

Third quarter 2020 results

Mexico City, October 28th, 2020, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the third quarter 2020.

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		3Q20	3Q19	Variation 3Q20/3Q19	2Q20	Variation 3Q20/2Q20
Production of gold	Oz	23,033	29,200	-21%	23,629	-3%
silver	Oz	1,275,309	1,109,240	15%	1,244,859	2%
copper	tonnes	7,249	5,587	30%	5,768	26%
Net sales	MXN million	2,882	2,182	32%	2,346	23%
	US\$ million	130	112	16%	100	30%
EBITDA	MXN million	1,010	451	124%	696	45%
	US\$ million	46	23	97%	30	53%
EBITDA margin		35%	21%		30%	

Minera Frisco together with the Carlos Slim Foundation continue with the implementation of prevention and control rules in the face of the COVID-19 pandemic in the different geographical areas where the company operates.

Minera Frisco reports that the capital increase process contributed by the company's shareholders was concluded on August 21, 2020 for an amount of \$ 8,000 MM Ps.

PRODUCTION

Milling / Heap leaching (tonnes)	3Q20	3Q19	Variation 3Q20/3Q19	2Q20	Variation 3Q20/2Q20
El Coronel	639,001	1,124,228	-43%	670,373	-5%
San Felipe	166,352	170,509	-2%	174,178	-4%
Asientos	197,639	309,474	-36%	203,391	-3%
Tayahua	1,158,379	900,914	29%	978,241	18%
San Francisco del Oro	304,264	235,282	29%	208,434	46%
Concheño	443,899	348,997	27%	430,495	3%
Ocampo	34,007	11,061	207%	23,813	43%
Total	2,943,542	3,100,465	-5%	2,688,924	9%

In terms of production, processed tonnage in 3Q20 decreased by 5% when comparing to 3Q19. The units that processed a lower tonnage were mainly El Coronel and Asientos due to the implementation of the selective exploitation strategy that began in both units, concentrating mainly on obtaining higher grades and reduce operating cost.

On the contrary, in Ocampo, Tayahua, San Francisco del Oro and Concheño units, their processed tonnage increased by 207%, 29%, 29% and 27% respectively. In Ocampo unit, the selective exploitation strategy joined with the location of higher grade areas, originated the increase in its processed tonnage. On the other hand, Tayahua unit continues with the gradual increase in its processed tonnage due to the expansion of the plant since June. In San Francisco del Oro unit, its processed tonnage increased mainly due to development work in strategic areas of the mine. In Concheño unit, the increase in its processed tonnage is due to the contribution of ore from the Navidad area, where higher grade zones are located.

It is important to mention that the processed tonnage increased by 9% when comparing to 2Q20, for the reasons explained previously in this report.

Gold production reached 23,033 ounces in 3Q20, this is a decreased of 21% when comparing to 3Q19. The decrease in production in San Felipe and Asientos units is due to lower processed tonnage and lower processed gold grade. In San Francisco del Oro unit, despite having a higher processed tonnage, a lower grade affected the production. In the case of El Coronel unit, lower production is due to the reasons explained in this report.

In contrast, Tayahua, Ocampo and Concheño units increased their production due to the rise in processed tonnage. Additionally, Concheño unit obtained a higher grade.

When comparing gold production with 2Q20, Asientos, San Francisco del Oro, Tayahua and Ocampo units increased their production by 49%, 43%, 36% and 12% respectively.

Silver production reached 1,275,309 ounces in 3Q20, this is a 15% increase compared to 3Q19. The units that increased their production were Ocampo, Concheño, Tayahua, San Felipe and San Francisco del Oro. In the case of Concheño and Ocampo, their production increased mainly due to the increase in their processed tonnage and the increase in their processed silver grade. In the case of the Tayahua and San Francisco del Oro units, the production increased due to a higher processed tonnage. San Felipe unit despite having a lower processed tonnage, a higher silver grade compensated increase in production.

It is important to mention that, when comparing production with 2Q20, there was an increase of 2%.

Copper production reached 6,761 tons in 3Q20 vs 5,587 tons in 3Q19, this is an increase of 21%. The increase in production is mainly due to a higher processed tonnage in Tayahua and San Francisco del Oro units. On the other hand, Asientos unit reduced its copper production due to a lower processed tonnage, as well as a lower grade.

Copper cathodes production in María unit reached 488 tons of copper in 3Q20. During 3Q19, did not generate production, this due to the delivery of reagents coming from Asia, however, when comparing with 2Q20, an increase of 189% was obtained. In María Unit, metallurgical research works and changes in the methodology of irrigation and pads maintenance are continued in order to make the recovery of copper from the leaching pads more efficient.

Lead production during 3Q20 reached 4,094 tons, this is a decrease by 2% when comparing to 3Q19. Tayahua increased its production by 27% due to higher processed tonnage, as well as higher grade. Asientos unit decreased its production due to lower processed grade and lower processed tonnage. On the other hand, San Francisco del Oro unit remained without considerable changes.

When comparing lead production with 2Q20, there was an increase of 18%, due to the contribution of Tayahua and San Francisco del Oro.

