SIERRA METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

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1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with Sierra Metals Inc.'s (the "Company" or "Sierra" or "Sierra Metals") consolidated financial statements for the year ended December 31, 2023 and 2022, and related notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). References herein to "$" are to the United States dollar and "C$" are to the Canadian dollar and all tabular amounts are expressed in thousands of $ unless otherwise stated. All information contained in this MD&A is current as of March 15, 2024 unless otherwise noted.

Consolidated operational and financial numbers for the year ended December 31, 2023 and 2022 exclude numbers related to the Company's Cusi mine, which has been classified as an 'asset held for sale' since Q3 2023.

The Company's common shares (the "Common Shares") are listed and traded on the Toronto Stock Exchange (the "TSX") under the symbol "SMT" and the US Over-the-Counter "OTCQX" under the symbol "SMTSF". Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2023, dated March 15, 2024 ("AIF"), is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.sierrametals.com. A cautionary note regarding forward-looking information follows this MD&A.

QUALIFIED PERSONS

Ricardo Salazar Milla, Corporate Manager of Mineral Resources is a member of the Australian Institute of Geoscientist and is a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

2. COMPANY OVERVIEW

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 ongoing optimization of its existing mines and 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 ("Yauricocha" or the "Yauricocha mine"), located in the province of Yauyos, its near-mine concessions, and exploration and early-stage properties. The Mexican Operation ("Mexico") includes the Bolivar mine ("Bolivar' or the "Bolivar mine") located in Chihuahua State, Mexico, its near-mine concessions, and exploration and early-stage properties.

In Q1 2023, the Cusi mine ("Cusi") in Mexico was deemed a non-core asset by the Company and on September 20, 2023 was placed on care and maintenance with a process to sell the mine currently underway.

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.

3. 2023 OPERATING AND FINANCIAL HIGHLIGHTS

(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise)	Q4 2023	Q3 2023	Q4 2022	Year ended December 31, 2023	Year ended December 31, 2022
Operating					
Ore Processed / Tonnes Milled	**673,846**	622,622	422,899	**2,464,932**	1,995,890
Copper Pounds Produced (000's)	**12,096**	9,477	6,170	**40,317**	27,127
Zinc Pounds Produced (000's)	**9,629**	11,176	6,367	**43,612**	38,100
Silver Ounces Produced (000's)	**468**	458	227	**1,838**	1,218
Gold Ounces Produced	**4,708**	3,651	3,240	**16,461**	9,361
Lead Pounds Produced (000's)	**2,481**	4,084	1,749	**13,273**	12,216
Copper Equivalent Pounds Produced (000's)[1]	**21,134**	18,496	11,903	**76,749**	56,116
Cash Cost per Tonne Processed	**$ 57.15**	$ 59.36	$ 62.20	**$ 57.77**	$ 62.65
Cash Cost per CuEqLb[2]	**$ 1.87**	$ 2.11	$ 2.37	**$ 1.96**	$ 2.48
AISC per CuEqLb[2]	**$ 3.47**	$ 3.66	$ 4.26	**$ 3.43**	$ 4.14
Cash Cost per CuEqLb (Yauricocha)[2]	**$ 1.84**	$ 2.08	$ 3.16	**$ 2.05**	$ 2.23
AISC per CuEqLb (Yauricocha)[2]	**$ 3.47**	$ 3.75	$ 5.02	**$ 3.56**	$ 3.69
Cash Cost per CuEqLb (Bolivar)[2]	**$ 1.90**	$ 2.15	$ 1.76	**$ 1.87**	$ 2.99
AISC per CuEqLb (Bolivar)[2]	**$ 3.47**	$ 3.57	$ 3.69	**$ 3.29**	$ 5.07
Financial					
Revenues	**$ 60,632**	$ 56,963	$ 38,274	**$ 229,543**	$ 165,233
Net income (loss)					
- Continuing operations	**$ (11,266)**	$ (2,758)	$ (7,996)	**$ (6,567)**	$ (60,140)
- Discontinued Operations	**$ (1,907)**	$ (6,608)	$ (19,586)	**$ (12,760)**	$ (28,166)
Net loss attributable to shareholders, including discontinued operations	**$ (13,724)**	$ (9,301)	$ (26,456)	**$ (19,334)**	$ (87,503)
Adjusted EBITDA[2] from continuing operations	**$ 12,233**	$ 8,080	$ (675)	**$ 50,289**	$ 9,621
Operating cash flows before movements in working capital	**$ 12,845**	$ 6,013	$ 2,860	**$ 43,297**	$ 5,163
Adjusted net income (loss) attributable to shareholders[2]					
- Continuing operations	**$ (8,470)**	$ (2,137)	$ (4,728)	**$ 918**	$ (21,170)
- Discontinued Operations	**$ (1,829)**	$ (1,626)	$ (2,030)	**$ (6,074)**	$ (1,979)
Cash and cash equivalents	**$ 9,122**	$ 6,052	$ 5,074	**$ 9,122**	$ 5,074
Working capital [3]	**$ (66,676)**	$ (81,375)	$ (78,142)	**$ (66,676)**	$ (78,142)

(1) Copper equivalent pounds were calculated using the following realized prices:
Q4 2023 - $3.70/lb Cu, $1.13/lb Zn, $23.22/oz Ag, $0.96/lb Pb, $1,976/oz Au.
Q3 2023 - $3.78/lb Cu, $1.10/lb Zn, $23.56/oz Ag, $0.98/lb Pb, $1,927/oz Au.
Q4 2022 - $3.63/lb Cu, $1.37/lb Zn, $21.21/oz Ag, $0.95/lb Pb, $1,730/oz Au.
FY 2023 - $3.85/lb Cu, $1.20/lb Zn, $23.38/oz Ag, $0.97/lb Pb, $1,943/oz Au.
FY 2022 - $3.99/lb Cu, $1.59/lb Zn, $21.77/oz Ag, $0.98/lb Pb, $1,802/oz Au.
(2) This is a non-IFRS performance measure, see Non-IFRS Performance Measures section of the MD&A.
(3) The negative working capital is largely the result of the reclassification of the long-term portion of the corporate facility to current, as the Company defaulted on its debt covenants.

Q4 2023 & Full Year 2023 Operational Highlights

Consolidated 2023 copper equivalent production of 76.7 million pounds was an increase of 37% over 2022.

Bolivar achieved a 26% increase in copper equivalent pounds production in Q4 2023 over Q3 2023, driven by a 13% increase in throughput and improved grades. Copper equivalent pounds production for Q4 2023 was 58% higher than the same quarter of 2022. Copper equivalent pounds production for the year 2023 was 116% higher than 2022.

For the year 2023, Bolivar's cash cost per copper equivalent payable pound[(1)] was $1.87 (2022 - $2.99), and AISC per copper equivalent payable pound[(1)] was $3.29 (2022 - $5.07);

Yauricocha continued its steady growth during Q4 2023 achieving a 2% increase in throughput and 5% increase in copper equivalent pounds production as compared to Q3 2023. Copper equivalent pounds production for Q4 2023 was 100% higher than the same quarter of 2022. Full year copper equivalent production of 40,105 pounds was 2% higher than 2022.

For the year 2023, Yauricocha's cash cost per copper equivalent payable pound[(1)] was $2.05 (2022 - $2.23), and AISC per copper equivalent payable pound[(1)] of $3.56 (2022 - $3.69);

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

Receipt of the 1120 level permit at Yauricocha

On February 21, 2024, the Company announced receipt of the environmental permit to develop and mine below the 1120 level at its Yauricocha mine. Using a modest development capital investment, the Company anticipates ramping up to full production levels of 3,600 tonnes per day ("tpd") by Q4 2024.

2023 Consolidated Financial Summary

- Revenue from metals payable of $229.5 million in 2023 was an increase of 39% from 2022 annual revenue of $165.2 million. Revenues increased as a result of the production improvement at the Yauricocha and Bolivar mines;

- Adjusted EBITDA[(1)], excluding discontinued operations, of $50.3 million for 2023 was an increase from the adjusted EBITDA of $9.6 million for 2022;

- Net loss attributable to shareholders for 2023 was $19.3 million or $0.11 per share (2022: net loss of $87.5 million, $0.53 per share). Net loss for the year ended 2023 includes an impairment charge of $2.5 million on the discontinued Cusi mine (2022: impairment charge of $25.0 million on the Bolivar mine and $25.0 million on the Cusi mine);

- Adjusted net income attributable to shareholders [(1)] of $0.9 million, or $0.01 per share, for 2023 compared to the adjusted net loss of $21.2 million, or $0.13 per share for 2022;

- Cash flow generated from operations before movements in working capital of $43.3 million for 2023 was higher than the $5.2 million in 2022, mainly due to higher revenues; and

- Cash and cash equivalents of $9.1 million and working capital of $(66.7) million as at December 31, 2023 compared to $5.1 million and $(78.1) million, respectively, at the end of 2022. Cash and cash equivalents increased during 2023 as the $50.2 million generated from operating activities was offset by $44.0 million used in investing activities and $2.2 million used in financing activities.

