SIERRA METALS INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2023

DATED: MARCH 15, 2024

Corporate Office:

200 Bay Street, South Tower, Suite 2800
Toronto, Ontario
M5J 2J3

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SIERRA METALS INC. ("Sierra", "Sierra Metals" or the "Company")

PRELIMINARY NOTES

EFFECTIVE DATE OF INFORMATION

The date of this Annual Information Form (the "**AIF**") is March 15, 2024. Except as otherwise indicated, the information contained herein is as at December 31, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

The information provided in this AIF is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to Sierra Metals. The documents listed below are not contained within or attached to this document. The documents may be accessed on SEDAR+ at www.sedarplus.ca under the Company's profile.

Document	Effective Date/ Period Ended	Date Filed on SEDAR+ website	Document Category on the SEDAR+ Website
Preliminary Economic Assessment ("PEA"), Yauricocha Mine, Yauyos Province, Peru (the "**Yauricocha PEA Technical Report**").	March 31, 2021	March 3, 2022	Technical Report
Updated PEA, Bolivar Mine, Mexico (the "**Bolivar PEA Technical Report**")	December 31, 2019, updated: September 21, 2021	September 29, 2021	Technical Report

CAUTIONARY STATEMENT – FORWARD LOOKING INFORMATION

This AIF 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 ine in Yauyos Province, Peru ("**Yauricocha**" or the "**Yauricocha Mine**") and the Bolivar mine in Chihuahua, Mexico ("**Bolivar**" or the "**Bolivar Mine**") and other exploration and development projects; the anticipated sale of the Cusihuiriachi property in Chihuahua, Mexico (the "**Cusi Mine**"); 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); the effective date of treaties; future breaches of debt covenants; the Company's ability to obtain waivers for any potential future breaches of its debt covenants; 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 and 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; 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; risk of foreign operations; burden of government regulation and permitting; 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 in the capital of the Company (the "**Common Shares**"); global financial risks; employee recruitment and retention; reliance on key personnel and labour relations; potential conflict of interest; significant shareholders; third party reliance; potential dilution of present and prospective shareholdings; currency risks; risks related to cyclical business; financial reporting standards; credit risks; climate change; the coronavirus (COVID-19) ("**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 referred to in this AIF under the heading "Risk Factors".

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.

Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves, and measured, indicated and inferred mineral resources are those used by the Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**"), as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended.

Currency Information

All currency references in this AIF are in United States dollars ("$" or "US$") unless otherwise indicated. References to "Canadian dollars" or the use of the symbol "C$" refers to Canadian dollars.

CORPORATE STRUCTURE

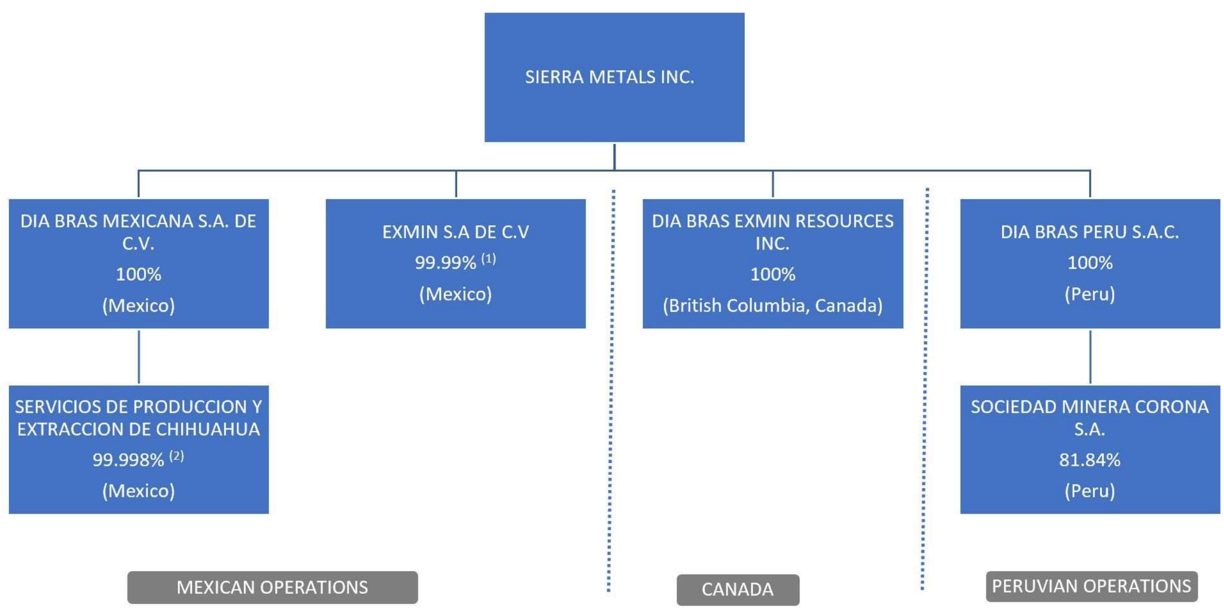
NAME, ADDRESS AND INCORPORATION

The Company was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on April 11, 1996 under the corporate name "Line Islands Exploration Inc.". The articles were amended by a certificate of amendment dated December 9, 1999 changing the corporate name to "Dia Bras Exploration Inc." The Company changed its name to "Sierra Metals Inc." by a certificate of amendment dated December 5, 2012. On June 19, 2014, the Company's articles were further amended to provide that meetings of shareholders may be held in (i) Canada, (ii) the United States of America or (iii) any city, municipality or other country in which the Company is doing business.

The registered principal office of Sierra Metals is located at 200 Bay Street, South Tower, Suite 2800, Toronto, Ontario, Canada M5J 2J3. The head office of the Company's Mexican subsidiaries is located at Calle Blas Cano de los Rios No 500, Colonia San Felipe, C.P 31203, Chihuahua, Chihuahua, Mexico. The head office of the Company's Peruvian subsidiaries is located at Av. Ricardo Palma 341, Edificio Platino, Oficina 1301, Miraflores, Lima, Peru.

INTERCORPORATE RELATIONSHIPS

The Company carries on a significant portion of its business through a number of direct and indirect subsidiaries, as follows:



1) Dia Bras Mexicana S.A. de C.V holds the remaining ownership percentage
2) Exmin S.A de C.V holds the remaining ownership percentage

GENERAL DEVELOPMENT OF THE BUSINESS

THREE-YEAR HISTORY AND RECENT DEVELOPMENTS

2021

Peru

On March 16, 2021 the Company announced receipt of its environmental permit for a 20% increase of throughput to 3,600 tonnes per day ("**tpd**") at the Yauricocha Mine. This was followed by the receipt of the Informe Tecnico Minero (ITM) permit from the Ministry of Energy and Mines that allowed for the construction and operation capacity of 3,600 tpd effective June 16, 2021.

Mexico

On January 6, 2021, the Company announced the filing of a preliminary economic assessment effective August 31, 2020 for the Cusi Mine.

On April 16, 2021, the Company announced the approval by its Board for an investment of $28 million for the construction of a magnetite processing plant at the Bolivar Mine. The plant was expected to produce approximately 500,000 tonnes of 62% iron ore fines concentrate each year. Although the Board approved this investment, the construction of the proposed magnetite processing plant has yet to take place and there is no indication that such construction shall take place in the foreseeable future.

On August 16, 2021, the Company released results of the updated 10,000 tpd PEA results to include the iron ore production at Bolivar. Highlights of this PEA included:

- Updated After-tax Net Present Value (NPV): $361 million vs. $283 million previously at an 8% discount rate.

- The incremental benefit includes iron ore production and increasing production to 10,000 tpd from 5,000 tpd is now estimated to have an after-tax NPV (@8%) of $78.2 million, an IRR of 69.0% vs. an NPV of $57.4 million, and an IRR of 27.9% previously reported.

- Net After-tax Cash Flow: $650 million vs. $521 million previously

- Life of Mine ("**LOM**") & Sustaining Capital Cost: $345 million

- Total Operating Unit Cost: $25.62/tonne and $1.50/lb copper equivalent

- Average LOM Copper Grade 0.72%

- Average LOM Iron Ore Grade 13.5% from ROM ore, 15% from long term residues stockpile

- Copper Price Assumption $3.05/lb

- Iron Ore Concentrate Price Assumption for 62% Fines $75.90/DMT

- Mine Life: 14 years based on existing Mineral Resource Estimate

- LOM Copper Payable Production: 551 million pounds

On September 29, 2021, the Company filed the Bolivar PEA Technical Report.

Corporate

On January 8, 2021, the Company announced that the Board, supported by its management team and with the full support of Arias Resource Capital Fund L.P. ("**ARCF I**"), Arias Resource Capital Fund II L.P. (the Company's then two largest shareholders) and Arias Resource Capital Fund II (Mexico) L.P., had commenced a process to explore and evaluate potential strategic alternatives focused on maximizing shareholder value (the "**2021 Strategic Process**"). The Company engaged CIBC World Markets Inc. ("**CIBC**") to assist the Board in its review of strategic alternatives.

Jill Neff resigned as Corporate Secretary of the Company effective January 15, 2021 and Ed Guimaraes, Chief Financial Officer ("**CFO**"), assumed the responsibilities of interim Corporate Secretary effective January 16, 2021.

On January 21, 2021, the Company, through a press release, made reference to the announcement made earlier that day by ARCF I regarding its distribution of an aggregate of 52,721,964 Common Shares from ARCF I to its underlying limited partners which was made in connection with the winding-up and dissolution of ARCF I. The Company confirmed that the 2021 Strategic Process continued to have the full support of the Board, management team, Arias Resource Capital Fund II L.P. (now the Company's largest shareholder) and Arias Resource Capital Fund II (Mexico) L.P.

On January 29, 2021, the Company announced the appointment of Jose Vizquerra Benavides as the Chairman of the Board, replacing Alberto Arias. Alberto Arias continued to remain as a member of the Board.

Following the results of the voting at the Company's Annual General Meeting ("**AGM**") held on June 30, 2021, Mr. Alberto Arias and Mr. Ricardo Arrarte resigned as directors of the Company.

On October 7, 2021, Mr. Carlos E. Santa Cruz and Mr. Oscar Cabrera were appointed to the Board.

On October 7, 2021, the Company announced the completion of the 2021 Strategic Process. With this completion, the Company also indicated its continued focus on growing its metal production, with increased focus on copper and steel-making products, and production of precious metals as a valuable cost-credit byproduct.

On October 7, 2021 the Company also announced that the Board approved an annual dividend of $5 million or $0.03 per Common Share. This dividend was declared on November 5, 2021 and paid on December 7, 2021 to shareholders of record at the close of business on November 22, 2021.

<u>2022</u>

Peru

On January 20, 2022, the Company announced results of the Yauricocha PEA Technical Report, including the latest reported resources and revised pre-feasibility study ("**PFS**") level capex and opex estimations. Highlights of the Yauricocha PEA Technical Report included:

- Updated Mine plan based on the last reported resource, prepared by SRK and dated March 31st, 2021

- PFS level CAPEX and OPEX estimation for expansion
- Mine plan includes updated mineral resources, including inferred resources
- Expansion Development Capital (Years 1-3): $102.2 Million
- LOM after-tax Net Present Value (NPV): $273.1 Million at an 8% discount rate
- LOM Net After-tax Cash Flow: $407.7 Million
- LOM & Sustaining Capital Cost: $312.1 Million
- Average LOM Operating Unit Cost: $44.01/tonne and $1.30/lb copper equivalent
- Mine Life: 11 years based on existing Mineralized material estimate of 17.4 Mt.
- Average LOM Grades of Copper 1.2%, Zinc 1.4% Silver 31.12 g/t (1.00 oz/t), Lead 0.4% and Gold 0.398 g/t (0.013 oz/t)
- LOM Payable Production: Copper 332.9 million pounds, Zinc 399.9 million pounds, Silver 10.9 million troy ounces, Lead 131.2 million pounds and Gold 19.9 thousand troy ounces
- Metal Price Assumptions: Copper $3.39/lb, Zinc $1.10/lb, Silver $21.02/oz, Lead $0.91/lb, Gold $1,598/oz.

The National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") compliant Technical Report for the above-mentioned PEA was filed on March 3, 2022.

On April 28, 2022, the Company announced the discovery of a new high-grade zone referred to as the 'Fortuna' zone, located adjacent to existing underground operations at the Yauricocha Mine. The exploration drilling results indicated high grade mineralization for copper, zinc and lead in this zone.

On September 11, 2022, there was a mudslide incident at the Yauricocha Mine, as a result of which three contractor employees lost their lives and one was injured. Mining operations were temporarily suspended pending investigation into the incident by the local authorities. On September 22, 2022, the Company also reported a blockade of the main access road to the Yauricocha Mine by a group of residents from the nearby town of Alis, resulting in the continued suspension of production activities to ensure proper safety and maintenance. An agreement was reached with these residents on September 28, 2022 and the Company announced a safe and progressive restart of the mining operations.

Mexico

On January 10, 2022, an accident at the underground mining operations at the Bolivar Mine resulted in a fatality. The injured individual was evacuated to medical facilities in Cuauhtemoc where the individual was later pronounced deceased following medical complications. The Company notified appropriate government and local authorities. A thorough investigation into the accident was conducted to determine the cause and appropriate corrective measures were implemented.

Corporate

On January 27, 2022, the Company announced changes to its organizational structure, following the Strategic Review. In connection with the changes to the organizational structure, the Company also announced the appointment of:

- Mr. James Leon as Vice-President, Operations effective February 1, 2022.
- Mr. Alonso Lujan as Vice- President, Exploration effective February 1, 2022.
- Mr. Alberto Calle as Vice-President, Human Resources effective November 1, 2021
- Mr. Juan Jose Mostajo as Vice-President, Legal Affairs effective December 1, 2021.

On February 24, 2022, the Company announced the appointment of Dawn Whittaker to the Board, effective immediately.

The AGM of the Company was held on June 10, 2022. Jose Vizquerra, Steven Dean and Dionisio Romero did not stand for re-election at this AGM. 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 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. Additionally, the Company announced the appointment of Miguel Aramburu to the Board, effective immediately.

The Company faced liquidity challenges throughout 2022 due to the operational issues at the Bolivar Mine and Cusi Mine and the above-mentioned suspension of operations at the Yauricocha Mine. On October 18, 2022, the Company announced the appointment of a special committee, comprised of its independent directors (the "**Special Committee**"). The mandate of the Special Committee included exploring, reviewing and considering options to optimize the operations of the Company and financing, restructuring and determining strategic options in the best interests of the Company (the "**2022 Strategic Process**").

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 Common Shares was November 14, 2022, on the NYSE and December 14, 2022, on the BVL. The Common Shares continue to be listed and traded on the Toronto Stock Exchange ("**TSX**").

On October 31, 2022, the Company confirmed receipt of an unsolicited, non-binding letter of intent ("**LOI**") from Compañia 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 "Kolpa Proposal"**). 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., 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. After further correspondence from Kolpa, the Company confirmed on November 14, 2022, that it had not refused to engage nor reject any proposals from Kolpa, but rather welcomed Kolpa's participation in the 2022 Strategic Process.

On November 3, 2022, the Company announced that it had retained CIBC as its financial advisor for the 2022 Strategic Process.

On November 28, 2022, the Company announced the resignation of Mr. Luis Marchese as the CEO and director of the Company and the appointment, effective immediately, of Mr. Ernesto Balarezo Valdez as the Interim CEO to lead the Company during the ongoing 2022 Strategic Process. Mr. Balarezo was also appointed to the Board.

<u>2023</u>

Mexico

On August 22, 2023, the Company announced the results of its 2023 drilling activities at the Bolivar Mine, that included an additional 15.5 million copper equivalent pounds in measured and indicated mineral resources hosted by the 'Dulce' structure.

On September 20, 2023, the Company placed its Cusi Mine in care and maintenance and initiated a process to sell the mine. SCP Resource Financing was appointed as the Company's financial advisor for the Cusi Mine sale process.

Corporate

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.

On March 13, 2023, announced that it was engaged in advanced discussion with Banco de Credito del Peru ("**BCP**") and Banco Santander S.A. ("**Santander**" and collectively with BCP, the "**Lenders**") on terms to refinance $18.8 million of the $25.0 million principal debt repayment obligations that were due in 2023 under the Company's senior secured credit facility. This announcement included the Lenders' willingness to provide a bridge loan of $6.3 million to refinance the Q1 2023 amortization payment that was due on March 8, 2023. The refinancing agreement was finalized on May 29, 2023.

On May 2, 2023, Arias Resource Capital ("**ARC**"), a shareholder of the Company, launched a proxy battle against management of the Company by proposing a slate of five director nominees (the "**Dissident Nominees**") for election at the Company's Annual & Special Meeting of the shareholders held on June 28, 2023. At the AGM, management's director nominees were elected/re-elected to the Board, being Oscar Cabrera, Miguel Aramburu, Ernesto Balarezo, Douglas Cater, Robert Neal, Beatriz Orrantia and Carlos Santa Cruz. None of the Dissident Nominees were elected.

On May 31, 2023, the Company announced the appointments of Ernesto Balarezo and Jose Fernandez-Baca as the CEO and CFO, respectively, of the Company.

On July 21, 2023, the Company provided an update on its previously announced strategic review process. This included the conclusion of the Special Committee mandate and the dissolution of the Special Committee. The Special Committee's recommendations highlighted, *inter alia*, the importance of:

- Additional near term equity financing to provide working capital flexibility and to fund immediate capital expenditure needs.

- Funding for longer term capital expansion, particularly operations below the 1120 level at the Yauricocha mine.

- Minimizing investment of resources in non-core assets, and continuing to identify opportunities to divest such non-core assets.

Based on the outcome of the Strategic Process review conducted with CIBC, the Company concluded that it was not in its best interests to pursue any identified sale or business combination transactions at such time.

On August 21, 2023, the Company announced the appointment of Ms. Wendy Kaufman to the Board effective immediately.

On October 13, 2023, the Company announced the closing of its non-brokered private placement and issued 43,107,360 Common Shares at a price of C$0.38 per share for aggregate gross proceeds of C$16.4 million from various investors, including existing shareholders, directors and employees. A portion of the Common Shares issued pursuant to the private placement closed in escrow pending satisfaction of conditions established by the TSX (which were subsequently satisfied).

On November 16, 2023, the Company announced commencement of the trading of its Common Shares on the OTCQX markets in the United States under the symbol “SMTSF”.

2024

Peru

On February 21, 2024, the Company received the environmental permit to develop and mine below the 1120 level at its Yauricocha mine.

Corporate

On March 4, 2024, the Company announced the appointment of Astolfo Romero as the new Vice President, Health & Safety, effective March 1, 2024, succeeding Felix Guerra, who retired on that date.

DESCRIPTION OF THE BUSINESS

GENERAL

Summary

Sierra Metals Inc. is a Canadian mining company focused on copper production with additional base and precious metals by-product credits in Peru and Mexico. The Company plans to continue growing its production base through brownfield exploration investments within its properties.

The Company has two 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, located in the province of Yauyos, its near-mine concessions, and exploration and early-stage properties. The Mexican Operation (“Mexico”) includes the Bolivar Mine located in Chihuahua State, Mexico, their near-mine concessions, and exploration and early-stage properties.

The Company also owns the Cusi Mine located in Mexico, which was deemed as a non-material asset in 2023. In September 2023, the Company placed the Cusi Mine in care and maintenance and began the process to sell the mine.

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.

Sierra Metals is fully committed to disciplined and responsible growth and has Safety and Health and Environmental Policies in place to support this commitment. 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 best practices in Mexico and Peru. The Company plans to focus on social programs with the local communities in Mexico and Peru on an ongoing basis.

The Company produces zinc, copper and lead concentrates with gold and silver by-products from its polymetallic circuit at the Yauricocha Mine and copper concentrates at the Bolivar Mine. Until September 20, 2023, the date when the Cusi Mine was placed in care and maintenance, the Company also produced silver-lead concentrate at the Cusi Mine. These concentrates are sold to international metal traders who in turn sell and deliver these products to different clients around the world.

The breakdown of revenue from metals payable by product for 2023 and 2022 is as follows:

By Revenue (%)	**2023**	**2022**
Copper	54%	50%
Zinc	13%	23%
Silver	15%	12%
Gold	13%	9%
Lead	5%	6%

Peru – Yauricocha Mine

Mining at Yauricocha is completed by various extraction methods, principally sublevel caving and overhand cut and fill stoping. Ore is transported for processing via underground rail to the on-site Chumpe mill, which has a maximum permitted capacity of 3,600 tonnes per day for processing. The Chumpe mill processes ores produced by Yauricocha using crushing, grinding and flotation. Polymetallic ore is processed and treated in a polymetallic circuit.

Mexico – Bolivar Mine

At the Bolivar Mine, mining is done by room-and-pillar and sublevel stoping methods. Extracted ore is trucked 5 kilometers to the Company's Piedras Verdes mill, which is a conventional flotation processing plant rated at 5,000 tpd depending on the work index of the ore being processed at the mill.

Exploration Properties

In addition to the production properties at Bolivar, the Company owns seven (7) exploration projects in Mexico namely Bacerac, Maguarichic, Orivo, Reyna, Batopilas, East Durango and Melchor Ocampo. Prospection-level exploration that includes mapping, outcrop sampling, and geophysics, were developed in the East Durango and Batopilas projects. The rest of the projects are of lower priority, or are waiting to be explored with diamond drill holes.

Specialized Skill and Knowledge

Most aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mining, metallurgy, engineering, environmental issues, permitting, social issues, and accounting. The Company has adequate employees with experience in these specialized areas to meet its current needs.

Cycles

The mining and exploration industry is cyclical in nature. The mining industry is subject to commodity pricing, which is in turn affected by other economic indicators and worldwide cycles. The pricing cycles that the mining industry experiences affect the overall environment in which the Company conducts its business. For example, if commodity pricing is low, Sierra's access to capital may be restricted. Continuing periods of low commodity prices or economic stalls could also affect the economic potential of the Company's current properties and may affect its ability to, among other things: (i) capitalize on financing, including equity financing, to fund its ongoing operations and exploration and development activities; and (ii) continue exploration or development activities on its properties.

