Management's Discussion and Analysis

For the Year Ended February 29, 2016

Overview

This Management's Discussion and Analysis (MD&A), dated June 28, 2016, of the financial position and results of operations of Telson Resources Inc. ("Telson") includes its wholly-owned subsidiaries; Samarkand de Mexico S.A. de C.V. ("Samarkand"), and Sierra Soleada S.A. de C.V. ("Sierra"); and its 99% owned subsidiary, Real de la Bufa S.A. de C.V. (formerly Sacramento de la Plata S.A. de C.V.) ("Real de la Bufa"), (collectively referred to as the "Company"). The MD&A should be read in conjunction with the consolidated financial statements for the year ended February 29, 2016. The condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Effective October 20, 2015, the Company consolidated its common share capital on a two to one basis. All share and per share amounts have been restated to reflect the 2:1 share consolidation, where applicable.

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

The Company is in the process of exploring its exploration and evaluation assets (or "mineral properties") and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development, and upon future profitable production.

The Company's certifying officers, based on their knowledge, having exercised reasonable due diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings. The Board of Directors approves the financial statements and the MD&A and ensures that management has discharged its financial responsibilities. The Board of Directors review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

All amounts are presented in Canadian dollars, which is the Company's functional currency.

Cautionary Notes – Forward-looking Statements

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

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

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

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

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

Summary of Operations

Telson's principal business activity is the acquisition and exploration of mineral resource properties. The Company, through its Mexican subsidiaries, has an interest in mineral exploration properties, the Tahuehueto Project, located in Durango State. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades on the TSX Venture Exchange under the symbol "TSN" and on the U.S.A OTC under the symbol "SOHFF". Additional information may be obtained from the Company's web site (www.telsonresources.com) and SEDAR (www.sedar.com).

At the Tahuehueto Project, Telson has identified at least 12 poly-metallic zones hosted within a structurally controlled epithermal system that has been traced for more than six kilometres. Telson has completed more than 49,000 metres of drilling in approximately 254 holes in past years.

At February 29, 2016, the Company had a working capital deficiency of $655,380. The current operations of the Company have primarily been funded by the issuance of capital stock, and loans from related parties. The Company's ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable operations in the future.

The Company signed agreements to settle debts in the amount of $693,500, including certain loans and advances, by the issuance of 13,870,000 post-consolidation common shares at a price of $0.05 per share.

During the year ended February 29, 2016, and in April 2016, the Company received cash in the amount of $3,484,080 pursuant to the completion of two private placement equity financings. These funds are for general and administrative expenses, and to fund the Tahuehueto mineral property.

The Company has completed an internal Scoping Study on the Tahuehueto Project. In June 2016 the Company engaged an independent geological consulting firm to prepare a NI43-101 compliant Preliminary Feasibility Study with the objective to developing the property to a point of mineral production.

Selected Annual Financial Information:

	2016	2015	2014
Loss for the year	$(951,004)	$(697,039)	$(1,382,818)
Loss per share	$(0.02)	$(0.01)	$(0.04)
Total assets	$992,124	$654,014	$701,820
Long-term debt	$100,319	-	$183,303

Fiscal 2016

In the 2016 fiscal year, the Company completed a $2.0 million equity private placement financing. The funds from this financing enabled the Company to significantly reduce its debts, while at the same time initiate new business and mineral exploration activities both of which has between curtailed for the past few years. As a result there was an increase in both the loss for the 2016 year end and the 2016 loss per share amounts, while at the same time an increase in total assets as the Company had over $255,000 in cash at the 2016 year end.

The most significant items that contributed to the increased loss for the 2016 fiscal year are:

- an increase of $189,015 mineral exploration expenses
- a $12,110 increase in office expenses due to a general increase in business activity.
- a $32,304 increase in personnel costs as the Company engaged new people in senior management positions.
- Regulatory and transfer agent fees increased by $24,688 due to several changes to the Company's capital structure requiring additional regulatory filings and transfer agent services.
- Travel expenses increase as management made several business trips between Canada and Mexico.
- While some other expenses increased, these increases were offset by reductions in several other expense categories.

