

First quarter 2018 results

Mexico City, April 27th, 2018, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the first quarter 2018.

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 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		1Q18	1Q17	Variation 1Q18/1Q17
Production of gold	Oz	71,647	87,953	-19%
silver	Oz	2,231,449	2,287,752	-2%
copper	tonnes	6,795	4,750	43%
Net sales	MXN million	3,803	3,925	-3%
	US\$ million	203	193	5%
EBITDA	MXN million	1,439	1,577	-9%
	US\$ million	77	77	-1%
EBITDA margin		38%	40%	
Total Debt	MXN million	23,142	24,184	-4%
	US\$ million	1,262	1,286	-2%

PRODUCTION

Milling/Heap leaching (tonnes)	1Q18	1Q17	Variation 1Q18/1Q17
El Coronel	3,772,992	4,547,329	-17%
San Felipe	1,199,131	2,340,047	-49%
Asientos	290,720	300,157	-3%
Tayahua	951,459	514,308	85%
San Francisco del Oro	300,081	337,487	-11%
Maria	976,297	-	-
Porvenir	127,539	338,601	-62%
Concheño	755,506	1,043,013	-28%
Ocampo	84,679	152,884	-45%
Total	8,458,403	9,573,827	-12%

Total processed tonnage in 1Q18 decreased by 12% when comparing to 1Q17. The units that decreased their processed tonnage were mainly el Porvenir, San Felipe and Ocampo. In Porvenir the decrease in processed tonnage is due to the expansion of the pit has exhausted its reserves. Currently underground exploration works are in progress with the purpose of restarting ore deposits in the unit. In San Felipe, the open pit exhausted its reserves, therefore on March 2018 ore deposits on leaching pads were stopped. At present, exploration works continue in adjacent areas in order to resume ore deposits. On the other hand, the underground mine continues its development and exploitation in order to increase tonnage and improve grades. In Ocampo, the decrease is because better gold and silver contents had been processed with less tonnage. In contrast, during 1Q18, Tayahua increased by 85% its processed tonnage due to the ore contributions from the "Cobre Primario" expansion project. The unit expects to triple its ore processing capacity and as a result increase its production.

During 1Q18, gold production reached 71,647 ounces. When comparing the first quarter of 2018 against the first quarter of 2017, the units that increased their gold production were Tayahua and San Francisco del Oro. In Tayahua the increase is due to a higher ore tonnage coming from the "Cobre Primario" circuit. The increase in San Francisco del Oro is due to better processed ore grade. The units that decreased their gold production are mainly San Felipe, Concheño and Ocampo. Lower production in San Felipe is due to the reasons already explained in this report. In Concheño, lower production is because it processed less ore tonnage coming from the pits. In order to increase production, new pits are being prepared and the development and preparation of the underground mine continues. Gold production in Ocampo decreased due to the reasons already explained. To reverse this situation, exploration and development works are going on in the underground mine.

Silver production in 1Q18 reached 2,231,449 ounces. When comparing 1Q18 with 1Q17, the units that increased their production are Asientos, Tayahua and Porvenir. The increase in Asientos is due to better processed grades. The increase of production in Tayahua is due to the reasons already explained. The increase in Porvenir is due to better silver recovery. The units with lower production were mainly San Francisco del Oro, San Felipe and Ocampo. San Francisco del Oro decreased its production due to lower processed tonnage and lower grade, it is because of the proper development of the mine. Lower silver production in San Felipe and Ocampo is due to the reasons explained in this report.

Copper concentrates production was 6,254 tonnes. When comparing the first quarter of this year against the first quarter of last year, we have an increase in production by 50%. This is due to the "Cobre Primario" circuit, the expansion project that concluded and began operations during the last quarter of 2017, whose main objective is to increase copper production. The increase in Tayahua compensated the lower production in San Francisco del Oro and Asientos.

Cooper cathode production, in Maria, reached 541 tonnes. During 1Q18 in the unit, a problem in the leaching pads was identified which makes less efficient the copper recovery, therefore several studies are being carried out to solve the problem.

During 1Q18 lead production reached 4,784 tonnes. When comparing 1Q18 vs 1Q17, Tayahua increased its production due to the reasons already explained in this report. In Asientos, the production decreased as a result of lower lead recovery. In San Francisco del Oro, lower lead production is due to lower grades processed, this as a result of the development and the fronts exploited in the mine during the period.

Zinc production reached 13,045 tonnes. Asientos, San Francisco del Oro and Tayahua decreased their production when comparing 1Q18 vs 1Q17. The decrease in these units is due to lower zinc grade processed and lower recovery. With the proper development of each mine, it is expected to have access to better grades.