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

Exploration Highlights

Peru:

During 2023, a total of 13,148 meters were drilled mainly in the mineralized bodies of the Central mine. The main objective was focused on adding new resources in the levels that are above the 1120 level.

Mexico:

In Bolivar, 66,838 meters were drilled during 2023. The objectives of the program were to recategorize resources in Bolivar Northwest, Cieneguita, and Dulce ore bodies, and to replace the ore mined during the year 2023.

Corporate Development Highlights

Management and Board Changes

- 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.

- At the Annual General Meeting on June 28, 2023, management's director nominees namely Oscar Cabrera, Miguel Aramburu, Ernesto Balarezo, Douglas Cater, Robert Neal, Beatriz Orrantia and Carlos Santa Cruz were elected/re-elected to the Board.

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

Financing

- On May 29, 2023, the Company finalized the agreement with Banco de Credito del Peru ("BCP") and Banco Santander S.A. ("Santander") (together, the "Lenders") 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.

- 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.

Other

- On July 21, 2023, the Company provided an update on its previously announced strategic review process and concluded that it was not in its best interests to pursue any identified sale or business combination transactions. The Company decided to place the Cusi mine in care and maintenance in September 2023, in order to focus on its core mines, Yauricocha and Bolivar. Management initiated discussions with interested parties for the sale of Cusi.

- 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".

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

4. OUTLOOK 2024

Management expects 2024 to be the year to consolidate the optimization efforts that started in 2023 and to establish the platform for growth. In 2023, under the guidance of the new management team, the Company began a process of stabilization and optimization.

The concerted efforts to stabilize the operations are reflected in the Company's operational and financial performance in 2023. Prioritizing safety, employee engagement and streamlining operations have helped restore production levels, while strategic debt refinancing has stabilized the Company's financial position.

Building upon its stabilization efforts, management has already initiated an optimization drive focused on operational enhancements. Organizational restructuring has been another key focus with key hires made at both the executive and mine-site level during 2023. While this impacted the administration costs for 2023, it laid down the foundation for a hands-on approach and a cultural shift within the Company, fostering a safe, dynamic and responsive operational environment.

Through a diligent and transparent process with the regulators in Peru, the Company obtained the environmental permit in February 2024 to develop and mine below the 1120 level at the Yauricocha mine. This permit provides several significant catalysts for Sierra Metals, such as operational enhancements, maximized operating capacity and cost efficiencies. Using a modest development capital investment, the Company anticipates ramping up to full production levels of 3,600 tonnes per day ("tpd") by Q4 2024.

At Bolivar, the Company will continue the construction of the new tailings dam, which is expected to be completed over the next three years, allowing the mine to increase its production capacity to 7,500 tpd in the future.

Identifying additional mineral resources at the Company's core operating mines, Yauricocha and Bolivar, is another key priority. The Company anticipates completion of revised mineral resources models during Q2 2024, followed by the corresponding National Instrument 43-101 technical reports.

Market Review and Trends

Metal Prices

LME Average Prices (In US dollars)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Copper (lb)	**$ 3.71**	**$ 3.79**	$ 3.84	$ 4.05	$ 3.63	$ 3.51	$ 4.32	$ 4.53
Zinc (lb)	**$ 1.13**	**$ 1.10**	$ 1.15	$ 1.42	$ 1.36	$ 1.48	$ 1.78	$ 1.70
Silver (oz)	**$ 23.23**	**$ 23.57**	$ 24.18	$ 22.56	$ 21.20	$ 19.22	$ 22.64	$ 23.94
Gold (oz)	**$ 1,977**	**$ 1,929**	$ 1,978	$ 1,888	$ 1,729	$ 1,729	$ 1,873	$ 1,874
Lead (lb)	**$ 0.96**	**$ 0.98**	$ 0.96	$ 0.97	$ 0.95	$ 0.90	$ 1.00	$ 1.06

In 2023, the copper market experienced a turbulent journey marked by its sensitivity to global economic trends and Chinese demand. The year began on a bullish note in Q1, as prices surged to an average of $4.05 per pound . However, the optimism took a downturn in Q2, and the bear market persisted into Q3 and continued into Q4. There were some signs of a rebound in Q4 driven by China's infrastructure stimulus, pushing prices up but still well below the $4.00 per pound.

Looking ahead to 2024, copper's long-term prospects remain strong and are supported by expected continued demand as part of the ongoing green energy transition, and supply-side constraints resulting from production cuts at large mines around the world.

As in the case of copper, zinc and lead also experienced fluctuating supply and demand in the past year, which concluded with a rebound in Q4 2023. In the long-term, zinc's future presents a mixed outlook. While infrastructure projects and green technologies offer long-term promise, short-term challenges like mine closures and environmental regulations could lead to volatility. Lead's path remains uncertain, with an upward trend supported by the demand for electric car batteries but downward push coming from a possible global slowdown or troubles from the Chinese car market.

In 2023, gold prices experienced significant fluctuations, surging to $1,950 per ounce in Q1 due to global economic concerns and dropping to $1,840 per oz in Q3 due to a stronger dollar. The notable shift occurred in Q4, driven by fears of geopolitical risks, persistent inflation, and China's easing of monetary controls, propelling gold prices to a record high spot price of $2,080 per ounce. Looking ahead, the outlook for gold remains strong with geopolitical tensions and inflationary pressures potentially pushing prices towards $2,200 per ounce. Silver exhibits similar dynamics, with strong demand driven by industrial applications potentially supporting a rally in the price in 2024. Overall, both metals are anticipated to face volatility in the coming year.

Currency Exchange Rates

Sierra's operations are affected by US dollar exchange rates. Sierra's largest exposures are to the US dollar/Peruvian Sol exchange rate and the US dollar/Mexican Peso exchange rate which impacts operating and administration costs in Peru and Mexico incurred in Soles and Pesos while revenues are earned in US dollars. As at December 31, 2023, the US dollar/Peruvian Sol exchange rate was 3.71 (December 31, 2022: 3.82) and the US dollar/Mexican Peso exchange rate was 16.89 (December 31, 2022: 19.36). A 10% appreciation in the value of the Sol and Peso against the US dollar would have resulted in a change of $5.2 million and $3.7 million in the Company's net loss, respectively.

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

2024 Guidance

In 2024, expectations are for Yauricocha to continue to maintain 2023 operating levels while developing the mine below the 1120 level. Development below the 1120 level will take up to nine months to complete. Upon completion, Yauricocha is expected to increase its throughput to 3,600 tonnes per day, an increase of 40% from current production levels.

Identifying additional resources at the Company's core operating mines, Yauricocha and Bolivar, is another key priority. The Company anticipates completion of revised resources models during Q2 2024, followed by the corresponding National Instrument 43-101 technical report, setting the stage for sustained production growth.

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

Production Guidance[(1)]

	2024 Guidance		2023
	Low	High	Actual
Copper (000 lbs)	37,500	43,300	40,317
Zinc (000 lbs)	38,600	44,500	43,612
Silver (000 oz)	1,500	1,750	1,838
Gold (oz)	10,100	11,600	16,461
Lead (000 lbs)	10,200	11,800	13,273

(1) 2024 Production guidance and actual production for 2023 exclude production from the Cusi mine, which the Company considers as a non-core asset.

By Mine

Yauricocha	2024 Guidance		2023
	Low	High	Actual
Copper (000 lbs)	13,600	15,700	14,545
Zinc (000 lbs)	38,600	44,500	43,612
Silver (000 oz)	850	1,000	1,164
Gold (oz)	2,100	2,400	3,024
Lead (000 lbs)	10,200	11,800	13,273

Bolivar	2024 Guidance		2023
	Low	High	Actual
Copper (000 lbs)	23,900	27,600	25,772
Silver (000 oz)	650	750	674
Gold (oz)	8,000	9,200	13,437

2024 Cost Guidance

A mine by mine breakdown of 2024 production guidance, cash costs and all-in sustaining costs ("AISC") are included in the table below. Starting 2024, the Company is modifying its definition of cash cost to include treatment and refining charges, selling costs and G&A costs. AISC includes cash costs and sustaining capital expenditure.

