

MINERA FRISCO

RESULTS REPORT

Fourth Quarter 2021

February 28th 2022



LLEVANDO LO MÁS VALIOSO
DE LA TIERRA A TU VIDA

MINERA FRISCO

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 to improve the community environment, capacitation, health, and education.

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.



Highlights

Mexico City, February 28th, 2022, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the fourth quarter 2021.

At the end of 4Q21, the company has production of 28,144 ounces of gold, 1,386,854 ounces of silver and 5,970 tons of copper. Net sales recorded \$ 3,393 MM Ps with an EBITDA of 1,053 MM Ps. This reflects an increase in sales of 25% and 12% in EBITDA when comparing to 4Q20. At the end of 2021 (accumulated), net sales recorded \$12,844 MM Ps with an EBITDA of \$5,063 MM Ps. This represents an increase in revenues and EBITDA of 26% and 61%, respectively, when comparing to the same period of the previous year.

Key information		4Q21	4Q20	Variation 4Q21/4Q20	2021	2020	Variation 2021/2020
Production of gold	Oz	28,144	22,735	24%	101,476	97,488	4%
silver	Oz	1,386,854	1,286,560	8%	5,062,484	5,189,637	-2%
copper	tonnes	5,970	7,014	-15%	26,008	26,245	-1%
Net sales	MXN million	3,393	2,713	25%	12,844	10,155	26%
	US\$ million	164	132	24%	633	474	34%
EBITDA	MXN million	1,053	939	12%	5,063	3,136	61%
	US\$ million	51	46	11%	250	146	72%
EBITDA margin		31%	35%		39%	31%	
Total Debt	US\$ million	1,174	1,245	-6%			

Production

Processed Tonnage

In terms of production, the processed tonnage was 2,972,828 in 4Q21, showing an increase of 34% when comparing to 4Q20. The units that processed a higher tonnage comparing to the same period of the previous year were mainly Concheño (+25%), San Francisco del Oro (+21%), Asientos (+6%) and El Coronel.

Concheño unit increased processed tonnage mainly due to the expansion of the mining of the Lumbreras pit and the exploration of the Caleras mine, additionally in the underground mine, works were carried out to install a pumping system that helped recover mining areas. In San Francisco del Oro unit, the increase is due to continuous development and drilling work in the Clarines, Frisco and La Mesa areas. The increase in Asientos unit is due to development works to reach ore reserves in Santa Francisca and Federicos areas. On the other hand, El Coronel unit, by maintaining its operations on a regular basis during 4Q21, contributed to the increase in processed tonnage in this period, since in 4Q20 it did not operate due to social conflicts.

When comparing the processed tonnage of 4Q21 with 3Q21, an increase of 15% was obtained. The units that contributed to this increase are El Coronel with 123%, Concheño with 27%, San Felipe with 16% and San Francisco del Oro with 1%. Likewise, when comparing the processed tonnage at the end of 2021, an increase of 3% was registered comparing to 2020, with the San Francisco del Oro, Ocampo, Tayahua and Concheño units increasing their processed tonnage by 33%, 18%, 6% and 5% respectively.

Milling/Heap leaching (tonnes)	4Q21	4Q20	Variation 4Q21/4Q20	3Q21	Variation 4Q21/3Q21	2021	2020	Variation 2021/2020
Total	2,972,828	2,218,433	34%	2,576,580	15%	10,963,331	10,594,317	3%

Gold Production

Gold production reached 28,144 ounces in 4Q21; this is an increase of 24% comparing to 4Q20. San Francisco del Oro and Concheño units increased their production in line with the increase in processed tonnage. Concheño unit, in addition to the growth in processed tonnage, the increase in production is mainly due to an increase in processed grade. In the case of El Coronel unit, its increase in production is due to the reasons explained earlier in this press release.

A lower production in San Felipe, Ocampo and Tayahua units is due to the reduction in processed tonnage, as well as a lower grade. Asientos unit, despite increasing processed tonnage, a lower grade affected production.

When comparing gold production with 3Q21, an increase of 16% was recorded. The units that contributed with this increase were mainly El Coronel (+53%), San Francisco del Oro (+46%), Concheño (+27%) and Ocampo (+4%). At the end of 2021, gold production increased 4% comparing to the same period of the previous year, this is due to the increase in production in Asientos units with 56%, Concheño with 35%, San Francisco del Oro with 31% and Ocampo with 7%.

