

Second quarter 2016 results

Mexico City, July 28, 2016, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the second quarter 2016.

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 currently has nine mining units in Mexico: El Coronel, San Felipe, Maria, San Francisco del Oro, Tayahua, Asientos, Porvenir, Ocampo and Concheño and 1 expansion project under development; Tayahua Primary Copper. 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		2Q16	2Q15	Variation 2Q16/2Q15	6M16	6M15	Variation 6M16/6M15
Production of gold	Oz	98,376	104,322	-6%	201,806	222,379	-9%
silver	Oz	2,165,254	2,429,214	-11%	4,433,651	4,694,200	-6%
copper	tonnes	4,629	5,198	-11%	9,401	10,455	-10%
Net sales	MXN million	3,374	3,376	0%	6,780	6,799	0%
	US\$ million	187	220	-15%	376	450	-16%
EBITDA	MXN million	1,152	1,093	5%	2,507	2,352	7%
	US\$ million	64	71	-11%	139	156	-11%
EBITDA margin		34%	32%		37%	35%	
Total Debt	MXN million	25,045	23,124	8%			
	US\$ million	1,324	1,485	-11%			

PRODUCTION

Milling/Heap leaching (tonnes)	2Q16	2Q15	Variation 2Q16/2Q15	6M16	6M15	Variation 6M16/6M15
El Coronel	4,403,455	4,453,311	-1%	8,968,046	9,066,438	-1%
San Felipe	2,082,193	2,566,321	-19%	4,461,213	5,288,792	-16%
Asientos	324,463	333,858	-3%	636,619	648,877	-2%
Tayahua	500,461	511,121	-2%	999,566	1,000,302	0%
San Francisco del Oro	374,646	381,840	-2%	734,703	751,906	-2%
Maria	-	-	-	-	-	-
Porvenir	8,287	229,560	-96%	172,645	854,074	-80%
Concheño	994,147	921,543	8%	2,003,504	1,651,582	21%
Ocampo	138,730	507,589	-73%	278,660	983,267	-72%
Total	8,826,382	9,905,143	-11%	18,254,955	20,245,238	-10%

Total tonnage processed in 2Q16 decreased by 11% when compared with the 2Q15. This is due to a lower tonnage in El Porvenir, Ocampo and San Felipe. As explained on previous reports, El Porvenir reached the end of the current pit and we are currently expecting the environmental permits that will allow restarting the operations of the unit. Regarding Ocampo, during last year we were still exploiting the open pit which contributed substantially to the ore processed in the unit, this year we are only mining the underground mine which represent less tonnage while maintaining the same metal production. San Felipe's decrease is mainly explained because of a reduction of the plant's capacity due to a mayor maintenance undertaken on the crushing circuit during June and July. It is worth to mention that Concheño increased its tonnage by 8% due to an increase in the contribution from the underground mine.

Gold production in the 2Q16 decreased by 6% when compared with 2Q15, reaching 98,376 Oz. This is mainly due to a lower production in El Coronel (-34%), El Porvenir (-25%) and Asientos (-25%). Lower production in El Coronel was due to a lower ore recovery, currently, metallurgical tests and analysis are being performed, this will allow us to locate and discard the ore with less recovery, gradually improving the recovery. The units that increased gold production were San Felipe, Concheño and Tayahua by 35%, 8% and 7% respectively.

Silver production decreased by 11% when compared 2Q16 vs. 2Q15. This is due to a lower production in El Porvenir, Asientos, Concheño and Tayahua. The causes of a lower production in El Porvenir (-51%) have already been explained. Asientos and Concheño decreased their production by 35% and 12% respectively due to a lower grade; this is due to the normal exploitation process of the mine where we are currently mining areas with lower grades while developing better areas, grades are expected to recover by the next quarter. Tayahua's production decreased (-7%) due to a lower grades and recoveries. When compared quarter vs. quarter, El Coronel and Ocampo increased their production by 25% and 5% respectively, therefore the silver production in the 2Q16 reached 2,165,254 Oz.

Copper concentrates production increased by 3% in 2Q16 vs. 2Q15, reaching 3,866 tonnes. This is mainly due to the increase in Tayahua (5%) which processed a better copper grade. It is important to mention that in order to increase copper production, the unit continues with its expansion project, Tayahua Primary Copper.

Copper cathode production decreased by 47% in the 2Q16 vs. the 2Q15. As explained in previous reports, Maria suspended its mining operations at the end of 2014 and is currently only operating the leaching pads. Exploration works continue on new identified objectives aiming to restart the operations.

Lead production remained practically unchanged when comparing the 2Q16 vs. the 2Q15, reaching 5,881 tonnes. Asientos decreased its lead production by 12% due to lower grades processed; this decrease was compensated by a 20% increase in production of Tayahua.

Zinc production increased by 1% in the 2Q16 vs the 2Q15, reaching 18,051 tonnes. During this quarter, Asientos decreased its production by 14% due to lower grades. This was compensated by an increase in production of 15% in Tayahua and 9% in San Francisco del Oro.

NET SALES

Net sales remained practically unchanged when comparing the 2Q16 Vs the 2Q15, reaching \$3,374 MM Ps (US\$187 MM). The appreciation of the dollar against the Mexican peso and an increase in the price of gold and silver compensated a lower production during the quarter.

