



TELSON MINING CORPORATION

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2019 and 2018

Report dated: November 29, 2019

(Expressed in thousands of Canadian dollars)

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, 2019 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the nine months ended September 30, 2019, and the audited consolidated financial statements for the year ended December 31, 2018. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") or ("GAAP") and all dollar amounts herein are presented in thousands of Canadian dollars, except for per share amounts, per tonne amounts, and unless stated otherwise. References to \$ means Canadian dollars, US\$ are to United States dollars and MXN\$ to Mexican pesos.

All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of November 29, 2019 unless otherwise stated. Additional information on the Company, is also available under the Company's profile at www.sedar.com and on the Company's website: www.telsonmining.com.

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

Cautionary Note Regarding Forward-looking Information

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

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

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

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

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

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1.- Company Profile and Business Overview

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

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

The location of the Company’s mining properties are as follows:



Campo Morado Mine

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

After the acquisition of the Campo Morado Mine, the Company restarted mining operations on a pre-production basis starting in October 2017. Effective May 15, 2018 the Company completed commissioning of Campo Morado mine and declared commercial production working continuously until May 2019.

On August 14, 2019, the Company curtailed operations at Campo Morado mine placing the mining project into care and maintenance as a result of declining zinc prices and community issues. However, with increasing zinc prices and significant improvements in community relations the Company made the decision to bring the mine project out of care and maintenance and restart operations in October 2019; Management estimates to restart production during the month of December 2019 or early January 2020.

Tahuehueto Mining Project

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

The most recent technical report published for Tahuehueto, a prefeasibility study and reserve/resource calculation, shows the project contains probable reserves of 3.3 million tonnes of grading 3.4 g/tonne gold, 41.8 g/tonne silver, 0.31% copper, 1.1% lead and 2.0% zinc. Furthermore, compliant resources inclusive with reserves, were calculated at Measured and Indicated (M&I) 6.1 million tonnes grading 2.48 g/tonne gold, 42.8 g/tonne silver, 0.31% copper, 1.2% lead and 2.15% zinc plus Inferred Resources of 3.5 million tonnes grading 1.3 g/tonne gold, 37.5 g/tonne silver, 0.27% copper, 1.34% lead and 2.44% zinc.

Effective January 1, 2017 management determined that technical feasibility and commercial viability were established through the positive results associated with the pre-feasibility study completed for this project, therefore, the asset was moved into a development stage asset under IFRS and has advanced under construction with approximately 70% of mine build and development completed as of the date of this report. Funding constraints have required the Company to temporarily curtail construction until additional funding is available. The company has negotiated a conditional loan financing, as announced in its press release dated September 4, 2019, and the Company expects to complete construction within six months of the closing of this financing.

2.- 2019 Third Quarter Operating and Financial Performance Highlights

- Gross sales during the nine months ended September 30, 2019 is estimated at \$29,446 (US\$22,171 million), generated by the sales of:
 - approximately 15,709 Million pounds of zinc concentrate with an average grade of 46.04%, and
 - approximately 3,661 Million pounds of lead concentrate with an average grade of 24.02%
- During the three months ended there were no ore mined nor processed as the mining project was under care and maintenance

3.- Overall Operations Performance

The following table and subsequent discussion provide a summary of the operating performance of the Company for the three and nine months ended September 30, 2019 and 2018, unless otherwise noted.

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Operational					
Ore Processed		–	128,251	253,876	207,707
Zn concentrate produced (ton)		–	9,601	15,864	15,187
Average realized zinc price per tonne (US\$)		\$ –	\$ 2,506	\$ 2,599	\$ 2,720
Zn grade		0%	44%	46%	42%
Zn recovery		0%	73%	69%	70%
Pb concentrate produced (ton)		–	1,882	3,709	2,857
Average realized lead price per tonne (US\$)		\$ –	\$ 2,098	\$ 1,990	\$ 2,151
Pb grade		0%	26%	24%	25%
Pb recovery		0%	32%	31%	30%
Cost Analysis					
	1				
C1 Cash cost (US\$/lb)		n/a	\$ 1.23	\$ 1.06	\$ 1.03
All-in Sustaining Cost (US\$/lb)		n/a	\$ 1.63	\$ 1.56	\$ 1.40
Financial					
	1				
Gross revenues (CAD\$000)		\$ 1,068	\$ 12,258	\$ 29,446	\$ 21,236
Mine operating profit (loss) (CAD\$000)		\$ (233)	\$ (3,168)	\$ 2,319	\$ (2,180)
Total comprehensive loss for the period (CAD\$000)		\$ (1,719)	\$ (5,337)	\$ (5,057)	\$ (7,987)
Cash and cash equivalents (CAD\$000)		\$ 4,470	\$ 5,412	\$ 4,470	\$ 5,412
Working capital deficiency (CAD\$000)		\$ (42,217)	\$ (27,283)	\$ (42,217)	\$ (27,283)
Shareholders					
	1				
Basic and diluted loss per share		\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.03)

Notes:

- (1) Campo Morado Mine commenced commercial production effective May 15th, 2018. As such, any financial information starting on this date is recognized in the Company's condensed interim consolidated statement of loss and other comprehensive loss. Financial operating results prior to that date were capitalized to Mineral Interest and Development Assets within non-current assets.

