

# Year End & Q4 2016 Results Conference Call

March 31, 2017



*Yauricocha Mine, Peru*



*Bolivar Mine, Mexico*



*Cusi Mine, Mexico*

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Certain statements in this presentation constitute forward-looking information within the meaning of Canadian securities legislation. Forward-looking information relates to future events or the anticipated performance of Sierra and reflect management's expectations or beliefs regarding such future events and anticipated performance based on an assumed set of economic conditions and courses of action. In certain cases, statements that contain forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative of these words or comparable terminology. By its very nature forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual performance of Sierra to be materially different from any anticipated performance expressed or implied by such forward-looking information. These include estimates of future production levels; expectations regarding mine production costs; expected trends in mineral prices; changes in general economic conditions and financial markets; changes in prices for silver and other metals; technological and operational hazards in Sierra's mining and mine development activities; risks inherent in mineral exploration; uncertainties inherent in the estimation of mineral reserves, mineral resources, and metal recoveries; the timing and availability of financing; governmental and other approvals; political unrest or instability in countries where Sierra is active; labor relations and other risk factors disclosed in Sierra's Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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This presentation uses the terms "measured resources", "indicated resources" and "inferred resources" as such terms are recognized under National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") adopted by the Canadian Securities Administrators. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies, except for a "preliminary assessment" as defined under NI 43-101. Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

Gordon Babcock BSc P. Eng., Chief Operating Officer, Sierra Metals is the qualified person as defined in NI 43-101 relating to operational scientific and technical information of Sierra Metals which have been included in this presentation.



**Ed Guimaraes**  
*Chief Financial Officer*

# Highlights for 2016



- 2016 has been a transformational year for Sierra Metals having achieved significant success in financial performance, operational improvements implemented at the Yauricocha Mine, increased production, and key new geological discoveries from our brownfield exploration program
- The Company reported revenue of \$143.2 million and adjusted EBITDA of \$41.9 million on throughput of 2,034,465 tonnes, and metal production of 11.9 million silver equivalent ounces, or 79.5 million copper equivalent pounds in 2016
- Sierra Metals had a second consecutive and exceptional quarter in its operations and financials aided by the rise in metal prices. During the Q4, the Company maintained significant improvements in revenue and adjusted EBITDA realized during the previous quarter. The Company achieved excellent year over year improvements in the fourth quarter with revenues up 67%, adjusted EBITDA up by \$17.9 million, and the all-in sustaining cost (ASIC) per silver equivalent payable ounce was lower by 27% to \$12.51 at the Yauricocha Mine
- In 2016, consolidated metal production increased by 4% compared to 2015 which represented the second highest level of annual metal production in the Company's history. In Q4 2016, consolidated metal production increased by 31% compared to Q4 2015, and resulted in the achievement of the second highest level of quarterly metals production in the Company's history

# Highlights for 2016



- In 2016 the Company successfully completed an operational improvements program at the Yauricocha Mine including the installation of a new Hepburn hoist which has increased skipping capacity by 30,000 MT per month. As a result, Sierra continues to see a substantial positive impact from the programs implemented at the Yauricocha Mine which continued to strongly contribute to operational results during the second half of 2016
- Plant improvements completed at the Bolivar Mine during the second half of 2016 included the installation of a new screening plant and cyclones which resulted in improved recoveries. At the Cusi Mine, the installation of a screening plant, a zinc circuit, and an improved cyclone rack, resulted in recovery and grade improvements in the lead and zinc circuits
- Significant new discoveries in exploration were also paramount with the discoveries of the Esperanza and Cuye/Mascota zones at the Yauricocha Mine, the development of higher grade ore zones such as Bolivar West, North West and La Sidra at the Bolivar Mine and the reinterpretation of the geology and announcement of the Santa Rosa de Lima zone at the Cusi Mine. Esperanza went from discovery to production in less than one year
- The Company is continuing with its brownfield exploration program and definition drill program at all three Mines. Sierra Metals will continue to provide further proof of concept for several key areas in addition to further successes and expected resource growth for all three mines



