

# Telson Mining Corporation Declares Commercial Production at its Campo Morado Mine as of May 15, 2018

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## And Generates US\$7.7M Cash Flow in Final Month and a Half (April 1 to May 15, 2018) of pre-production

[Telson Mining Corp.](#) (‘Telson’ or the ‘Company’) (TSX Venture & TSN.V) (OTCBB: SOHFF) (Frankfurt: TSGN (formerly SQ82)) is extremely pleased to announce the start of commercial production at its 100% owned Campo Morado Mine ("Campo Morado" or the "Project") located in Guerrero State, Mexico, with over 60 days of operational steady state production at 75% of management’s targeted mill capacity of 2,500 tonnes per day, achieving zinc recoveries and concentrate grades within management’s expectations.

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José Antonio Berlanga, Director and CEO, states: "Achieving commercial production at Campo Morado is a major milestone for Telson. When we commenced pre-production activities in October 2017, we provided guidance that we expected to declare commercial production in Q3, 2018. To do so mid Q2, a full 3 months ahead of schedule, is a testament to the tremendous skill and expertise of our mining team and the hard work of our employees. We would like to thank all the stakeholders, especially the local communities that have supported us during this restart. We have successfully implemented a new bulk mining method at Campo Morado (sub level caving rather than room and pillar mining) and in April 2018 we transitioned from processing development mineralized material to mining mineralized material within one area of the El Largo Zone. As a result, our grades, recoveries and cash flows improved dramatically from Q1. We generated approximately US\$7.7M in cash flow during the three months of Q1, and increased to US\$5.2M in April alone, which based on costs of approximately US\$3.5M resulted in net cash flow for the month of US\$1.7M. For the first time in Telson’s history we will now start booking revenues. Our goal at Campo Morado is to increase throughput at the mill to 2,500 tonnes per day by Q3/Q4. We are also investigating new technologies to improve precious metals recoveries."

### Campo Morado Production Milestones

- Mill processed 112,480.9 Tonnes of mineralized material during the past 60 operational days at an average daily rate of 1,875 tonnes per day.
- Average Zinc recoveries of approximately 73% obtained during the past 60 operational days.
- Zinc concentrate average grade of approximately 44% zinc, 404 g silver/tonne and 1.42g gold/ tonne achieved during the past 60 operational days.
- Bulk underground mining methods underway after extensive development phase to allow production rate increase towards planned 2,500 tonnes per day.

- Highlights of pre-production since reporting on 1<sup>st</sup> quarter ending March 31st, 2018 (see News Release dated April 18, 2018) to start of commercial production May 15, 2018 (45-day period) as follows:
  - 84,588.8 tonnes processed through milling facility at an average daily rate of 1,900 tonnes/day.
  - Produced 6,708.8 tonnes of zinc concentrate with average grades for April (4,635.5 tonnes) of 43.82% Zn, 2.95% Pb, 373 g/t Ag, 1.31 g/t Au and for first 15 days of May (2,073.3 tonnes) 44.93% Zn, 2.48% Pb, 444 g/t Ag, 1.42 g/t Au.
  - Produced 1065.8 tonnes of lead concentrate with average grades for April (633.4 tonnes) of 37.22% Pb, 9.12% Zn, 859 g/t Ag, 7.51 g/t Au and for first 15 days of May (432.4 tonnes) 27.7% Pb, 9.33% Zn, 713 g/t Ag, 6.17 g/t Au.
  - Recoveries of approximately 73% zinc, 31% lead, 31% silver and 20% gold.
  - Delivered 5,631 tonnes of zinc concentrate and 1027 tonnes of lead concentrate to buyer.
  - Concentrate pre-production April 1 &ndash; May 15, 2018, management&rsquo;s estimated 100% concentrate sale value for 45 days ending May 15, 2018 (start of commercial production) &ndash; US \$7.7 million.
    - April 1 &ndash; 30<sup>th</sup> &ndash; US \$5.2 million
    - May 1 &ndash; 15<sup>th</sup> &ndash; US \$2.5 million

Note: Shipped concentrates are paid at 90% estimated metal content less deductions upon delivery to Trafigura warehouse in Manzanillo. The estimated 100% cash selling price is subject to minor changes once final assaying results are agreed to by the Company and Trafigura at which time the final approximate 10% is paid.

Cautionary note on non-IFRS (international financial reporting standards) performance measures related to cash sales of concentrates and direct site operation costs as outlined above.