Fiscal 2015

In the 2015 fiscal year the Company cut costs further wherever possible resulting in a $387,354, or 33%, overall reduction in administrative and exploration expenses.

The most significant items that contributed to the decreased loss for the 2015 fiscal year are:

- Salaries and benefits declined 39% due to the reduction in the number of employees and the reduced salary of the CEO. These savings were partially offset by increased fees charged by consultants who performed some duties previously done by employees.
- Professional fees decreased as both legal and accounting fees decreased with the general reduction in business activities.
- Rent decreased by 51% as the Company was able to sublet surplus office space earlier in the year, and then moved to less costly premises in the later part of the year.
- There were no property investigation charges in the 2015 fiscal year. And the Company was able to further reduce certain costs relating to the maintenance of its mineral properties.
- The Company received $85,934 of an account receivable that has been written-off several years ago; and did not incur any further write-down of exploration and evaluation assets. The Company also sold some surplus equipment for $18,134. These three items combined to reduce the 2015 loss by $320,891 compared to the previous year.

Long-term debt is the Company's estimated reclamation and remediation obligation in connection with environmental rehabilitation costs on the Tahuehueto property. In the 2015 fiscal year, this debt was classified as a current liability, but reclassified as long-term item in fiscal 2016.

Selected Quarterly Financial Information:

Fiscal year	2016				2015			
Fiscal quarter	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Period end date	**Feb 29/16**	**Nov 30/15**	**Aug 31/15**	**May 31/15**	**Feb 28/15**	**Nov 30/14**	**Aug 31/14**	**May 31/14**
Loss for the period	$(381,745)	$(350,179)	$(141,776)	$(77,304)	$(140,039)	$(126,590)	$(269,994)	$(160,415)
Loss per share	$(0.01)	$(0.01)	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.01)	$(0.00)
Total assets	$992,124	$1,321,853	$1,222,140	$654,248	$654,014	$656,944	$665,048	$713,434
Long-term debt	-	$ -	$ -	$ -	$ -	$179,799	$181,989	$185,055

The Q2 2015 loss increase is mainly a result of Mexican mineral property concession taxes of approximately $105,000.

After taking into account the Q2 2015 mineral property concession taxes, the Q3 2015 loss decreased, as a result of the Company moving to a new office, thereby saving on a several overhead costs such as rent, communications, and general office expenses. During the quarter the Company received $27,500 as a partial payment of an account receivable that was written-off several years ago.

The 2015 Q4 period loss increased over the previous Q3 period because of the Mexican mineral property concession taxes and higher foreign exchange charges, partially offset by $58,434 of an account receivable that has been written-off several years ago; and also sold some surplus equipment for $18,134.

The 2016 Q1 period loss decreased over the previous 2015 Q4 period largely because of the semi-annual mineral Mexican mineral property concession taxes charged in the 2015 Q4 period. There were no similar charges in the 2016 Q1 period. And management continued to cut costs wherever possible.

The 2016 Q2 period loss increased over the 2016 Q1 period as the level of business activity increased and exploration expenses relating to a scoping study on the Tahuehueto Project.

The Q3 2016 loss increased generally as a result of an overall increase in business activities. This includes increases in explorations costs primarily associated with the preparation of the Scoping Study, maintenance work on the mineral property, property taxes, and surface access rights. In connection with the corporate reorganization and the Company's AGM held in November 2015 there were increases in professional fees, regulatory fees, transfer agent fees, and travel.

The Q4 2016 loss increased as a result of increases in explorations costs, personnel costs, professional fees, and travel expenses. These increases were partially offset by lower office, loan interest and foreign exchange expenses. Overall, excluding exploration expenses, the Q4 2016 expenses increased 3% compared to the Q4 2015 period.

Results of Operations

Year ended February 29, 2016

The Company incurred $977,393 in exploration, general and administrative expenses during the year ended February 29, 2016. Generally, most fiscal 2016 expenses have increased over the comparative fiscal 2015 year, with the resumption of business and exploration activities. After the exclusion of amortization, exploration expenditures, foreign exchange, and a non-recurring business promotion expense recovery; total expenses decreased by $70,975 in 2016 compared to the 2015 fiscal year.