Weather cycles may affect the Company's ability to conduct exploration activities at its mines. More specifically, drilling and other exploration activities may be restricted during periods of adverse weather conditions or winter seasons as a result of weather-related factors, including inclement weather, snow covering the ground, frozen ground and restricted access due to snow, ice, or other weather-related factors.

Competitive Conditions

The mining and exploration industry is competitive in all aspects. The Company competes with other mining companies, many of whom have greater financial resources, operational experience or technical capabilities than Sierra, in connection with the acquisition of properties producing, or capable of producing, precious metals. In addition, the Company also competes for the recruitment and retention of qualified employees and consultants.

Changes to Contracts

During 2023, the Company formalized a refinancing contract with the Lenders to defer three out of four repayment instalments due in 2023. In accordance with this renegotiated contract, the Company paid $6.2 million of the total repayments of $25.0 million and deferred the balance of $18.8 million to 2025.

The Company does not anticipate that its business will be materially affected in the current financial year by the renegotiation or termination of any other contracts or sub-contracts.

Metal Price Volatility

The profitability of the Company's operations may be significantly affected by changes in the market price of the base and precious metals that it produces. The economics of producing base and precious metals are affected by many factors, including the cost of operations, variations in the grade of ore mined and the price of the base and precious metals. Depending on the price of base and precious metals that it produces, the Company may determine that it is impractical to commence or continue commercial production. The price of base and precious metals fluctuates widely and is affected by numerous industry factors beyond the Company's control, such as the demand for base and precious metals, forward selling by producers and central bank sales and purchases of base and precious metals. The price of gold and silver is also affected by macro-economic factors, such as expectations for inflation, interest rates, the world supply of mineral commodities, the stability of currency exchange rates and global or regional political and economic situations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of base and precious metals has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Any significant drop in the price of base and precious metals adversely impacts the Company's revenues, profitability and cash flows. In addition, sustained low metal prices may:

- reduce production revenues as a result of cutbacks caused by the cessation of mining operations involving deposits or portions of deposits that have become uneconomic at prevailing prices;
- cause the cessation or deferral of new mining projects;
- decrease the amount of capital available for exploration activities;
- reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices; or
- cause the write-off of an asset whose value is impaired by low metal prices.

There can be no assurance that the price of base and precious metals will remain stable or that such prices will be at a level that will prove feasible to begin development of its properties, or commence or continue commercial production, as applicable.

Environmental Protection

The Company is currently in material compliance with all applicable environmental regulations applicable to its exploration, development, construction and operating activities. The financial and operational effects of environmental protection requirements on capital expenditures, earnings and expenditures during the fiscal year ended December 31, 2023 were not material.

Climate Change

Climate change could affect the mining industry in a range of possible ways. More frequent severe weather events can: affect the stability and effectiveness of infrastructure and equipment; impact environmental protection and site closure practices; lead to changes in the regulatory environment, including increased carbon tax regimes; and impact the stability and cost of water and energy supplies. The Company is also aware of the impact climate change could have on the vulnerable communities in which it operates. Sierra has adopted an environmental policy to commit to minimizing the Company's environmental impact of its mining activities (see "Social, Environmental and Health and Safety Policies – Environmental Policies" below).

Employees

As at December 31, 2023, the Company and its subsidiaries had 634 employees in Peru, 520 employees in Mexico, and 2 employees in Canada.

1.1.1 *Social, Environmental and Health and Safety Policies*

The Company works towards building strong relationships with the communities in which it operates and is committed to complying in all material respects with all environmental laws and regulations applicable to its activities. In December 2020, the Company implemented the Sustainability Policy, Environment Policy and Health and Safety Policy, which were confirmed by the Board on March 8, 2024.

SUSTAINABILITY POLICY

The Company's vision is to achieve development that is shared with the communities around its operating locations, with the goal of mutual well-being of all stakeholders for both the mid- and long-term.

In order to achieve this, the Sustainability Policy contemplates the Company:

- Maintaining an open, transparent and collaborative relationship with those living in the surrounding communities, their organizations and government entities. These relationships are based on mutual respect and maintaining an inclusive and cooperative dialogue.

- Identifying, respecting and supporting the development aspirations of the people residing in surrounding communities, establishing shared activities that support the development of those aspirations within a suitable time frame.

- Complying with all commitments made to the surrounding communities. The Company understands that this is a collaborative effort and so it encourages the participation of third parties when defining and fulfilling commitments.

- Providing opportunities for the inhabitants of the surrounding communities to provide goods and services for the Company's activities when required.

- Ensuring the development of and access to mechanisms that allow those residing in the surrounding communities to express their concerns, and also addressing those concerns pre-emptively and ensuring they are addressed.

- Fighting corruption. In order to do this, the Sustainability Policy contemplates compliance with all anti-bribery and anti-corruption laws and regulations that may apply when conducting business and activities, as established in the Company's policies.

ENVIRONMENTAL POLICY

The Company envisions itself as a leading company when it comes to minimizing impacts on the environment and the active prevention of environmental pollution in underground polymetallic mining.

The Environmental Policy contemplates the Company:

- Ensuring compliance with the legislation in the countries in which it operates, and also complying with its commitments.

- Ensuring that potential environmental impacts caused by the Company's activities are identified ahead of time, and that control measures are implemented to eliminate or minimize these impacts.

- Ensuring the development, implementation and maintenance of an Environmental Management System that makes it possible to manage environmental aspects of and impacts on all its operations.

- Putting in the necessary effort to implement the best possible industry practices, when technologically possible and economically viable, including the use of clean energy.

- Establishing environmental performance objectives and goals in its operations, as well as measuring their performance and framing them within a process of continuous improvement.

- Encouraging responsible and efficient water use in its operations.

- Promoting a culture of environmental responsibility among its employees and contractors, as well as with its stakeholders.

- Ensuring that its employees and contractors clearly understand their responsibility to maintain proper environmental management in their activities.

- Communicating the Environmental Policy to all its employees and contractors, as well as stakeholders upon request.

HEALTH AND SAFETY POLICY

The Company is aware that to achieve its vision of being a leading polymetallic production company with a world-class reputation in all aspects of its operations, it has the responsibility to maintain safe and healthy workplaces for all its employees and partners. As such, the Health and Safety Policy contemplates the Company:

- Complying with legislation in the countries in which it operates, and with proper industry standards.

- Promoting a culture of safety throughout the organization that supports its vision and values as a company. In order to do this, the Company will establish clearly defined objectives framed within a culture of ongoing improvement, which will be periodically communicated and evaluated.

- Ensuring that dangers and risks that could cause death or severely damage the health of its employees and contractors are identified and mitigated in advance, through the implementation of a Health and Safety Management system within its operations.

- Providing the leadership and resources necessary to develop, implement and maintain its Health and Safety Management systems.

- Ensuring that all its employees and contractors have the training and knowledge necessary to carry out their activities safely, and that they clearly understand their responsibilities regarding health and safety.

- Maintaining open and transparent communication and consultation with its employees about decision-making processes related to health and safety, using the appropriate channels.

- Communicating the Health and Safety policy to all its employees and contractors, as well as making it available to stakeholders.

The Sustainability Policy, Environmental Policy and Health and Safety Policy are applicable to all employees of Sierra Metals and its subsidiaries, as well as companies that are contracted for Sierra Metals activities.

FOREIGN OPERATIONS

Doing Business in Peru

Peru is a democratic republic governed by an elected government which is headed by a president who serves for a five-year term.

In Peru, the General Mining Law allows mining companies to obtain clear and secure title to mining concessions. The surface land rights are distinct from the mining concessions. The government retains ownership of mineral resources, but the titleholder of the concessions retains ownership of extracted mineral resources. Peruvian law requires that all operators of mines in Peru have an agreement with the owners of the land surface above the mining rights or to establish an easement upon such surface for mining purposes. Mining concessions allow for both exploration and for exploitation.

Mining rights in Peru can be transferred by their private holders with no restrictions or requirements other than to register the transaction with the Public Mining Register and the Ministry of Energy and Mines. The only exception to this rule is that foreigners cannot acquire or possess mining concessions within 50 kilometers of the border, unless an exception based on public necessity or national interest is granted by the President of Peru by means of a Supreme Decree.

The sale of mineral products is also unrestricted, so there is no obligation to satisfy the internal market before exporting products. Pursuant to environmental laws applicable to the mining sector, holders of mining activities are required to file and obtain approval for an Environmental Impact Assessment ("**EIA**"), which incorporates technical, environmental and social matters, before being authorized to commence operations.

The Environmental Evaluation and Oversight Agency ("**OEFA**") monitors environmental compliance. OEFA has the authority to carry out audits and levy fines on companies if they fail to comply with prescribed environmental standards. The following main permits are generally needed for a project: Start-Up Authorization; Certificate for the Inexistence of Archaeological Remains (CIRA); EIA; Mine Closure Plan; Beneficiation Concession; Water Usage Permits and Rights over surface lands.

Companies incorporated in Peru are subject to income tax on their worldwide taxable income, while foreign companies that are located in Peru and non-resident entities are taxed on income from Peruvian sources only. The current corporate income tax rate is 29.5%.

In general terms, mining companies in Peru are subject to the general corporate income tax regime. If the taxpayer has elected to sign a Stability Agreement, an additional 2% premium is applied on the regular corporate income tax rate. The Company has not signed a Stability Agreement. Also, 50% of income tax paid by a mine to the Central Government is remitted as "Canon" by the Central Government back to the regional and local authorities of the area where the mine is located.

In Peru, the current dividend tax rate of 5% is imposed on distributions of profits to non-residents and domiciled individuals by resident companies and by branches, permanent establishments and agencies of foreign companies. This rate applies to dividends that correspond to profits generated since January 1, 2017. Profits generated up to December 31, 2014 are subject to a withholding tax rate of 4.1%, and profits generated between January 1, 2015 and December 31, 2016 are subject to a withholding tax at a rate of 6.8%, even if the relevant profits are distributed in future years.

Peru's transfer-pricing rules apply to cross-border and domestic transactions between related parties and to all transactions with residents in tax-haven jurisdictions. The transfer-pricing rules also apply to transactions with residents in non-cooperating jurisdictions, as well as transactions with residents whose revenue or income is subject to a preferential tax regime.

In Peru, the Board will be responsible for approving the entity's tax planning. This obligation cannot be delegated.

Peru has entered into double tax treaties with Brazil, Canada, Chile, Korea (South), Mexico, Portugal Switzerland and Japan. This last treaty became effective from January 1, 2022, but provisions concerning the exchange of information and the assistance in the collection of taxes entered into force on January 29, 2021. It has also entered into an agreement to avoid double taxation with the other members of the "Comunidad Andina" (Bolivia, Colombia and Ecuador).

As of 2004, holders of mining concessions are required to pay the government a Mining Royalty as consideration for the exploitation of metallic and non-metallic minerals. Payment of mining royalties shall be completed on a quarterly basis and is calculated based on the greater of either: (a) an amount determined in accordance with a statutory scale of tax rates based on a company's operating profit margin and applied to the company's operating profit; and (b) 1% of the company's net sales, in each case during the applicable quarter. The royalty rate applicable to the company's profit is based on its operating profit margin according to a statutory scale of rates that range between 1% and 12%. Mining royalty payments are deductible as expenses for income tax purposes in the fiscal year in which such payments are made.

The Special Mining Tax ("**SMT**") is a tax imposed in parallel with the Mining Royalty described above. The SMT is applied on operating margin profit based on a sliding scale, with progressive marginal rates ranging from 2.0% to 8.4%. The tax liability arises and becomes payable on a quarterly basis. The SMT applies on the operating margin profit derived from sales of metallic mineral resources, regardless of whether the mineral producer owns or leases the mining concession. SMT payments are deductible as expenses for income tax purposes in the fiscal year in which such payments are made.

Doing Business in Mexico

Mexico is a federal presidential representative democratic republic, where the President is both head of state and head of government. The current government of Mexico is guided by the 1917 constitution. The President is the head of the executive branch, the commander-in-chief of the armed forces and also the head of state. The President of Mexico is elected by an absolute majority of the federal entities. Mexico's President is elected for six years and cannot be re-elected. The President is mandated to appoint and dismiss cabinet ministers and nearly all other officials of the executive.

The mining industry in Mexico is controlled by the Secretaría de Economía through the Dirección General de Minas, which is officially located and administered from in Mexico City. In Mexico, mining activities include extraction activities independent from petroleum, natural gas and radioactive minerals, and certain non-metallic minerals such as construction and ornament materials, some of which are not subject to the mining legislation. In addition to the extraction activities, mining, smelting and refining activities are also considered as part of the mining industry, which are jointly known as mining-metallurgic activities. Mining concessions in Mexico may only be obtained by Mexican nationals or Mexican companies incorporated under Mexican law (which could be wholly owned by foreign investors). The construction of processing plants requires further governmental approvals (e.g. Federal, local and municipal permits).

In Mexico, surface land rights are distinct from the mining concessions. The holder of a mining concession is granted the exclusive right to explore and develop a designated area of the subsoil. Mining concessions are granted for 30 years from the date of their registration with the Public Registry of Mining to the concession holder as a matter of law, if all regulations have been complied with. During the final five years of this period, the concession holder may apply for one additional 25-year period, which shall be granted provided all other concession terms have been complied with. Mining rights in Mexico can be transferred by their private holders with the previous authorization of the Secretaría de Economía and complied with other requirements to register the transaction with the Public Registry of Mining and that the assignee is qualified to hold a concession (i.e. a Mexican national or a Mexican company incorporated under Mexican law having mining activities as its main corporate purpose). Securities can be imposed to mining concessions. The instrument formalizing the corresponding security shall be also registered before the Mining Public Registry.

Concessionaires must perform work each year that begins within ninety days of the concession being granted. Concessionaires must file proof of the work performed every year by the end of May. Non-compliance with these requirements is cause for cancellation only after the authority communicates in writing to the concessionaire any such default, granting the concessionaire a specified time frame in which to remedy the default.

In Mexico, there are no limitations on the total amount of mining concessions or on the amount of land that may be held by an individual or a company. Excessive accumulation of concessions is regulated indirectly through the duties levied on the property and the production and exploration requirements as outlined below.

Three different fees or royalties applicable to the mining activity in Mexico exist as per the Federal Fees Law (“**LFD**”). Such fees are as follows:

- Special mining fee:

  This fee shall be calculated at a 7.5% rate over the positive difference resulting from subtracting the deductions allowed in the Mexican Income Tax Law from the income resulting from the revenue of the mining activity.

  However, for the purpose of calculating the basis of this fee, the LFD does not allow to take into account several expenses that may be incurred by the mining taxpayers. Such expenses involve investments not related to mining prospecting and exploration, as well as tax losses not yet amortized and incurred in previous fiscal years.

  Mining concessionaires and assignees shall be exempted from the payment of this fee exclusively for the use, enjoyment, or exploitation of coal gas deposits.

- Additional mining fee:

  This fee shall be incurred based on the maximum rate of the mining fee set forth in Article 263 of the LFD per concession’s hectare. Usually, this fee is nominal.

- Extraordinary mining fee:

  This fee shall be calculated at a 0.5% rate over the income resulting from the sale of gold, silver, and platinum, without any deduction.

On May 8, 2023, the Mexican Government enacted changes to the Mining, National Waters and Ecological Balance and Environmental Protection laws, which substantially changed the obtaining of environmental permits and the use of national waters. The obtaining of new concessions will be through the Mexican Geological Service, which will be in charge of exploration activities in new concessions. Other important changes include: i) To transfer the rights of the mining concessions, prior authorization is required from the Secretary of Economy; ii) Validity for new concessions of 30 years, extendable for 25 more years; iii) New water concessions for mining use, among others. Sierra Metals (through its Mexican subsidiaries) and other companies in the mining sector have filed an "amparo" proceeding against these modifications. The opposition of the Senate of the Republic has also filed an Unconstitutionality Action.

Control over Subsidiaries

Corporate Governance

The Company has implemented a system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that apply at all levels of the Company and its subsidiaries. These systems are overseen by the Board and implemented by the Company's senior management. The relevant features of these systems are set forth below.

The Company's corporate structure has been designed to ensure that the Company controls, and/or has a measure of direct oversight over, the operations of its subsidiaries. The Company, as the ultimate shareholder, has internal policies and systems in place which provide it with visibility into the operations of its subsidiaries, including its subsidiaries operating in emerging markets, and the Company's management team is responsible for monitoring the activities of the subsidiaries.

The Company, directly or indirectly, controls the appointments of all of the directors and senior officers of its subsidiaries. The directors of the Company's subsidiaries are ultimately accountable to the Company as the shareholder appointing him or her, and the Board and senior management of the Company. As well, the annual budget, capital investment and exploration program in respect of the Company's mineral properties are established by the Company.

Further, signing officers for subsidiary foreign bank accounts are either employees of the Company or employees of the subsidiaries. In accordance with the Company's internal policies, all subsidiaries must notify the Company's corporate treasury department of any changes in their local bank accounts including requests for changes to authority over the subsidiaries' foreign bank accounts. Monetary limits are established internally by the Company as well as with the respective banking institution. Annually, authorizations over bank accounts are reviewed and revised as necessary. Changes are communicated to the banking institution by the Company and the applicable subsidiary to ensure appropriate individuals are identified as having authority over the bank accounts.

Notwithstanding the foregoing, the Company owns 81.84% of Sociedad Minera Corona, S.A ("**Minera Corona"**) which is a publicly traded company with its securities listed on the Lima Stock Exchange. The directors and officers of Minera Corona (including those who may from time to time also be directors and officers of Sierra) owe a duty to Minera Corona and its minority shareholders that may conflict with the interests of the Company (see "Risk Factors - Minera Corona is not a wholly-owned subsidiary").

Strategic Direction

While the mining operations of each of the Company's subsidiaries are managed locally, the Board is responsible for the overall stewardship of the Company and, as such, supervises the management of the business and affairs of the Company. More specifically, the Board is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are material to the Company including those of its material subsidiaries.

Internal Control Over Financial Reporting

The Company prepares its consolidated financial statements on an annual basis in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and on a quarterly basis in accordance with IFRS as applicable to interim financial reports including International Accounting Standard 34, *Interim Financial Reporting*. This requires financial information and disclosures from its subsidiaries. The Company implements internal controls over the preparation of its financial statements and other financial disclosures to provide reasonable assurance that its financial reporting is reliable and that the quarterly and annual financial statements are being prepared in accordance with the relevant reporting framework and securities laws.

The responsibilities of the Board include oversight of the Company's internal control systems including those systems to identify, monitor and mitigate business risks as well as compliance with legal, ethical and regulatory requirements.

Regional Experience

The directors and executive officers of the Company have significant experience conducting business in Peru and/or Mexico, including (i) international corporate finance and mergers and acquisitions experience in Peru and/or Mexico, (ii) planning, supervising and managing experience with mining operations in Peru and/or Mexico, and (iii) experience with other publicly-listed mining companies with operations in Peru and/or Mexico. Further, Oscar Cabrera (Director), Carlos Santa Cruz (Director), Miguel Aramburu (Director), Beatriz Orrantia (Director), Ernesto Balarezo (CEO), Jose Fernandez-Baca (CFO), Carlos Garcia (Vice President, Technical), Alberto Calle (Vice President, Human Resources), Astolfo Romero (Vice President, Health & Safety), Patricia Kosa Munoz (Vice President, Legal) and Rajesh Vyas (Vice President, Corporate Controller) are all either fluent or have some proficiency in Spanish.

MATERIAL MINERAL PROPERTIES

The Company has two material projects described below. To satisfy the reporting requirements of Form National Instrument 51-102F2 – Annual Information Form ("**Form 51-102F2**") with respect to the Company's material mineral projects, the Company has opted, as permitted by Form 51-102F2, to reproduce the summaries from the technical reports on the respective material properties and to incorporate by reference each such technical report into this AIF.

The Company has undergone significant change at the operational and executive management level over the last year. The Board and current management of the Company have determined that certain aspects of the Company's operations were not, or in some cases may not have been, carried on in full compliance with all required permits (see "Risk Factors – Burden of government regulation and permitting"). Management has taken steps to mitigate that risk in Yauricocha and is taking steps to mitigate any pending risk of any ongoing or future non-compliance in Bolivar. Non-compliance results in a risk that authorities could take steps that may negatively impact mining operations affected by the non-compliance, impose monetary fines, or request that additional or new permits be obtained.

YAURICOCHA MINE, PERU

The Company owns 81.84% of Minera Corona which in turn owns 100% of the Yauricocha Mine.

Yauricocha PEA Technical Report

The following is the summary section of the Yauricocha PEA Technical Report, prepared by SRK Consulting (Canada) Inc. ("**SRK**"), and signed by Qualified Persons Américo Zuzunaga Cardich, Sierra Metals Inc., Vice President Corporate Planning, Andre Deiss, BSc. (Hons), Pr. Sci. Nat., SRK Principal Consultant (Resource Geology), Carl Kottmeier, B.A.Sc., P. Eng., MBA, SRK Principal Consultant (Mining) Daniel H. Sepulveda, BSc., SME-RM, SRK Associate Consultant (Metallurgy) and Mr. Enrique Rubio, Ph.D., Executive Director, Redco Global Peru S.A.C. (Reserves, Mining). The full text of the Yauricocha PEA Technical Report is available for viewing on SEDAR+ at www.sedarplus.ca and is incorporated by reference in this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Yauricocha PEA Technical Report.

1. EXECUTIVE SUMMARY

The purpose of this Preliminary Economic Assessment (PEA) is to present an update on Resources by SRK Consulting (Canada), Inc. (SRK) for Sierra Metals, Inc. (Sierra Metals or the Company) on the Yauricocha Mine (Yauricocha or Project), which is located in the eastern part of the Department of Lima, Peru. Sierra engaged various specialist groups to evaluate how, on a conceptual level; mining, mineral processing, and tailings management could be adapted at the Property to achieve a sustainable and staged increase in mine production and mill throughput to 5,500 tpd (2.0 Mt/y) in 2024.

