



TELSON MINING CORPORATION

Management's Discussion and Analysis

YEAR ENDED DECEMBER 31, 2020

Report dated: April 30, 2021

(Expressed in thousands of Canadian dollars)

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Telson Mining Corporation (formerly Telson Resources Inc), (“Telson” or the “Company”) has prepared this Management’s Discussion and Analysis (“MD&A”) as of December 31, 2020 and should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2020. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) or (“GAAP”) and all dollar amounts herein are presented in thousands of Canadian dollars unless stated otherwise. References to \$ means thousands of Canadian dollars, US\$ means thousands of United States dollars and MXN\$ means thousands of 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 April 30, 2021 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.

1.- 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.

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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.

2.- Company Profile and Business Overview

Telson 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 mining project (“Tahuehueto”) 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 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 Campo Morado, 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.

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 restarted operations during the last week of January 2020. Nevertheless, on April 27, 2020 the Mexican Government proclaimed a national health emergency with an immediate suspension order

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of all "non-essential" public and private sector businesses, including mining, to mitigate the spread and transmission of the COVID-19 virus. As a result, Campo Morado temporarily suspended operations again during the months of April and May of 2020. Starting in June 2020, the Mexican Government deemed the mining industry to be an essential industry, resulting in lifting off the temporary country wide mining industry shut down, Campo Morado re-commenced mining activities on June 3, 2020 following safety and health protocols approved by the Mexican Government.

Tahuehueto

Tahuehueto 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) categories to 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 decision was taken to move the asset into a development stage asset under IFRS.

3.- Operating and Financial Performance Highlights

2020 Annual

- Gross sales during year ended December 31, 2020 were \$44,443
- Approximately 27,864 tonnes of zinc and 5,926 tonnes of lead concentrates were sold with an average grade of 46% and 22% respectively
- Ore processed during year ended December 31, 2020 was 454,624 tonnes and recovery of 70% from ore into zinc concentrate and 28% from ore into lead concentrate
- Mined 343,141 tonnes of ore grading 4.50% zinc, 1.04% lead, 119 g/t silver and 1.03 g/t gold
- The Company produced 28,031 tonnes of zinc concentrate and 5,794 of lead concentrate,
- Mine operating loss of \$480 for the year ended December 31, 2020

2020 Fourth Quarter

- Gross sales during Q4-2020 were \$18,960
- Approximately 10,701 tonnes of zinc and 1,973 tonnes of lead concentrates were sold with an average grade of 45% and 23% respectively
- Ore processed during Q4-2020 was 168,310 tonnes and recovery of 70% from ore into zinc concentrate and 26% from ore into lead concentrate
- Mined 135,396 tonnes of ore grading 4.04% zinc, 0.98% lead, 118 g/t silver and 0.83 g/t gold
- The Company produced 9,974 tonnes of zinc concentrate and 1,916 of lead concentrate,
- Mine operating loss of \$260 for the three months ended December 31, 2020

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Board Changes

On February 18, 2020, Mr. Jose Antonio Berlanga resigned his positions as Chief Executive Officer and as a member of the Board of Directors of the Company for personal reasons. Subsequently, Mr. Ralph Shearing, President of the Company was appointed as interim Chief Executive Officer of the Company.

On August 31, 2020, Mr. Remigio Martinez Muller resigned his position as member of the Board of Directors due to personal and health related issues.

On October 13, 2020, the Company appointed Mr. Ruben Alvidrez Ortega to the Company's Board of Directors. Mr. Alvidrez Ortega is an industrial engineer with an MBA degree from the University of Notre Dame. He has extensive experience in banking operations for commercial and corporate segments, specializing mainly in continuous improvement, risk, and control, as well as project development and implementation.

4.- Overall Operations Performance

2020 Annual and Quarterly Operational Performance Results

The following table and subsequent discussion provide a summary of the operating performance of the Company for the three months and year ended December 31, 2020, unless otherwise noted.

	Note	Years ended December 31,		Three months ended December 31,	
		2020	2019	2020	2019
Operational	1				
Ore Processed		454,624	253,876	168,310	—
Zn concentrate produced (ton)		28,032	15,864	9,974	—
Average realized zinc price per tonne		\$ 2,220	\$ 2,580	\$ 2,360	\$ —
Zn grade		45%	46%	45%	—
Zn recovery		69%	70%	69%	—
Pb concentrate produced (ton)		5,794	3,709	1,916	—
Average realized lead price per tonne		\$ 1,804	\$ 1,983	\$ 1,863	\$ —
Pb grade		22%	24%	23%	—
Pb recovery		29%	33%	26%	—
Cost Analysis	1				
C1 Cash cost per lbs		\$ 1.01	\$ 1.03	\$ 1.28	\$ —
All-in Sustaining Cost per lbs		\$ 1.15	\$ 1.62	\$ 1.39	\$ —
Financial	1				
Gross revenues		\$ 44,443	\$ 31,026	\$ 18,960	\$ 1,580
Mine operating profit (loss)		\$ (480)	\$ (837)	\$ (260)	\$ (3,156)
Loss for the period		\$ (11,624)	\$ (29,356)	\$ (9,680)	\$ (24,163)
Cash		\$ 257	\$ 145	\$ 257	\$ 145
Working capital deficiency		\$ (60,334)	\$ (56,238)	\$ (60,334)	\$ (56,239)
Shareholders					
Basic and diluted loss per share		\$ (0.07)	\$ (0.21)	\$ (0.06)	\$ (0.17)

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Notes:

- (1) 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 restarted operations during the last week of January 2020.

Operational Performance Results

Campo Morado

Production and concentrate sales for the year ended December 31, 2020

- Produced 28,032 tonnes of zinc concentrate grading an average of 46% zinc, 1.18 g/t gold, 506 g/t silver and sold 27,864 tonnes of zinc concentrate generating revenue from zinc concentrate of US\$16,960
- Produced 5,794 tonnes of lead concentrate grading an average of 22% lead, 2.6% copper, 4.64 g/t gold, 638 g/t silver and sold 5,926 tonnes generating revenue from lead concentrate of US\$4,136
- Total Campo Morado revenue was US\$21,096 for the year ended December 31, 2020
- Approximately 343,141 tonnes of mineralized material were mined with average grades of 4.50% zinc, 1.04% lead, 119 g/t silver, 1.03 g/t gold
- Average recoveries achieved during year ended December 31, 2020 were 70% zinc, 28.3% lead, 12.8% gold, 37.8% silver
- An estimated 454,624 tonnes of mineralized material were processed through the processing plant

Production and concentrate sales for Q4-2020

- Produced 9,974 tonnes of zinc concentrate grading an average of 45% zinc, 1.51 g/t gold, 576 g/t silver and sold 10,701 tonnes of zinc concentrate generating Q4-2020 revenue from zinc concentrate of US\$7,276
- Produced 1,916 tonnes of lead concentrate grading an average of 23% lead, 1.14% copper, 5.09 g/t gold, 555 g/t silver and sold 1,973 tonnes generating Q4-2020 revenue from lead concentrate of US\$1,553
- Total Campo Morado Q4-2020 revenue was US\$8,829
- Approximately 135,396 tonnes of mineralized material were mined with average grades of 4.04% zinc, 0.98% lead, 118 g/t silver, 0.83 g/t gold
- Average recoveries achieved during Q4-2020 were 70% zinc, 26.3% lead, 14.6% gold, 37.3% silver
- An estimated 168,310 tonnes of mineralized material were processed through the processing plant

Tahuehueto

Pre-production during Q4-2020 and year ended December 31, 2020

- Produced 247 tonnes of lead concentrate generating Q4-2020 estimated revenue from lead concentrate of US\$653

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.

