

Fourth quarter 2019 results

Mexico City, February 26th, 2020, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the fourth quarter 2019.

MINERA FRISCO is a company dedicated to the exploration and exploitation of mining lots to produce gold, silver, copper, lead and zinc. The Company has eight mining units in Mexico: El Coronel, San Felipe, Maria, San Francisco del Oro, Tayahua, Asientos, Ocampo and Concheño. Minera Frisco works on exploration for the purpose of developing new projects. Through its own resources, the company uses cutting-edge technology for the localization and processing of minerals. The company develops sustainable initiatives focused on minimizing the generation of waste and optimizing water and energy consumption, while compensating for adverse environmental impacts, as well as social activities in order to improve the community environment, capacitation, health and education

Highlights

Key information		4Q19	4Q18	Variation 4Q19/4Q18	3Q19	Variation 4Q18/3Q19
Production of gold	Oz	27,915	53,792	-48%	29,200	-4%
silver	Oz	1,099,816	1,823,048	-40%	1,109,240	-1%
copper	tonnes	6,870	6,394	7%	5,587	23%
Net sales	MXN million	2,302	3,631	-37%	2,182	5%
	US\$ million	119	183	-35%	112	6%
EBITDA	MXN million	773	1,111	-30%	451	71%
	US\$ million	40	56	-28%	23	73%
EBITDA margin		34%	31%		21%	

Minera Frisco reported on December 16, 2019, that the refinancing process of the syndicated loan was concluded for the amount of US \$ 400 MM and the subordinated loan for US \$ 475 MM. The refinancing of the syndicated loan includes a term of 5 years, with an amortization profile charged towards the end of the loan, which would allow Minera Frisco having greater financial flexibility.

PRODUCTION

Milling/Heap leaching (tonnes)	4Q19	4Q18	Variation 4Q19/4Q18
El Coronel	937,382	3,964,127	-76%
San Felipe	200,503	181,004	11%
Asientos	256,583	264,093	-3%
Tayahua	957,825	939,170	2%
San Francisco del Oro	209,017	260,518	-20%
Concheño	289,353	634,066	-54%
Ocampo	27,631	89,521	-69%
Total	2,878,293	6,332,499	-55%

In terms of production, processed tonnage in 4Q19 decreased by 55% when comparing to 4Q18. The units that processed a lower tonnage were mainly El Coronel, Concheño and Ocampo. In the case of El Coronel, its processed tonnage was reduced due to the selective exploitation, which is being conducted by the unit, focusing mainly on obtaining higher grade and reduce operating costs. Concheño, its processed tonnage decreased due mainly to the rains during the month of December, causing flooding at Virginia and Gracias de Dios areas of the underground mine. In the pits was affected the tonnage processed due to the waterlogging. It is important to mention that in Concheño the works focused on the development of underground mine continues with the objective of increasing tonnage with better ore contents. In addition, exploration works continue in surrounding areas to the unit, in order to locate new areas that contribute with ore reserves. On the other hand, in Ocampo its processed tonnage was reduced due to the exploitation is concentrated mainly in the underground mine. In the case of San Felipe, its processed tonnage increased by 11%, from the progress in the preparation of the underground mine. In Tayahua unit, its processed tonnage increased by 2%, additionally works continue to reach the installed capacity of the plant and is expected that in the first half of 2020 its maximum levels of ore processing will be obtained.

Gold production reached 27,915 ounces in 4Q19, this is a decreased of 48% when comparing to 4Q18. The units of El Coronel, San Felipe and Ocampo obtained a higher processed grade, however, this effect did not to compensate for a lower production, mainly due to their reduction in processed tonnage. On the other hand, Asientos and San Francisco del Oro units, lower production is due to lower processed tonnage and lower grade. In Concheño unit, lower production is due to the reason explained in this report.

In contrast, Tayahua unit increased gold production by 10%, mainly due to a higher processed grade.