Readers should be cautioned that cash sales should not be equated with revenues. Any proceeds from the sale of concentrates during preproduction are considered under IFRS to be applied as an offset to development costs and not counted as revenues on Telson&rsquo;s income statement. As Telson has now declared commercial production at Campo Morado, proceeds from concentrate sales from May 15, 2018 forward will be reflected as revenues on its income statement. Telson is not, during the pre-production stage, able to disclose the costs/expenses associated with generating such cash sales or provide guidance on profitability (if any), however, Telson intends to commence reporting on a quarterly basis commencing Q2 2018, now that it has declared commercial production at Campo Morado.

This news release refers to total direct site costs, which are non-IFRS performance measures. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable with other issuers.

Direct site costs - Telson is reporting direct site costs on per tonne of mineral processed. Sale proceeds reported are from preproduction during the mine&rsquo;s commissioning period. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management also uses this metric as an important tool to monitor operating performance. Direct site costs are calculated using costs such as costs incurred in mining, processing and site administration divided by total tonnages processed. Costs are exclusive of depreciation and other non-cash items. Other companies may calculate this measure differently.

#### About Telson Mining Corporation

[Telson Mining Corp.](#) is a Canadian based mining company with two Mexican gold, silver and base metal mining projects.

Telson is currently in production at its 100% owned Campo Morado Mine in Guerrero, Mexico. Telson acquired Campo Morado in June 2017, re-commenced mining and processing operations in October 2017 with pre-production from mine development on a trial basis that commenced at an average 1,400 tonnes per day and has just declared commercial production based on operating for 60 consecutive days at 75% of the Campo Morado mill&rsquo;s nameplate capacity of 2,500 tonnes per day.

Telson's Tahuehueto Project, located in north-western Durango State, Mexico is currently in pre-production at approximately 100 tonnes per day utilizing a toll mill for processing, and has entered a construction phase with a timeline to be producing on site in its own mineral processing plant capable of milling at least 1,000 tonnes per day in Q1, 2019. Regular metal concentrate delivery and sales are underway from both projects.

Visit: [www.telsonmining.com](http://www.telsonmining.com)

On behalf of the board of directors

(signed) "Ralph Shearing"

Ralph Shearing, P.Geol, President and Director

#### Qualified Persons

This press release was prepared under the supervision and review of Ralph Shearing, P.Geol., President and Director of Telson Resources Inc., a Professional Geologist registered in Alberta as a member of the professional association APEGA, and a Qualified Person as defined by NI 43-101. Data verification by Mr. Shearing includes personal inspection of the Campo Morado mine site, reviewing mining facilities, drill core, underground development and discussing work programs and results with geology and mining personnel.

#### Cautionary Note Regarding Production Decisions and Forward-Looking Statements

It should be noted that Telson has declared commercial production at Campo Morado prior to completing a feasibility study of mineral reserves demonstrating economic and technical viability. Accordingly, readers should be cautioned that Telson's production decision has been made without a comprehensive feasibility study of established reserves such that there is greater risk and uncertainty as to future economic results from the Campo Morado mine and a higher technical risk of failure than would be the case if a feasibility study was completed and relied upon to make a production decision. Telson has completed a preliminary economic assessment ("PEA") mining study on the Campo Morado mine that provides a conceptual life of mine plan and a preliminary economic analysis based on the previously identified mineral resources (see News Release dated November 8, 2017 and April 4, 2018). This will soon be replaced by a pre-feasibility study ("PFS") that will allow the application of modifying factors to the mineral resources to allow a portion of them to be converted to mineral reserves.

Statements contained in this news release that are not historical facts are "forward-looking information" or "forward-looking statements" (collectively, "Forward-Looking Information") within the meaning of applicable Canadian securities laws. Forward Looking Information includes, but is not limited to, disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action; the timing and costs of future activities on the Company's properties, such as production rates and increases; success of exploration, development and bulk sample processing activities and timing for processing at its own mineral processing facility on the Tahuehueto project site. In certain cases, Forward-Looking Information can be identified by the use of words and phrases such as "plans", "expects", "scheduled", "estimates", "forecasts", "intends", "anticipates" or variations of such words and phrases. In preparing the Forward-Looking Information in this news release, the Company has applied several material assumptions, including, but not limited to, that the current exploration, development, environmental and other objectives concerning the Campo Morado Mine and the Tahuehueto Project can be achieved, the continuity of the price of gold, zinc, lead and other metals, economic and political conditions and operations. Forward-Looking Information involves 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 Information. There can be no assurance that Forward-Looking Information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on Forward-Looking Information. Except as required by law, the Company does not assume any obligation to release publicly any revisions to Forward-Looking Information contained in this news release to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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