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5.- Annual and Quarterly Financial Performance Results

Selected Annual Financial Information

	As at December 31,		
	2020	2019	2018
Gross revenues	\$ 44,443	\$ 31,026	\$ 34,755
Mine operating profit	(480)	(837)	108
Loss for the year	(11,624)	(29,369)	(6,243)
Basic and diluted loss per share	(0.07)	(0.21)	(0.05)
Cash	257	145	116
Total assets	52,924	51,234	67,708
Non-current liabilities	6,435	6,228	11,937
Deficit	(26,711)	(24,131)	4,815
Working capital deficiency	(60,334)	(56,238)	(32,627)

Reader is referred to Note 1 above - Factors influencing revenues in 2019 and in 2018 Campo Morado commenced commercial production effective May 15, 2018.

The Company was financed and restructured by the end of 2015 with a change of control and management. The year 2016 was dedicated to finding additional funding sources to move the Tahuehueto project forward. In January 2017, the Company released the results of the Tahuehueto project pre-feasibility study which demonstrated economically recoverable reserves, therefore management concluded the project was viable and decided to move the project into the development phase. In April of 2017, the Company announced it had entered into a purchase agreement to acquire the Campo Morado Mine. In June 2017, the purchase agreement closed, and management started the rehabilitation of the mine with the intention to put it back into production as soon as possible. In October 2017, Campo Morado Mine restarted operations. During the year 2018, Campo Morado Mine was advanced into commercial production effective May 15, 2018, as a result of over 60 days of operational steady state production at 75% of management's targeted mill capacity of 2,500 tonnes per day. Campo Morado continued with a steady production until June of 2019, when due to declining Zinc prices and community relations difficulties management decided to curtail mining operations and by August of 2019 place the mining project in care and maintenance. By the end of 2019 and as a result of improvement in zinc prices and community relations the Company decided to reactivate activities at Campo Morado to bring it out of care and maintenance and back into production by the end of January 2020.

Subsequently, Telson brought the mine out of care and maintenance and reinitiated mining and milling operations during late January 2020. Again, during the months of April and May 2020, Campo had to stop operations temporarily as mandated by the Mexican Government due to COVID-19 pandemic. On June 4, 2020 after the Mexican Government declared mining a non-health essential service allowing mining operations to restart operations following new safety and health protocols approved by the Mexican Government. Campo Morado maintained consistent operations throughout the balance of 2020 and up to the reporting date of this MD&A.

During the year 2017 the Company also began processing Tahuehueto ore, on a test basis, using a third-party toll mill processing plant and as a result of positive results, management decided to enter into a continuous pre-production program by mining and shipping ore to an off-site toll mill. Management later in the same year also elected to advance Tahuehueto into mine construction and acquired a mineral processing facility capable of processing up to 1,000 tonnes per day for that purpose. During the year 2018, the Company started the construction of the camp, cafeteria, processing plant and laboratory in addition with the development of the mine. In the year 2019, the Company focused more on the development of the mine advancing more than 1km preparing the mine for future production, however by the month of June financial difficulties did not allow the Company to continue advancing the project and by the month of August the Company placed Tahuehueto into care and maintenance.

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Recent developments in late 2020, suggested that the Company will be able to get enough funding to continue and finalize the construction project and start steady production in about six to eight months after the funding is secured during Q1 and Q2 2021.

Comparison of year ended December 31, 2020 and 2019

The following table is a summary of the consolidated statements of loss and comprehensive loss of the Company for the years ended December 31, 2020 and 2019.

	Years ended December 31,	
	2020	2019
Mine operating loss	\$ (480)	\$ (837)
General expenses	4,758	26,395
Other expenses	6,386	(441)
Total loss before income tax	(11,624)	(26,791)
Income tax expense	–	15
Net loss for the year	(11,624)	(26,806)
Foreign currency translation adjustment	97	(432)
Total comprehensive loss for the year	\$ (11,527)	\$ (27,238)

During the year ended December 31, 2020, the Company reported a total operating loss of \$11,624 total comprehensive loss of \$11,527 and basic and diluted loss per share of \$0.07, compared to a total net loss of \$29,356 and total comprehensive loss of \$29,788 and basic and diluted earnings per share of \$0.21, for the year ended December 31, 2019.

Part of the difference between the compared periods above could be explained by the time Campo Morado operated during the year ended December 31, 2020. Campo Morado operated about nine months of the year while during the year ended December 31, 2019 it operated about eight months of the year. Additionally, during the last quarter of 2019, the Company recorded an impairment for Campo Morado in the amount of \$21,712.

Mineral properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Management assesses the carrying values of its mineral properties for indication of impairment each quarter end. During the fourth quarter in the year ended December 31, 2019, management determined that there were indicators of impairment on Campo Morado due to the decline in zinc prices, and the Company having suspended operations at the Campo Morado throughout the year.

As a result of the impairment indicators noted above, an impairment test was performed that determined that the recoverable amount of the Campo's Morado cash generating unit ("CGU"), based on a value in use ("VIU") model (level 3 in the fair value hierarchy) exceeded the carrying value of the CGU, resulting in an asset impairment charge of \$21,712 recorded for the year ended December 31, 2019.

During 2020, Campo Morado operated from January 26 to April 27, 2020 and paused operations due to COVID restrictions, then Campo Morado restarted operations on June 4, 2020 and it continues operating without major interruptions. During 2019, Campo Morado operated from January 1 to August 14, 2019 after that date the Company curtailed operations at Campo Morado mine placing the mining project into care and maintenance until January 26, 2020.

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Mine operating (loss) profit for the years ended December 31, 2020 and 2019 are comprised of:

	Years ended December 31,	
	2020	2019
Revenue		
Gross sales	\$ 44,443	\$ 31,026
Treatment and selling costs	(21,286)	(10,425)
	23,157	20,601
Cost of Sales		
Production cost	22,023	18,156
Royalties	827	691
Accretion of provision for site reclamation and closure	342	1,589
Depletion, depreciation and amortization	445	1,002
	23,637	21,438
Mine operating loss	\$ (480)	\$ (837)

Mine operating loss is the net result of revenues less cost of sales for the year. During the year ended December 31, 2020, the Company sold an estimated 27,864 tonnes of zinc concentrate and 5,926 of lead concentrate at an average price per tonne of US\$2,220 and US\$1,804, respectively, resulting in net revenue of \$23,157. Revenue is net of treatment changes, freight and selling costs. In comparison during the year ended December 31, 2019, the Company reported a mine operating loss in the amount of \$837 as a result of 16,809 tonnes of zinc concentrate sold and 3,803 tonnes of lead concentrate sold at an average price per tonne of US\$2,580 and US\$1,983 respectively. Resulting in net revenue of \$20,601.

