

## Third quarter 2016 results

Mexico City, October 27, 2016, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the third 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    |              | 3Q16      | 3Q15      | Variation<br>3Q16/3Q15 | 9M16      | 9M15      | Variation<br>9M16/9M15 |
|--------------------|--------------|-----------|-----------|------------------------|-----------|-----------|------------------------|
| Production of gold | Oz           | 91,762    | 94,537    | -3%                    | 293,568   | 316,916   | -7%                    |
| silver             | Oz           | 2,322,612 | 2,221,232 | 5%                     | 6,756,263 | 6,915,432 | -2%                    |
| copper             | tonnes       | 4,681     | 5,283     | -11%                   | 14,082    | 15,738    | -11%                   |
| Net sales          | MXN million  | 3,511     | 3,336     | 5%                     | 10,291    | 10,136    | 2%                     |
|                    | US\$ million | 187       | 203       | -8%                    | 563       | 653       | -14%                   |
| EBITDA             | MXN million  | 1,275     | 1,213     | 5%                     | 3,782     | 3,565     | 6%                     |
|                    | US\$ million | 68        | 74        | -8%                    | 207       | 230       | -10%                   |
| EBITDA margin      |              | 36%       | 36%       |                        | 37%       | 35%       |                        |
| Total Debt         | MXN million  | 25,669    | 23,708    | 8%                     |           |           |                        |
|                    | US\$ million | 1,316     | 1,394     | -6%                    |           |           |                        |

PRODUCTION

| Milling/Heap leaching (tonnes) | 3Q16             | 3Q15              | Variation 3Q16/3Q15 | 9M16              | 9M15              | Variation 9M16/9M15 |
|--------------------------------|------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| El Coronel                     | 4,371,711        | 4,802,325         | -9%                 | 13,339,758        | 13,868,763        | -4%                 |
| San Felipe                     | 2,356,266        | 2,931,255         | -20%                | 6,817,479         | 8,220,047         | -17%                |
| Asientos                       | 296,505          | 302,740           | -2%                 | 933,123           | 951,617           | -2%                 |
| Tayahua                        | 500,829          | 504,464           | -1%                 | 1,500,395         | 1,504,766         | 0%                  |
| San Francisco del Oro          | 321,128          | 401,547           | -20%                | 1,055,831         | 1,153,452         | -8%                 |
| María                          | -                | -                 | -                   | -                 | -                 | -                   |
| Porvenir                       | 0                | 527,295           | -100%               | 172,645           | 1,381,369         | -88%                |
| Concheño                       | 936,195          | 679,415           | 38%                 | 2,939,699         | 2,330,998         | 26%                 |
| Ocampo                         | 107,227          | 287,440           | -63%                | 385,887           | 1,270,707         | -70%                |
| <b>Total</b>                   | <b>8,889,861</b> | <b>10,436,481</b> | <b>-15%</b>         | <b>27,144,816</b> | <b>30,681,719</b> | <b>-12%</b>         |

Total tonnage processed in 3Q16 decreased by 15% when compared with the 3Q15. This is due to a lower tonnage in El Porvenir, Ocampo, San Felipe and San Francisco del Oro. As explained in previous reports, El Porvenir had not been processing ore because initial reserves were exhausted and we were expecting an environmental permit which would allow resuming operations on the new open pit. This permit was obtained in August, therefore, on October 1st, the unit resumed operations. It is worth to mention that during 3Q16 a lower tonnage was obtained from Ocampo because in 3Q15 we exploited the open pit which contributed to a higher tonnage processed in the unit. This year, the ore processed comes from the underground mine with the objective of maintaining the same productions levels despite of lower tonnage. In San Felipe, as it was mention in the previous report, a major maintenance work was carried out on the crushing circuit which reduced the tonnage processed during July and it resumed its operations in August. San Francisco del Oro's decrease is due to the development of new areas that will allow processing a higher tonnage with better grades. Concheño increased its processed tonnage by 38% due to a higher tonnage coming from the underground mine.

Gold production in the 3Q16 decreased by 3% when compared to 3Q15, reaching 91,762 Oz. This is mainly due to a lower production in El Porvenir (-69%), Asientos (-41%) and El Coronel (-22%). A lower production in El Coronel is due to less tonnage processed and a lower ore recovery. The decrease in recovery is due to exploitation of the pit to a greater depth that has resulted in a lower recovery. Works to improve the ore recovery are being carried out. Asiento's decrease is due to a lower gold grade processed which is the result of the proper development of the mine. Although Concheño unit increased its production by 47%, this unit did not compensate for the decrease of production of the other units.