This PEA report provides a Mineral Resource Estimate and a classification of resources prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves: Definitions and Guidelines, May 10, 2014 (CIM).

This PEA report is not a wholly independent report as some sections have been prepared and signed off by qualified personnel (QP) from SRK, Sierra Metals, the project owner, and Redco Global Peru S.A.C. (Redco), a Chilean mining consulting firm, with the term QP used here as it is defined under Canadian Securities Administrator's National 43-101 (43-101) guidelines. The QPs responsible for this report are listed in Sections 2.1, 2.2 and 2.3.

1.1 PROPERTY DESCRIPTION AND OWNERSHIP

The Yauricocha Mine is in the Alis district, Yauyos province, Department of Lima, approximately 12 km west of the Continental Divide and 60 km south of the Pachacayo railway station. The active mining area within the mineral concessions is located at coordinates 421,500 m east by 8,638,300 m north on UTM Zone 18L on the South American 1969 Datum, or latitude and longitude of 12.3105º S and 75.7219º W. It is geographically in the high zone of the eastern Andean Cordillera, and within one of the major sources of the River Cañete which discharges into the Pacific Ocean. The mine is at an average altitude of 4,600 masl (Gustavson, 2015).

The current operation is an underground polymetallic sulfide and oxide operation, providing material for the nearby Chumpe process facility. The mine has been operating continuously under Sociedad Minera Corona S.A. (Minera Corona) ownership since 2002 and has operated historically since 1948. Sierra purchased 82% of Minera Corona in 2011.

1.2 GEOLOGY AND MINERALIZATION

The Yauricocha mine features several mineralized zones which have been emplaced along structural trends, with the mineralization itself related to replacement of limestones by hydrothermal fluids related to nearby intrusions. The mineralization varies widely in morphology from large, relatively wide, tabular manto-style deposits, to narrow, sub-vertical chimneys. The mineralization features economic grades of Ag, Cu, Pb and Zn, with local Au to a lesser degree. The majority of the mineralization is related to the regional high-angle NW-trending Yauricocha fault, or the NE-trending and less well-defined Cachi-Cachi structural trend. The mineralization generally presents as polymetallic sulfides but is locally oxidized to significant depths or related to more Cu-rich mineralization.

1.3 STATUS OF EXPLORATION, DEVELOPMENT AND OPERATIONS

The mine is concurrently undertaking surface and underground exploration, development, and operations. Exploration is ongoing near the mine along the regional geological and structural mineralized trends and is supported predominantly by drilling and exploration drifting. The mine is also producing several types of metal concentrates from the underground mine areas.

1.4 MINERAL PROCESSING AND METALLURGICAL TESTING

Yauricocha is consistently producing commercial quality copper concentrate, zinc concentrate, and lead concentrate. Due to the small tonnage and/or lower grades, the lead concentrate, when produced in the oxide plant, is blended in the plant with the concentrate produced from the polymetallic circuit to generate a lead concentrate of commercial quality.

The plant has been subject to continuous improvements in recent years to improve recovery and deportment of metals. Recent improvements to the processing facilities include:

- Addition of one OK-50 flotation cell to add capacity to the Cu-Pb bulk flotation stage.
- Installation of x-ray slurry analyzer for six streams: flotation feed, middling Zn feed, copper final concentrate, lead final concentrate, zinc final concentrate and final tailings.
- Mechanical rod feeder for primary rod mill grinding for improved safety and production.
- Installation of 5 DR-180 cells in the Second Zn Cleaning Flotation Stage; 4 DR-180 cells in the Third Zn Cleaning Flotation Stage to improve the Zn concentrate grade.
- Installation of 10 DR-180 cells in the Bulk Cleaning Flotation Stage arranged in three banks to increase flotation retention time from 9 minutes to 17 minutes:
- First Cleaning Flotation Stage (comprising 5 cells)
- Second Cleaning Flotation Stage (comprising 3 cells)
- Third Cleaning Flotation Stage (comprising 2 cells)

Table 1-1 shows the mill's feed tonnages and head grades for the period of January 2019 to March 2021. In this period, there was no treatment of any oxide mineralized material. **Table 1-2** shows the plant's performance from January 2013 to March 2021.

Table 1-1: Mill Tonnage and Head Grades, January 2019 to March 2021

Period	Mineralized Material (tonnes)	Head Grade					
		Au (g/t)	Ag (g/t)	Pb (%)	Cu (%)	Zn (%)	As (%)
2021 Mar	111,007	0.47	55.36	1.1	0.6	3.3	0.13
2021 Feb	101,203	0.43	53.19	1.3	0.5	3.6	0.13
2021 Jan	110,273	0.42	53.81	1.6	0.5	4.2	0.15
2020 Dec	92,351	0.47	45.10	0.9	0.8	3.2	0.17
2020 Nov	114,503	0.53	49.45	1.0	1.0	3.6	0.15
2020 Oct	105,092	0.63	60.03	1.6	0.7	3.9	0.16
2020 Sep	100,989	0.49	56.30	1.5	0.8	4.0	0.18
2020 Aug	110,286	0.58	63.45	1.4	1.1	3.9	0.19
2020 Jul	103,000	0.58	65.94	1.7	1.1	4.2	0.18
2020 Jun	78,080*	0.63	60.96	1.5	1.0	3.7	0.18
2020 May	64,364*	0.68	69.65	2.0	1.1	3.9	0.17
2020 Apr	60,090*	0.53	69.69	1.4	1.6	2.7	0.29
2020 Mar	78,553*	0.63	70.85	1.6	1.2	3.9	0.21
2020 Feb	103,764	0.66	66.01	1.6	1.1	3.8	0.19
2020 Jan	102,908	0.75	61.89	1.5	1.1	4.1	0.18
2019 Dec	110,939	0.70	59.33	1.5	1.2	4.0	0.20
2019 Nov	101,862	0.55	58.74	1.7	0.9	4.1	0.16
2019 Oct	108,900	0.56	62.27	1.5	1.0	4.1	0.16
2019 Sep	100,030	0.51	63.02	1.5	1.1	3.6	0.17
2019 Aug	106,988	0.59	66.77	1.8	1.1	3.9	0.22
2019 Jul	100,221	0.64	69.25	1.7	1.1	3.9	0.25
2019 Jun	99,588	0.55	68.84	1.8	1.1	3.6	0.21
2019 May	101,502	0.65	59.55	1.5	0.9	3.3	0.19
2019 Apr**	53,075	0.61	59.25	1.3	1.1	3.0	0.18
2019 Mar**	51,707	0.59	64.91	1.5	1.2	3.3	0.20
2019 Feb	88,010	0.59	63.08	1.3	1.1	3.6	0.20
2019 Jan	94,097	0.50	63.15	1.6	0.9	3.7	0.20
Averages	94,570	0.57	61.48	1.5	1.0	3.7	0.19

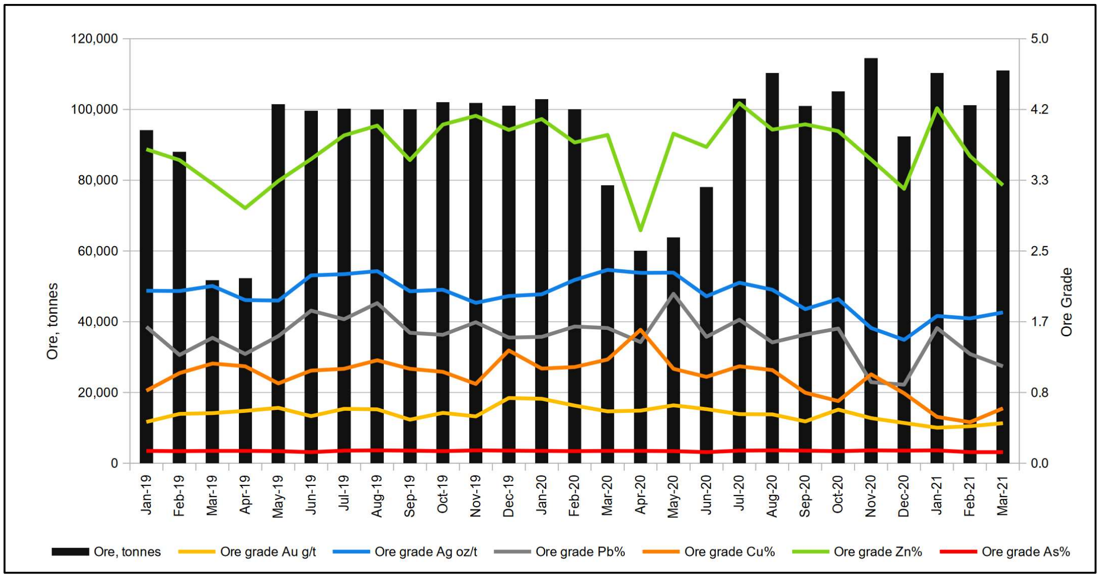
Source: Sierra Metals, 2021
* Production was affected by the Covid-19 pandemic.
** Production was affected by a strike at the mine.

Table 1-2: Yauricocha Metallurgical Performance, 2013 to 2021

Period	Stream	Tonne	Tonnes/day (@ 365 d/y)	Concentrate Grade					Metal Recovery				
				Au (g/t)	Ag (g/t)	Pb (%)	Cu (%)	Zn (%)	Au (%)	Ag (%)	Pb (%)	Cu (%)	Zn (%)
2013	Mineralized Material	641,268	1,757		83	1.5	0.7	4.1		100	100	100	100
	Cu Con.	12,728	35		1,058	2.8	23.2	6.4		25.2	3.7	70.6	3.1
	Pb Con.	14,258	39		1,300	53.4	1.8	5.9		34.7	80	6.3	3.2
	Zn Con.	45,412	124.4		122	0.6	1	50.8		10.4	3	10.8	88.7
2014	Mineralized Material	703,713	1,928		84	1.8	0.7	4		100	100	100	100
	Cu Con.	12,782	35		1,115	2.1	26.4	6.8		24.2	2.1	68	3.1
	Pb Con.	18,055	49		1,398	58.6	1.5	4.9		42.8	83.9	5.3	3.2
	Zn Con.	48,657	133		115	0.8	1.4	50.6		9.5	3.1	13.2	88.5
2015	Mineralized Material	618,460	1,694		79	1.6	0.6	3.4		100	100	100	100
	Cu Con.	8,145	22		1,278	2.3	27.8	4.1		21.4	1.8	65.3	1.6
	Pb Con.	14,463	40		1,656	59.5	1.1	4.3		49.3	85.7	4.7	2.9
	Zn Con.	37,587	103		91	0.6	1.2	50.7		7.1	2.1	13.4	90.1
2016	Mineralized Material	698,872	1,915	0.5	80.3	1.8	0.6	3.9	100	100	100	100	100
	Cu Con.	9,068	25	3.1	1362.6	2.1	26.3	6.8	8.1	22	1.5	61.3	2.3
	Pb Con.	18,014	49	1.7	1470.8	59	1.2	4.8	9.1	47.2	86.3	5.6	3.1
	Zn Con.	47,573	130	0.4	95.2	0.7	1.2	51.5	4.9	8.1	2.6	14.2	88.9
2017	Mineralized Material	966,138	2,647	0.6	66	1.5	0.7	3.9	100	100	100	100	100
	Cu Con.	16,412	45	2.7	920.5	2.4	26.9	7.6	8.4	23.7	2.8	67.3	3.3
	Pb Con.	21,731	60	1.8	1242.3	56.8	2.5	5.5	7.4	42.3	86.9	8.4	3.2
	Zn Con.	65,671	180	0.4	110.8	0.9	1.4	51.4	5.3	11.4	4	14.2	89.4
2018	Mineralized Material	985,679	2,700	0.6	58.4	1.3	0.9	3.8	100	100	100	100	100
	Cu Con.	21,940	60	2.2	677.4	2.3	28.1	7.5	8.4	25.8	3.8	70.1	4.4
	Pb Con.	20,146	55	2.2	1087.5	56.1	3.3	5.7	7.6	38.1	85.8	7.5	3
	Zn Con.	65,823	180	0.5	101.4	0.8	1.8	50.9	5.2	11.6	4.1	13.4	88.7
2019	Mineralized Material	1,092,410	2,993	0.6	63.9	1.6	1.1	3.7	100	100	100	100	100
	Cu Con.	30,931	85	2.3	593.9	1.8	29.4	6	11	26.3	3.2	76.9	4.6
	Pb Con.	26,574	73	2.1	1131.6	57.6	2.4	5.5	8.4	43.1	88.8	5.4	3.6
	Zn Con.	69,863	191	0.5	90.6	0.6	1.7	51	4.9	9.1	2.6	10.1	88
2020	Mineralized Material	1,109,730	3,040	0.6	61.0	1.5	1	3.8	100	100	100	100	100
	Cu Con.	29,235	80	2.25	558.43	2.0%	29.8%	7.6%	9.9%	27.0%	3.9%	74.8%	5.5%
	Pb Con.	24,777	68	2.41	1,069.00	57.2%	2.1%	5.1%	9.1%	43.6%	87.8%	4.6%	3.1%
	Zn Con.	73,583	202	0.51	84.42	0.6%	1.9%	49.9%	5.7%	10.2%	2.9%	12.4%	87.6%
2021*	Mineralized Material	322,483	3,534	0.44	54.1	1.3%	0.6%	3.7%	100	100	100	100	100
	Cu Con.	4,723	52	2.84	643.9	2.1%	25.2%	8.5%	9.6%	19.6%	2.4%	66.3%	3.7%
	Pb Con.	6,884	75	1.93	1,136.80	56.4%	1.4%	5.7%	9.5%	49.6%	89.8%	5.5%	3.3%
	Zn Con.	20,964	230	0.41	77.55	0.5%	1.6%	50.9%	6.2%	10.3%	2.4%	19.0%	89.6%

Source: Sierra Metals, 2021
* January to March 2021

The fresh feed profile is shown in Figure 1-1. In terms of head grade, except for zinc, all other metals (Pb, Cu, Au, Ag) in the mill feed show a downward trend. As shown in Table 1-2, the polymetallic circuit operated at an average of 3,040 tonnes per day of fresh feed in 2020 (assuming operation of 365 days per year) and in Q1 2021, the average processing rate increased to 3,534 tonnes per day.

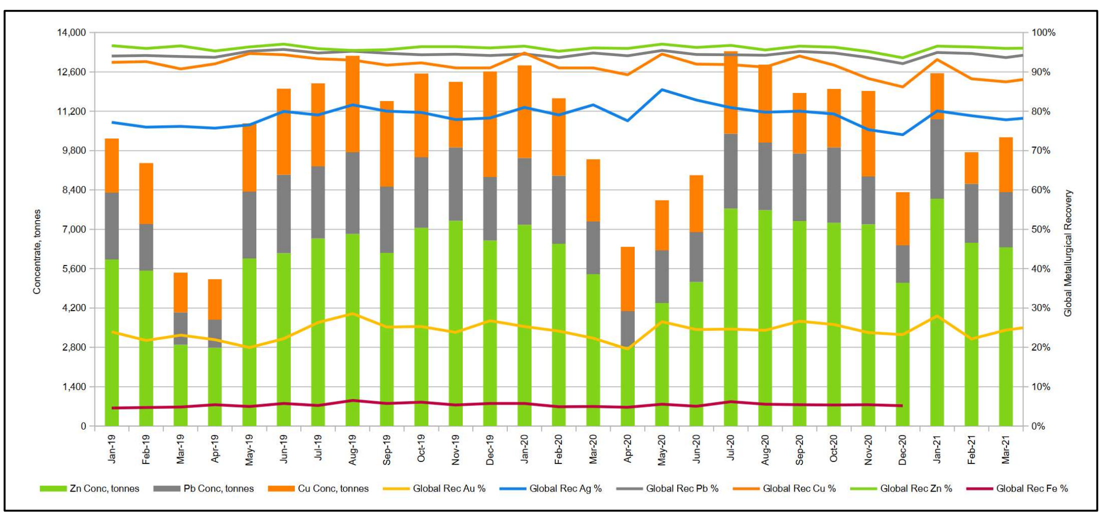


Source: SRK, 2021

Figure 1-1: Yauricocha Mill Feed – January 2019 to March 2021

Yauricocha's concentrate production included lead concentrate, copper concentrate, and zinc concentrate as shown in Figure 1-2. Total production totalled 287,535 tonnes of combined concentrate or 11.4% mass pull. Zinc concentrate accounted for 6.5% of the total mass pull, copper concentrate reached 2.6% and 2.3% for lead concentrate.

Global recovery to concentrates reached 24.8% gold, 80.2% silver, 95.7% lead, 92.8% copper, and 96.4% zinc.



Source: SRK, 2021

Figure 1-2: Yauricocha, Global Concentrate Production – January 2019 to March 2021

In 2020, silver is preferably recovered with the lead sulfide concentrate and accounts for approximately 43.6% of the total silver recovered at Yauricocha. Copper concentrate recovers approximately 27% of the silver, and zinc concentrate recovers 10.2%. The overall silver recovery at Yauricocha totaled 80.9% in 2020 and 79.5% during the first three months of 2021.

Yauricocha's metallurgical laboratory has been testing samples from multiple sources, including polymetallic material from Esperanza, Cuerpo Contacto Occidental, from Mina Mario among others. In most of the cases the metallurgical test results show good amenability to conventional processing and potential to achieve commercial quality concentrates. Some samples show arsenic presence, while others achieve lower concentrate grades because of their higher oxides content. In all cases, laboratory personnel are continuously investigating improved process conditions for treating the new sources of mineralized material.

1.5 MINERAL RESOURCE ESTIMATE

CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014) defines a Mineral Resource as follows:

"A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling".

The "reasonable prospects for economic extraction" requirement generally implies that the quantity and grade estimates meet certain economic thresholds and that the Mineral Resources are reported at an appropriate cut-off value, taking into account extraction scenarios and processing recoveries. To assess this at Yauricocha, the QP has calculated an economic value for each block in terms of US dollars based on the grade of contained metal in the block, multiplied by the assumed recovery for each metal, multiplied by pricing established by Sierra Metals for each commodity. Costs for mining and processing are taken from data provided by Sierra for their current underground mining operation.

The QP is of the opinion that the mineral resource estimations are suitable for public reporting and are a fair representation of the in-situ contained metal for the Yauricocha deposit.

The March 31, 2021, consolidated Mineral Resource statement for the Yauricocha Mine is presented in Table 1-3. The detailed, individual tables for the various Yauricocha mining areas are presented in Section 14 of this report.

Table 1-3: Consolidated Yauricocha Mine Mineral Resource Statement as of March 31, 2021 – SRK Consulting (Canada), Inc. (1) (2) (3) (4) (5) (6) (7) (8) (9)

Classification	Volume (m^3)'000	Tonnes (K t)	Density (t/m^3)	Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	As (%)	Fe (%)	NSR (USD/t)	Ag (M oz)	Au (K oz)	Cu (M lb)	Pb (M lb)	Zn (M lb)	As (K t)	Fe (M t)
Measured	1,262	4,241	3.36	59.41	0.58	1.08	0.92	2.62	0.19	25.02	131	8.1	79.3	100.8	86.2	245.3	7.9	1.1
Indicated	2,929	10,069	3.44	37.07	0.50	1.17	0.51	1.88	0.13	25.89	109	12.0	161.1	259.9	113.0	417.2	12.9	2.6
Measured + Indicated	4,191	14,310	3.41	43.69	0.52	1.14	0.63	2.10	0.15	25.86	116	20.1	240.4	360.7	199.2	662.5	20.8	3.7
Inferred	3,337	11,566	3.47	29.04	0.44	1.40	0.32	1.03	0.07	26.38	103	10.8	161.8	358.1	82.7	261.9	8.3	3.1

Source: SRK, 2021

Notes

(1) Mineral Resources have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101.
(2) Mineral Resources are reported inclusive of Mineral Reserves. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimates. Silver, gold, copper, lead, zinc, arsenic (deleterious) and iron assays were capped / cut where appropriate.
(3) The consolidated Yauricocha Resource Estimate is comprised of Measured, Indicated, and Inferred material in the Mina Central, Cuerpos Pequeños, Cuye, Mascota, Esperanza and Cachi-Cachi mining areas.
(4) Polymetallic Mineral Resources are reported at Cut-Off values (COV) based on 2021 actual metallurgical recoveries and 2021 smelter contracts.
(5) Metal price assumptions used for polymetallic feed considered CIBC November 2021 long term consensus pricing Gold (US$1,598/oz), Silver (US$21.02/oz), Copper (US$3.39/lb), Lead (US$0.91/lb), and Zinc (US$1.10/lb).
(6) Lead Oxide Mineral Resources are reported at COVs based on 2021 actual metallurgical recoveries and 2021 smelter contracts.
(7) Metal price assumptions used for lead oxide feed considered July 2021 long term consensus pricing (Gold (US$1,598/oz), Silver (US$21.02/oz) and Lead (US$0.91/lb).
(8) The mining costs are based on 2021 actual costs and are variable by mining method.
(9) The unit value COVs are variable by mining area and proposed mining method. The marginal (incremental) COV ranges from US$31.7 to US$36.7 for a 5,500t/d operation.

1.6 MINERAL RESERVE ESTIMATE

A Mineral Reserve is the economically mineable part of a Measured and/or Indicated Resource. It includes diluting material and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Prefeasibility or Feasibility level as appropriate that include the application of Modifying Factors.

A Mineral Reserve has not been estimated for the Project as part of this PEA.

The PEA includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

1.7 MINING METHODS

1.7.1 Mining

The Yauricocha Mine is a producing operation with a long production history. Most of the mining is executed through mechanized sub-level caving with a relatively small portion of the mining using overhand cut and fill. The mine uses well-established, proven mining methods and is planning to increase the production rate to 5,500 tpd (2.0 Mt/y) in 2024.