Total cost of sales incurred during the year ended December 31, 2020 was \$23,637 (December 31, 2019 – \$20,601), which includes production cost in the amount of \$22,023 (December 31, 2019 – \$18,156), which relates to direct costs attributable to the production of concentrates. It also includes royalties in the amount of \$827 (December 31, 2019 – \$691), which relate to a discovery royalty payable to Servicio Geologico Mexicano. Accretion, depreciation, and depletion were also included for \$342 and \$445 (December 31, 2019 – \$1,589 and 1,002), respectively. 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 was recorded to recognize the declining value of its tangible assets due to its use based on the straight line method over the estimated life.

During the comparative periods it is important to keep in mind that Campo Morado operated about nine months in 2020 compared to eight months in 2019.

Overall revenues, cost of sales and operating results were affected significantly during the comparative period December 31, 2019 as Campo Morado did not operate for a significant period. During 2019 the Company processed 253,876 tonnes of mineral compared to approximately 454,624 tonnes processed in the current year, this represents an increase in production of about eighty percent. Other variables such as treatment and selling costs, production costs associated with the production of concentrates and royalties also increased accordingly on the same basis as production increased. Due to the impairment recorded during 2019, the Company did not record depletion during the year ended December 31, 2020 as there is no development asset. Accretion recorded in 2019 is higher than the comparative period as a result of a revision to the provision for site reclamation and closure recorded.

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General and administration expenses for the year ended December 31, 2020 and 2019 are comprised of:

	Years ended December 31,	
	2020	2019
General Expenses		
Consulting fees, wages and benefits	\$ 1,974	\$ 2,362
Legal and professional fees	418	291
Office, rent and administration	1,092	1,534
Amortization of right-of-use assets	112	187
Regulatory, transfer agent and shareholder information	28	27
Travel, promotion and investor relations	216	237
Share-based compensation	42	45
Impairment of Campo Morado asset	876	21,712
	\$ 4,758	\$ 26,395

During the year ended December 31, 2020 general expenses of \$4,758 were incurred, as compared to \$26,395 in the year ended December 31, 2019. The decrease of \$21,637 is mainly attributable to the impairment of the Campo Morado assets in 2019 and the reduction of consulting fees, wages and benefits recorded during the current period in connection to an internal restructure after the previous CEO resigned to improve the efficiency of the operations and the effectiveness of the employees working for the Company.

Office rent and administration expenses decreased from \$1,534 to \$1,092 as a result of less employees due to the internal restructure and a reduction of office lease expenses as a result of moving the Mexico City corporate office to a smaller space to further reduce corporate expenses. Legal and professional fees increased by \$127 in connection to extra legal fees incurred during the year 2020 as a result of more corporate activity as a result of putting in place the trust agreement with Trafigura Mexico, S.A. de C.V. ("Trafigura") and other legal conflicts as a result of creditors trying to collect overdue amounts for products and services provided to the Company.

	Years ended December 31,	
	2020	2019
Other (income) expense:		
Interest income and other expenses	\$ 2,535	\$ –
Accretion of provision for site reclamation and closure	32	35
Change in fair value of marketable securities (note 4)	(610)	(526)
Interest expense	2,066	–
Change in fair value of contingent consideration	1,307	–
Other expenses	1,393	3,041
Foreign exchange gain	(337)	(441)
	\$ 6,386	\$ 2,109

Other expense in the amount of \$6,386 was recorded for the year ended December 31, 2020, compared to \$2,109 of other expenses recorded in the same period of previous year. The increase is mainly attributable to interest expenses in connection to late interest charges and fees in connection to the Nyrstar, Trafigura and overdue accounts payable when applicable and the change in fair value of contingent consideration with Nyrstar (see note 9 to the audited financial statement as of December 31, 2020).

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Comparison of the three months ended December 31, 2020 and 2019

During the three months ended December 31, 2020, the Company reported a total net loss of \$9,680, total comprehensive loss of \$9,417 and basic and diluted loss per share of \$0.06, compared to a total net loss of \$24,163 total comprehensive loss of \$24,731,553 and basic and diluted loss per share of \$0.17, for the three months ended December 31, 2019.

The net loss and comprehensive loss for the three months ended December 31, 2020 and 2019 are comprised of the following items:

	Three months ended December 31,	
	2020	2019
Mine operating loss	\$ (260)	\$ 90
General expenses	1,928	(23,083)
Other expenses	7,492	(1,155)
Total loss before income tax	\$ (9,680)	\$ (24,148)
Income tax expense	–	15
Net loss for the year	\$ (9,680)	\$ (24,163)
Foreign currency translation adjustment	263	(568)
Total comprehensive loss for the year	\$ (9,417)	\$ (24,731)

The significant changes when comparing the two periods above is the result of the fact that Campo Morado mining project was not operating during the last quarter of 2019 since it was placed on care and maintenance since August of that year. Additionally, although concentrates sales were reported during the quarter ended December 31, 2019 those sales relate to concentrates produced before Campo Morado was placed on care and maintenance and shipped out to our customer during the month of October of 2019. Furthermore, and more importantly, during the fourth quarter of 2019 the Company recorded a \$21,712 impairment on the assets of Campo Morado mainly attributable to the suspension of operations due to community concerns and a decline in zinc prices.

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Mine operating (loss) profit for the three months ended December 31, 2020 and 2019 is comprised of:

	Three months ended December 31,	
	2020	2019
Revenue		
Gross sales	\$ 18,960	\$ 1,580
Treatment and selling costs	(9,335)	(481)
	9,625	1,099
Cost of Sales		
Production cost	9,322	3,565
Royalties	365	38
Accretion of provision for site reclamation and closure	71	396
Depletion, depreciation and amortization	127	256
	9,885	4,255
Mine operating loss	\$ (260)	\$ (3,156)

During the three months ended December 31, 2020, the Company reported a total operating loss of \$260, compared to a total operating loss of \$3,156 reported for the three months ended December 31, 2019. During the three months ended December 31, 2020, the Company sold 10,701 tonnes of zinc concentrate and 1,973 of lead concentrate at an average price per tonne of US\$2,360 and US\$1,863, respectively. During the comparative period, the Company sold 1,099 tonnes of zinc concentrate and 142 tonnes of lead concentrate at an average price per tonne of US\$2,242 and US\$1,745, respectively. Resulting in net revenue of \$9,625 for the three months ended December 31, 2020 and \$1,099 for 2019. Revenue is net of treatment changes, freight and selling costs.