Silver production increased by 5% when comparing 3Q16 vs. 3Q15, reaching 2,322,612 Oz. A higher production in Concheño (57%) and Asientos (14%) compensates for a lower production in El Porvenir (-60%), San Felipe (-38%) and Tayahua (-11%). The causes of a lower production in El Porvenir and San Felipe have already been explained. A lower production in Tayahua is due to a lower silver grade contained in the area exploited. Asientos and Concheño increased their production because during the quarter, areas with a better grade were mined.

Copper concentrates production remained practically unchanged, it increased by 1% in 3Q16 vs. 3Q15. San Francisco del Oro and Asientos increased their production by 23% and 18% respectively. This effect could compensate a lower production in Tayahua (-3%). It is important to mention that in order to increase copper production, the unit continues with its expansion project, Tayahua - Primary Copper. At the end of the quarter Copper concentrates production reached 3,929 tonnes.

Copper cathode production decreased by 46% in 3Q16 vs. 3Q15, reaching 751 tonnes. This is because at the end of 2014, Maria unit suspended its mining operations and it is only operating the leaching pads. Exploration works continue on the new identified objectives aiming to restart the operations.

Lead production decreased by 2% when comparing quarter vs. quarter, reaching 5,117 tonnes. Asientos decreased its lead production by 11% due to a lower lead grade processed; this decrease was compensated by a 25% increase in Tayahua's production.

Zinc remained practically unchanged. It decreased 0.5% in the 3Q16 vs. the 3Q15, reaching 17,481 tonnes. During this quarter, San Francisco del Oro decreased its production by 17%. This drop was compensated by an increase in production of 12% in Tayahua and 4% in Asientos.

## NET SALES

Net sales increased by 5% when comparing 3Q16 vs. 3Q15, reaching \$3,511 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 for a lower gold and copper cathode production.

## OPERATING INCOME AND EBITDA

Operating income reached \$409 MM Ps in 3Q16, an increase of 21% when compared to 3Q15, mainly explained by an increase in sales and a decrease of 29% in operating and other expenses. The EBITDA margin remained unchanged, at 36%, when comparing quarter vs. quarter.

## COMPREHENSIVE FINANCIAL INCOME

| Comprehensive Financial Income<br>(MXN million) | 3Q16           | 3Q15           | Variation<br>3Q16/3Q15 | 9M16           | 9M15           | Variation<br>9M16/9M15 |
|---|----------------|----------------|------------------------|----------------|----------------|------------------------|
| Interest income                                 | 0.5            | 0.4            | -                      | 1.5            | 3.2            | -                      |
| Interest expense                                | (293)          | (248)          | 18%                    | (768)          | (752)          | 2%                     |
| Exchange gain (loss), net                       | (768)          | (1,723)        | -55%                   | (2,879)        | (2,754)        | 5%                     |
| Gain (loss) on financial instruments, net       | (248)          | (681)          | -                      | (866)          | (1,057)        | -                      |
| <b>Financial result</b>                         | <b>(1,308)</b> | <b>(2,652)</b> | <b>-51%</b>            | <b>(4,511)</b> | <b>(4,560)</b> | <b>-1%</b>             |

In 3Q16, the Company recorded a negative comprehensive financing cost of \$1,308 MM Ps; this is due to the exchange loss variation, loss on financial instruments and the interest expense.

## INDEBTEDNESS

On September 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. When comparing 3Q16 vs. 3Q15 the total debt in American Dollars decreased 6%, reaching US\$1,316 MM vs. US\$1,394 MM.

## NET INCOME

During the 3Q16, due to the reasons previously explained, the Company recorded a net loss of \$672 MM Ps.