Zinc production in the third quarter reached 12,482 tons, this is a decrease of 4% when comparing 3Q20 to 3Q19. Asientos unit decreased its production due to a lower processed grade. In contrast, San Francisco and Tayahua units increased their production by 36% and 38%, due to a higher processed tonnage and a higher grade, however, these increases did not compensate a lower production.

On the other hand, when comparing zinc production with 2Q20, an increased production of 21% was obtained, derived from the increase in San Francisco del Oro and Tayahua units.

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 \$ 2,882 MM Ps (US \$ 130 MM). This is a 32% increase when comparing the third quarter of 2020 versus the same period of the previous year, this is a result mainly for the increase in silver and copper production during the quarter and the increase in the prices of gold, silver and copper, as well as the depreciation of the Mexican peso against the dollar. Similarly, when comparing sales with 2Q20, an increase of 23% was obtained, due to the increase in the price of metals and a higher production in silver, lead, zinc and copper.

OPERATING INCOME AND EBITDA

At the end of 3Q20, an operating loss of \$ 355 MM Ps was determined, this represents an operating margin of -12%, mainly due to impairment for long-lived assets was recorded for \$ 689 MM Ps (this item does not represent an outflow of cash flow not affects the EBITDA). At the end of the third quarter of 2020, the EBITDA margin was of 35%, fourteen percentage points higher than the EBITDA recorded in the third quarter of 2019 and five percentage points higher than the second quarter of 2020.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	3Q20	3Q19	Variation 3Q20/3Q19
Interest income	32.4	7.3	344%
Interest expense	(206)	(611)	-66%
Exchange gain (loss), net	403	(507)	-179%
Gain (loss) on financial instruments, net	(620)	-	
Financial result	(392)	(1,110)	-65%

At the end of the third quarter of 2020, a comprehensive financial negative result of \$ 392 MM Ps was recorded, this is due to loss with financial instruments and interests paid on debt services.

INDEBTEDNESS

As of September 30th, 2020, the Company's debt was composed of a syndicated loan of US \$ 396 MM, equivalents, the subordinated loan of US \$ 544 MM and short/long-term bonds of 5,500 MM Ps.

Indebtedness (USD million)	3Q20	3Q19
Short / Long term bonds	245	280
Syndicated loan	396	321
Subordinated loan	544	305
Banks loans	-	163
Debt	1,185	1,069

NET INCOME

At the end of 3Q20, the company recorded a net loss of \$ 815 MM Ps due to the reasons explained before in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging, until today, a part of the estimated production is hedged for the remainder of 2020 of gold, silver, zinc and copper and part of 2021.

Financial Summary

Income statement In MXN million	3Q20	3Q19	Variation 3Q20/3Q19
Net sales	2,882.0	2,182.2	32%
Cost of sales	(2,130.1)	(2,084.6)	2%
Gross profit	751.9	97.6	670%
Operating expenses	(263.8)	(307.5)	-14%
Other expenses, net	(843.2)	(1,461.9)	-42%
Operating income	(355.1)	(1,671.9)	-79%
Interest income	32.4	7.3	344%
Exchange gain (loss), net	402.6	(506.8)	-179%
Gain (loss) on financial instruments	(620.5)	-	
Interest expense	(206.0)	(611.0)	-66%
Income before taxes	(746.6)	(2,782.3)	-73%
Income taxes	(68.0)	754.8	-109%
Net income	(814.6)	(2,027.6)	-60%
Controlling interest	(819.3)	(2,021.6)	-59%
Noncontrolling interest	4.7	(6.0)	-178%
Outstanding shares ('000)	6,045,383	4,045,383	49%
Closing price	4.02	3.85	4%

Balance sheet In MXN million	30.09.2020	31.12.2019
Assets	51,999.8	44,848.9
Current assets	8,652.9	5,837.1
Cash and cash equivalents	2,527.8	919.1
Accounts receivable	769.7	561.8
Inventories	3,172.8	2,698.1
Other current assets	2,182.6	1,658.1
Non-current assets	43,347.0	39,011.8
Property, plant and equipment	26,678.6	24,757.8
Intangible asstes	1,667.4	1,767.0
Other non-current assets	15,001.0	12,486.9
Liabilities and shareholder's equity	35,082.7	33,668.1
Current liabilities	6,770.2	9,071.9
Short-term debt	1,398.3	-
Accounts payable	1,183.5	1,807.1
Income taxes	184.1	202.3
Derivative financial instruments	804.5	648.5
Other current liabilities	3,199.8	6,413.9
Non-current liabilities	28,312.4	24,596.3
Marketable notes and long-term debt	25,203.2	21,745.7
Derivative financial instruments	156.8	-
Other non-current liabilities	2,952.4	2,850.6
Shareholder's equity	16,917.1	11,180.8
Capital stock	176.6	118.2
Additional paid-in capital	25,294.4	17,352.8
Retained earnings	(19,484.7)	(13,685.1)
Other accumulated income (net of tax)	9,643.5	6,258.9
Controlling interest	15,629.7	10,044.9
Noncontrolling interest	1,287.4	1,135.9

Invitation to the Conference Call

Date: October 29, 2020
 Time: 10:00 am Mexico City, 12:00 am NY(ET)
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Replay

Date: October 29 to Nov 10, 2020
 Tel: +1 (412) 317-0088 (Intern. and Mex.)
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 Oz: troy ounces
 Tonnes: metric tons

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