Silver production reached 1,099,816 ounces in 4Q19, this is a decreased of 40% when comparing to 4Q18. The units that decreased their production were El Coronel, San Felipe, Tayahua, San Francisco del Oro, Concheño and Ocampo. In the case of El Coronel and Ocampo, despite having a higher grade of processed silver, the decrease in processed tonnage affected production. In San Felipe and Tayahua units, despite the increase in processed tonnage, a lower grade was obtained. In San Francisco del Oro and Concheño units, the production reduction is due to a lower processed tonnage, as well as a lower grade.

In the case of Asientos Unit, increased its silver production, this due to an increase in its processed grade.

Copper production reached 6,288 tons in 4Q19 vs. 5,764 tons in 4Q18, this is an increase of 9% when comparing to the previous quarter. Tayahua unit increased its production by 14%, mainly due to the increase in processed tonnage, as well as a higher grade. It is estimated that in 2020 the production of copper in the unit will continue to increase gradually. The lessening in production in Asientos unit is mainly due to the decrease in tonnage processed and in the case of San Francisco del Oro unit it is due to a lower grade.

Copper cathodes production in Maria unit reached 582 tons of copper in 4Q19, this is an 8% reduction compared to 4Q18, due to the delay in the delivery of reagents coming from Asia that are used for irrigation in leaching pads. In the María Unit, metallurgical research works continue and are working to change the methodology of irrigation and pads maintenance in order to make the recovery of copper from the leaching pads more efficient.

Lead production during 4Q19 reached 3,569 tons, this is a reduction by 10% when comparing to 4Q18. Tayahua decreased its production due to lower processed tonnage, as well as a lower grade. San Francisco del Oro unit, despite increased its processed grade, a decrease in processed tonnage was observed affecting its production. On the other hand, Asientos unit increased its production by 4%, due to an increase in the grade.

Zinc production in the fourth quarter reached 11,755 tons, this is 3% less when comparing to 4Q19 to 4Q18. Tayahua decreased its production as a result of a lower processed grade. In San Francisco del Oro unit, despite it obtained an increase in the processed grade, the decrease in processed tonnage affected the production. In contrast, Asientos unit increased its production by 11% due to a higher grade, this increase did not compensate a lower production of zinc during the fourth quarter.

As explained in the previous press releases, Minera Frisco through the Tayahua unit, and Goldcorp (Minera Peñasquito) are carrying out exploration works in the state of Zacatecas in Mexico. Once the exploration results have been obtained, both mining companies will evaluate their possible exploitation.

NET SALES

Net sales recorded \$ 2,302 MM Ps (US \$ 119 MM). This is a 37% decrease when comparing the fourth quarter of 2019 versus the same period of the previous year, this is a result mainly for the decrease in the production of gold, silver, lead and zinc during the quarter for the reason explained earlier in this report and for the decrease in the prices of zinc and copper.

OPERATING INCOME AND EBITDA

At the end of 4Q19, an operating loss of \$ 596 MM Ps was determined, this represents an operating margin of -26%, mainly due to impairment for long-lived assets was recorded for \$ 584 MM Ps (this item does not represent an outflow of cash flow not affects the EBITDA), as well as a decrease in sales. At the end of the fourth quarter of 2019, the EBITDA margin was of 34%, three percentage points higher than the EBITDA recorded in the fourth quarter of 2018 and thirteen percentage points higher than the EBITDA margin of the third quarter of 2019.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	4Q19	4Q18	Variation 4Q19/4Q18
Interest income	0.7	0.1	423%
Interest expense	(713)	(532)	34%
Exchange gain (loss), net	618	(884)	-170%
Gain (loss) on financial instruments, net	-	-	-
Financial result	(94)	(1,416)	-93%

At the end of the fourth quarter of 2019, a comprehensive financial negative result of \$ 94 MM Ps was recorded, this is due to interests paid on debt services

INDEBTEDNESS

As of December, 31th, 2019, the Company's debt was composed of a syndicated loan of US \$ 401 MM, equivalents, the subordinated loan of US \$ 488 MM and long-term bonds of 5,000 MM Ps.