On August 14, 2019, the Company curtailed operations at Campo Morado mine placing the mining project into care and maintenance. However, during the month of October 2019 the Company made the decision to bring the mine back to production during the month of December 2019 or early January 2020.

Operational Performance Results

Campo Morado

Production and concentrate sales for Q3 - 2019

- During the three months ended September 30, 2019, Campo Morado mining project was under care and maintenance, as a result there was no ore processed or concentrate produced. However, the Company made the decision to bring to restart production in December 2019 or early January 2020.

Tahuehueto

Pre-production during Q3-2019

- During the third quarter of 2019 the Company processed 5,185 tonnes of ore from Tahuehueto producing 168 tonnes of lead concentrate grading 114.9 g Au/t, 857 g Ag/t, 40.04% lead, and 230 tonnes of Zinc concentrate grading 47.93% zinc, 10.90 g Au/t and 98 g Ag/t.
- As at September 30, 2019, the Company has stock-piled 16,213 tonnes of ore with different qualities for future toll mill campaigns and the commissioning of the on-site processing plant.

Cautionary note – As required under IFRS, pre-commercial production revenues, costs and expenses incurred are capitalized to Mineral Interest and Development Assets up to the total of capitalized development asset. Any excess in revenues over the development asset, if any, is presented in the statement of income and comprehensive income as recovery of expenses under other income.

4.- Quarterly Financial Performance Results

Results for the three and nine months ended September 30, 2019 and 2018

The following table is a summary of the condensed interim consolidated statements of loss and comprehensive loss of the company for the three and nine months ended September 30, 2019 and 2018.

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Mine operating (loss) earnings	\$ (233)	\$ (3,168)	\$ 2,319	\$ (2,180)
General Expenses	1,735	1,446	6,558	4,909
Other income (expense)	(1,291)	3,864	(954)	3,652
Net loss for the period	\$ (3,259)	\$ (750)	\$ (5,193)	\$ (3,437)
Foreign currency translation adjustment	1,540	(4,587)	136	(4,550)
Total comprehensive loss for the period	\$ (1,719)	\$ (5,337)	\$ (5,057)	\$ (7,987)

During the nine months ended September 30, 2019 the Company recorded a net loss for the period in the amount of \$5,193 and comprehensive loss for the period of \$5,057. Net loss increased by \$1,756 and comprehensive loss decreased by \$2,930 when compared to the 2018 comparative periods. Such changes are difficult to compare since the comparative period only includes 4.5 months of operating results as the Company declared commercial production effective May 15, 2018. In addition, the Company stopped operations at Campo Morado during the month of May affecting the mine operating (loss) earnings significantly.

Mine operating earnings for the three and nine months ended September 30, 2019 and 2018 is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue				
Gross sales	\$ 1,068	\$ 12,258	\$ 29,446	\$ 21,236
Treatment and selling costs	146	(2,043)	(9,944)	(3,514)
	1,214	10,215	19,502	17,722
Cost of Sales				
Production cost	1,014	12,847	14,591	18,775
Royalties	33	340	653	831
Accretion of provision for site reclamation and closure	392	128	1,193	188
Depletion, depreciation and amortization	8	68	746	108
	1,447	13,383	17,183	19,902
Mine operating (loss) earnings	\$ (233)	\$ (3,168)	\$ 2,319	\$ (2,180)

Mine operating (loss) earnings is the net result of revenues less cost of sales for the period. During the nine months ended September 30, 2019, the Company sold an estimated 34.9 million pounds of zinc concentrate and 8.1 million pounds of lead concentrate at an average price per pound of US\$1.18 and US\$0.90 respectively. Resulting in net revenue of \$19,502. Revenue is net amount of treatment changes, freight and selling costs.

Total cost of sales incurred during the nine months ended September 30, 2019 was \$17,183 which includes production cost in the amount of \$14,591, which relates to direct costs attributable to the production of concentrates. It also includes royalties in the amount of \$653, which relate to a discovery royalty payable to Servicio Geologico Mexicano. Accretion, depreciation and depletion were also included for a total of \$1,939. Accretion recorded relates to the increase in the carrying amount of the provision for site reclamation and closure due to the passage of time by using a discounted cash flow approach and depreciation and depletion were recorded to recognized the declining value of its tangible assets due to its use based on the methodology of units-of-production over the estimated mineral reserves.

Total cost of sales incurred during the nine months ended September 30, 2018 was \$19,902 which includes production cost in the amount of \$18,775 which relates to direct costs attributable to the production of concentrates. It also includes royalties in the amount of \$831 which relate to a discovery royalty payable to Servicio Geologico Mexicano. Accretion, depreciation and depletion were also included for a total of \$296. During the same period in the previous year the Company did not record any revenues or cost of sales from January 1 to May 14, since Campo Morado was under commissioning and pre-production phase, therefore all proceeds from the sales of concentrates and associated costs were capitalized net to mineral interest and development assets within non-current assets until the commencement of commercial production on May 15, 2018.