Polymetallic sulfide mineralized material accounts for more than 99% of the material mined at Yauricocha. Material classified as lead oxide can also be encountered, but it is a minor component of the overall tonnage in the mineralized zones currently being mined.

The mine is accessed by two shafts, Central shaft and Mascota shaft, and the Klepetko and Yauricocha tunnels. Mineralized material and waste are transported via the Klepetko tunnel at the 720 level (elevation 4,165 masl) which runs east-northeast from the mine towards the mill and concentrator, and the 4.7 km Yauricocha tunnel, commissioned in 2018, that also accesses the mine at the 720 level. The Yauricocha tunnel was added to increase haulage capacity and serves as a ventilation conduit. The Yauricocha shaft, currently under construction, will provide access down to 1270 level and is expected to be in production in 2025.

1.7.2 Geotechnical

The level plans and accompanying development profile and installation procedures are well developed and appropriate for operational application. Also, the understanding of in-situ and induced stress for the current mining areas is satisfactory, but for the deeper planned mining areas, site specific stress measurements and stress modeling were needed. Following these observations, Sierra and Redco jointly developed a mining study designed to support a growth scenario for the Yauricocha mine. Preliminary 3D geomechanical and numerical models were constructed, and a geotechnical data collection campaign was established, with a focus on deeper areas of the mine, to support future studies and estimations.

Based on the proposed campaign to strengthen the geomechanical information database, a field information collection program was conducted in the second half of 2021 which consisted of logging diamond drill core and geomechanical mapping of the rock mass. The program sought to validate the geotechnical quality of the rock through Bieniawski's "RMR" and Barton's "Q" classifications, as well as the measurement of in-situ efforts through acoustic emissions, all carried out in the areas of Mina Central and Esperanza.

A total of 4,770 meters (accumulated) of geomechanical logging was conducted in drill holes for already drilled resources and included 30 UCS tests and 15 TX tests (cumulative). In addition to this, 850 meters (cumulative) of logging of geomechanical drilling with oriented core was undertaken to determine the orientation of the discontinuities (measurement of angles α and β), rock mass characterization (RMR, Q, GSI) and obtain samples for laboratory tests and acoustic emissions. Finally, different stations were mapped to identify the arrangement of discontinuities and joints in each domain.

The current understanding of the conditions leading to a mud rush and the mitigation measures put in place are reasonable; however, the potential occurrence of a mud rush event is an ever-present risk, particularly when entering new mining areas. Dewatering practices need to be maintained, existing drawpoints monitored, and new areas investigated prior to being developed.

1.7.3 Hydrogeology

Past effort has been made to control or reduce water inflows. A large amount of data is available that could be used to understand the source of water, but the data is not compiled in a manner that would permit this to be easily done.

In the past, drainage tunnels and exploratory test drill holes have been completed to control or reduce water inflows. Drain holes were completed in the 920 and 870 levels in Antacaca Sur, 920 level in Antacaca, 920 and 970 levels in Catas, and 870 and 920 levels in Rosaura. All these water management features were oriented into the granodiorite to intercept water flows before reaching the subsidence zone. Some of drillholes were later cemented to reduce inflows into mining zones.

During drilling, inflows were observed to decrease on the 820 and 870 levels, and post drilling, decreasing inflows were observed on the 920 level. Inflows in Antacaca Sur and Rosaura have been reduced over time, but inflows appear to be increasing in Catas and Esperanza.

The Yauricocha mine has developed a conceptual hydrogeological-structural model that has allowed the mine to better understand the regional movement of groundwater and to understand how water enters the mineralized bodies. This model has made it possible to understand the dynamics of the groundwater flow, as correlated with the geological, structural and subsidence information produced. In addition, the execution of two drainage chambers at the extremes of Central Mine. Esperanza (Phase III) and Antacaca Sur (phase I) mineralized zone is planned for 2022 to support ongoing data collection. This additional data will permit refinements to the conceptual hydrogeological-structural model.

In conclusion, the mine has been able to manage water inflows sufficiently well to allow mining to safely proceed. As the mine expands, water inflows should be expected to increase. Mitigation efforts should continue to be assessed and tested, but operational management plans should continue to assume that inflows and mud rush potential will increase until such a time that the effectiveness of mitigation efforts can be proven, or decisions are made to address water-related risks through other management plans.

1.8 PROJECT INFRASTRUCTURE

The Project is a mature producing mine and mill and all required infrastructure is fully functional. The Project has highway access with two routes to support the Project's needs, and the regional capital Huancayo (population 340,000) is within 100 km. Personnel travel by bus to the site and are accommodated in four camps. There are currently approximately 1,460 personnel on-site with 400 employees and 1,060 contractors.

The on-site facilities include the processing plant, mine surface facilities, underground mine facilities, tailings storage facility (TSF), and support facilities. The processing facility includes unit processes such as crushing, grinding, flotation, dewatering and concentrate separation, concentrate storage, and thickening and tailings discharge lines to the TSF.

The underground mine and surface facilities include headframes, hoist houses, shafts and winzes, ventilation structures, mine access tunnels, waste storage facilities, powder and detonator magazines, underground shops, and diesel fuel and lubrication storage. The support facilities include four accommodation camps where personnel live while on site, a laboratory, change houses and showers, cafeterias, medical facility, engineering and administrative buildings, and miscellaneous equipment and electrical shops to support the operations.

The site has existing water systems to manage the Project's water needs. Water is sourced from Acococha Lagoon, Mishquipuquio and Huacuypacha Spring, Klepetko tunnel and recycle/overflow water from the TSF, depending on end use. Water treatment systems treat the raw water for use as potable water or for service water in the plant. Additional systems treat the wastewater for further consumption or discharge.

Energy for the site is available through electric power, compressed air, and diesel. The electric power is supplied by contract over an existing 69 kV line to the site substation. The power is distributed for use in the underground or at the processing facility. The current power load is 10.92 MVA with approximately 70% of this being used at the mine and the remainder at the plant and other facilities. The power system is planned to be expanded to approximately 14 MVA by the end of 2023. A compressed air system is used underground with an additional 149 kW compressor system being added, and diesel fuel is used in the mobile equipment and in the 895-kW backup electrical generator.

The site has permitted systems for the handling of waste including a TSF, waste rock storage facility, and systems to handle other miscellaneous wastes. The TSF was expanded in 2021 with another lift to provide one more year of capacity. Two additional lift stages in total will provide the Project with approximately 4.5 years of additional capacity.

The site has an existing communications system that includes a fiber optic backbone with internet, telephone, and paging systems. The security on-site is managed through checkpoints at the main access road, processing plant, and at the camp entrances.

Logistics to the site are primarily by truck with the three primary concentrate products being shipped by 30 t to 40 t trucks to other customer locations in Peru. Materials and supplies needed for Project operation are procured in Lima and delivered by truck.

The infrastructure is well developed and functioning as would be expected for a mature operation. The TSF continues to develop and will require ongoing monitoring to assure the construction of the next lift is timely to support the operation. Ongoing monitoring of the stability of the embankment and operations practices is recommended to conform to industry best practices.

1.9 ENVIRONMENTAL STUDIES AND PERMITTING

Sierra has all relevant permits required for the current mining and metallurgical operations. Sierra also has a Community Relations Plan that includes annual assessment, records, minutes, contracts and agreements. An Environmental Impact Assessment (EIA) was obtained on February 11, 2019.

On February 21, 2024, the Company received the environmental permit to develop and mine below the 1120 level at its Yauricocha mine.

1.10 CAPITAL AND OPERATING COSTS

The capital and operating costs presented here are for a production rate of approximately 3,800 tpd in Q2-Q4 2021 and 2022, reaching 5,500 tpd in 2024. Capital and operating cost estimates are shown in Section 21. Capital and operating costs are based upon forward-looking information. This forward-looking information includes forecasts with material uncertainty which could cause actual results to differ materially from those presented herein.

Table 1-4 and **Table 1-5** show the capital and growth capital cost (capex) summaries.

Table 1-6 shows the operating cost (opex) summary.

Table 1-4: Estimated Sustaining Capital Costs

Estimated Sustaining Capital	Total (US$ 000)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Exploration & Development												
Exploration	$4,825	1,513	712	500	-	350	350	350	350	350	350	-
Development	$5,464	4,454	223	649	-	138	-	-	-	-	-	-
Equipment	$13,142	4,014	373	3,871	242	473	231	231	3,245	231	231	-
Facilities	$2,683	608	266	201	201	201	201	201	201	201	201	201
Mine Support Areas	$3,115	-	3	862	8	227	702	190	3	862	51	207
Projects												
Central Shaft Rehab	$1,700	729	971	-	-	-	-	-	-	-	-	-
Mine Camp	$6,759	5,190	1,299	30	30	30	30	30	30	30	30	30
Mascota Shaft	$892	57	335	250	250	-	-	-	-	-	-	-
Concentrator Plant	$4,836	1,131	405	300	-	1,000	500	-	-	-	1,000	500
Shotcrete Plant	$3,389	89	-	-	-	1,000	2,300	-	-	-	-	-
Drainage System	$3,358	1,210	532	239	116	132	176	532	173	116	132	-
Ventilation	$4,845	3,235	289	42	92	31	578	-	-	578	-	-
Personal transportation	$770	-	-	770	-	-	-	-	-	-	-	-
Water Plant Treatment	$2,300	-	10	10	10	1,010	1,210	10	10	10	10	10
Environmental	$345	-	45	50	50	50	50	50	50	-	-	-
Fuel Distribution System	$350	-	5	5	5	305	5	5	5	5	5	5
TDR Cable Installation	$350	-	350	-	-	-	-	-	-	-	-	-
Tailing Dam	$0	-	-	-	-	-	-	-	-	-	-	-
Closure	$11,607	-	-	-	-	-	277	277	277	277	277	10,222
Total Estimated Sustaining Capital	**$70,730**	**22,229**	**5,819**	**7,779**	**1,003**	**4,948**	**6,611**	**1,876**	**4,345**	**2,660**	**2,287**	**11,174**

Source: Sierra Metals, Redco, 2021
Note: Totals do not necessarily equal the sum of the components due to rounding.

Table 1-5: Estimated Growth Capital Costs

Estimated Growth Capital	Total (US$ 000)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Exploration & Development												
Drilling Exploration	$4,221	-	1,031	700	-	700	700	700	130	130	130	-
Regional Exploration	$4,720	1,577	366	300	-	300	300	300	-	-	-	1,577
Development	$39,620	-	8,479	8,077	5,081	8,233	3,861	1,393	2,269	1,403	824	-
Cross-Cut 500	$3,590	1,795	-	-	-	-	-	-	-	-	-	1,795
Equipment	$17,787	-	1,662	3,021	3,719	1,467	202	1,265	1,265	3,719	1,467	-
Projects												
Yauricocha Shaft	$24,413	3,987	4,403	4,696	2,840	4,500	-	-	-	-	-	3,987
Integration Access to Yauricocha Shaft CX0545	$7,595	2,122	2,271	-	-	1,080	-	-	-	-	-	2,122
Tailing Dam	$81,490	8,401	4,995	5,871	8,935	7,427	11,303	7,427	7,427	11,303	-	8,401
New Road, Access	$7,000	-	-	-	-	-	3,500	3,500	-	-	-	-
Comedor Esperanza	$118	59	-	-	-	-	-	-	-	-	-	59
Mine Camp	$5,940	-	140	1,500	2,800	1,500	-	-	-	-	-	-
Concentrator Plant to increase prod.	$47,423	-	18,969	28,454	-	-	-	-	-	-	-	-
Ventilation	$853	-	141	-	288	-	424	-	-	-	-	-
Studies (trade off, SAG, Met, Auto, Permits)	$6,999	1,977	2,067	978	-	-	-	-	-	-	-	1,977
1592 Mascota - Esperanza Ramp	$0	-	-	-	-	-	-	-	-	-	-	-
Waste Dump	$6,488	-	-	-	-	3,244	-	3,244	-	-	-	-
Total Estimated Growth Capital	**258,258**	**19,919**	**44,522**	**53,597**	**23,663**	**28,451**	**20,290**	**17,829**	**11,092**	**16,555**	**2,422**	**19,918**

Source: Sierra Metals, Redco, 2021
Note: Totals do not necessarily equal the sum of the components due to rounding.

Table 1-6: Estimated Operating Costs (LoM)

Opex Total	Total (US$ 000)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Mine	521,400	36,068	45,838	44,635	59,367	57,277	62,504	57,989	51,258	50,023	43,922	12,518
Plant	151,816	9,598	12,804	9,683	19,493	18,160	19,223	18,356	17,892	11,731	10,475	4,399
G&A	93,688	6,132	8,111	7,954	10,210	9,776	10,123	9,841	9,688	9,636	8,604	3,613
Total	**766,904**	**51,799**	**66,753**	**62,272**	**89,069**	**85,213**	**91,851**	**86,186**	**78,839**	**71,389**	**63,002**	**20,531**

Source: Sierra Metals, Redco, 2021
Note: Totals do not necessarily equal the sum of the components due to rounding.

1.11 ECONOMIC ANALYSIS

The 5,500 tpd (2024) proposed mine plan has a capital requirement (initial and sustaining) of US$ 312.1 M over the 11-year LOM; efficiencies associated with higher throughputs are expected drive a reduction in operating costs on a per tonne basis. This PEA indicates an after-tax NPV (8%) at 5,500 tpd (in 2024) of

US$ 273.1 M. Total operating cost for the LOM is US$ 766.9 M, equating to a total operating cost of US$ 44.01 per tonne milled and US$ 1.30 per pound copper equivalent.

Economic estimates are based upon forward-looking information. This forward-looking information includes forecasts with material uncertainty which could cause actual results to differ materially from those presented herein.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that inferred resources can be converted to indicated or measured resources or mineral reserves and, as such, there is no certainty that the results of the PEA will be realised.

Instances of the word 'economic' are intended to be conceptual only, and prospects for economic extraction have not been demonstrated. The proposed mine plan is conceptual in nature and would benefit from further, more definitive, investigation.

1.12 CONCLUSIONS AND RECOMMENDATIONS

1.12.1 Geology and Mineral Resources Estimation

The QP has the following recommendations for the geology and Mineral Resources at Yauricocha:

- Standardize and document the transformation between the UTM Zone 18S WGS84 datum used for exploration, and the Local mine grid used for underground geology, mineral resources, and mining coordinate systems. There are currently several sightly different transformations, which could be related to different coordinate systems historically used by the mine and exploration staff.

- Construct and compile a single reliable secure drilling and sampling database for the entire mine area, which can be easily verified, audited, and shared internally. This can be accomplished through commercially available SQL database management tools.

- Long-term exploration should be focused on areas such as the possible intersection of the Yauricocha fault and the Cachi-Cachi structural trend, where recent geophysical data are currently being generated to assist in targeting.

- Exploration should continue underground in the Esperanza area which is locally open along strike and at depth.

- Channel samples should be collected on a representative basis and collected across the entire exposed thickness of a mineralized zone. In addition, they should be weighed for each sample to ensure that appropriate quantities of material are sampled from both the harder, more difficult material, and the higher-grade, softer material.

- Reviewing the performance of the QA/QC program as soon as batches of results are returned. If any failures occur, investigation and re-analysis of these samples and +/- five adjacent samples on either side of the respective failure should be completed as soon as possible to prevent any sample preparation or laboratory issues.

- Select several duplicates to be analyzed by an umpire laboratory for analytical results completed between July 2020 to March 2021, to establish whether there are any material issues and biases with respect to the analytical results received and not QA/QC'ed.

- Umpire coarse and pulp reject duplicates sampling be implemented as standard practice. No umpire duplicates have been submitted since 2019.

- Density measurements of drillhole core to be implemented as a standard practice, to improve density relationships in mineralized and non-mineralized rock.

- Exploration, mine geology and mining should be supported by a detailed litho-stratigraphic and structural model for the area, based on all the available information, to aid in exploration targeting for surface and underground, to improve the mineral resource domaining and to provide structural detail that can be used for geotechnical engineering studies.

- A standardized workflow is applied to the geological modelling to prevent significant changes in mineralized shape forms with minor additions of drillhole information. The integration of structure, stratigraphy and mineralized zone into a global model is essential in developing a comprehensive exploration and mining model. This will prevent inconsistencies and overlap between mineralized zones modelled.

- Developing and documenting internal standards and procedures for geological interpretation, modelling, estimation and reporting of Mineral Resources, especially since there has been a significant staff turnover during in 2021.

- Modelling variogram anisotropy for each of the mineralized domains can be improved by considering relevant transformation, e.g., gaussian or log transforms of the composites before producing the experimental variograms. Ideally, modelled variograms should be back transformed, before the grade estimation is done. Certain commercially available software can complete this process seamlessly.

- Local and global grade anisotropy occur within the larger mineralized bodies. The sensitivity of utilizing a local anisotropy in highly informed data areas, whereas utilizing a global trend in poorly informed areas, should be investigated.

- Minera Corona implement short term grade control models to track and reconcile with the resource models and mine production.

1.12.2 Mineral Processing and Metallurgical Testing

SRK makes the following conclusions and recommendations for the mineral processing at Yauricocha:

- Yauricocha's processing facility is reasonably well operated and shows flexibility to treat multiple mineralized material sources. The metallurgical performance, i.e., metal recovery and concentrate grade has been consistent throughout the period evaluated allowing the mine to produce commercial quality copper concentrate, lead concentrate, and zinc concentrate.

- The spare capacity in their oxide circuit is an opportunity to source material from third-party mines located in the vicinity.

- The presence of arsenic is being well managed by blending mineralized material in order to control arsenic concentration in the final concentrates.

- Gold deportment seems an opportunity that Yauricocha may want to investigate, particularly by evaluating gravity concentration in the grinding stage, or alternatively in the final tails, or both.

1.12.3 Mining

Redco makes the following conclusions and recommendations for the mining at Yauricocha:

- Standardize the operational practices of sublevel caving (SLC), considering a traditional exploitation in a fan pattern (radial drilling), drilling the entire crown, and extracting in reverse, modifying the current form of operation based on extraction by lateral "pockets". To guarantee this, field tests must be carried out and a robust design for the initial slot must be considered to ensure the initial swelling and flow of the broken material.

- Evaluate the increase in mining dimensions for the SLC, this would mean a significant reduction in development and preparation, considering an opportunity to achieve column heights close to 25 meters and spacing between extraction galleries of 9 meters according to preliminary analysis. To support this, it is suggested to carry out more detailed studies at a numerical and operational level, accompanied by pilot tests to guarantee the safety and operational feasibility of mining.

- The ramp-up to 5,500 tpd needs to be studied in an operative point of view, considering the capacity of the whole haulage system and operational philosophy. Simulation modelling could be developed to evaluated different scenarios and strategies to reach the final production rate.

- Evaluate the application of new mining methods in mineralized bodies of greater width, as is the case of shrinkage caving for the Esperanza mineralized body, which would improve operational performance, reduce costs by minimizing the number of preparations and mining developments, and deliver greater productivity to the Yauricocha mine. This must be numerically evaluated at the geomechanical level and complemented with gravitational flow models which must be calibrated with pilot tests.

- The current fleet of load and haul equipment is of 2.5 yd3 size and it is recommended to migrate to larger capacity equipment (4 yd3 or more) to reduce the quantity of equipment inside the mine, avoid saturation of production levels, and achieve the increase in extraction rates. This must be accompanied by a standardization of the loading points in sublevels so that these locations have adequate work dimensions.

- One of the main challenges Yauricocha currently faces is related to the construction of the production galleries in the sublevel caving method. Given the poor quality of the rock (low RMR), the production galleries require the use of steel arches, and this imposes greater construction times and costs. It is recommended to study alternatives that allow mechanizing the advancement of the sublevel caving production tunnels to improve the safety of mine personnel and to increase the production rates at each face.

- Analyze alternatives for haulage to surface for deeper sectors of the mine in order to make the extraction of materialized and waste material viable at the anticipated levels in the case of the 5,500 tpd production rate; doing so will allow decongesting the shafts which are expected to be near maximum capacity during the peak years of mining 5,500 tpd.

- For future studies and reporting, it is recommended that the Yauricocha mine standardize the support of the modifying factors used in the mining planning processes for its different mining methods. For this, volumetric and mine/plant reconciliation processes should be considered to verify the operational behavior between what is planned and what is extracted, in addition to accompanying it with gravitational SLC flow models calibrated with operational data, in order to deliver a robust recovery and dilution factors per zone.

- The New Yauricocha shaft project should be monitored closely to ensure timely access to mineralized zones below 1070 level.

- A consolidated infill drilling plan needs to be developed accord in the deeper areas of the mine to support the LoM plan execution.

- For the application of operational improvements incorporating new mining methods and technologies, it is necessary to have an established culture of operational discipline with standards that integrate the information from the different areas within the short-, medium- and long-term plans.

- Further technical-economic evaluations of the production rate expansion options should be undertaken.

1.12.4 Geotechnical and Hydrogeological

Redco makes the following geotechnical conclusions and recommendations:

- Regarding the new data campaign conducted in 2021, update the 3D geomechanical and numerical preliminary models to verify the quality of the rock mass projected in deeper areas of the mine. Use this updated information to support improvements with the mining methods, production sequencing, and rock support estimation for different stress modeling scenarios.

- Develop gravity flow 3D models for the different areas/condition of sublevel caving to support the dilution and recovery planned per zone and per level. This work could be expanded upon to simulate possible mud rushes or determine critical areas.

- Continue collecting geotechnical characterization data from mined drifts and exploration drillholes.

- Maintain a central geotechnical database.

- Continue the program of stress measurement in the deeper planned mining areas.

- Conduct numerical stress analyses of mining-induced stress effects on planned mining.

Redco makes the following hydrogeological conclusions and recommendations:

- Continue a short-term to long-term dewatering programs with drainage systems.

