

MINERA FRISCO

RESULTS REPORT

Second Quarter 2022

July 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, July 28, 2022, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the second quarter 2022.

At the end of 2Q22, the company has production of 19,894 ounces of gold, 1,260,755 ounces of silver and 7,294 tons of copper. Net sales recorded \$3,425 MM Ps with an EBITDA of 1,416 MM Ps.

Key information		2Q22	2Q21	Variation 2Q22/2Q21
Production of gold	Oz	19,894	25,711	-23%
silver	Oz	1,260,755	1,260,689	0%
copper	tonnes	7,294	6,847	7%
Net sales	MXN million	3,425	3,358	2%
	US\$ million	171	168	2%
EBITDA	MXN million	1,416	1,462	-3%
	US\$ million	71	73	-3%
EBITDA margin		41%	44%	
Total Debt	MXN million	22,249	24,833	-10%
	US\$ million	1,113	1,254	-11%

Production

Processed Tonnage

In terms of production, the processed tonnage was 2,168,869 in 2Q22. The units that processed a higher tonnage comparing to the same period of the previous year were mainly Concheño (+36%), Ocampo (+12%) and Tayahua with 3,887 additional tons.

Concheño unit increased processed tonnage mainly due to the development and preparation of reserves in the underground mine from the La Quemada area. On the other hand, Ocampo unit increased processed tonnage due to the location of additional resources in the Molinas vein. As for the Tayahua unit, there was an increase in processed tonnage derived from the recovery and acquisition of equipment and machinery.

It is important to mention that El Coronel unit did not process tonnage because the reserves were depleted, however, the unit will continue to generate production the gold and silver according to the recovery and irrigation methodology of the leaching pads.

Milling/Heap leaching (tonnes)	2Q22	2Q21	Variation 2Q22/2Q21
Total	2,168,869	2,724,444	-20%

Gold Production

Gold production reached 19,894 ounces in 2Q22. Tayahua unit, despite not presenting significant changes in processed tonnage comparing to 2Q21, an increase in processed grade contributed to a 19% increase in production. Concheño unit increased production by 8% mainly due to an increase in processed tonnage. San Francisco del Oro unit increased production by 2% due to a higher recovery.

A lower production at San Felipe and Asientos units is due to a reduction in processed tonnage, as well as a lower grade. Although Ocampo unit increased processed tonnage, a reduction in grade affected production. El Coronel unit reduced its production due to the reasons explained in this press release.

When comparing gold production with 1Q22, the units that increased production were Tayahua (+18%) and Concheño (+6%).

Silver Production

Silver production reached 1,260,755 ounces in 2Q22; this is an increase of 66 ounces comparing to 2Q21. Concheño and Tayahua units increased production by 53% and 16% respectively, in the case of the Concheño unit due to an increase in processed tonnage and a higher grade, while Tayahua unit corresponds to an increase in processed grade.

Ocampo 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. Asientos and San Francisco del Oro units, by registering a lower processed tonnage in addition to a lower grade, affected production. El Coronel unit decreased production due to the reasons explained above.

When comparing silver production with 1Q22, an increase of 2% was obtained. The units that contributed to this increase were Tayahua (+15%), Concheño (8%) and Ocampo (+10%).

Copper Production

Copper production reached 7,089 tons in 2Q22; this is an increase of 8% comparing to 2Q21. Tayahua unit increased production by 12% mainly due to the increase in grade. Asientos and San Francisco del Oro units reduced production due to the drop in processed tonnage, as well as a lower grade.

It is important to mention that when comparing production with 1Q22, there was a 11% increase in production. The foregoing, due to the increase in production in Tayahua units with 11%, San Francisco del Oro with 11% and Asientos with 8%.

Production of copper cathodes at the María unit during 2Q22 was 205 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 2Q22 reached 4,710 tons, this is an increase of 18% comparing to 2Q21.

Tayahua unit increased production by 32%, mainly due to a higher grade. San Francisco del Oro unit, despite a drop in processed tonnage, managed to increase production by 20% due to a higher grade. Asientos unit reduced production due to a lower processed tonnage, as well as a lower grade.

When comparing lead production with 1Q22, an increase of 6% was obtained. The unit that contributed to this increase was Tayahua by increasing its production by 27%.

Zinc Production

Zinc production in the second quarter of 2022 reached 13,052 tons, resulting in an increase of 6% compared to 2Q21. Tayahua unit increased production by 18% due to a higher grade. San Francisco del Oro unit, even though it obtained a decrease in processed tonnage, increased production by 9%, due to an increase in grade. Asientos unit, although its processed grade increased, a reduction in its processed tonnage affected production.