Net revenues, cost of sales and operating results were affected significantly for the three months ended September 30, 2019 as Campo Morado did not ship out or sell any concentrates nor mine or processed any ore during the three months ended September 31, 2019. The amounts shown as net revenues in the three months columns relate to foreign exchange in accumulated revenues, adjustments in prices, metal contents and weights for any open invoice in connection to concentrates sold before Management decided to stopped operations during May 2019. Cost of sales include fixed costs and the unwinding of operations at Campo Morado while it was place into care and maintenance.

General and administration expenses for the three and nine months ended September 30, 2019 and 2018 are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
General Expenses				
Consulting fees, wages and benefits	\$ 1,014	\$ 491	\$ 4,364	\$ 1,417
Legal and professional fees	66	171	242	496
Office, rent and administration	596	274	1,626	569
Regulatory, transfer agent and shareholder information	5	6	33	57
Travel, promotion and investor relations	54	139	248	750
Share-based compensation	—	365	45	1,620
	\$ 1,735	\$ 1,446	\$ 6,558	\$ 4,909

During the nine months ended September 30, 2019 general expenses of \$6,558 were incurred, as compared to \$4,909 in the nine months period ended September 30, 2018. The increase of \$1,649 is mainly attributable to a net change between an increase of consulting fees, wages and benefits recorded during the current period in connection to additional labour being used to run the Campo Morado operations and align the Company to a producing mining entity and a decrease in share-based compensation related to stock options granted to directors, officers and employee of the Company. During the current period the Company recorded \$45 as stock-based compensation expense compared to \$1,620 recorded in the comparative period as a result of 3,730,000 stock options granted in November 11, 2017 with a fair value of \$0.71 per option and 450,000 stock options granted in April 2018 with a fair value of \$0.60 per option calculated using the Black-Sholes fair value model. Office, rent and administration reported higher expenditures during the current period of \$1,626 compared to \$569 in the six month period ended September 30, 2018, in connection to a higher level of activity and operations of the Company as a result of the Campo Morado operation and moving forward the Tahuehueto project during the development phase.

Travel promotion and investor relations expenses decreased by \$502 when compared to the nine month period ended September 30, 2018 in response to less marketing efforts to promote the Company during the current period.

Other (income) expense for the three and nine months ended September 30, 2019 and 2018 is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Other (income) expense:				
Interest income and other income	\$ (24)	\$ (28)	\$ (81)	\$ (374)
Accretion of provision for site reclamation and closure	8	2	26	189
Change in value of marketable securities	(87)	24	(427)	24
Interest expenses and other expenses	302	517	1,289	622
Foreign (gain) exchange loss	1,092	(4,379)	147	(4,113)
	\$ 1,291	\$ (3,864)	\$ 954	\$ (3,652)

Other expenses in the amount of \$954 were recorded for the nine months ended September 30, 2019, compared to other income of \$3,652 recorded in the same period of previous year. The decrease is mainly attributable to the foreign exchange gain recorded in last year.

Interest expense and other expenses presented for the three and nine months ended September 30, 2019 represents interest and related financing costs recorded mainly in connection to credit facilities with Nyrstar and Trafigura.

Selected Quarterly Financial Information

	2019			2018			2017				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross revenues	\$ 1,068	\$13,043	\$15,335	\$13,519	\$12,259	\$ 8,977	\$ -	\$ -	\$ -	\$ -	\$ -
Mine operating profit (loss)	(233)	(501)	3,053	2,289	(3,168)	987	-	3,080	(3,080)	-	-
Net (loss) income	(3,259)	(2,615)	681	(2,785)	(750)	(2,470)	(218)	(139,958)	(37,854)	176,498	(881)
Basic and diluted income (loss) per share	(0.02)	(0.02)	0.00	(0.02)	(0.01)	(0.02)	(0.00)	(1.37)	(0.40)	1.88	(0.01)
Cash and cash equivalents	17	4,992	4,890	116	1,243	1,211	6,679	11,997	145,389	177,536	1,931
Total assets	71,220	70,002	71,801	67,708	60,018	56,156	64,896	65,000	188,161	219,104	4,494
Non-current liabilities	11,248	11,431	11,695	11,937	21,214	20,756	22,995	25,430	11,089	6,703	5,620
Equity	(194)	1,525	5,072	4,816	(3,788)	1,156	566	1,831	140,897	178,734	(2,311)
Working capital (deficiency)	(42,217)	(39,384)	(33,970)	(32,626)	(27,283)	(19,227)	(21,918)	(16,362)	(15,217)	(18,645)	1,257

The Company declared commercial production at Campo Morado Mine during Q2-2018, resulting in mine operating profit and net loss during that quarter. Before May 15th, 2018 all pre-commercial revenues and costs incurred were capitalized as mineral assets and development costs. Any excess in revenues over the cost incurred is presented in the statement of income and comprehensive income as recovery of expenses under other income (see Note 8 of the annual consolidated financial statements for the year ended December 31, 2018). Q3-2019 significant differences in the operating results are in connection to the fact that the Company had no production or sales during such period since Campo Morado was placed under care and maintenance. The Q2-2018 and Q3-2018 losses are

also affected by a decline in metal prices during those periods and higher general expenses reduced by foreign exchange gains.