Exploration expenditures and evaluation expenses include all costs associated with the exploration and maintenance of the Company's mineral properties. These costs include wages, fuel, camp costs, mineral concession taxes, and associated administrative expenses. A detailed breakdown of these costs is provided in the notes to the February 29, 2016 financial statements. The Tahuehueto property fiscal 2016 exploration expenditures increased by $231,730, compared to the fiscal 2015 year. Although the Company had been trying to cut exploration costs wherever possible, during the 3rd quarter exploration expenditures increased with the new funds available from the private placement financing. These expenditures included $96,729 for a Scoping Study including data analysis and report preparation. The goal of this Study was to identify and evaluate a more targeted, but smaller scale, underground mining operation. The Company also spent $39,640 for subcontractors engaged in site road maintenance; and $267,951 for property taxes, and surface access rights. The Company also settled debt of $4,102 with exploration equipment with a net book value of $4,065.

The Company's Tahuehueto project is located in a remote area, a considerable distance from any commercial and business centres. To facilitate the exploration activities on the Tahuehueto property, the Company maintains an office and warehouse in Durango City, Durango, Mexico. This office oversees the administration of the exploration activities, including the procurement of services, supplies, and equipment from local vendors. As the office exists solely for the benefit of the exploration activities, the costs of maintaining and operating the office have been included with the Tahuehueto exploration costs. These office and administrative costs include personnel salaries, rent, communications, office supplies, and office equipment. The warehouse is primarily for the storage of diamond drill core sample materials extracted from the Tahuehueto property. The sample material, reject samples, and pulps are stored here after delivery from the preparation lab. The warehouse is also used to temporarily store supplies and equipment prior to being shipped to the Tahuehueto project.

Business promotion expenses normally include fees paid for advertising, development and production of promotional materials, registration fees for trade shows, and corporate communication services. However, due to limited cash resources, the Company has curtailed business promotion activities during the current year.

Communications expense includes the costs of Telson's news releases, office telephones, mobile phones, web site design and maintenance, web hosting and internet access services. These expenses are mostly consistent with the previous year, except for news releases. There were more news releases in the fiscal 2016 year, and this cost increased accordingly. The Company realized internet and telephone savings when it moved to new offices in Vancouver midway through its 2015 fiscal year. However, these cost savings were exceeded by increased costs associated with the web site resulting in an overall increased in the 2016 year compared to the 2015 year.

Professional fees include legal, accounting, and audit fees. Professional fees have decreased by 6% as there has been an overall lower volume of transactions and business activities compared to the fiscal 2015 year. And the Company over accrued audit fees during fiscal 2015, resulting in a one-time reduction in audit fees for the 2016 year. Some of these savings were offset by increased legal, regulatory, and transfer agent fees relating to the Company's AGM, share consolidation, changes of directors, and other reorganization matters.

Personnel costs increased 27% in the 2016 fiscal year compared to the previous year. This increase was due to two additional management personnel during the 4th quarter period of fiscal 2016. This relates to the changes in management concurrent with the completion the $2.0 million private placement financing. This increase was partially offset by the reduced salary of certain employees and employees began contributing to their health benefits plan. However, the Company incurred increased fees charged by consultants who performed some duties previously done by employees.

In September 2014 the Company moved to a new Vancouver office with a lower monthly rent than the first half of the year. The full benefit to the lower rent is reflected in the reduced rent expense in the 2016 fiscal year.

During November 2015 the Company settled three interest bearing loans in the total amount of $334,008 by cash payments and the issuance of shares. However the Company did not pay the accrued interest on the loans at that time. The lenders agreed to not charge the Company any further interest on the loans after the November settlement date. Accordingly, the loan interest expense decreased $8,858 in the 2016 fiscal year. In April 2016, the Company settled $67,380 of interest payable on one loan for a cash payment of $25,000, and the remaining $42,380 was forgiven by the lender. The interest payable on the other loan remains unpaid.

Travel expenses increased as management made business trips to Mexico for directors' meetings and to complete legal documentation regarding changes to the administration of the Company's affairs.