Total cost of sales incurred during the three months ended December 31, 2020 was \$9,885 (December 31, 2019 – \$4,255), which includes production cost in the amount of \$9,322 (December 31, 2019 – \$3,565), which relates to direct costs attributable to the production of concentrates. It also includes royalties in the amount of \$365 (December 31, 2019 – \$38), which relate to a discovery royalty payable to Servicio Geologico Mexicano. Accretion, depreciation, and depletion were also included for \$71 and \$127 (December 31, 2019 – \$396 and \$256), respectively. 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 was recorded to recognize the declining value of its tangible assets due to its use based on the straight line method over the estimated life.

Although concentrates were sold during the comparative period in 2019, those sales relate to concentrates produced before Campo Morado was placed on care and maintenance and the cost of sales incurred in the quarter ended December 31, 2019 does represent all the production costs associated with the production of concentrates sold in the same period.

Additionally, due to the impairment recorded during 2019, the Company did not record depletion during the quarter ended December 31, 2020 as there is no development asset. Accretion recorded in 2019 is higher than the comparative period as a result of a revision to the provision for site reclamation and closure recorded.

General and administration expenses for the three months ended December 31, 2020 and 2019 are comprised of:

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	Three months ended December 31,	
	2020	2019
General Expenses		
Consulting fees, wages and benefits	\$ 217	\$ 1,244
Legal and professional fees	198	49
Office, rent and administration	601	(92)
Amortization of right-of-use assets	2	187
Regulatory, transfer agent and shareholder information	13	(6)
Travel, promotion and investor relations	3	(11)
Share-based compensation	19	–
Impairment of Campo Morado asset	876	21,712
	\$ 1,929	\$ 23,083

The decrease of \$21,154 in general expenses is mainly attributable to Campo Morado assets impairment recorded during the fourth quarter of 2019 and the cost reduction initiatives that resulted in less consulting fees, wages and benefits recorded during the current period in connection to a reduction of employees working at corporate office.

Office rent and administration expenses increased from (\$92) to \$601 as a result of regular charges related to administration expenses during the quarter that are no longer affected by irregularities in the operating assets of the Company. The amounts reported in the comparative period are affected for accrual reversals in connection to Campo Morado and Tahuehueto not operating. Legal and professional fees increased by \$149 in connection to extra legal fees work incurred during the last quarter of 2020 as a result of putting in place the trust agreement with Trafigura.

Other (income) expense for the year ended December 31, 2020 and 2019 is comprised of:

	Three months ended December 31,	
	2020	2019
Other (income) expense:		
Interest income and other expenses	\$ 2,782	\$ 81
Accretion of provision for site reclamation and closure	8	9
Change in fair value of marketable securities (note 4)	(89)	(526)
Interest expense		
Change in fair value of contingent consideration	1,307	–
Other expenses	421	3,468
Foreign exchange gain	(2,156)	(1,730)
	\$ 2,273	\$ 1,302

Other expense in the amount of \$2,273 was recorded for the three months ended December 31, 2020, compared to \$1,302 recorded in the same period of previous year. The \$971 increase is attributable partially for the fluctuations in foreign exchange. Foreign exchange variation is recorded in connection to fluctuations in exchange rates between the US dollar, Mexican peso and Canadian dollar and the underlying assets or liability and the currency in which these are payable.

Interest expense decreased by \$426 when compared the quarter ended on December 31, 2020 with the previous year as a result of lower interest rates charged in the loans with Trafigura. The change in marketable securities is

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the result of the mark to market of the Company's senior bond trusts which are classified as FVTPL and recorded at fair value using the quoted market prices every reporting period. For the change in fair value of contingent consideration with Nyrstar refer to note 9 to the audited financial statement as of December 31, 2020.

Selected Quarterly Financial Information

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross revenues	\$ 18,960	\$ 11,148	\$ 6,608	\$ 7,727	\$ 1,580	\$ 1,068	\$ 13,043	\$ 15,335
Mine operating (loss) profit	(260)	473	(756)	63	(3,156)	(233)	(501)	3,053
Net (loss) profit	(9,680)	4,377	(4,553)	(1,768)	(24,163)	(709)	(2,615)	681
Basic and diluted loss per share	(0.06)	0.03	(0.03)	(0.01)	(0.17)	(0.02)	(0.02)	0.00
Cash	257	729	662	242	145	17	47	39
Total assets	52,924	52,862	50,766	52,355	51,234	71,220	70,002	71,801
Non-current liabilities	6,435	6,422	5,754	5,758	6,228	11,248	11,431	11,695
(Deficiency) Equity	(26,711)	(23,493)	(25,078)	(24,531)	(24,132)	(194)	1,525	5,072
Working capital deficiency	(60,334)	(56,516)	(58,912)	(59,023)	(56,239)	(42,217)	(39,384)	(33,970)

Starting on Q1-2020 the Company made the decision to restart Campo Morado mining operations. Nevertheless, on April 27, 2020 the Mexican Government proclaimed a national health emergency with an immediate suspension order of all "non-essential" public and private sector businesses, including mining, to mitigate the spread and transmission of the COVID-19 virus. As a result, Campo Morado temporarily suspended operations again during the months of April and May of 2020. Starting in June 2020, the Mexican Government deemed the mining industry to be an essential industry, resulting in lifting off the temporary country wide mining industry shut down. Campo Morado re-commenced mining activities on June 3, 2020 following safety and health protocols approved by the Mexican Government. Production at Campo Morado has steadily increased every quarter as a result of operating changes to go back to the original design of the milling process. The production results reported during the last quarter of 2020 are more consistent with management's expectations.

The Company operated Campo Morado for the first eight months during the year 2019, placing the project into care and maintenance in August of 2019 due to declining zinc prices and difficulties with the surrounding communities. As a result, during the last quarter of 2019 the Company recorded an impairment of the mineral properties of Campo Morado for an amount of \$21,712. Additionally, since stopping the operations of Campo Morado project the financial situation of the Company started deteriorating quickly and without any success in acquiring new financing through loans, issue new shares through equity offerings or sell assets. The Company had to place Tahuehueto project into care and maintenance and maximize any available resources. In addition, due to the lack of financial resources the Company has not paid its main creditors and therefore all the credit facilities have been presented in the short term.

Cash flow results

The following table provides a summary of cash flows for the three months and years ended December 31, 2020 and 2019:

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	Three months ended December 31,		Years ended December 31,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operating activities	\$ (1,376)	\$ 1,004	\$ (3,452)	\$ 4,398
Investing activities	2,809	2,039	1,272	(1,779)
Financing activities	(163)	(308)	2,852	(1,412)
Effect of foreign exchange rate changes on cash	(1,742)	(2,607)	(560)	(1,178)
(Decrease) increase in cash during the period	(472)	128	112	29
Cash beginning of period	729	17	145	116
Cash end of period	\$ 257	\$ 145	\$ 257	\$ 145

As of December 31, 2020, the Company had a cash balance of \$257 and a working capital deficiency of \$60,334. Current liabilities as of December 31, 2020 are in the amount of \$73,200, 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 year ended December 31, 2020, the Company used net cash in operating activities in the amount of \$3,179 compared to cash generated of \$4,398 during the same period of last year. The decrease in cash is due to unfavourable changes in working capital items and more specifically in accounts payable and accrued liabilities as the Company is paying its accounts payable more consistently.