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

Cash flow results

The following table provides a summary of cash flows for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Operating activities	\$ (2,484)	\$ 8,690	\$ 3,394	\$ 4,146
Investing activities	(303)	(6,597)	(3,818)	(174)
Financing activities	–	978	(1,104)	(11,904)
Effect of foreign exchange rate changes on cash	2,688	(3,038)	1,429	(2,822)
Increase (decrease) in cash during the period	(99)	33	(99)	(10,754)
Cash beginning of period	116	1,210	116	11,997
Cash end of period	\$ 17	\$ 1,243	\$ 17	\$ 1,243

As of September 30, 2019, the Company had a cash balance of \$17 and working capital deficiency of \$42,217. Current liabilities as of September 30, 2019 are in the amount of \$60,166, which have been incurred in connection with the acquisition and restart of Campo Morado mining project, the advancement of the Tahuehueto project into development and maintaining the Company's public listing in good standing. In addition, the Company is outside in certain covenants related to the credit facility with Trafigura and as a result all of the balances outstanding in connection to these credits are presented as current liabilities.

During the nine months ended September 30, 2019, the Company generated net cash in operating activities in the amount of \$4.928 compared to cash generated of \$33 for the same period in 2018. The increase in cash is due to favourable changes in working capital items and cash generated from operations. Cash generated from operations relates to operating activities and revenues provided by Campo Morado Mine.

Cash from operating activities was significantly affected for the three months ended September 30, 2019 as Campo Morado did not ship out or sell any concentrates nor mine or processed any ore during the three months ended September 31, 2019.

The Company also used cash for \$3,818 in investing activities during the period ended September 30, 2019 compared to cash used of \$174 during the period ended September 30, 2018. The cash used in the current period predominantly relates to additions to construction in process in the amount of \$1,691 in connection with the construction of different facilities at Tahuehueto and \$2,348 in additions to plant and equipment. During the comparative period the Company used cash of \$3,818 in investing activities which was the result of higher pre-commercial sales compared to capitalized development expenses and plant and equipment additions at Campo Morado and Tahuehueto. During the current period the Company also redeemed \$1,139 from its marketable securities which also helped to pay for development expenses at Tahuehueto.

During period ended September 30, 2019, the Company used cash in its financing activities in the amount of \$2,123 (September 30, 2018 – cash used \$11,904). This cash was used mainly to repay long term debt in connection to loans from Trafigura in the current period and in the comparative period to the line of credit from Escorfin. Debt acquired has been mainly used to advance the Tahuehueto project into development and to restart operations at

Campo Morado. The cash used during the comparative period was mainly used to pay Nyrstar for the acquisition of Campo Morado.

It is important to mention that the use of cash during the three months ended September 30, 2019 was significantly lower compared to prior periods as limited cash was produced during this period. As a result, limited cash was invested or used for financing activities as our main source of revenues stopped when Campo Morado was placed in care and maintenance.

5.- Campo Morado Mine and Tahuehueto Mining Project

Campo Morado Mine

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

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

Campo Morado PEA Highlights

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

- Pre-tax Net Present Value ("NPV") at a 8% discount rate of US\$81M
- Undiscounted cash flow after income and mining taxes of US\$91M
- After-tax NPV at a discount rate of 8% of US\$65M
- Life of mine ("LOM") of 12 years, with 9.7 million tonnes of potential mill feed at an average grade of 4.33% zinc grade, 1.00% lead grade, 0.78% copper grade, 131.9 grams per tonne ("g/t") of silver and 1.71 grams per tonne ("g/t") of gold.

Note – only potential mill feed resources located in close proximity to existing underground mine workings that are easily accessible with limited mine development are currently included in the PEA mine plan. There are additional measured and indicated resources of approximately 6.9 million tonnes available that could extend the projects LOM.

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

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

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

Inferred

3.0	5.03	3,316,000	0.98	76	0.52	0.58	2.10
4.0	5.85	2,152,000	1.11	90	0.55	0.71	2.54
5.5	7.27	988,000	1.32	116	0.64	0.92	3.20
7.0	8.75	416,000	1.52	148	0.76	1.10	3.78

Campo Morado Operations

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

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

The processing rate started at approximately 1,400 tonnes per day mid October 2017 and successfully ramped up to approximately 2000 tonnes per day during November 2018. Mining and milling operations continued on a continuous 24x7 schedule subject to normal short mill maintenance procedural shut downs as well as a number of extended mill shut downs for unforeseen circumstances. *(Reader is referred to Note 1 above - Factors influencing revenue during Q3 and Q4 2018)*

During 2018 underground development at Campo Morado fully prepared the El Largo zone for Sub-Level Caving, a bulk underground mining method and has provided access to several other zones being targeted for future mining, namely; the Naranjo, Fish and Baby Fish. De-watering has commenced on the G9 Zones. Most of these zones contained resources, as outlined in the PEA technical report published in March 2018, that have higher metal grades in gold, silver and copper when compared to the El Largo zone currently being mined. In the case of the G9 Zone, metallurgical recoveries have historically been better than the other referenced zones.