Mine	Cash costs[(1)] range per CuEqLb	AISC[(1)] range per CuEqLb
Yauricocha	\$3.31 - \$3.41	\$3.75 - \$3.86
Bolivar	\$2.56 - \$2.72	\$3.28 - \$3.36

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

2024 Capex Guidance

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

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

	Yauricocha		Bolivar		Consolidated	
(Amounts in $M)	Low	High	Low	High	Low	High
Sustaining	12.5	15.6	17.4	21.8	**29.9**	**37.4**
Growth	1.9	2.3	7.4	9.3	**9.3**	**11.6**
Total	**14.4**	**17.9**	**24.8**	**31.1**	**39.2**	**49.0**

Total capital for 2024 is expected to range between $39.2 million to $49.0 million, with Management retaining the option to adjust the capital expenditure plan depending on the business conditions. Sustaining capital mainly comprises of mine development of up to $14.7 million ($8.9 million in Bolivar and $5.8 million in Yauricocha). The remaining sustaining capital expenditure consists of infill drilling and replacement of equipment at the mines.

Growth capital for 2024 is expected to range between $9.3 million to $11.6 million, focusing on the new tailings dam at Bolivar.

5. RESULTS OF OPERATIONS

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

	2023				2022			
Production Highlights	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Ore Processed/tonnes milled								
Yauricocha	263,851	259,732	244,315	219,145	152,586	269,057	317,087	315,250
Bolivar	409,995	362,890	405,987	299,017	270,313	227,669	256,372	187,556
Consolidated	**673,846**	**622,622**	**650,302**	**518,162**	**422,899**	**496,726**	**573,459**	**502,806**
Cash cost per tonne processed								
Yauricocha	$ 73.81	$ 75.89	$ 80.63	$ 78.38	$ 99.67	$ 74.75	$ 69.31	$ 59.19
Bolivar	$ 46.43	$ 47.52	$ 41.57	$ 43.99	$ 41.05	$ 54.37	$ 55.38	$ 60.82
Consolidated	**$ 57.15**	**$ 59.36**	**$ 56.24**	**$ 58.54**	**$ 62.20**	**$ 65.41**	**$ 63.08**	**$ 59.80**
Silver ounces produced (000's)								
Yauricocha	289	310	316	249	134	256	267	256
Bolivar	179	148	207	140	93	71	83	58
Consolidated	**468**	**458**	**523**	**389**	**227**	**327**	**350**	**314**
Copper pounds produced (000's)								
Yauricocha	5,036	3,807	2,808	2,894	1,621	3,514	5,127	4,279
Bolivar	7,060	5,671	7,651	5,390	4,549	2,785	3,207	2,045
Consolidated	**12,096**	**9,478**	**10,459**	**8,284**	**6,170**	**6,299**	**8,334**	**6,324**
Lead pounds produced (000's)								
Yauricocha	2,481	4,084	3,930	2,778	1,749	3,579	3,060	3,828
Consolidated	**2,481**	**4,084**	**3,930**	**2,778**	**1,749**	**3,579**	**3,060**	**3,828**
Zinc pounds produced (000's)								
Yauricocha	9,629	11,176	12,228	10,579	6,367	10,815	10,426	10,492
Consolidated	**9,629**	**11,176**	**12,228**	**10,579**	**6,367**	**10,815**	**10,426**	**10,492**
Gold ounces produced								
Yauricocha	951	686	633	754	439	743	1,179	1,057
Bolivar	3,757	2,965	3,678	3,037	2,801	1,267	1,283	592
Consolidated	**4,708**	**3,651**	**4,311**	**3,791**	**3,240**	**2,010**	**2,462**	**1,649**

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

Consolidated Production	Q4 2023	Q3 2023	Q4 2022	Year ended December 31, 2023	2022	% Var
Tonnes processed	**673,846**	622,622	422,899	**2,464,932**	**1,995,890**	24%
Daily throughput	7,701	7,116	4,833	7,043	5,703	24%
Copper pounds (000's)	**12,096**	9,477	6,170	**40,317**	27,127	49%
Zinc pounds (000's)	**9,629**	11,176	6,367	**43,612**	38,100	14%
Silver ounces (000's)	**468**	458	227	**1,838**	1,218	51%
Gold ounces	**4,708**	3,651	3,240	**16,461**	9,361	76%
Lead pounds (000's)	**2,481**	4,084	1,749	**13,273**	12,216	9%
Copper equivalent pounds (000's) [(1)]	**21,134**	18,496	11,903	**76,749**	56,116	37%
Metals payable in concentrates						
Copper pounds (000's)	**11,310**	9,451	6,203	**38,303**	26,064	47%
Zinc pounds (000's)	**7,407**	9,586	4,832	**37,062**	31,142	19%
Silver ounces (000's)	**399**	418	202	**1,550**	1,111	40%
Gold ounces	**4,087**	4,403	3,326	**15,960**	8,938	79%
Lead pounds (000's)	**2,473**	4,166	1,332	**12,523**	12,032	4%
Copper equivalent pounds (000's) [(1)]	**18,902**	18,170	11,140	**70,477**	51,527	37%

[(1)] Copper equivalent pounds were calculated using the following realized prices:
Q4 2023 - $3.70/lb Cu, $1.13/lb Zn, $23.22/oz Ag, $0.96/lb Pb, $1,976/oz Au.
Q3 2023 - $3.78/lb Cu, $1.10/lb Zn, $23.56/oz Ag, $0.98/lb Pb, $1,927/oz Au.
Q4 2022 - $3.63/lb Cu, $1.37/lb Zn, $21.21/oz Ag, $0.95/lb Pb, $1,730/oz Au.
FY 2023 - $3.85/lb Cu, $1.20/lb Zn, $23.38/oz Ag, $0.97/lb Pb, $1,943/oz Au.
FY 2022 - $3.99/lb Cu, $1.59/lb Zn, $21.77/oz Ag, $0.98/lb Pb, $1,802/oz Au.

The Peruvian Operation

Yauricocha mine, Yauyos Province

Yauricocha is an underground mine located in western central Peru in the Yauyos province, approximately 12 kilometers ("km") west of the Continental Divide. The Yauricocha property covers 18,778 hectares that straddle a 20 km strike length of the prolific Yauricocha fault, a major ore controlling structure in this part of western central Peru. The mine is at an average altitude of 4,600 meters and has been producing for 75 years. Ore is processed at the on-site Chumpe plant using a combination of crushing, grinding and flotation. The mine received its Informe Tecnico Minero ("ITM") permit in June 2021, allowing for an operating capacity of 3,600 tpd. The ore is treated in two separate circuits and is extracted from three different types of deposits which include the following:

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

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

On February 21, 2024, the Company received its environmental permit to develop and mine below the 1120 level at Yauricocha. This permit is expected to increase throughput, reduce costs, extend mine life and support the overall growth strategy of the Company.

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

Yauricocha Production

A summary of contained metal production from the Yauricocha mine for the three months and year ended December 31, 2023 is provided below:

Yauricocha Production	Q4 2023	Q3 2023	Q4 2022	Year Ended December 31, 2023	2022	% Var.
Tonnes processed (t)	**263,851**	259,732	**152,586**	**987,043**	1,053,980	-6%
Daily throughput	3,015	2,968	1,744	2,820	3,011	-6%
Silver grade (g/t)	48.29	58.72	42.25	52.24	43.49	20%
Copper grade	1.09%	0.89%	0.66%	0.88%	0.81%	9%
Lead grade	0.60%	0.86%	0.63%	0.76%	0.65%	17%
Zinc grade	2.12%	2.36%	2.21%	2.41%	1.99%	21%
Gold Grade (g/t)	0.51	0.41	0.41	0.45	0.48	-6%
Silver recovery	70.72%	63.16%	64.35%	70.21%	62.01%	13%
Copper recovery	79.75%	74.81%	72.57%	76.09%	76.55%	-1%
Lead recovery	70.74%	83.09%	82.18%	80.39%	79.92%	1%
Zinc recovery	78.08%	82.57%	85.69%	83.17%	81.94%	2%
Gold Recovery	21.78%	19.95%	21.63%	21.38%	20.98%	2%
Copper production (000 lb)	**5,036**	3,806	1,621	**14,545**	14,541	0%
Zinc production (000 lb)	**9,629**	11,176	6,367	**43,612**	38,100	14%
Silver production (000 oz)	**289**	310	134	**1,164**	913	27%
Gold Production (oz)	**951**	686	439	**3,024**	3,418	-12%
Lead production (000 lb)	**2,481**	4,084	1,749	**13,273**	12,216	9%
Copper equivalent pounds (000's)[1]	**10,946**	10,396	5,471	**40,105**	39,185	2%