- Continue to actively dewater ahead of production mining and monitor for conditions that could lead to mud rushes.

- Update the current conceptual hydrogeological model considering the new data collection campaign.

- 3D Hydrogeological-structural modelling should be considered for further stages of mine development.

- Develop studies to apply new methodologies to reduce the water inflows to the current and future mining zones.

- Revisit the current ground control management plans to check that they are appropriate for the deeper mining areas.

1.12.5 Infrastructure

Ongoing monitoring of the stability of the TSF embankment and operations practices is recommended to conform to global industry best practices.

1.12.6 Recovery Methods

SRK recommends that Yauricocha improve its control of plant operations by installing more instrumentation and an automation control system. Doing so could lead to more consistent plant operation, reduced electrical energy and reagent consumption, and ultimately initiate a continuous improvement of the plant's unit operations and overall performance.

1.12.7 Environmental Studies and Permitting

Social and environmental activities are currently of high importance in Peru; therefore, SRK recommends that the Company's commitments and agreements be fulfilled in detail and in a timely manner. Reputational and legal risks can arise due to this issue.

1.13 RECOMMENDED WORK PROGRAM COSTS

Table 1-7 lists the estimated costs for the recommended work that is not considered to be covered by on-going operating expenditures.

Table 1-7: Summary of Costs for Recommended Work

Category	Work	Units	Cost US$
Geology and Resources	Infill Drilling (1)	13,000 m	1,300,000
	Exploration Drilling - Yauricocha Expansion (1)	25,000 m	2,500,000
	Structural and litho-stratigraphic model	1	100,000
	Training	1	10,000
	QA/QC and re-analysis	500	12,500
Geotechnical	Annual data collection and laboratory analysis	N/A	120,000
	Integrated Gravity Flow Model	1	150,000
	Sublevel Caving (25m) Pilot Test	1	400,000
	Shrinkage Caving Pilot Test	1	500,000
Hydrogeological	3D hydrogeological-structural numerical model & study	1	275,000
Production Rate Increases	Pre-feasibility(2) & Feasibility studies	1	2,000,000
Total			**7,367,500**

Source: Sierra, Redco, SRK, 2021

(1) Drilling costs assume US$100/m drilling costs.

BOLIVAR MINE, MEXICO

The Company owns 100% of the Bolivar Mine.

Bolivar PEA Technical Report

The following is the summary section of the Bolivar PEA Technical Report, prepared by SRK and reviewed by Qualified Persons Américo Zuzunaga Cardich, Sierra Metals Inc., Vice President Corporate Planning, Cliff Revering, P. Eng., SRK Principal Consultant (Resource Geology), Carl Kottmeier, B.A.Sc., P. Eng., MBA, SRK Principal Consultant (Mining), Daniel H. Sepulveda, BSc, SME-RM, SRK Associate Consultant (Metallurgy) and Jarek Jakubec, C. Eng. FIMMM, SRK Practice Leader/Principal Consultant (Mining, Geotechnical). The full text of the Bolivar PEA Technical Report is available for viewing on SEDAR+ at www.sedarplus.ca and is incorporated by reference in this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Bolivar PEA Technical Report.

1. EXECUTIVE SUMMARY

Sierra Metals Inc. (Sierra Metals) own and operate the Bolivar Mine and Piedras Verdes processing plant (combined to form the Property) located in the Piedras Verdes District of Chihuahua State, Mexico, approximately 250 km southwest of the city of Chihuahua. The Property consists of 14 mineral concessions totalling 6,800 ha.

This updated report is based on a Preliminary Economic Assessment (PEA) that was previously prepared for the Bolivar Mine with a report date of October 19, 2020. This amended PEA report is unchanged from the original PEA report except to include language with regards to the potential recovery and sale of magnetite. More specifically, changes were made to relevant portions of Sections 1, 25 and 26 summarized therefrom changes to Section 2 - Introduction, and where relevant, updates regarding the recovery and sale of magnetite were made to the following sections: Section 13 - Mineral Processing and Metallurgical Testing, Section 17 - Recovery Methods, Section 18 - Infrastructure, Section 21 - Capital and Operating Costs, and Section 22 - Economic Analysis.

This Preliminary Economic Assessment (PEA) report was prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves: Definitions and Guidelines, May 10, 2014 (CIM, 2014).

The reader is reminded that PEA studies are indicative and not definitive and that the resources used in the proposed mine plan include Inferred Resources that are too speculative to be used in an economic analysis, except as allowed for by the Canadian Securities Administrators (CSA) National Instrument 43-101 (NI 43-101) in PEA studies. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no certainty that Inferred Resources can be converted to Indicated or Measured Resources or Mineral Reserves, and as such, there is no certainty that the results of this PEA will be realized.

This PEA report is not a wholly independent report as some sections have been prepared and signed off by qualified persons (QPs) from Sierra Metals, the project owner and producing issuer. The terms ‘QP’ and ‘producing issuer’ used here are as defined under NI43-101 Standards of Disclosure for Mineral Projects. The QPs responsible for this report are listed in Sections 2.1 and 2.2.

1.1 PROPERTY DESCRIPTION AND OWNERSHIP

The Bolivar Property is owned by Sierra Metals. The Property consists of 14 mineral concessions (approximately 6,800 ha) in the northern Mexican state of Chihuahua. The Property is in the Piedras Verdes mining district, 400 km south by road from the city of Chihuahua (population 4.8 million as of 2010) and roughly 10 km southwest of the town of Urique (population 1,102 as of 2010). The Property includes the Bolivar Mine, an historic Cu-Zn skarn deposit that has been actively mined by Sierra Metals since November 2011, as well as the Piedras Verdes processing plant, which is situated approximately 5 km by road from the mine.

1.2 GEOLOGY AND MINERALIZATION

The Bolivar deposit is a Cu-Zn skarn and is one of many precious and base metal deposits of the Sierra Madre belt, which trends north-northwest across the states of Chihuahua, Durango and Sonora in northwestern Mexico (Meinert, 2007). The deposit is located within the Guerrero composite terrane, which makes up the bulk of western Mexico and is one of the largest accreted terranes in the North American Cordillera. The Guerrero terrane, proposed to have accreted to the margin of nuclear Mexico in the Late Cretaceous, consists of submarine and lesser subaerial volcanic and sedimentary sequences ranging from Upper Jurassic to middle Upper Cretaceous in age. These sequences rest unconformably on deformed and partially metamorphosed early Mesozoic oceanic sequences.

The Piedras Verdes district is made up of Cretaceous andesitic to basaltic flows and tuffs intercalated with greywacke, limestone, and shale beds. Cu-Zn skarn mineralization is in carbonate rocks adjacent to the Piedras Verde granodiorite. Mineralization exhibits strong stratigraphic control and two stratigraphic horizons host the bulk of the mineralization: an upper calcic horizon, which predominantly hosts Zn-rich mineralization, and a lower dolomitic horizon, which predominantly hosts Cu-rich mineralization. In both cases, the highest grades are developed where structures and associated breccia zones cross these favorable horizons near skarn-marble contacts.

1.3 STATUS OF EXPLORATION, DEVELOPMENT AND OPERATIONS

The Bolivar Mine is currently an operational project. During 2019, the Piedras Verdes processing plant consistently produced copper concentrate of commercial quality with copper grade ranging between 21.7% Cu to 28% Cu, silver content in concentrate ranging from 392 g/t to 677 g/t, and gold content in concentrate ranging from 3.2 g/t to 7.9 g/t. Metal recovery for copper, silver, and gold averaged monthly 82.9%, 78.3% and 62.3%, respectively. The mined material is transported 5 km to the Piedras Verdes mill which currently operates at 3,500 tonnes of mineralized material per day (tpd).

1.4 MINERAL PROCESSING AND METALLURGICAL TESTING

Various development and test mining have occurred at the Bolivar Mine under Sierra Metal's ownership since 2005. Prior to late 2011, no processing facilities were available on site, and the mineralized material was trucked to the Cusi Mine's Malpaso mill located 270 km by road. Bolivar's Piedras Verdes processing facilities started operating in November 2011 at 1,000 tpd of nominal throughput. The mineralized material processing capacity was expanded to 2,000 tpd in mid-2013. The mill has been upgraded since and the current nominal throughput capacity is 3,500 tpd.

1.5 MINERAL RESOURCE ESTIMATE

CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014) defines a Mineral Resource as follows:

"A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling".

The "reasonable prospects for economic extraction" requirement generally implies that the quantity and grade estimates meet certain economic thresholds and that the Mineral Resources are reported at an appropriate cut-off grade (CoG) taking into account extraction scenarios and processing recoveries. To assess this at Bolivar, SRK has calculated an economic value for each block in terms of US dollars based on the grade of contained metal in the block, multiplied by the assumed recovery for each metal, multiplied by pricing established by Sierra Metals for each commodity. Costs for mining and processing are taken from data provided by Sierra Metals for their current underground mining operation.

The December 31, 2019, consolidated Mineral Resource statement for the Bolivar Mine is presented in Table 1-1.

Table 1-1: Consolidated Bolivar Mine Mineral Resource Statement as of December 31, 2019 – SRK Consulting (Canada), Inc. (1)(2)(3)(4)(5)

Category	Tonnes (Mt)	Ag (g/t)	Au (g/t)	Fe (%)	Cu (%)	Ag (M oz)	Au (k oz)	Cu (t)
Indicated	19.4	15.1	0.21	13.8	0.77	9.4	127.8	149,116
Inferred	21.4	14.2	0.21	13.5	0.78	9.8	145.6	167,077

Source: SRK, 2020

(1) Mineral resources are reported inclusive of ore reserves.
(2) Mineral resources are not ore reserves and do not have demonstrated economic viability.
(3) All figures are rounded to reflect the relative accuracy of the estimates.
(4) Mineral resources are reported at a value per tonne cut-off of US$24.25/t using the following metal prices and recoveries; Cu at US$3.08/t and 88% recovery; Ag at US$17.82/oz and 78.6% recovery, Au at US$1,354/oz and 62.9% recovery.
(5) Total Fe does not represent an estimate of magnetite content nor should be used as a proxy for a recoverable magnetite product.

1.6 MINERAL RESERVE ESTIMATE

A Mineral Reserve is the economically mineable part of a Measured and/or Indicated Resource. It includes diluting material and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-feasibility or Feasibility level as appropriate that include the application of Modifying Factors.

A Mineral Reserve has not been estimated for the project as part of this PEA.

The PEA includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

1.7 MINING METHODS

Bolivar Mine is a producing operation. The primary mining method is underground room and pillar mining. Previous mining at Bolivar has sometimes used lower cost and more productive longhole stope mining in areas where the mineralized zones have a steeper dip angle, and the mine plans to undertake a geotechnical assessment program in 2020/2021 to expand the use of longhole stope mining.

Current mineralized material production is from the El Gallo Inferior, Chimenea 1 and 2, and the Bolivar West mineralized zones.

The PEA evaluated seven different possible production rates for the Bolivar Mine:

- 5,000 tpd (base case)
- 7,000 tpd in 2024
- 10,000 tpd in 2024
- 10,000 tpd in 2026
- 12,000 tpd in 2024
- 12,000 tpd in 2026
- 15,000 tpd in 2024

An economic analysis of these production rates is provided in Section 22.

Development waste rock is primarily stored underground in historic mine openings. Mineralized material is hauled to the surface using one of several adits or declines accessing the mineralized material, and then dumped onto small surface storage pads outside the portals. The mineralized material is then loaded into rigid-frame, over-the-road trucks and hauled on a gravel road approximately 5 km south to the Piedras Verdes mill. As explained in more detail in Section 18, the mine is constructing an underground tunnel that will enable mineralized material to be delivered via underground truck transport to a portal adjacent to the mill. This development will eliminate the impact of bad weather on the current surface truck haulage system and will provide a lower cost and more reliable method of delivering mineralized material to the plant.

Mine production at Bolivar in 2019 averaged approximately 3,500 tpd, but frequently surpassed 4,000 tpd and achieved rates of 5,000 tpd in early 2020.

1.8 RECOVERY METHODS

Sierra Metals operates a conventional concentration plant consisting of crushing, grinding, flotation, thickening, and filtration of the final concentrate. Flotation tails are disposed of in a conventional tailings facility and future tailings (mid-2020) will be deposited as dry-stack tailings. Run of mine mineralized material feed in 2019 totaled 1,269,697 t, equivalent to an average of 105,000 tonnes per month (t/m), or 3,500 tpd. The plant has repeatedly demonstrated that it can process 5,000 tpd and is doing so in 2020.

During 2019, production of copper concentrate consistently ranged between approximately 2,370 t/m and 3,850 t/m, equivalent to roughly a 2.9% mass pull. The monthly average concentrate consistently reached commercial quality with copper grade averaging 24.1% Cu and credit metals content in concentrate averaging 531.6 g/t silver and 5.57 g/t gold. Average monthly metal recovery for copper, silver, and gold was 82.9%, 78.3% and 62.3%, respectively.

1.9 PROJECT INFRASTRUCTURE

The project has fully developed infrastructure including access roads, a man-camp capable of supporting 329 persons that includes a cafeteria, laundry facilities, maintenance facilities for the underground and surface mobile equipment, electrical shop, guard house, fuel storage, laboratories, warehousing, storage yards, administrative offices, plant offices, truck scales, explosives storage, processing plant and associated facilities, tailings storage facility (TSF), and water storage reservoir and water tanks.

The site has fully developed and functioning electric power from the Mexican power grid, backup diesel generators and heating from site propane tanks.

The project has developed waste handling and storage facilities. The site has minimal waste rock requirements but does have a small, permitted area to dispose of waste rock. The tailings management plan at the Bolivar Mine includes placement of tails in several locations in and around the TSF that has been in operation since late 2011. The existing TSF has five locations to store tailings (TSF1 through TSF5).

A new dry-stack TSF (herein referred to as "New TSF") is to be located just to the west of the existing facility and has an expected life through 2025. The site is also installing an additional thickener and filter presses to allow additional water recovery. Thickened tails (60% solids) are being placed currently. After the filter presses are constructed, dry-stack tailings will be placed in the TSF starting in the latter part of 2020.

This PEA considers the use of tailings as backfill and has included the capital and operating costs for a backfill plant. Storing some of the tailings underground would increase the life of the TSF, and potentially permit the removal of mineralized material pillars that are currently unrecoverable.

The overall Project infrastructure exists already and is functioning and adequate for the purpose of the supporting the mine and mill.

1.10 ENVIRONMENTAL STUDIES AND PERMITTING

Sierra Metals intends to build additional tailings capacity concurrent with mine operations, and the permitting associated with the TSF expansion has been completed.
Geochemical characterization results for 2014 and 2015, provided to SRK, indicate low metals leaching potential and either uncertain or non-acid generating potential. The 2016 ABA results (NP = 52.5 kg CaCO3/ton; AP = 141 kg CaCO3/ton), however, suggest that some of the more recent material may be potentially acid generating: NP/AP = 0.372. Additional investigation of the current materials being deposited into the tailings impoundment may be warranted; however, given the dryness of the Chihuahuan Desert, this may not necessarily be a material issue for the project.

In February 2017, Treviño Asociados Consultores presented to Sierra Metals a work breakdown of the anticipated tasks for closure and reclamation of the Bolivar Mine. The closure costs were estimated to be MX$9,259,318 (~US$475,324 based on the exchange rate at February 2020). SRK's scope of work did not include an assessment of the veracity of this closure cost estimate, but, based on projects of similar nature and size within Mexico, the estimate appears low in comparison.

1.11 CAPITAL AND OPERATING COSTS

Based on a planned production rate of 10,000 tpd (2024), the yearly capital expenditure by area is summarized in Table 1 2.

Table 1-2: Capital Cost Summary (not including magnetite recovery project)

Description	Total [US$ 000s]
Development sustaining capital	89,940
Ventilation sustaining capital	4,588
Development expansion capital	5,852
Equipment sustaining capital	41,200
Exploration sustaining capital	18,800
Exploration capital	35,897
Backfill plant capital	24,884
Plant sustaining capital	13,940
Plant expansion capital	67,500
Tailings storage facility capital	5,369
Tailings storage facility sustaining capital	1,380
Additional studies capital	2,274
Closure capital	5,000
Total Capital	**316,624**

Source: Sierra Metals, 2020

The addition of the proposed magnetite recovery project adds capital expenditure and is shown in Table 1 3 for the 10,000 tpd (2024) production case.

Table 1-3: Capital Cost Summary (including magnetite recovery project)

Description	Total [US$ 000s]
Development sustaining capital	89,940
Ventilation sustaining capital	4,588
Development expansion capital	5,852
Equipment sustaining capital	41,200
Exploration sustaining capital	18,800
Exploration capital	35,897
Backfill plant capital	24,884
Plant sustaining capital	13,940
Plant expansion capital	67,500
Tailings storage facility capital	5,369
Tailings storage facility sustaining capital	1,380
Magnetite recovery project	28,172
Additional studies capital	2,274
Closure capital	5,000
Total Capital	**344,796**

Source: Sierra Metals, 2021

The operating cost estimate is based on site specific data and has been factored to account for an expansion to 10,000 tpd (2024). Table 1 4 provides a summary of total operating costs and unit operating costs.

Table 1-4: Operating Cost Summary (not including magnetite recovery project)

Description	Life of Mine (US$000's)	Life of Mine (US$/t mineralized material)	Life of Mine (US$/Cu equivalent lb)
Underground Mining	433,099	10.36	0.61
Process	225,578	5.40	0.32
G&A	55,409	1.33	0.08
Backfill plant	112,383	2.69	0.16
Total Operating	**826,469**	**19.77**	**1.16**

Source: Sierra Metals, 2020
Note: numbers may not add up due to rounding

The addition of the proposed magnetite recovery project adds operating expenditure and is shown in Table 1 5 for the 10,000 tpd (2024) production case. The LOM US$/Cu equivalent lb data is shown in two ways, with and without the magnetite sales revenue included.

Table 1-5: Operating Cost Summary (including magnetite recovery project)

Description	LOM (US$ 000s)	LOM (US$/t mineralized material)	LOM US$/Cu lb equivalent (without magnetite sales revenue)	LOM US$/Cu lb equivalent (with magnetite sales revenue)
Underground Mining	433,099	10.36	0.61	0.51
Process	225,578	5.37	0.32	0.27
G&A	55,409	1.33	0.08	0.07
Magnetite recovery	290,958	6.96	0.41	0.34
Backfill plant	112,383	2.69	0.16	0.13
Total Operating	**1,117,427**	**26.73**	**1.56**	**1.32**

Source: Sierra Metals, 2021
Note: numbers may not add up due to rounding

1.12 ECONOMIC ANALYSIS

The economic analysis for this PEA was prepared by Sierra Metals and reviewed by SRK. The analysis is based on Mineral Resources only and includes Inferred Mineral Resources. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and must be supported at least by a pre-feasibility study. This PEA is preliminary in nature and there is no certainty that the results of the PEA will be realized.

The economic results shown in subsection 1.12 do not include the magnetite recovery project. Subsection 1.13 is an update to this PEA report and describes the economic analysis of the magnetite recovery project.

The commodity prices, and their sources, used in the economic analysis are described in Section 19 and are shown in Table 1 6.

Table 1-6: Commodity Price Forecast by Year

Metal	Unit	2020	2021	2022	2023	Long Term (LT)
Au	$/oz	1,755	1,907	1,782	1,737	1,541
Ag	$/oz	19.83	24.12	22.22	22.47	20.0
Cu	$/lb	2.65	2.86	2.89	2.93	3.05
Pb	$/lb	0.82	0.87	0.89	0.90	0.91
Zn	$/lb	0.94	0.99	1.04	1.04	1.07

Source: Sierra Metals, 2020

In addition to the prices listed above in Table 1-6, the NSR factors in Table 1-7 and the economic factors in Table 1-8 were also used in the economic analysis.

Table 1-7: NSR Factors

Process Recoveries*		
Cu	%	88
Ag	%	78.7
Au	%	62.43
Concentrate Grades		
Cu	%	25
Ag	g/t	570
Au	g/t	6.8
Moisture content	%	8
Freight, Insurance and Marketing		
Transport losses	%	0.5
Transportation	US$/wmt	42
Port	US$/wmt	9
Load	US$/wmt	40
Marketing	US$/dmt	10
Insurances	US$/wmt	10
Total	US$/dmt	102.92
Smelter Terms		
Cu payable	%	96
Ag payable	%	90
Au payable	%	92
Cu minimum deduction	%	1
Ag minimum deduction	oz/t	0
Au minimum deduction	oz/t	0

Treatment Charges/Refining Charges (TC/RC)		
Cu Concentrate TC	US$/dmt	69.00
Cu Refining charge	US$/lb Cu	0.069
Cu Refining cost	US$/t Cu	152.12
Cu Price Participation	US$/dmt	0
Average Penalties	US$/dmt	10
Ag Refining charge	US$/oz	0.35
Au Refining charge	US$/oz	6
Total treatment cost	US$/t Cu	727.68
Total cost of sales	US$/t Cu	879.80
Net Smelter Return Factors		
Cu	US$/t/%	48.8171
Ag	US$/t/g/t	0.4444
Au	US$/t/g/t	28.1940

Source: Sierra Metals, 2020
* NI 43-101 Technical Report (SRK Consulting (Canada) Inc. May 8, 2020)

Other economic factors and assumptions used in the economic analysis include:

Table 1-8: Economic Factors

Measure	Unit	Value
Discount Rate	%	8
LOM Average grade - Au	g/t	0.19
LOM Average grade – Ag	g/t	13.56
LOM Average grade - Cu	%	0.72
Ordinary Mining Entitled Royalty	US$/year	220,000
Extraordinary Mining Entitled Royalty (applied to precious metals)	%	0.5
Variable Special Mining Royalty	US$/year	Depends on operating margin
Tax Rate	%	30

Source: Sierra Metals, 2020
Numbers are presented on a 100% ownership basis and do not include financing costs.