When comparing zinc production with 1Q22, Tayahua unit increased production by 14%.

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 \$ 3,425 MM Ps (US\$171 MM); this is a 2% increase when comparing the second quarter of 2022 versus the same period of the previous year. This was mainly the result of an increase in the production of lead, copper and zinc metals and the increase in the prices of zinc, gold, and lead metals.

At the end of 2Q22, the company presented an EBITDA of \$1,416 MM Ps, the EBITDA margin in 2Q22 was 41%.

It is important to mention that when comparing cumulatively 6M22 vs. 6M21, sales and EBITDA registered an increase of 12% and 8%, respectively.

Indebtedness

As of June 30, 2022, the Company's debt was composed of unsecured loans amounting to \$7,003 MM Ps, subordinated credit of \$10,246 MM Ps, and short-term bond for \$5,000 MM Ps.

The equivalent debt in Mexican pesos decreased 10% when comparing 2Q22 vs 2Q21.

Indebtedness (MXN million)	2Q22	2Q21	Variation 2Q22/2Q21
Short term bonds	5,000	5,500	-9%
Subordinated loan (related party)	10,246	10,051	2%
Banks loans	-	475	
Unsecured loans (related party)	7,003	8,807	-20%
Debt	22,249	24,833	-10%

It is important to mention that on May 13, 2022, the short-term bond matured for \$500 MM Ps, which was settled with flows generated by the company.

The Net Debt/Ebitda ratio in the LTM at the end of 2Q22 was 3.8x, decreasing 22% versus 4.9x obtained in the LTM at the end of 2Q21.

Derivative Financial Instruments

The Company continues with the strategy of economic metal hedging. It is important to mention that by 2022 part of the production of gold, silver, zinc, and copper is hedge.

Financial Summary

Income statement In MXN million	2Q22	2Q21	Variation 2Q22/2Q21
Net sales	3,425.1	3,358.4	2%
Cost of sales	(2,174.6)	(2,097.4)	4%
Gross profit	1,250.6	1,261.1	-1%
Operating expenses	(278.5)	(250.2)	11%
Other expenses, net	(115.6)	(629.3)	-82%
Operating income	856.5	381.5	1278%
Interest income	4.3	0.2	2168%
Exchange gain (loss), net	64.1	672.0	-90%
Gain (loss) on financial instruments	(7.7)	(337.5)	-98%
Interest expense	(192.9)	(144.5)	34%
Income before taxes	724.3	571.8	206%
Income taxes	(430.9)	(300.8)	43%
Net income	293.4	271.0	180%
Controlling interest	251.9	263.6	176%
Noncontrolling interest	41.5	7.4	463%
Outstanding shares ('000)	6,045,769	6,045,769	0%
Closing price	2.95	4.08	-28%

Balance sheet In MXN million	30.06.2022	31.12.2021
Assets	39,397.8	41,725.4
Current assets	7,304.1	7,309.0
Cash and cash equivalents	2,256.3	2,347.5
Accounts receivable	1,061.8	884.6
Inventories	2,831.4	2,924.2
Other current assets	1,154.6	1,152.7
Non-current assets	32,093.7	34,416.4
Property, plant and equipment	19,523.1	20,914.3
Intangible assets	1,358.7	1,446.2
Other non-current assets	11,211.9	12,056.0
Liabilities and shareholder's equity	28,534.4	30,666.7
Current liabilities	8,025.8	8,289.9
Short-term debt	5,799.4	5,500.0
Accounts payable	867.1	1,164.8
Income taxes	281.1	355.7
Derivative financial instruments	0.0	27.1
Other current liabilities	1,078.2	1,242.3
Non-current liabilities	20,508.6	22,376.7
Marketable notes and long-term debt	16,449.4	18,673.7
Derivative financial instruments	0.8	-
Other non-current liabilities	4,058.4	3,703.0
Shareholder's equity	10,863.4	11,058.8
Capital stock	176.6	176.6
Additional paid-in capital	25,295.0	25,295.0
Retained earnings	(19,930.5)	(20,684.4)
Other accumulated income (net of tax)	4,422.1	5,295.3
Controlling interest	9,963.3	10,082.5
Noncontrolling interest	900.0	976.2

Invitation to the Conference Call:

Date: Aug 1, 2022
Time: 10:00 hrs Mexico City, 11:00 Hrs NY (ET)
Tel.: + 52 (55) 9156 5062 / +52 (55) 9156 5061
Meeting ID: 123 155 3205

Access:

<https://videoconferencia.telmex.com/j/1231553205?pwd=On8zqyedTCq1Bw6PVYglwzWinEnyRA>

Password: 445971

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