

Fourth quarter 2018 results

Mexico City, February 26th, 2019, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the fourth 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		4Q18	4Q17	Variation 4Q18/4Q17	2018	2017	Variation 2018/2017
Production of gold	Oz	53,792	65,540	-18%	248,339	320,640	-23%
silver	Oz	1,823,048	1,750,468	4%	7,726,894	8,414,151	-8%
copper	tonnes	6,394	5,216	23%	27,290	19,602	39%
Net sales	MXN million	3,631	3,641	-0.3%	14,397	14,870	-3%
	US\$ million	183	192	-5%	749	786	-5%
EBITDA	MXN million	1,111	1,285	-14%	4,920	5,315	-7%
	US\$ million	56	68	-17%	256	280	-9%
EBITDA margin		31%	35%		34%	36%	

PRODUCTION

Milling/Heap leaching (tonnes)	4Q18	4Q17	Variation 4Q18/4Q17	2018	2017	Variation 2018/2017
El Coronel	3,964,127	3,403,848	16%	14,422,061	15,624,091	-8%
San Felipe	181,004	1,231,804	-85%	1,742,474	7,790,321	-78%
Asientos	264,093	293,691	-10%	1,113,926	1,203,160	-7%
Tayahua	939,170	694,703	35%	3,803,988	2,262,893	68%
San Francisco del Oro	260,518	320,416	-19%	1,081,559	1,280,514	-16%
Maria	-	636,662	-100%	1,169,367	636,662	84%
Porvenir	-	407,418	-100%	127,538	1,917,033	-93%
Concheño	634,066	948,948	-33%	2,807,450	3,887,877	-28%
Ocampo	89,521	136,082	-34%	417,975	605,646	-31%
Total	6,332,499	8,073,573	-22%	26,686,338	35,208,199	-24%

In terms of production, processed tonnage in 4Q18 decreased by 22% when comparing to 4Q17. The units that processed a lower tonnage during the quarter 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. However, the San Felipe underground mine continues operating and contributing ore, but in lower volumes. Concheño also decreased its processed tonnage due to the causes already explained in previous reports, currently the development of the underground mine continues with the objective of increasing tonnage with better ore contents. Ocampo decreased its processed tonnage mainly due to the selective exploitation, mostly on the exploitation of the underground mine. By contrast, Tayahua increased its processed tonnage, due to the contributions of the "Cobre Primario" circuit, El Coronel increased its processed tonnage, however, these increases did not compensate the decrease of the units mentioned previously.

Gold production reached 53,792 ounces in 4Q18, this is a decreased of 18% when comparing to 4Q17. The units that obtained a lower production were mainly El Coronel, San Felipe, Porvenir and Ocampo. A lower production in San Felipe and Porvenir is due to the reasons explained in the previous paragraph. In the Coronel, lower production is due to a lower processed grade and the decrease in ore contents deposited in the leaching pads, this derived by the rains presented in previous months, making it difficult to transport and provision ore to the crushing circuits and consequently to the volume deposited in leaching pads. In Ocampo, decreased gold production is due mainly a lower tonnage processed.

By contrast, Asientos and San Francisco del Oro recorded an increased in their gold production due to a better processed gold grade, While, Tayahua also increased its gold production this due to the start-up of the "Cu Primario" expansion project.

Silver production increased by 4% when comparing 4Q18 to 4Q17 reaching 1,823,048 ounces. The units that contributed to an increase in their production were Concheño, Ocampo, San Felipe and Tayahua. In Concheño and Ocampo, despite having a lower processed tonnage, they managed to increase production due to a higher processed silver grade. San Felipe continues contributing better grades joined with higher recovery from the underground mine. In Tayahua, the increase in production silver is due to a higher processed tonnage due to the reasons explained previously. The units that obtained a lower production were El Coronel, Asientos and San Francisco del Oro, the decrease is mainly due to a lower processed tonnage and a lower grade.

Copper production reached 5,764 tons, an increase by 23% when comparing 4Q18 vs. 4Q17. The units that contributed to this increased were Tayahua and Asientos. The increased in Tayahua is mainly due to the expansion project of the "Cu Primario" circuit, when comparing 2018 vs. 2017, the processed tonnage has increased by 68% and copper production by 52%, it is expected that by 2019 this trend continues. In Asientos the increased in copper production is due to a better processed grade, these increases compensated a lower production in San Francisco del Oro.

Copper cathode production in María reached 630 tons in 4Q18, this is an increase of 23% when comparing to 4Q17. In the Maria Unit, metallurgical researching works continue and with changes in the methodology of irrigation and pads maintenance in order to make more efficient the recovery of copper from the leaching pads.

Lead production during 4Q18 reached 3,986 tons, this is a reduction by 18% when comparing to 4Q17 vs 4Q17. Asientos and San Francisco del Oro decreased production due to lower processed grade. In San Francisco del Oro the variation of the grade is due to proper mine development, the drilling works continue with the objective to find greater certainty in the grades.

Zinc production in fourth quarter reached 12,065 tons this is 20% less when comparing 4Q18 to 4Q17. Asientos, Tayahua and San Francisco del Oro decreased production as a results a lower processed grade and lower recovery.

As explained in the previous press releases, 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

Net sales recorded \$3,631 MM Ps (US\$ 183 MM). This is a 0.3% decrease when comparing the fourth quarter of 2018 versus the same period of the previous year. This as a result of a decrease in the production of gold, lead and zinc and in the prices of the metals that we produced during the quarter, this effect was minimized thanks to the increase in silver and copper production.