The Company also used cash for \$1,249 in investing activities during the year ended December 31, 2020 compared to \$1,779 recorded during the year ended December 31, 2019. The decrease is the net of \$2,221 of cash used in development asset additions and \$657 of cash provided by in connection to cash redeemed from marketable securities. The comparative period from the previous year is similar with \$2,511 of cash use in acquiring fixed assets and \$1,138 of cash provided by redeeming cash from the investment account.

During the current year, the Company also received \$2,673 from private placements and a new loan from Accendo. Such private placements were used to pay out debt and continue the care and maintenance activities at the Tahuehueto project.

During the three months ended December 31, 2020, the Company used cash in operating activities in the amount of \$1,103 compared to \$1,004 of cash provided by operating activities of the same period of last year. The decrease in cash is due to unfavourable changes in working capital items and cash generated from operations.

The Company also provided cash by \$288 in investing activities during the three months period ended December 31, 2020 compared to \$2,039 generated during the same period in the previous quarter. The decrease predominantly relates to less additions to fixed assets and mineral properties in Tahuehueto as the project is in care and maintenance. Also, the deteriorated financial situation of the Company only allowed the Company to invest in necessary equipment.

During the three months ended December 31, 2020, the Company used cash in its financing activities in the amount of \$163 compared to \$308 used from the previous year.

6.- Campo Morado Mine and Tahuehueto Mining Project

Campo Morado

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.

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Campo Morado PEA Highlights

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

- Pre-tax Net Present Value ("NPV") at an 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 (%)
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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

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Campo Morado Operations

Telson purchased Campo Morado in September 2017 and during 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.

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

Telson brought the mine out of care and maintenance and reinitiated mining and milling operations during late January 2020, temporarily suspended operations during April and May 2020 as mandated by the Mexican Government for COVID-19 precautions, and re-initiated Mining operations September 4, 2020 after mining was declared an essential service within Mexico.

As of the date of this MD&A mining operations are continuing.

Management plans to investigate 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. These technologies may also allow the Company to reprocess the existing tailings stored in the historic tailings facility to potentially recover a portion of the precious metals contained within the tailings.

- 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 potentially achieve markedly increased gold and silver precious metal recoveries. Thus, the Company has engaged Maelgwyn Mineral Services to provide an Imhoflot Flotation Pilot Plant to conduct a minimum three month extensive metallurgical testing program. This program, is designed to potentially increase recoveries of base metals, using microfine grind mineralization as well as to explore the possibility of producing a gold rich pyrite concentrate for sale. Also, the Company aims to take the Leachox Process testing through second stage and thereby determine the feasibility of implementing this technology into the current processing facility and thereby increase precious metal recoveries. The pilot plant is in the process of being shipped from Europe and expected to arrive on site in Q2.

Telson also intends to initiate metallurgical testing utilizing other potential recovery methods such as the Albion Process, bioleaching and the SART process to test the effectiveness of these technologies to improve recoveries from ongoing operations and potentially reprocessing the existing precious metal rich tailings stored within the historic tailings storage facility.

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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 Tahuehueto.

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 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.

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

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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 pre-production during the Tahuehueto mine development and construction phase. Mining commenced early September 2017 and continued throughout 2018 and part of 2019. Management curtailed pre-production at Tahuehueto during Q3 2019.

Tahuehueto Pre-production operations during 2019, produced a total of 32,558 tonnes of ore. During 2019, an estimated 12,316 tonnes of ore were shipped to the Atocha Toll Mill.

Mineral processing at the Atocha Toll mill processed 13,574 tonnes of ore producing,

- 436 tonnes of lead concentrate with average grades of 90.08 grams per tonne gold, 879 grams per tonne silver, 39% lead, and 4.80% copper.
- 547 tonnes of zinc concentrate with average grades of 12.23 grams per tonne gold, 158 grams per tonne silver, and 45% zinc.

Overall average metal recoveries achieved during the 2019 were 83.83% gold, 84.56% silver, 88.89% lead, 82.02% zinc, and 93.37 copper.

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 was extended in continuous mineralization beyond known reserves/resources outlined by previous drilling and exposed 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 could add significant additional resources to the project.

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Mine Construction and Underground Development.

The Company initiated underground development work in November 2017. Underground development is estimated to be 90% complete to provide continuous ore feed for at least the first full year of production to the on-site processing facility under construction. 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 known as Ramp 540.

Telson initiated construction activities on-site at Tahuehueto in 2018. To date, mill construction has advanced to within an estimated 60% 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 or completed. Water pumping system, electrical power generation and tailings storage facilities are in final stages of design engineering with construction to be initiated upon Telson securing additional construction funding.

As a result of reduced cash flows from the Company's Campo Morado operations, management curtailed, on a temporary 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 eight to twelve months of securing additional funding, mine construction and development should be completed to allow mill commissioning and the initiation of on-site pre-production.

On February 23, 2021, the Company announced that it has executed a Letter of Intent with Accendo Banco S.A. de C.V., Empress Royalty Corp., & Endeavour Financial (the "Accendo Syndicate") to provide up to US\$25 million of financing (collectively the "Financing") to complete the construction and ramp-up of Telson's 100% owned Tahuehueto project. The reader is referred to the Company's press release of February 23, 2021 available on the Company's web site, www.telsonmining.com

On March 30, 2021, the Company announced that it had completed the first stage of the above referenced financing by closing a \$10.1 million non brokered private placement. Proceeds from this private placement have allowed the Company to reinstate construction efforts at Tahuehueto. The reader is referred to the Company's press release of March 20, 2021 available on the Company's website www.telsonmining.com. Although the proceeds of this private placement are insufficient to completely fund the final construction costs estimated at approximately US\$13.5 million including a 15% contingency the Company has chosen to reinstate construction now in anticipation of closing the balance of the Accendo Syndicate financing referred to above which closing is anticipated to occur Q2 2021 on completion and execution of formal documentation.

With full funding in place the Company anticipates that it will be able to advance construction efforts over the coming months to potentially commence pre-production by the end of 2021.

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 15, 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.

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As at December 31, 2020, the Company capitalized the following acquisition and developments costs:

		Tahuehueto
Balance as at December 31, 2019	\$	12,335
Costs incurred:		
Treatment charges and penalties		101
Freight and related costs		24
Depreciation capitalized		1,081
Amortization right of use of assets\		19
Assaying, data, and maps		3
Camp cost, equipment, and field supplies		655
Development costs		355
Fuel and consumables		90
Supplies, lubricants and other		23
Project general and office expenses		295
Permitting, environmental and community costs		170
Salaries and wages		204
Travel and accommodation		9
Royalties		13
Interest capitalized, net		2,837
Pre - commercial sales		(165)
Total additions for the year		5,714
Change of provision for site reclamation and closure		(88)
Foreign currency movement		(1,376)
Balance, December 31, 2020	\$	16,585

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, CEO and Director.

7.- 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.

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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.

