



**SIERRA METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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Sierra Metals Inc.

Management's Discussion and Analysis

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1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with Sierra Metals Inc.'s (the "Company" or "Sierra" or "Sierra Metals") consolidated financial statements for the year ended December 31, 2022 and 2021, and related notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). References herein to "\$" are to the United States dollar and "C\$" are to the Canadian dollar and all tabular amounts are expressed in thousands of \$ unless otherwise stated. All information contained in this MD&A is current as of March 28, 2023 unless otherwise noted. The Company's common shares (the "Common Shares") are listed and traded on the Toronto Stock Exchange (the "TSX") under the symbol "SMT". Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2022 dated March 28, 2023 ("AIF"), is available on SEDAR at www.sedar.com and on the Company's website at www.sierrametals.com. A cautionary note regarding forward-looking information follows this MD&A.

QUALIFIED PERSONS

Americo Zuzunaga, FAusIMM CP (Mining Engineer) is a Qualified Person and qualifies as a Competent Person under the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

2. COMPANY OVERVIEW

Sierra Metals Inc. is a diversified Canadian mining company with Green Metal exposure including copper, zinc and lead production with precious metals in Peru and Mexico. The Company plans to continue growing its production base through brownfield exploration investments within its properties.

The Company has three producing mining properties and manages its business on the basis of the geographical location of its mining projects. The Peruvian Operation ("Peru") is comprised of the Yauricocha mine ("Yauricocha" or the "Yauricocha Mine"), located in the province of Yauyos, its near-mine concessions, and exploration and early-stage properties. The Mexican Operation ("Mexico") includes the Bolivar ("Bolivar" or the "Bolivar Mine") and Cusi ("Cusi" or the "Cusi Mine") mines, both located in Chihuahua State, Mexico, their near-mine concessions, and exploration and early-stage properties.

The Company is focused on the safety and productivity of its producing mines. The Company also has large land packages with several prospective regional targets providing longer-term exploration upside and mineral resource growth potential. The Company is willing to consider and pursue growth opportunities at and surrounding its operating projects to enhance and deliver shareholder value.

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3. 2022 OPERATING AND FINANCIAL HIGHLIGHTS

(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise)				Years Ended December 31,		Var%
	Q4 2022	Q3 2022	Q4 2021	2022	2021	
Operating						
Ore Processed / Tonnes Milled	494,980	561,906	590,057	2,287,797	2,902,220	-21%
Silver Ounces Produced (000's)	570	669	805	2,581	3,527	-27%
Copper Pounds Produced (000's)	6,170	6,299	6,071	27,127	31,757	-15%
Lead Pounds Produced (000's)	2,071	3,878	6,011	13,498	30,816	-56%
Zinc Pounds Produced (000's)	6,367	10,815	14,913	38,100	79,281	-52%
Gold Ounces Produced	3,411	2,199	1,863	10,155	9,572	6%
Copper Equivalent Pounds Produced (000's) ¹	14,073	16,637	17,841	64,218	89,926	-29%
Cash Cost per Tonne Processed	\$ 63.30	\$ 65.60	\$ 58.21	\$ 63.89	\$ 48.69	31%
Cash Cost per CuEqLb ²	\$ 2.44	\$ 2.41	\$ 2.29	\$ 2.55	\$ 1.81	41%
AISC per CuEqLb ²	\$ 4.19	\$ 3.82	\$ 4.13	\$ 4.15	\$ 3.40	22%
Cash Cost per CuEqLb (Yauricocha) ²	\$ 3.16	\$ 2.01	\$ 1.61	\$ 2.23	\$ 1.46	53%
AISC per CuEqLb (Yauricocha) ²	\$ 5.02	\$ 3.36	\$ 3.09	\$ 3.69	\$ 2.77	33%
Cash Cost per CuEqLb (Bolivar) ^{2,3}	\$ 1.76	\$ 3.38	\$ 5.29	\$ 2.99	\$ 2.18	37%
AISC per CuEqLb (Bolivar) ^{2,3}	\$ 3.69	\$ 5.12	\$ 8.58	\$ 5.07	\$ 4.22	20%
Cash Cost per AgEqOz (Cusi) ²	\$ 16.35	\$ 14.58	\$ 11.80	\$ 16.77	\$ 16.71	0%
AISC per AgEqOz (Cusi) ²	\$ 22.14	\$ 19.23	\$ 21.09	\$ 23.17	\$ 28.15	-18%
Financial						
Revenues	\$ 46,150	\$ 38,787	\$ 62,240	\$ 192,119	\$ 272,014	-29%
Adjusted EBITDA ²	\$ (537)	\$ (3,867)	\$ 18,843	\$ 12,997	\$ 104,732	-88%
Operating cash flows before movements in working capital	\$ 2,860	\$ (6,768)	\$ 15,126	\$ 5,163	\$ 91,114	-94%
Adjusted net income (loss) attributable to shareholders ²	\$ (6,758)	\$ (10,705)	\$ 5,443	\$ (23,149)	\$ 21,571	-207%
Net income (loss) attributable to shareholders	\$ (26,456)	\$ (46,150)	\$ (34,716)	\$ (87,503)	\$ (27,363)	220%
Cash and cash equivalents	\$ 5,074	\$ 13,690	\$ 34,929	\$ 5,074	\$ 34,949	-85%
Working capital ³	\$ (84,401)	\$ (52,345)	\$ 17,321	\$ (84,401)	\$ 17,321	-587%

(1) Copper equivalent pounds and Silver equivalent ounces were calculated using the following realized prices:

Q4 2022 - \$21.21/oz Ag, \$3.63/lb Cu, \$1.37/lb Zn, \$0.95/lb Pb, \$1,730/oz Au.

Q3 2022 - \$19.26/oz Ag, \$3.51/lb Cu, \$1.49/lb Zn, \$0.90/lb Pb, \$1,730/oz Au.

Q4 2021 - \$23.41/oz Ag, \$4.40/lb Cu, \$1.55/lb Zn, \$1.06/lb Pb, \$1,795/oz Au.

FY 2022 - \$21.77/oz Ag, \$3.99/lb Cu, \$1.59/lb Zn, \$0.98/lb Pb, \$1,802/oz Au.

FY 2021 - \$25.21/oz Ag, \$4.23/lb Cu, \$1.37/lb Zn, \$1.00/lb Pb, \$1,796/oz Au.

(2) This is a non-IFRS performance measure, see Non-IFRS Performance Measures section of the MD&A.

(3) The negative working capital is largely the result of the reclassification of the long-term portion of the corporate facility and term loan to current, as the Company defaulted on its debt covenants. The Company has received accommodation from the banks for non-compliance of the corporate facility as at December 31, 2022.

2022 Operational Highlights

At the Bolivar mine, throughput increased by 19% year-over-year in Q4 2022, due primarily to investments in pumping and ventilation systems. For the full year, however, throughput was 30% lower due to delays in installation of critical infrastructure during the first half of the year and unexpected flooding during Q3 2022.

Throughput from the Yauricocha mine was severely impacted in Q4 2022 by the mudslide incident that occurred at the end of Q3 2022 followed by a road blockade by the local communities. As compared to Q4 2021, Yauricocha throughput was 45% lower, while on an annual basis, throughput was 16% lower as compared to 2021.

Consolidated annual ore throughput was 2,287,797 tonnes, a decrease of 21% from 2021. Consolidated annual copper equivalent production dropped 29% compared to 2021, largely due to lower throughput and lower grades. For Q4 2022, consolidated copper equivalent production decreased 21% year-over-year due primarily to the issues experienced at Yauricocha.

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2022 Consolidated Financial Summary

- Revenue from metals payable of \$192.1 million in 2022, a decrease of 29% from 2021 annual revenue of \$272.0 million. Lower revenue resulted from the decrease in throughput and grades at the Yauricocha and Bolivar mines;
- Yauricocha's cash cost per copper equivalent payable pound⁽¹⁾ was \$2.23 (2021 - \$1.46), and AISC per copper equivalent payable pound of \$3.69 (2021 - \$2.77);
- Bolivar's cash cost per copper equivalent payable pound⁽¹⁾ was \$2.99 (2021 - \$2.18), and AISC per copper equivalent payable pound was \$5.07 (2021 - \$4.22);
- Cusi's cash cost per silver equivalent payable ounce⁽¹⁾ was \$16.77 (2021 - \$16.71), and AISC per silver equivalent payable ounce was \$23.17 (2021 - \$28.15);
- Adjusted EBITDA⁽¹⁾ of \$13.0 million for 2022, a decrease from the adjusted EBITDA of \$104.7 million for 2021;
- Net loss attributable to shareholders for 2022 was \$87.5 million or \$0.53 per share (2021: net loss of \$27.4 million, \$0.17 per share). Net loss for the year ended 2022 includes an impairment charge of \$25.0 million on the Bolivar mine and \$25.0 million on the Cusi mine (2021: impairment of \$35.0 million on the Cusi mine);
- Adjusted net loss attributable to shareholders ⁽¹⁾ of \$23.1 million, or \$0.14 per share, for 2022 compared to the adjusted net income of \$21.6 million, or \$0.13 per share for 2021;
- A large component of the net income (loss) for every period is the non-cash depletion charge in Peru, which was \$5.3 million for 2022 (2021: \$9.3 million). The non-cash depletion charge is based on the aggregate fair value of the Yauricocha mineral property at the date of acquisition of Sociedad Minera Corona S.A. de C.V. ("Corona") of \$371.0 million amortized over the life of the mine;
- Cash flow generated from operations before movements in working capital of \$5.2 million for 2022 was lower than the \$91.1 million in 2021, mainly due to lower revenues and higher operating costs; and
- Cash and cash equivalents of \$5.1 million and working capital of \$(84.4) million as at December 31, 2022 compared to \$34.9 million and \$17.3 million, respectively, at the end of 2021. Cash and cash equivalents decreased during 2022 as the \$38.3 million used in investing activities exceeded the \$1.1 million generated from financing activities and \$7.3 million generated from operating activities.

(1) This is a non-IFRS performance measure, see Non-IFRS Performance Measures section of the MD&A.

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Exploration Highlights

Peru:

During 2022, a total of 14,329 meters were drilled. The main objective was focused on adding new resources in the levels that are above the 1120 level, mainly in the *cuerpos chicos*.

Mexico:

Bolivar

In Bolivar, 69,822 meters were drilled during the year. The objective of the program is to recategorize resources in the *El Gallo Inferior*, *Bolivar Northwest* and *Cienegueta* zones.

Cusi

During 2022, 14,464 meters were drilled with the objective to categorize the resources of the NE-SW system as well as to investigate the continuity laterally and at depth.

Corporate Development Highlights

Management and Board Changes

- The Company announced the appointment of Dawn Whittaker to the Board, effective February 24, 2022.
- Jose Vizquerra, Steven Dean and Dionisio Romero did not stand for re-election at the Company's AGM held on June 10, 2022. The shareholders of the Company re-elected Oscar Cabrera, Douglas Cater, Carlos Santa Cruz, Luis Marchese, Dawn Whittaker and Koko Yamamoto to the Board. In addition, the shareholders also elected Robert Neal to join the Board.
- Following the AGM, on June 13, 2022, the Company announced the appointment of Oscar Cabrera as Chair of the Board and the appointment of Miguel Aramburu to the Board.
- On October 18, 2022, the Company announced the formation of a Special Committee, comprised of its independent directors, whose mandate includes exploring, reviewing and considering options to optimize the operations of the Company and financing, restructuring and strategic options in the best interests of the Company. CIBC Capital Markets was retained as a financial advisor to the Special Committee on November 3, 2022.
- On October 25, 2022, the Company announced its voluntary delisting from the NYSE American ("NYSE") and the Bolsa de Valores de Lima ("BVL") to reduce costs and simplify the Company's administrative and compliance structure associated with these listings. The last day of trading of the Company's common shares was November 14, 2022, on the NYSE and December 14, 2022, on the BVL.
- On October 31, 2022, the Company confirmed receipt of an unsolicited, non-binding letter of intent ("LOI") from Compañía Minera Kolpa S.A ("Kolpa"). The LOI outlined indicative terms for a proposed business combination of Kolpa and the Company and concurrent financing by an investment firm. The LOI was submitted by Kolpa with its shareholders Arias Resource Capital Fund II L.P. and Arias Resource Capital Fund II (Mexico) L.P.,

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who along with the other members of the Arias Group (and principals) held approximately 27% of the Common Shares as of the date of the LOI.

- On November 28, 2022, the Company announced the resignation of Mr. Luis Marchese as the CEO and director of the Company and the appointment of Mr. Ernesto Balarezo Valdez as the Interim CEO to lead the Company during the ongoing 2022 Strategic Process (as defined in the AIF). Mr. Balarezo also joined the Board.
- On January 16, 2023, the Company announced the departure of Mr. Ed Guimaraes, the CFO of the Company and the appointment of Mr. Jose Fernandez-Baca as the Interim CFO.