## DERIVATIVE FINANCIAL INSTRUMENTS

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

## Financial summary

| Income statement<br>In MXN million   | 3Q16           | 3Q15             | Variation<br>3Q16/3Q15 | 9M16             | 9M15             | Variation<br>9M16/9M15 |
|--------------------------------------|----------------|------------------|------------------------|------------------|------------------|------------------------|
| <b>Net sales</b>                     | <b>3,510.9</b> | <b>3,336.4</b>   | <b>5%</b>              | <b>10,290.9</b>  | <b>10,135.5</b>  | <b>2%</b>              |
| Cost of sales                        | (2,792.6)      | (2,564.3)        | 9%                     | (8,118.6)        | (7,869.2)        | 3%                     |
| <b>Gross profit</b>                  | <b>718.2</b>   | <b>772.1</b>     | <b>-7%</b>             | <b>2,172.2</b>   | <b>2,266.3</b>   | <b>-4%</b>             |
| Operating expenses                   | (292.1)        | (296.8)          | -2%                    | (878.2)          | (832.3)          | 6%                     |
| Other expenses, net                  | (17.1)         | (136.7)          | -88%                   | (86.2)           | (400.9)          | -79%                   |
| <b>Operating income</b>              | <b>409.1</b>   | <b>338.6</b>     | <b>21%</b>             | <b>1,207.9</b>   | <b>1,033.1</b>   | <b>17%</b>             |
| Interest income                      | 0.5            | 0.4              | 21%                    | 1.5              | 3.2              | -54%                   |
| Exchange gain (loss), net            | (767.5)        | (1,722.8)        | -55%                   | (2,879.0)        | (2,754.2)        | 5%                     |
| Gain (loss) on financial instruments | (247.9)        | (681.5)          | -                      | (865.5)          | (1,056.7)        | -                      |
| Interest expense                     | (293.0)        | (247.8)          | 18%                    | (768.0)          | (752.2)          | 2%                     |
| <b>Income before taxes</b>           | <b>(898.9)</b> | <b>(2,313.1)</b> | <b>-61%</b>            | <b>(3,303.1)</b> | <b>(3,526.7)</b> | <b>-6%</b>             |
| Income taxes                         | 226.9          | 773.4            | -71%                   | 957.1            | 1,121.2          | -15%                   |
| <b>Net income</b>                    | <b>(672.0)</b> | <b>(1,539.7)</b> | <b>-56%</b>            | <b>(2,346.0)</b> | <b>(2,405.6)</b> | <b>-2%</b>             |
| Controlling interest                 | (683.5)        | (1,545.4)        | -56%                   | (2,377.3)        | (2,428.4)        | -2%                    |
| Noncontrolling interest              | 11.5           | 5.7              | 103%                   | 31.3             | 22.9             | 37%                    |
| Outstanding shares ('000)            | 2,545,383      | 2,545,383        | -                      | 2,545,383        | 2,545,383        | -                      |
| Closing price                        | 13.52          | 8.85             | 53%                    | 13.52            | 8.85             | 53%                    |



| Balance sheet<br>In MXN million             | 30.09.2016      | 31.12.2015      |
|---|-----------------|-----------------|
| <b>Assets</b>                               | <b>51,010.4</b> | <b>47,636.1</b> |
| <b>Current assets</b>                       | <b>6,879.7</b>  | <b>6,512.4</b>  |
| Cash and cash equivalents                   | 1,207.3         | 117.0           |
| Accounts receivable                         | 233.3           | 154.6           |
| Inventories                                 | 3,713.4         | 3,563.8         |
| Other current assets                        | 1,725.6         | 2,677.0         |
| <b>Non-current assets</b>                   | <b>44,130.8</b> | <b>41,123.8</b> |
| Property, plant and equipment               | 33,012.6        | 30,924.0        |
| Intangible asstes                           | 9,790.2         | 9,479.1         |
| Other non-current assets                    | 1,327.9         | 720.7           |
| <b>Liabilities and shareholder's equity</b> | <b>34,540.4</b> | <b>31,020.7</b> |
| <b>Current liabilities</b>                  | <b>10,755.3</b> | <b>6,585.0</b>  |
| Short-term debt                             | 2,730.6         | 1,377.9         |
| Accounts payable                            | 1,455.6         | 1,173.6         |
| Income taxes                                | 65.8            | 92.5            |
| Derivative financial instruments            | 1,251.9         | 351.3           |
| Other current liabilities                   | 5,251.4         | 3,589.8         |
| <b>Non-current liabilities</b>              | <b>23,785.1</b> | <b>24,435.7</b> |
| Marketable notes and long-term debt         | 22,938.8        | 22,549.3        |
| Derivative financial instruments            | 85.5            | -               |
| Other non-current liabilities               | 760.7           | 1,886.4         |
| <b>Shareholder's equity</b>                 | <b>16,470.1</b> | <b>16,615.5</b> |
| Capital stock                               | 74.4            | 74.4            |
| Additional paid-in capital                  | 11,396.7        | 11,396.7        |
| Retained earnings                           | (5,595.6)       | (3,218.3)       |
| Other accumulated income (net of tax)       | 9,842.9         | 7,700.6         |
| Controlling interest                        | 15,718.3        | 15,953.4        |
| Noncontrolling interest                     | 751.8           | 662.1           |

### Invitation to the Conference Call

Date: October 28, 2016  
 Time: 10:00 am Mexico City, 11:00 am NY(ET)  
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### Replay

Date: October 28 to November 09, 2016  
 Tel: +1 (877) 344-7529 (USA) / Tel:+1 (412) 317-0088 (Intern. and Mexico)  
 ID#: 10095007

Oz: troy ounces  
 Tonnes: metric tons

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