	Years ended December 31,		Three months ended December 31,					
	2020	2019	2020	2019				
Non GAAP reconciliation								
Production payable Zinc (1,000 lb)		23,225		13,345		8,198		–
Production cost per financial statements (US\$000)	\$	16,646	\$	11,238	\$	7,227	\$	–
Treatment and refining charges (US\$000)		12,178		6,026		5,625		–
Freight (US\$000)		3,863		1,831		1,569		–
By-product credits (US\$000)		(9,179)		(5,381)		(3,895)		–
C1 cash cost (US\$000)	\$	23,508	\$	13,714	\$	10,526	\$	–
C1 cash cost per payable pound of zinc (US\$/lb)								
Production Cost	\$	0.72	\$	0.84	\$	0.88	\$	–
Treatment and refining charges		0.52		0.45		0.69		–
Freight		0.17		0.14		0.19		–
By-product credits – estimated		(0.40)		(0.40)		(0.48)		–
C1 cash cost per payable pound of zinc (US\$/lb)	\$	1.01	\$	1.03	\$	1.28	\$	–
All-in Sustaining Costs								
C1 cash cost (US\$000)	\$	23,508	\$	13,714	\$	10,526	\$	–
Depletion, Depreciation & Amortization (US\$000)		376		755		141		–
Accretion (US\$000)		254		1,198		54		–
Corporate Costs (US\$000)		1,806		4,418		374		–
Royalties (US\$000)		623		521		280		–
Capital Expenditure (sustaining) (US\$000)		146		985		52		–
All-in Sustaining Costs (\$000)	\$	26,713	\$	21,591	\$	11,428	\$	–
AISC per payable pound of zinc (US\$/lb)	\$	1.15	\$	1.62	\$	1.39	\$	–

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.

8.- Liquidity

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

As of December 31, 2020, the Company had a cash balance of \$257 and a working capital deficiency of \$60,334. Current liabilities as of December 31, 2020 are in the amount of \$73,200, 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.

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

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

The Company has received the following sources of capital:

Line of Credit

On July 22, 2016, the Company entered into an agreement with Estrategica Corporativa en Finanzas, S.A.P.I. de C.V. ("Escorfin"), for a line of credit for up to \$9.6M (MXN\$150 million) (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 December 31, 2020, the Company has a balance of \$4,127, it has accrued interest in the amount of \$436 and repaid principal and interest in the amount of \$nil, during the year ended December 31, 2020. The Company is also behind in its contractual obligations in respect to the line of credit and is looking to restructure the terms of the LOC with Escorfin which is expected to conclude some time before the end of Q2-2021. There is no assurance the Company will be successful in reaching new commercial terms on this credit facility.

Due to Nyrstar Mining Ltd

As at December 31, 2020, the Company has a balance owing of \$12,678, which includes accrued interest of \$1,105 for the period and interest paid of \$nil.

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 September 12, 2017 (paid), and 3) US\$16.5 million on or before June 13, 2018 (US\$11 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 Mining Ltd. ("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\$0.5 million, 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.

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On October 11, 2019, the Company received a formal notice of default in 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. The Company was not able to make payments as requested in the notice of default.

During June 20, 2020, the Company entered into a letter agreement (the "Nyrstar Letter Agreement") with Nyrstar in which Nyrstar has provided Telson a conditional waiver to Telson's default status of the Campo Morado Loan Agreement.

Under the terms of the Nyrstar Letter Agreement, Telson acknowledges that it is in default of its obligations under the Nyrstar Loan Agreement and as an inducement for Nyrstar to enter into the Nyrstar Letter Agreement granting the waivers, Telson, with Trafigura's consent, has agreed to accept Nyrstar into the Trust Agreement (the "Trust"), thereby granting full security to Nyrstar, subordinate to Trafigura, and new secured lender(s) that may provide debt funding that fund the final Tahuehueto mine construction costs.

The Company is looking to restructure the terms of the Nyrstar loan some time before the end of Q2-2021. There is no assurance the Company will be successful in reaching new commercial terms on this credit facility.

Loan Facilities

On September 11, 2017, the Company entered into a loan agreement ("Loan Agreement Campo") with 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 (3 month) 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 December 31, 2020, the Company has a balance owing of \$5,013 which includes accrued interest of \$621 incurred in the current year.

On December 7, 2017, the Company entered into a loan agreement ("Loan Agreement Real") with Trafigura 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 (1 year) 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 ninety-month term, starting January 2018.

As at December 31, 2020, the Company has a balance of \$18,384 which includes accrued interest of \$1,118 for the current year.

On March 26, 2020, the Company entered into a letter agreement (the "Letter Agreement") with Trafigura which defines the terms under which Trafigura will provide Telson a waiver to certain terms of the loan agreements entered into between the companies.

Under the terms of the Letter Agreement, Telson acknowledges that it is in default of its loan obligations under two loan agreements entered into between Trafigura and Telson as follows:

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- 1) Loan Agreement Campo and,
- 2) Loan Agreement Real.

Together (the "Loan Agreements")

Material Terms of the Letter Agreement are as follows:

- 1) Trafigura has provided their approval and consent to allow Telson to avoid a cause for default by granting Telson a waiver, forgoing defaults under the Loan Agreements, and deferring interests and principal payments until June 30, 2021.
- 2) This waiver also eliminates the Loan Agreements restriction on Telson for disposition of assets, if necessary, to generate cash to allow Telson to repay its loan obligations to Trafigura.
- 3) Trafigura agrees to restructure the entire loan debt obligation under terms and conditions to be negotiated on good faith by both parties based on market conditions and updated cash flow projections which confirm the projects financial viability, if
 - a. the Tahuehueto Project is ramped up or,
 - b. Telson successfully raises funding in sufficient amounts to fully fund the final construction and ramp up of the Tahuehueto Project, which funding amount and requirements for effective ramp up, to be independently verified by a mutually acceptable independent engineering consultant.
 - c. And subject to the fulfilment of the milestones outlined in section 7 below.
- 4) Telson agrees to undertake to conduct a process to market assets for potential sale (the "Transaction") in amounts to repay its loan obligations to Trafigura.
- 5) Telson will transfer all its assets in the Campo Morado Project and its assets in the Tahuehueto Project to a trustee of the Trust Agreement (the "Trust") in order to secure the full repayment of the Loan Agreements. Should Telson repay the total debt due to Trafigura under the Loan Agreements, the Trust will be terminated, and all assets held within the Trust will return to Telson.
- 6) Telson undertakes to make every effort to,
 - a. Raise funding to repay the full amount of the Loan Agreements and at the same time to,
 - b. Progress the Transaction and should Telson not obtain sufficient funding to repay the Loan Agreements debt before June 30, 2021, Telson intends to perform the sale of one or more of its project assets, to generate sufficient funds to repay the Loan Agreements.
- 7) Milestones - Telson will take all reasonable commercial efforts to advance the Transaction, adhering to the time schedule outlined below and will provide Trafigura evidence that this process is advancing to the following schedule.
 - a. Before December 31, 2020, Telson shall have received at least three (3) letters of intent from potential buyers regarding the Transaction.
 - b. Before March 31, 2021, Telson shall have received at least three (3) binding offers from potential buyers regarding the Transaction.