4. OUTLOOK 2023

The focus of the new management team in 2023 is first, to stabilize operations following the challenges experienced in 2022, and then to optimize operations to return to higher production levels on a safe and economically sustainable basis. At the same time, management is commencing work towards the longer-term objective of expanding the resources at its core operating mines.

The stabilization activities have largely been implemented. A key priority at this stage has been to place a renewed emphasis on safety and employee engagement. The Company has hired a VP of Health and Safety, instituted new safety protocols, increased training and communication efforts, and invested in remote-controlled equipment which is designed to reduce risk. Another aspect of stabilization has been to streamline operations to reduce costs, and refinance debt obligations in order to preserve working capital as production levels are restored. As of March 28, 2023, management believes that the production ramp-up to targeted levels of 2,500 tpd has been completed.

Optimization activities have commenced and are expected to continue throughout 2023. Management expects that targeted operational-level improvements will result in increased productivity at the mines. Initiatives undertaken or planned include increasing asset utilization, focused underground development of mine sequencing and improvements to ventilation and pumping systems. The Company has made some organizational changes and has started the process to hire a new General Manager for Mexico, with a view to taking a more "hands-on" approach to operations and creating a shift in the corporate culture.

Growth initiatives are centered around identifying additional resources at Yauricocha and Bolivar and revising the life-of-mine plans for each site which are expected to be completed in Q2 2023. Management believes both sites have the potential to sustain long-term production. The Company is working closely with regulatory bodies to expedite additional permitting at Yauricocha without compromising on safety and environmental regulations. The Company has deferred its growth-oriented capital expenditures pending the completion of its planning process as well as the optimization activities described above.

Market Review and Trends

Metal Prices

One of the primary drivers of Sierra's earnings and ability to generate operating cash flows are metal market prices. Metal prices remained strong during Q1 2022, but declined over the next

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two quarters and then regained some strength during Q4 2022. Annual metal price averages were lower, except for zinc (+16%) and gold, which despite remaining low during Q3 2022 and Q4 2022, remained in line with the 2021 annual average.

LME Average Prices (In US dollars)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q4 2022 vs	Years ended December 31,		Var %
						Q4 2021	2022	2021	
Silver (oz)	\$ 21.20	\$ 19.22	\$ 22.64	\$ 23.94	\$ 23.32	-9%	\$ 21.75	\$ 25.17	-14%
Copper (lb)	\$ 3.63	\$ 3.51	\$ 4.32	\$ 4.53	\$ 4.40	-18%	\$ 4.00	\$ 4.22	-5%
Lead (lb)	\$ 0.95	\$ 0.90	\$ 1.00	\$ 1.06	\$ 1.06	-10%	\$ 0.98	\$ 1.00	-2%
Zinc (lb)	\$ 1.36	\$ 1.48	\$ 1.78	\$ 1.70	\$ 1.53	-11%	\$ 1.58	\$ 1.36	16%
Gold (oz)	\$ 1,729	\$ 1,729	\$ 1,873	\$ 1,874	\$ 1,796	-4%	\$ 1,801	\$ 1,800	0%

In 2022, the silver sector experienced volatility, geopolitical strife, and high levels of inflation. Silver started the year at \$22.86 per ounce and remained above \$20 until July before a strong US dollar pushed it lower. The metal remained rangebound below that threshold for most of the third quarter. However, strong investment demand and a recovery in industrial use helped the metal rebound after its price fell to \$17.62 per ounce at the beginning of September, a 26-month low. Nevertheless, silver remained well below 2021's price levels. The rise in industrial demand was insufficient to boost the metal's price. Physical silver investment demand is forecast to reach 329 million ounces for the year 2023, with investors seeking refuge from high inflation, the Russia-Ukraine war, and recession concerns.

Copper prices in 2022 trended downward, with the metal reaching its highest level ever in March at over \$4.72 per pound but unable to maintain that price level. The first quarter of 2022 saw copper prices rise by almost 7%, but the second quarter saw a decline of over 20% due to weaker-than-anticipated demand and a supply picture that was also short of expectations. The third quarter saw further price weakness due to pessimistic demand expectations and measures to tackle inflation, but prices stabilized due to lack of supply growth. The top consumer of copper, China, imposed new COVID-19 lockdown measures in Q1, affecting demand, and the zero-COVID policy in China and growing fears of a global recession impacted prices in Q2. Despite the market challenges, copper demand drew some support from end uses related to the green energy transition, such as electric vehicles and renewables.

Zinc prices started strong in 2022, reaching an all-time high in Q1 due to the impact of Russia's invasion of Ukraine on energy prices and zinc prices. The energy crisis deepened in 2022 due to the war, which led to more smelters cutting back on production, increasing supply fears. The second quarter saw zinc prices reach an all-time high of above \$2.04 per pound, but prices fell to \$1.43 per pound by the end of the first half due to market volatility and the rise of the US dollar. The third quarter saw zinc prices continue to decline due to concerns over a global economic slowdown and restrictions due to COVID-19. Zinc prices bounced back in August due to tight supply but faltering global economic growth and muted consumption prospects in China caused prices to end the quarter at \$1.35 per pound.

Gold price trended downward in 2022 due to the strong US dollar and the US Federal Reserve's efforts to curb inflation. The price rose in Q1 due to Russia's invasion of Ukraine but could not maintain the gains and returned to its previous level. Gold price further consolidated in Q2, as it slipped to a 30-month low of \$1,691 per ounce by Q3 due to market volatility and a surging US dollar. Despite the downward trend, gold is still seen as a safe haven and a hedge against inflation. Russia's invasion of Ukraine had a transitory effect on the gold price, but it impacted gold production by impeding the miners' access to financing and equipment. China's gold production is expected to increase, offsetting the fall in Russian production.

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Currency Exchange Rates

Sierra's operations are affected by US dollar exchange rates. Sierra's largest exposures are to the US dollar/Peruvian Nuevo Sol exchange rate and the US dollar/Mexican Peso exchange rate which impacts operating and administration costs in Peru and Mexico incurred in Nuevo Soles and Pesos while revenues are earned in US dollars. As at December 31, 2022, the US dollar/Peruvian Nuevo Sol exchange rate was 3.82 (December 31, 2021: 4.00) and the US dollar/Mexican Peso exchange rate was 19.36 (December 31, 2021: 20.52). A 10% appreciation in the value of the Nuevo Sol and Peso against the US dollar would have resulted in a change of \$5.6 million and \$4.3 million in the Company's net loss, respectively.

The Company also has a minor exposure to the Canadian dollar through corporate administrative costs.

2023 Guidance

Production Guidance

The Bolivar mine exited fourth quarter 2022 with improved operations and expectations of continued improved performance throughout 2023. The Yauricocha mine is expected to gradually and safely ramp up production throughout 2023 at the current depth. Meanwhile, Yauricocha's focus will remain on obtaining the necessary permits to access the deeper, high-grade ore bodies. The table summarizing 2023 production guidance from the Yauricocha and the Bolivar mine has been provided below. Management considers Cusi as 'non-core' and has excluded the same from the guidance below :

Production (excluding Cusi)

	2023 Guidance		2022
	Low	High	Actual
Silver (000 oz)	1,500	1,700	1,218
Copper (000 lbs)	13,500	15,400	27,127
Lead (000 lbs)	46,000	50,500	12,216
Zinc (000 lbs)	14,000	15,400	38,100
Gold (oz)	37,300	42,400	9,361
Copper equivalent pounds (000's) ⁽¹⁾	74,300	83,300	56,108

(1) 2023 metal equivalent guidance was calculated using the following prices: \$21.03/oz Ag, \$3.55/lb Cu, \$1.35/lb Zn, \$0.93/lb Pb and \$1,741/oz Au.

2023 Cost Guidance

A mine by mine breakdown of 2023 production guidance, cash costs and all-in sustaining costs ("AISC") are included in the table below.

Mine	Equivalent Production Range ⁽¹⁾	Cash costs range per CuEqLb	AISC ⁽²⁾ range per CuEqLb	Actual for 2022		
				Cash costs per CuEqLb	AISC ⁽²⁾ per CuEqLb	
Yauricocha	Copper Eq Lbs ('000)	40,000 - 44,000	\$1.81 - \$1.88	\$3.09 - \$3.19	\$2.23	\$3.69
Bolivar	Copper Eq Lbs ('000)	34,500 - 39,500	\$3.02 - \$3.25	\$1.92 - \$2.05	\$2.99	\$5.07

(1) 2023 metal equivalent guidance was calculated using the following prices: \$21.03/oz Ag, \$3.55/lb Cu, \$1.35/lb Zn, \$0.93/lb Pb and \$1,741/oz Au.

(2) AISC includes treatment and refining charges, selling costs, G&A costs and sustaining capital expenditure

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2023 Capital Expenditures

A breakdown by mine of the throughput and planned capital investments is shown in the following table:

	Amounts in \$M		
	Sustaining	Growth	Total
Yauricocha	10	11	21
Bolivar	22	4	26
Total Capital Expenditure	32	15	47

Total sustaining capital for 2023, excluding Cusi, is expected to be \$32.0 million, mainly comprising of mine development (\$3.0 million) and drainage (\$2.3 million) in Yauricocha, and mine development (\$11.3 million), infill drilling (\$5.3 million) and equipment replacement (\$3.9 million) at the Bolivar mine.

Growth capital for 2023, projected at \$15.0 million, includes mainly costs related to the tailings dam (\$5.6 million) and Yauricocha shaft (\$3.2 million) in Peru. Growth capital at Bolivar includes costs of the tailings dam and the starter dam.

Management will continue to review performance throughout the year, while exploring value enhancing opportunities.

5. RESULTS OF OPERATIONS

Selected Production Results on a Mine-by-Mine Basis for the Past Eight Quarters

Production Highlights	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Ore Processed/tonnes milled								
Yauricocha	152,586	269,057	317,087	315,250	277,531	324,196	328,909	326,211
Bolivar	270,313	227,669	256,372	187,556	227,722	364,941	385,331	371,608
Cusi	72,081	65,180	66,722	87,924	84,804	61,071	73,294	76,602
Consolidated	494,980	561,906	640,181	590,730	590,057	750,208	787,534	774,421
Cash cost per tonne processed								
Yauricocha	\$ 99.67	\$ 74.75	\$ 69.31	\$ 59.19	\$ 64.54	\$ 60.18	\$ 61.35	\$ 60.43
Bolivar	\$ 41.05	\$ 54.37	\$ 55.38	\$ 60.82	\$ 50.29	\$ 25.58	\$ 27.87	\$ 31.38
Cusi	\$ 69.74	\$ 67.07	\$ 83.51	\$ 69.99	\$ 58.77	\$ 75.85	\$ 78.25	\$ 71.07
Consolidated	\$ 63.30	\$ 65.60	\$ 65.21	\$ 61.32	\$ 58.21	\$ 44.63	\$ 46.54	\$ 47.54
Silver ounces produced (000's)								
Yauricocha	134	256	267	256	331	451	483	451
Bolivar	93	71	83	58	57	95	202	197
Cusi	343	342	258	420	417	261	269	313
Consolidated	570	669	608	734	805	807	954	961
Copper pounds produced (000's)								
Yauricocha	1,621	3,514	5,127	4,279	3,836	4,641	3,697	2,682
Bolivar	4,549	2,785	3,207	2,045	2,235	3,615	5,838	5,213
Consolidated	6,170	6,299	8,334	6,324	6,071	8,256	9,535	7,895
Lead pounds produced (000's)								
Yauricocha	1,749	3,579	3,060	3,828	5,430	7,146	7,831	8,706
Cusi	322	299	273	388	581	695	129	298
Consolidated	2,071	3,878	3,333	4,216	6,011	7,841	7,960	9,004
Zinc pounds produced (000's)								
Yauricocha	6,367	10,815	10,426	10,492	14,913	19,112	21,133	24,123
Consolidated	6,367	10,815	10,426	10,492	14,913	19,112	21,133	24,123
Gold ounces produced								
Yauricocha	439	743	1,179	1,057	957	1,169	1,043	890
Bolivar	2,801	1,267	1,283	592	634	899	1,627	1,591
Cusi	171	189	160	274	272	193	142	155
Consolidated	3,411	2,199	2,622	1,923	1,863	2,261	2,812	2,636

