

Second quarter 2019 results

Mexico City, July 23th, 2019, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the second quarter 2019.

MINERA FRISCO is a company dedicated to the exploration and exploitation of mining lots for the production of 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		2Q19	2Q18	Variation 2Q19/2Q18	1Q19	Variation 2Q19/1Q19
Production of gold	Oz	35,723	67,136	-47%	35,799	0%
silver	Oz	1,354,716	1,814,156	-25%	1,494,976	-9%
copper	tonnes	6,506	6,817	-5%	6,047	8%
Net sales	MXN million	2,465	3,632	-32%	2,561	-4%
	US\$ million	129	187	-31%	133	-3%
EBITDA	MXN million	554	1,233	-55%	425	30%
	US\$ million	29	64	-54%	22	31%
EBITDA margin		22%	34%		17%	
Total Debt	MXN million	23,099	23,131	0%	24,192	-5%
	US\$ million	1,201	1,165	3%	1,248	-4%

Minera Frisco informs that, prior notice, on July 5, 2019, a General Ordinary Shareholders' Meeting was held, where the increase in the company's variable capital stock was approved.

PRODUCTION

Milling/Heap leaching (tonnes)	2Q19	2Q18	Variation 2Q19/2Q18
El Coronel	1,354,339	3,176,897	-57%
San Felipe	183,648	184,743	-1%
Asientos	243,824	308,902	-21%
Tayahua	910,821	971,306	-6%
San Francisco del Oro	227,241	262,025	-13%
Maria	-	193,070	0%
Concheño	456,351	741,252	-38%
Ocampo	66,812	125,076	-47%
Total	3,443,035	5,963,272	-42%

In terms of production, processed tonnage in 2Q19 decreased by 42% when comparing to 2Q18. The units that processed a lower tonnage mainly were El Coronel, Concheño and Ocampo. In the case of El Coronel reduced its processed tonnage due to the selective exploitation that is being carried out in the unit, mainly focusing on obtaining higher grades. In Concheño, its processed tonnage also decreased due to lower tonnage coming from the pits. It is important to mention that in Concheño the work 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, with purpose to locate new areas the contribute with ore reserves. On the other hand, Ocampo reduced its processed tonnage due to the exploitation is mainly concentrated in the underground mine. In the case of Tayahua, the works is underway for reach the installed capacity of the plant; it is expected that in the second half-year of 2019 its maximum ore processing levels get obtained.

Gold production reached 35,723 ounces in 2Q19, this is a decreased of 47% when comparing to 2Q18. In the units of El Coronel and San Felipe, they obtained a higher processed grade, however, this effect did not compensate a lower production, mainly due to their reduction in processed tonnage. On the other hand, in the San Francisco del Oro, Concheño and Ocampo units, its lower production is mainly due to its reduction in processed tonnage and a lower grade.

By contrast, Tayahua recorded an increase in its gold production, due to a higher processed grade.

Silver production reached 1,354,716 ounces in 2Q19, this is a decreased of 25% when comparing to 2Q18. The units that decreased their production were mainly El Coronel, San Felipe, Concheño and Ocampo. In the case of El Coronel and Concheño, despite having a higher grade of processed silver, the decrease in processed tonnage affected production. In San Felipe and Ocampo the decreased in production is due to a lower processed tonnage, as well as a lower grade.

Copper production reached 6,053 tons in 2Q19 vs. 6,081 tons in 2Q18. The slight fall in production is mainly due to the decrease in tonnage processed in Asientos and San Francisco del Oro units, as well as a lower processed copper grade. With the works being done in the Tayahua unit to reach the maximum ore processing capacity, it is estimated that copper production will continue to increase gradually in the second half-year of 2019.

Copper cathode production in María reached 453 tons in 2Q19, this is a reduction by 39% when comparing to 2Q18. In the 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 2Q19 reached 3,625 tons, this is a reduction by 15% when comparing to 2Q18. Tayahua and San Francisco del Oro decreased their production due to a lower processed grade. In Asientos, despite obtaining a higher grade with respect to the second quarter of the previous year, did not compensate its decrease in production, due to the reduction in processed tonnage.

Zinc production in the second quarter reached 11,712 tons, this is 15% less when comparing 2Q19 to 2Q18. Asientos and San Francisco del Oro decreased their production as a result of a lower processed grade and lower recovery.

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 \$ 2,465 MM Ps (US \$ 129 MM). This is a 32% decrease when comparing the second quarter of 2019 versus the same period of the previous year. This is mainly results from the decrease in the production of gold, silver, lead, zinc and copper cathodes and in the prices of the metals that we produce, except gold, during this quarter.

