THE MAGAZINE WITH INSIGHT
BUSINESSFOCUS

TELSON MINING CORPORATION
FROM AU TO ZN

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WE LEARN HOW THE TELSON MINING CORPORATION IS EXTRACTING THE BEST VALUE IT CAN FROM ITS TWO KEY PROJECT SITES IN MEXICO.

FROM Au TO Zn

PROJECT MANAGED BY: TIM GARWOOD

Telson Mining is a junior mining company operating in Mexico listed on the TSX Venture exchange. Primarily its operations centre around two key projects in Mexico. The first of these is the Campo Morado project, which is in commercial production and boasts a position as the sixth largest zinc producer in Mexico. Telson's second project is Tahuehueto, a very high-grade gold mine currently 60% through its construction phase. After a brief hiatus, work on this project has just resumed following the acquisition of new funding.

Ralph Shearing, CEO of Telson Mining.

Each of these projects is at different stages and bring with them their own opportunities and challenges.

IN PRODUCTION AT CAMPO MORADO

With Campo Morado, the challenge is to extract as much value as possible from the operational mine site.

"Although Campo Morado is a zinc mine at the moment, we have considered a number of ways to increase our revenue for that project," explains Ralph Shearing, CEO of Telson Mining. "For instance, we have the ability to expand the flotation circuit. Construction on that was 80% complete when the mine's previous owners shut it down. So, when we purchased the mine, we acquired that equipment and we can put that additional circuit into production increasing our production by a third. It will require an updated engineering cost estimate and we believe the required capital to complete construction on this expansion will not be large as 80% of the expansion is complete and the vast majority of equipment already on site."

Other revenue streams for Campo Morado may be available through increasing »

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recoveries of both base metals and precious metals. Telson is embarking on several metallurgical testing work streams, the first of which will bring an Imhoflot Flotation pilot testing plant to Campo Morado. The Imhoflot technology along with Leachox Process are patented technologies developed by Maelgwyn Mineral Services. Maelgwyn has developed proven technology that successfully reclaims refractory gold and silver and increases base metal recoveries at the microfine grind of ores.

"Maelgwyn performed testing on Campo Morado ore when it was owned by a previous operator and achieved a large increase in precious metal recoveries with their Laechox Process," Shearing points out.

It's a solution that is particularly welcome given the complexity of Campo Morado's resource.

"Campo Morado ore bodies were formed on the ancient seafloor millions of years ago, creating large pods of volcanogenic massive sulfide ("VMS") mineralisation with very fine mineral grain size where gold and silver were encapsulated within the mineral grains. This phenomenon is generally referred to as producing refractory ores," Shearing tells us. "Currently, the orebody we are mining gives us 15% recoveries of gold and 30 to 40% recoveries of silver. Previous first pass Leachox testing in 2015 returned excellent results demonstrating that gold recoveries up to 60% and silver recoveries up to 80% are attainable using this technology. Campo Morado's global measured and indicated resources of 16.6 million tonnes contain significant gold at 1.7 g/t and silver at 123g/t. This is a high-grade precious metal VMS deposit, so we're going to take this testing through to completion and if successful results are achieved, we will have a pathway to opening a very large new potential revenue stream."

While precious metals are an interesting source of potential revenue, Telson's primary focus at this point in time remains on base metals, and the company is also working to increase its recoveries of those at Campo Morado.

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"This pilot plant will potentially show a pathway to increase base metal recovery (copper-zinc and lead) with micro-fine grinding of ore using Imhoflot Flotation Technology which obtains much better recoveries with micro-fine grinding," Shearing says. "If we can increase either, or both base metal and precious recoveries we will obtain much higher revenues. Positive first phase Leachox testing already achieved presents the pathway forward for a high probability of success."

Overall, Campo Morado is already providing significant success. The mine recently achieved a steady-state production of 2,100 tons per day. The site is producing regularly every month, providing Telson with decent monthly cash flow.

"We have considerable debt on that asset, but we're starting to pay this off," Shearing acknowledges. "We believe that if Campo Morado performs throughout the rest of 2021 as it has during the past two quarters, we should have the mine back in the black towards the end of this year."

One source of support that has been invaluable to Telson is the support of its main funder, Accendo Banco S.A de C.V, one of Mexico's foremost mining banks.

"They're very much behind us, recognising Telson's Tahuehueto Gold Project as a premier near-term gold producer and have become large shareholders in our company," Shearing acknowledges. "They helped fund a large portion of our $10 million private placement closed at the end of March 2021. They've put a lot of capital behind us and also brought in Endeavour Financial, a high profile and widely recognized UK mining investment group to also invest in support Telson."