**Gord Babcock**  
*Chief Operating Officer*

# Operational Performance

## Q4 2016



<i>(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise)</i>	Three Months Ended		Year Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Operating</b>				
Ore Processed / Tonnes Milled	517,705	456,842	2,034,465	1,864,706
Silver Ounces Produced (000's)	789	603	2,979	3,105
Copper Pounds Produced (000's)	6,153	5,493	23,390	23,197
Lead Pounds Produced (000's)	9,990	7,920	40,551	42,177
Zinc Pounds Produced (000's)	17,039	9,265	56,610	42,077
Gold Ounces Produced	1,867	2,201	8,604	9,066
Copper Equivalent Pounds Produced (000's) <sup>1</sup>	21,233	16,250	79,463	76,051
Silver Equivalent Ounces Produced (000's) <sup>1</sup>	3,194	2,444	11,952	11,439
Cash Cost per Tonne Processed	\$ 40.05	\$ 41.30	\$ 40.47	\$ 40.14
Cash Cost per AgEqOz <sup>2</sup>	\$ 7.89	\$ 10.01	\$ 7.95	\$ 7.76
AISC per AgEqOz <sup>2</sup>	\$ 14.91	\$ 17.22	\$ 14.25	\$ 15.07
Cash Cost per CuEqLb <sup>2</sup>	\$ 1.16	\$ 1.51	\$ 1.20	\$ 1.17
AISC per CuEqLb <sup>2</sup>	\$ 2.20	\$ 2.59	\$ 2.14	\$ 2.27
Cash Cost per AgEqOz (Yauricocha) <sup>2</sup>	\$ 7.29	\$ 9.89	\$ 7.77	\$ 7.10
AISC per AgEqOz (Yauricocha) <sup>2</sup>	\$ 12.51	\$ 17.15	\$ 13.11	\$ 13.25
Cash Cost per CuEqLb (Bolivar) <sup>2</sup>	\$ 1.05	\$ 1.43	\$ 1.15	\$ 1.33
AISC per CuEqLb (Bolivar) <sup>2</sup>	\$ 2.71	\$ 2.37	\$ 2.28	\$ 2.29
Cash Cost per AgEqOz (Cusi) <sup>2</sup>	\$ 21.80	\$ 12.02	\$ 10.28	\$ 8.82
AISC per AgEqOz (Cusi) <sup>2</sup>	\$ 41.32	\$ 21.84	\$ 20.41	\$ 26.47

<sup>(1)</sup> Silver equivalent ounces and copper equivalent pounds were calculated using the following metal prices: \$14.96/oz Ag, \$2.25/lb Cu, \$0.75/lb Pb, \$0.73/lb Zn, \$1,113/oz Au. Budgeted Cu price used in equivalent ounce/pound calculations is higher than the Company's realized selling prices during 2016, and thus, has caused CuEqLb cost metrics to be higher than those actually realized.

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



# Q4 Exploration Highlights



## Yauricocha

- During Q4 2016, the Company drilled 42 holes totaling 7,284 meters at Yauricocha
- Exploration Drilling included:
  - 5 holes (1,873 meters) at Esperanza to the north and the south of the existing orebody
  - 4 holes (1,444 meters) at Cuye Mascota to test continuity of the oxide mineralization at depth and explore new areas
  - 4 holes (614 meters) at Cachi Cachi to explore new mineralized zones
- Definition drilling comprised of 29 holes (3,652 meters) at Rosaura, Esperanza and in the Cuerpos Pequeños
- The discovery of new Cuye-Mascota sulphide deposit was announced on November 17, 2016 and is located 200 meters to the north of the central mine area along strike and adjacent to current mining activities.
  - A total of 7 holes have been drilled to date and as a result of this drilling program, continued mineralization has been identified and provided the Company with important information previously unknown
  - Cuye was one of the main cashflow generators 10 years ago and this appears to be at depth with similar widths and grades.