OPERATING INCOME AND EBITDA

At the end of 2Q19, an operating loss of \$ 256 MM Ps was determined, this represents an operating margin of -10%, mainly due to a decrease in sales. At the end of the second quarter of 2019, the EBITDA margin was of 22%, twelve percentage points lower than the EBITDA recorded in the second quarter of 2018, but five percentage points higher than the EBITDA margin of the first quarter of 2019.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	2Q19	2Q18	Variation 2Q19/2Q18
Interest income	(0.2)	0.2	-204%
Interest expense	(525)	(349)	50%
Exchange gain (loss), net	146	(1,871)	-108%
Gain (loss) on financial instruments, net	-	(81)	-100%
Financial result	(379)	(2,301)	-84%

At the end of the second quarter of 2019, a comprehensive financial negative result of \$ 379 MM Ps was recorded, this is mainly due to interest paid.

INDEBTEDNESS

As of June 30th, 2019, the Company's debt was composed of a syndicated loan of US \$ 321 MM, the subordinated loans of US \$ 303 MM, bank credits of US \$ 297 MM, equivalents and short/long term bonds of 5,400 MM Ps.

Indebtedness (USD million)	2Q19	2Q18
Short / Long term bonds	281	252
Syndicated loan	321	521
Subordinated loan	303	201
Banks loans	297	191
Debt	1,201	1,165

On June 2019 the Company made the seven amortization of the syndicated loan for US \$102 MM

NET INCOME

At the end of 2Q19, the company recorded a net loss of \$ 399 MM Ps due to the reasons explained before in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging. For 2019 they already have hedged in a large part of the production of gold, silver and copper. As for zinc and lead, a part of the production is also hedged. It is important to mention that by 2020 a part of the estimated gold production is already hedged.

Financial Summary

Income statement In MXN million	2Q19	2Q18	Variation 2Q19/2Q18
Net sales	2,465.1	3,632.0	-32%
Cost of sales	(2,271.4)	(2,988.6)	-24%
Gross profit	193.7	643.4	-70%
Operating expenses	(304.1)	(327.9)	-7%
Other expenses, net	(145.5)	(40.6)	259%
Operating income	(255.9)	275.0	-193%
Interest income	(0.2)	0.2	-204%
Exchange gain (loss), net	146.3	(1,870.8)	-108%
Gain (loss) on financial instruments	-	(81.2)	-100%
Interest expense	(525.2)	(349.3)	50%
Income before taxes	(635.1)	(2,026.0)	-69%
Income taxes	236.1	551.9	-57%
Net income	(398.9)	(1,474.1)	-73%
Controlling interest	(412.8)	(1,502.9)	-73%
Noncontrolling interest	13.8	28.8	-
Outstanding shares ('000)	2,545,383	2,545,383	-
Closing price	2.89	7.51	-62%

Balance sheet In MXN million	30.06.2019	31.12.2018
Assets	47,879.8	50,289.6
Current assets	5,732.5	6,734.3
Cash and cash equivalents	133.3	24.4
Accounts receivable	375.9	461.8
Inventories	2,884.2	3,020.1
Other current assets	2,339.2	3,227.9
Non-current assets	42,147.3	43,555.3
Property, plant and equipment	26,895.8	28,078.9
Intangible asstes	1,853.8	1,938.7
Other non-current assets	13,397.7	13,537.6
Liabilities and shareholder's equity	38,291.0	38,864.4
Current liabilities	22,182.1	21,740.7
Short-term debt	10,169.9	9,105.9
Accounts payable	2,100.9	2,225.6
Income taxes	165.8	207.5
Derivative financial instruments	32.3	648.5
Other current liabilities	9,713.3	9,553.2
Non-current liabilities	16,108.8	17,123.7
Marketable notes and long-term debt	12,929.1	13,474.3
Derivative financial instruments	10.7	-
Other non-current liabilities	3,169.0	3,649.3
Shareholder's equity	9,588.9	11,425.2
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(10,942.6)	(10,078.6)
Other accumulated income (net of tax)	7,855.4	8,822.6
Controlling interest	8,383.9	10,215.0
Noncontrolling interest	1,205.0	1,210.2

Invitation to the Conference Call

Date: July 24, 2019
 Time: 10:00 am Mexico City, 11:00 am NY(ET)
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 ID#: MINERA FRISCO

Replay

Date: July 24 to July 31, 2019
 Tel: +1 (412) 317-0088 (Intern. and Mex.)
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 Oz: troy ounces
 Tonnes: metric tons

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