NET SALES

In 1Q18, net sales recorded \$3,803 MM Ps (US \$203 MM). When comparing this quarter against the first quarter of 2017, sales decreased by 3%. This is mainly due to lower production of gold, silver, zinc and lead, this could not be compensated by the increase in metal prices (except the silver price).

OPERATING INCOME AND EBITDA

At the end of the first quarter of 2018, operating income reached \$535 MM Ps due to a decrease in sales and an increase in general expenses and other net expenses. The EBITDA margin is 38%, two percentage points less when comparing 1Q18 against 1Q17.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	1Q18	1Q17	Variation 1Q18/1Q17
Interest income	0.1	0.5	-74%
Interest expense	(310)	(300)	4%
Exchange gain (loss), net	1,483	2,385	-38%
Gain (loss) on financial instruments, net	(199)	297	-167%
Financial result	974	2,382	-59%

A financial result of \$974 MM Ps was recorded, this is mainly due to the net exchange gain, the interest paid and the loss with financial instruments.

INDEBTEDNESS

As of March 31th, 2018, the Company's debt was composed of a syndicated loan of US \$619 MM, the subordinated loan of US \$201 MM, bank credits of US \$169 MM equivalents and short term bonds of \$5,000 MM Ps.

It is worth to mention that on March 2018 the amendment to the syndicated loan was concluded. One part of the credit (US \$201 MM) was separated into subordinated loan to the senior loan or remaining syndicated loan (US \$619 MM). As a result, the amortization amounts have new distribution. With this amend, Minera Frisco will have greater financial flexibility.

Indebtedness (USD million)	1Q18	1Q17	Variation 1Q18/1Q17
Short term bonds	273	266	3%
Syndicated loan	619	1,020	-39%
Subordinated loan	201	-	-
Banks loans	169	-	-
Debt	1,262	1,286	-2%
Exchange rate (pesos per dollar)	18.34	18.81	

The debt in US dollars decreased by 2% when comparing 1Q18 vs. 1Q17, it reached US \$1,262 MM vs. US \$1,286 MM.

NET INCOME

At the end of 1Q18, the Company recorded a net profit of \$985 MM Ps due to the reasons explained in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging. A part of the estimated gold, silver, copper, zinc and lead production is hedged. By 2019, a part of the estimated gold, copper and zinc production is hedged.

Financial Summary

Income statement In MXN million	1Q18	1Q17	Variation 1Q18/1Q17
Net sales	3,802.6	3,925.5	-3%
Cost of sales	(2,873.7)	(2,876.0)	0%
Gross profit	929.0	1,049.5	-11%
Operating expenses	(330.3)	(286.8)	15%
Other expenses, net	(64.2)	(34.2)	87%
Operating income	534.5	728.4	-27%
Interest income	0.1	0.5	-74%
Exchange gain (loss), net	1,483.3	2,384.5	-38%
Gain (loss) on financial instruments	(199.4)	296.8	-167%
Interest expense	(310.5)	(300.0)	4%
Income before taxes	1,508.1	3,110.2	-52%
Income taxes	(523.2)	(1,129.9)	-54%
Net income	984.9	1,980.3	-50%
Controlling interest	954.8	1,956.2	-51%
Noncontrolling interest	30.1	24.1	25%
Outstanding shares ('000)	2,545,383	2,545,383	-
Closing price	10.70	12.45	-14%

Balance sheet In MXN million	31.03.2018	31.12.2017
Assets	50,125.7	52,542.1
Current assets	6,294.6	5,788.9
Cash and cash equivalents	178.9	157.1
Accounts receivable	59.7	108.3
Inventories	3,516.1	3,659.8
Other current assets	2,539.9	1,863.7
Non-current assets	43,831.1	46,753.2
Property, plant and equipment	28,734.2	31,082.9
Intangible asstes	1,995.0	2,038.2
Other non-current assets	13,101.9	13,632.1
Liabilities and shareholder's equity	37,187.2	38,695.1
Current liabilities	21,745.8	23,774.8
Short-term debt	11,698.9	12,799.1
Accounts payable	2,186.2	2,224.8
Income taxes	371.6	279.5
Derivative financial instruments	87.6	648.5
Other current liabilities	7,401.5	7,822.8
Non-current liabilities	15,441.4	14,920.3
Marketable notes and long-term debt	11,442.0	11,049.9
Derivative financial instruments	-	-
Other non-current liabilities	3,999.4	3,870.5
Shareholder's equity	12,938.5	13,847.0
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(6,900.7)	(7,855.5)
Other accumulated income (net of tax)	7,526.8	9,402.5
Controlling interest	12,097.1	13,018.0
Noncontrolling interest	841.4	829.0

Invitation to the Conference Call

Date: April 30th, 2018
 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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