The $100,005 receivables at February 29, 2016 are refundable IVA and GST taxes (value added taxes) due to the Company from the governments of Mexico and Canada. GST refund claims are filed quarterly in Canada, while IVA refund claims are filed monthly in Mexico. The company has successfully received all the refunds claimed in both Canada and Mexico.

The Company grants stock options which can result in significant charges for share-based payments. These charges are usually allocated over four fiscal quarters, depending on vesting terms. However, there can still be significant quarterly variations in the number and value of options granted from one period to the next. There were no options granted in the 2015 and 2016 fiscal periods and accordingly no share-based payments charges recorded. During the 2016 fiscal year the Company cancelled all previously granted stock options resulting in a $588,352 accounting adjustment to share based payments reserve with an offset to deficit.

Except as may be otherwise indicated, all of the above noted transactions have received regulatory approvals, where required.

Three months ended February 29, 2016 (Q4)

The Company incurred $381,745 in exploration, general and administrative expenses during the Q4 period ended February 29, 2016. This is an increase of $183,271 over the comparative Q4 2015 period. The most significant changes in the Q4 period expenses include:

- Communication costs increased by $1,168 primarily due to changes to the Company's web site.
- Consulting fees increased by $2,200 compared to the 2015 Q4 period as a result of an increase in fees charged by a consultant.
- Exploration expenses increased by $179,008 compared to the 2015 Q4 period as the Company initiated its plans to proceed with the exploration and development of the Tahuehueto Project. These expenses include; road maintenance, data collection, additional personnel costs, and travel to the Tahuehueto site. The Company also paid property access fees pursuant to the Surface Rights Agreement with Comunidad La Bufa.
- Personnel charges increased by $54,135. The comparative 2015 amount was lower than normal due to certain year-end adjustments in the 2015 Q4 period. Otherwise the personnel costs increased by approximately $34,000 as the Company added two new administrative personnel to its Mexican operations.
- Professional fees increased by $23,412 generally as a result of the increased business activities, including the transfer of Mexican legal and accounting services from Durango to Mexico City during the Q4 period.
- Travel costs increased by $11,611 for business trips from Canada to Mexico. There was no travel in the comparative 2015 Q4 period.

Resource Properties and Investments

Tahuehueto Project, Mexico

Overview

Telson controls 100% of the Tahuehueto project situated in a historic mining district of northwestern Durango State. The 7,492 hectare property covers at least 12 known mineralized zones hosted within a structurally controlled epithermal system that has been traced for more than six kilometres.

Tahuehueto lies within the prolific Sierra Madre mineral belt, which hosts a series of historic and producing mines and most of Mexico's active exploration and development projects. The project is situated approximately 100 kilometres southwest of silver mines in the Guanacevi region, and about 25 kilometres north of the silver mines at Topia.

Access to the property is by road, about nine hours from Durango City, or by fixed-wing aircraft to a nearby landing strip. The project site is remote, with only a few small villages in this portion of the Municipality of Tepehuanes. Highway construction initiatives of Mexico's Durango State government provide Telson with the possibility of an alternative and much improved access route for the Tahuehueto project.

Ownership and Access Rights

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

Pursuant to share purchase agreements the Company owns, through its wholly-owned Mexican subsidiary Samarkand, 99% of Real de la Bufa, which holds a 100% interest in the Tahuehueto mineral property. Certain core concessions of the property, comprising approximately 1,535 hectares, are subject to a 1.6% net smelter returns royalty.

Pursuant to the share purchase agreements, the Company is obligated to make a final payment of US$200,000 to the remaining two vendors of the Real de la Bufa shares.

Based upon regional reconnaissance work in and around Tahuehueto, Telson staked additional concessions covering approximately 5,429 hectares to encompass most of the prospective ground in the Tahuehueto district. This staking brings Telson's total Tahuehueto project area to 7,492 hectares.

In May 2006, the Company entered into a Surface Rights Agreement with Comunidad La Bufa, the local community residents' formal legal entity. The Surface Rights Agreement had an initial term of ten years expiring in May 2016, and is extendable for an additional five years. The agreement covers the core 2,062 original hectares of the project and allows the Company unrestricted access to explore, develop and mine metals within the area covered under the agreement. Real de la Bufa made annual payments to Comunidad La Bufa over the term of the agreement, at US$20,000 in the first year with subsequent payments increasing from the previous year's payment by 5% annually. In May 2016, the Company negotiated a new 30 year land use agreement with the Comunidad La Bufa. Under this 2016 agreement, the Company will make an initial payment of US$46,540 to Comunidad La Bufa, with subsequent annual payments increasing from the previous year's payment by 5% annually.

