

Second quarter 2018 results

Mexico City, July 26th, 2018, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the second 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		2Q18	2Q17	Variation 2Q18/2Q17	6M18	6M17	Variation 6M18/6M17
Production of gold	Oz	67,136	89,202	-25%	138,783	177,155	-22%
silver	Oz	1,814,156	2,286,339	-21%	4,045,605	4,574,090	-12%
copper	tonnes	6,817	4,806	42%	13,612	9,556	42%
Net sales	MXN million	3,632	3,804	-5%	7,435	7,730	-4%
	US\$ million	187	205	-8%	390	397	-2%
EBITDA	MXN million	1,233	1,165	6%	2,673	2,742	-3%
	US\$ million	64	63	2%	140	140	0%
EBITDA margin		34%	31%		36%	35%	
Total Debt	MXN million	23,131	21,584	7%			
	US\$ million	1,165	1,197	-3%			

PRODUCTION

Milling/Heap leaching (tonnes)	2Q18	2Q17	Variation 2Q18/2Q17	6M18	6M17	Variation 6M18/6M17
El Coronel	3,176,897	4,096,243	-22%	6,949,889	8,643,572	-20%
San Felipe	184,743	2,367,819	-92%	1,383,874	4,707,866	-71%
Asientos	308,902	304,954	1%	599,622	605,112	-1%
Tayahua	971,306	527,171	84%	1,922,765	1,041,479	85%
San Francisco del Oro	262,025	317,643	-18%	562,107	655,130	-14%
Maria	193,070	-	-	1,169,367	-	-
Porvenir	-	601,071	-100%	127,539	939,673	-86%
Concheño	741,252	953,375	-22%	1,496,759	1,996,389	-25%
Ocampo	125,076	159,680	-22%	209,755	312,564	-33%
Total	5,963,272	9,327,958	-36%	14,421,675	18,901,785	-24%

In 2Q18, processed tonnage decreased by 36% when comparing to 2Q17. This is mainly due to El Porvenir and San Felipe units where there are not anymore ore deposits on the leaching pads due to the reasons already explained in previous press releases. Currently, in these mines, exploration works are in process in order to restart ore deposits. It is important to comment that, in San Felipe, the underground mine continues contributing ore with better grades. It is expected that ore tonnage from the underground mine, will increase at the end of this year. Tayahua increased its processed tonnage due to ore contributions from the "Cobre Primario" expansion project, which started operations in November 2017. With this expansion, the unit is tripling its nominal capacity, so it is expected an increase in production.

Gold production in 2Q18 reached 67,136 ounces. The units that decreased production when comparing 2Q18 vs 2Q17 are mainly El Porvenir, San Felipe, Concheño and El Coronel. The decrease in Porvenir and San Felipe is due to the causes already explained in this report. Lower production in Concheño, is due to lower tonnage from the pits. During this second quarter, Concheño processed a higher grade, but this situation did not compensate the decrease on ore tonnage. With the purpose of increasing production, we continue with the exploration of new pits, moreover, development and preparation of the underground mine continue. In El Coronel, lower production is due to high rainfall occurred during this second quarter, 161 mm in 2Q18 vs. 44 mm in 2Q17. The moisture of the roads and the humidity of the ore make less efficient the hauling and crushing circuits. On the other hand, Tayahua increased its gold production due to an increase in tonnage.

Silver production in 2Q18 reached 1,814,156 ounces. The units with lower production when comparing 2Q18 vs 2Q17 are mainly Concheño, San Francisco del Oro and Ocampo. The decrease in Concheño and San Francisco del Oro is due to lower tonnage and lower silver grade. In Ocampo a higher silver grade did not compensate a lower tonnage processed, as consequence, it had a decrease in its silver production. The units with an increase in silver production are Tayahua and San Felipe. The increase in Tayahua is due to higher processed ore tonnage. San Felipe increased its silver production due to a higher grade from the underground mine.