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Consolidated Production	Q4 2022	Q3 2022	% Var	Q4 2021	% Var	Year Ended December 31,		
						2022	2021	% Var
Tonnes processed	494,980	561,906	-12%	590,057	-16%	2,287,797	2,902,220	-21%
Daily throughput	5,657	6,422	-12%	6,743	-16%	6,537	8,292	-21%
Silver ounces (000's)	570	669	-15%	805	-29%	2,581	3,527	-27%
Copper pounds (000's)	6,170	6,299	-2%	6,071	2%	27,127	31,757	-15%
Lead pounds (000's)	2,071	3,878	-47%	6,011	-66%	13,498	30,816	-56%
Zinc pounds (000's)	6,367	10,815	-41%	14,913	-57%	38,100	79,281	-52%
Gold ounces	3,411	2,199	55%	1,863	83%	10,155	9,572	6%
Copper equivalent pounds (000's) ⁽¹⁾	14,073	16,637	-15%	17,841	-21%	64,218	89,926	-29%
Metals payable in concentrates								
Silver ounces (000's)	555	556	0%	699	-21%	2,362	3,009	-22%
Copper pounds (000's)	6,203	5,937	4%	5,422	14%	26,064	28,531	-9%
Lead pounds (000's)	1,474	3,708	-60%	5,797	-75%	12,584	29,313	-57%
Zinc pounds (000's)	4,832	9,756	-50%	13,365	-64%	31,142	67,305	-54%
Gold ounces	3,368	1,876	80%	1,449	132%	9,141	8,079	13%
Copper equivalent pounds (000's) ⁽¹⁾	13,260	15,005	-12%	15,837	-16%	58,581	78,635	-26%

(1) Copper equivalent pounds were calculated using the following realized prices:
Q4 2022 - \$21.21/oz Ag, \$3.63/lb Cu, \$1.37/lb Zn, \$0.95/lb Pb, \$1,730/oz Au.
Q3 2022 - \$19.26/oz Ag, \$3.51/lb Cu, \$1.49/lb Zn, \$0.90/lb Pb, \$1,730/oz Au.
Q4 2021 - \$23.41/oz Ag, \$4.40/lb Cu, \$1.55/lb Zn, \$1.06/lb Pb, \$1,795/oz Au.
FY 2022 - \$21.77/oz Ag, \$3.99/lb Cu, \$1.59/lb Zn, \$0.98/lb Pb, \$1,802/oz Au.
FY 2021 - \$25.21/oz Ag, \$4.23/lb Cu, \$1.37/lb Zn, \$1.00/lb Pb, \$1,796/oz Au.

The Peruvian Operation

Yauricocha Mine, Yauyos Province

Sierra's main asset, Yauricocha, is an underground mine located in western central Peru in the Yauyos province, approximately 12 km west of the Continental Divide. The Yauricocha property covers 18,778 hectares that straddle a 20 km strike length of the prolific Yauricocha fault, a major ore controlling structure in this part of western central Peru. The mine is at an average altitude of 4,600 meters and has been producing for more than 68 years. Ore is processed at the on-site Chumpe plant using a combination of crushing, grinding and flotation. The mine received its Informe Tecnico Minero ("ITM") permit in June 2021, allowing for an operating capacity of 3,600 tpd. The ore is treated in two separate circuits and is extracted from three different types of deposits which include the following:

- A polymetallic deposit, containing silver, lead, zinc, copper, and gold
- A lead oxide deposit, containing lead, silver and gold
- A copper oxide deposit, containing copper, silver, lead and gold

On January 20, 2022, the Company announced a positive updated PEA on the Yauricocha expansion. This updated PEA included the last reported resource dated March 31, 2021 and revised Prefeasibility Study ("PFS") level operating and capital expenditure. The Company filed the corresponding updated NI 43-101 technical report on March 3, 2022.

Yauricocha Production

A summary of contained metal production from the Yauricocha Mine for the three months and year ended December 31, 2022 is provided below:

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Yauricocha Production						Year Ended December 31,		
	Q4 2022	Q3 2022	% Var.	Q4 2021	% Var.	2022	2021	% Var.
Tonnes processed (t)	152,586	269,057	-43%	277,531	-45%	1,053,980	1,256,847	-16%
Daily throughput	1,744	3,075	-43%	3,172	-45%	3,011	3,591	-16%
Silver grade (g/t)	42.25	47.61	-11%	51.34	-18%	43.49	55.01	-21%
Copper grade	0.66%	0.77%	-14%	0.82%	-20%	0.81%	0.74%	9%
Lead grade	0.63%	0.72%	-13%	1.03%	-39%	0.65%	1.18%	-45%
Zinc grade	2.21%	2.16%	2%	2.82%	-22%	1.99%	3.23%	-38%
Gold Grade (g/t)	0.41	0.41	0%	0.53	-23%	0.48	0.48	0%
Silver recovery	64.35%	62.27%	3%	72.26%	-11%	62.01%	77.21%	-20%
Copper recovery	72.57%	77.30%	-6%	76.44%	-5%	76.55%	72.92%	5%
Lead recovery	82.18%	83.60%	-2%	86.55%	-5%	79.92%	88.76%	-10%
Zinc recovery	85.69%	84.28%	2%	86.53%	-1%	81.94%	88.59%	-8%
Gold Recovery	21.63%	20.79%	4%	20.24%	7%	20.98%	21.03%	0%
Silver production (000 oz)	134	256	-48%	331	-60%	913	1,716	-47%
Copper production (000 lb)	1,621	3,514	-54%	3,836	-58%	14,541	14,856	-2%
Lead production (000 lb)	1,749	3,579	-51%	5,430	-68%	12,216	29,113	-58%
Zinc production (000 lb)	6,367	10,815	-41%	14,913	-57%	38,100	79,281	-52%
Gold Production (oz)	439	743	-41%	957	-54%	3,418	4,059	-16%
Copper equivalent pounds (000's)⁽¹⁾	5,471	10,794	-49%	12,567	-56%	39,185	59,470	-34%

(1) Copper equivalent pounds were calculated using the following realized prices:
Q4 2022 - \$21.21/oz Ag, \$3.63/lb Cu, \$1.37/lb Zn, \$0.95/lb Pb, \$1,730/oz Au.
Q3 2022 - \$19.26/oz Ag, \$3.51/lb Cu, \$1.49/lb Zn, \$0.90/lb Pb, \$1,730/oz Au.
Q4 2021 - \$23.41/oz Ag, \$4.40/lb Cu, \$1.55/lb Zn, \$1.06/lb Pb, \$1,795/oz Au.
FY 2022 - \$21.77/oz Ag, \$3.99/lb Cu, \$1.59/lb Zn, \$0.98/lb Pb, \$1,802/oz Au.
FY 2021 - \$25.21/oz Ag, \$4.23/lb Cu, \$1.37/lb Zn, \$1.00/lb Pb, \$1,796/oz Au.

Throughput from the Yauricocha Mine during Q4 2022 was 152,586 tonnes, a 43% decline when compared to the previous quarter due to the reduced mining activity following the mudslide incident and the community blockade that led to the suspension of mining operations late in the third quarter. As the progressive restart to operations continued, mining activity was limited to an average daily throughput of 1,744 tonnes during Q4 2022.

When compared to Q4 2021, a 45% decrease in throughput at Yauricocha, combined with lower head grades for all metals, provided for a 56% decrease in copper equivalent pounds produced. Yauricocha's annual throughput was 1,053,980 tonnes, representing a 16% decrease when compared to the 2021 annual production.

The discovery of the higher-grade Fortuna zone during Q2 2022 was expected to help alleviate the challenges presented by regulatory requirements, which currently limit mineable areas at Yauricocha. However, plans to reap the full benefits of the new zone were delayed, due to the tragic mudslide in September 2022 that significantly limited the mine's production capacity for the remainder of the year.

Production of all metals declined when compared to the full year 2021. While copper grades increased by 9% and gold grades were in-line, compared to 2021, these could not make up for the 16% reduction in throughput and a 21%, 45% and 38% decrease in silver, lead and zinc grades, respectively. Yauricocha's annual copper equivalent production decreased by 34% when compared to 2021.

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The Mexican Operations

Bolivar Mine, Chihuahua State

The Bolivar Mine is a contiguous portion of the 15,217-hectare Bolivar Property land package within the municipality of Urique, in the Piedras Verdes mining district of Chihuahua State, Mexico. During 2012, the Company achieved its first full year of commercial production at the Piedras Verdes plant, which is located 6 kilometres from the Bolivar Mine that had an initial capacity of 1,000 tpd. After successive expansions, current target throughput is approximately 5,000 tpd.

Bolivar Production

A summary of contained metal production from the Bolivar Mine for the three months and year ended December 31, 2022 is provided below:

Bolivar Production						Year Ended December 31,		
	Q4 2022	Q3 2022	% Var.	Q4 2021	% Var.	2022	2021	% Var.
Tonnes processed (t)	270,313	227,669	19%	227,722	19%	941,910	1,349,602	-30%
Daily throughput	3,089	2,602	19%	2,603	19%	2,691	3,856	-30%
Copper grade	0.82%	0.60%	37%	0.55%	49%	0.67%	0.72%	-7%
Silver grade (g/t)	13.25	12.14	9%	9.52	39%	12.29	15.49	-21%
Gold grade (g/t)	0.50	0.27	85%	0.11	355%	0.30	0.16	88%
Copper recovery	92.70%	92.05%	1%	80.79%	15%	90.48%	79.28%	14%
Silver recovery	81.43%	79.95%	2%	82.34%	-1%	82.39%	81.95%	1%
Gold recovery	64.52%	64.67%	0%	78.32%	-18%	64.81%	68.88%	-6%
Copper production (000 lb)	4,549	2,785	63%	2,235	104%	12,586	16,901	-26%
Silver production (000 oz)	93	71	31%	57	63%	305	551	-45%
Gold production (oz)	2,801	1,267	121%	634	342%	5,943	4,751	25%
Copper equivalent pounds (000's)⁽¹⁾	6,432	3,799	69%	2,800	130%	16,931	22,207	-24%

(1) Copper equivalent pounds were calculated using the following realized prices:
Q4 2022 - \$21.21/oz Ag, \$3.63/lb Cu, \$1.37/lb Zn, \$0.95/lb Pb, \$1,730/oz Au.
Q3 2022 - \$19.26/oz Ag, \$3.51/lb Cu, \$1.49/lb Zn, \$0.90/lb Pb, \$1,730/oz Au.
Q4 2021 - \$23.41/oz Ag, \$4.40/lb Cu, \$1.55/lb Zn, \$1.06/lb Pb, \$1,795/oz Au.
FY 2022 - \$21.77/oz Ag, \$3.99/lb Cu, \$1.59/lb Zn, \$0.98/lb Pb, \$1,802/oz Au.
FY 2021 - \$25.21/oz Ag, \$4.23/lb Cu, \$1.37/lb Zn, \$1.00/lb Pb, \$1,796/oz Au.

The Bolivar Mine processed 270,313 tonnes during Q4 2022, a 19% increase compared to Q3 2022. Higher throughput, due to improved ventilation and advancement in the mine's development and preparation, combined with higher grades in all metals, generated a 69% increase in copper equivalent production when compared to the previous quarter. When compared to Q4 2021, throughput at Bolivar was also 19% higher. A meaningfully improved 92.7% copper recovery rate during the quarter, combined with a substantial improvement in grades for copper, silver and gold, by 49%, 39% and 355%, respectively, resulted in a 130% increase in copper equivalent production, when compared to Q4 2021.

Annual throughput at Bolivar was 941,910 tonnes, representing a 30% decrease when compared to 2021. While the mine's production showed an improvement during the final quarter of the year, it could not make up for the operational and production issues experienced earlier in the year. Bolivar's annual copper equivalent production declined by 24% when compared to 2021.

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Cusi Mine, Chihuahua State

The Company's Cusi Mine encompasses 73 concessions covering 11,977 hectares that include 12 historical mines, each located on a mineralized structure, which lie within 40 kilometers of the Malpaso Plant located in Chihuahua State, Mexico. On January 1, 2013 the Company announced that the Cusi Mine achieved commercial production.