Exploration Highlights

NI 43-101 Preliminary Economic Assessment

In 2010 Telson announced the results of a Preliminary Economic Assessment ("PEA") prepared by Snowden Mining Consultants for its Tahuehueto Project. The PEA was prepared by Snowden in accordance with the requirements of Canadian National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). Highlights of the PEA report are as follows:

Summary of PEA Estimates:	
Net cash flow	US$ 184.2 million
Net Present Value (NPV) 5% Discount Rate	US$ 109.6 million
Internal Rate of Return (IRR)	31%
Payback period	27 months
Mine life	11 years
Maximum processing rate per annum	1,000,000 tonnes
Capital & startup costs	US$ 89.1 million

Metal Selling Prices:		
Gold	US$965.81/oz	London PM fix price (Centennial Precious Metals, Inc. 2010)
Silver	US$15.38/oz	London fix price (Silver Institute, 2010)
Copper	US$2.92/lb	LME grade A cathode spot price, CIF European ports (IMF, 2010)
Lead	US$0.95/lb	LME 99.97% pure spot price, CIF European ports (IMF, 2010)
Zinc	US$0.88/lb	LME high grade 98% pure spot price, CIF UK ports (IMF, 2010)

Cautionary Note: Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PEA is preliminary in nature, and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the results contemplated by the PEA will be realized.

The Qualified Person who has reviewed and approved the above PEA technical disclosure in this MD&A is Ralph Shearing, P. Geol, who is the Company's president and a director.

NI 43-101 Resource Calculation

In 2009 the Company released the results of the updated NI 43-101 compliant mineral resource estimate. This 2009 resource estimation was prepared by Scott E. Wilson Consulting, Inc. ("Wilson Consulting") based in Englewood, Colorado. This 2009 resource estimate is an upgrade to the Company's 2008 initial resource and is based upon detailed geological modeling of veins and stock-work zones that was not available for the initial resource estimate, plus 71 new drill holes targeting down-dip and along strike extensions of known mineralization.

2009 Tahuehueto Resource Calculation Highlights

Measured and Indicated Resources
7,377,000 Tonnes

- 2.10 g. Au/t 498,000 ounces Au
- 34.97 g. Ag/t 8,294,000 ounces Ag
- 0.28% Cu 45,339,000 lbs. Cu
- 1.06% Pb 172,738,000 lbs. Pb
- 2.01% Zn 326,653,000 lbs. Zn

Inferred Resource
4,868,000 Tonnes

- 1.06 g. Au/t 166,000 ounces Au
- 31.77 g. Ag/t 4,971,000 ounces Ag
- 0.23% Cu 24,935,000 lbs. Cu
- 1.13% Pb 132,417,000 lbs. Pb
- 2.26% Zn 242,241,000 lbs. Zn

The Tahuehueto resource estimate is categorized into Measured, Indicated and Inferred Resources as follows:

			Gold (Au)		Silver (Ag)		Copper (Cu)		Lead (Pb)		Zinc (Zn)	
Category		**Tonnes (,000's)**	**g/t**	**Oz. (,000's)**	**g/t**	**Oz. (,000's)**	**Cu%**	**Lbs. (,000's)**	**Pb%**	**Lbs. (,000's)**	**Zn%**	**Lbs. (,000's)**
Measured	26%	3,254	2.40	251	36.30	3,798	0.28	20,439	1.10	79,228	2.07	148,759
Indicated	34%	4,123	1.87	248	33.92	4,496	0.27	24,900	1.03	93,511	1.96	177,894
Total M&I	60%	7,377	2.10	498	34.97	8,294	0.28	45,339	1.06	172,738	2.01	326,653
Inferred	40%	4,868	1.06	166	31.77	4,971	0.23	24,935	1.23	132,417	2.26	242,241

The cutoff grades used to determine the above mineral resources were 2 grams per ton AuEQ for sulfide mineralization and 3 grams per ton AuEQ for oxide mineralization since the potential costs to extract oxide material may be higher than the cost to process sulfide mineralization. Approximately 10% of the resource is oxide mineralization and therefore only a minor part of the resource.