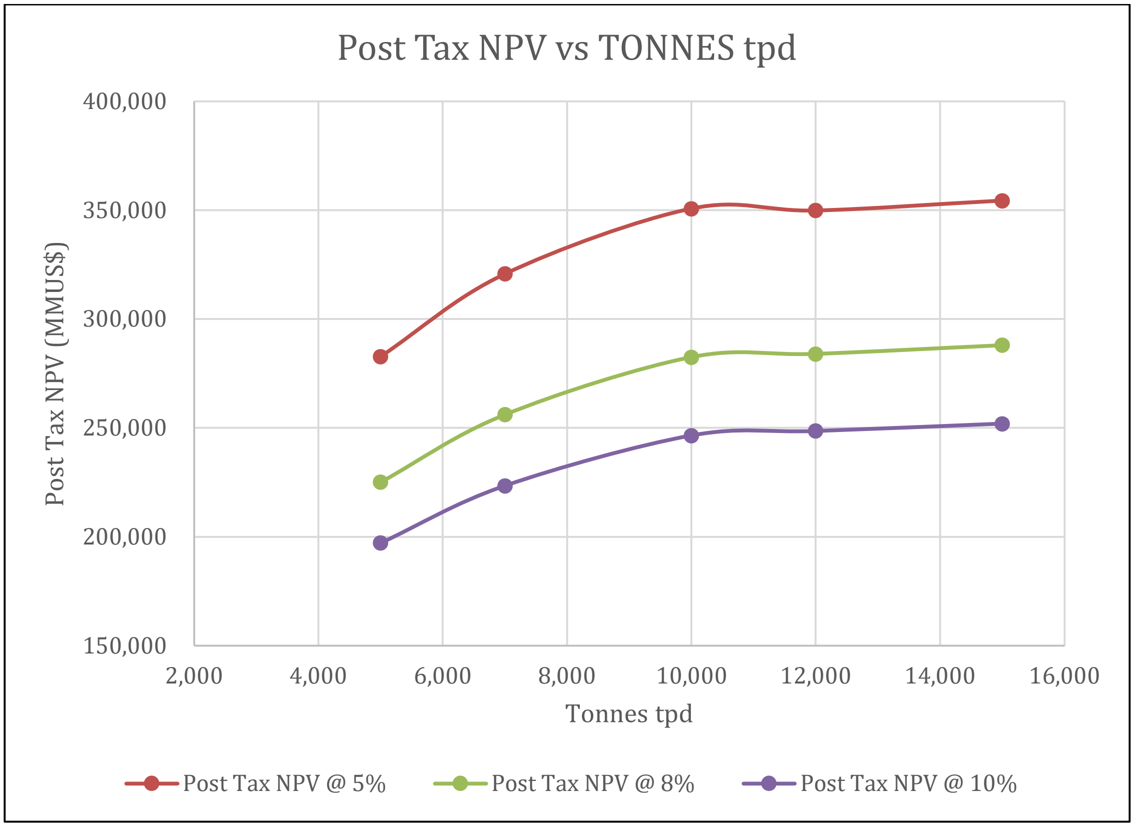
The economic analysis is based on mine schedule, CAPEX and OPEX estimation, and price assumptions detailed above. Table 1-9 shows the results of the economic evaluations for the production rates evaluated in this PEA using the metal prices in Table 1-6. The production rate option of 15,000 tpd (2024) has the highest post tax NPV with respect to the other options and both the 10,000 tpd (2024) and 12,000 tpd (2024) options have better returns than their 2026 counterparts.

Table 1-9: Summary Economic Evaluation

Summary Economic Evaluation								
Description	**Units**	**5 KTPD**	**7 KTPD**	**10 KTPD**	**10 KTPD**	**12 KTPD**	**12 KTPD**	**15 KTPD**
			2024	**2024**	**2026**	**2024**	**2026**	**2024**
Life of mine	Years	24	18	14	15	13	13	11
Market Prices (Long Term)								
Gold	$/oz	1,541	1,541	1,541	1,541	1,541	1,541	1,541
Silver	$/oz	20	20	20	20	20	20	20
Copper	$/lb	3.05	3.05	3.05	3.05	3.05	3.05	3.05
Net Sales								
Gold	k$	233,617	233,617	233,617	233,617	233,617	233,617	233,617
Silver	k$	265,316	265,316	265,316	265,316	265,316	265,316	265,316
Copper	k$	1,680,297	1,680,297	1,680,297	1,680,297	1,680,297	1,680,297	1,680,297
Gross Revenue	k$	2,179,230	2,179,230	2,179,230	2,179,230	2,179,230	2,179,230	2,179,230
Charges for treatment, refining, impurities	k$	172,461	172,461	172,461	172,461	172,461	172,461	172,461
Gross Revenue After Selling and Treatment Costs	k$	2,006,769	2,006,769	2,006,769	2,006,769	2,006,769	2,006,769	2,006,769
Royalties and Mining Permits	k$	83,539	88,233	94,097	93,335	96,937	95,509	99,936
Gross Revenue After All Costs	k$	1,923,230	1,918,536	1,912,672	1,913,435	1,909,832	1,911,260	1,906,833
Operating Costs								
Mine	k$	512,790	472,036	433,099	438,771	414,747	423,093	393,612
Plant	k$	259,792	242,443	225,578	228,035	217,521	221,151	208,147
G&A	k$	78,009	73,397	55,409	58,030	48,414	52,053	41,419
Back Fill	k$	145,984	128,510	112,383	114,732	104,987	108,413	96,638
Total Operating	k$	996,574	916,385	826,469	839,567	785,669	804,711	739,815
EBITDA	k$	926,656	1,002,151	1,086,203	1,073,867	1,124,163	1,106,550	1,167,018
LoM Capital + Sustaining Capital	k$	244,825	268,624	316,624	319,854	355,105	357,639	408,345
Working Capital	k$	18,849	18,276	18,146	18,696	18,950	17,566	18,146
Income Taxes	k$	-209,021	-220,058	-230,874	-230,410	-242,044	-224,673	-230,807
Cash flow before Taxes	k$	662,982	715,251	751,433	735,317	750,108	731,344	740,527
Cash flow after Taxes	k$	453,961	495,193	520,559	504,908	508,064	506,671	509,720
Post Tax NPV @ 5%	k$	282,882	320,898	350,787	334,178	349,978	336,798	354,455
Post Tax NPV @ 8%	k$	225,191	256,236	282,546	267,228	284,080	268,832	288,105
Post Tax NPV @ 10%	k$	197,271	223,529	246,605	232,484	248,693	233,214	252,002

Source: Sierra Metals, 2020

A sensitivity analysis of the Post Tax NPV vs Tonnes Per Day throughput is shown in Figure 1-1.



Source: Sierra Metals, 2020

Note: 5,000 tpd (base case), 7,000 tpd, 10,000 tpd (2024), 12,000 tpd (2024), 15,000 tpd are shown

Figure 1-1: Sensitivity Analysis – NPV vs TPD

Table 1-10: Incremental Post Tax NPV and Post Tax IRR

Production Rates	Post Tax NPV US$	Post Tax IRR %
7ktpd - 5ktpd	31,044,119	29.21%
10ktpd (2024) - 5ktpd	**57,354,818**	**27.87%**
10ktpd (2024) - 7ktpd	26,310,699	26.83%
12ktpd (2024) - 5ktpd	58,888,188	26.63%
12ktpd (2024) - 7ktpd	27,844,069	25.20%
12ktpd (2024) - 10ktpd (2024)	1,533,370	5.75%
15ktpd - 5ktpd	62,914,037	24.84%
15ktpd - 7ktpd	31,869,917	23.03%
15ktpd - 10ktpd (2024)	5,559,219	18.31%
15ktpd - 12ktpd (2024)	4,025,848	16.84%

Source: Sierra Metals, 2020

As seen in Table 1-10, the incremental benefit generated by increasing the production rate from 5,000 tpd to 10,000 tpd is very significant with an incremental post tax NPV of US$ 57.4 M and an incremental post tax IRR of 28%. However, the incremental benefit generated by increasing the production rate to 12,000 tpd or 15,000 tpd is far less significant and given that trebling the production rate can potentially present significant operational challenges, Sierra Metals has therefore selected the 10,000 tpd (2024) production rate as the preferred option.

The 10,000 tpd (2024) proposed mine plan requires a capital requirement (initial and sustaining) of US$ 317 M over the life of mine; efficiencies associated with higher throughputs are expected to drive a reduction in operating costs on a per tonne basis. This PEA indicates a post-tax NPV (8%) at 10,000 tpd (in 2024) of US$ 283 M. Total operating cost for the life of mine is US$ 827 M, equating to a total operating cost of US$ 19.77 per tonne milled and US$ 1.16 per pound copper equivalent.

The proposed mine plan is conceptual in nature and would benefit from further, more definitive, investigation. The Piedras Verdes processing plant can be adapted to process 10,000 tpd and would require:

- Temporary shutdown to overhaul equipment.
- Purchase of mobile jaw and cone crushers.
- Overhaul and reintroduction of idle equipment.

The availability of tailings storage capacity is a risk to the proposed mine plan, but it is noted that there is ample underground storage that could be utilized for the storage of tailings and the financial analysis has allowed for capital and operating costs for the operation of a tailings backfill plant.

1.13 MAGNETITE RECOVERY PROJECT

The magnetite recovery project was evaluated as an incremental addition to the Bolivar Mine project. In this section, an economic evaluation of the magnetite recovery project is provided and is based on the 10,000 tonnes/day (10,000 tpd in 2024) case.

The commodity price forecast is shown in Table 1-11. The modified Fe price forecast values used in the financial model are provided in Section 19 in Table 19-2.

Table 1-11: Commodity Price Forecast by Year

Metal	Unit	2020	2021	2022	2023	Long Term (LT)
Au	$/oz	1,755	1,907	1,782	1,737	1,541
Ag	$/oz	19.83	24.12	22.22	22.47	20.0
Cu	$/lb	2.65	2.86	2.89	2.93	3.05
Pb	$/lb	0.82	0.87	0.89	0.90	0.91
Zn	$/lb	0.94	0.99	1.04	1.04	1.07
Fe	$/tonne	N/A	153.00	125.00	100.00	80.00

Source: CIBC, Sierra Metals, 2021 (except Fe, Jeffries, June 2021)

The economic analysis of the Bolivar Mine, including the incremental addition of the magnetite recovery project, indicates an after tax NPV of US$361 million (using a discount rate of 8%) at 10,000 tonnes/day (10,000 tpd in 2024). Total operating cost for the life of mine is US$1,117 million, equating to a total operating cost of US$26.73 per tonne milled and US$1.56 per pound copper equivalent not including the revenue from magnetite, and US$1.32 per pound copper equivalent including the magnetite revenue.

Highlights of the economic analysis are provided in Table 1-12.

Table 1-1: Economic analysis of project including magnetite recovery project

Measure	Unit	Value
Net Present Value (After Tax 8% Discount Rate)	US$ M	361
LOM Mill Feed (ROM ore)	Tonnes (Mt)	41.8
LOM Mill Feed (tailings)	Tonnes (Mt)	6.0
Mining Production Rate	t/year	3,600,000
LOM Project Operating Period	Years	14
Total Life of Mine (LoM) Capital Costs	US$ M	345
Total Life of Mine (LoM) Operating Costs	US$ M	1,117
Net After – Tax Cashflow	US$ M	650
EBITDA	US$ M	1,299
Total Operating Unit Costs	US$/t	26.73
LOM Copper Production (Payable)	Mt	0.25
LOM Gold Production (Payable)	Moz	0.15
LOM Silver Production (Payable)	Moz	12.9
LOM Iron Concentrate Production, 62% Fe (Payable)	Mt	5.7

Source: Sierra Metals, 2021

The magnetite recovery project is also expected to provide additional benefits that have not been accounted for in the PEA report's economic evaluation:

1. Reduction of overall tailings management costs (less tailings to be handled and stored, reduced tailings storage development capital).
2. Reduction in future closure costs.

1.14 CONCLUSIONS AND RECOMMENDATIONS

1.14.1 Geology and Mineral Resources

SRK is of the opinion that the MRE has been conducted in a manner consistent with industry standards and that the data and information supporting the stated Mineral Resources are sufficient for declaration of Indicated and Inferred classifications of resources. SRK has not classified any of the resources in the Measured category due to some uncertainties regarding the data supporting the MRE.

General deficiencies related to the Geology and Mineral Resources of Bolivar include:

- No QA/QC program was conducted prior to 2016. This has been addressed by a limited resampling campaign of historical drill core and a more recent QA/QC program that was implemented in 2016. Continuation of the current QA/QC program will be required in order to achieve Measured Resources which generally are supported by high resolution drilling and sampling data that feature consistently implemented and monitored QA/QC.

- There is limited to no downhole deviation survey data for the historic drilling. The survey data obtained to date show significant deviations from planned orientations as well as local downhole deviations that influence the exact position of mineralized intervals.

- There is currently insufficient density sampling and analysis to adequately define this characteristic for the different lithological units and mineralization types in the various areas of the project. Correlation of density to mineralization characteristics is important for this type of deposit and therefore additional density sampling and analysis will be required for all future drilling.

- There is inadequate detailed structural geology data collection from drill core to support interpretation of local mineralization controls and geotechnical characteristics.

- A significant portion of the current sample database is missing gold analysis and therefore the current Mineral Resources may not accurately reflect the true value of Bolivar mineralization locally.

- Bolivar currently does not have an adequate production reconciliation system to allow for robust comparison of mill production to mine forecasts.

SRK recommends the following action items for Bolivar:

- Complete downhole surveys for all future exploration and delineation drill holes using a non-magnetic downhole survey instrument.

- Continue to improve upon the current sample assay QA/QC program and monitor progress of the program over time to identify trends in the preparation and analytical phases of sample analysis.

- Complement the QA/QC protocol using additional controls including coarse blanks, twin samples, fine and coarse duplicates, and a second lab control using a certified laboratory to control the different phases of the preparation and chemical analysis process.

- Document the failures in the quality control protocol and the correction measurements taken.

- Implement a consistent density testing program including the representative selection of drill core from the different lithological units and mineralization types for the various areas of Bolivar and La Sidra. Multiple density samples should be collected from every drill hole so that local density fluctuations can be assessed.

- Density samples should be submitted for geochemical analysis to allow for correlation of density to mineralization type and extent.

- Density check samples (approximately 5 to 10% of total) should be submitted to a third-party independent laboratory such as ALS Minerals for testing using ASTM standards as part of the QA/QC program. These samples should also be analyzed using the current methods employed by Sierra and reviewed to ensure that the mine site analytical performance is reasonable.

- Drill core samples previously not analyzed for gold content should be re-analyzed for gold content. Current Mineral Resources may not reflect the true value of the mineralization and metal content due to missing gold analysis. All future drill core samples should be summitted for the full suite of geochemical analyses.

- Delineation and infill drilling are recommended in areas of Inferred Mineral Resources to facilitate upgrading to higher confidence resource categories (i.e. Indicated or Measured Mineral Resource) to support life of mine planning activities. A drill hole spacing study should be completed to provide guidance on drill hole density requirements.

- Detailed structural geology data collection (i.e. oriented drill core) should be implemented for all future drill holes to allow for more detailed analysis of mineralization controls and geotechnical assessments to support mine design.

- Continue to develop a site wide litho-structural model to support exploration, Mineral Resource delineation and mine design activities.

- Implement a production reconciliation system to allow for proper reconciliation of mill production to mine forecasts. This should include the development of a dynamic grade control model to support short- and long-term mine planning activities.

- Undertake a backfill study to determine the suitability of using tailings as backfill in stopes.

1.14.2 Recovery Methods

There is a high level of month-to-month variability for both tonnes and head grade input to processing. Better integration between geology, mine planning and processing can significantly reduce this variability. Additional work is also needed in the processing facilities to stabilize the operation. Improvements include the implementation of a preventive maintenance program and training programs to improve operators' skill, with the ultimate objective of improving metal recovery and lowering operating cost, while maintaining or improving concentrate quality.

Regarding the recovery of magnetite from both newly produced tailings from the run-of-mine ore and from the old (legacy) tailings, a 70% recovery figure is deemed to be reasonable based on the preliminary testwork done to date. The following conclusions are made regarding the recovery of magnetite:

- It is necessary to evaluate the installation of regrinding mill ahead of the magnetic concentration stage. The regrind mill would likely improve liberation of the iron, as well as impurities, therefore allowing the multi-stage magnetic separation to produce a commercial quality iron concentrates in terms of iron grade and impurities content.

- Additional testwork is necessary to narrow down the target regrind P80. The available data suggests that achieving a grind size of 100% less than 100 micrometres should achieve the desired iron recovery and impurities content.

- The magnetic concentration plant needs a multi-stage circuit with a minimum of three stages: a rougher stage followed by two cleaning stages, with tails from the cleaning stages being recirculated back to the rougher stage.

- Bolivar needs to execute further magnetic separation tests on head grade variability for old tailings and "new" tailings from the future processing of ore. All these tests need to be carried out under a standard flowsheet as described previously.

1.14.3 Tailings Management

As part of the overall tailings management plan, Bolivar is moving to filtered tailings (also known as dry-stack tailings). Expansion in the immediate area of the currently operating facility will occur as the site was first moved to thickened tailings in mid-2017 and will move to filtered tailings in mid-2020. An analysis of utilizing tailings as backfill in the mine should be carried out, and a trade-off study should be completed to determine if the size of the New TSF can be reduced.

Based on the 2016 geochemical characterization data, a more robust and comprehensive closure program for the tailings should be undertaken with an emphasis on closure of the existing facilities in such a manner as to not pose a risk to local groundwater resources.

1.14.4 Environmental, Permitting, and Social

It does not appear that there are currently any known environmental issues that could materially impact the extraction and beneficiation of Mineral Resources at Bolivar Mine.

Ongoing management of dust on surface roadways between the mine and the plant location should be actively performed to protect Sierra Metals's social license and avoid regulatory compliance violations.

More recent geochemical characterization data suggest that some of the material from the underground mine may be potentially acid generating. Additional investigation of the current materials being deposited into the tailings impoundment may be warranted; however, given the dryness of the Chihuahuan Desert, this may not necessarily be a material issue for the project.

SRK's scope of work did not include an assessment of the veracity of the closure cost estimate completed in 2017 by Treviño Asociados Consultores, but, based on projects of similar nature and size within Mexico, the estimate appears low in comparison.

SRK has the following recommendations regarding environment, permitting, and social or community impact at Bolivar:

- The issue of surface road fugitive dust emissions should be addressed as soon as possible to avoid jeopardizing the mine's social license and incurring compliance violation from the regulatory authorities.

- SRK recommends that Sierra Metals contract an independent, outside review of the closure cost estimate, with an emphasis on benchmarking against other projects in northern Mexico. This may require a site investigation and the preparation of a more comprehensive and detailed closure and reclamation plan before a closure specialist evaluates the overall closure approach and costs.

In 2017, FLOPAC Ingenieria signed a contract to conduct geophysics, geotechnical and hydrological studies. Based on the results of these studies, a new tailings dam was designed.

In connection with the recent transition of the Company's executive team, management is currently undertaking a review of its permits and permitting requirements with respect to its operations at the Bolivar Mine (see "Risk Factors – Burden of government regulation and permitting").

UPDATED MINERAL RESOURCE AND MINERAL RESERVE INFORMATION

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 been removed from the tables below.

The Company prepared an updated mineral resource estimate for the Yauricocha Mine and the Bolivar Mine as at December 31, 2023 which is set out in the chart below:

Resources – Measured and Indicated (1)(2) (based on SRK Technical Reports, depleted by production to December 2023)											Contained Metal							
		Tonnes (x1000)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	AgEq(5) (g/t)	CuEq(4) (%)	ZnEq(3) (%)	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	Measured	2,753	64	1.19	0.95	2.68	0.64	-	-	7.17	6	72	58	163	57	-	-	435
	Indicated	8,581	35	1.22	0.45	1.77	0.50	-	-	5.43	10	232	84	334	138	-	-	1,027
	Measured and Indicated	11,334	42	1.22	0.57	1.99	0.54	-	-	5.85	15	305	142	498	194	-	-	1,462
Bolivar	Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Indicated	16,705	15	0.77			0.19	-	0.98	-	8	283	-	-	103	-	363.	-
	Measured and Indicated	16,705	15	0.77	-	-	0.19	-	0.98	-	8	283	-	-	103	-	363	-
Total	**Measured and Indicated**	**28,039**	**26**	**0.95**	**0.23**	**0.80**	**0.33**				**23**	**588**	**142**	**498**	**297**	**-**	**363**	**1,462**

Resources – Inferred(1)(2) (based on SRK Technical Reports, Depleted by production to December 2023)											Contained Metal							
		Tonnes (x1000)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	AgEq(5) (g/t)	CuEq(4) (%)	ZnEq(3) (%)	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		**18,741**	**14**	**0.78**			**0.20**	**-**	**0.99**	**-**	**8**	**322**	**-**	**-**	**121**	**-**	**410**	**-**
Total	**Inferred**	**30,307**	**20**	**1.02**	**0.12**	**0.39**	**0.29**				**19**	**681**	**83**	**261**	**282**	**-**	**410**	**1,242**

Notes:

(1) 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.

(2) Figures may not add due to rounding.

(3) 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$*Pbrec)+ (Zn*Zn$*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.

(4) 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.

The above mineral resource estimate has been reviewed by Ricardo Salazar Milla, the Company's Corporate Manager – Mineral Resources, a Qualified Person as defined in the National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

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

Yauricocha PEA Technical Report – effective date: March 31, 2021
Bolivar PEA Technical Report – effective date: December 31, 2019

In preparing the above estimate, Mr. Salazar has taken account of changes to the mineral resources due to mining depletion as of the effective date of the estimates to December 31, 2023. 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 PEA Technical Reports.