Cusi Production

A summary of contained metal production from the Cusi Mine for the three months and year ended December 31, 2022 is provided below:

Cusi Production						Year Ended December 31,		
	Q4 2022	Q3 2022	% Var.	Q4 2021	% Var.	2022	2021	% Var.
Tonnes processed (t)	72,081	65,180	11%	84,804	-15%	291,907	295,771	-1%
Daily throughput	824	745	11%	969	-15%	834	845	-1%
Silver grade (g/t)	171.34	187.44	-9%	179.07	-4%	170.01	159.74	6%
Gold grade (g/t)	0.17	0.19	-11%	0.21	-19%	0.18	0.18	0%
Lead grade	0.25%	0.26%	-4%	0.39%	-36%	0.25%	0.32%	-22%
Silver recovery (flotation)	86.44%	87.24%	-1%	85.52%	1%	85.28%	82.98%	3%
Gold recovery (lixiviation)	44.56%	48.28%	-8%	47.29%	-6%	46.73%	45.05%	4%
Lead recovery	81.51%	80.70%	1%	80.69%	1%	79.39%	81.78%	-3%
Silver production (000 oz)	343	342	0%	417	-18%	1,363	1,260	8%
Gold production (oz)	171	189	-10%	272	-37%	794	762	4%
Lead production (000 lb)	322	299	8%	581	-45%	1,282	1,703	-25%
Silver equivalent ounces (000's)⁽¹⁾	372	374	-1%	465	-20%	1,487	1,382	8%

(1) Silver equivalent ounces were calculated using the following realized prices:
Q4 2022 - \$21.21/oz Ag, \$3.63/lb Cu, \$1.37/lb Zn, \$0.95/lb Pb, \$1,730/oz Au.
Q3 2022 - \$19.26/oz Ag, \$3.51/lb Cu, \$1.49/lb Zn, \$0.90/lb Pb, \$1,730/oz Au.
Q4 2021 - \$23.41/oz Ag, \$4.40/lb Cu, \$1.55/lb Zn, \$1.06/lb Pb, \$1,795/oz Au.
FY 2022 - \$21.77/oz Ag, \$3.99/lb Cu, \$1.59/lb Zn, \$0.98/lb Pb, \$1,802/oz Au.
FY 2021 - \$25.21/oz Ag, \$4.23/lb Cu, \$1.37/lb Zn, \$1.00/lb Pb, \$1,796/oz Au.

The Cusi Mine processed 72,081 tonnes of ore during Q4 2022, representing an 11% increase over the previous quarter as mining resumed in the area where flooding occurred earlier in the year. The increased throughput helped offset the impact of lower grades and a lower silver and gold recovery rate during the quarter. Silver production remained flat when compared to Q3 2022 with a 1% decline in silver equivalent production.

When compared to Q4 2021, a 15% decrease in throughput, combined with a 4%, 19% and 36% decrease in silver, gold and lead grades, respectively, resulted in a 20% decrease in silver equivalent ounces produced. The decline in throughput and grades during Q4 2022, when compared to the same quarter of 2021, is attributable to the successful mining of higher-grade ore from the NE system during Q4 2021, which was an area of focus prior to the flooding event at Cusi. There was no ore processed from the NE system in Q4 2022.

Annual throughput at Cusi Mine in 2022 was 291,907 tonnes or 1% lower than 2021. In addition to higher silver grades, crushing and grinding improvements at the plant have helped enhance silver and gold recovery, resulting in an 8% increase in silver equivalent production when compared to 2021.

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CONSOLIDATED MINERAL RESERVES AND RESOURCES

The Company announced PEA results for the Cusi mine at the end of 2020 and filed a corresponding NI 43-101 Technical Report of January 5, 2021. On August 16, 2021 the Company announced results of the 10,000 tpd PEA for Bolivar and filed a corresponding NI 43-101 Technical Report on September 29, 2021. On March 3, 2022, the Company filed a NI 43-101 technical report that included positive results of an updated PEA on expansion of its Yauricocha Mine.

In accordance with NI 43-101, the Mineral Reserves previously reported for the Company's mines are no longer valid after the issuance of the PEA Technical Reports referred to above and so have been removed from the tables below. The Mineral Resources set out below have been adjusted as at December 31, 2022 to reflect mining depletion since the effective date of the technical reports.

Resources - Measured and Indicated ⁽¹⁾⁽²⁾ (based on SRK Technical Reports, depleted by production to December 2022)											Contained Metal							
		Tonnes (x1000)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	AgEq (g/t)	CuEq (%)	ZnEq (%)	Ag (M oz)	Cu (M lb)	Pb (M lb)	Zn (M lb)	Au (K oz)	AgEq (M oz)	CuEq (M lb)	ZnEq (M lb)
Yauricocha ⁽³⁾	Measured	3,248	62	1.15	0.92	2.64	0.61	-	-	6.98	6	82	66	189	64	-	-	500
	Indicated	9,076	36	1.21	0.46	1.81	0.50	-	-	5.46	10	241	93	361	146	-	-	1,092
	Measured & Indicated	12,324	43	1.19	0.58	2.03	0.53	-	-	5.86	17	325	159	552	208	-	-	1,591
Bolivar ⁽⁴⁾	Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Indicated	17,444	14	0.73	-	-	0.19	-	0.94	-	8	281	-	-	107	-	362	-
	Measured & Indicated	17,444	14	0.73	-	-	0.19	-	0.94	-	8	281	-	-	107	-	362	-
Cusi ⁽⁵⁾	Measured	513	243	-	0.24	0.28	0.02	260	-	-	4	-	3	3	0	4	-	-
	Indicated	4,169	177	-	0.56	0.65	0.12	220	-	-	24	-	51	60	16	29	-	-
	Measured & Indicated	4,683	184	-	0.52	0.61	0.11	224	-	-	28	-	54	62	17	34	-	-
Total	Measured & Indicated	34,451	47	0.80	0.28	0.81	0.30				53	606	213	614	332	34	362	1,591
Resources - Inferred ⁽¹⁾⁽²⁾ (based on SRK Technical Reports, depleted by production to December 2022)											Contained Metal							
		Tonnes (x1000)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	AgEq (g/t)	CuEq (%)	ZnEq (%)	Ag (M oz)	Cu (M lb)	Pb (M lb)	Zn (M lb)	Au (K oz)	AgEq (M oz)	CuEq (M lb)	ZnEq (M lb)
Yauricocha		11,566	29	1.40	0.32	1.03	0.44	-	-	4.87	11	358	83	262	162	-	-	1,242
Bolivar		19,480	13	0.75	-	-	0.20	-	0.95	-	8	320	-	-	124	-	409	-
Cusi		4,893	146	-	0.43	0.69	0.18	188	-	-	23	-	46	74	28	30	-	-
Total	Inferred	35,939	36	0.86	0.16	0.42	0.27				42	679	129	335	314	30	409	1,242

Notes:

- Mineral resources that are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimates.
- Figures may not add due to rounding.
- Zinc equivalency is based on the following metal price assumptions: \$21.02/oz Ag, \$3.39/lb Cu, \$0.91/lb Pb, \$1.10/lb Zn and \$1,598.21/oz Au. Metallurgical recovery assumptions are variable between mineralization types, and are based on actual plant data for 2019. The average is (where recovered) 76% Ag, 75% Cu, 89% Pb, 89% Zn, 22% Au. The equivalency expression is designed to present an in-situ zinc equivalent, considering the recovered value of the other metals expressed in the value of zinc percent.

The equation is: $ZnEq = ((Ag * Ag * Agrec) + (Cu * Cu * Curec) + (Pb * Pb * Pbre) + (Zn * Zn * Znrec) + (Au * Au * Aurec)) / (Zn * Znrec)$. Further details of the key assumptions, parameters and methods used for this estimate are provided in the Yauricocha PEA Technical Report.

- Copper equivalent is based on the following metal prices: \$17.82/oz Ag, 3.08/lb Cu and \$1,354 Au. Totals for Proven and Probable are diluted for internal waste. Metallurgical recovery assumptions are based on actual plant data for 2019 and are 78.6% Ag, 88% Cu, and 62.9% Au. The equivalency expression is designed to present an in-situ copper equivalent, considering the recovered value of the other metals expressed in the value of copper percent.

The equation is: $CuEq = ((Ag * Ag * Agrec) + (Cu * Cu * Curec) + (Au * Au * Aurec)) / (Cu * Curec)$. Further details of the key assumptions, parameters and methods used for this estimate are provided in the Bolivar PEA Technical Report.

- Silver equivalency is based on the following metal price assumptions: \$20.0/oz Ag, \$0.91/lb Pb, \$1.07/lb Zn and \$1,541/oz Au. Based on the historical production information for Cusi, the metallurgical recovery assumptions are 87% Ag, 86% Pb, 51% Zn, 57% Au. The equivalency expression is designed to present an in-situ silver equivalent, considering the recovered value of the other metals expressed in the value of silver g/t.

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The equation is: $AgEq = ((Ag*Ag$*Agrec)+(Pb*Pb$*Pbrec)+(Zn*Zn$*Znrec)+(Au*Au$*Aurec)) / (Ag$*Agrec)$. Further details of the key assumptions, parameters and methods used for this estimate are provided in the Cusi PEA Technical Report.

The above mineral resource estimate has been prepared by Americo Zuzunaga FAusIMM CP (Mining Engineer), a Qualified Person qualifying as a Competent Person under the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves.

The resource estimate is based on the consolidated mineral resource estimate with the following effective dates as contained in the PEA Technical Reports filed for each of the mines:

Yauricocha Technical Report – effective date: March 31, 2021

Bolivar Technical Report – effective date: December 31, 2019

Cusi Technical Report – effective date: August 31, 2020

In preparing the above estimate, Mr. Zuzunaga has taken account of changes to the mineral resources due to mining depletion as of the effective date of the report to December 31, 2022. The changes to the resource report reflect mine depletion due to mining activities; no other adjustments to the estimate have been made to the mineral resource estimate as set out in the PEA Technical Reports.

All economic parameters are based on the respective PEA Technical Reports. All risks associated with the Mines are defined in the risks section of these Technical Report. Disclosure follows assumptions and parameters used in the Technical Reports.

6. SUMMARIZED FINANCIAL RESULTS

Year ended December 31, 2022 (compared to the year ended December 31, 2021)

	Years ended	
	Dec 31, 2022	Dec 31, 2021
Revenue	\$ 192,119	\$ 272,014
Adjusted EBITDA ¹	12,997	104,732
Cash flow from operations before movement in working capital	5,163	91,114
Adjusted net income (loss) attributable to shareholders	(23,149)	21,571
Non-cash charge on Corona's acquisition	5,300	9,329
Gross profit	5,472	81,219
Income tax recovery (expense)	1,470	(25,103)
Net loss attributable to shareholders	(87,503)	(27,363)

	Dec 31, 2022	Dec 31, 2021
Cash and cash equivalents	\$ 5,074	\$ 34,949
Assets	310,442	396,824
Liabilities	194,248	192,192
Net Debt ²	82,726	45,875
Equity	116,194	204,632

¹ This is a non-IFRS performance measure, see Non-IFRS Performance Measures section.

² Loans payable minus cash and cash equivalents.

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Net loss attributable to shareholders for 2022 was \$87.5 million or \$0.53 per share (2021: net loss of \$27.4 million, \$0.17 per share). Net loss for the year ended December 31, 2022 included impairment charges of \$25.0 million on the Bolivar cash generating unit ("CGU") and \$25.0 on the Cusi CGU (2021: \$35.0 million impairment on Cusi). The other major differences between these periods are explained below.

Revenues

The annual average realized sale prices for 2022 decreased for silver, copper and lead as can be seen from the table below. Zinc realized prices averaged 16% higher than the 2021 averages, while gold price remained flat as compared to its average for 2021.

Realized Metal Prices (In US dollars)	Years ended December 31		Variance %
	2022	2021	
Silver (oz)	\$ 21.77	\$ 25.21	-14%
Copper (lb)	\$ 3.99	\$ 4.23	-6%
Lead (lb)	\$ 0.98	\$ 1.00	-2%
Zinc (lb)	\$ 1.59	\$ 1.37	16%
Gold (oz)	\$ 1,802	\$ 1,796	0%

Revenue from metals payable of \$109.6 million at the Yauricocha Mine in Peru decreased by 39% compared to \$180.6 million of revenues in 2021 as lower throughput and grades, except for copper, resulted in a 34% decrease in copper equivalent payable pounds as compared to 2021.

Revenue from metals payable in Mexico decreased to \$82.5 million for 2022 from \$91.4 million in 2021. Bolivar revenue for the full year declined 15% over 2021 revenue, due to the lower throughput and grades, except gold. Annual revenue at the Cusi mine was 3% higher as the increase in silver equivalent payable ounces, driven by higher grades, was offset partially by the 14% decrease in the average realized prices for silver.

Yauricocha's cash cost per copper equivalent payable pound was \$2.23 (2021 - \$1.46), and AISC per copper equivalent payable pound of \$3.69 (2021 - \$2.77). The annual increase in cash costs was mainly related to the 33% drop in copper equivalent payable pounds as compared to the year 2021. AISC per copper equivalent payable pound for 2022 increased, as the lower treatment and refining costs, selling costs and sustaining capital could not offset the decline in copper equivalent payable pounds as compared to 2021.

