

Third quarter 2018 results

Mexico City, October 25th, 2018, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the third 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 eight mining units in Mexico: El Coronel, San Felipe, Maria, San Francisco del Oro, Tayahua, Asientos, 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 | | 3Q18 | 3Q17 | Variation 3Q18/3Q17 | 9M18 | 9M17 | Variation 9M18/9M17 |
|--------------------|--------------|-----------|-----------|------------------------|-----------|-----------|------------------------|
| Production of gold | Oz | 55,764 | 77,946 | -28% | 194,547 | 255,101 | -24% |
| silver | Oz | 1,858,241 | 2,089,592 | -11% | 5,903,846 | 6,663,683 | -11% |
| copper | tonnes | 7,284 | 4,830 | 51% | 20,896 | 14,386 | 45% |
| Net sales | MXN million | 3,331 | 3,499 | -5% | 10,766 | 11,229 | -4% |
| | US\$ million | 176 | 196 | -11% | 566 | 594 | -5% |
| EBITDA | MXN million | 1,136 | 1,288 | -12% | 3,809 | 4,030 | -5% |
| | US\$ million | 60 | 72 | -17% | 200 | 212 | -6% |
| EBITDA margin | | 34% | 37% | | 35% | 36% | |

PRODUCTION

| Milling/Heap leaching (tonnes) | 3Q18 | 3Q17 | Variation 3Q18/3Q17 | 9M18 | 9M17 | Variation 9M18/9M17 |
|--------------------------------|------------------|------------------|---------------------|-------------------|-------------------|---------------------|
| El Coronel | 3,508,045 | 3,576,671 | -2% | 10,457,934 | 12,220,243 | -14% |
| San Felipe | 177,596 | 1,850,652 | -90% | 1,561,470 | 6,558,518 | -76% |
| Asientos | 250,211 | 304,358 | -18% | 849,833 | 909,469 | -7% |
| Tayahua | 942,053 | 526,711 | 79% | 2,864,818 | 1,568,190 | 83% |
| San Francisco del Oro | 258,934 | 304,967 | -15% | 821,041 | 960,097 | -14% |
| Maria | - | - | - | 1,169,367 | - | - |
| Porvenir | - | 569,942 | -100% | 127,539 | 1,509,615 | -92% |
| Concheño | 676,625 | 942,541 | -28% | 2,173,384 | 2,938,929 | -26% |
| Ocampo | 118,699 | 156,999 | -24% | 328,454 | 469,564 | -30% |
| Total | 5,932,164 | 8,232,840 | -28% | 20,353,840 | 27,134,625 | -25% |

Total processed tonnage decreased by 28% when comparing 3Q18 to 3Q17. The units that processed a lower tonnage were mainly Porvenir and San Felipe open pit. These units exhausted their open pit reserves so they are not making ore deposits on the heap leaching pads anymore. Exploration works continue in surrounding areas to these units with the purpose to locate areas with ore reserves. Meanwhile, the underground mine in San Felipe continues operating with lower ore tonnage and higher ore grades than the open pit grades obtained previously. Concheño also decreased its processed tonnage due to a lower tonnage coming from the pits. This is because during the most part of the quarter, it was processed ore from one pit. In addition, the rains affected the continuity and efficiency of the operation. On the other hand, the underground mine has been operating steadily and it contributed with ore tonnage with better grades. Currently, the development of the underground mine continues, with the objective of increasing tonnage with better ore contents. A lower tonnage in Asientos is because during this period the SAG mill required a major maintenance. Therefore, unscheduled stoppages caused a reduction in the processed tonnage. Ocampo decreased its processed tonnage mainly due to the selective exploitation that resulted in lower tonnage of ore with better grades. By contrast, Tayahua increased its processed tonnage due to the "Cobre Primario" circuit; expansion project that tripled its installed ore processing capacity, so an increase in production is expected during the year.

Gold production decreased by 28% when comparing 3Q18 to 3Q17, reaching 55,764 ounces. The units that decreased production were mainly Porvenir, San Felipe, Concheño and El Coronel. The decrease in Porvenir and San Felipe is due to the causes already explained in this report. During the third quarter in Porvenir, last ounces of gold were recovered from the leaching pads. Then, we do not expect gold production for the last quarter of the year. San Felipe continues recovering ounces according to its leaching kinetics.

As already mentioned in this report, exploration works continue with the objective of increasing production. In Coronel, a lower production is mainly due to abundant rains which continued during July and August. This affected the ore deposits continuity and the normal operation of the crushing circuits. As explained in the previous press release, the rains caused a decrease of ore deposits on leaching pads during the second quarter. Therefore, lower deposits of ore on leaching pads in previous months caused lower recovery of metal contents in the current period, it means a decrease in production. Concheño decreased gold production due to a lower ore tonnage from the pits. This was not compensated by a higher gold grade processed during the quarter. Explorations works in this unit continues, also the development and preparation works continue on the underground mine. Asientos and Ocampo also decreased their production due to the reasons already explained. In contrast, Tayahua increased its gold production, where ore tonnage has increased due to the operation of the expansion project.