[1] Copper equivalent pounds were calculated using the following realized prices:
Q4 2023 - \$3.70/lb Cu, \$1.13/lb Zn, \$23.22/oz Ag, \$0.96/lb Pb, \$1,976/oz Au.
Q3 2023 - \$3.78/lb Cu, \$1.10/lb Zn, \$23.56/oz Ag, \$0.98/lb Pb, \$1,927/oz Au.
Q4 2022 - \$3.63/lb Cu, \$1.37/lb Zn, \$21.21/oz Ag, \$0.95/lb Pb, \$1,730/oz Au.
FY 2023 - \$3.85/lb Cu, \$1.20/lb Zn, \$23.38/oz Ag, \$0.97/lb Pb, \$1,943/oz Au.
FY 2022 - \$3.99/lb Cu, \$1.59/lb Zn, \$21.77/oz Ag, \$0.98/lb Pb, \$1,802/oz Au.

The Yauricocha mine continued its momentum of steady increases in throughput in Q4 2023. Throughput during Q4 2023 was 263,851 tonnes, a 2% increase when compared to Q3 2023, but a 73% increase over the same quarter of 2022.

As compared to Q3 2023, copper grades increased in Q4 2023, due to the mining in the copper-rich Esperanza and Fortuna zones. Grades for lead, silver and zinc declined in Q4 2023 when compared to Q3 2023, due to the lower contribution in Q4 2023 from the Esperanza North zone and other small ore bodies.

In comparison with the same quarter of last year, Q4 2023 grades for lead and zinc were lower while copper, gold and silver grades were higher than Q4 2022.

Copper equivalent production of 10.9 million for Q4 2023 was a 100% increase over Q4 2022. Despite a continuous quarter over quarter increase in throughput during 2023, annual throughput for Yauricocha was 6% below the throughput achieved in 2022. Annual copper equivalent production of 40.1 million pounds represented a 2% increase when compared to 2022.

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

The Mexican Operations

Bolivar mine, Chihuahua State

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

Bolivar Production

A summary of contained metal production from the Bolivar mine for the three months and year ended December 31, 2023 is provided below:

Bolivar Production				Year Ended December 31,		
	Q4 2023	Q3 2023	Q4 2022	2023	2022	% Var.
Tonnes processed (t)	**409,995**	362,890	270,313	**1,477,889**	941,910	57%
Daily throughput	4,686	4,147	3,089	4,223	2,691	57%
Copper grade	0.84%	0.77%	0.82%	0.85%	0.67%	27%
Silver grade (g/t)	16.56	15.44	13.25	17.30	12.29	41%
Gold grade (g/t)	0.42	0.37	0.50	0.41	0.30	37%
Copper recovery	92.62%	92.10%	92.70%	92.92%	90.48%	3%
Silver recovery	82.38%	81.95%	81.43%	82.01%	82.39%	0%
Gold recovery	68.39%	69.58%	64.52%	68.32%	64.81%	5%
Copper production (000 lb)	**7,060**	5,671	4,549	**25,772**	12,586	105%
Silver production (000 oz)	**179**	148	93	**674**	305	121%
Gold production (oz)	**3,757**	2,965	2,801	**13,437**	5,943	126%
Copper equivalent pounds (000's)(1)	**10,188**	8,100	6,432	**36,644**	16,931	116%

(1) Copper equivalent pounds were calculated using the following realized prices:
Q4 2023 - $3.70/lb Cu, $1.13/lb Zn, $23.22/oz Ag, $0.96/lb Pb, $1,976/oz Au.
Q3 2023 - $3.78/lb Cu, $1.10/lb Zn, $23.56/oz Ag, $0.98/lb Pb, $1,927/oz Au.
Q4 2022 - $3.63/lb Cu, $1.37/lb Zn, $21.21/oz Ag, $0.95/lb Pb, $1,730/oz Au.
FY 2023 - $3.85/lb Cu, $1.20/lb Zn, $23.38/oz Ag, $0.97/lb Pb, $1,943/oz Au.
FY 2022 - $3.99/lb Cu, $1.59/lb Zn, $21.77/oz Ag, $0.98/lb Pb, $1,802/oz Au.

The Bolivar mine processed 409,995 tonnes during Q4 2023, which was 13% higher than Q3 2023 as a result of higher availability of stopes driven by improved drilling and blasting, and better equipment performance. The incorporation of the Dulce ore body in the production schedule drove a quarter over quarter improvement in head grades. Higher throughput and grades resulted in increased production for all metals and consequent 26% increase in copper equivalent pounds production.

Throughput for Q4 2023 was 52% higher than the same quarter of 2022, as improved drilling performance allowed for better approach to the mineable zones. Enhanced ore definition enabled the mine to produce higher copper and silver grades during Q4 2023. The resultant copper equivalent pounds production for Q4 2023 was 58% higher than Q4 2022.

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

During 2023, production for all metals increased at Bolivar due to the higher throughput and grades as compared to the full year 2022, resulting in 36.6 million copper equivalent pounds produced, an increase of 116%.

Asset held for Sale

Cusi mine, Chihuahua State

The Company's Cusi mine encompasses 73 concessions covering 11,977 hectares that include 12 historical mines, each located on a mineralized structure, which lie within 40 km of the Malpaso Plant located in Chihuahua State, Mexico. In Q1 2023, the Company classified Cusi as a non-core asset and placed it in care and maintenance in September 2023. Hence there was no production from Cusi in Q4 2023. The Company is currently engaged in discussions with interested parties for the sale of the Cusi mine, which is subject to the corresponding legal and/or regulatory approvals.

6. 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 they 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 table 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 & 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 & Indicated	16,705	15	0.77	-	-	0.19	-	0.98	-	8	283	-	-	103	-	363	-
Total	**Measured & 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**

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.

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

7. SUMMARIZED FINANCIAL RESULTS

Year ended December 31, 2023 (compared to the year ended December 31, 2022)

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	$ **229,543**	$ 165,233
Adjusted EBITDA [1]	**50,289**	9,621
Cash flow from operations before movement in working capital	**43,297**	5,163
Adjusted net income (loss) attributable to shareholders	**918**	(21,170)
Non-cash charge on Corona's acquisition	**4,905**	5,300
Gross profit	**51,836**	4,439
Income tax recovery (expense)	**(5,910)**	2,658
Net loss attributable to shareholders	**(19,334)**	(87,503)

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

Net loss attributable to shareholders for 2023 was $19.3 million or $0.11 per share (2022: net loss of $87.5 million, $0.53 per share). Net loss for the year ended 2023 includes an impairment charge of $2.5 million on the discontinued Cusi mine (2022: impairment charge of $25.0 million on the Bolivar mine and $25.0 million on the Cusi mine)

Revenues

The annual average realized sale prices for base metals during 2023 decreased from 2022, with the largest decline seen in average realized prices for zinc. Conversely, these prices for precious metals increased compared to 2022.

Realized Metal Prices (In US dollars)	Year ended December 31, 2023	Year ended December 31, 2022	Variance %
Copper (lb)	$ **3.85**	$ 3.99	-4%
Zinc (lb)	$ **1.20**	$ 1.59	-25%
Silver (oz)	$ **23.38**	$ 21.77	7%
Gold (oz)	$ **1,943**	$ 1,802	8%
Lead (lb)	$ **0.97**	$ 0.98	-1%

Revenue from metals payable increased from $165.2 million in 2022 to $229.5 million in 2023, an increase of 39% attributable to the production improvements at both Yauricocha and Bolivar.

Despite the 6% decrease in Yauricocha's throughput for 2023 over 2022, payable metals increased as a result of higher grades except for gold. Revenue for 2023 was $107.8 million or a 2% decrease from the 2022 revenue of $109.6 million, as the higher metal sales could not compensate for the impact of the 25% decline in realized prices for zinc in 2023.

Revenue from metals payable at Bolivar increased to $121.7 million for 2023 from $55.6 million in 2022. The 118% increase in Bolivar revenue for the full year resulted from higher throughput and grades helped by higher precious metal prices, partially offset by the 4% decline in the average realized price for copper.