The metal prices used to determine the gold equivalent grade for cutoff purposes only were $800 per ounce for gold, $12.00 per ounce for Silver, $2.10 per pound for copper, $0.65 per pound for lead and $0.70 per pound for zinc. Gold-equivalent grades are used for cutoff purposes only.

> **Cautionary Note:** Mineral resources that are not mineral reserves do not have demonstrated economic viability. The inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that economically viable mineral production will be realized. Converting resource estimates into economic reserves may be materially affected by the inability to obtain required environmental and other regulatory approval, environmental or operating permits and may also be materially affected by global economic conditions such as the price of gold, silver, copper, lead, zinc, the price of oil and other commodities utilized in the mine production. Unknown geologic or hydrologic conditions or other unknown factors may also materially affect converting resource estimates into reserves.

The Qualified Person who has reviewed and approved the above NI 43-101 Resource Calculation technical disclosure in this MD&A is Ralph Shearing, P. Geol, who is the Company's president and a director.

Exploration Activities

Telson's exploration programs have significantly enhanced the overall potential of the Tahuehueto property. To date Telson has completed more than a cumulative total of 49,000 metres of drilling in approximately 254 drill holes at Tahuehueto to define priority zones occurring within a district-scale epithermal system traced for at least six kilometres at Tahuehueto. The bulk of 2007/2008 drilling was focused on resource definition within five priority zones.

Please refer to the Company's web site at www.telsonresources.com for the full details of the Snowden PEA, the 2009 resource estimate report, and the Knight Piésold report.

In August 2015, the Company initiated an internal Scoping Study on the Tahuehueto property. The goal of this Study was to identify and evaluate a more targeted, but smaller scale, underground mining operation. The results of the Study have been evaluated by management in early 2016. Management has decided to proceed with further exploration and development of the Tahuehueto Project with the goal to start mining operations in 2017. In June 2016 the Company engaged an independent geological consulting firm to prepare a NI43-101 compliant Preliminary Feasibility Study with the objective to developing the property to a point of mineral production.

Environment and Community

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

As the Tahuehueto project advances from exploration and development to the pre-feasibility stage, environmental baseline studies will lay the foundation for more detailed programs examining all aspects of potential mine development to ensure the highest standards of environmental protection. The Company will continue to comply with all regulations and closely monitor its activities to minimize damage to the ecosystem.

Telson participates in a range of social initiatives in support of local communities, and has already helped to establish a local school and improve electrical, water supply and sanitation facilities. Telson established a medical clinic on the project site which services the crew and is available to the local populace. Local hiring and procurement policies have been adopted to ensure that benefits flow to the communities and region surrounding the project.

Jocuixtita Property, Mexico

During the year ended February 28, 2010 the Company acquired mineral properties by staking and entered into two option agreements to explore and acquire a 100% interest in mineral properties located in Jocuixtita, Sinaloa, Mexico. In July 2013 the Company decided to terminate the Jocuixtita option agreements. During the 2016 fiscal year, the Company transferred title of the remaining mineral properties staked by its subsidiary Samarkand to one of the optionors.

Other

The Company will continue attempts to identify and acquire additional high quality exploration projects that will allow continued corporate growth. This search is primarily being conducted in Mexico but the Company would not rule out acquisitions in other jurisdictions depending upon the quality of a potential acquisition opportunity.

<u>Corporate, General, and Administrative</u>

Directors and Officers

At the Company's Annual General Meeting (the "AGM") held on November 20, 2015, shareholders elected the following individuals as directors of the Company:

Ralph Shearing
Yao Sun
José Antonio Berlanga Balderas
Enrique Margalef Vergara
Arturo Bonillas

At a subsequent directors meeting, the following director and officer appointments were made:

Audit Committee – Yao Sun, Arturo Bonillas, and Enrique Margalef Vergara
Human Resources & Compensation Committee – José Antonio Berlanga Balderas, Arturo Bonillas. and Yao Sun
Chief Executive Officer – José Antonio Berlanga Balderas
Chief Financial Officer – Donald Crossley
President, Secretary – Ralph Shearing
Vice President, Corporate Development – Enrique Margalef Vergara

Effective May 19, 2016, Mr. Omar Garcia Abrego replaced Mr. Crossley as Chief Financial Officer.