Silver production decreased by 11% when comparing 3Q18 to 3Q17, reaching 1,858,241 ounces. The units with a lower production are mainly Concheño, Asientos, San Francisco del Oro and Porvenir. The causes of a lower production in Porvenir have been already explained in this report, so for the last quarter of the year, we do not expect silver production in this unit. Concheño decreased production due to lower tonnage processed, whose causes have been explained. This result was not compensated by higher silver grade. A decrease of silver production in Asientos is due to the causes already explained and also, due to a lower grade. Currently, ventilation works are carried out in new areas in order to have access to better grades which will allow to increase production. The decrease of silver production in San Francisco del Oro is due to lower grades processed during the quarter, this as a result of the proper mine development which will allow to have access to better grades for the coming months. The units that increased silver production were Tayahua, Ocampo and San Felipe. Tayahua increased its silver production due to a higher ore processed tonnage because of the reasons already explained. Despite lower ore tonnage, Ocampo increased production due to better silver grades. San Felipe increased its production when comparing this third quarter with the same period of the previous year, due to a higher silver grade from the underground mine and a higher recovery.

Copper concentrates production increased by 50% when comparing 3Q18 to 3Q17, reaching 6,599 tonnes. Tayahua and Asientos increased their production. The increase in Tayahua is due to a higher ore tonnage from the "Cobre Primario" circuit, an expansion project that began operations at the end of 2017 and whose objective is to increase production, mainly copper production. When comparing 9M18 to 9M17, Tayahua has increased its ore processed tonnage by 83% and its copper production by 62%. Asientos increased production due to higher copper grade processed. These increases compensate a decrease of production in San Francisco del Oro, whose causes have been already explained in this report.

Copper cathodes production in Maria increased by 63% when comparing 3Q18 to 3Q17, reaching 685 tonnes. As already explained in previous press releases, metallurgical researching works continue in order to make more efficient the recovery of copper. It is expected to conclude and implement the results of these works in the coming months.

Lead production decreased by 14% when comparing 3Q18 to 3Q17, reaching 4,246 tonnes. Asientos and San Francisco del Oro decreased production due to the reasons already explained and also due to a lower grade. In contrast, Tayahua increased production as a result of the increase in ore processed tonnage and better recovery of lead. This increase does not compensate the decrease of production in Asientos and San Francisco del Oro.

Zinc production decreased by 16% when comparing 3Q18 to 3Q17, reaching 13,649 tonnes. Asientos, San Francisco del Oro and Tayahua decreased their production as a result of a lower zinc grade processed. Also, Asientos and Tayahua had a lower zinc recovery.

It is important to remember that Minera Frisco, through the Tayahua unit, and Goldcorp (Minera Peñasquito) are carrying out exploration works in the state of Zacatecas in Mexico. Once the exploration results have been obtained, both mining companies will evaluate their possible exploitation.

NET SALES

In 3Q18 net sales recorded \$ 3,331 MM Ps (US \$ 176 MM), this is a decrease of 5% when comparing the third quarter of 2018 against the same period of the previous year. This is mainly due to lower production of gold, silver, zinc and lead, which has not been compensated by the increase of copper production.

OPERATING INCOME AND EBITDA

Operating income at the end of 3Q18 reached \$ 137 MM Ps, thus the operating margin is 4%, 10 percentage points less when comparing to the third quarter of 2017. This is mainly due to lower production, which resulted in less sales. Also an increase in depreciation and amortization by 24% is due to the entrance into operation of the "Cobre Primario" project in Tayahua and the lack of ore contributions from the pits already mentioned in this report. The EBITDA margin is 34%, three percentage points less when comparing this third quarter with the third quarter of the last year, mainly due to lower production.

COMPREHENSIVE FINANCIAL INCOME

| Comprehensive Financial Income (MXN million) | 3Q18 | 3Q17 | Variation 3Q18/3Q17 | 9M18 | 9M17 | Variation 9M18/9M17 |
|---|------------|--------------|------------------------|--------------|--------------|------------------------|
| Interest income | 14.0 | 0.5 | 2765% | 14.4 | 4.1 | 255% |
| Interest expense | (513) | (328) | 56% | (1,172) | (897) | 31% |
| Exchange gain (loss), net | 1,024 | (309) | -431% | 636 | 3,117 | -80% |
| Gain (loss) on financial instruments, net | 281 | (309) | -191% | - | (497) | -100% |
| Financial result | 806 | (945) | -185% | (522) | 1,728 | -130% |

A favorable comprehensive financial result of \$ 806 MM Ps was recorded; this is mainly due to an exchange gain.