Costs

Yauricocha's cash cost per copper equivalent payable pound was $2.05 (2022 - $2.23), and AISC per copper equivalent payable pound of $3.56 (2022 - $3.69). The decrease in cash costs was a combined result of the 3% increase in copper equivalent payable pounds and lower cost of sales driven by the cost optimization initiatives. The decrease in cash costs were partially mitigated by the 13% increase in sustaining capital expenditure, resulting in a 3% decline in AISC for 2023 compared to 2022.

Bolivar's cash cost per copper equivalent payable pound was $1.87 (2022 - $2.99), and AISC per copper equivalent payable pound was $3.29 (2022 - $5.07). Cash cost at Bolivar for 2023 declined as compared to 2022, as the 57% increase in throughput drove down its operating cost per tonne. The improved grades also resulted in higher payable metals leading to 107% increase in copper equivalent payable pounds in 2023 compared to 2022. The decrease in operating costs and higher copper equivalent payable pounds more than compensated for the increase in the AISC components including sustaining expenditure, which was 41% higher than 2022.

Non-Cash Depletion, Depreciation and Amortization

The Company recorded total non-cash depletion, depreciation and amortization expense for 2023 of $36.3 million compared to $31.0 million for 2022, driven higher mainly due to increase in throughput production at Bolivar.

Depletion charge for the year includes $4.9 million for 2023 (2022 - $5.3 million) related to the amortization of the aggregate fair value of $371.0 million of the Yauricocha mineral property at the date of acquisition of Sociedad Minera Corona ("Corona"), one of the Company's subsidiaries in Peru.

General and Administrative Expenses

General and administrative expenses for 2023 increased to $27.2 million from the $20.6 million spent in 2022. The increase was mainly driven by higher payroll expenses related to re-organization in 2023, higher non-cash share-based expenses and insurance costs.

Adjusted EBITDA [1]

The Company recorded adjusted EBITDA of $50.3 million during 2023 (2022: $9.6 million) which includes $14.8 million (2022: $10.9 million) from the Yauricocha operation in Peru and $41.1 million (2022: $3.9 million) from the Bolivar operation in Mexico. The increase in adjusted EBITDA resulted mainly from the 118% increase in the Bolivar revenue. Adjusted EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate earnings from operations before taking into account management's financing decisions and costs of consuming capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Adjusted EBITDA comprises revenue less operating expenses before interest expense (income), property, plant and equipment amortization and depletion, foreign exchange variations, non-recurring provisions, share-based payments expense, and income taxes. The Company considers cash flow before movements in working capital to be the IFRS performance measure that is most closely comparable to adjusted EBITDA.

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

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

	Peru	Mexico	Canada		Mexico	
Twelve months ended December 31, 2023	Yauricocha Mine $	Bolivar Mine $	Corporate $	**Total (Continuing Operations)** $	Cusi Mine (discontinued operations) $	**Total** $
Revenue [1]	107,871	121,672	-	**229,543**	11,968	**241,511**
Mining costs	(74,980)	(66,381)	-	**(141,361)**	(19,185)	**(160,546)**
Depletion, depreciation and amortization	(20,539)	(15,807)	-	**(36,346)**	(1,618)	**(37,964)**
Cost of sales	(95,519)	(82,188)	-	**(177,707)**	(20,803)	**(198,510)**
Gross profit (loss) from mining operations	12,352	39,484	-	**51,836**	(8,835)	**43,001**
Net income (loss) from operations	**(17,384)**	**19,809**	**(8,992)**	**(6,567)**	**(12,760)**	**(19,327)**
Adjusted EBITDA	**14,756**	**41,109**	**(5,576)**	**50,289**	**(4,329)**	**45,960**

(1) Includes provisional pricing adjustments of: $(269) for Yauricocha and $(1,782) for Bolivar.

	Peru	Mexico	Canada		Mexico	
Twelve Months ended December 31, 2022	Yauricocha Mine $	Bolivar Mine $	Corporate $	**Total (Continuing Operations)** $	Cusi Mine (discontinued operations) $	**Total**
Revenue [1]	109,641	55,592	-	**165,233**	26,886	**192,119**
Mining costs	(78,686)	(51,158)	-	**(129,844)**	(21,887)	**(151,731)**
Depletion, depreciation and amortization	(18,777)	(12,173)	-	**(30,950)**	(3,966)	**(34,916)**
Cost of sales	(97,463)	(63,331)	-	**(160,794)**	(25,853)	**(186,647)**
Gross profit (loss) from mining operations	12,178	(7,739)	-	**4,439**	1,033	**5,472**
Net income (loss) from operations [2]	(9,864)	(42,764)	(7,512)	**(60,140)**	(28,166)	**(88,306)**
Adjusted EBITDA	**10,907**	**3,930**	**(5,216)**	**9,621**	**3,376**	**12,997**

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

(2) Loss from operations inlcudes an impairment charge of $25.0 million on Bolivar and $25.0 on Cusi (discontinued operations)

Income Taxes

Current tax expense recorded for 2023 was $10.2 million, higher than the $3.3 million recorded in 2022 due to higher taxable income during the year.

During 2023, the Company recorded a deferred tax recovery of $4.3 million compared to $6.0 million in 2022. The deferred tax recovery is partially related to the non-cash recovery associated with the acquisition of Corona which has decreased period over period, in line with the non-cash depletion charge mentioned previously.

Adjusted Net Income Attributable to Shareholders [(1)]

Adjusted net income attributable to shareholders [(1)] from continuing operations of $0.9 million, or $0.01 per share, for 2023 as compared to the adjusted net loss of $21.2 million, or $0.13 per share for 2022. Adjusted net income is defined by management as the net income attributable to shareholders shown in the consolidated statements of income excluding the non-cash depletion charge due to the acquisition of Corona, the corresponding deferred income tax recovery, and certain non-recurring or non-cash items. Accordingly, management considers this metric to be more meaningful to measure the Company's profitability than net income (loss) as it adjusts for specific non-cash items.

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

Total Comprehensive Loss

Total comprehensive loss ("TCL") for 2023 was $19.6 million compared to TCL of $88.8 million in 2022. TCL includes a foreign currency loss of $0.3 million for 2023 (2022 –$0.5 million).

Cash Flows

Cash flow generated from operations before movements in working capital of $43.3 million for 2023 was higher than the $5.2 million generated in 2022, mainly due to higher revenues.

Net cash flow of $44.0 million (2022- $38.3 million) used in investing activities during 2023 consists of purchases of property, plant and equipment, capital expenditures related to the Yauricocha shaft and tunnel development, and exploration and evaluation assets in Peru and Mexico.

A breakdown of the Company's capital expenditures of $43.3 million, excluding working capital items, incurred during the year ended December 31, 2023 is presented in the following table:

2023 Capital Expenditures by Mine

($ 000)	Yauricocha	Bolivar	Cusi (discontinued operation)	Total
Expenditure				
Exploration	$ 1,932	$ 5,296	$ 640	$ 7,868
Development	$ 4,624	$ 11,990	$ 1,304	$ 17,918
Equipment	$ 417	$ 2,337	$ 592	$ 3,346
Mascota Shaft / Central Shaft	$ 1,185	$ -	$ -	$ 1,185
Concentrator Plant	$ 423	$ 1,148	$ 86	$ 1,657
Ventilation	$ 488	$ -	$ -	$ 488
Tailings dam	$ 6,220	$ 2,855	$ 594	$ 9,669
Drainage system	$ 201	$ -	$ -	$ 201
Other	$ -	$ 3	$ -	$ 3
Yauricocha Shaft	$ 935	$ -	$ -	$ 935
	$ 16,425	**$ 23,629**	**$ 3,216**	**$ 43,270**

Net cash used in financing activities was $2.2 million. This included payment of $6.3 million during the year to the lenders as per the refinancing agreement to defer $18.8 million of the $25.0 million debt obligations due in 2023. (For details, refer to note 10 (a) to the Company's audited financial statements for the year ended December 31, 2023). Financing activities also included $12.1

million raised through an unbrokered private placement of 43,107,360 Common Shares issued at C$0.38 per share to some of the existing shareholders, directors and employees. Interest payments amounted to $7.9 million, and lease repayments during the year were $2.3 million mainly for mining equipment used in the Mexican operations.