# Q4 Exploration Highlights



## **Yauricocha (Continued)**

- The discovery of Mascota zone transition from oxides to sulfides is important because of the higher recovery rates associated with processing sulfides ores
- The Company continues with exploration drilling activities in areas below the Cuye and Mascota ore bodies and will continue to report assay results as they become available

## **Bolivar**

- During Q4 2016, exploration drilling continued along the Bolivar West fault area and the Company drilled a total of 11,749 meters in this area. 3,472 meters were also drilled in the El Gallo Inferior area
- Subsequent to year end on March 6, 2017 the Company announced the results of an initial drill program at the La Sidra vein on the Bolivar property. Drilling is ongoing and continues to define high grade silver-gold and polymetallic mineralization. The mineralized zone currently extends to over 500 meters in length and to 300 meters in depth and is still open along strike and down dip

# Q4 Exploration Highlights



## Cusi

- The Company is continuing the exploration program on the Santa Rosa de Lima area as well as performing some definition drilling within the mine
- On February 27, 2017 the Company announced the discovery of new high grade silver intercepts occurring in the Santa Rosa de Lima complex located within the current Cusi Mine operational area. The Santa Rosa de Lima complex lies within a regional structure extending some 64 kilometers. Extension on the Cusi property has an anticipated length of 12 kilometers
- The discovery comes as part of a reinterpretation of the Hydrothermal model and a drilling campaign consisting of 15,000 meters which began in December 2016. To date, the Company has drilled 10,200 meters or about 79% of the planned program which is expected to be completed by the end of March 2017



**Ed Guimaraes**  
*Chief Financial Officer*

# Financial Highlights

## Q4 2016



(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise)	Three Months Ended		Year Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Financial</b>				
Revenues	\$ 41,825	\$ 25,024	\$ 143,180	\$ 134,052
Adjusted EBITDA <sup>2</sup>	\$ 15,985	\$ (1,935)	\$ 41,887	\$ 32,317
Operating cash flows before movements in working capital	\$ 16,197	\$ (2,513)	\$ 44,303	\$ 32,475
Adjusted net income (loss) attributable to shareholders <sup>2</sup>	\$ 3,516	\$ (3,599)	\$ 7,006	\$ 4,108
Net income (loss) attributable to shareholders	\$ (5,076)	\$ (27,083)	\$ (12,265)	\$ (33,302)
Cash and cash equivalents	\$ 42,145	\$ 25,102	\$ 42,145	\$ 25,102
Working capital	\$ 9,576	\$ 13,581	\$ 9,576	\$ 13,581

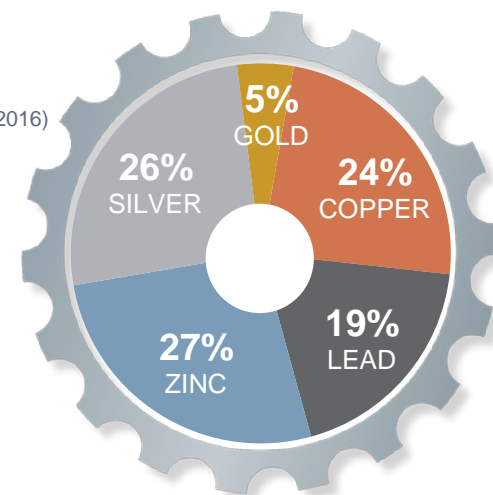
<sup>(1)</sup> Silver equivalent ounces and copper equivalent pounds were calculated using the following metal prices: \$14.96/oz Ag, \$2.25/lb Cu, \$0.75/lb Pb, \$0.73/lb Zn, \$1,113/oz Au. Budgeted Cu price used in equivalent ounce/pound calculations is higher than the Company's realized selling prices during 2016, and thus, has caused CuEqb cost metrics to be higher than those actually realized.

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

Realized Metal Prices	2016	2016	2016	2016	2015
(In US dollars)	Q4	Q3	Q2	Q1	Q4
Silver (oz)	\$16.82	\$19.17	\$17.08	\$15.26	\$14.76
Copper (lb)	\$ 2.38	\$ 2.16	\$ 2.15	\$ 2.13	\$ 2.19
Lead (lb)	\$ 0.95	\$ 0.85	\$ 0.79	\$ 0.80	\$ 0.77
Zinc (lb)	\$ 1.16	\$ 1.02	\$ 0.86	\$ 0.77	\$ 0.73
Gold (oz)	\$1,210	\$1,347	\$1,246	\$1,212	\$1,096