Silver Production

Silver production reached 1,386,854 ounces in 4Q21; this is an increase of 8% comparing to 4Q20. Concheño unit increased production by 46% because of the increase in processed tonnage and grade. El Coronel unit increased its production by 83% due to the reasons explained previously.

Tayahua and Ocampo units reduced silver production due to lower tonnage processed, as well as lower grade. Asientos unit, despite increasing processed tonnage, reduced production due to a lower grade. San Felipe unit obtained a higher grade processed; however, this was not able to compensate for lower production due to the drop in processed tonnage. San Francisco del Oro unit remained without considerable changes.

It is important to mention that, when comparing production with 3Q21, an increase of 11% was registered. The units that contributed to this increase were Concheño (+57%), Ocampo (+40%), San Felipe (+23%) and El Coronel (+19%). At the end of 2021, El Coronel, San Francisco del Oro, Concheño and Ocampo units increased their production by 127%, 11%, 10% and 5%, respectively, comparing to 2020.

Copper Production

Copper production reached 5,811 tons in 4Q21. In Tayahua, the reduction in processed tonnage coupled with a lower grade produced a decrease in production. Despite the increase in the tonnage processed in San Francisco del Oro unit, it was unable to compensate for a decrease in production due to a lower grade. On the other hand, Asientos unit increased production by 56% due to the increase in processed tonnage and grade.

At the end of 2021, copper production increased 1% comparing to 2020. The units that registered an increase were Asientos with 98% and San Francisco del Oro with 8%.

The production of copper cathodes in María unit during 4Q21 was 159 tons. In María Unit, metallurgical research works and changes in the methodology of irrigation and pads maintenance are continued to make the recovery of copper from the leaching pads more efficient.

Lead Production

Lead production during 4Q21 reached 4,457 tons, which is a 26% increase compared to 4Q20.

San Francisco del Oro unit increased production by 77%, due to a higher tonnage processed and a higher grade. Tayahua unit increased production 12% due to an increase in grade processed. On the contrary, Asientos unit, despite increasing processed tonnage, a lower grade affected production.

When comparing lead production with 3Q21, there was an increase of 6%. The units that contributed to this increase are San Francisco del Oro unit with 26% and Tayahua with 23%.

At the end of 2021, lead production increased 3% comparing to the same period of the previous year, being mainly San Francisco del Oro unit, which increased production by 31% and to a lesser extent the Tayahua unit by 1%.

Zinc Production

Zinc production in the fourth quarter of 2021 reached 12,562 tons, this is an increase of 2% comparing to 4Q20. The San Francisco del Oro unit increased production by 37% due to a higher tonnage processed, as well as a higher grade. Asientos unit reduced production mainly due to the drop in processed grade. Tayahua unit reduced production because of a decrease in processed tonnage and grade.

When comparing zinc production with 3Q21, an increase of 4% was obtained, due to the increase in production of San Francisco del Oro and Tayahua units with 17% and 8%, respectively. Similarly, when comparing production at the end of 2021 vs. 2020, an increase of 2% was recorded, this is due to the increase in production in San Francisco del Oro unit by 28%.

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 and Ebitda

Net sales recorded \$ 3,393 MM Ps (US \$ 164 MM); this is a 25% increase when comparing the fourth quarter of 2021 versus the same period of the previous year. This was mainly a result of the increase in the prices of Copper, Zinc and Lead metals and an increase in the production of gold, silver, lead, and zinc.

At the end of 4Q21, the company presented an EBITDA of \$ 1,053 MM Ps, when comparing to the 939 MM Ps of 4Q20, this is an increase of 12%; the EBITDA margin 4Q21 was 31%:

It is important to mention that at the end of 2021, net sales recored \$12,844 MM Ps (US\$633 MM), this is a 26% increase when comparing to 2020. On the other hand, EBITDA was \$5,063 MM Ps (US\$250 MM), this is a of 61% increase when comparing to the year 2020; the EBITDA margin was 39%, eight percentage points higher than that registered in the previous year.