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- c. It is recognized that a breach of the Letter Agreement shall not have occurred should Telson fail to receive the letters of intent and binding offers as contemplated in the above sections as a result of market conditions which fail to generate bona fide interest in the purchase of the assets so long as Telson has in good faith made all commercially reasonable efforts to advance the Transaction and can provide evidence of such efforts.
 - d. No later than June 30, 2021, the corresponding sales and purchase agreement shall be executed between Telson and the relevant purchaser if Telson has not either, repaid its loan debt obligations or satisfied the conditions outlined within section 3 above.
- 8) In partial consideration of the waiver granted by Trafigura, Telson issued to Trafigura 12,000,000 share purchase warrants exercisable into one common share of the Company for each warrant at an exercise price of \$0.175 per share over a term of 36 months. If any of the Campo Morado Project or the Tahuehueto Project are sold and Telson repays its total debt under the Loan Agreements within the timeline proposed the share purchase warrants will expire and thereby be cancelled.

The Company is looking to restructure the terms of the Trafigura loans some time before the end of Q2-2021. There is no assurance the Company will be successful in reaching new commercial terms on this credit facility.

Accendo Loan

On June 16, 2020, the Company signed a term sheet with Accendo Banco, S.A. Institucion de Banca Multiple ("Accendo") whereby Accendo will, subject to final due diligence, provide Telson with a US\$12 million Medium Term Loan Facility ("MTLF") for the purpose of funding construction at Telson's Tahuehueto mining project and general working capital purposes.

The main terms and conditions of Accendo's MTLF are as follows:

- Loan facility amount - US\$12 million
- Repayment term - 3 years with a one-year grace period on principal
- Repayable in 24 equal monthly payments starting 12 months after closing
- Interest rate of 13.5% per annum
- Secured by second ranking security interest over all assets of the Company
- An arrangement fee of 2.5% of the facility amount payable from the proceeds upon first draw down at the closing
- An origination fee of 2.5% of the facility amount payable from the proceeds upon first draw down at the closing
- Telson to issue 15 million bonus warrants at an exercise price of \$0.09 per share for a period of 48 months. The bonus warrants are to be issued in lieu of a work fee but subject to cancellation if the loan facility does not close.

The loan facility is subject to final due diligence of Accendo and at December 31, 2020, the Company has received US\$500 in anticipation of final funding, however there is no assurance the Company will be successful in reaching a definitive agreement to receive the outstanding balance of the loan facility.

As at December 31, 2020, the Company has a balance of \$657 which includes accrued interest of \$46 for the current year.

Right of use assets and right of use liabilities

The continuity of right of use liabilities for the year ended December 31, 2020 and 2019 are as follows:

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	Amount
Balance lease liabilities, January 1, 2019	\$ 1,547
Lease liabilities recognized as of January 1, 2019	689
Lease payments	(365)
Interest expense	177
Foreign exchange adjustment	(121)
Balance lease liabilities, December 31, 2019	\$ 1,927
New leases	303
Cancelation of leases	(160)
Lease payments	(359)
Interest expense	102
Interest paid	(102)
Foreign exchange adjustment	(90)
Balance, December 31, 2020	\$ 1,621

9.- Capital resources

Common shares issued

Year ended December 31, 2020

- i. On October 15, 2020, the Company closed a debt settlement with Accendo in the amount of \$660 in connection to a portion of Tahuehueto mining project's suppliers debt. Accordingly, the Company issued 7,330,651 shares valued at \$0.09 per share at the time the negotiation was done. Subsequently when the shares were issued the fair value of these shares were \$0.28 per share and as a result the Company recorded a loss of \$1,393. In connection with the financing with Accendo (note 10(e)), the Company, issued 15M bonus warrants that were issued in lieu of a work fee but subject to cancelation if the loan facility does not close. The warrants were valued using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate 0.33%, expected dividend yield \$nil, stock price volatility 128% and expected life in years of 4, which resulted in a fair value of \$1,628.
- ii. On February 4, 2020, the Company closed the first tranche of a non-brokered private placement offering, whereby gross proceeds of \$1,946 were raised by the issuance of 19,458,422 units at a price of \$0.10 per unit. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.25 within twenty-four (24) months from closing.

Escorfin, a related party, acquired 5,853,796 units.

On May 27, 2020, the Company closed the second and final tranche of a non-brokered private placement offering, whereby gross proceeds of \$197 were raised by the issuance of 1,965,990 units at a price of \$0.10 per unit. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.25 within twenty-four (24) months from closing.

Escorfin, a related party, acquired 1,412,400 units.

In connection with the above private placement, the Company issued 361,239 units as finders fees. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.25 within twenty-four (24) months from closing. The finders' warrants were recorded at a fair value of \$6.

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All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date.

- iii. On July 10, 2020, the Company closed a non-brokered private placement offering, whereby gross proceeds of \$1,400 were raised by the issuance of 13,996,145 units at a price of \$0.10 per unit. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.15 within twenty-four (24) months from closing. All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date. The share issuance cost associated with both private placements is \$64.
- iv. During the year ended December 31, 2020, the Company issued 75,000 common shares for gross proceeds of \$10 in connection with stock options exercised. The fair value of the options exercised was \$10 and was transferred from the equity reserves and recorded against share capital.

Year ended December 31, 2019

- i. During the year ended December 31, 2019, the Company issued 20,000 common shares for gross proceeds of \$2 in connection with stock options exercised. The fair value of the options exercised was \$2 and was transferred from the equity reserves and recorded against share capital.
- ii. During the year ended December 31, 2019, the Company received gross proceeds of \$795 in connection with a non-brokered private placement that closed on May 27, 2020.

Other sources of funds

As at December 31, 2020, 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		Exercisable	
	Number of options	Exercise price	Remaining contractual life (years)	Number of options
March 22, 2021	4,862,166	\$ 0.13	0.22	4,862,166
November 11, 2022	3,030,000	\$ 0.71	1.86	3,030,000
April 16, 2023	400,000	\$ 0.77	2.29	400,000
April 23, 2023	50,000	\$ 0.72	2.31	50,000
August 6, 2025	100,000	\$ 0.20	4.60	33,000
September 16, 2025	250,000	\$ 0.16	4.71	82,500
Outstanding, December 31, 2020	8,692,166			8,457,666

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Share purchase warrants outstanding are as follows:

Expiry date	Outstanding		Remaining contractual life (years)
	Granted	Exercise price	
February 4, 2022	9,729,221	0.25	1.1
May 27, 2022	1,163,615	0.25	1.4
July 9, 2022	6,998,073	0.15	1.5
April 16, 2023	12,000,000	0.17	2.8
June 30, 2024	15,000,000	0.09	3.5
	44,890,909	0.20	

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.