<u>Financing Activities</u>

During the fiscal year ended February 29, 2016, the Company completed a non-brokered private placement of 40,000,000 post-consolidation units of the Company. Each unit was priced at $0.05 per unit for total gross proceeds of $2,000,000. Each unit was comprised of one common share of the Company and one half of a transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.05 within two years of its date of issuance.

In connection with this private placement, the Company paid a finder's fee of $60,000 and issued 1,800,000 post-consolidation common shares valued at $90,000.

The Company signed agreements to settle debts in the amount of $693,500, including certain loans and advances, by the issuance of 13,870,000 post-consolidation common shares at a price of $0.05 per share.

In April 2016, the Company completed a non-brokered private placement of 12,367,333 units of the Company. Each unit is priced at $0.12 per unit for total gross proceeds of $1,484,080. Each unit is comprised of one common share of the Company and one half of a transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.12 within two years of its date of issuance

Share Capital, Warrants, and Stock Options

Share Capital

At June 28, 2016, there have been the following changes in the issued share capital from the information provided in the February 29, 2016 financial statements:

	Number of Shares	Share Amount
Balance as at February 29, 2016	80,518,245	$ 47,383,301
Common shares issued:		
Private placement – share units	12,367,333	1,484,080
Balance as at June 28, 2016	92,885,578	$ 48,867,381

Warrants

At June 28, 2016, there have been the following changes in the warrants outstanding from the information provided in the February 29, 2016 financial statements:

	Number of Warrants	Weighted Average Exercise Price
Balance as at February 29, 2016	20,000,000	$ 0.05
Private placement - share units	6,183,667	$ 0.12
Balance as at June 28, 2016	26,183,667	$ 0.07

Stock Option Plan

A 2015 Stock Option Plan (the "Plan") was approved by the shareholders on November 20, 2015, at the Company's annual general meeting. Under the Plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of not less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

No stock options were granted during the year ended February 29, 2016, and 498,838 options previously issued as share-based payments with a fair value of $588,352 were cancelled or expired without being exercised. As the outstanding options all had an exercise prices that were well in excess of the underlying common share market value, the Company received agreement from the optionees to cancel all the options effective May 31, 2015.

On March 21, 2016 the Company granted 6,950,000 stock options at an exercise price of $0.13 per share, expiring on March 21, 2021 to directors, officers, employees, and consultants of the Company.

Liquidity

At February 29, 2016, the Company had a working capital deficiency of $655,380.

During the year ended February 29, 2016, and in April 2016, as mentioned above, the Company received cash in the amount of $3,484,080 pursuant to the completion of two private placement equity financings.

These funds are for general and administrative expenses, and to fund exploration work and maintenance of the Tahuehueto mineral properties.

This financing will provide funds both for the Company to continue its exploration activities and for general working capital purposes. However the Company's ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable operations in the near future. Due to financial market conditions affecting the junior resource public company markets, the Company may not be able to secure additional financing.

Investor Relations

The Company does not have any investor relations agreements. All investor relations activities are currently handled by employees of the Company.

Related Party Transactions

The Company had the following transactions with related parties.

The Company's related parties consist of individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company. Related parties who had transactions with the Company during fiscal years 2015 and 2016 are as follows:

Name	Nature of transaction
José Antonio Berlanga Balderas, CEO, Director	Salary
Enrique Margalef Vergara, VP, Director	Salary
Reyna Minas S.A. de C.V[1]	Geological services
Ralph Shearing, President, Director	Salary, cash advances
Yao Sun, Director	Cash advances
Donald Crossley, former CFO	Professional fees
John Lynch, former Director	Interest on loans
Lianxi Zhang, former Director	Interest on loans, cash advances

(1) A company in which José Antonio Berlanga Balderas is an officer and director.