8. QUARTERLY FINANCIAL REVIEW

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

	2023				2022			
(In thousands of United States dollars, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues[2]	60,632	56,963	58,411	53,537	38,274	35,198	44,378	47,383
Adjusted EBITDA[1][2]	12,233	8,080	14,494	15,482	(675)	(6,218)	3,434	13,080
Adjusted net income (loss) attributable to shareholders[1][2]	(8,470)	(2,137)	5,984	5,541	(4,728)	(12,125)	(9,038)	4,721
Net income (loss)								
Continuing operations	(11,266)	(2,758)	3,896	3,561	(7,996)	(38,102)	(14,634)	592
Discontinued operations	(1,907)	(6,608)	(2,823)	(1,422)	(19,586)	(9,012)	(1,106)	1,538
Basic and diluted earnings (loss) per share ($)								
Continuing operations	(0.05)	(0.02)	0.02	0.02	(0.05)	(0.23)	(0.09)	-
Discontinued operations	(0.01)	(0.04)	(0.01)	(0.01)	(0.12)	(0.05)	(0.01)	0.01

(1) This is a non-IFRS performance measure, see Non-IFRS Performance Measures section of the MD&A.
(2) Revenues, Adjusted EBITDA and Adjusted net income (loss) attributable to shareholders exclude numbers from discontinued operations.

Three months ended December 31, 2023 (compared to the three months ended December 31, 2022)

Net loss attributable to shareholders for Q4 2023 was $13.7 million, or $0.07 per share (basic and diluted), compared to net loss of $26.5 million, or $0.16 per share (basic and diluted) for the same period in 2022. The major differences between these periods are explained below.

Revenues

Revenue from metals payables increased to $60.6 million from $38.3 million in the same quarter of 2022, driven by improved production at both the core mines and higher metal prices, except zinc.

Revenue from the Yauricocha mine in Peru was $28.4 million for Q4 2023 compared to $16.7 million in Q4 2022. The quarter over quarter increase in Yauricocha revenue resulted from the increase in metal production attributable to the higher throughput and grades.

The Bolivar mine recorded a 45% increase in copper equivalent payable pounds, driven by higher throughput and grades as compared to Q4 2022. Revenue from the Bolivar mine was $32.2 million, or a 49% increase over the revenue of $21.6 million achieved in Q4 2022.

The following table shows the Company's realized selling prices for each quarter in 2023 and 2022:

Realized Metal Prices	2023				2022			
(In US dollars)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Copper (per lb)	**$ 3.70**	$ 3.78	$ 3.99	$ 4.06	$ 3.63	$ 3.51	$ 4.30	$ 4.53
Zinc (per lb)	**$ 1.13**	$ 1.10	$ 1.16	$ 1.42	$ 1.37	$ 1.49	$ 1.79	$ 1.69
Silver (per oz)	**$ 23.22**	$ 23.56	$ 24.17	$ 22.57	$ 21.21	$ 19.26	$ 22.65	$ 23.95
Gold (per oz)	**$ 1,976**	$ 1,927	$ 1,977	$ 1,891	$ 1,730	$ 1,730	$ 1,872	$ 1,875
Lead (per lb)	**$ 0.96**	$ 0.98	$ 0.96	$ 0.97	$ 0.95	$ 0.90	$ 1.00	$ 1.06

Costs

Yauricocha's cash cost per copper equivalent payable pound was $1.84 (Q4 2022 - $3.16), and AISC per copper equivalent payable pound was $3.47 (Q4 2022 - $5.02) for Q4 2023. The main driver of the decline in unit costs at Yauricocha was the 102% increase in copper equivalent payable pounds.

Bolivar's cash cost per copper equivalent payable pound was $1.90 (Q4 2022 - $1.76), and AISC per copper equivalent payable pound was $3.47 (Q4 2022 - $3.69) for Q4 2023. Cash costs at Bolivar during Q4 2023 increased due to higher operating costs per tonne compared to Q4 2022. AISC for Q4 2023 dropped 6% though, as the 45% increase in the copper equivalent payable pounds offset the impact of higher costs.

Non-Cash Depletion, Depreciation and Amortization

The Company recorded total non-cash depletion, depreciation and amortization expense for Q4 2023 of $12.1 million compared to $5.9 million for the same period in 2022. Depletion charge for the quarter includes $1.3 million (Q4 2022 - $0.8 million) related to the amortization of the aggregate fair value of the Yauricocha mineral property at the date of acquisition of Corona of $371.0 million amortized over the life of the mine.

General and Administrative Expenses

The Company incurred general and administrative expenses of $9.0 million for Q4 2023, a 60% increase from the $5.6 million incurred in Q4 2022. The increase in G&A during Q4 2023 included higher non-cash charges related to stock-based compensation and non-recurring costs related to re-organization.

Adjusted EBITDA

Adjusted EBITDA(1), excluding discontinued operations, for Q4 2023 increased to $12.2 million as compared to the $(0.7) million in Q4 2022, driven by higher revenues.

Income Taxes

The Company recorded a current tax expense of $7.0 million for Q4 2023 compared to $0.8 million of current tax recovery recorded in Q4 2022. The increase in current tax expense was a result of higher taxable income in Q4 2023 versus Q4 2022.

During Q4 2022, the Company recorded a deferred tax recovery of $0.6 million compared to a deferred tax recovery of $0.3 million in Q4 2022.

Adjusted Net Income Attributable to Shareholders

The Company recorded an adjusted net loss of $10.3 million for Q4 2023 compared to $6.8 million of adjusted net loss for Q4 2022.

Total Comprehensive Loss

TCL for Q4 2023 was $13.4 million compared to TCL of $27.6 million for the same period in 2022.

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

9. LIQUIDITY AND CAPITAL RESOURCES

Financial Condition Review

The following table provides a comparison of key elements of Sierra's consolidated statement of financial position as at December 31, 2023 and December 31, 2022:

(000's)	December 31, 2023	December 31, 2022
Cash and cash equivalents	**$ 9,122**	$ 5,074
Working capital	**$ (66,676)**	$ (78,141)
Total assets	**$ 314,116**	$ 310,442
Debt (net of financing fees)	**$ 78,477**	$ 82,800
Total liabilities	**$ 204,265**	$ 194,248
Equity attributable to owners of the Company	**$ 75,264**	$ 81,614

Cash and cash equivalents of $9.1 million and working capital of $(66.7) million as at December 31, 2023 compared to $5.1 million and $(78.1) million, respectively, at the end of 2022. Cash and cash equivalents increased during 2023 as the $50.2 million generated from operating activities was partially offset by $44.0 million used in investing activities and $2.2 million of net cash used in financing activities.

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

		Balance Outstanding	
(000's)	Limit	December 31, 2023	December 31, 2022
Senior Secured Corporate Facility with BCP and Santander	$ 100,000	**$ 49,791**	$ 56,383
Corona term loan with BCP and Santander[1]	$ 25,000	**$ 25,089**	$ 24,880
Short term credit facilities from BCP (1)	$ 5,000	**$ 3,597**	$ 1,537
Total Debt		**$ 78,477**	$ 82,800
Less cash balances		**$ 9,122**	$ 5,074
Net Debt		**$ 69,355**	$ 77,726

[1] See note 10 of the consolidated financial statements as at December 31, 2023 for details.

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

As a result of these events the Company has been in breach of its debt covenants until and as of December 31, 2023, related to its senior secured corporate credit facility (the "Corporate Facility" – refer to note 10(a) of the Company's financial statements as on December 31, 2023) with Banco de Credito del Peru ("BCP") and Banco Santander S.A. ("Santander") (together, referred to as "the lenders"), requiring the Company to classify its entire balance of the Corporate Facility of $49.8 million as on December 31, 2023 as short-term. The shares in Sociedad Minera Corona S.A. are held as a collateral for these loans. The Company was in compliance with all the covenants related to the term loan (note 10 (b) of the Company's financial statements as on December 31, 2023) from the lenders at December 31, 2023.

The Company has obtained waivers related to the covenant breaches from the lenders for each of the quarters until Q3 2023. However, 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. These conditions 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.

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

Outstanding Shares

The authorized share capital at December 31, 2023 was an unlimited number of common shares without par value. As at March 15, 2024, the Company had 209.7 million shares issued and outstanding (December 31, 2023 – 207.7 million shares issued and outstanding).

As at December 31, 2023, there were 4,850,935 Restricted Share Units ("RSUs"), including 1,860,120 exercisable RSUs outstanding at a weighted average fair value of C$0.41.

As at March 15, 2024 there are 3,300,815 RSUs outstanding at a weighted average fair value of C$1.85.