Production of copper concentrates in 2Q18 is 6,081 tons. Tayahua increased its production due to the ore coming from the "Cu Primario" circuit, this expansion project started operations in 4Q17. The increase in Tayahua compensated lower production in San Francisco del Oro and Asientos. When comparing 6M18 vs 6M17, Tayahua increased its processed ore tonnage by 85% and copper production by 61%. It is worth to remember that with this project, it is estimated to increase copper production mainly.

In Maria, Copper cathode production reached 736 tons in 2Q18, it increased by 32% when comparing 2Q18 vs 2Q17. As already explained in the previous press release, Maria continues researching in order to do more efficient the recovery process in the leaching pads. It is expected to conclude and implement the results of these researching works at the end of 2018.

Lead production in 2Q18 reached 4,263 tons. When comparing 2Q18 vs 2Q17, Tayahua increased its production due to the reasons already explained in this report. In Asientos, production decreased as a result of lower lead grade. This, because of the development and the fronts exploited during the period. San Francisco del Oro decreased production due to lower tonnage processed, lower grade and lower recovery.

Zinc production reached 13,842 tons. Asientos and San Francisco del Oro decreased their production by comparing 2Q18 vs 2Q17. The decrease in these units is due to lower grade of processed zinc. Also, in Asientos, due to lower recovery. In Asientos, works to get ready the underground mine (ventilation works) continue in order to have access to better grades, which will allow an increase of production.

It is important to mention that, in recent days, Minera Frisco and Goldcorp (Minera Peñasquito) formalized a Joint Venture agreement to carry out exploration and, where applicable, exploitation works in El Valle de Mazapil area, in Zacatecas state. In this JV, both mining companies will contribute in equal parts.

NET SALES

In 2Q18, net sales recorded \$3,632 MM Ps (US \$187 MM). When comparing the second quarter of 2018 against the second quarter of 2017, sales decreased by 5%. This is mainly due to lower production of gold, silver and lead which could not be compensated by the increase in metal prices (excluding the silver price).

OPERATING INCOME AND EBITDA

At the end of the second quarter of 2018, operating income reached \$275 MM Ps, decreasing by 20% when comparing 2Q18 vs 2Q17. This is mainly due to lower sales. During this second quarter, efficiencies were made which resulted in lower cost of sales and a decrease in other expenses. Due to these reasons, the EBITDA margin is 34%, three percentage points more when comparing 2Q18 vs 2Q17.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	2Q18	2Q17	Variation 2Q18/2Q17	6M18	6M17	Variation 6M18/6M17
Interest income	0.2	3.0	-92%	0.4	3.6	-89%
Interest expense	(349)	(269)	30%	(660)	(569)	16%
Exchange gain (loss), net	(1,871)	1,042	-280%	(387)	3,426	-111%
Gain (loss) on financial instruments, net	(81)	(484)	-83%	(281)	(188)	50%
Financial result	(2,301)	291	-890%	(1,327)	2,673	-150%

A financial result of -\$2,301 MM Ps was recorded, this is mainly due to the net exchange loss and the interest paid.

INDEBTEDNESS

As of June 30th, 2018, the Company's debt was composed of a syndicated loan of US \$521 MM, the subordinated loan of US \$201 MM, bank credits of US \$191 MM equivalents and short term bonds of \$5,000 MM Ps.

On June 2018, the fifth amortization of the syndicated loan for US \$98 MM was made. When comparing this debt in 2Q18 vs 2Q17, the debt was reduced by 43%. This as a result of the amortizations made and also due to the amendment of the syndicated loan, occurred on March 2018, where US \$201 MM were separated into subordinated debt to the senior credit.