### Revenue Mix by Metal

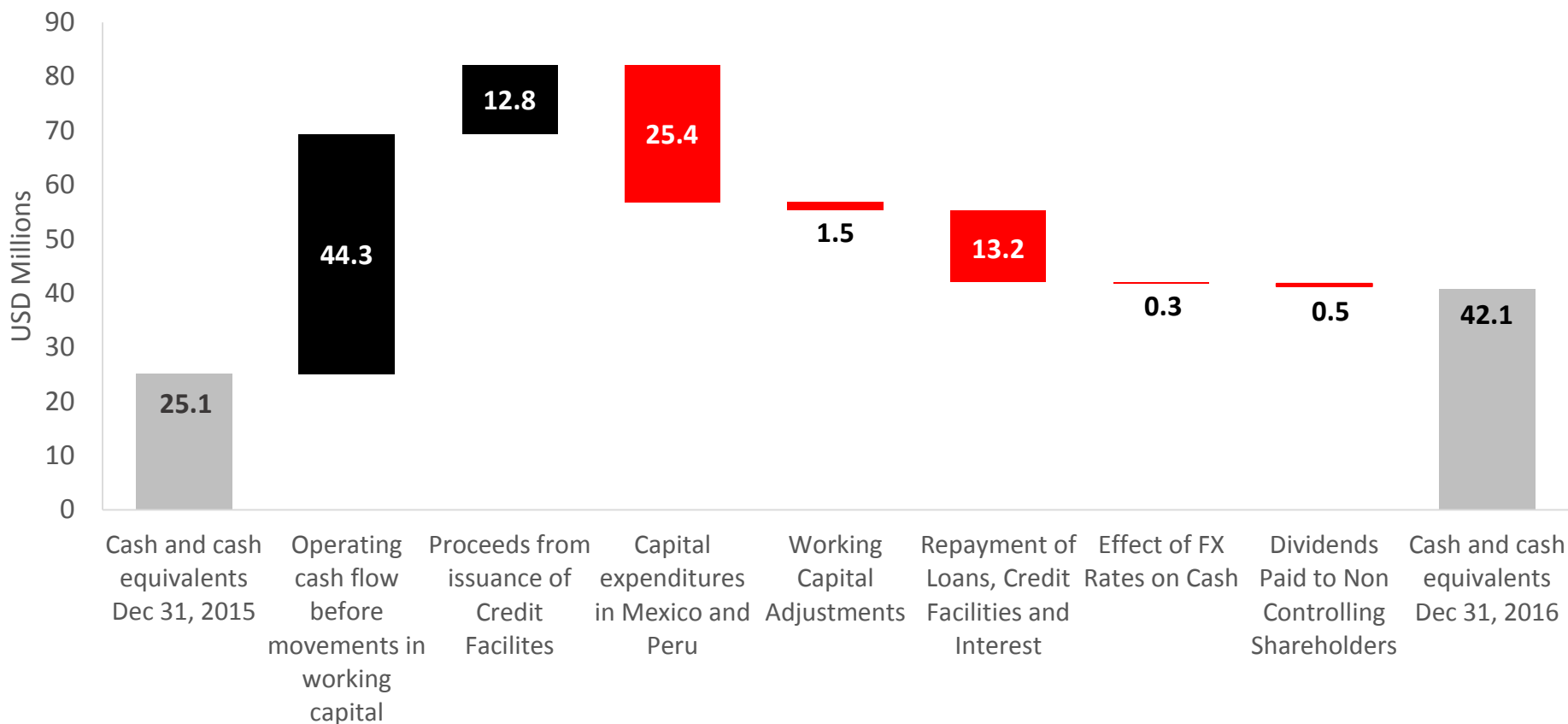
(12 months ending Dec 31, 2016)



# 2016 Cash Flow



Cash Changes in 2016



# Financial Position



## Balance Sheet

(As of December 31, 2016) (000'S)

Cash and Cash Equivalents	\$42
<b>TOTAL LIQUIDITY</b>	<b>\$42</b>
BCP Acquisition Credit Facility	\$46
BCP Credit Facility	\$12
Lines of Credit and other	\$20
<b>TOTAL DEBT</b>	<b>\$79</b>
<b>NET DEBT</b>	<b>\$37</b>

# Contact Information



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