

Fourth quarter 2017 results

Mexico City, February 27th, 2018, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the fourth 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. 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		4Q17	4Q16	2017	2016
Production of gold	Oz	65,540	87,710	320,640	381,278
silver	Oz	1,750,468	2,282,387	8,414,151	9,038,650
copper	tonnes	5,216	4,629	19,602	18,710
Net sales	MXN million	3,641	3,568	14,870	13,859
	US\$ million	192	180	786	743
EBITDA	MXN million	1,285	1,179	5,315	4,961
	US\$ million	68	59	280	266
EBITDA margin		35%	33%	36%	36%
Total Debt	MXN million	23,850	26,076		
	US\$ million	1,208	1,262		

PRODUCTION

Milling/Heap leaching (tonnes)	4Q17	4Q16	2017	2016
El Coronel	3,403,848	4,132,758	15,624,091	17,472,516
San Felipe	1,231,804	2,444,422	7,790,321	9,261,901
Asientos	293,691	288,169	1,203,160	1,221,292
Tayahua	694,703	471,409	2,262,893	1,971,804
San Francisco del Oro	320,416	356,473	1,280,514	1,412,304
Maria	636,662	-	-	-
Porvenir	407,418	118,255	1,917,033	290,901
Concheño	948,948	839,588	3,887,877	3,779,286
Ocampo	136,082	124,306	605,646	510,192
Total	8,073,573	8,775,380	35,208,199	35,920,196

In terms of production, processed tonnage in 4Q17 decreased when comparing to 4Q16. The units that processed a lower tonnage during the quarter were San Felipe, El Coronel and San Francisco del Oro. As it was explained in previous reports, San Felipe reached the bottom of the pit, so it continues with exploration works in adjacent pits, with the objective of increase tonnage. Also it will increase tonnage with ore coming from the underground mine. The decrease of processed tonnage in El Coronel during the quarter is because of mineral was processed with moisture and clay contents, which made less efficient the ore flow in the crushing circuits. To minimize these effects, others areas are being prepared in order to obtain a better ore mixture. In contrast, Tayahua increased its processed tonnage due to the "Cobre Primario" expansion project, it was concluded and it started its ramp-up period in November 2017. With this expansion, it is expected that the unit triple its ore processing capacity and increase production. Concheño increased its processed tonnage due to the tonnage coming from the areas in preparation. El Porvenir and Asientos also increased their processed tonnage. These increases did not compensate the decrease in the units previously mentioned.

Gold production reached 65,540 ounces in 4Q17. The units that contributed mainly with less production were San Felipe, Concheño, Ocampo and Coronel. A lower production in San Felipe is due to the reasons explained in the previous paragraph. In Concheño, a lower production is due to a lower processed gold grade. It is expected to reverse this situation with ore coming from new pits and the underground mine. Gold production in Ocampo decreased due to a lower processed grade, currently new fronts are being prepared in the underground mine, which will allow to have better grades. The Coronel decreased production due to the reasons already explained.

Silver production in 4Q17 reached 1,750,468 ounces. The units which contributed with less production were mainly San Felipe, Concheño, San Francisco del Oro and Ocampo. San Felipe decreased production due to the reasons explained in this report. A lower production in Concheño is due to lower silver grade areas were mined. It is expected to get better silver grades from the underground mine. The decrease in production in San Francisco del Oro is due to a lower processed grade, this as result of the development and exploitation of the mine during this period. Also, in Ocampo the decrease is due to a lower processed grade. The units that increased their silver production were Porvenir and Asientos, these increases did not compensate the decrease of production in the other units.

Copper production reached 4,702 tons, an increase by 19% when comparing 4Q17 vs 4Q16. This is mainly due to the "Cu Primario" expansion project in Tayahua which concluded and started its period of ramp-up. The main objective of this project is to increase copper production. The increase in Tayahua compensated a lower production in San Francisco del Oro and Asientos.

Copper cathode production reached 514 tons. It is worth to mention that in Maria, where copper cathodes are produced, ore deposits restarted in December 2017 and it is expected to increase production according to its recovery kinetics.

Lead production during 4Q17 reached 4,873 tons. Tayahua increased production due to the reasons already explained in this report. By contrast, the units that decreased production were San Francisco del Oro and Asientos. Lower production in San Francisco del Oro is due to a lower processed grade. This variation in grades is due to the fronts exploited during the period and the development of the mine.

Zinc production in 4Q17 reached 15,080 tons. San Francisco del Oro and Asientos decreased production. The decrease in San Francisco del Oro is due to a lower processed zinc grade for the reasons already explained. Although Tayahua increased its production, this did not compensate the decrease in the units mentioned before.

NET SALES

Net sales recorded \$ 3,641 MM Ps (US\$ 192 MM). When comparing quarter vs quarter, it increased by 2%. This because of the increase in zinc, copper, lead and gold prices during the fourth quarter. This effect compensated the lower production.