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors, and to companies related to these individuals.

	February 29, 2016	February 28, 2015
Exploration and evaluation expenditures	$ 70,061	$ -
Interest on loans	32,389	41,247
Personnel	106,000	72,000
Professional fees	57,875	54,000
	$ 266,325	$ 167,247

Trade and other payables includes $265,317 (February 28, 2015 - $307,739) owed to related parties.

The Company has received cash advances, net of repayments, from directors as follows:

	Advances
Balance, February 28, 2014	$ 192,500
Advances	317,500
Share subscriptions reclassified to advances	20,000
Repayments	(2,500)
Balance, February 28, 2015	527,500
Repayments	(493,500)
Balance, February 29, 2016	$ 34,000

Subsequent to the year ended February 29, 2016, the Company repaid the $34,000 advance owed to a director.

These cash advances are unsecured, non interest-bearing and have no fixed terms of repayment.

The Company had balances owing of $334,008 for three loans from two former directors of the Company (see financial statement Note 8). During the year ended February 29, 2016, the Company made payments of US$100,000 (Cdn$134,008) to repay one of the former director's loans. The other two loans from another former director totaling $200,000 were settled by the issuance of 4,000,000 at $0.05 per share. At year ended February 29, 2016 there was $164,550 of interest payable with respect to these loans. During April 2016, the Company settled accrued loan interest payable in the amount of $67,380 owed to a former director of the Company by a cash payment of $25,000. The remaining interest payable in the amount $42,380 was forgiven by the former director.

The Company was charged $70,061 by Reyna Minas S.A. de C.V, a company related to José Antonio Berlanga Balderas, an officer of the Company. These charges were for services provided in connection with the preparation of a Scoping Study of the Tahuehueto Project and ongoing technical geological services.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

Risk Factors and Uncertainties

The Company's ability to generate revenue and profit from its natural resource properties, or any other resource property it may acquire, is dependent upon a number of factors, including, without limitation, the following:

Precious and Base Metal Price Fluctuations

The Company's ability to finance its mineral property acquisition, exploration and eventual development is dependent upon the market price of certain precious and base metals. The price of such metals has fluctuated widely and is affected by numerous economic and political factors, consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and productivity, metal substitutes and stock levels. These fluctuations may result in the Company not receiving an adequate return on invested capital or the investment retaining its value.

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries liability insurance; however any liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

Exploration and Development

There is no known body of commercial ore on the Company's mineral properties. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few exploration properties are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any commercially viable discoveries.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery
There is a degree of uncertainty attributable to the calculation of reserves and mineralization and corresponding grades being mined or dedicated to future production. In addition, there can be no assurance that precious or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Government Regulation
Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production; price controls; tax increases; maintenance of claims; tenure; and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Environmental Factors
All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving and requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Climate Change
The Company’s current business and exploration activities are not a significant contributor to the greenhouse gases that are commonly believed to be responsible for climate change and a source of adverse weather patterns. The Company does not currently believe climate change will have a significant impact on its future operations. However there is no assurance that future changes in the environment resulting from climate change will not adversely affect the Company's operations.

Title to Assets
Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt.

The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Changes in Accounting Policies

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective March 1, 2015:

- IFRS 7 – *Financial Instruments – Disclosure*

  Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The adoption of the above standards did not have an impact on the financial statements.

New standards, interpretations and amendments not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Effective for annual periods beginning on or after January 1, 2017:

IAS 12, *Income Taxes*

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

Financial Instruments

Financial instrument risk exposure and risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, trade and other payables, advances, and loans approximate their fair value because of the short-term nature of these instruments.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is nominally exposed to interest rate risk. The Company's bank account earns interest income at variable rates.

Foreign currency risk

The Company is exposed to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars. The Company operates in foreign jurisdictions which use both the United States Dollar ("US$") and the Mexican Peso ("MXN$"). The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations. The effect of a 1% change in foreign exchange rates would be approximately $7,100.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital Risk Management

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value.

There have been no changes to the Company's approach to capital management during the year ended February 29, 2016. The Company is not subject to externally imposed capital requirements.