RISK FACTORS

The Company's ability to generate revenues and profits from its mineral properties, or any other mineral property it may acquire, is dependent upon a number of factors. The risks and uncertainties described below as well as the other information contained in this AIF should be carefully considered. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. If any of these events actually occur, Sierra's business, prospects, financial condition, cash flows and operating results could be materially harmed.

Liquidity risks and going concern

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

On October 18, 2022, the Company announced that it was facing liquidity challenges as a result of the already announced unexpected flooding events at its Mexican operations and the suspension of operations at the Yauricocha Mine (which have since resumed), following a mudslide incident in September 2022.

As a result of these events the Company has been in breach of its debt covenants until and as on December 31, 2023, related to its senior secured corporate credit facility (the "**Corporate Facility**"). The Company obtained waivers related to the covenant breaches for the Corporate Facility. If the Company is unable to obtain such waivers for any potential future breaches of its debt covenants, it could materially and adversely affect the Company's future operations, cash flows, earnings, results of operations, financial condition and the economic viability of its projects.

As a result of the aforementioned breach of the debt covenants, the Company has reclassified the entire amount of the Corporate Facility as short-term, resulting in a negative working capital reported on the Company's Statement of Financial Position. On December 31, 2023, the Company was in compliance with all the covenants related to its term loan from the lenders. (Refer to note 10 (b) of the Company's audited financial statements for the year ended December 31, 2023)

The conditions described above indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

During 2023, the Company formalized a refinancing contract with the Lenders to defer three out of four repayment instalments due in 2023. In accordance with this renegotiated contract, the Company paid $6.2 million of the total repayments of $25.0 million and deferred the balance of $18.8 million to 2025.

During 2023, the Company also closed a non-brokered private placement by issuing 43,107,360 Common Shares at a price of C$0.38 per share for aggregate gross proceeds of C$16.4 million from various investors, including existing shareholders, directors and employees.

On December 31, 2023, the Company reported a negative working capital of $866.7 million and cash and cash equivalent balance of $9.1 million, and a net gain from continuing operations of $6.6 million.

The Company's ability to continue as a going concern is dependent on its ability to repay or refinance its current loans and obtain the necessary financing to advance its exploration projects and meet its ongoing corporate overhead costs. Although the Company has been successful in obtaining debt or equity financing in the past, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company. These consolidated financial statements are prepared on a going concern basis which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include adjustments to the recoverability and classification of recorded asset and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. The Company has in place a 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's budgets and forecasts are based on estimates of commodity prices, future production, operating costs and capital costs. The Company cannot assure that such revenues, production plans, costs or other estimates will be achieved. Actual revenues and production costs may vary from the estimates depending on a variety of factors, many of which are not within the Company's control. Failure to achieve revenue, production or cost estimates or material increases in costs or material decreases in commodity prices could have a material adverse impact on the Company's ability to meet its financial obligations as they come due.

The Company ensures that it has sufficient committed credit facilities to meet its short-term operating needs. There can be no guarantee that the Company will be successful in obtaining these credit facilities on acceptable terms, or at all. If additional financing is not available, the Company may have to postpone its capital expenditures and exploration programs, which could materially impact the long-term financial performance of the Company.

Political risk

The potential impact of future social instability, labor disruptions and any lack of public order in Mexico and Peru, and on the Company's operations in particular, is not known at this time. In particular the presidential and congress elections in June 2024 in Mexico may cause political and regulatory uncertainty. This uncertainty may affect operations in unpredictable ways, including disruptions of supplies and markets, ability to move equipment from site to site, or disruption of infrastructure facilities, including public roads, could be targets or experience collateral damage as a result of social instability, labor disputes or protests. The Company may be required to incur significant costs in the future to safeguard the Company's assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to the Company's assets. There can be no assurance that the Company will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Company does suffer damage.

Operating hazards and risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, criminal activity, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material adverse effect on the Company's financial position.

The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry at reasonable terms or at all. In addition, the Company's insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on Sierra's business.

Minera Corona is not a wholly-owned subsidiary

The Company owns 81.84% of Minera Corona, which in turn owns 100% of the Yauricocha Mine. Minera Corona is also a publicly traded company with its securities listed on the Lima Stock Exchange and consequently has certain disclosure and reporting obligations as a public company which may differ from those of Sierra. The directors and officers of Minera Corona (including those who may from time to time also be directors and officers of Sierra) owe a duty to Minera Corona that may conflict with the interests of the Company. Furthermore, the directors and officers of Minera Corona may also owe a duty to minority shareholders of Minera Corona which may conflict with the interests of the Company. In the event of such conflict, the directors and officers of Minera Corona may need to balance these completing interests in their decision making and certain decisions of the directors and officers of Minera Corona may ultimately not be favorable to the Company.

Base and precious metal price fluctuations

The value and price of the Company's securities, its financial results, and its exploration, development and mining activities may be significantly adversely affected by declines in the price of precious and base metals. Such prices may fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of precious and base metal producing countries throughout the world. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Mineralized material calculations and life-of-mine plans using significantly lower precious and base metal prices could result in material write-downs of the Company's investments in mining properties and increased amortization, reclamation and closure charges.

Mining operations

The capital costs required by the Company's projects may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Company's current technical reports, may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the NPV and internal rates of return of the Company's mineral properties as set forth in the applicable technical report. Similarly, there can be no assurance that historical rates of production, grades of ore processed, rates of recoveries or mining cash costs will not experience fluctuations or differ significantly from current levels over the course of the mining operations conducted by the Company.

In addition, there can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

Exploration and development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, other than the mineral resources and reserves on the Yauricocha Mine and Bolivar Mine, none of the Company's properties have any orebodies with proven or probable reserves.

The economics of developing precious and base metal properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Substantial expenditures are required to discover an ore body, to establish mineral resources and reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Uncertainty of calculation of reserves and resources and metal recoveries

Although the Company's reported mineral reserves and resources have been prepared by Qualified Persons, these amounts are estimates only by independent geologists, and the Company cannot be certain that any specified level of recovery of mineral will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body that can be economically exploited. Mineralized materials, which are not mineral reserves, do not have demonstrated economic viability. Any material changes in the quantity of mineralization, grade or stripping ratio, or the metal price may affect the economic viability of the Company's properties. In addition, the Company cannot be certain that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production.

The mineral resource and reserve figures included in the AIF and the documents incorporated by reference are estimates, which are, in part, based on forward-looking information, and no assurance can be given that the indicated level of precious or base metals will be produced. Although resource estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Factors such as inherent sample variability, metal price fluctuations, variations in mining and processing parameters, increased production costs, reduced recovery rates and adverse changes in environmental or mining laws and regulations may render the present proven and probable reserves unprofitable to develop at a particular site or sites for periods of time and/or may require a reassessment of the commercial feasibility of a particular project. Such a reassessment may be the result of a management decision related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

Replacement of reserves and resources

The Yauricocha Mine and Bolivar Mine are the Company's only current sources of mineral production. Current life-of-mine plans provide for a defined production life for mining at the Company's mines. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, financial performance and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning.

Fluctuations in the price of consumed commodities

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other re-agents fluctuate and affect the costs of production at the Company's operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on the Company's operating costs or the timing and costs of various projects. The Company's general policy is not to hedge its exposure to changes in prices of the commodities used in its business.

Risk of foreign operations

The Company's operations are currently conducted through subsidiaries principally in Peru and Mexico and, as such, its operations are exposed to various levels of political, economic and other risks and uncertainties in those countries which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets.

The Yauricocha mine is located in Peru. The effect of any social unrest, protests, political instability or interference in Peru cannot accurately be predicted and could have a significant adverse effect on the Company's operating results, its financial condition, or its ability to retain and/or renew existing or new permits to continue its operations as intended.

The risks and uncertainties specific to the Company's Mexican operations vary from region to region and include, but are not limited to, terrorism, hostage taking, murder, corruption of government officials, blackmail, extortion, local drug gang activities as the Company's operations are located in areas where Mexican drug cartels operate, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, nationalization, renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation of earnings or capital, changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Mexico continues to undergo violent internal struggles between the government and organized crime with drug cartel relations and other unlawful activities. The number of kidnappings, violence and threats of violence throughout Mexico is of particular concern. While the Company takes measures to protect both personnel and property (including certain police escorts in and out of areas), there is no guarantee that such measures will provide an adequate level of protection for the Company or its personnel. The occurrence of illegal activity against the Company or its personnel cannot be accurately predicted and could have an adverse effect on the Company's operations.

The current Mexican Government (Presidential elections are in June 2024) is looking to ban open pit mining in the country. While the company operations are underground and this possible ban will not affect its operations, changes to current laws governing the Company's Mexican operation, and political changes in Mexico may risk the Company´s ability to obtain future or new permits.

Additionally, local opposition to mine development projects could arise in Peru and/or Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's foreign operations. If the Company were to experience resistance or unrest in connection with its foreign operations, it could have a material adverse effect on its operations and profitability. To the extent the Company acquires mineral properties in jurisdictions other than Peru and Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

Burden of government regulation and permitting

The Company's operations, exploration and development activities are subject to extensive foreign federal, state and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post-closure reclamation, safety and labour, mining law reform, price controls import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company retains competent and well-trained individuals and consultants in jurisdictions in which it does business, however, even with the application of considerable skill the Company may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

In the ordinary course of business, the Company will be required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits and licenses are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licensing authority. The Company may not be able to obtain or renew permits and licenses that are necessary to continue its operations or the cost to obtain or renew permits and licenses may exceed what the Company expects. Any unexpected delays or costs associated with the permitting and licensing process could delay the development or impede operations, which may adversely affect the Company's revenues and future growth.

Risks relating to outstanding borrowings

The Company's ability to repay its outstanding borrowings depends on its future cash flows, profitability, results of operations and financial condition. The Company has prepared budgets based on estimates of commodity prices, future production, operating costs and capital costs. However, the Company cannot assure that such revenues, production plans, costs or other estimates will be achieved. Actual revenues and production costs may vary from the estimates depending on a variety of factors including those discussed herein, many of which are not within the Company's control. Failure to achieve revenue, production or cost estimates or material increases in costs or material decreases in commodity prices could have a material adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

If there is any event of default under any of the Company's loan facilities, the principal amount of such loans, plus accrued and unpaid interest, if any, may be declared immediately due and payable. If such an event occurs, this would place additional strain on the Company's cash resources, which could inhibit its ability to further its operating and/or exploration activities.

Uncertainty of title to assets

Although the Company believes that it has exercised commercially reasonable diligence with respect to determining title to properties that it owns, controls or has rights in, there is no guarantee that title to such properties will not be challenged or impugned. The Company's properties may be subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties which could impair development and/or operations of the Company. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Environmental risks

All phases of the Company's operations are subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company cannot be certain that future changes in environmental regulations, if any, will not adversely affect its operations. Environmental hazards may exist on properties held by the Company that are unknown to it and that have been caused by previous or existing owners or operators of the Company's properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Litigation risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Although the Company is not currently aware of any threatened or pending legal proceedings other than as disclosed in the Company's financial statements, there is no guarantee that the Company will not become subject to additional proceedings in the future. There can be no guarantee of the outcome of any such claim. In addition, defense and settlement costs for any legal proceeding can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's financial position or results of operations.

Insurance risks

The Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, the Company expects that insurance against risks such as environmental pollution or other hazards as a result of exploration and production may be prohibitively expensive to obtain for a company of Sierra's size and financial means. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial condition and results of operations.

Competitive risks

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company does. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms acceptable to the Company or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Volatility in the price of the Common Shares

Securities of mineral resource and mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. In addition, because of the nature of the Company's business, certain factors such as public announcements and the public's reaction, the Company's operating performance and the performance of competitors and other similar companies, fluctuations in the market prices of precious and base metals, government regulations, changes in earnings estimates or recommendations by research analysts who track Sierra's securities or securities of other companies in the resource sector, general market conditions, announcements relating to litigation, the arrival or departure of key personnel and the risk factors described in this AIF can have an adverse impact on the market price of the Common Shares.

Any negative change in the public's perception of the Company's prospects could cause the price of its securities, including the price of the Common Shares, to decrease dramatically. Furthermore, any negative change in the public's perception of the prospects of mining companies in general could depress the price of Sierra's securities, including the price of the Common Shares, regardless of the Company's results. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Global financial risks

Financial markets globally have been subject to increased volatility. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the Company's ability to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to Sierra. The levels of volatility and market turmoil are on the rise, and the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

Employee recruitment and retention

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's CEO and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. The Company could experience increases in its recruiting and training costs and decreases in its operating efficiency, productivity and profit margins. If the Company is not able to attract, hire and retain qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, financial performance and financial condition.

Reliance on key personnel and labour relations

The Company's operations are dependent on the abilities, experience and efforts of key personnel. If any of these individuals were to be unable or unwilling to continue to provide their services to the Company, there may be a material adverse effect on the Company's operations. The Company's success is dependent upon its ability to attract and retain qualified employees and personnel to meet its needs from time to time. The Company may be negatively impacted by the availability and potential increased costs that may be associated with experienced key personnel and general labour. Sierra's ability to achieve its future goals and objectives is dependent, in part, on maintaining good relations with its employees and minimizing employee turnover. Work stoppages or other industrial relations events at any of Sierra's operations could lead to delayed revenues, increased costs and delayed operation cash flows. As a result, prolonged labor disruptions at any of Sierra's operations could have a material adverse impact on its operations as a whole.

Potential conflicts of interest

Certain of the Company's directors and officers serve, or may serve in the future, as officers and directors for other companies engaged in natural resource exploration, development and/or production. Consequently, there is a possibility that the Company's directors and/or officers may be in a position of conflict in the future.

To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The CBCA requires the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

Significant shareholders

Arias Resource Capital Fund II L.P., Arias Resource Capital Fund II (Mexico) L.P. (collectively, the "**ARC Funds**"), Arias Resource Capital GP Ltd., J. Alberto Arias and Arias Resource Capital Management LP (the "**Manager**") collectively own a significant number of Common Shares. This significant concentration of ownership may adversely affect the trading price for the Common Shares because investors often perceive disadvantages in owning shares in companies with significant shareholders. In addition, these shareholders may be able to exercise influence over certain matters requiring shareholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of the Company or its assets. This concentration of ownership could limit investors' ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation, or other business combination involving the Company, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit the Company's other shareholders.

Third party reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Potential dilution of present and prospective shareholdings

The exercise of stock options and restricted share units ("**RSUs**") issued by the Company and the issuance of other additional equity securities in the future could result in dilution in the value of the Common Shares and the voting power represented by such shares. Furthermore, to the extent holders of the Company's stock options or other securities exercise their securities and then sell the Common Shares they receive, the trading price of the Common Shares may decrease due to the additional number of Common Shares available in the market.

Currency risks

The Company's operations in Mexico and Peru are subject to foreign currency exchange fluctuations. The Company may suffer losses due to adverse foreign currency fluctuations.

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 raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration and operating costs of the Company are denominated in United States dollars, Peruvian Nuevo Soles, and Mexican pesos. In addition, the Company's sales of silver, copper, lead, zinc and gold are denominated in United States dollars. The United States dollar is the functional currency of the Peruvian entities and the 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 that are subject to currency risk. As a result, the Company's financial performance may be significantly impacted by changes in foreign exchange rates.

Risks relating to cyclical business

The mining and exploration industry is cyclical in nature. The mining industry is subject to commodity pricing, which is in turn affected by other economic indicators and worldwide cycles. The pricing cycles that the mining industry experiences affect the overall environment in which the Company conducts its business. For example, if commodity pricing is low, Sierra's access to capital may be restricted. Continuing periods of low commodity prices or economic stalls could also affect the economic potential of the Company's current properties and may affect its ability to, among other things: (i) capitalize on financing, including equity financing, to fund its ongoing operations and exploration and development activities; and (ii) continue exploration or development activities on its properties.

Weather cycles may affect the Company's ability to conduct exploration activities at its mines, including the Yauricocha Mine, Bolivar Mine and Cusi Mine. More specifically, drilling and other exploration activities may be restricted during periods of adverse weather conditions or winter seasons as a result of weather-related factors, including inclement weather, snow covering the ground, frozen ground and restricted access due to snow, ice, or other weather-related factors.

Financial reporting standards

The Company prepares its financial reports in accordance with IFRS applicable to publicly accountable enterprises. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

Credit risks

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, other receivables and financial assets.

Climate change

There is significant evidence of the effects of climate change on our planet and an intensifying focus on addressing these issues. Governments are introducing climate change legislation and treaties at the international, national, and local levels, and regulations relating to emission levels and energy efficiency are evolving and becoming more rigorous. However, the laws and regulatory requirements are not consistent across the jurisdictions in which we operate, and regulatory uncertainty is likely to result in additional complexity and cost in our compliance efforts. Public perception of mining is, in some respects, negative and there is increasing pressure to curtail mining in many jurisdictions as a result, in part, of perceived adverse effects of mining on the environment. Concerns around climate change may also affect the market price of the Company's shares as institutional investors and others may divest interests in industries that are thought to have more environmental impacts. While the Company is committed to operating responsibly and reducing the negative effects of its operations on the environment, its ability to reduce emissions, energy and water usage by increasing efficiency and by adopting new innovation is constrained by technological advancement, operational factors and economics. Adoption of new technologies, the use of renewable energy, and infrastructure and operational changes necessary to reduce water usage may also increase the costs at the Company's operations significantly. Concerns over climate change, and the Company's ability to respond to regulatory requirements and societal pressures, may have significant impacts on its operations and on its reputation, and may even result in reduced demand for its products. The physical risks of climate change could also adversely impact the Company's operations. These risks include, among other things, extreme weather events, resource shortages, changes in rainfall and in storm patterns and intensities, water shortages, changing sea levels and extreme temperatures. Climate-related events such as mudslides, floods, droughts and fires can have significant impacts, directly and indirectly, on the Company's operations and could result in damage to its facilities, disruptions in accessing its sites with labour and essential materials or in shipping products from its mines, risks to the safety and security of its personnel and to communities, shortages of required supplies such as fuel and chemicals, inability to source enough water to supply its operations, and the temporary or permanent cessation of one or more of its operations. There is no assurance that the Company will be able to anticipate, respond to, or manage the risks associated with physical climate change events and impacts, and this may result in material adverse consequences to its business and to its financial results.

Biological hazards (COVID-19)

The employees at the Company's operating locations are fully vaccinated and hence the Company experienced negligible cases of COVID-19 during 2023. The implementation of various preventive and control strategies such as ventilated spaces, hand washing, screening for respiratory symptoms and ongoing COVID-19 training allowed for a stronger epidemiological shield and effective control of positive cases in the mining units.

While the World Health Organization declared the end of the COVID-19 global emergency in May 2023, there has been a spread of new COVID-19 mutations during the year. Such new mutations or other pathogens and local government mandates could impact the Company's operations in the future. The extent to which these circumstances will impact the operations will depend on future developments which are highly uncertain and cannot be predicted with confidence.

Cybersecurity Risk

The risk of a cyber-attack on the Company's servers, computers, software, data and network is possible. The Company has local protocols in place to manage and prevent security risks related to cyber-attacks, including active malware protection, intrusion detection, authentication methods, and use of dedicated servers and secure cloud-based servers. However, there can be no assurance that this can effectively prevent or manage a cyber-attack on the Company and risks exist related to exposing private non-public information or private personnel information. The Company continues to advance its cyber security systems and develop and enhance controls, processes and practices designed to protect the Company's systems from attack, damage or unauthorized access. Additionally, the Company's insurance policies consider coverage for cyber related attacks. As cyber-attacks continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Dividends and Distributions

Other than as set forth herein, no cash dividends or distributions were declared on Sierra's securities for each of the three most recently completed financial years.

On November 5, 2021, the Company declared an annual cash dividend of $0.03 per Common Share to the holders of issued and outstanding Common Shares as of the close of business on November 22, 2021. Accordingly, this dividend of approximately $4.9 million was paid on December 7, 2021.

The amount of future dividends to be declared in the future, if any, shall be considered by the Board on a quarterly basis and will depend on the Company's overall cash and operating position at the relevant time, satisfaction of solvency tests imposed by applicable law for the declaration and payment of dividends and other relevant factors.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the date hereof, the Company has 209,667,546 Common Shares issued and outstanding.

Each Common Share carries one vote at all meetings of shareholders, is entitled to receive dividends as and when declared by the Board and is entitled to participation in the remaining property and assets of the Company upon dissolution or winding-up. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights.

MARKET FOR SECURITIES

The Common Shares are currently listed for trading on the TSX under the symbol "SMT".

TRADING PRICES AND VOLUMES

The following table provides a summary of the high and low prices and aggregate volume for the Common Shares as traded on the TSX for the twelve-month period ending December 31, 2023.(1)

Period	High (C$)	Low (C$)	Volume
January 2023	0.55	0.23	3,020,409
February 2023	0.48	0.41	1,212,523
March 2023	0.54	0.36	2,857,845
April 2023	0.43	0.38	1,699,505
May 2023	0.40	0.37	1,937,027
June 2023	0.40	0.36	1,971,343
July 2023	0.42	0.38	2,081,773
August 2023	0.40	0.35	855,459
September 2023	0.41	0.36	1,771,838
October 2023	0.41	0.34	2,127,474
November 2023	0.85	0.39	3,765,568
December 2023	0.65	0.75	3,552,799

(1) Source: TSX Infosuite.

PRIOR SALES

During the fiscal year ended December 31, 2023, the Company issued the following securities that are not listed or quoted on a marketplace:

Date of Issue	Type of Security Issued	Number of Securities Issued
March 31, 2023	RSUs	794,858(1)
June 5, 2023	RSUs	1,550,120
June 28, 2023	DSUs	2,281,465
August 16, 2023	RSUs	1,615,991
August 21, 2023	DSUs	326,529
August 31, 2023	RSUs	243,268
September 6, 2023	RSUs	503,911
September 11, 2023	RSUs	240,126

(1) 163,388 of these RSUs have since been cancelled.