OPERATING INCOME AND EBITDA

At the end of 4Q18, an operating income of \$ 80 MM Ps was determined, which represents an operating margin of 2%, 11 percentage points less when comparing this fourth quarter with the fourth quarter of the previous year. This as a result of an increase in cost of sales (20%). As explained in previous reports, depreciation and amortization have had an increase in recent quarters caused by the operation of the Tayahua "Cu Primario" project as well as the increase in the amortization of the stripping of the San Felipe open pit. At the end of the fourth quarter of 2018, the EBITDA margin was 31%, four percentage points lower than the EBITDA recorded in the fourth quarter of 2017.

An impairment for long-lived assets was recorded as other expenses by the amount of \$858 MM Ps. This item does not represent an outflow of cash flow nor affects the EBITDA.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	4Q18	4Q17	Variation 4Q18/4Q17	2018	2017	Variation 2018/2017
Interest income	0.1	0.9	-86%	14.5	4.9	195%
Interest expense	(531)	(350)	52%	(1,703)	(1,247)	37%
Exchange gain (loss), net	(884)	(1,902)	-54%	(248)	1,215	-120%
Gain (loss) on financial instruments, net	(1)	(53)	-98%	(1)	(549)	-100%
Financial result	(1,416)	(2,304)	-39%	(1,938)	(576)	236%

At the end of the fourth quarter of 2018, a comprehensive financial negative result of \$ 1,416 MM Ps was recorded, this is due to a loss due to exchange variation and interests paid.

INDEBTEDNESS

As of December 31th, 2018, the Company's debt was composed of a syndicated loan of US \$ 422 MM, the subordinated loan of US \$212 MM, bank credits of US \$259 MM equivalents and short term bonds of \$5,000 MM Ps.

It is important to mention that on December 2018 the Company made the sixth amortization of the syndicated loan for US \$98 MM

Indebtedness (MXN million)	4Q18	4Q17
Short / Long term bonds	5,000	5,000
Syndicated loan	8,315	16,183
Subordinated loan	4,168	-
Banks loans	5,097	2,667
Debt	22,580	23,850

The debt decreased by 5% when comparing 4Q18 VS 4Q17 reaching \$22,580 MM Ps vs \$23,850 MM Ps.

NET INCOME

At the end of 4Q18 the Company recorded a net loss of \$1,916 MM Ps due to the reasons explained before in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging. For 2019 they already have hedged in a large part of the production of gold, silver and copper. As for zinc and lead, a part of the production is also hedged.

Financial Summary

Income statement In MXN million	4Q18	4Q17	Variation 4Q18/4Q17	2018	2017	Variation 2018/2017
Net sales	3,631.4	3,641.0	0%	14,397.3	14,869.8	-3%
Cost of sales	(3,125.5)	(2,605.7)	20%	(11,763.0)	(11,238.7)	5%
Gross profit	506.0	1,035.3	-51%	2,634.3	3,631.1	-27%
Operating expenses	(342.7)	(330.9)	4%	(1,306.4)	(1,208.7)	8%
Other expenses, net	(941.7)	(824.3)	14%	(1,159.4)	(989.3)	17%
Operating income	(778.5)	(119.9)	549%	168.5	1,433.2	-88%
Interest income	0.1	0.9	-86%	14.5	4.9	195%
Exchange gain (loss), net	(884.3)	(1,902.4)	-54%	(248.2)	1,214.6	-120%
Gain (loss) on financial instruments	(1.2)	(52.7)	-98%	(1.2)	(549.4)	-100%
Interest expense	(531.0)	(349.7)	52%	(1,703.2)	(1,246.5)	37%
Income before taxes	(2,194.8)	(2,424.0)	-9%	(1,769.6)	856.8	-307%
Income taxes	278.9	584.4	-52%	(114.3)	(1,087.0)	-89%
Net income	(1,915.9)	(1,839.5)	4%	(1,883.9)	(230.3)	718%
Controlling interest	(1,898.7)	(1,868.4)	2%	(1,965.4)	(306.7)	541%
Noncontrolling interest	(17.2)	28.8	-160%	81.5	76.4	7%
Outstanding shares ('000)	2,545,383	2,545,383	-	2,545,383	2,545,383	-
Closing price	5.20	11.43	-55%	5.20	11.43	-55%

Balance sheet In MXN million	31.12.2018	31.12.2017
Assets	50,289.6	52,542.1
Current assets	6,734.3	5,788.9
Cash and cash equivalents	24.4	157.1
Accounts receivable	461.8	108.3
Inventories	3,020.1	3,659.8
Other current assets	3,227.9	1,863.7
Non-current assets	43,555.3	46,753.2
Property, plant and equipment	28,078.9	31,082.9
Intangible asstes	1,938.7	2,038.2
Other non-current assets	13,537.6	13,632.1
Liabilities and shareholder's equity	38,864.4	38,695.1
Current liabilities	21,740.7	23,774.8
Short-term debt	9,105.9	12,799.1
Accounts payable	2,225.6	2,224.8
Income taxes	207.5	279.5
Derivative financial instruments	-	648.5
Other current liabilities	10,201.8	7,822.8
Non-current liabilities	17,123.7	14,920.3
Marketable notes and long-term debt	13,474.3	11,049.9
Derivative financial instruments	-	-
Other non-current liabilities	3,649.3	3,870.5
Shareholder's equity	11,425.2	13,847.0
Capital stock	74.4	74.4
Additional paid-in capital	11,396.7	11,396.7
Retained earnings	(10,078.6)	(7,855.5)
Other accumulated income (net of tax)	8,822.6	9,402.5
Controlling interest	10,215.0	13,018.0
Noncontrolling interest	1,210.2	829.0

Invitation to the Conference Call

Date: February 27th, 2019
 Time: 10:00 am Mexico City, 11:00 am NY(ET)
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Replay

Date: February 27th to March 8th, 2019
 Tel: +1 (412) 317-0088 (Intern. and Mex.)
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Oz: troy ounces
 Tonnes: metric tons

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