Indebtedness (USD million)	2Q18	2Q17	Variation 2Q18/2Q17
Short / Long term bonds	252	277	-9%
Syndicated loan	521	920	-43%
Subordinated loan	201	-	-
Banks loans	191	-	-
Debt	1,165	1,197	-3%
Exchange rate (pesos per dollar)	19.86	18.03	

It is important to mention that 67% of our debt is in US dollars. Therefore, the debt seen in this currency when comparing 2Q18 against 2Q17, decreased by 3%, reaching US \$ 1,165 MM vs US \$1,197 MM. The debt seen in Mexican pesos considers a negative foreign exchange effect of \$1,325 MM Ps, when comparing quarter against quarter.

NET INCOME

At the end of 2Q18, the Company recorded a net loss of \$1,474 MM Ps due to the reasons explained in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging. At present, estimated production of gold, silver, cooper, zinc and lead for 2018 is hedged. For 2019, an estimated production part of all metals is already hedged.

Financial Summary

Income statement In MXN million	2Q18	2Q17	Variation 2Q18/2Q17	6M18	6M17	Variation 6M18/6M17
Net sales	3,632.0	3,804.3	-5%	7,434.6	7,729.8	-4%
Cost of sales	(2,988.6)	(3,057.5)	-2%	(5,862.2)	(5,933.5)	-1%
Gross profit	643.4	746.8	-14%	1,572.4	1,796.3	-12%
Operating expenses	(327.9)	(295.6)	11%	(658.1)	(582.5)	13%
Other expenses, net	(40.6)	(106.1)	-62%	(104.8)	(140.4)	-25%
Operating income	275.0	345.1	-20%	809.5	1,073.5	-25%
Interest income	0.2	3.0	-92%	0.4	3.6	-89%
Exchange gain (loss), net	(1,870.8)	1,041.6	-280%	(387.4)	3,426.2	-111%
Gain (loss) on financial instruments	(81.2)	(484.4)	-83%	(280.6)	(187.7)	50%
Interest expense	(349.3)	(269.2)	30%	(659.7)	(569.1)	16%
Income before taxes	(2,026.0)	636.2	-418%	(517.9)	3,746.4	-114%
Income taxes	551.9	(457.6)	-221%	28.7	(1,587.5)	-102%
Net income	(1,474.1)	178.6	-925%	(489.2)	2,158.9	-123%
Controlling interest	(1,502.9)	178.5	-942%	(548.1)	2,134.8	-126%
Noncontrolling interest	28.8	0.1	-	58.9	24.2	144%
Outstanding shares ('000)	2,545,383	2,545,383	-	2,545,383	2,545,383	-
Closing price	7.51	11.64	-35%	7.51	11.64	-35%

Balance sheet In MXN million	30.06.2018	31.12.2017
Assets	53,798.5	52,542.1
Current assets	6,931.9	5,788.9
Cash and cash equivalents	114.2	157.1
Accounts receivable	64.9	108.3
Inventories	3,386.6	3,659.8
Other current assets	3,366.2	1,863.7
Non-current assets	46,866.6	46,753.2
Property, plant and equipment	30,425.2	31,082.9
Intangible asstes	1,958.8	2,038.2
Other non-current assets	14,482.6	13,632.1
Liabilities and shareholder's equity	39,581.5	38,695.1
Current liabilities	25,004.8	23,774.8
Short-term debt	12,765.1	12,799.1
Accounts payable	2,277.6	2,224.8
Income taxes	108.5	279.5
Derivative financial instruments	-	648.5
Other current liabilities	9,853.6	7,822.8
Non-current liabilities	14,576.7	14,920.3
Marketable notes and long-term debt	10,366.4	11,049.9
Derivative financial instruments	-	-
Other non-current liabilities	4,210.3	3,870.5
Shareholder's equity	14,217.0	13,847.0
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(8,403.6)	(7,855.5)
Other accumulated income (net of tax)	10,197.8	9,402.5
Controlling interest	13,265.2	13,018.0
Noncontrolling interest	951.7	829.0

Invitation to the Conference Call

Date: July 27th, 2018
 Time: 09:00 am Mexico City, 10:00 am NY(ET)
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Replay

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Oz: troy ounces
 Tonnes: metric tons

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