OPERATING INCOME AND EBITDA

Operating income reached \$297 MM Ps in 2Q16, an increase of 14% when compared to 2Q15, mainly explained by cost reductions achieved in most of the mines. The EBITDA margin closed at 34%, 2 percentage points higher when compared to the same quarter of 2015.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	2Q16	2Q15	Variation 2Q16/2Q15	6M16	6M15	Variation 6M16/6M15
Interest income	0.8	(0.0)	-	1.0	2.8	-
Interest expense	(255)	(242)	5%	(475)	(504)	-6%
Exchange gain (loss), net	(1,825)	(643)	184%	(2,096)	(1,407)	49%
Gain (loss) on financial instruments, net	(673)	-	-	(633)	-	-
Financial result	(2,753)	(885)	211%	(3,203)	(1,908)	68%

In 2Q16, the Company recorded a negative comprehensive financing cost of \$2,753 MM Ps; this is due to the exchange loss variation, the financial instruments loss and the interest expense.

INDEBTEDNESS

On June 30th, 2016 the Company's debt was composed of a syndicated loan of US\$1,060 MM and \$5,000 MM Ps in long term bonds. It is important to mention that on June 14th, the first amortization of the syndicated loan was made, reducing debt in \$40 MM USD. At the end of 2Q16, the syndicated loan decreased by 4% when compared quarter to quarter. When comparing 2Q16 vs. 2Q15 the total debt decreased 11%, reaching US\$1,324 MM vs. US\$1,485 MM.

NET INCOME

During 2Q16, due the reasons previously explained, the Company accumulated a net loss of \$1,707 MM Ps.

DERIVATIVE FINANCIAL INSTRUMENTS

As of June 30th, the company continued with its metal hedging strategy covering most of its production estimated for the remainder 2016 and some portion of 2017's estimated production.

Financial summary

Income statement In MXN million	2Q16	2Q15	Variation 2Q16/2Q15	6M16	6M15	Variation 6M16/6M15
Net sales	3,373.7	3,375.8	0%	6,780.0	6,799.2	0%
Cost of sales	(2,746.8)	(2,626.5)	5%	(5,326.0)	(5,304.9)	0%
Gross profit	626.9	749.2	-16%	1,454.0	1,494.2	-3%
Operating expenses	(288.9)	(292.9)	-1%	(586.1)	(535.5)	9%
Other expenses, net	(41.5)	(196.2)	-79%	(69.1)	(264.2)	-74%
Operating income	296.5	260.1	14%	798.8	694.5	15%
Interest income	0.8	(0.0)	-3896%	1.0	2.8	-65%
Exchange gain (loss), net	(1,825.4)	(642.6)	184%	(2,095.8)	(1,406.6)	49%
Gain (loss) on financial instruments	(673.5)	-	-	(633.2)	-	-
Interest expense	(255.1)	(241.9)	5%	(474.9)	(504.4)	-6%
Income before taxes	(2,456.8)	(624.4)	293%	(2,404.2)	(1,213.7)	98%
Income taxes	750.2	216.3	247%	730.1	347.8	110%
Net income	(1,706.6)	(408.2)	318%	(1,674.1)	(865.9)	93%
Controlling interest	(1,716.8)	(418.4)	310%	(1,693.8)	(883.1)	92%
Noncontrolling interest	10.2	10.2	0%	19.8	17.2	15%
Outstanding shares ('000)	2,545,383	2,545,383	-	2,545,383	2,545,383	-
Closing price	12.35	11.74	5%	12.35	11.74	5%

Balance sheet In MXN million	30.06.2016	31.12.2015
Assets	49,091.8	47,636.1
Current assets	5,827.3	6,512.4
Cash and cash equivalents	123.4	117.0
Accounts receivable	234.7	154.6
Inventories	3,618.7	3,563.8
Other current assets	1,850.5	2,677.0
Non-current assets	43,264.5	41,123.8
Property, plant and equipment	32,523.8	30,924.0
Intangible asstes	9,690.1	9,479.1
Other non-current assets	1,050.6	720.7
Liabilities and shareholder's equity	32,757.2	31,020.7
Current liabilities	9,464.1	6,585.0
Short-term debt	2,648.1	1,377.9
Accounts payable	1,223.9	1,173.6
Income taxes	49.7	92.5
Derivative financial instruments	1,425.2	351.3
Other current liabilities	4,117.1	3,589.8
Non-current liabilities	23,293.0	24,435.7
Marketable notes and long-term debt	22,397.1	22,549.3
Derivative financial instruments	132.8	-
Other non-current liabilities	763.2	1,886.4
Shareholder's equity	16,334.6	16,615.5
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(4,912.1)	(3,218.3)
Other accumulated income (net of tax)	9,049.9	7,700.6
Controlling interest	15,608.8	15,953.4
Noncontrolling interest	725.8	662.1

Invitation to the Conference Call

Date: July 29, 2016
 Time: 10:00 am Mexico City, 11:00 am NY(ET)
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Replay

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Oz: troy ounces
 Tonnes: metric tons

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