As at December 31, 2023, there were 3,207,737 Deferred Share Units ("DSUs") outstanding, including 1,879,672 exercisable DSUs.

10. SAFETY, HEALTH AND ENVIRONMENT

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

11. FINANCIAL INSTRUMENTS AND RELATED RISKS

Financial Risk Management

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

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

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

(a) Market Risk

(i) Currency Risk

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

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

	December 31, 2023			
	CAN dollar	Mexican Peso	Peruvian Sol	Total $
Cash and cash equivalents	361	118	2,899	**3,378**
Income tax and other receivables	26	20,627	10,380	**31,033**
	386	20,746	13,279	**34,411**
Accounts payable and other liabilities	(632)	(42,747)	(17,353)	**(60,732)**
Total	**(246)**	**(22,001)**	**(4,073)**	**(26,320)**

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

The Company manages and monitors this risk with the objective of mitigating the potential adverse effect that fluctuations in currencies against the Canadian dollar and US dollar could have on the Company's Consolidated Statement of Financial

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

Position and Consolidated Statement of income (loss). As at December 31, 2023, the Company has not entered into any derivative contracts to mitigate this risk.

A 10% appreciation in the US dollar exchange rate against the Peruvian Sol and the Mexican Peso based on the financial assets and liabilities held at December 31, 2022, with all the other variables held constant, would have resulted in a decrease to the Company's net loss of $2,897 (2022 - $2,901).

A 10% appreciation in the Canadian dollar exchange rate against the US dollar based on the financial assets and liabilities held at December 31, 2023 and 2022, with all the other variables held constant, would have resulted in a negligible impact to the Company's net income (loss).

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its loans payable. The Company monitors its exposure to interest rates closely and has not entered into any derivative contracts to manage its risk. The weighted average interest rate paid by the Company during the year ended December 31, 2023 on its loans and notes payable in Peru was 8.73% (2022 – 5.41%). With all other variables unchanged a 1% increase in the interest rate would have increased the Company's pre-tax net loss by $3,125 (2022 - $823).

(iii) Commodity Price Risk

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

As at December 31, 2023 and 2022, the Company had certain amounts related to the sales of concentrates that have only been provisionally priced. The Company's exposure to commodity price risk is as follows:

Commodity	2023 $	2022 $
10% decrease in silver prices	**(168)**	(278)
10% decrease in copper prices	**(444)**	(641)
10% decrease in zinc prices	**(175)**	(206)
10% decrease in lead prices	**(70)**	(20)
10% decrease in gold prices	**(76)**	-

As at December 31, 2023 and 2022, the Company did not have any forward contracts outstanding.

(b) Liquidity Risk

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

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

Company tries to ensure that it has sufficient committed credit facilities to meet its short-term operating needs.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities and undiscounted cash flows as at December 31, 2023 of the Company's financial liabilities and operating and capital commitments:

	Within 1 year	1-2 years	2-5 years	After 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	64,048	-	-	-	64,048
Loans payable	28,477	43,750	6,250	-	78,477
Interest on loans payable	3,731	2,154	145	-	6,029
Decommissioning liability	3,500	7,000	7,500	7,511	25,511
Other liabilities	17,191	8,866	-	-	26,057
Total Commitments	**116,947**	**61,770**	**13,895**	**7,511**	**200,122**

(c) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument might fail to discharge its obligations under the terms of a financial contract. Credit risk is primarily associated with trade receivables; however, it also arises on cash and cash equivalents. The Company sells its concentrate to large international organizations. The Company is exposed to significant concentration of credit risk given that 78% of its revenue in Peru is from three customers and 47% of its revenue in Mexico is from one customer. There are no significant provisions recorded for expected credit losses as at December 31, 2023 and 2022.

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

12. OTHER RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition. These risks could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described in the Cautionary Statement Regarding Forward-Looking Information found in this MD&A.

The Company's business activities expose it to significant risks due to the nature of mining, development and exploration activities and operations in foreign jurisdictions. The ability to manage these risks is a key component of the Company's business strategy. Management is forward looking in its assessment of risks. Identification of key risks occurs in the course of business activities, pursuing approved strategies and as part of the execution of risk oversight responsibilities at the management and Board of Directors' level. A Corporate Internal Auditor has been appointed to strengthen the Company's risk oversight activities and provide management business advisory support.

For a full discussion of the Company's Risks and Uncertainties, please refer to the Annual Information Form dated March 15, 2024 for the year ended December 31, 2023, which is filed on www.sedarplus.ca.

Claims and Legal Proceedings

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

Tax matters

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

13. NON-IFRS PERFORMANCE MEASURES

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

Non-IFRS Reconciliation of Adjusted EBITDA

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

The following table provides a reconciliation of adjusted EBITDA to the consolidated financial statements for the three months and years ended December 31, 2023 and 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Net income	$ (13,173)	$ (27,582)	$ (19,327)	$ (88,306)
Adjusted for:				
Depletion and depreciation	12,394	7,068	38,784	35,449
Interest expense and other finance costs	2,196	1,865	9,824	4,963
NRV adjustments on inventory	453	366	4,655	7,879
Share-based payments	1,470	(112)	2,118	467
Costs related to COVID	-	-	-	1,693
Foreign currency exchange and other provisions	599	907	1,496	2,322
Impairment charges	-	18,000	2,500	50,000
Income taxes	6,476	(1,049)	5,910	(1,470)
Adjusted EBITDA	$ 10,415	$ (537)	$ 45,960	$ 12,997
Less: Adjusted EBITDA from discontinued operations	(1,818)	138	(4,329)	3,376
Adjusted EBITDA from continuing operations	12,233	(675)	50,289	9,621

Non-IFRS Reconciliation of Adjusted Net Income (Loss)

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

The following table provides a reconciliation of adjusted net income (loss) to the consolidated financial statements for the three months and years ended December 31, 2023 and 2022:

	Three months ended December 31,		Year ended December 31,	
(In thousands of United States dollars)	2023	2022	2023	2022
Net loss attributable to shareholders	$ (13,724)	$ (26,456)	$ (19,334)	$ (87,503)
Non-cash depletion charge on Corona's acquisition	1,298	772	4,905	5,300
Deferred tax recovery on Corona's acquisition depletion charge	(395)	(235)	(1,496)	(1,614)
NRV adjustments on inventory	453	366	4,655	7,879
Share-based compensation	1,470	(112)	2,118	467
Foreign currency exchange loss (gain)	599	907	1,496	2,322
Impairment charges	-	18,000	2,500	50,000
Adjusted net income (loss) attributable to shareholders	$ (10,299)	$ (6,758)	$ (5,156)	$ (23,149)
Less: Adjusted net loss from discontinued operations	(1,829)	(2,030)	(6,074)	(1,979)
Adjusted net income (loss) from continuing operations	(8,470)	(4,728)	918	(21,170)

Cash Cost per Copper Equivalent Payable Pound

The Company uses the non-IFRS measure of cash cost per copper equivalent payable pound to manage and evaluate operating performance. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flows. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company considers cost of sales per copper equivalent payable pound to be the most comparable IFRS measure to cash cost per copper equivalent payable pound and has included calculations of this metric in the reconciliations within the applicable tables to follow.