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

- Maelgwyn Mineral Services, a UK based consulting engineering company specializing in metal recovery technology particularly in the recovery of precious metals from refractory ores, conducted preliminary Leachox Process testing of samples from Campo Morado in 2013 for Nyrstar, the mines' former owner. Samples tested were from 2013 process tailings, presumably G9 Zone, as well as fresh mineralization from the Reforma deposit, a future production zone. For more detailed technical information on the Leachox process, please visit the Maelgwyn website at: <https://www.maelgwyn.com/maelgwyn-minerals-leachox-refractory-gold-process-hits-the-gold-standard/>

Maelgwyn Leachox testing indicated that substantial increases in precious metal recoveries could be available at Campo Morado using Maelgwyn Leachox Process. Very positive results were obtained in the 2013 testing for both of the samples submitted with a maximum recovery of 65% gold and 75% silver at a grind size of 20 microns from the process tailings sample and a maximum recovery of 45% gold and 81% silver at a grind of 40 microns from the Reforma deposit sample. The report stated, "It should be noted that the above test work was performed at a scouting level only and higher recoveries would probably be achieved with optimization work".

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

As of August 14, 2019 the Company suspended mining operations at Campo Morado placing the mine into care and maintenance as a result of week zinc prices and certain issues with a small group of local community members.

On October 5, 2019 the company announced the reactivation of mining operations at Campo Morado. During the months of November and December 2019 mine and operating staff are being called back to work as Campo Morado moved out of care and maintenance and start servicing milling equipment and dewatering the mine. A resumption of Campo Morado production is scheduled for December 2019 or early January 2020.

Tahuehueto Mining Project

NI 43–101 Compliant Pre-Feasibility Study

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

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

The following summarizes the PFS.

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

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

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

The highlights of this Pre-Feasibility Study report include:

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

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

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

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

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

Tahuehueto Bulk Sample and Pre-production Testing

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

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

Tahuehueto Pre-production Program

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

Tahuehueto Pre-production operations during the nine months ended September 30, 2019 produced a total of 7,338 tonnes of ore.

During Q3, 2019 7,022 tonnes of ore were shipped to the Atocha Toll Mill for a cumulative total of 12,316 tonnes shipped to the toll mill during 2019.

Mineral processing of the 11th Atocha toll mill campaign during late August and early Sept processed 5185.4 tonnes of ore producing,

- 175 tonnes of lead concentrate with average grades of 90.59 g Au/t, 798 g Au/t, 39.5% lead, 4.69% copper and,
 - 260 tonnes of zinc concentrate with average grades of 10.43 g Au/t, 96.82 g Ag/t, 45.5% zinc.
- Average metal recoveries achieved during the 11th campaign were 81.93% gold, 83.28% silver, 84.21% lead, 71.92% zinc.

Underground Exploration

Tahuehueto underground development along the major mineralized structure, El Perdido, has now been extended approximately 225 meters along strike to the north-east from the Level 12 access decline. The first 60 meters of this development was designed to prepare reserves identified by previous drilling for mining, however, the development drift is was extended in continuous mineralization beyond known reserves/resources outlined by previous drilling and to date has exposed approximately an additional 165 meters of continuous mineralization beyond the known drilling. This development is effectively serving as both mine development and underground exploration and is adding new resources at Tahuehueto. Underground exploration drilling is planned to further explore this newly exposed mineralization within the El Perdido structure.

Channel sampling results from this newly exposed El Perdido mineralization are the subject of corporate news releases available on the Company's web site and are verifying the continuity of mineralization along the El Perdido structure helping to prove managements assumption that the El Perdido Zone connects with the Santiago Zone on the same structure and if continuously mineralized will allow new exploration along approximately 800 meters of unexplored structure which should add significant additional resources to the project.

Mine Construction and Underground Development.

The Company initiated underground development work in November 2017. Underground development is estimated to be 90% complete and is targeted to expose over 16 working faces to provide continuous ore feed to the on-site processing facility currently being constructed. Development included the Level 12 decline, the El Perdido development drift, El Creston development drift, the Haulage level portal and the main access decline for Level 20.

Telson initiated construction activities on site at Tahuehueto in January 2018 and to date, mill construction has advanced to within an estimated 70% of completion with concrete foundations, retaining walls, steel structures to house mill equipment ready for final stages of assembly. Flotation cells, conditioning tanks, pumps and other processing equipment have been installed while grinding and crushing areas have reached an advanced stage being readied to receive equipment per the construction plans. Preparation of the mine laboratory and camp facilities such as dormitories, cafeteria and sanitation facilities are in final construction. Water pumping system and electrical supply infrastructure have been advanced to an early stage of development.