OPERATING INCOME AND EBITDA

Operating income of \$485 MM Ps was determined due to an increase in sales (2%) and a lower cost of sales (-10%). At the end of the fourth quarter of 2017 the EBITDA margin is 35%, two percentage points more when comparing 4Q17 vs 4Q16.

An impairment for long-lived assets was recorded as other expenses by the amount of \$605 MM Ps. It is worth to mention that this item does not represent an outflow of cash flow nor affects the EBITDA.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	4Q17	4Q16	2017	2016
Interest income	0.9	0.7	4.9	2.2
Interest expense	(350)	(334)	(1,247)	(1,102)
Exchange gain (loss), net	(1,902)	(1,431)	1,215	(4,310)
Gain (loss) on financial instruments, net	(53)	(267)	(549)	(1,133)
Financial result	(2,304)	(2,032)	(576)	(6,543)

At the end of the fourth quarter of 2017, a comprehensive financial result of - \$ 2,304 MM Ps was recorded, this is due to a loss due to exchange variation, interest paid and a loss with financial instruments.

INDEBTEDNESS

As of December 31th, 2017, the Company's debt was composed of a syndicated loan of US \$ 820 MM, bank credits of US \$ 135 MM equivalents and short term bonds of \$ 5,000 MM Ps.

It is important to mention that on December 2017 the Company paid its fourth amortization of the syndicated loan by US\$100 MM, decreasing the syndicated loan by 23% when comparing 4Q17 vs 4Q16.

Indebtedness (MXN million)	4Q17	4Q16
Short term bonds	5,000	5,000
Syndicated loan	16,183	21,076
Banks loans	2,667	-
Debt	23,850	26,076

The debt decreased by 9% when comparing 4Q17 VS 4Q16 reaching \$23,850 MM Ps vs \$26,076 MM Ps.

NET INCOME

At the end of 4Q17 the Company recorded a net loss of \$1,448 MM Ps due to the reasons explained before in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging. There is an estimated production hedged for 2018 of copper, zinc and lead. Moreover, for 2019 a part of copper production is hedged.

Financial Summary

Income statement In MXN million	4Q17	4Q16	2017	2016
Net sales	3,641.0	3,568.5	14,869.8	13,859.4
Cost of sales	(2,605.7)	(2,904.3)	(11,238.7)	(11,022.9)
Gross profit	1,035.3	664.2	3,631.1	2,836.4
Operating expenses	(330.9)	(298.4)	(1,208.7)	(1,176.6)
Other incomes (expenses), net ⁽¹⁾	(824.3)	(668.8)	(989.3)	(755.0)
Operating income	(119.9)	(303.0)	1,433.2	904.9
Interest income	0.9	0.7	4.9	2.2
Exchange gain (loss), net	(1,902.4)	(1,431.4)	1,214.6	(4,310.4)
Gain (loss) on financial instruments	(52.7)	(267.1)	(549.4)	(1,132.7)
Interest expense	(349.7)	(333.9)	(1,246.5)	(1,101.9)
Income before taxes	(2,424.0)	(2,334.9)	856.8	(5,638.0)
Income taxes	584.4	396.0	(1,087.0)	1,353.1
Net income	(1,839.5)	(1,938.8)	(230.3)	(4,284.9)
Controlling interest	(1,868.4)	(1,953.2)	(306.7)	(4,330.6)
Noncontrolling interest	28.8	14.4	76.4	45.7
Outstanding shares ('000)	2,545,383	2,545,383	2,545,383	2,545,383
Closing price	11.43	15.62	11.43	15.62

1). It includes impairment amount

Balance sheet In MXN million	31.12.2017	31.12.2016
Assets	52,542.1	56,068.3
Current assets	5,788.9	7,431.2
Cash and cash equivalents	157.1	674.6
Accounts receivable	108.3	200.3
Inventories	3,659.8	4,101.4
Other current assets	1,863.7	2,455.0
Non-current assets	46,753.2	48,637.0
Property, plant and equipment	31,082.9	34,004.7
Intangible asstes	2,038.2	2,332.5
Other non-current assets	13,632.1	12,299.9
Liabilities and shareholder's equity	38,695.1	39,126.6
Current liabilities	23,774.8	13,158.0
Short-term debt	12,799.1	4,132.4
Accounts payable	2,224.8	2,101.4
Income taxes	279.5	238.9
Derivative financial instruments	644.9	648.5
Other current liabilities	7,826.5	6,036.8
Non-current liabilities	14,920.3	25,968.6
Marketable notes and long-term debt	11,049.9	21,943.2
Derivative financial instruments	34.8	-
Other non-current liabilities	3,835.7	4,025.3
Shareholder's equity	13,847.0	16,941.7
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(7,855.5)	(7,548.8)
Other accumulated income (net of tax)	9,402.5	12,228.6
Controlling interest	13,018.0	16,150.8
Noncontrolling interest	829.0	790.9

Invitation to the Conference Call

Date: February 28th, 2018
 Time: 11:00 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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