

Third quarter 2017 results

Mexico City, October 26th, 2017, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the third quarter 2017.

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		3Q17	3Q16	Variation 3Q17/3Q16	9M17	9M16	Variation 9M17/9M16
Production of gold	Oz	77,946	91,762	-15%	255,101	293,568	-13%
silver	Oz	2,089,592	2,322,612	-10%	6,663,683	6,756,263	-1%
copper	tonnes	4,830	4,681	3%	14,386	14,082	2%
Net sales	MXN million	3,499	3,511	0%	11,229	10,291	9%
	US\$ million	196	187	5%	594	563	5%
EBITDA	MXN million	1,288	1,275	1%	4,030	3,782	7%
	US\$ million	72	68	6%	212	207	3%
EBITDA margin		37%	36%		36%	37%	
Total Debt	MXN million	21,741	25,669	-15%			
	US\$ million	1,195	1,316	-9%			

PRODUCTION

Milling/Heap leaching (tonnes)	3Q17	3Q16	Variation 3Q17/3Q16	9M17	9M16	Variation 9M17/9M16
El Coronel	3,576,671	4,371,711	-18%	12,220,243	13,339,758	-8%
San Felipe	1,850,652	2,356,266	-21%	6,558,518	6,817,479	-4%
Asientos	304,358	296,505	3%	909,469	933,123	-3%
Tayahua	526,711	500,829	5%	1,568,190	1,500,395	5%
San Francisco del Oro	304,967	321,128	-5%	960,097	1,055,831	-9%
María	-	-	-	-	-	-
Porvenir	569,942	-	-	1,509,615	172,645	774%
Concheño	942,541	936,195	1%	2,938,929	2,939,699	0%
Ocampo	156,999	107,227	46%	469,564	385,887	22%
Total	8,232,840	8,889,861	-7%	27,134,625	27,144,816	0%

Total processed tonnage in 3Q17 decreased by 7% when comparing to 3Q16. The units that processed a lower tonnage during the quarter were San Felipe, Coronel and San Francisco del Oro. In San Felipe, a lower tonnage was processed due to it reached the bottom of the pit. Currently, adjacent pits are being prepared with the purpose of increasing tonnage and improving grades. The decrease in processed tonnage in El Coronel during the quarter is due to the rains continued in the area. This caused a wet ore and together with the clay the crushing process was less efficient. It is important to remember that the increase in processed tonnage in Porvenir during 3Q17 is because in 3Q16 the expansion of the open pit had not yet started its operation. Although Tayahua, Asientos and Concheño increased their processed tonnage, they did not compensate the decrease in the units mentioned before.

Gold production decreased by 15% in 3Q17 when comparing to 3Q16, reaching 77,946 ounces. The units that contributed mainly with less production were Concheño, San Felipe and Ocampo. In Concheño, a lower production is due to a lower processed gold grade, which is expected to reverse with the ore from the new open pits and the underground mine with better grades. A lower production in San Felipe is due to the reasons explained in the previous paragraph. Gold production in Ocampo decreased due to lower processed grades, currently new fronts are being prepared in the underground mine which will allow to have access to better grades. Although the Coronel and Porvenir increased their production, these did not compensate a lower production in the units mentioned before.

Silver production in 3Q17 decreased by 10% when comparing to 3Q16, reaching 2,089,592 ounces. The units which contributed with less production were Concheño, San Felipe, Asientos and Ocampo. A lower production in Concheño is due to areas with lower silver grade were mined during this third quarter, it is expected to obtain better silver grades from the underground mine. San Felipe decreased its production due to a lower processed grade and also for the reasons explained before. The decrease in production in Asientos is due to lower processed grade, this is as a result of the development and exploitation of the mine during the quarter. In Ocampo the decrease is mainly due to a lower processed grade. The units that increased their silver production were Porvenir, Tayahua and El Coronel. The increase in these units did not compensate the decrease of production in the units mentioned before.

Copper concentrates production increased by 12% in 3Q17 when comparing to 3Q16, reaching 4,410 tons. Tayahua and Asientos increased their production, this compensated a decrease of production in San Francisco del Oro. It is important to mention that Tayahua is about to conclude its expansion project, "Tayahua Primary Copper," with the main objective of increasing copper production.

Copper cathodes production decreased by 44% when comparing 3Q17 with 3Q16, reached 420 tons. This is because currently the unit Maria is only recovering the mineral already deposited in the leaching pads, whose causes have been explained in previous reports. It is worth to remember that in Maria a new objective was identified, therefore stripping works are being carried out. In addition, the site for the leaching pads is being prepared, aiming to restart the ore deposits in the unit.

Lead production decreased by 3% when comparing 3Q17 with 3Q16. Tayahua increased production due to a higher processed grade, an opposite effect occurred in San Francisco del Oro and Asientos, where processed grades decreased resulting in lower lead production. This variation in grades is due to the development of the mine and the fronts exploited during the period. Lead production during 3Q17 reached 4,944 tons.

Zinc production declined by 7% when comparing 3Q17 with 3Q16. This is because San Francisco del Oro and Asientos decreased production due to a lower processed zinc grade. Although Tayahua increased its production, it did not compensate the decrease in the units mentioned before. Zinc production at the end of the quarter reached 16,205 tons.

