

Third quarter 2019 results

Mexico City, October 28th, 2019, Minera Frisco, S.A.B. de C.V. ("Frisco", BMV: FRISCO OTC: MSNFY) announces today its results for the third quarter 2019.

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		3Q19	3Q18	Variation 3Q19/3Q18	2Q19	Variation 3Q19/2Q19
Production of gold	Oz	29,200	55,764	-48%	35,723	-18%
silver	Oz	1,109,240	1,858,241	-40%	1,354,716	-18%
copper	tonnes	5,587	7,284	-23%	6,506	-14%
Net sales	MXN million	2,182	3,331	-34%	2,465	-11%
	US\$ million	112	176	-36%	129	-13%
EBITDA	MXN million	451	1,136	-60%	554	-19%
	US\$ million	23	60	-61%	29	-20%
EBITDA margin		21%	34%		22%	
Total Debt	MXN million	20,990	23,879	-12%	23,099	-9%
	US\$ million	1,069	1,258	-15%	1,201	-11%

Minera Frisco reports that the capital increase process contributed by the company's shareholders was concluded on September 26, 2019 for an amount of \$ 6,000 MM Ps.

PRODUCTION

Milling/Heap leaching (tonnes)	3Q19	3Q18	Variation 3Q19/3Q18
El Coronel	1,124,228	3,508,045	-68%
San Felipe	170,509	177,596	-4%
Asientos	309,474	250,211	24%
Tayahua	900,914	942,053	-4%
San Francisco del Oro	235,282	258,934	-9%
Concheño	348,997	676,625	-48%
Ocampo	11,061	118,699	-91%
Total	3,100,465	5,932,164	-48%

In terms of production, processed tonnage in 3Q19 decreased by 48% when comparing to 3Q18. The units that processed a lower tonnage were mainly El Coronel, Concheño and Ocampo. In the case of El Coronel its processed tonnage was reduced due to the selective exploitation which is being conducted by the unit, focusing mainly on obtaining higher grades and reduce operating costs. In Concheño, its processed tonnage decreased due mainly to a flooding at Navidad area of the underground mine combined with a lower tonnage coming from the pits resulting from a failure of auxiliary equipment. It is important to mention that in Concheño the works on the development of underground mine continues with the objective to increasing tonnage with better ore contents, in addition, exploration works continue in surrounding areas to the unit, with purpose to locate new areas that contribute with ore reserves. On the other hand, in Ocampo its processed tonnage was reduced due to the exploitation is concentrated mainly in the underground mine, all this added to the difficulty of developing new areas caused by the poor quality of the rock that contains abundant clay cavities. In the case of Asientos, its processed tonnage increased by 24% due to the fact that ventilation problems with the SAG mill are being solved. In the case of Tayahua, the works is underway for reach the installed capacity of the plant, it is expected that in the last quarter of 2019 and the beginning of the first quarter of 2020 its maximum levels of ore processing will be obtained.

Gold production reached 29,200 ounces in 3Q19, this is a decreased of 48% when comparing to 3Q18. In El Coronel, San Felipe, Tayahua and Ocampo units, obtained a higher processed grade, however, this effect did not compensate for a lower production, mainly due to their reduction in processed tonnage. On the other hand, in the Concheño unit, lower production is due to the reason explained in this report.

In contrast, Asientos and San Francisco del Oro units increased gold production by a higher processed grade. This increase did not compensate the decrease in production in the units mention previously.

Silver production reached 1,109,240 unces in 3Q19, this is a decreased of 40% when comparing to 3Q18. The units that decreased their production were mainly El Coronel, San Felipe, Tayahua San Francisco del Oro, Concheño and Ocampo. In the case of El Coronel and Ocampo, despite having a higher grade of processed silver, the decrease in processed tonnage affected production.

It is important to mention that in the San Felipe unit; the underground mine development work continues with the purpose of processing ore with higher content of grade. In the rest of the units the production reduction is due to a lower processed tonnage, as well as a lower grade.

In the case of the Asientos unit, increased its silver production, this due to an increase in its processed tonnage and a higher grade.

Copper production reached 5,587 tons in 3Q19 vs. 6,599 tons in 3Q18 this is a reduction by 15% when comparing to the previous quarter. The lessening in production is mainly due to the decrease in tonnage processed in San Francisco del Oro and Tayahua units, as well as lower processed copper grade. In the case of Tayahua unit there was a delay in the delivery of equipment, which will help to reach the maximum ore processing capacity, it is estimated that copper production will continue to increase gradually in the fourth quarter of 2019 and the first quarter of 2020.

María Unit, it did not generate copper cathode production during 3Q19, due to the delay in the delivery of reagents coming from Asia that are used for irrigation in leaching pads; however, the production of cathodes of Copper will reactivate for 4Q19. In the María Unit, metallurgical research works and changes in the methodology of irrigation and pads maintenance are continued in order to make the recovery of copper from the leaching pads more efficient.

Lead production during 3Q19 reached 4,181 tons, this is a reduction by 2% when comparing to 3Q18. Tayahua decreased its production due to lower processed tonnage, as well as a lower grade. On the other hand, Asientos and San Francisco del Oro increased their production by 14% and 8% respectively, however, this effect did not compensate the lower production.

Zinc production in the third quarter reached 13,055 tons, this is 4% less when comparing 3Q19 to 3Q18. Tayahua decreased its production as a result of lower processed tonnage and lower processed grade. Despite an increase in production in Asientos and San Francisco del Oro units by 11% and 9% respectively, this effect did not compensate for a lower zinc production during the third quarter.

