capital deficiency of (\$27,283,336). Current liabilities as of September 30, 2018 are in the amount of \$42,591,655, 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.

During the three and nine months ended September 30, 2018, the Company generated (expended) net cash in operating activities of \$4,310,923 and \$33,067, compared to (\$1,403,381) and (\$2,059,912) recorded during the three and nine months ended September 30, 2017. The increase in cash used from operating activities is due to the restart of operations at Campo Morado mine and the increasing activities at Tahuehueto project since the start of development.

The Company also used cash for (\$6,597,210) and (\$173,886) in investing activities during the three and nine months ended September 30, 2018 compared to cash used of (\$233,832) and (\$6,714,684) recorded respectively during the three and nine months ended September 30, 2017. The change predominantly relates to the capitalization of mineral interest and development assets which is cash flow positive since the pre-commercial sales are higher than the costs associated to producing such sales. This amount is decreased by fixed assets additions acquired during the period for both projects and excess cash invested in money market funds.

During three and nine months ended September 30, 2018, the Company generated (used in) financing activities a net amount of cash equivalent to \$977,647 and (\$11,903,803) and generated \$5,993,861 and \$10,777,127 during the same period of 2017. The variance is mainly due to proceeds from issuance of common shares as a result of warrants and stock options exercised. The Company also paid Nyrstar a total of US\$10 million plus interest and the corresponding variable purchase price. The company also paid \$3,565,902 in connection to other loans and finance lease along with the corresponding interest incurred and payable.

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 installments. Furthermore, the Company is required to pay back any cash disbursements in 24 equal consecutive monthly installments 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 the Company's investment plan established in its 2017 Pre-Feasibility Study. The obligations of the Company under the LOC are secured by substantially all the Company's assets, including a few of the mining concessions.

As at September 30, 2018, the Company has a balance of \$3,564,265, it has accrued interest in the amount of \$362,815 and also paid principal and interest in the amount of \$2,000,353 during the current period.

Loan Facilities

On June 12, 2018, the Company renegotiated part of the last payment of the Campo Morado Agreement and converted the remaining balance of US\$8.5 million into a loan agreement with Nyrstar ("Campo Morado Loan Agreement"). Under this agreement Nyrstar agreed to lend Telson the principal sum of US\$8.5 million with the following terms and conditions:

On the 13th day of the following month starting July 13th, 2018, the Company will repay Nyrstar:

- a minimum of US\$1 million; plus
- an interest of 10% per annum; plus
- 70% of the monthly free cash flow generated by Telson, and
- any monthly excess cash balance above US\$500,000.

On November 19, 2018, the Company and Nyrstar agreed to amend the terms of the Campo Morado Loan Agreement to mainly reduce the monthly principal repayment from US\$1.0 million to US\$500,000. This change also effectively extended the repayment period of the remaining balance of US\$6.5 million

As at September 30, 2018, the Company has a balance owing of \$8,535,968, which includes accrued interest of \$121,718 for the period.

On September 11, 2017, the Company entered into a loan agreement ("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 mining facility. 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 September 30, 2018, the Company has a balance owing of \$5,221,195 which includes accrued interest of \$337,737.

On December 7, 2017, the Company also entered into a loan agreement ("Loan Agreement Real") 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 mining 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 will be released four months after the signing of the agreement and shall not pass nine months following the signing of the agreement and is subject to secure additional funding of US\$5 million in the form of equity and/or loan and that at least US\$4.5 million of these funds are invested on capital expenditures. 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.

On November 6, 2018, the Company received US\$5 million for the second tranche of the Loan Agreement Real with Trafigura Mexico S.A. de C.V. for the rehabilitation, construction, operation and working capital of the Tahuehueto Mine.

As at September 30, 2018, the Company has a balance of \$9,791,715 which includes accrued interest in the amount of \$633,818.

Common shares issued

During the nine months ended September 30, 2018, the Company issued 6,216,228 common shares for total net proceeds of \$753,008 in connection with warrants and stock options exercised. During the same period of the previous year the Company issued 11,820,353 common shares for gross proceeds of \$4,800,149 in connection with a private placement, the conversion of a convertible debenture, warrants and stock options exercised.