Management advises that construction efforts to date have completed approximately 70% of mine development and construction at Tahuehueto. As a result of reduced cash flows from the Company's Campo Morado operations, management has largely curtailed, on a temporarily basis, its construction efforts at Tahuehueto and has re-evaluated its anticipated timeline to complete construction of the 1,000 tonne per day mining operation. Management now estimated that within six to nine months of securing additional funding mine construction and development should be completed to allow mill commissioning and the initiation of on-site preproduction.

On September 4, 2019 the company announced that it had received conditional approval for a US \$12 million term loan from international investment bank to finalize construction at Tahuehueto. The reader is referred to the Company's press release of Sept 4, 2019 available on the Company's web site, www.telsonmining.com

Upon closing the above loan funding, the Company will immediately resume full scale construction efforts at Tahuehueto.

Mineral Properties and Development Assets

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

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

As at September 30, 2019, the Company capitalized the following acquisition and developments costs:

	Tahuehueto	Campo Morado	Total
Balance as at December 31, 2018	\$6,393	\$23,829	\$30,222
Costs incurred:			
Assaying, data and maps	45	-	45
Camp cost, equipment and field supplies	1,495	-	1,495
Development costs	2,087	-	2,087
Freight and related costs	198	-	198
Fuel and consumables	502	-	502
Supplies, lubricants and other	309	-	309
Project general and office expenses	275	-	275

Salaries and wages	1,094	-	1,094
Travel and accommodation	75	-	75
Depreciation capitalized	805	-	805
Interest capitalized, net	1,464	-	1,464
Pre - commercial sales, net	(3,985)	-	(3,985)
Total additions for the period	4,364	-	4,364
Depletion for the period	-	(648)	(648)
Foreign currency adjustment	(393)	(675)	(1,068)
Balance as at September 30, 2019	\$10,364	\$22,506	\$32,870

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.

6.- Non-GAAP measures

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

C1 cash cost per pound of payable zinc

C1 cash costs per pound of payable zinc for the Campo Morado Mine operation are estimated by adding the total cost to produce concentrate (mining, milling, site general and administration), adding the cost of transporting concentrate to the point of sale, adding the cost of smelter treatment and refining charges, subtracting the by-product credits estimated from sales of lead, silver, gold and dividing by the pounds of payable zinc. By-product credits are calculated using the realized weighted average metal price, during the year.

All-in sustaining costs ("AISC")

The Company believes that AISC more fully defines the total costs associated with producing zinc. The company calculates all-in sustaining costs as the sum of total cash costs (as described above), corporate general and administrative expense (net of stock-based compensation), reclamation cost accretion and amortization and sustaining capital, all divided by the zinc pounds produced to arrive at a per pound figure.

Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus growth capital.

	(Amounts in US dollars)		(Amounts in US dollars)	
	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Non GAAP reconciliation				
Production payable Zinc (1,000 lb)	(0)	7,795	13,345	13,452
Production cost per financial statements (US\$000)	783	9,990	10,956	14,581
Treatment and refining charges (US\$000)	(88)	1,590	5,745	2,729
Freight (US\$000)	(10)	–	1,718	–
By-product credits (US\$000)	459	(2,027)	(4,272)	(3,443)
CI cash cost (US\$000)	\$ 1,145	\$ 9,553	\$ 14,147	\$ 13,868
CI cash cost per payable pound of zinc (US\$/lb)				
Production Cost	n/a	1.28	0.82	1.08
Treatment and refining charges	n/a	0.20	0.43	0.20
Freight	n/a	–	0.13	–
By-product credits – estimated	n/a	(0.26)	(0.32)	(0.26)
CI cash cost per payable pound of zinc (US\$/lb)	n/a	\$ 1.23	\$ 1.06	\$ 1.03
All-in Sustaining Costs				
CI cash cost (US\$000)	\$ 1,145	\$ 9,553	\$ 14,147	\$ 13,868
Depletion, Depreciation & Amortization (US\$000)	6	53	560	84
Accretion (US\$000)	295	99	896	146
Corporate Costs (US\$000)	1,074	1,928	3,749	3,260
Royalties (US\$000)	25	1,099	490	1,479
Capital Expenditure (sustaining) (US\$000)	0	–	977	–
All-in Sustaining Costs (\$000)	\$ 2,543	\$ 12,733	\$ 20,819	\$ 18,838
AISC per payable pound of zinc (US\$/lb)	n/a	\$ 1.63	\$ 1.56	\$ 1.40

Note: Amounts in the table above are presented in thousands of US Dollars. These amounts were translated into US Dollars using the average foreign exchange rate or the true US Dollar amounts if available.

7.- Liquidity

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

As of September 30, 2019, the Company had a cash balance of \$17 and working capital deficiency of \$42,217. Current liabilities as of September 30, 2019 are in the amount of \$60,166, which have been incurred in connection with the acquisition and restart of Campo Morado mining project, the advancement of the Tahuehueto project into development and maintaining the Company's public listing in good standing. In addition, the Company is outside in certain covenants related to the credit facility with Trafigura and is behind in contractual payments and obligations, as a result all of the balances outstanding in connection to these credits are presented as current liabilities.