10.- Commitments

At December 31, 2020, the Company has the following commitments:

	Within 1 year	Between 1 and 5 years	More than 5 years	Total December 31, 2020
Lease payments offices	\$ 131	\$ 337	\$ -	\$ 468
Lease payments machinery and equipment	876	230	-	1,106
Vehicles	48	16	-	64
Loans	40,859	-	-	40,859
Provision for site reclamation and closure	-	-	5,638	5,638
Other	59	178	657	894
	\$ 41,973	\$ 761	\$ 6,295	\$ 49,029

a) VPP – Variable Purchase Price

As part of the Campo Morado acquisition, the seller retained the right to receive a variable purchase price 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:

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

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

In regards, the variable purchase price, the Company paid \$nil for the years ended on December 31, 2020 and 2019.

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b) Royalties

The Campo Morado Project is subject to a royalty between 2% and 3% of the net value of liquidation over the minerals extracted during the term of existence of the mining concession to the Servicio Geológico Mexicano ("SGM")

c) Off-take agreements

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

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

11.- Off-balance sheet arrangements

The Company does not utilize off-balance sheet arrangements.

12.- Transactions between related parties

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

- 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.

a) Compensation of key management personnel

Key management personnel include members of the Board, the Chief Executive Officer and 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:

	December 31, 2020	December 31, 2019
Short-term benefits	\$ 585	\$ 951
Other benefits	-	89
Share-based compensation	-	40
	\$ 585	\$ 1,080

b) Related party balances:

As at December 31, 2020, directors and officers or their related companies were owed \$615 (December 31, 2019 – \$611) included in accounts payable and accrued liabilities mainly in respect to compensation and other labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

As at December 31, 2020, directors and officers or their related companies owed the Company \$nil (December 31, 2019 – \$15) included in prepaid expenses and deposits.

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

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

The following summarizes the transactions and balances owing to Escorfin:

	December 31, 2020	December 31, 2019
Current portion of the debt	\$ 4,127	\$ 3,892
Long term portion of the debt	-	-
Balance	\$ 4,127	\$ 3,892

During the year ended December 31, 2020, the Company incurred interest in the amount of \$934 (December 31, 2019 – \$471) of which \$nil was paid (December 31, 2019 – \$nil).

13.- Subsequent events

- a) On February 23, 2021, the Company, has executed a letter of intent with Accendo Banco S.A. de C.V., Empress Royalty Corp., & Endeavour Financial (the “Accendo Syndicate”) to provide up to US\$25 million of financing (collectively the “Financing”) to complete the construction and ramp-up of Tahuehueto mining project, meet debt service obligations and working capital purposes. Also, Telson, Accendo Syndicate and Trafigura have executed a memorandum of understanding (“MOU”) that provides a non-binding framework with terms to be used by the parties to negotiate the potential entry into the definitive agreements of the proposed transactions including, the potential restructuring of Telson’s debt obligations to Trafigura and Nyrstar. The MOU includes an exclusivity period of 45 days after which if definitive agreements are not finalized it shall, unless mutually extended, be terminated and remain with no effect.
- b) On February 26, 2021, the Company granted stock options to certain directors, officers, and insiders of up to an aggregate 4,700,000 shares in the capital stock of the Company. The options are exercisable on or before February 25, 2026 at a price of \$0.30 per share. The Company also re-priced 1,873,333 stock options originally granted as to; 1,423,333 exercisable at \$0.71 till November 10, 2022, 400,000 exercisable at \$0.72 till April 16, 2023 and 50,000 exercisable at \$0.71 till April 23, 2023. These stock options have been repriced to \$0.30 per share and expiry dates remain unchanged. The grant and repricing of the above options are subject to the acceptance of the TSX Venture Exchange and in the case of repricing options held by insiders subject to disinterested shareholder approval.
- c) On March 22, 2021, a total of 1,266,667 stock options expired without being exercised.
- d) On March 30, 2021, the Company closed non-brokered private placement for gross proceeds of \$10.1 million. The Company issued 50,400,000 units (each, a “ Unit ”) of the Company at a price of \$0.20 per Unit for aggregate gross proceeds of \$10,080,000. Each Unit is comprised of one common share (a “ Common Share ”) and one-half of one common share purchase warrant (each whole such warrant, a “ Warrant ”). Each Warrant entitles the holder thereof to purchase one additional Common Share of the Company at a price of \$0.30 per Common Share within 24 months from March 29, 2021 (the “ Closing Date ”). All securities issued under the Private Placement are subject to a hold period expiring four months and one day after the Closing Date.

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- e) On April 15, 2021, the Company entered into a royalty silver stream agreement with Empress Royalty Corp. Under the terms of the stream agreement, Telson will deliver to Empress silver credits purchased from a bullion bank in an amount equivalent to 100% of the first 1,250,000 ounces of payable silver contained within produced lead and zinc concentrates; thereafter, the Stream percentage silver credit delivery will step down to 20% of the payable silver from produced lead and zinc concentrates. All streaming obligations will fully terminate after 10 years. Empress, to secure the stream will advance Telson an initial US\$2 million deposit and the remaining US\$3 million deposit will be advanced upon closing the Accendo Banco Medium Term Loan Facility.
- f) On April 21, 2021, the Company executed an agreement with Nyrstar to settle the US\$4 million variable purchase price obligation under the Campo Morado Agreement. As consideration it was also agreed that the obligation was settled with 14,600,000 common shares of Telson valued at \$0.345 per share.

14.- Proposed transaction

Please refer to debt restructuring under section 8 – Liquidity

15.- Critical accounting estimates

Refer to note 3 of the consolidated financial statements for a summary of accounting policies and significant accounting estimates.

16.- Financial Instruments

As at December 31, 2020, the Company's financial instruments consist of cash, marketable securities, amounts receivable, 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 December 31, 2020: 182,766,619

Number of common shares issued and outstanding as at April 30, 2021: 236,069,954

Stock options as at April 30, 2021:

Telson Mining Corporation

Management Discussion and Analysis

(Expressed in thousands of Canadian dollars, unless otherwise stated)

For the years ended December 31, 2020 and 2019

Expiry date	Outstanding			Exercisable
	Number of options	Exercise price	Remaining contractual life (years)	Number of options
November 11, 2022	2,413,333	\$ 0.71	1.54	2,413,333
April 16, 2023	400,000	\$ 0.77	1.97	400,000
April 23, 2023	50,000	\$ 0.72	1.99	50,000
August 6, 2025	100,000	\$ 0.20	4.28	66,000
	2,963,333			2,929,333

Share purchase warrants outstanding as at April 30, 2021:

Expiry date	Outstanding		Remaining contractual life (years)
	Granted	Exercise price	
February 4, 2022	9,729,221	0.25	1.1
May 27, 2022	1,163,615	0.25	1.4
July 9, 2022	6,998,073	0.15	1.5
April 16, 2023	12,000,000	0.17	2.8
March 29, 2023	25,200,000	0.30	3.3
June 30, 2024	15,000,000	0.09	3.5
	70,090,909	0.20	

18.- Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the years ended December 31, 2020 and 2019, and this accompanying MD&A (together, the "Annual Filings").

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