Bolivar's cash cost per copper equivalent payable pound was \$2.99 (2021 - \$2.18), and AISC per copper equivalent payable pound was \$5.07 (2021 - \$4.22). Cash operating costs per tonne were 21% higher as compared to 2021. Cash costs per copper equivalent payable pound were negatively impacted further as lower throughput and grades resulted in a 12% decline in copper equivalent payable pounds as compared to 2021. AISC for the year increased as the 38% decline in treatment and refining costs could not offset the impact of higher operating costs and a 15% increase in sustaining capital.

Cusi's cash cost per silver equivalent payable ounce was \$16.77 (2021 - \$16.71), and AISC per silver equivalent payable ounce was \$23.17 (2021 - \$28.15). Silver equivalent payable ounces increased 5% as compared to 2021 positively impacting unit costs. AISC per silver equivalent

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ounce decreased further due to lower treatment and refining costs and sustaining capital expenditure.

Non-Cash Depletion, Depreciation and Amortization

The Company recorded total non-cash depletion, depreciation and amortization expense for 2022 of \$34.9 million compared to \$44.7 million for 2021, driven lower due to decline in production at all operating sites.

A large component of the net income (loss) for every period is the non-cash depletion charge in Peru, which was \$5.3 million for 2022 (2021 - \$9.3 million). The non-cash depletion charge is based on the aggregate fair value of the Yauricocha mineral property at the date of acquisition of Corona of \$371.0 million amortized over the life of the mine.

General and Administrative Expenses

General and administrative expenses for 2022 decreased to \$22.8 million from the \$23.8 million spent in 2021.

Impairment charge

The annual results of the Company include impairment charges of \$25.0 for the Bolivar CGU and \$25.0 million for the Cusi CGU. Lower market capitalization due to the drop in the Company's share price, lower production and consequent decrease in profitability were considered as indicators of impairment as on December 31, 2022.

Considering the delays in the anticipated turnaround projected for 2022 and the under performance of the underground mine, the LOM for Bolivar was adjusted to a 5,000 tpd throughput rate per year as compared to the 6,000 tpd rate used in the past periods. Further the decline in metal prices combined with higher costs resulted in a further drop in profitability for the Bolivar CGU. The Company updated the LOM using updated information from the mine performance, required capex, metal prices and discount rate, and concluded in Q3 2022 that an impairment of \$25.0 million was required for the Bolivar CGU.

On December 31, 2021, management, based on the uncertainties around the ability of the Company to expand the production levels and higher production costs at the Cusi CGU, developed three LOM scenarios at different throughput levels, incorporating alternative design approaches and processing methods. The Company assigned weighted probabilities to each of these scenarios to estimate the Fair Value Less Costs of Disposal ("FVLCD") as on December 31, 2021 and concluded that a \$35.0 million impairment was required for the Cusi CGU. The key assumptions used to forecast the cash flows included the silver price and the weighted average of the scenarios considered.

During 2022, after completing additional analysis management decided that only the base case scenario of 1,100 tpd was viable and disregarded the capital-intensive expansion scenarios. The base case model was updated using the most current metal prices, mining cost capex and discount rate assumptions as of December 31, 2022. Based on the updated information, management concluded that an impairment of \$25.0 million was required for the Cusi CGU as of December 31, 2022.

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Adjusted EBITDA ⁽¹⁾

The Company recorded adjusted EBITDA of \$13.0 million during 2022 (2021: \$104.7 million) which includes \$10.9 million (2021: \$87.6 million) from the Peruvian operations and \$7.3 million (2021: \$22.4 million) from the operations in Mexico. The decrease in adjusted EBITDA is due to the drop in margins at the Yauricocha and Bolivar mines resulting from lower realized metal prices and higher operating costs. Adjusted EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate earnings from operations before taking into account management's financing decisions and costs of consuming capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Adjusted EBITDA comprises revenue less operating expenses before interest expense (income), property, plant and equipment amortization and depletion, foreign exchange variations, non-recurring provisions, share-based payments expense, and income taxes. The Company considers cash flow before movements in working capital to be the IFRS performance measure that is most closely comparable to adjusted EBITDA.

The following tables display selected annual financial results detailed by operating segment:

	Peru	Mexico	Mexico	Canada	
	Yauricocha Mine	Bolivar Mine	Cusi Mine	Corporate	Total
Year ended December 31, 2022	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	109,641	55,592	26,886	-	192,119
Production cost of sales	(78,686)	(51,158)	(21,887)	-	(151,731)
Depletion of mineral property	(5,300)	(6,566)	(2,139)	-	(14,005)
Depreciation and amortization of property, plant and equipment	(13,477)	(5,607)	(1,827)	-	(20,911)
Cost of sales	(97,463)	(63,331)	(25,853)	-	(186,647)
Gross profit (loss) from mining operations	12,178	(7,739)	1,033	-	5,472
Net loss from operations ⁽²⁾	(9,864)	(42,087)	(28,843)	(7,512)	(88,306)
Adjusted EBITDA	10,907	3,930	3,376	(5,216)	12,997

(1) Includes provisional pricing adjustments of: \$655 for Yauricocha, \$(276) for Bolivar, and \$362 for Cusi.

(2) Loss from operations includes impairment charge of \$25.0 million on Bolivar and \$25.0 million on Cusi.

	Peru	Mexico	Mexico	Canada	
	Yauricocha Mine	Bolivar Mine	Cusi Mine	Corporate	Total
Year ended December 31, 2021	\$	\$	\$	\$	\$
Revenue ⁽¹⁾	180,598	65,275	26,141	-	272,014
Production cost of sales	(80,765)	(43,186)	(22,144)	-	(146,095)
Depletion of mineral property	(9,329)	(5,424)	(1,908)	-	(16,661)
Depreciation and amortization of property, plant and equipment	(15,571)	(8,805)	(3,663)	-	(28,039)
Cost of sales	(105,665)	(57,415)	(27,715)	-	(190,795)
Gross profit (loss) from mining operations	74,933	7,860	(1,574)	-	81,219
Net income (loss) from operations ⁽²⁾	25,707	(1,368)	(39,657)	(6,790)	(22,108)
Adjusted EBITDA	87,584	19,202	3,211	(5,265)	104,732

(1) Includes provisional pricing adjustments of: \$(493) for Yauricocha, \$(221) for Bolivar, and \$(549) for Cusi.

(2) Includes impairment charge of \$35,000 on the Cusi Mine

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Income Taxes

Current tax expense recorded for 2022 was \$4.4 million, lower than the \$27.5 million recorded in 2021 due to lower taxable income during the year.

During 2022, the Company recorded a deferred tax recovery of \$5.9 million compared to \$2.4 million in 2021. The deferred tax recovery is partially related to the non-cash recovery associated with the acquisition of Corona which has decreased period over period, in line with the non-cash depletion charge mentioned previously. The impairment charges for the Bolivar and Cusi CGUs in Mexico resulted in a deferred tax asset of \$15.2 million which has not been recognized in the consolidated financial statements as recovery is not probable.

Adjusted Net Income (Loss) Attributable to Shareholders ⁽¹⁾

Adjusted net loss attributable to shareholders ⁽¹⁾ of \$23.1 million, or \$0.14 per share, for 2022 as compared to the adjusted net income of \$21.6 million, or \$0.13 per share for 2021. Adjusted net income is defined by management as the net income attributable to shareholders shown in the consolidated statements of income excluding the non-cash depletion charge due to the acquisition of Corona, the corresponding deferred income tax recovery, and certain non-recurring or non-cash items. Accordingly, management considers this metric to be more meaningful to measure the Company's profitability than net income (loss) as it adjusts for specific non-cash items.

⁽¹⁾ This is a non-IFRS performance measure, see non-IFRS Performance Measures section of this MD&A.

Total Comprehensive Loss

Total comprehensive loss ("TCL") for 2022 was \$88.8 million compared to TCL of \$22.7 million in 2021. TCL includes a foreign currency loss of \$0.5 million for 2022 (2021 -\$0.5 million).

Cash Flows

Cash flow generated from operations before movements in working capital of \$5.2 million for 2022 was lower than the \$91.1 million generated in 2021, mainly due to lower revenues and higher operating costs.

Net cash flow of \$38.3 million (2021- \$71.8 million) used in investing activities during 2022 consists of purchases of property, plant and equipment, capital expenditures related to the Yauricocha shaft and tunnel development, and exploration and evaluation assets in Peru and Mexico.

A breakdown of the Company's capital expenditures of \$40.7 million incurred during the year ended December 31, 2022 is presented in the following table:

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Capital Expenditures by Mine for the year ended December 31, 2022					
(\$ 000)	Yauricocha	Bolivar	Cusi	Total	
Expenditure					
Exploration	\$ 2,881	\$ 5,187	\$ 27	\$	8,095
Development	\$ 5,684	\$ 7,113	\$ 1,739	\$	14,536
Equipment	\$ 2,694	\$ 3,804	\$ 489	\$	6,987
Mascota Shaft / Central Shaft	\$ 1,479	\$ -	\$ -	\$	1,479
Concentrator Plant	\$ 520	\$ 1,240	\$ 43	\$	1,803
Ventilation	\$ 200	\$ -	\$ -	\$	200
Tailings dam	\$ 737	\$ 70	\$ 951	\$	1,758
Other	\$ 2,077	\$ 108	\$ -	\$	2,185
Expansion studies	\$ -	\$ 440	\$ 46	\$	486
Development to increase production	\$ -	\$ 834	\$ -	\$	834
Yauricocha Shaft	\$ 2,292	\$ -	\$ -	\$	2,292
	\$ 18,564	\$ 18,796	\$ 3,295	\$	40,655

Net cash outflow during 2022 was \$30.0 million as \$38.3 million used in investing activities exceeded \$1.1 million generated from financing activities and \$7.3 million generated from operating activities. The Company, through its Peruvian subsidiary Corona, received from Banco de Credito del Peru ("BCP") and Santander a loan facility to repay the \$25.0 million of instalments due in 2022 on the original secured corporate credit facility. The Company also received \$5.0 million as an advance against anticipated 2023 copper sales from its Mexican operations, repayable in ten equal monthly instalments starting April 2023 and carrying an interest rate of 9.5% per annum. Financing activities during the year also included interest payment of \$4.3 million and lease repayments of \$1.0 million.

7. QUARTERLY FINANCIAL REVIEW

The following table displays selected results from the eight most recent quarters:

(In thousands of United States dollars, except per share amounts)	2022				2021			
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
Revenues	46,150	38,787	49,941	57,241	62,240	60,701	79,449	69,624
Adjusted EBITDA	(537)	(3,867)	1,413	15,988	18,843	17,444	40,499	27,946
Adjusted net income (loss) attributable to shareholders	(6,758)	(10,705)	(11,631)	5,945	5,443	(1,677)	13,066	4,739
Net income (loss) attributable to shareholders ⁽¹⁾	(26,456)	(46,150)	(15,266)	369	(34,716)	(4,815)	9,084	3,084
Basic and diluted earnings (loss) per share (\$)	(0.16)	(0.28)	(0.09)	0.00	(0.21)	(0.03)	0.06	0.02

⁽¹⁾ Net loss attributable to shareholders includes an impairment charge of \$35.0 million on the Cusi mine in Q4 2021, impairment charges of \$25.0 million and \$7.0 million for Bolivar and Cusi respectively in Q3 2022 and an impairment charge of \$18.0 million for Cusi in Q4 2022.

Three months ended December 31, 2022 (compared to the three months ended December 31, 2021)

Net loss attributable to shareholders for Q4 2022 was \$26.5 million, or \$0.16 per share (basic and diluted), compared to net loss of \$34.7 million, or \$0.21 per share (basic and diluted) for the same period in 2021. The major differences between these periods are explained below.

Revenues

Revenue from metals payable from the Yauricocha Mine in Peru was \$16.7 million for Q4 2022 compared to \$43.5 million in Q4 2021. The quarter over quarter decline in Yauricocha revenue resulted from 58% fewer copper equivalent payable pounds attributable to the 45% decline in the throughput and lower grades, except zinc and gold, as compared to Q4 2021.

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The Bolivar mine registered a 188% increase in copper equivalent payable pounds, driven by higher throughput and grades as compared to Q4 2021. This increase in copper equivalent payable pounds was offset by the impact of lower realized metal prices resulting in \$21.6 million in Q4 2022 revenue, or an increase of 118% over the Q4 2021 revenue of \$9.9 million.

Revenue generated at the Cusi Mine for Q4 2022 was \$7.9 million compared to \$8.9 million for Q4 2021, mainly impacted by the lower realized metal prices.