INDEBTEDNESS

As of September 30th, 2018, the Company's debt was composed of a syndicated loan of US \$521 MM, the subordinated loan of US \$208 MM, bank credits of US \$266 MM equivalents and short term bonds of \$5,000 MM Ps.

It is worth to mention that on August, 2018, long term bonds (MFrisko 18) were issued outstanding \$ 5,000 MM Ps, this amount was used to fully pay the previous outstanding certificates (MFrisko 13). The expiration date of this new certificate will be on August, 2022. With this action, the Company has greater financial flexibility.

NET INCOME

At the end of 3Q18, the Company recorded a net profit of \$521 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, copper, zinc and lead for 2018 is hedged. For 2019, an estimated production part of all metals is hedged.

Financial Summary

| Income statement In MXN million | 3Q18 | 3Q17 | Variation 3Q18/3Q17 | 9M18 | 9M17 | Variation 9M18/9M17 |
|--------------------------------------|----------------|----------------|------------------------|-----------------|-----------------|------------------------|
| Net sales | 3,331.3 | 3,499.0 | -5% | 10,765.9 | 11,228.8 | -4% |
| Cost of sales | (2,775.3) | (2,699.4) | 3% | (8,637.5) | (8,632.9) | 0% |
| Gross profit | 556.0 | 799.6 | -30% | 2,128.4 | 2,595.9 | -18% |
| Operating expenses | (305.6) | (295.3) | 3% | (963.7) | (877.8) | 10% |
| Other expenses, net | (112.9) | (24.6) | 359% | (217.7) | (165.0) | 32% |
| Operating income | 137.5 | 479.6 | -71% | 947.0 | 1,553.1 | -39% |
| Interest income | 14.0 | 0.5 | 2765% | 14.4 | 4.1 | 255% |
| Exchange gain (loss), net | 1,023.5 | (309.2) | -431% | 636.1 | 3,117.0 | -80% |
| Gain (loss) on financial instruments | 280.6 | (309.0) | -191% | - | (496.7) | -100% |
| Interest expense | (512.5) | (327.6) | 56% | (1,172.2) | (896.8) | 31% |
| Income before taxes | 943.1 | (465.7) | -303% | 425.2 | 3,280.7 | -87% |
| Income taxes | (421.9) | (84.0) | 402% | (393.2) | (1,671.5) | -76% |
| Net income | 521.2 | (549.7) | -195% | 32.1 | 1,609.3 | -98% |
| Controlling interest | 481.5 | (573.1) | -184% | (66.6) | 1,561.7 | -104% |
| Noncontrolling interest | 39.8 | 23.4 | 70% | 98.7 | 47.6 | 107% |
| Outstanding shares ('000) | 2,545,383 | 2,545,383 | - | 2,545,383 | 2,545,383 | - |
| Closing price | 7.20 | 11.64 | -38% | 7.20 | 11.64 | -38% |

| Balance sheet In MXN million | 30.09.2018 | 31.12.2017 |
|---|-----------------|-----------------|
| Assets | 52,264.3 | 52,542.1 |
| Current assets | 7,913.8 | 5,788.9 |
| Cash and cash equivalents | 603.1 | 157.1 |
| Accounts receivable | 162.8 | 108.3 |
| Inventories | 3,145.0 | 3,659.8 |
| Other current assets | 4,002.9 | 1,863.7 |
| Non-current assets | 44,350.5 | 46,753.2 |
| Property, plant and equipment | 28,449.7 | 31,082.9 |
| Intangible asstes | 1,913.3 | 2,038.2 |
| Other non-current assets | 13,987.5 | 13,632.1 |
| Liabilities and shareholder's equity | 39,352.1 | 38,695.1 |
| Current liabilities | 20,112.8 | 23,774.8 |
| Short-term debt | 8,840.9 | 12,799.1 |
| Accounts payable | 2,040.1 | 2,224.8 |
| Income taxes | 153.8 | 279.5 |
| Derivative financial instruments | - | 648.5 |
| Other current liabilities | 9,078.0 | 7,822.8 |
| Non-current liabilities | 19,239.2 | 14,920.3 |
| Marketable notes and long-term debt | 15,037.6 | 11,049.9 |
| Derivative financial instruments | - | - |
| Other non-current liabilities | 4,201.6 | 3,870.5 |
| Shareholder's equity | 12,912.2 | 13,847.0 |
| Capital stock | 74.4 | 74.4 |
| Additional paid-in capital | 11,396.7 | 11,396.7 |
| Retained earnings | (7,922.2) | (7,855.5) |
| Other accumulated income (net of tax) | 8,447.1 | 9,402.5 |
| Controlling interest | 11,996.0 | 13,018.0 |
| Noncontrolling interest | 916.3 | 829.0 |

Invitation to the Conference Call

Date: October 26th, 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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