Indebtedness (MXN million)	4Q19	4Q18	Variation 4Q19/4Q18
Long term bonds	5,000	5,000	0%
Syndicated loan	7,549	8,315	-9%
Subordinated loan	9,196	4,168	-
Banks loans	-	5,097	-100%
Debt	21,746	22,580	-4%

The debt decreased by 4% when comparing 4Q19 vs 4Q18, it reaching \$21,746 MM Ps vs. \$22,580 MM Ps respectively.

It is important to mention on December 16, 2019, that the refinancing process of the syndicated loan was concluded for the amount of US \$ 400 MM and the subordinated loan for US \$ 475 MM.

NET INCOME

At the end of 4Q19, the company recorded a net loss of \$ 709 MM Ps due to the reasons explained before in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging. It is important to mention that by 2020 a part of the estimated gold and silver production is already hedged.

Financial Summary

Income statement In MXN million	4Q19	4Q18	Variation 4Q19/4Q18
Net sales	2,301.8	3,631.4	-37%
Cost of sales	(2,098.2)	(3,125.5)	-33%
Gross profit	203.7	506.0	-60%
Operating expenses	(316.2)	(342.7)	-8%
Other expenses, net	(484.0)	(941.7)	-49%
Operating income	(596.5)	(778.5)	-23%
Interest income	0.7	0.1	423%
Exchange gain (loss), net	617.8	(884.3)	-170%
Gain (loss) on financial instruments	-	-	-
Interest expense	(712.6)	(532.2)	34%
Income before taxes	(690.7)	(2,194.8)	-69%
Income taxes	(18.3)	278.9	-107%
Net income	(709.0)	(1,915.9)	-63%
Controlling interest	(720.9)	(1,898.7)	-62%
Noncontrolling interest	11.9	(17.2)	-170%
Outstanding shares ('000)	4,045,383	2,545,383	59%
Closing price	2.99	5.20	-43%

1). It includes impairment amount

Balance sheet In MXN million	31.12.2019	31.12.2018
Assets	44,848.9	50,289.6
Current assets	5,837.1	6,734.3
Cash and cash equivalents	919.1	24.4
Accounts receivable	561.8	461.8
Inventories	2,698.1	3,020.1
Other current assets	1,658.1	3,227.9
Non-current assets	39,011.8	43,555.3
Property, plant and equipment	24,757.8	28,078.9
Intangible asstes	1,767.0	1,938.7
Other non-current assets	12,486.9	13,537.6
Liabilities and shareholder's equity	33,668.1	38,864.4
Current liabilities	9,071.9	21,740.7
Short-term debt	-	9,105.9
Accounts payable	1,807.1	2,225.6
Income taxes	202.3	207.5
Derivative financial instruments	93.1	648.5
Other current liabilities	6,969.3	9,553.2
Non-current liabilities	24,596.3	17,123.7
Marketable notes and long-term debt	21,745.7	13,474.3
Derivative financial instruments	-	-
Other non-current liabilities	2,850.6	3,649.3
Shareholder's equity	11,180.8	11,425.2
Capital stock	118.2	74.4
Additional paid-in capital	17,352.8	11,396.7
Retained earnings	(13,685.1)	(10,078.6)
Other accumulated income (net of tax)	6,258.9	8,822.6
Controlling interest	10,044.9	10,215.0
Noncontrolling interest	1,135.9	1,210.2

Invitation to the Conference Call

Date: February 27, 2020
 Time: 10:00 am Mexico City, 11:00 pm NY(ET)
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Replay

Date: February 27 to March 10, 2020
 Tel: +1 (412) 317-0088 (Intern. and Mex.)
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 Oz: troy ounces
 Tonnes: metric tons

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