The following table shows the Company's realized selling prices for each quarter in 2022 and 2021:

Realized Metal Prices (In US dollars)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Silver (oz)	\$ 21.21	\$ 19.26	\$ 22.65	\$ 23.95	\$ 23.41	\$ 24.20	\$ 26.80	\$ 26.44
Copper (lb)	\$ 3.63	\$ 3.51	\$ 4.30	\$ 4.53	\$ 4.40	\$ 4.20	\$ 4.37	\$ 3.88
Lead (lb)	\$ 0.95	\$ 0.90	\$ 1.00	\$ 1.06	\$ 1.06	\$ 1.07	\$ 0.97	\$ 0.92
Zinc (lb)	\$ 1.37	\$ 1.49	\$ 1.79	\$ 1.69	\$ 1.55	\$ 1.36	\$ 1.34	\$ 1.24
Gold (oz)	\$ 1,730	\$ 1,730	\$ 1,872	\$ 1,875	\$ 1,795	\$ 1,790	\$ 1,818	\$ 1,778

Yauricocha's cash cost per copper equivalent payable pound was \$3.16 (Q4 2021 - \$1.61), and AISC per copper equivalent payable pound was \$5.02 (Q4 2021 - \$3.09) for Q4 2022. Cash cost per copper equivalent pound increase for Q4 2022 over Q4 2021 as lower cash cost of sales could not offset the 58% decline in quarterly copper equivalent payable pounds, attributable to the accident-impacted production during Q4 2022. The AISC per copper equivalent payable pound sold also increased due to the decline in metal sales.

Bolivar's cash cost per copper equivalent payable pound was \$1.76 (Q4 2021 - \$5.29), and AISC per copper equivalent payable pound was \$3.69 (Q4 2021 - \$8.58) for Q4 2022. Unit costs at Bolivar in Q4 2022 benefited largely from the 188% increase in the copper equivalent payable pounds as compared to Q4 2021.

Cusi's cash cost per silver equivalent payable ounce was \$16.35 (Q4 2021 - \$11.80), and AISC per silver equivalent payable ounce was \$22.14 (Q4 2021 - \$21.09) for Q4 2022. Cash costs per silver equivalent ounce increased as lower grades resulted in 13% lower silver equivalent payable ounces as compared to Q4 2021. Reductions in treatment and refining costs, general and administrative costs and sustaining capital, however partially offset the impact of lower silver equivalent payable ounces, resulting in a 5% increase in AISC per silver equivalent payable ounce.

Non-Cash Depletion, Depreciation and Amortization

The Company recorded total non-cash depletion, depreciation and amortization expense for Q4 2022 of \$6.7 million compared to \$10.4 million for the same period in 2021.

A large component of the non-cash depletion, depreciation and amortization expense is the depletion charge on the acquisition of Corona of \$0.8 million for Q4 2022 compared to \$2.1 million for the same period in 2021. The non-cash depletion charge is based on the aggregate fair value of the Yauricocha mineral property at the date of acquisition of Corona of \$371.0 million amortized over the life of the mine.

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General and Administrative Expenses

The Company incurred general and administrative expenses of \$6.3 million for Q4 2022, a 9% increase from the \$5.8 million incurred in Q4 2021.

Adjusted EBITDA

Adjusted EBITDA⁽¹⁾ for Q4 2022 decreased to \$(0.5) million as compared to the \$18.8 million in Q4 2021, largely due to lower margins at Yauricocha, attributable to the accident-impacted lower production during Q4 2022.

Income Taxes

The Company recorded a current tax recovery of \$0.8 million for Q4 2022 compared to \$3.8 million in Q4 2021.

During Q4 2022, the Company recorded a deferred tax recovery of \$0.3 million compared to a deferred tax recovery of \$3.1 million in Q4 2021.

Adjusted Net Income Attributable to Shareholders

The Company recorded an adjusted net loss of \$6.8 million for Q4 2022 compared to \$5.4 million of adjusted net income for Q4 2021.

Total Comprehensive Loss

TCL for Q4 2022 was \$27.6 million compared to TCL of \$37.4 million for the same period in 2021. TCL for Q4 2022 included an impairment charge of \$18.0 million (Q4 2021 - \$35.0 million).

8. LIQUIDITY AND CAPITAL RESOURCES

Financial Condition Review

The following table provides a comparison of key elements of Sierra's consolidated statement of financial position as at December 31, 2022 and December 31, 2021:

(000's)	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 5,074	\$ 34,929
Working capital	\$ (84,401)	\$ 17,321
Total assets	\$ 311,686	\$ 396,824
Debt (net of financing fees)	\$ 87,800	\$ 80,804
Total liabilities	\$ 195,492	\$ 192,192
Equity attributable to owners of the Company	\$ 81,614	\$ 169,249

Cash and cash equivalents of \$5.1 million and working capital of \$(84.4) million as at December 31, 2022 compared to \$34.9 million and \$17.3 million, respectively, at the end of 2021. Cash and cash equivalents decreased during 2022 as the \$38.3 million used in investing activities exceeded

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\$1.1 million generated from financing activities and \$7.3 million generated from operating activities.

Trade and other receivables include \$2.5 million (December 31, 2021 - \$4.9 million) of Mexican value-added tax ("VAT") receivables. The Company expects to collect or offset the VAT balance against 2023 VAT payables. Amounts included in trade and other receivables are current and the Company has no provision for expected credit losses as at December 31, 2022.

Sierra's outstanding loan and credit facilities are shown below:

(000's)	Limit	Balance Outstanding	
		December 31, 2022	December 31, 2021
Senior Secured Corporate Facility with BCP ⁽¹⁾	\$ 100,000	\$ 56,383	\$ 80,804
Corona term loan with BCP and Santander ⁽¹⁾	\$ 25,000	\$ 24,880	
Advance from customer ⁽¹⁾	\$ 5,000	\$ 5,000	
Short term credit facilities	\$ -	\$ 1,537	\$ -
Total Debt		\$ 87,800	\$ 80,804
Less cash balances		\$ 5,074	\$ 34,929
Net Debt		\$ 82,726	\$ 45,875

⁽¹⁾ See note 10 of the consolidated financial statements as at December 31, 2022 for details.

Outstanding Shares

The authorized share capital at December 31, 2022 was an unlimited number of common shares without par value. As at March 28, 2023, the Company had 164.4 million shares issued and outstanding (December 31, 2021 – 163.4 million shares issued and outstanding).

As at December 31, 2022, there were 959,190 Restricted Share Units ("RSUs") outstanding at a weighted average fair value of C\$1.69.

As at March 28, 2023 there are 508,778 RSUs outstanding at a weighted average fair value of C\$1.85.

As at December 31, 2022, there were 818,853 Deferred Share Units ("DSUs") outstanding, including 409,426 exercisable DSUs.

9. SAFETY, HEALTH AND ENVIRONMENT

Sierra Metals is fully committed to disciplined and responsible growth and has Safety and Health and Environmental Policies in place to support this commitment. With a renewed emphasis on safety and employee engagement, the Company has hired a VP of Health and Safety, instituted new safety protocols across all of its operations, increased training and communication efforts, and invested in remote equipment which is designed to reduce risk. The Company's corporate responsibility objectives are to prevent pollution, minimize the impact operations may cause to the environment and practice progressive rehabilitation of areas impacted by its activities. The Company aims to operate in a socially responsible and sustainable manner, and to follow international guidelines in Mexico and Peru. The Company focuses on social programs with the local communities in Mexico and Peru on an ongoing basis.

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*(In thousands of United States dollars, unless otherwise stated)***10. FINANCIAL INSTRUMENTS AND RELATED RISKS****Financial Risk Management**

The Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and price risk. The aim of the Company's overall risk management strategy is to reduce the potential adverse effect that these risks may have on the Company's financial position and results.

The Company's Board of Directors has overall responsibility and oversight of management's risk management practices. Risk management is carried out under policies approved by the Board of Directors. The Company may from time to time use foreign exchange contracts, future and forward contracts to manage its exposure to fluctuations in foreign currency and metals prices. The Company does not ordinarily enter into hedging arrangements to cover long-term commodity price risk unless it has the obligation to do so under a credit facility, which would be approved by the Board of Directors.

(a) Market Risk**(i) Currency Risk**

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company and its subsidiaries' financial instruments are exposed to currency risk where those instruments are denominated in currencies that are not the same as their functional currency; exchange gains and losses in these situations impact net income or loss. The Company's sales of silver, copper, lead and zinc are denominated in United States dollars and the Company's costs are incurred in Canadian dollars, United States dollars, Mexican pesos and Peruvian Nuevo Soles. The United States dollar is the functional currency of the Peruvian and Mexican entities. The Canadian dollar is the functional currency of all other entities. The Company also holds cash and cash equivalents, trade and other receivables, accounts payable and other liabilities that are subject to currency risk.

The following are the most significant areas of exposure to currency risk:

	December 31, 2022			Total \$
	CAN dollar	Mexican Peso	Peruvian Nuevo Soles	
	\$	\$	\$	
Cash and cash equivalents	172	32	1,061	1,265
Income tax and other receivables	170	18,985	7,139	26,294
	342	19,017	8,200	27,559
Accounts payable and other liabilities	(792)	(44,759)	(12,011)	(57,562)
Total	(450)	(25,742)	(3,811)	(30,003)

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	December 31, 2021			
	CAN dollar	Mexican Peso	Peruvian Nuevo Soles	Total \$
	\$	\$	\$	
Cash and cash equivalents	301	55	678	1,034
Income tax and other receivables	69	19,478	1,665	21,212
	370	19,533	2,343	22,246
Accounts payable and other liabilities	(705)	(38,271)	(22,997)	(61,973)
Total	(335)	(18,738)	(20,654)	(39,727)

The Company manages and monitors this risk with the objective of mitigating the potential adverse effect that fluctuations in currencies against the Canadian dollar and US dollar could have on the Company's Consolidated Statement of Financial Position and Consolidated Statement of income (loss). As at December 31, 2022, the Company has not entered into any derivative contracts to mitigate this risk.

A 10% appreciation in the US dollar exchange rate against the Peruvian Nuevo Soles and the Mexican Peso based on the financial assets and liabilities held at December 31, 2022, with all the other variables held constant, would have resulted in a decrease to the Company's net loss of \$2,901 (2021 - \$2,455).

A 10% appreciation in the Canadian dollar exchange rate against the US dollar based on the financial assets and liabilities held at December 31, 2022 and 2021, with all the other variables held constant, would have resulted in a negligible impact to the Company's net income (loss).

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its loans payable. The Company monitors its exposure to interest rates closely and has not entered into any derivative contracts to manage its risk. The weighted average interest rate paid by the Company during the year ended December 31, 2022 on its loans and notes payable in Peru was 5.41% (2021 – 3.31%). With all other variables unchanged a 1% increase in the interest rate would have increased the Company's pre-tax net loss by \$823 (2021 - \$678).

(iii) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market.

As at December 31, 2022 and 2021, the Company had certain amounts related to the sales of concentrates that have only been provisionally priced. The Company's exposure to commodity price risk is as follows:

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Commodity	2022	2021
	\$	\$
10% decrease in silver prices	(278)	(1,458)
10% decrease in copper prices	(641)	(3,213)
10% decrease in zinc prices	(206)	(605)
10% decrease in lead prices	(20)	(1,002)
10% decrease in gold prices	-	(297)

The increase in commodity price risk in 2022 compared to 2021 resulted from lower metal prices and the decrease in unhedged positions.

As at December 31, 2022 and 2021, the Company did not have any forward contracts outstanding.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company has in place planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion and development plans. The Company tries to ensure that it has sufficient committed credit facilities to meet its short-term operating needs.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities and undiscounted cash flows as at December 31, 2022 of the Company's financial liabilities and operating and capital commitments:

	Within 1 year	1-2 years	2-5 years	After 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	57,987	-	-	-	57,987
Loans payable	87,800	-	-	-	87,800
Interest on loans payable	5,440	4,828	3,250	418	13,936
Decommissioning liability	2,314	2,394	4,128	11,378	20,214
Other liabilities	7,399	5,816	-	-	13,215
Total Commitments	160,940	13,038	7,378	11,796	193,152

On October 18, 2022, the Company announced that it was facing liquidity challenges as a result of the recurring operating losses from its Bolivar and Cusi operations and the temporary suspension of operations at the Yauricocha Mine, following a mudslide incident in September 2022.

As a result of these events, the Company breached its debt covenants as at December 31, 2022 related to its Corporate Facility described in Note 10(a) of the Financial Statements and the Term Loan described in Note 10(b) of the Financial Statements, requiring the Company to reclassify the entire debt balance as a current liability. The negative working capital at December 31, 2022 is largely the result of the reclassification of the Corporate Facility and Term Loan. The Company obtained in March 2023, a waiver from the lenders related to the covenant breaches for the Corporate Facility as of

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December 31, 2022. As mentioned in note 2(c) to the Financial Statements, the Company is engaged in advanced discussions with the lenders on terms to refinance \$18.8 million of the \$25.0 million principal debt repayment obligations that are due in 2023 under the Company's Corporate Facility.