Other sources of funds

As at September 30, 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:

Expiry date	Outstanding		Remaining contractual life (years)	Exercisable
	Number of options	Exercise price		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

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.

1.8 Off-balance sheet arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 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:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Short-term benefits	\$ 222,941	\$ 117,438	\$ 646,400	\$ 345,073
Share-based compensation	214,884	-	833,664	40,998
	\$ 437,825	\$ 117,438	\$ 1,480,064	\$ 386,071

Related party transactions:

As at September 30, 2018, directors and officers or their related companies were owed \$129,402 (December 31, 2017 – \$107,759) included in accounts payable and accrued liabilities mainly in respect to services rendered and labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

1.10 Subsequent events

- a) On October 10, 2018, the Company closed its non-brokered private placement financing consisting of 9,124,805 Units of the Company at a price of \$0.75 per Unit for gross proceeds of \$6,843,603. Each “Unit” of the private placement consists of one common share and one half of one transferable common share purchase warrant. Each whole purchase warrant entitles the holder thereof to acquire one common share of the Company at a price of \$1.25 for a period of two years following the closing of the private placement. All Common Shares issued in connection with the private placement are subject to a four month plus one day hold period under applicable Canadian securities laws. No finder’s fees were paid in connection with the private placement.

The Private Placement included four insiders of the Company subscribing for a total of 8,008,755 Units for aggregate subscription proceeds of \$6,006,566.

- b) On November 6, 2018, the Company received US\$5 million for the second tranche of the Loan Agreement Real with Trafigura Mexico S.A. de C.V. for the rehabilitation, construction, operation and working capital of the Tahuehueto Mine.
- c) On November 19, 2018, the Company reached an agreement with Nyrstar to amend the terms of the Campo Morado Loan Agreement to mainly reduce the monthly principal repayment from US\$1.0 million to US\$500,000, which also effectively extends the repayment period of the US\$6.5 million balance that was due under the Campo Morado Loan Agreement.

The main terms of the amended Campo Morado Loan Agreement are as follows:

- Telson agreed to pay on or before November 23, 2018 an amount of US\$500,000 as principal repayment plus any accrued interest. (Paid)
- Telson will make monthly principal repayments of US\$500,000 on the 13th day of each month starting on December 13, 2018 and up until October 2019, plus any accrued interest
- The interest rate did not change and was kept at a rate of 10% per annum
- Along with the monthly principal repayments mentioned above, Telson 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.

Telson has agreed to repay in full the balance of the Campo Morado Loan Agreement no later than October 31, 2019.

1.11 Proposed transaction

None

1.12 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.

1.13 Changes in accounting policies including initial adoption

These condensed interim 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, 2017, except for the adoption of IFRS 9 and 15 which became effective January 1, 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. On transition date the standard did not impact the Company's financial statements, as the Company did not earn revenues until the current year.

The following is the Company's new accounting policy for revenue from contracts with customers under IFRS 15:

Sale of Metal Concentrates

The Company recognizes revenue from contracts with customers for the sale of metal concentrates at the point in time when it transfers control of the concentrates over to the customers, which occurs upon physical delivery. Revenues are measured based on 1) the market metal prices expected at time of the settlement, and 2) the estimates of the mineral contents (assays) and weights; both are subject to adjustment until the final settlement date. At the end of each reporting period, the amounts receivable are marked-to-market using the most up-to-date market prices for the settlement. These variations between the sales price recorded at the initial recognition date and the actual final sales price recorded at the settlement date are caused by changes in market prices, assay results and weights. The settlement receivable is recorded at fair value each period until final settlement occurs, with changes in fair value recorded as a component of revenue. Revenue is also recorded net of treatment, penalties and refining charges of the counterparties under the terms of the relevant sales agreements.

1.14 Financial instruments and other instruments

As at September 30, 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. 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.

1.15 Other requirements

Outstanding share data

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at November 29, 2018: 139,559,152

Number of common shares issued and outstanding as at September 30, 2018: 130,434,348

Stock options as at November 29, 2018:

Expiry date	Outstanding		Remaining contractual life (years)	Exercisable
	Number of options	Exercise price		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 November 29, 2018:

Number of warrants	Exercise price	Expiry date
Nil	-	-

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 condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and 2017, and this accompanying MD&A (together, the "Interim 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.