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

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

The Company has received the following sources of capital:

Line of Credit

On July 22, 2016, the Company entered into an agreement with Estrategica Corporativa en Finanzas, S.A.P.I. de C.V. ("Escorfin"), for a line of credit for up to MXN\$150,000 (the "LOC"). The funds drawn down under the LOC accrue interest at a rate of 15% per year, payable monthly after a grace period of 12 months. Interest generated during the grace period will be subsequently paid in 12 consecutive monthly instalments. Furthermore, the Company is required to pay back any cash disbursements in 24 equal consecutive monthly instalments following a 36-month grace period and no later than July 28, 2022. The Company may repay any outstanding balance of the LOC at any time without penalty. In case of default of any payment under the LOC, the Company will pay a moratorium interest rate of 30% per annum. The funds from the LOC are to be applied towards the Company's investment plan established in its completed Internal Scoping Study. The obligations of the Company under the LOC are secured by substantially all the Real de la Bufa's assets, including certain mining concessions.

As at September 30, 2019, the Company has a balance of \$3,675 it has accrued interest in the amount of \$351 and repaid principal and interest in the amount of \$nil, during the current period. The Company is also behind in its contractual obligations in respect to the line of credit and is looking for ways to stay current on its obligations or renegotiate the terms of the LOC.

Due to Nyrstar Mining Ltd

As at September 30, 2019, the Company has a balance owing of \$11,878, which includes accrued interest of \$615 for the period and interest paid of \$36.

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

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

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

On October 11, 2019, the Company received a formal notice of default on regards to the Campo Morado Loan Agreement. As a result, the Company is required within five business days from the date of the default notice letter to pay all amounts currently due and payable under the loan agreement.

After receiving the default notice letter mentioned above, the Company sought communications with Nyrstar without any success. On November 5, 2019, Telson formally responded to Nyrstar and requested in writing to have an open discussion to find a viable solution to correct its default situation. It was also brought to Nyrstar's attention certain situations the Company has encountered and that have affected the ability to meet its financial obligations.

As at the date of issuance of this MD&A, the Company has not received an answer from Nyrstar.

Loan Facilities

On September 11, 2017, the Company entered into a loan agreement ("Loan Agreement Campo") with Trafigura Mexico, S.A. de C.V. ("Trafigura") in the amount of US\$5,000 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

with Minas de Campo Morado, S.A. de C.V., (“Offtake Agreement Campo”) in which the Company will sell all its zinc and lead concentrates for a fifty-one-month term starting October 2017.

As at September 30, 2019, the Company has a balance owing of \$4,563 which includes net accrued interest of \$317.

Under the terms of the Loan Agreement Campo, the Company is subject to certain covenants, including the Company must maintain a minimum current ratio of 1:1 without taking into consideration amounts due to Nyrstar Mining Ltd. The Company is not in compliance with the covenants as at September 30, 2019 and December 31, 2018 and its behind in its contractual obligations, therefore the outstanding balances are presented within current liabilities.

On December 7, 2017, the Company entered into a loan agreement (“Loan Agreement Real”) with Trafigura Mexico, S.A. de C.V. in the amount of US\$15,000 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\$7,500 was received upon signing of the agreement. The second tranche equal to US\$5,000 was received on November 6, 2018. The third tranche for US\$2,500 was available in nine months after the signing of the agreement but shall not pass nine months after the signing of the agreement subject to securing additional funding of US\$2,500 in the form of equity and/or a loan and at least US\$2,000 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 a twelve-month 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 a sixty-month term, starting January 2018.

As at September 30, 2019, the Company has a balance of \$16,445 which includes net interest paid in the amount of \$777.

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

Under the terms of the loan agreements with Trafigura, the Company is subject to certain covenants, including the Company must maintain a minimum current ratio of 1:1 without taking into consideration amounts due to Nyrstar Mining Ltd. In addition, the Company must maintain in good standing by keeping all payments current in relation to the mining concession of Campo Morado Mine and Tahuehueto project. As at September 30, 2019, the Company is not in compliance with certain covenants and is behind in its contractual obligations in respect the these loans, therefore all the outstanding balances owing on these loans are presented within current liabilities.

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

Finance Leases

During 2017, the Company entered into three equipment lease contracts. Lease payments are payable monthly and comprise principal payments and interest, interest being at a fixed rate between 7.5% and 8.10%. As at September 30, 2019, the Company paid \$199 in lease payments and has a balance owing of \$1,294. As at September 30, 2019 the company has not yet paid four consecutive lease payments.

8.- Capital resources

Common shares issued

During the period ended September 30, 2019, the Company issued 20,000 common shares for total net proceeds of \$2 in connection with common shares issued as a result of stock options exercised. During the same period of the previous year the Company issued 6,216,228 common shares for total gross proceeds of \$753 in connection with share purchase warrants and stock options exercised.