If the Company is unable to obtain waivers for any potential future breaches of its debt covenants, or is unable to restructure its debts as anticipated, it could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and its ability to meet its current and future commitments.

(c) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument might fail to discharge its obligations under the terms of a financial contract. Credit risk is primarily associated with trade receivables; however, it also arises on cash and cash equivalents. The Company sells its concentrate to large international organizations. The Company is exposed to significant concentration of credit risk given that 41% of its revenues from Peru is from one customer and all of its revenues from Mexico were from two customers. At December 31, 2022 and 2021 the Company has not recorded an allowance against trade receivables because it is confident that all of the balances will be collected in full when due and there have not been any issues collecting balances owed to the Company in the past.

The Company's policy is to keep its cash and cash equivalents only with highly rated financial institutions and to only invest in government securities. The Company considers the risk of loss associated with cash and cash equivalents to be low. The counterparty to the financial asset is a large international financial institution with strong credit ratings and thus the credit risk is considered to be low.

11. OTHER RISKS AND UNCERTAINTIES

The Company is subject to a number of risks which could affect its business, prospects, financial condition, results of operations and cash flows, including risks relating to liquidity risks and going concern, risk related to outstanding borrowings, political risks, environmental risks and risks related to climate changes. A detailed description of the risk factors associated with the Company and its business is contained in the Company's Annual Information Form dated March 28, 2023, for its fiscal year ended December 31, 2022 which is available on SEDAR at www.sedar.com.

Claims and Legal Proceedings

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the normal course of business. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. The Company carries liability insurance coverage and will establish accruals and provisions for matters that are probable and can be reasonably estimated. In addition, the Company may be involved in disputes with other parties in the future which may result in a significant impact on our financial condition, cash flow and results of operations.

These matters include a personal action filed in Mexico against Dia Bras Mexicana S.A de C.V ("DBM") by an individual, Carlos Emilio Seijas Bencomo, claiming the annulment and revocation

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of the purchase agreement of two mining concessions, Bolívar III and IV between Minera Senda de Plata S.A. de C.V. and Ambrosio Bencomo Casavantes, and with this, the nullity of purchase agreement between DBM and Minera Senda de Plata S.A. de C.V. Carlos. Emilio Seijas Bencomo passed away in 2020 and his heirs appointed Mr. Emilio Ambrosio Bencomo Portillo as legal representative to pursue this case. On March 21, 2021, the first Civil Court of Chihuahua absolved DBM of all claims raised by the plaintiff. Although the plaintiff filed an appeal against this ruling on April 7, 2021, and as per latest development in April 2022, the Second Collegiate Federal Court issued a ruling confirming the resolution of the First Civil Court. The ruling is now considered final in favor of DBM, and the plaintiff has exhausted all legal actions under Mexican law.

Tax matters

The Company is, from time to time, involved in various tax assessments arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company has recognized tax provisions with respect to current assessments received from the tax authorities in the various jurisdictions in which the Company operates, and from any uncertain tax positions identified. For those amounts recognized related to current tax assessments received, the provision is based on management's best estimate of the outcome of those assessments, based on the validity of the issues in the assessment, management's support for their position, and the expectation with respect to any negotiations to settle the assessment. Management re-evaluates the outstanding tax assessments regularly to update their estimates related to the outcome for those assessments.

12. NON-IFRS PERFORMANCE MEASURES

Cash costs per copper equivalent pound, cash cost per silver equivalent ounce, All-in-sustaining costs ("AISC") per copper equivalent pound, AISC per silver equivalent ounce, Adjusted EBITDA and Adjusted net income (loss) attributable to shareholders are non-IFRS performance measures. Management believes these measures better reflect the Company's performance for the current period and are better indications of its expected performance in future periods. These measures are used internally by the Company to evaluate the performance of its underlying operations and to assist with its planning and forecasting of future operating results. As such, the Company believes these measures are useful to investors in assessing the Company's underlying performance. These measures are intended to provide additional information, but do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures presented by other issuers.

Non-IFRS Reconciliation of Adjusted EBITDA

EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate earnings from operations before taking into account management's financing decisions and costs of consuming capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. EBITDA comprises revenue less operating expenses before interest expense (income), property, plant and equipment amortization and depletion, and income taxes. Adjusted EBITDA has been included in this document. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange for cash. As such, the Company has made an entity specific adjustment to EBITDA for these expenses. The Company has also made an entity-specific adjustment to the foreign

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currency exchange (gain)/loss. The Company considers cash flow before movements in working capital to be the IFRS performance measure that is most closely comparable to adjusted EBITDA.

The following table provides a reconciliation of adjusted EBITDA to the consolidated financial statements for the three months and years ended December 31, 2022 and 2021:

	Three Months Ended December 31,		Years Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ (27,582)	\$ (33,220)	\$ (88,306)	\$ (22,108)
<i>Adjusted for:</i>				
Depletion and depreciation	7,068	10,526	35,449	46,074
Interest expense and other finance costs	1,865	886	4,963	3,645
NRV adjustments on inventory	366	3,619	7,879	5,746
Share-based payments	(112)	20	467	1,059
Derivative gains	-	-	-	(451)
Costs related to COVID	-	1,590	1,693	9,582
Foreign currency exchange and other provisions	907	(280)	2,322	(583)
Impairment charges	18,000	35,000	50,000	35,000
Legal settlement and related charges	-	-	-	1,665
Income taxes	(1,049)	702	(1,470)	25,103
Adjusted EBITDA	\$ (537)	\$ 18,843	\$ 12,997	\$ 104,732

Non-IFRS Reconciliation of Adjusted Net Income (Loss)

Adjusted net income (loss) attributable to shareholders represents net income (loss) attributable to shareholders excluding certain impacts, net of taxes, such as non-cash depletion charge due to the acquisition of Corona, impairment charges and reversal of impairment charges, write-down of assets, and certain non-cash and non-recurring items including but not limited to share-based compensation and foreign exchange (gain) loss. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors may want to use this information to evaluate the Company's performance and ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance in accordance with IFRS.

The following table provides a reconciliation of adjusted net income (loss) to the consolidated financial statements for the three months and years ended December 31, 2022 and 2021:

(In thousands of United States dollars)	Three Months Ended December 31,		Years Ended December 31,	
	2022	2021	2022	2021
Net income (loss) attributable to shareholders	\$ (26,456)	\$ (34,716)	\$ (87,503)	\$ (27,363)
Non-cash depletion charge on Corona's acquisition	772	2,084	5,300	9,329
Deferred tax recovery on Corona's acquisition depletion charge	(235)	(284)	(1,614)	(2,831)
NRV adjustments on inventory	366	3,619	7,879	5,746
Share-based compensation	(112)	20	467	1,059
Legal settlement and related charges	-	-	-	1,665
Derivative gains	-	-	-	(451)
Foreign currency exchange loss (gain)	907	(280)	2,322	(583)
Asset impairment	18,000	35,000	50,000	35,000
Adjusted net income (loss) attributable to shareholders	\$ (6,758)	\$ 5,443	\$ (23,149)	\$ 21,571

Cash Cost per Silver Equivalent Payable Ounce and Copper Equivalent Payable Pound

The Company uses the non-IFRS measure of cash cost per silver equivalent ounce and copper equivalent payable pound to manage and evaluate operating performance. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate

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cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company considers cost of sales per silver equivalent payable ounce and copper equivalent payable pound to be the most comparable IFRS measure to cash cost per silver equivalent payable ounce, copper equivalent payable pound, and zinc equivalent payable pound, and has included calculations of this metric in the reconciliations within the applicable tables to follow.

All-in Sustaining Cost per Silver Equivalent Payable Ounce and Copper Equivalent Payable Pound

All-In Sustaining Cost ("AISC") is a non-IFRS measure and was calculated based on guidance provided by the World Gold Council ("WGC") in June 2013. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus development capital expenditures.

AISC is a more comprehensive measure than cash cost per ounce/pound for the Company's consolidated operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver and copper from its current operations.

The Company defines sustaining capital expenditures as, *"costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of productive output without resulting in an increase in the life of assets, future earnings, or improvements in recovery or grade. Sustaining capital includes costs required to improve/enhance assets to minimum standards for reliability, environmental or safety requirements. Sustaining capital expenditures excludes all expenditures at the Company's new projects and certain expenditures at current operations which are deemed expansionary in nature."*

Consolidated AISC includes total production cash costs incurred at the Company's mining operations, including treatment and refining charges and selling costs, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures and corporate general and administrative expenses. AISC by mine does not include certain corporate and non-cash items such as general and administrative expense and share-based payments. The Company believes that this measure represents the total sustainable costs of producing silver and copper from current operations and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver and copper production from current operations, new project capital and expansionary capital at current operations are not included. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included.

The following table provides a reconciliation of cash costs to cost of sales, as reported in the Company's consolidated statement of income for the three months and years ended December 31, 2022 and 2021:

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(In thousand of US dollars, unless stated)	Three months ended December 31, 2022				Three months ended December 31, 2021			
	Yauricocha	Bolivar	Cusi	Consolidated	Yauricocha	Bolivar	Cusi	Consolidated
Cash Cost per Tonne of Processed Ore								
Cost of Sales	18,670	13,981	6,973	39,624	24,695	15,393	6,465	46,553
Reverse: Workers Profit Sharing	514	-	-	514	(748)	-	-	(748)
Reverse: D&A/Other adjustments	(3,946)	(2,854)	(1,033)	(7,833)	(5,564)	(3,790)	(1,549)	(10,903)
Reverse: Variation in Finished Inventory	(29)	(31)	(914)	(974)	(471)	(151)	68	(554)
Total Cash Cost	15,209	11,096	5,026	31,331	17,912	11,452	4,984	34,348
Tonnes Processed	152,586	270,313	72,081	494,980	277,531	227,722	84,804	590,057
Cash Cost per Tonne Processed	\$ 99.67	41.05	69.74	63.30	64.54	50.29	58.77	58.21

(In thousand of US dollars, unless stated)	Twelve months ended December 31, 2022				Twelve months ended December 31, 2021			
	Yauricocha	Bolivar	Cusi	Consolidated	Yauricocha	Bolivar	Cusi	Consolidated
Cash Cost per Tonne of Processed Ore								
Cost of Sales	97,463	63,331	25,853	186,647	105,665	57,415	27,715	190,795
Reverse: Workers Profit Sharing	-	-	-	-	(4,266)	-	-	(4,266)
Reverse: D&A/Other adjustments	(19,738)	(13,339)	(4,175)	(37,252)	(24,899)	(15,963)	(7,110)	(47,972)
Reverse: Variation in Finished Inventory	(1,771)	(910)	(553)	(3,234)	814	1,736	190	2,740
Total Cash Cost	75,954	49,082	21,125	146,161	77,314	43,188	20,795	141,297
Tonnes Processed	1,053,980	941,910	291,907	2,287,797	1,256,847	1,349,602	295,771	2,902,220
Cash Cost per Tonne Processed	\$ 72.06	52.11	72.36	63.89	61.51	32.00	70.31	48.69

The following table provides detailed information on Yauricocha's cash cost, and all-in sustaining cost per copper equivalent payable pound for the three months and years ended December 31, 2022 and 2021:

YAUICOCHA (In thousand of US dollars, unless stated)	Three months ended		Years ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash Cost per zinc equivalent payable pound				
Total Cash Cost	15,209	17,912	75,954	77,314
Variation in Finished inventory	29	471	1,771	(814)
Total Cash Cost of Sales	15,238	18,383	77,725	76,500
Treatment and Refining Charges	2,868	8,534	23,892	35,634
Selling Costs	438	1,026	2,909	4,670
G&A Costs	2,949	2,166	9,967	9,344
Sustaining Capital Expenditures	2,709	5,235	13,903	18,843
All-In Sustaining Cash Costs	24,202	35,344	128,396	144,991
Copper Equivalent Payable Pounds (000's)	4,819	11,427	34,782	52,251
Cash Cost per Copper Equivalent Payable Pound (US\$)	3.16	1.61	2.23	1.46
All-In Sustaining Cash Cost per Copper Equivalent Payable Pound (US\$)	5.02	3.09	3.69	2.77

The following table provides detailed information on Bolivar's cash cost, and all-in sustaining cost per copper equivalent payable pound for the three months and years ended December 31, 2022 and 2021:

BOLIVAR (In thousand of US dollars, unless stated)	Three months ended		Years ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash Cost per copper equivalent payable pound				
Total Cash Cost	11,096	11,452	49,082	43,188
Variation in Finished inventory	31	151	910	(1,736)
Total Cash Cost of Sales	11,127	11,603	49,992	41,452
Treatment and Refining Charges	2,977	2,435	8,865	14,240
Selling Costs	1,596	728	4,443	3,986
G&A Costs	1,994	1,181	4,780	5,997
Sustaining Capital Expenditures	5,601	2,870	16,783	14,551
All-In Sustaining Cash Costs	23,295	18,817	84,863	80,226
Copper Equivalent Payable Pounds (000's)	6,321	2,194	16,745	19,033
Cash Cost per Copper Equivalent Payable Pound (US\$)	1.76	5.29	2.99	2.18
All-In Sustaining Cash Cost per Copper Equivalent Payable Pound (US\$)	3.69	8.58	5.07	4.22

The following table provides detailed information on Cusi's cash cost, and all-in sustaining cost per silver equivalent payable ounce for the three months and years ended December 31, 2022 and 2021:

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CUSI (In thousand of US dollars, unless stated)	Three months ended		Years ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash Cost per silver equivalent payable ounce				
Total Cash Cost	5,026	4,984	21,125	20,795
Variation in Finished inventory	914	(68)	553	(190)
Total Cash Cost of Sales	5,940	4,916	21,678	20,605
Treatment and Refining Charges	466	1,061	1,643	3,899
Selling Costs	358	342	1,128	1,227
G&A Costs	710	928	2,267	2,449
Sustaining Capital Expenditures	564	1,536	3,248	6,537
All-In Sustaining Cash Costs	8,038	8,783	29,964	34,717
Silver Equivalent Payable Ounces (000's)	363	416	1,293	1,233
Cash Cost per Silver Equivalent Payable Ounce (US\$)	16.35	11.80	16.77	16.71
All-In Sustaining Cash Cost per Silver Equivalent Payable Ounce (US\$)	22.14	21.09	23.17	28.15

Consolidated:

CONSOLIDATED (In thousand of US dollars, unless stated)	Three months ended		Years ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Total Cash Cost of Sales	32,305	34,902	149,395	138,557
All-In Sustaining Cash Costs	55,534	62,944	243,223	259,934
Copper Equivalent Payable Pounds (000's)	13,260	15,240	58,581	76,355
Cash Cost per Copper Equivalent Payable Pound (US\$)	2.44	2.29	2.55	1.81
All-In Sustaining Cash Cost per Copper Equivalent Payable Pound (US\$)	4.19	4.13	4.15	3.40

Additional Non-IFRS Measures

The Company uses other financial measures, the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measures are used:

- Operating cash flows before movements in working capital - excludes the movement from period-to-period in working capital items including trade and other receivables, prepaid expenses, deposits, inventories, trade and other payables and the effects of foreign exchange rates on these items.

The terms described above do not have a standardized meaning prescribed by IFRS, and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. The Company's management believes that their presentation provides useful information to investors because cash flows generated from operations before changes in working capital excludes the movement in working capital items. This, in management's view, provides useful information of the Company's cash flows from operations and are considered to be meaningful in evaluating the Company's past financial performance or its future prospects. The most comparable IFRS measure is cash flows from operating activities.

13. RELATED PARTY TRANSACTIONS

Since April 2012, the Company had a consulting services contract with Sirocco Advisory Services Ltd., a company owned by Steven Dean, one of the directors of the Company since 2011. Notice of termination of this contract was given in August 2022, following the resignation of Mr. Dean from the board of the Company. During the year ended December 31, 2022, the Company recorded consulting fees of \$186 (2021 - \$200) for payments made on this contract. A balance of \$62 remained unpaid as at December 31, 2022 (nil as at December 31, 2021).

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(a) Compensation of Directors and Key Management Personnel

The remuneration of the Company's directors, officers and other key management personnel during the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	\$	\$
Salaries, Cash Bonuses, Severance and Directors Fees	2,714	2,626
Share-based payments ¹	921	1,373
	3,635	3,999

⁽¹⁾ calculated at fair value on day of the grant

(b) Principal Subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date that control commences until the date that control ceases.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

The principal subsidiaries of the Company and their geographical locations as at December 31, 2022 are as follows:

Name of the subsidiary	Ownership interest	Location
Dia Bras EXMIN Resources Inc.	100%	Canada
Sociedad Minera Corona, S. A. ("Corona") ¹	81.84%	Perú
Dia Bras Peru, S. A. C. ("Dia Bras Peru") ¹	100%	Perú
Dia Bras Mexicana, S. A. de C. V. ("Dia Bras Mexicana")	100%	México
EXMIN, S. A. de C. V.	100%	México
Servicios de Produccion Y Extraccion de Chihuahua, S.A. de C.V	100%	México

¹The Company, through its wholly owned subsidiary Dia Bras Peru, holds an 81.84% interest in Corona, which represents 92.33% of the voting shares. The Company consolidates Corona's financial results and records a non-controlling interest for the 18.16% that it does not own.

14. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Judgments and Estimates

In the application of the Company's accounting policies, which are described in note 2 of the Company's December 31, 2022 consolidated financial statements, management is required to make judgments, estimates and assumptions about the effects of uncertain future events on the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on management's best knowledge of the relevant facts and circumstances and historical experience. Actual results may differ from these estimates; potentially having a material future effect on the Company's consolidated financial statements.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment Review of Asset Carrying Values

In accordance with the Company's accounting policy, at every reporting period, the Company assesses whether there are any indicators that the carrying value of its assets or CGUs may be impaired, which is a significant management judgment. Where there is an indication that the carrying amount of an asset may not be recoverable, the Company prepares a formal estimate of the recoverable amount by analyzing discounted cash flows. The resulting valuations are particularly sensitive to changes in estimates such as long-term commodity prices, exchange rates, sales volume, operating costs, and discount rates. In the event of impairment, if there is an adverse change in any of the assumptions or estimates used in the discounted cash flow model, this could result in a further impairment of the asset. Also, in accordance with the Company's accounting policy, the Company capitalizes evaluation expenditures when there is a high degree of confidence that these costs are recoverable and have a probable future benefit. During the year ended December 31, 2022, the Company's assessment of its long-lived assets and exploration and evaluation expenditures resulted in an impairment of \$25.0 million on its Bolivar mine and \$25.0 million on its Cusi mine.

(b) Mineral Reserves and Resources

The Company estimates mineral reserves and resources based on information prepared by qualified persons as defined in accordance with NI 43-101. These estimates form the basis of the Company's life of mine ("LOM") plans, which are used for a number of important and significant accounting purposes, including: the calculation of depletion expense and impairment charges, forecasting the timing of the payment of decommissioning costs and future taxes. In certain cases, these LOM plans have made assumptions about our ability to obtain the necessary permits required to complete the planned activities. There are significant uncertainties inherent in the estimation of mineral reserves and the assumptions used which include commodity prices, production costs, recovery rates and exchange rates may change significantly when new information becomes available. Changes in assumptions could result in mineral reserves being revised, which in turn would impact the Company's depletion expense, asset carrying values and the provision for decommissioning costs.

As indicated earlier, in accordance with NI 43-101, the Mineral Reserves previously reported for these mines are no longer valid after the issuance of the PEA Technical Reports and so have not been disclosed in this document. The Mineral Resources reported herein reflect the resources as at the effective dates of each mine's Reserves and Resources update reduced by depletion until December 31, 2022.

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(c) Deferred Tax Assets and Liabilities

The Company's management makes significant estimates and judgments in determining the Company's tax expense for the period and the deferred tax assets and liabilities. Management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. In addition, management makes estimates related to expectations of future taxable income based on cash flows from operations and the application of existing tax laws in each jurisdiction. Assumptions used in the cash flow forecast are based on management's estimates of future production and sales volume, commodity prices, operating costs, capital expenditures, dividends, and decommissioning and reclamation expenditures. These estimates are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to the statement of loss. The Company is subject to assessments by the various tax authorities who may interpret the tax laws differently. These differences may impact the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimates of the probable outcome of these matters.

(d) Decommissioning and Restoration Liabilities Costs

The Company's provision for decommissioning and restoration costs is based on management's best estimate of the present value of the future cash outflows required to settle the liability. In determining the liability, management makes estimates about the future costs, inflation, foreign exchange rates, risks associated with the cash flows, and the applicable risk-free interest rates for discounting future cash flows. Changes in any of these estimates could result in a change in the provision recognized by the Company. Also, the ultimate costs of environmental disturbance are uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

Changes in decommissioning and restoration liabilities are recorded with a corresponding change to the carrying amounts of the assets to which they relate. Adjustments made to the carrying amounts of the asset can result in a change to the depreciation charged in the consolidated statement of loss.

As the Company's obligations are dependent on the Peruvian and Mexican laws and regulations under which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

15. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2022.

16. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")**Disclosure Controls and Procedures**

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The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting and disclosure controls and procedures, under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as at December 31, 2022, as defined in the rules of the Canadian Securities Administration. Based on this evaluation, they concluded that our disclosure controls and procedures are effective in providing reasonable assurance that the information required to be disclosed in reports we filed or submitted under Canadian securities legislation was recorded, processed, summarized and reported within the time periods specified in those rules.

Internal Controls Over Financial Reporting

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, and used the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of our controls in 2022. Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2022 and provided a reasonable assurance of the reliability of our financial reporting and preparation of the financial statements.

No matter how well designed, any system of internal control has inherent limitations. Even systems determined to be effective can provide only reasonable assurance of the reliability of financial statement preparation and presentation.

Changes in Internal Controls Over Financial Reporting

There have been no changes in ICFR during the three months ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, ICFR.

17. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This discussion contains "forward looking information" within the meaning of Canadian securities laws related to the Company and its operations, and in particular, the anticipated developments in the Company's operations in future periods, the Company's planned exploration activities, the adequacy of the Company's financial resources and other events or conditions that may occur in the future. Statements concerning mineral reserve and resource estimates may also be considered to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if and when the properties are developed or further developed. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

These forward-looking statements include, but are not limited to: future production of silver, gold, lead, copper and zinc (collectively, the "metals"); future cash costs per ounce or pound of the metals; the price of the metals; the effects of domestic and foreign laws, regulations and government policies and actions affecting the Company's operations or potential future operations; future successful development of the Yauricocha Mine, the Bolivar Mine and the Cusi Mine and other exploration and development projects; relationships with and claims by local

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(In thousands of United States dollars, unless otherwise stated)

communities and indigenous populations; the sufficiency of the Company's current working capital, anticipated operating cash flow or the Company's ability to raise necessary funds; estimated production rates for the metals produced by the Company; timing of production; the estimated cost of sustaining capital; ongoing or future development plans and capital replacement, improvement or remediation programs; the estimates of expected or anticipated economic returns from the Company's mining projects; future sales of the metals, concentrates or other future products produced by the Company; implementation of programs; effects of renegotiation and termination of contracts or sub-contracts; refinancing of debt obligations (and the timing of same); future breaches of debt covenants; the Company's ability to obtain waivers for any potential future breaches of its debt covenants; the Company's ability to increase safety and employee engagement and the Company's plans and expectations for its properties and operations.

Forward-looking statements or forward-looking information can be identified by the use of forward-looking terminology such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential" or variations thereof, or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking information. Such forward-looking statements and forward-looking information are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in such forward-looking statements and forward-looking information, including, without limitation, risks with respect to: liquidity and going concern risks and risks related to the inability of the Company to obtain waivers for any potential future breaches of its debt covenants; risk of foreign operations; burden of government regulation and permitting; operating hazards and risks; precious metal and base metal price fluctuation; mining operations; infrastructure; exploration and development; uncertainty of calculation of reserves and sources and metal recoveries; replacement of reserves and resources; fluctuations in the price of consumed commodities; no defined mineral reserves at the Cusi Mine; political risks; risks relating to outstanding borrowings; uncertainty of title to assets; environmental risks; litigation risks; insurance risks; competitive risks; volatility in the price of the Common Shares; Corona not being a wholly-owned subsidiary; global financial risks; employee recruitment and retention; reliance on key personnel and labour relations; potential conflict of interest; significant shareholders; 2022 Strategic Process; third party reliance; claim under U.S. securities laws; potential dilution of present and prospective shareholdings; currency risks; risks related to cyclical business; financial reporting standards; credit risks; climate change; COVID-19; and cyber security risks. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or forward-looking information. Forward-looking information includes statements about the future and are inherently uncertain, and the Company's actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking information due to a variety of risks, uncertainties and other factors, including, without limitation, those discussed under "Risk Factors" in the AIF available at www.sedar.com under the Company's name.

The Company's statements containing forward-looking information are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking information if circumstances or management's beliefs, expectations or opinions should change, other than as required by applicable law. For the reasons set forth above, one should not place undue reliance on forward-looking information.