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 \$ 2,182 MM Ps (US \$ 112 MM). This is a 34% decrease when comparing the third quarter of 2019 versus the same period of the previous year. This is a results mainly for the decrease in the production of metals during the quarter for the reason explained earlier in this report and for the decrease in the prices of lead, zinc and copper.

OPERATING INCOME AND EBITDA

At the end of 3Q19, an operating loss of \$ 1,672 MM Ps was determined, this represents an operating margin of -77%, mainly due to impairment for long-lived assets was recorded for \$ 1,297 MM Ps (this item does not represent an outflow of cash flow not affects the EBITDA), as well as a decrease in sales. At the end of the third quarter of 2019, the EBITDA margin was of 21%, thirteen percentage points lower than the EBITDA recorded in the third quarter of 2018.

COMPREHENSIVE FINANCIAL INCOME

Comprehensive Financial Income (MXN million)	3Q19	3Q18	Variation 3Q19/3Q18
Interest income	7.3	14.0	-48%
Interest expense	(611)	(513)	19%
Exchange gain (loss), net	(507)	1,024	-150%
Gain (loss) on financial instruments, net	-	281	-100%
Financial result	(1,110)	806	-238%

At the end of the third quarter of 2019, a comprehensive financial negative result of \$ 1,110 MM Ps was recorded, this is due to a loss due to exchange variation and interests paid on debt services

INDEBTEDNESS

As of September 30th, 2019, the Company's debt was composed of a syndicated loan of US \$ 321 MM, the subordinated loans of US \$ 305 MM, bank credits of US \$ 163 MM, equivalents and long / short term bonds of 5,500 MM Ps.

Indebtedness (USD million)	3Q19	3Q18	Variation 3Q19/3Q18
Short / Long term bonds	280	263	6%
Syndicated loan	321	521	-38%
Subordinated loan	305	208	47%
Banks loans	163	266	-39%
Debt	1,069	1,258	-15%

The debt in US dollars decreased by 15% when comparing 3Q19 vs 3Q18, it reaching US \$ 1,069 MM vs. US \$ 1,258 MM respectively.

NET INCOME

At the end of 3Q19, the company recorded a net loss of \$ 2,027 MM Ps due to the reasons explained before in this report.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company continues with the strategy of economic metal hedging, until today, part of the estimated production is hedged for the remainder of 2019 of gold, silver, lead, zinc and copper. It is important to mention that by 2020 a part of the estimated gold and silver production is already hedged.

Financial Summary

Income statement In MXN million	3Q19	3Q18	Variation 3Q19/3Q18
Net sales	2,182.2	3,331.3	-34%
Cost of sales	(2,084.6)	(2,775.3)	-25%
Gross profit	97.6	556.0	-82%
Operating expenses	(307.5)	(305.6)	1%
Other expenses, net	(1,461.9)	(112.9)	1195%
Operating income	(1,671.9)	137.5	-1316%
Interest income	7.3	14.0	-48%
Exchange gain (loss), net	(506.8)	1,023.5	-150%
Gain (loss) on financial instruments	-	280.6	-100%
Interest expense	(611.0)	(512.5)	19%
Income before taxes	(2,782.3)	943.1	-395%
Income taxes	754.8	(421.9)	-279%
Net income	(2,027.6)	521.2	-489%
Controlling interest	(2,021.6)	481.5	-520%
Noncontrolling interest	(6.0)	39.8	-115%
Outstanding shares ('000)	4,045,383	2,545,383	59%
Closing price	3.85	7.20	-47%



Balance sheet In MXN million	30.09.2019	31.12.2018
Assets	47,485.6	50,289.6
Current assets	5,991.9	6,734.3
Cash and cash equivalents	233.2	24.4
Accounts receivable	486.6	461.8
Inventories	2,979.8	3,020.1
Other current assets	2,292.2	3,227.9
Non-current assets	41,493.7	43,555.3
Property, plant and equipment	26,502.7	28,078.9
Intangible asstes	1,814.3	1,938.7
Other non-current assets	13,176.8	13,537.6
Liabilities and shareholder's equity	33,593.0	38,864.4
Current liabilities	17,547.8	21,740.7
Short-term debt	7,847.9	9,105.9
Accounts payable	1,921.2	2,225.6
Income taxes	138.5	207.5
Derivative financial instruments	55.4	648.5
Other current liabilities	7,584.7	9,553.2
Non-current liabilities	16,045.2	17,123.7
Marketable notes and long-term debt	13,142.2	13,474.3
Derivative financial instruments	12.9	-
Other non-current liabilities	2,890.0	3,649.3
Shareholder's equity	13,892.6	11,425.2
Capital stock	118.2	74.4
Additional paid-in capital	17,352.8	11,396.7
Retained earnings	(12,964.2)	(10,078.6)
Other accumulated income (net of tax)	8,169.4	8,822.6
Controlling interest	12,676.2	10,215.0
Noncontrolling interest	1,216.4	1,210.2

Invitation to the Conference Call

Date: October 29, 2019
 Time: 10:00 am Mexico City, 12:00 pm NY(ET)
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Replay

Date: October 29 to November 01, 2019
 Tel: +1 (412) 317-0088 (Intern. and Mex.)
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Oz: troy ounces
 Tonnes: metric tons

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