NET SALES

When comparing quarter vs quarter, net sales remained practically without variation (-0.3%), it recorded \$3,499 MM Ps (US \$ 196 MM). This as a result of the increase in prices of zinc, copper and lead during this third quarter, a lower production was compensated by this effect.

OPERATING INCOME AND EBITDA

The operating income reached \$480 MM Ps, an increase of 17% when comparing 3Q17 with 3Q16. This because of net sales remained unchanged (-0.3%) and a lower cost of sales. Minera Frisco continues developing strategies in order to reduce costs and expenses. The EBITDA margin is 37%, one percentage point more when comparing quarter to quarter.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	3Q17	3Q16	Variation 3Q17/3Q16	9M17	9M16	Variation 9M17/9M16
Interest income	0.5	0.5	-8%	4.1	1.5	171%
Interest expense	(328)	(293)	12%	(897)	(768)	17%
Exchange gain (loss), net	(309)	(768)	-60%	3,117	(2,879)	-208%
Gain (loss) on financial instruments, net	(309)	(248)	25%	(497)	(866)	-43%
Financial result	(945)	(1,308)	-28%	1,728	(4,511)	-138%

At the end of the third quarter of 2017, a comprehensive financial result of -\$945 MM Ps was recorded. This is due to interest paid, a loss from the exchange variation and a loss from the financial instruments.

INDEBTEDNESS

As of September 30th, 2017, the Company's debt was composed of a syndicated loan of US\$920 MM and 5,000 MM Ps in short term bonds.

Indebtedness (MXN million)	3Q17	3Q16	Variation 3Q17/3Q16
Short term bonds	5,000	5,000	0%
Syndicated loan	16,741	20,669	-19%
Debt	21,741	25,669	-15%

Debt decreased by 15% when comparing 3Q17 vs 3Q16, reaching \$21,741 MM Ps vs \$25,669 MM Ps.

NET INCOME

At the end of 3Q17, the Company recorded a net loss of \$550 MM Ps, due to the causes explained before.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with its hedging strategy. As of today, most of its estimated production for 2017 is hedged. Also, the metal hedging strategy for 2018 continues.

Financial Summary

Income statement In MXN million	3Q17	3Q16	Variation 3Q17/3Q16	9M17	9M16	Variation 9M17/9M16
Net sales	3,499.0	3,510.9	0%	11,228.8	10,290.9	9%
Cost of sales	(2,699.4)	(2,792.6)	-3%	(8,632.9)	(8,118.6)	6%
Gross profit	799.6	718.2	11%	2,595.9	2,172.2	20%
Operating expenses	(295.3)	(292.1)	1%	(877.8)	(878.2)	0%
Other expenses, net	(24.6)	(17.1)	44%	(165.0)	(86.2)	91%
Operating income	479.6	409.1	17%	1,553.1	1,207.9	29%
Interest income	0.5	0.5	-8%	4.1	1.5	171%
Exchange gain (loss), net	(309.2)	(767.5)	-60%	3,117.0	(2,879.0)	-208%
Gain (loss) on financial instruments	(309.0)	(247.9)	25%	(496.7)	(865.5)	-43%
Interest expense	(327.6)	(293.0)	12%	(896.8)	(768.0)	17%
Income before taxes	(465.7)	(898.9)	-48%	3,280.7	(3,303.1)	-199%
Income taxes	(84.0)	226.9	-137%	(1,671.5)	957.1	-275%
Net income	(549.7)	(672.0)	-18%	1,609.3	(2,346.0)	-169%
Controlling interest	(573.1)	(683.5)	-16%	1,561.7	(2,377.3)	-166%
Noncontrolling interest	23.4	11.5	103%	47.6	31.3	52%
Outstanding shares ('000)	2,545,383	2,545,383	-	2,545,383	2,545,383	-
Closing price	11.64	13.52	-14%	11.64	13.52	-14%

Balance sheet In MXN million	30.09.2017	31.12.2016
Assets	51,772.4	56,068.3
Current assets	6,968.6	7,431.2
Cash and cash equivalents	1,301.5	674.6
Accounts receivable	90.8	200.3
Inventories	3,801.4	4,101.4
Other current assets	1,774.9	2,455.0
Non-current assets	44,803.8	48,637.1
Property, plant and equipment	31,004.7	34,004.7
Intangible asstes	2,138.4	2,332.5
Other non-current assets	11,660.7	12,299.9
Liabilities and shareholder's equity	36,709.0	39,126.6
Current liabilities	20,703.2	13,158.0
Short-term debt	9,185.7	4,132.4
Accounts payable	2,370.1	2,101.4
Income taxes	580.2	238.9
Derivative financial instruments	597.8	648.5
Other current liabilities	7,969.5	6,036.8
Non-current liabilities	16,005.7	25,968.6
Marketable notes and long-term debt	12,555.1	21,943.2
Derivative financial instruments	9.3	-
Other non-current liabilities	3,441.3	4,025.4
Shareholder's equity	15,063.4	16,941.7
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(5,987.1)	(7,548.8)
Other accumulated income (net of tax)	8,828.1	12,228.6
Controlling interest	14,312.0	16,150.8
Noncontrolling interest	751.4	790.9

Invitation to the Conference Call

Date: October 27th, 2017
 Time: 10:00 am Mexico City, 11:00 am NY(ET)
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Replay

Date: October 27th to November 03th, 2017
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Oz: troy ounces
 Tonnes: metric tons

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