All-in Sustaining Cost per Copper Equivalent Payable Pound

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

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

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

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

The following table provides a reconciliation of cost of sales to cash cost, as reported in the Company's consolidated statement of income for the three months and years ended December 31, 2023 and 2022:

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

(In thousand of US dollars, unless stated)		Three months ended December 31, 2023			Three months ended December 31, 2022		
		Yauricocha	Bolivar	Consolidated	Yauricocha	Bolivar	Consolidated
Cash Cost per Tonne of Processed Ore							
Cost of Sales		23,243	24,955	48,198	18,670	13,981	32,651
Reverse: Workers Profit Sharing		(82)	(476)	(558)	514	-	514
Reverse: D&A/Other adjustments		(5,230)	(7,065)	(12,295)	(3,946)	(2,854)	(6,800)
Reverse: Variation in Inventory		1,544	1,621	3,165	(29)	(31)	(60)
Total Cash Cost		**19,475**	**19,035**	**38,510**	**15,209**	**11,096**	**26,305**
Tonnes Processed		263,852	409,995	673,847	152,586	270,313	422,899
Cash Cost per Tonne Processed	**US$**	**73.81**	**46.43**	**57.15**	**99.67**	**41.05**	**62.20**

(In thousand of US dollars, unless stated)		Years ended December 31, 2023			Years ended December 31, 2022		
		Yauricocha	Bolivar	Consolidated	Yauricocha	Bolivar	Consolidated
Cash Cost per Tonne of Processed Ore							
Cost of Sales		95,519	82,188	177,707	97,463	63,331	160,794
Reverse: Workers Profit Sharing		(82)	(1,382)	(1,464)	-	-	-
Reverse: D&A/Other adjustments		(21,959)	(16,175)	(38,134)	(19,738)	(13,339)	(33,077)
Reverse: Variation in Inventory		2,586	1,700	4,286	(1,771)	(910)	(2,681)
Total Cash Cost		**76,064**	**66,331**	**142,395**	**75,954**	**49,082**	**125,036**
Tonnes Processed		987,043	1,477,889	2,464,932	1,053,980	941,910	1,995,890
Cash Cost per Tonne Processed	**US$**	**77.06**	**44.88**	**57.77**	**72.06**	**52.11**	**62.65**

The following table provides detailed information on Yauricocha's cash cost, and all-in sustaining cost per copper equivalent payable pound for the three months and years ended December 31, 2023 and 2022:

YAURICOCHA		Three months ended		Years ended	
(In thousand of US dollars, unless stated)		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cash Cost per copper equivalent payable pound					
Total Cash Cost		19,475	15,209	76,064	75,954
Variation in Finished inventory		(1,544)	29	(2,586)	1,771
Total Cash Cost of Sales		17,931	15,238	73,478	77,725
Treatment and Refining Charges		7,118	2,868	25,217	23,892
Selling Costs		788	438	3,022	2,909
G&A Costs		2,255	2,949	10,577	9,967
Sustaining Capital Expenditures		5,724	2,709	15,670	13,903
All-In Sustaining Cash Costs		**33,816**	**24,202**	**127,964**	**128,396**
Copper Equivalent Payable Pounds (000's)		9,751	4,819	35,899	34,782
Cash Cost per Copper Equivalent Payable Pound	**(US$)**	**1.84**	**3.16**	**2.05**	**2.23**
All-In Sustaining Cash Cost per Copper Equivalent Payable Pound	**(US$)**	**3.47**	**5.02**	**3.56**	**3.69**

The following table provides detailed information on Bolivar's cash cost, and all-in sustaining cost per copper equivalent payable pound for the three months and years ended December 31, 2023 and 2022:

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

BOLIVAR *(In thousand of US dollars, unless stated)*		Three months ended December 31, 2023	 December 31, 2022	Years ended December 31, 2023	 December 31, 2022
Cash Cost per copper equivalent payable pound					
Total Cash Cost		19,035	11,096	66,331	49,082
Variation in Finished inventory		(1,621)	31	(1,700)	910
Total Cash Cost of Sales		17,414	11,127	64,631	49,992
Treatment and Refining Charges		2,344	2,977	10,392	8,865
Selling Costs		2,103	1,596	8,041	4,443
G&A Costs		2,173	1,994	7,084	4,780
Sustaining Capital Expenditures		7,703	5,601	23,626	16,783
All-In Sustaining Cash Costs		**31,737**	**23,295**	**113,774**	**84,863**
Copper Equivalent Payable Pounds (000's)		9,150	6,321	34,579	16,745
Cash Cost per Copper Equivalent Payable Pound	**(US$)**	**1.90**	**1.76**	**1.87**	**2.99**
All-In Sustaining Cash Cost per Copper Equivalent Payable Pound	**(US$)**	**3.47**	**3.69**	**3.29**	**5.07**

Additional Non-IFRS Measures

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

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

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

14. RELATED PARTY TRANSACTIONS

Since April 2012, the Company had a consulting services contract with Sirocco Advisory Services Ltd., a company owned by Steven Dean, one of the directors of the Company since 2011. Notice of termination of this contract was given in August 2022, following the resignation of Mr. Dean from the board of the Company. Hence there was no related consulting fees expense during the year ended December 31, 2023 (2022 - $186). The balance of $62 that remained unpaid as at December 31, 2022 was paid during 2023.

(a) Compensation of Directors and Key Management Personnel

The remuneration of the Company's directors, officers and other key management personnel during the years ended December 31, 2023 and 2022 are as follows:

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

	Twelve months ended December 31	
	2023	**2022**
	$	**$**
Salaries, Cash Bonuses, Severance and Directors Fees	**2,929**	2,714
Share-based payments[1]	**1,408**	921
	4,337	3,635

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

(b) Principal Subsidiaries

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

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

The principal subsidiaries of the Company and their geographical locations as at December 31, 2023 are as follows:

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

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

15. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Judgments and Estimates

In the application of the Company's accounting policies, which are described in note 2 of the Company's December 31, 2023 consolidated financial statements, management is required to make judgments, estimates and assumptions about the effects of uncertain future events on the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on management's best knowledge of the relevant facts and circumstances and historical experience. Actual results may differ from these estimates; potentially having a material future effect on the Company's consolidated financial statements.

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

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

(a) Impairment review of asset carrying values

In accordance with the Company's accounting policy (note 2(l)), at every reporting period, the Company assesses whether there are any indicators that the carrying value of its assets or CGUs may be impaired, which is a significant management judgment. Where there is an indication that the carrying amount of an asset may not be recoverable, the Company prepares a formal estimate of the recoverable amount by analyzing discounted cash flows. The resulting valuations are particularly sensitive to changes in estimates such as long-term commodity prices, exchange rates, sales volume, operating costs, and discount rates. In the event of impairment, if there is a subsequent adverse change in any of the assumptions or estimates used in the discounted cash flow model, this could result in a further impairment of the asset.

During the year ended December 31, 2023, the Company's assessment of its long-lived assets and exploration and evaluation expenditures did not result in an impairment at any of its mines. (December 31, 2022 – $25.0 million for the Bolivar mine and $25.0 million for the Cusi mine, which is now reclassified as an asset held for sale). The net assets of the disposal group classified as held for sale were measured at the lower of its carrying amount and fair value less costs to sell as at December 31, 2023, resulting in the recognition of a write-down of $2.5 million, included as part of the discontinued operations in the statement of profit or loss.

Also, in accordance with the Company's accounting policy (note 2(j)), the Company capitalizes evaluation expenditures when there is a high degree of confidence that these costs are recoverable and have a probable future benefit. The carrying values of exploration and evaluation assets are reviewed periodically and when impairment indicators exist, the amount in excess over the recoverable amount is written off

The Company concluded that no metallurgically economical ore was intercepted in some of the explored zones and Company wrote off $1,289 and $965 of exploration and evaluation assets at the Bolivar mine and the Yauricocha mine during the year ended December 31, 2023 ($nil and $3,928 during the year ended December 31, 2022).

(b) Mineral reserves and resources

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

(c) Deferred tax assets and liabilities

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

(d) Provision for decommissioning and restoration liabilities costs

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

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

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

16. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2023.

17. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Disclosure Controls and Procedures

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

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as at December 31, 2023, as defined in the rules of the Canadian Securities Administration. Based on this evaluation, they concluded that our disclosure controls and procedures are effective in providing reasonable assurance that the information required to be disclosed in reports we filed or submitted under Canadian securities legislation was recorded, processed, summarized and reported within the time periods specified in those rules.

Internal Controls Over Financial Reporting

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, and used the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of our controls in 2023. Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2023 and provided a reasonable assurance of the reliability of our financial reporting and preparation of the financial statements.

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

Changes in Internal Controls Over Financial Reporting

There have been no changes in ICFR during the three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, ICFR.

18. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

These forward-looking statements include, but are not limited to: future production of silver, gold, lead, copper and zinc (collectively, the "metals"); the completion of revised mineral resources and technical reports; future cash costs and AISC per ounce or pound of the metals; the price of the metals; impacts of the permits on operations; the effects of domestic and foreign laws, regulations and government policies and actions affecting the Company's operations or potential future operations; future successful development of the Yauricocha mine, the Bolivar mine and other exploration and development projects; the proposed sale of 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 and cost 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; use of foreign exchange contracts and forward contracts; future sales of the metals, concentrates or other future products produced by the Company; implementation of programs; effects of renegotiation and termination of contracts or sub-contracts; refinancing of debt obligations (and the timing of same); future breaches of debt covenants; the Company's ability to obtain waivers for any potential future breaches of its debt covenants; plans and expectations of management; the Company's ability to increase safety and employee engagement and the Company's plans and expectations for its properties and operations.

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

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