Indebtedness

As of December 31, 2021, the Company's debt was composed of unsecured loans amounting to US \$397MM, subordinated credit of US\$510 MM, and short-term bonds for \$ 5,500 MM Ps.

The Debt equivalent in US dollars decreased 6% when comparing 4Q21 vs 4Q20. In the last quarter of 2020 and the early 2021, credit lines were used for working capital for approximately 800 MM Ps, which were settled with the generation of cash flow from the second and third quarters of this year.

Indebtedness (USD million)	4Q21	4Q20	Variation 4Q21/4Q20
Short term bonds	267	276	-3%
Subordinated loan (related party)	510	505	1%
Unsecured loans (related party)	397	464	-14%
Debt	1,174	1,245	-6%

The Net Debt/Ebitda ratio in the LTM at the close of 4Q21 was 4.2x, decreasing 48% versus 8.2x obtained in the LTM at the close of 4Q20. With the foregoing, the company's forecast to end 2021 with a Net Debt/EBITDA ratio of approximately 4.4x is met.

Derivative Financial Instruments

The Company continues with the strategy of economic metal hedging. It is important to mention that for the year 2021 a part of the estimated production of gold, silver, zinc, and copper was hedged. For the year 2022, part of the production of silver, zinc and copper is hedged.

Financial Summary

Income statement In MXN million	4Q21	4Q20	Variation 4Q21/4Q20
Net sales	3,393.3	2,712.5	25%
Cost of sales	(2,484.6)	(2,068.9)	20%
Gross profit	908.6	643.6	41%
Operating expenses	(343.3)	(270.2)	27%
Other expenses, net	(99.4)	(1,258.4)	-92%
Operating income	465.9	(885.0)	153%
Interest income	23.1	4.0	481%
Exchange gain (loss), net	(222.1)	2,789.9	-108%
Gain (loss) on financial instruments	(318.7)	(702.3)	-55%
Interest expense	(436.9)	(452.7)	-3%
Participation in the results of the unconsolidated JV	(100.8)	-	-
Income before taxes	(488.7)	653.1	-175%
Income taxes	52.0	(84.5)	162%
Net income	(436.7)	568.6	-177%
Controlling interest	(437.4)	551.1	-179%
Noncontrolling interest	0.7	17.5	-96%
Outstanding shares ('000)	6,045,769	6,045,383	0%
Closing price	3.60	4.05	-11%

Balance sheet In MXN million	31.12.2021	31.12.2020
Assets	41,732.1	44,957.2
Current assets	7,308.7	6,981.1
Cash and cash equivalents	2,337.3	1,046.6
Accounts receivable	875.8	1,164.7
Inventories	2,924.2	2,778.7
Other current assets	1,171.2	1,991.2
Non-current assets	34,423.4	37,976.1
Property, plant and equipment	20,914.2	23,106.4
Intangible asstes	1,446.2	1,620.6
Other non-current assets	12,063.1	13,249.2
Liabilities and shareholder's equity	30,678.7	32,268.0
Current liabilities	8,301.8	6,019.8
Short-term debt	5,500.0	1,719.1
Accounts payable	1,176.3	1,235.0
Income taxes	355.1	247.6
Derivative financial instruments	27.1	1,100.0
Other current liabilities	1,243.2	1,718.0
Non-current liabilities	22,376.9	26,248.1
Marketable notes and long-term debt	18,673.7	23,112.7
Derivative financial instruments	-	-
Other non-current liabilities	3,703.2	3,135.5
Shareholder's equity	11,053.4	12,689.3
Capital stock	176.6	176.6
Additional paid-in capital	25,295.0	25,295.0
Retained earnings	(20,688.2)	(18,933.5)
Other accumulated income (net of tax)	5,294.4	5,240.5
Controlling interest	10,077.9	11,778.7
Noncontrolling interest	975.5	910.6

Invitation to the Conference Call:

Date: March 1, 2022
 Time: 13:00 hrs Mexico City, 14:00 Hrs NY (ET)
 Tel.: + 52 (55) 9156 5062 / +52 (55) 9156 5061
 Meeting ID: 124 036 4516

Access:

https://videoconferencia.telmx.com/j/1240364516?pwd=1Xw_rCmQRpK6xcUXKYLERLZkfA8NGw

Password: 370883

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