Other sources of funds

As at September 30, 2019, the other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants with terms as follows:

Stock options outstanding are as follows:

Expiry date	Outstanding		Remaining contractual life (years)	Exercisable
	Number of options	Exercise price		Number of options
March 22, 2021	5,437,166	\$ 0.13	1.48	5,437,166
November 11, 2022	3,780,000	\$ 0.71	3.12	3,780,000
April 16, 2023	400,000	\$ 0.77	3.55	400,000
April 23, 2023	50,000	\$ 0.72	3.56	50,000
	9,667,166			9,667,166

Share purchase warrants outstanding are as follows:

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

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

9.- Commitments

At September 30, 2019, the Company has the following commitments:

	Within 1 year	Between 1 and 5 years	More than 5 years	Total September 30, 2019
Lease payments offices	\$ 114	\$ 234	\$ -	\$ 348
Lease payments machinery and equipment	718	679	-	1,397
Loans	30,573	2,795	-	33,368
Provision for site reclamation and closure	-	-	6,051	6,051
	\$ 31,405	\$ 3,708	\$ 6,051	\$ 41,164

10.- Off-balance sheet arrangements

The Company does not utilize off-balance sheet arrangements.

11.- Transactions between related parties

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

- Reyna Minas, S.A. de C.V., a company owned by Antonio Berlanga Balderas, the Chief Executive Officer, and
- Estrategica Corporativa en Finanzas, S.A.P.I. DE C.V. (“Escorfin”) with Roberto Guzman as a Director in common.

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 and related party transactions are shown as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30,2019	Nine months ended September 30, 2018
Short-term benefits	\$ 219	\$ 223	\$ 667	\$ 646
Share-based compensation	-	215	40	834
	\$ 219	\$ 438	\$ 707	\$ 1,480

Related party balances:

As at September 30, 2019, directors and officers or their related companies were owed \$305 (December 31, 2018 – \$100) included in accounts payable and accrued liabilities mainly in respect to reimbursement of expenses and labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

As at September 30, 2019, directors and officers or their related companies owed the Company \$15 (December 31, 2018 – \$10) included in prepaid expenses and deposits.

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

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

The following summarizes the transactions and balances owing to Escorfin as at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Debt balance	\$ 3,011	\$ 3,381
Interest incurred	664	467
Interest paid	-	(870)

12.- Subsequent events

- a) On October 11, 2019, the Company received a formal notice of default on regards to the Campo Morado Loan Agreement. As a result, the Company is required within five business days from the date of the default notice letter to pay all amounts currently due and payable under the loan agreement.

After receiving the default notice letter mentioned above, the Company sought communications with Nyrstar without any success. On November 5, 2019, Telson formally responded to Nyrstar and requested in writing to have an open discussion to find a viable solution to correct its default situation. It was also brought to Nyrstar’s attention certain situations the Company has encountered and that have affected the ability to meet its financial obligations.

As at the date of issuance of these MD&A, the Company has not received an answer from Nyrstar.

- b) On October 25, 2019, the Company made the decision to bring Campo Morado mine project out of care and maintenance and restart operations as a result of an improving market price conditions for zinc and significant improvements with the community relations; Management estimates to restart production during the month of December 2019 or early January 2020.

13.- Proposed transaction

None

14.- Critical accounting estimates

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

15.- Changes in accounting policies including initial adoption

The Company has applied the following revised or new IFRS that were issued and effective January 1, 2019:

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases ("IAS 17") and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets. Refer to note 3 of the Company's unaudited condensed interim consolidated financial statements as at September 30, 2019 and 2018 which outlines the financial effect of adoption of IFRS 16.

The Company's new accounting policy in respect to leases under IFRS 16 is as follows:

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the exception of short-term and low value leases, which are recognized in the consolidated interim statement of income (loss) on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset and is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

16.- Financial Instruments

As at September 30, 2019, the Company's financial instruments consist of cash, marketable securities, amounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, obligation under share purchase obligation, current portion of the long-term debt and Nyrstar Mining, Ltd. The fair values of these financial instruments approximate their carrying values due to their short-term to maturity. Marketable securities are

classified as level one and recorded at fair value using quoted market prices. The fair value of the long-term debt has been determined based on Level 1 of the fair value hierarchy and approximates their carrying values as the cost of the long-term debt is consistent with market rates.

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

17.- Other requirements

Outstanding share data

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at November 29, 2019: 139,579,152

Number of common shares issued and outstanding as at September 30, 2019: 139,579,152

Expiry date	Outstanding			Exercisable
	Number of options	Exercise price	Remaining contractual life (years)	Number of options
March 22, 2021	5,437,166	\$ 0.13	1.48	5,437,166
November 11, 2022	3,780,000	\$ 0.71	3.12	3,780,000
April 16, 2023	400,000	\$ 0.77	3.55	400,000
April 23, 2023	50,000	\$ 0.72	3.56	50,000
	9,667,166			9,667,166

Share purchase warrants as at August 29, 2019:

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

18.- Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2019 and 2018, 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.