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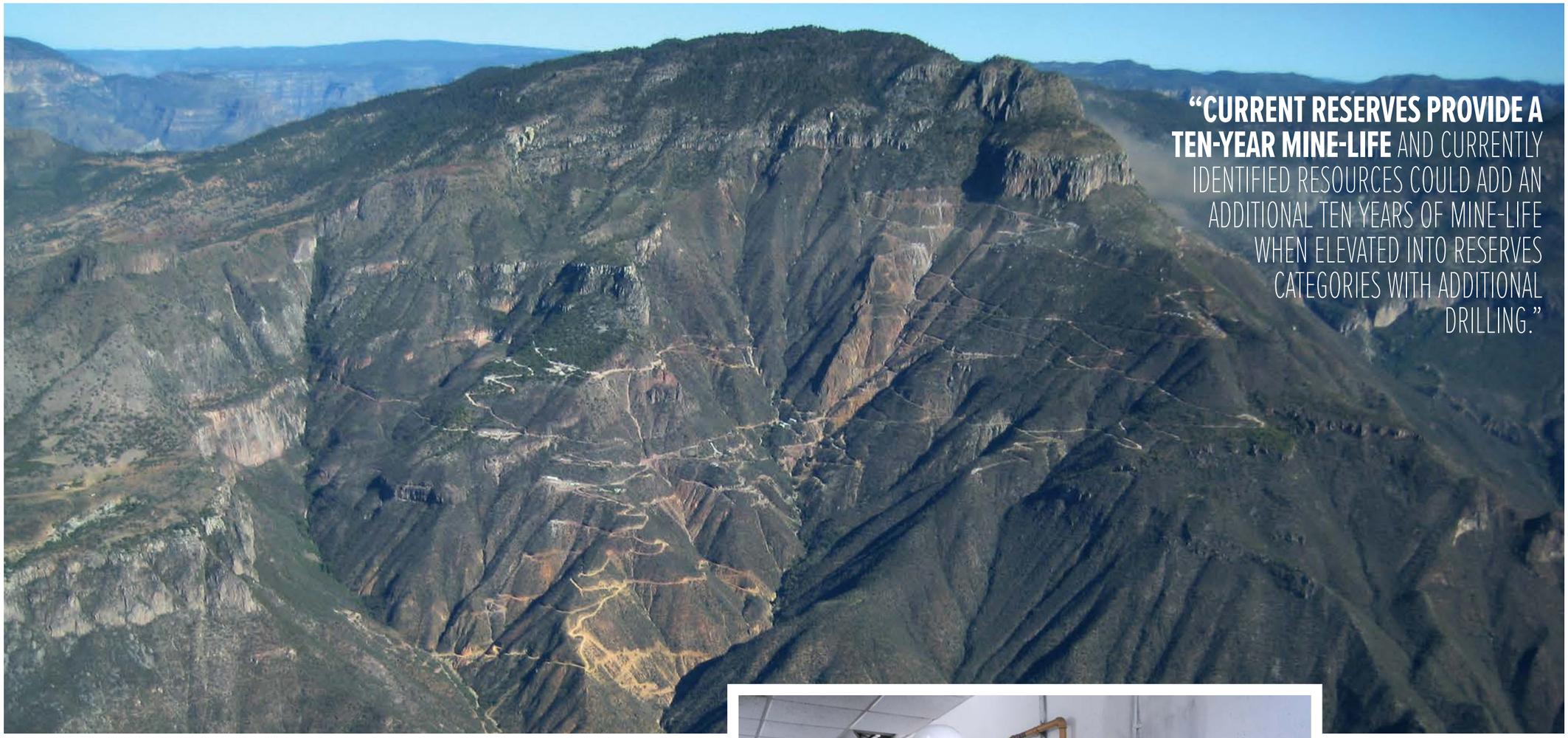
THE EXPLORATORY PHASE

While Campo Morado shows what Telson Mining can do when production is in full swing, Tahuehueto is a great example of how they carry out their initial exploratory evaluative work leading to a production decision.

The Tahuehueto Project is made up of 28 mining concessions occupying approximately 7,492 hectares which cover approximately 80% of the mineral district known as Tahuehueto. Telson has been exploring Tahuehueto for some time, and although they have developed a robust reserve and resource allowing them to initiate construction of a 1000 tonne per day underground mining operation, there is still plenty of resources yet to be discovered.

"Although our current reserves and resources have been identified mainly along one principle through-going structure there are at least eight more known mineralized structures that are yet unexplored with drilling. Along the principal structure that we have explored with drilling, which contains over 90% of our current reserves and resources, we've not found the limit of the ore bodies to depth or along strike to the north and south. All of these vein structures occur within a structural corridor that I believe is over 7.5 km long and at least 3 km wide," Shearing explains. "Current reserves provide a ten-year mine-life and currently identified resources could add an additional ten years of mine-life when elevated into reserves categories with additional drilling. Our 100% owned Tahuehueto Project has fantastic exploration potential and we are very confident we can continue to bring in new resources and reserves with exploration drilling to potentially double or triple the size of mine we're currently building."



"CURRENT RESERVES PROVIDE A TEN-YEAR MINE-LIFE AND CURRENTLY IDENTIFIED RESOURCES COULD ADD AN ADDITIONAL TEN YEARS OF MINE-LIFE WHEN ELEVATED INTO RESERVES CATEGORIES WITH ADDITIONAL DRILLING."

As well as delving for valuable resources beneath these sites, Telson is also seeking out talent near their projects.

"Our policy is to hire as much as possible from local communities. We have a good training programme in place to help unskilled workers become skilled in the various aspects of mining, so that's a very strong focus of the company to improve the economic conditions of local people,"

Shearing points out. "In Tahuehueto, the Company constructed for the community the first school and medical clinic in this remote area. It also contributed to improving infrastructure, such as roads, electricity, water supply and filtration systems, and sanitation improvements."

Telson is also actively working towards the implementation of a green energy strategy. At Tahuehueto we will be generating power with natural gas instead of diesel to minimize carbon emissions and at both Campo Morado and Tahuehueto, management is actively analysing different proposals for the potential installation of solar power to generate electricity to both reduce long term power costs and reduce the Company's carbon footprint.

As Tahuehueto gets closer to production, Shearing expects that investment to grow, as will Telson itself.

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