ESCROWED SECURITIES

Other than disclosed herein, to the Company's knowledge, as at December 31, 2023, no securities of the Company were held in escrow or were subject to contractual restriction on transfer.

In connection with the departure of Luis Marchese as CEO in 2022, certain of his RSUs were accelerated with the underlying Common Shares subject to contractual lock-up, such that: (a) 103,333 of such Common Shares are restricted from transfer until December 1, 2023; (b) 103,333 of such Common Shares are restricted from transfer until December 1, 2024; and (c) 103,334 of such Common Shares are restricted from transfer until December 1, 2025 (subject to certain acceleration in the event of a change of control of the Company).

DIRECTORS AND OFFICERS

As of the date of this AIF, the Board consists of eight directors. Each director will hold office until the next AGM of the Company or until his successor is elected or appointed, unless his or her office is earlier vacated in accordance with the consenting documents of the Company or the provisions of the CBCA.

The following table sets forth the names, residency and office of each director and executive officer of the Company as at the date hereof:

Name, position with the Company, province or state and country of residence	Principal occupation for the past five years	Director/officer of the Company since
ERNESTO BALAREZO VALDEZ CEO and Director (Lima, Peru)	(1) May 2022 to present: Director, Grupo LAR - Perú (2) June 2022 to present: Director, Agrícola Chapi SA (3) March 2019 to March 2024: Director, Compañía Minera Caravelí (4) January 2016 to present: Director, Perú Sostenible (5) 2018 to 2020: AENZA (former Graña y Montero) (6) February 2024 to present: Director, Ecosac, Perú Member of the Advisory Council - Cobra - Perú (Construction & Infrastructure)	November 28, 2022
OSCAR MARIANO CABRERA Chair of the Board and Director (Ontario, Canada)	(1) May 2021 to present: Advisor, Nexa Resources S.A (2) February 2017 to September 2020: Executive Director, Institutional Investment Research, CIBC World Markets Inc.	October 7, 2021
DOUGLAS F. CATER (1)(3)(4) Director (Ontario, Canada)	(1) January 2019 to present: Owner / President D. F Cater Geological Consultant Ltd. (2) January 2016 to January 2019: VP Exploration (Canada), Kirkland Lake Gold Ltd. (3) May 2021 to present: Director and Chair Compensation Committee, Mayfair Gold Corp. (4) July 2022 to present: Director and Chair of Technical Committee, Exploits Discovery Corp.	June 10, 2009
CARLOS ENRIQUE SANTA-CRUZ BENDEZU (1)(2) Director (Lima, Peru)	(1) November 2019 to present: Director and Chairman of Mining Committee of JRC Ingeniería y Construcción SAC (2) March 2016 to present: Professor at Pontifical Catholic University of Peru (3) August 2015 to present: Chairman of the Board and owner of Buenaventura Ingeniería de Proyectos S.A.	October 7, 2021

Name, position with the Company, province or state and country of residence	**Principal occupation for the past five years**	**Director/officer of the Company since**
ROBERT NEAL [2][3] Director (New York, United States)	(1) May 2007 to present: Founder and portfolio manager at Skellig Capital Management LLC	June 10, 2022
MIGUEL ARAMBURU ALVAREZ-CALDERON [1][4] Director (Lima, Peru)	(1) May 2022 to present: Director of Stracon, S.A.C. (2) September 2012 to present: Director of Minsur. (3) September 2012 to present: Director of Visiva (formerly IEduca)	June 13, 2022
BEATRIZ ORRANTIA [3] Director (Ontario, Canada)	(1) July 2023 to Present: Director and Chair of the Sustainability Committee of Lifezone Metals Ltd. (2) February 2023 to present: Director of Fission Uranium Corp. and Chair of the ESG Committee (3) February 2022 to present: External Advisor- AMER Mining & Metals Centre of Excellence at Ernst & Young (4) March 2020 to Present: Lead Independent Director and Chair of the ESG and Nomination for Star Royalties Ltd. (5) November 2017 to Present: Strategic Consultant Canada-LatAm (6) March 2020 to April 2022: Director of Mineros S.A, Chair of the Compensation Committee; member of the Business Opportunities and Optimization Committee	June 28, 2023
WENDY KAUFMAN [2][4] Director (Ontario, Canada)	(1) November 2020 to Present: CFO of Canada Nickel Company Inc. (2) April 2023 to Present: Director of BZAM Ltd. (3) July 2019 to October 2020: CFO of Khiron Life Sciences Corp. (4) July 2017 to June 2019: CFO of Pasinex Resources Limited	August 21, 2023
JOSE FERNANDEZ-BACA CFO (Lima, Peru)	(1) August 2020 to December 2022: Finance & Administration Manager & member of the Board of Directors of Sociedad Minera Corona SA (*a Peruvian subsidiary of Sierra Metals Inc.*) (2) June 2019 to December 2019: External Financial Consultant of Anglo-American Quellaveco (3) February 2010 to April 2019: Finance & Administration Manager and member of the Board of Directors of Anglo-American Peru/Anglo-American Quellaveco	January 16, 2023
RAJESH VYAS Vice President, Corporate Controller (Ontario, Canada)	(1) December 2019 to present: Corporate Controller of the Company (2) November 2017 to November 2019: Director of Finance of Alamos Gold Inc.	December 18, 2019

[1] Member of the Sustainability and Operations Committee

[2] Member of the Compensation Committee

[3] Member of the Corporate Governance and Nomination Committee

[4] Member of the Audit Committee

As at the date hereof, the directors and executive officers of the Company as a group beneficially own, directly and indirectly, or exercise control or direction over, an aggregate of 4,532,902 Common Shares, representing approximately 2.2% of the outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, CEO or CFO of any company (including the Company), that:

(a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**order**") that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Except as disclosed herein, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or;

(b) has, within ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Douglas Cater was a director of Harte Gold Corp. ("**Harte Gold**") when it commenced proceedings for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"). On February 18, 2022, Harte Gold announced that, in connection with its creditor protection proceedings under the CCAA, and its previously announced sale and investment solicitation process, it completed the transactions (the "**Transaction**") contemplated by that certain subscription agreement (as amended from time to time, the "**Subscription Agreement**") with 1000025833 Ontario Inc. (the "**Investor**"), a subsidiary of Silver Lake Resources Limited. The Subscription Agreement had been approved by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on January 28, 2022. Following completion of the Transaction, in accordance with the Subscription Agreement and the Court order, all of the previously issued and outstanding common shares of Harte Gold have been cancelled without consideration, and Harte Gold became a wholly-owned subsidiary of the Investor and emerged from the CCAA proceedings. Furthermore, all of the directors and executive officers of Harte Gold have resigned effective upon closing.

Ms. Wendy Kaufman is currently a director of BZAM Ltd. ("**BZAM**"). On February 28, 2024, BZAM and certain of its Canadian and foreign subsidiaries (the "**BZAM Entities**") initiated creditor protection proceedings in Canada under the CCAA pursuant to an Initial Order issued by the Court. On March 8, 2024, the BZAM Entities received Court approval to commence a sales and investment solicitation process in respect of their business and assets. The BZAM Entities' proceedings under the CCAA remain ongoing.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

The Company confirms that there are currently no existing material conflicts of interest between Sierra or a subsidiary of Sierra and any director or officer of Sierra or of a subsidiary of Sierra. Other than with respect to the involvement of certain directors of the Company in other mining companies, there are no potential material conflicts of interest between Sierra or a subsidiary of Sierra and any director or officer of Sierra or of a subsidiary of Sierra.

AUDIT COMMITTEE INFORMATION

The Board has established an audit committee (the "**Audit Committee**") comprised of Miguel Aramburu (Chair), Wendy Kaufman and Douglas Cater. All of the members of the Audit Committee are independent, non-executive directors of the Company. All members of the Audit Committee meet the independence and financial literacy requirements of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**").

The Board has adopted a written charter for the Audit Committee, which sets out the Audit Committee's responsibility in overseeing the accounting and financial reporting processes of the Company, audits of the financial statements of the Company, and the appointment, compensation, and oversight of the work of any registered external auditor employed by the Company for the purpose of preparing or issuing an audit report or related work. This charter is reviewed and assessed at least annually or otherwise, deemed appropriate, by the Board with the assistance of the Corporate Governance, Nominating and Audit Committees. A copy of this charter is attached hereto as Appendix "A".

Miguel Aramburu

Miguel Aramburu has over 25 years of professional experience with 15 years dedicated to the mining sector, currently serving on the Board of STRACON S.A.C, a mining contractor, and Minsur S.A., a Perú based mining company. Additionally, Mr. Aramburu currently serves on the Board of Directors of Fibra Prime, a Peruvian REIT; and Visiva (formerly IEduca), an education conglomerate. He has previously held positions on the boards of Enfoca Investments, Andino Investment Holding, El Comercio, Neptunia, Fenix Power, GyM, Stracon GyM, Maestro Peru, Castrovirreyna and Pacifico Vida. Prior to committing himself to serving on corporate boards, Mr. Aramburu held the position of CEO (2008-2010) and COO (2006-2008) of Hochschild Mining Plc. In addition, he has held progressive positions with Mauricio Hochschild Y Cia, including CEO (2004-2006), CFO (2002-2004) and General Manager for various segments of operations (1995-2002). Mr. Aramburu holds an MBA from Stanford University and obtained his Industrial Engineering degree from Pontificia Universidad Católica del Peru.

Wendy Kaufman

Ms. Kaufman is a senior financial executive and corporate director with over 25 years of experience leading junior and mid-tier publicly traded companies, largely in the resource sector. She currently serves as Chief

Financial Officer of Canada Nickel Company Inc. which is focused on the development and financing of a large-scale nickel deposit in Canada. Previous to Canada Nickel, she served as Chief Financial Officer of Pasinex Resources Limited and Primero Mining Corporation and was Vice President, Finance and Treasury at Inmet Mining Corporation.

Ms. Kaufman brings extensive knowledge in the areas of liquidity, capital structuring, financial management and planning and corporate governance geared to support growth strategies. She also has expertise in public company accounting and reporting, corporate strategy, capital markets, acquisitions and integration. Ms. Kaufman is a CPA, CA and holds a Bachelor of Business Administration from Wilfrid Laurier University.

Douglas Cater

Mr. Cater, P. Geo, FGC, is a professional geologist with more than 35 years of experience in the gold mining and exploration business gained while working with senior-tier Canadian-based mining and exploration companies. From January 2016 to January 2019, Mr. Cater served as Vice President Exploration (Canada) for Kirkland Lake Gold Ltd., a Toronto based company with operating mines and exploration projects located in northeastern Ontario and Australia. In early 2019, D. F. Cater Consulting Geologist Ltd. was incorporated as a consulting company that conducts property evaluations, technical reports and project management. Mr. Cater is a Director of Mayfair Gold Corp., Exploits Discovery Corp., Copper Lake Resources Ltd. and Gowest Gold Ltd. He serves as the Chair of the Compensation committee (Mayfair) and is Chair of Technical Committee (Exploits). Mr. Cater is a graduate of the ICD Rotman Director Education Program.

AUDIT COMMITTEE OVERSIGHT

At no time since January 1, 2023 has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, including the requirement that all non-audit services to be performed by the external auditor must be pre-approved and monitored by the Audit Committee. Subject to NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable the Audit Committee, on a case-by-case basis.

EXTERNAL AUDITOR FEES

PricewaterhouseCoopers LLP ("**PWC**") was appointed as auditors of the Company on July 11, 2012. For the fiscal years ended December 31, 2023 and December 31, 2022, the fees billed by PWC are summarized below for each category:

Service	Fees billed in 2023	Fees billed in 2022
Audit Fees	$807,061	$905,642
Audit-Related Fees (1)	$128,430	$104,212
Tax Fees	$15,701	$nil
All Other Fees	$nil	$nil
Total Fees Paid	**$951,193**	**$1,009,854**

(1) For the year ended December 31, 2023, the $128,430 in "Audit-Related Fees" relates to PWC's quarterly reviews.
(2) For the year ended December 31, 2022, the $104,212 in "Audit-Related Fees" relates to PWC's quarterly reviews.

The fees set forth in the table above cover the following services provided to us by PWC:

"Audit Fees" include fees necessary to perform the audit of the Company's consolidated financial statements. Audit Fees include quarterly reviews, fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

"Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

"Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

"All Other Fees" include fees relating to the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported in the preceding paragraphs.

There were no non-audit fees paid to the auditor during the years ended December 31, 2023 and 2022.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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. These may result in a significant impact on the Company's financial condition, cash flow and results of operations.

REGULATORY ACTIONS

During the financial year ended December 31, 2023, there were no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management of the Company is not aware of any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company:

- a director or executive officer of the Company;
- a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities; and
- an associate or affiliate of any of the persons or companies referred to in (i) or (ii) above.

TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Computershare Investor Service Inc. located at 1500 University Street, Suite 700, Montreal, Quebec H3A 3S8.

MATERIAL CONTRACTS

There are no contracts, other than those disclosed in this AIF (including the Corporate Facility, as amended), that are material to the Company and that were entered into during the financial year ended December 31, 2023, or before the most recently completed financial year that are still in effect as of the date of this AIF.

(a) The key terms of the original Corporate Facility were as follows:

- Term: 6-year term maturing March 2025
- Principal Repayment Grace Period: 2 years
- Principal Repayment Period: 4 years
- Interest Rate: 3.15% + 3-month Secured Overnight Financing Rate ("**SOFR**")[1]

On May 30, 2023, the Company signed a refinancing agreement with the Lenders to refinance $18.8 million out of the $25.0 million principal debt repayment obligations that were originally due in 2023. Accordingly, the refinanced $18.8 million is due for repayment in March 2025, while the remaining $6.2 million is split in three equal installments payable in June 2023, September 2023 and December 2023. Interest on the refinanced amount accrues at an annualized rate of 6.3% plus the 3-months SOFR.

[1] The credit facility originally carried an interest rate of 3.15% plus 3-month London Interbank Offered Rate ("**LIBOR**"). The 3-month LIBOR was officially discontinued on December 31, 2021, after which the rate was no longer published or widely used as a benchmark for financial transactions. As a result of this, the 3-month LIBOR was replaced by the 3-month SOFR as on January 1, 2022.

(b) On June 7, 2022, the Company, through its subsidiary, Minera Corona, received an approval for a $25.0 million credit facility from BCP and Santander to refinance the quarterly installments payable in 2022 by the Company.

The key terms of this loan facility are as follows:

- Repayment: 4 equal quarterly instalments starting June 2025.
- Interest rate: 3.65% + 3-month SOFR.

INTEREST OF EXPERTS

The Qualified Persons responsible for reviewing the Yauricocha PEA Technical Report are Américo Zuzunaga Cardich, Sierra Metals Inc., Former Vice President Corporate Planning (Infrastructure, Environmental), Andre Deiss, BSc. (Hons), Pr. Sci. Nat., SRK Principal Consultant (Resource Geology), Carl Kottmeier, B.A.Sc., P. Eng., MBA, SRK Principal Consultant (Project Manager), Daniel H. Sepulveda, BSc., SME-RM, SRK Associate Consultant (Metallurgy) and Mr. Enrique Rubio, Ph.D., Executive Director, Redco Global Peru S.A.C. (Reserves, Mining).

The Qualified Persons responsible for reviewing the Bolivar PEA Technical Report are Américo Zuzunaga Cardich, Sierra Metals Inc., Former Vice President Corporate Planning, Cliff Revering, P. Eng., SRK Principal Consultant (Resource Geology), Carl Kottmeier, B.A.Sc., P. Eng., MBA, SRK Principal Consultant (Mining), Daniel H. Sepulveda, BSc, SME-RM, SRK Associate Consultant (Metallurgy) and Jarek Jakubec, C. Eng. FIMMM, SRK Practice Leader/Principal Consultant (Mining, Geotechnical).

To the knowledge of the Company, each of the Qualified Persons listed above hold less than 1% of the outstanding Common Shares, at the time of the preparation of the reports and/or at the time of the preparation of the technical information contained in this AIF and either did not receive any or received less than a 1% direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports or data.

PWC are the auditors of the Company who have prepared the auditors' report in respect of Sierra's annual financial statements for the fiscal year ended December 31, 2023. PWC has confirmed that it is independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR+ at www.sedarplus.ca. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company's financial statements and management discussion & analysis for its most recently completed financial year.

APPENDIX "A"

SIERRA METALS INC.

AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of Sierra Metals Inc. (the "Corporation"). The primary function of the Committee is to assist the Board in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Committee. The Committee's primary duties and responsibilities are:

- overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or to the public;

- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors, overseeing the external auditors' qualifications and independence and providing an open avenue of communication among the external auditors, the Corporation's financial and senior management and the Board; and

- monitoring the Corporation's financial reporting process and internal controls, its management of business and financial risk, and its compliance with legal, ethical and regulatory requirements.

COMPOSITION

The Committee will be comprised of members of the Board, the number of which will be determined from time to time by resolution of the Board. The composition of the Committee will be determined by the Board such that the membership and independence requirements set out in the rules and regulations, in effect from time to time, of any securities commissions (including, but not limited to, the Ontario Securities Commission) and any exchanges upon which the Corporation's securities are listed (including, but not limited to, the Toronto Stock Exchange) are satisfied.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall remain on the Committee until the next annual organizational meeting of the Board or until their successors have been duly elected or appointed. The Board may remove a member of the Committee at any time in its sole discretion by resolution of the Board.

DUTIES AND RESPONSIBILITIES

1. The Committee shall:

    (a) review and recommend to the Board for approval the annual audited and unaudited interim consolidated financial statements of the Corporation and related MD&As;

    (b) review with financial management and external auditors the Corporation's financial statements, MD&A and earnings releases prior to filing the same with regulatory bodies such as securities commissions and/or prior to their release;

(c) review documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or unaudited interim financial statements (e.g. prospectuses and/or press releases containing financial results) prior to their release; and

(d) make changes or additions to security policies of the Corporation and report, from time to time, to the Board on the appropriateness of the policy guidelines in place to administer the Corporation's security programs.

2. The Committee, in fulfilling its mandate, shall:

(a) review and monitor the Corporation's major financial and operational risks and risk management practices, the effectiveness and efficiency of such practices, and the steps taken by management to mitigate those risks;

(b) in consultation with the external auditors and management (including for certainty any internal auditor of the Corporation), review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Corporation's financial and accounting group;

(c) ensure to its satisfaction that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer of the Corporation to certify financial statements and other disclosure documents as required under securities laws;

(d) ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's public disclosure and periodically assess the adequacy of those procedures (including compliance with the Corporation's Disclosure Policy);

(e) recommend to the Board the selection of the external auditors, consider their independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors;

(f) monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors, and discussing and resolving any material differences of opinion or disagreements between management and the external auditors;

(g) review the performance of the external auditors and approve any proposed discharge and replacement of the external auditors when circumstances warrant. Consider, with management, the rationale for employing accounting/auditing firms other than the principal external auditors;

(h) periodically consult with the external auditors without of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper;

(i) arrange for the external auditors to be available to the Committee and the Board as needed. Ensure that the external auditors report directly to the Committee and are made accountable to the Board and the Committee, as representatives of the shareholders to whom the auditors are ultimately responsible;

(j) review and approve the Corporation's hiring policies regarding employees or former employees of the current and former external auditors;

(k) review the scope of the external audit, including the fees involved;

(l) review the external auditors' report on the annual audited consolidated financial statements;

(m) review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue;

(n) review major positive and negative observations of the external auditors during the course of the audit;

(o) review with management and the external auditors the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results;

(p) review emerging accounting issues and their potential impact on the Corporation's financial reporting;

(q) review and approve requests for any management consulting engagement to be performed by the external auditors and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees;

(r) review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material impact upon the financial position or operating results of the Corporation, and whether these matters have been appropriately disclosed in the financial statements;

(s) review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements;

(t) periodically review risk assessments from management with respect to cyber security, including assessments of the overall threat landscape and related strategies and investments;

(u) review with management their approach with respect to business ethics and corporate conduct;

(v) review annually the legal and regulatory requirements that, if breached, could have a significant impact on the Corporation's published financial reports or reputation;

(w) receive periodic reports on the nature and extent of compliance with security policies. The nature and extent of non-compliance together with the reasons therefore, with the plan and timetable to correct such non-compliance will be reported to the Board, if material;

(x) review with management the accuracy and timeliness of filing with regulatory authorities;

(y) review periodically the business continuity plans for the Corporation;

(z) review annually general insurance coverage of the Corporation to ensure adequate protection of major corporate assets including, but not limited to, D&O (Directors and Officers) and "Key Person" coverage;

(aa) perform such other duties as required by the Corporation's incorporating statute and applicable securities legislation and policies;

(bb) review and provide appropriate oversight of any related-party or conflicted transactions, whether actual or perceived, and make recommendations to the Board whether any such transactions should be approved or continued; and

(cc) establish procedures for:

    (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, or auditing matters; and

    (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or audit matters.

3. The Committee may engage and communicate directly and independently with outside legal and other advisors for the Committee as required and set and pay the compensation of such advisors.

4. On an annual basis, the Committee will review the Audit Committee Charter and, where appropriate, recommend changes to the Board.

SECRETARY

The Secretary of the Committee will be appointed by the Chair of the Committee.

MEETINGS

1. The Committee shall meet at such times and places as the Committee may determine, but no less than four times per year. At least annually, the Committee shall meet separately with management and with the external auditors.

2. Meetings may be conducted with members present in person, by telephone or by video conference.

3. A resolution in writing signed by all the members of the Committee is valid as if it had been passed at a meeting of the Committee.

4. Notice must be given to each Committee member not less than 48 hours before the time when a meeting is to be held. The notice period may be waived by a quorum of the Committee.

5. The external auditors or any member of the Committee may also call a meeting of the Committee. The external auditors of the Corporation will receive notice of every meeting of the Committee.

6. The Board shall be kept informed of the Committee's activities by a report, including copies of minutes, at the next Board meeting following each Committee meeting.

QUORUM

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee.