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## PRESENTATION

### Operator

Good morning. My name is Matthew, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Sierra Metals Inc. Second Quarter 2018 Financial Results. (Operator Instructions)

Mike McAllister, Vice President of Corporate Development, you may begin your conference.

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### Michael McAllister - Sierra Metals Inc. - VP of Corporate Development

Thank you, operator, and good morning, everyone. Welcome to Sierra's Second Quarter 2018 Results Conference Call. On today's call, we are joined by Igor Gonzáles, our President and CEO; Ed Guimaraes, our Chief Financial Officer; and Gordon Babcock, our Chief Operating Officer. Today's call will be followed by a question-and-answer period.

Today's presentation is available for download, both through the webcast and from the company's website, at [www.sierrametals.com](http://www.sierrametals.com). Monday's press release, the financial statements and the management's discussion and analysis are posted on the company's website.

Before I turn the call over to Igor, I would like to indicate that this earnings call contains forward-looking information that is based on the company's current expectations, estimates and beliefs. The forward-looking information is subject to a number of risks, uncertainties and other factors. Actual results could differ materially from our conclusions, forecasts or projections as reflected in the forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or a projection as reflected in the forward-looking information is contained in the company's Annual Information Form, which is publicly available on SEDAR or EDGAR via the 40-F form or on the company's website.

Please note, all dollar amounts mentioned in today's call are in U.S. dollars unless otherwise noted.

With that, I would now like to turn the call over to Igor Gonzáles, President and CEO, Sierra Metals.



**Igor Alcides Gonzáles Galindo** - Sierra Metals Inc. - President, CEO & Director

Thank you, Mike. Good morning, everyone. Q2 2018 represented a very strong quarter for Sierra Metals as we continue to build upon the solid first quarter results. We are continuing to realize good returns on the capital employed and on operational improvement efforts, especially in our Mexican operations. These improvements have generated improved financial performance with record adjusted EBITDA growth strengthening our asset base and continued increases to our mineral reserves and resources at each of our mines.

With the conclusion of Preliminary Economic Assessment of each mine, have also demonstrated expansion plans with positive economics. Our management team are very encouraged with the continued progress and the strength in the achievements seen in the second quarter and the first half of 2018. We continue to be optimistic that 2018 will be a strong year of operational and financial performance at Yauricocha in Peru and for our Mexican operations.

Following my summary highlights, Gordon Babcock will take us through the operational highlights, and then Ed Guimaraes will take us through the 2018 second quarter financial highlights. And then we will open the call to questions.

Turning to Slide #4. The company remains focused on improving operating and financial performance in 2018. The second quarter built on the momentum from the first quarter 2018 and previous quarters, with improvements in revenue, adjusted EBITDA, operating cash flow before movements in working capital and throughput. The company achieved notable improvements year-over-year with a 29% increase in revenues to \$62.7 million; a 64% increase in adjusted EBITDA to \$28.9 million, which is a record for the company; and a 70% increase to the operating cash flows before movement in working capital of \$29.5 million. We continue to maintain strong liquidity, with \$21.8 million in cash and cash equivalents and \$15 million in available credit facilities.

Onto Slide #5. During the second quarter of 2018, the company processed 602,000 tonnes, which represents a 32% increase over Q2 2017 and an 8% increase over Q1 2018. Sierra Metals achieved record quarterly throughput, both from the Yauricocha and Bolívar mines, continuing the successful production increases realized during Q1 2018. Sierra's consolidated production of copper increased 62%; silver increased 12%; zinc increased 10%; gold increased 38%; and lead decreased 16% as compared to Q2 2017.

On Slide #6. The company continues to see positive gains and momentum from the progress of the operational turnaround program implemented in Mexico. Bolívar realized a 41% increase in throughput with a 45% increase in copper equivalent production. And Cusi realized a 95% increase in throughput with a 46% increase in silver equivalent production in Q2 2018 compared to Q2 2017. We continue to modernize operations, improving production and lowering costs, with further benefits expected to continue in Q3 and beyond. Improvements include: new mining equipment purchases, which allow more mineable stopes to be incorporated in the mine plan at Bolívar; a change in focus from existing narrow vein structures to the Santa Rosa de Lima zone which has larger widths and higher grades, in addition to our recently delineated, high-grade silver area within the structure of Santa Rosa de Lima; as well as continued with successful improvements made to the metallurgical recoveries at both mines.

Turning now to Slide #7. I would like to bring to your attention the 3 recently completed Preliminary Economic Assessments for each of our 3 mines, which we believe demonstrates the value opportunity that Sierra Metals represents. The Yauricocha PEA determined a 66% output expansion from the current 3,000 tonnes per day capacity to 3,600 tonnes per day in Q1 2019 to a potential 5,500 tonnes per day in 2021. The report demonstrated a net present value of USD 393 million using an 8% discount with a return on investment of 486%. The estimated life is 10 years. But it's expected to grow with subsequent drilling completed in late 2017 and 2018, which will be included in an upcoming 43-101 reserve and resource update, in addition to future drilling programs.

The Bolívar PEA examined a 67% output expansion from the current 3,100 tonnes per day capacity to 3,600 tonnes per day in Q1 2019 to a potential 5,000 tonnes per day in 2020. The report demonstrated a net present value of USD 214 million using an 8% discount with a return on investment of 550%. The estimated mine life is 11 years. But again, it's expected to grow with subsequent drilling completed in late 2017 and in 2018, which will be included in the next 43-101 reserve and resource update, in addition to future drilling programs.

The Cusi PEA examined a 315% output expansion from the current 650 tonnes per day to 1,200 tonnes per day in Q1 2019 to a potential 2,700 tonnes per day in 2021. The report demonstrated a net present value of USD 92 million using that 8% discount, with an internal rate of return of



75%. The estimated mine life is 9 years. But it's also expected to grow with subsequent drilling completed in late 2017 and 2018, which will be included in an upcoming 43-101 reserve and resource update, in addition to future drilling programs.

Slide #8. In 2018, the company has continued with its aggressive brownfield exploration program and definition drilling programs at all 3 mines. We have targeted approximately 71,000 meters of brownfield exploration this year, with the ability to ramp up drilling further with success in any of the zones. Management expects that the company will continue to provide further extensions to existing zones, such as Esperanza and Cuye-Mascota at the Yauricocha Mine; Bolívar West and Bolívar Northwest and Cieneguita at the Bolivar Mine; and San Nicolas and Santa Rosa de Lima at the Cusi Mine. Additionally, our technical teams have been reinforced to meet the upcoming challenges of putting our recent brownfield exploration success into the production schedule in the near future.

With that, I will now turn the call over to Gordon Babcock, our Chief Operating Officer, for the operations and exploration update.

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Thanks, Igor. Good morning, everyone. Please turn to Slide #9. The operational highlights, as noted on Slide #9. The second quarter of 2018, Sierra processed a total of 602,087 tonnes, which represented a 32% increase year-over-year compared to Q2 2017. The company achieved record quarterly throughput from both the Yauricocha and Bolívar mines, which is a continuation of the production increases and our improvement plans that we've incorporated.

In the second quarter of 2018, consolidated production of copper increased 62% to 8.6 million pounds; silver increased 12% to 0.7 million ounces; zinc increased 10% to 20.3 million pounds; lead decreased 16% to 7.1 million pounds; and gold increased 38% to 1,814 ounces as compared to Q2 2017.

The Yauricocha Mine achieved consecutive record quarterly ore throughput during Q2 2018. Zinc equivalent metal production increased 9% due to higher ore throughput, higher copper and gold head grades, higher copper, lead and gold recoveries, also, zinc head grades.

Bolívar also saw a record order throughput in the first quarter and realized a 41% increase in production as the company gained momentum from the progress of the operational turnaround program in Mexico. Higher ore throughput, copper and silver head grades, copper and gold recoveries resulted in the 45% increase in copper equivalent production in Q2 2018 as compared to Q2 2017.

At Cusi, total ore processed increased 95% as compared to Q2 2017, an increased 73% as compared to Q1 2018. Silver production of 272,000 ounces increased 46% compared to Q2 2017. The company continues to focus and develop higher-grade, lighter-weight Santa Rosa de Lima zones as well as targeting things such -- other zones such as in San Nicolas and Promontorio, and continues to ramp up production from this area while selectively mining structures in the older part of the mine, those I've just mentioned. We are pleased to report that the existing mill reached its throughput capacity of 650 tonnes per day during the second quarter of 2018.

Please turn to Slide #10. This details the outlook for the remainder of 2018. Having completed the PEA studies for all 3 mines, we are now working on feasibility studies with the intent of production optimization at all sites and to finalize future operational production increases. In addition to these work programs, the company will also focus on including reviews of plant optimization strategies, mineshaft and ramp and infrastructure improvements and review of processing plant efficiencies.

At the Yauricocha Mine, the final infrastructure for the Yauricocha tunnel will be completed in the third quarter of this year, and commissioning will take place in the end of Q4. There's some detail work that has to occur on surface, the infrastructure to tie into the existing mill facility as well as the existing Klepetko tunnel, roadways and some work to improve the whole structure, that has to take place by the end of Q4. This will enable the mine to have a direct run to the plants, which will result in a faster turnaround in the cycle time of the trolley locomotives. We'll be running 5 20-tonne [locos] to do our ore and waste movement in the mine. In the long run, this will give us the capacity to handle larger volumes of waste and ore. This tunnel will also provide another ventilation inlet to the mine, and it will be a huge benefit to the ventilation system we have currently in place. The tunnel should be fully operational in the earlier part of Q4 2018, towards the end.



There's another program that we're working on right now. It's called the Mascota maintenance program. In Q4, we're going to be working on the shaft of Mascota from the 970 level to 1,070 levels. We have some timbers to replace, we have cleaning jobs to do. We've accessed the bottom of the Mascota shaft with a tunnel from the 1,170 level. So we have everything in place. And that's going to start the beginning of Q4. So we will see a drop in production during that time. We won't be doing the same amounts.

Turning now, please, to Slide 11. Work continues to progress at the Yauricocha mine with the sinking of the Yauricocha shaft at 1,270 level. Plan is to cut a loading pocket below the 1,170 working level. This pocket will handle waste and ore from 2 streams in a multifeed, 3-ways configuration: we'll handle waste, we'll handle ore and we'll handle weathered ore with humidity. Three low points will be excavated on the 1,170 level, each having grizzly cover and independent discharge points for locomotive track haulage and trackless haulage equipment. A mobile rock breaker will handle any oversized muck encountered in the grizzly platforms. And the company estimates that this facility will be completely operational at the end of 2020.

Company's emphasis at Yauricocha will continue in the production of higher-value ore, including an estimated 450,000 tonnes of feed coming from the Esperanza zone during 2018. This effort is expected to continue to improve to 7 years -- okay. This is going to -- expect to improve the company's operating margins and cash flow generation, recently improved by historically softer metals price environment.

Turning to Bolívar. The installation of a new refurbished mill at Bolívar will provide the company with flexibility in terms of grind size and tonnage. The company has reached its throughput rate of 3,100 tonnes per day at Bolívar during the second quarter and expects to grow that to 3,500 tonnes per day in the second half 2018. We have made a huge improvement in the Bolívar tailings management system. We're using a process using a little bit of creativity in handling the slurry tails. We're using cells or ponds, dewatering the slurry, and then accessing the deposition of the dewatered tails similar to a dry stack. So this is working quite well. We're controlling a great deal of production in this fashion. At Cusi, improvements are also planned in 2018 with the installation of another new refurbished mill, 8 by 14, which will be installed to allow production to climb to 1,200 tonnes per day, starting in January of 2019. Components of the new refurbished mills have arrived at the Bolívar and Cusi mine sites. And we have begun the assembly and installation of these additional mills and expect to see completion by year end.

Important to mention here, in Cusi, we have the presence of a stockwork system, which is open at depth and width and in length. This offers us the opportunity to increase production to give us a single source to the plants, and that will give us some really positive opportunities here. We also have a dewatering decanter on site at the Mal Paso plant. And that is in play to give us another opportunity in tailings management. In other words, we won't be depositing slurry. We'll be depositing a semi-based type material, close to a dry stack.

Please turn to Slide 12. Exploration has been and continues to be a very important part of the company's growth strategy, and we have committed significant resources and capital to grow the mineral reserve and resources. In 2017, Sierra drilled 83,000 meters across all 3 mines. And the investment, as we know, is well spent. Mineral reserves for Yauricocha increased 134%, and the mine life more than doubled. We also saw significant increases in contained metal.

At Bolívar, mineral resources -- or reserves, pardon me, increased 83%, and the mine life went from 4 years to 7 years.

Also at Cusi, the company increased mineral resources by 129% from the previous report. Company highlighted several new discoveries in addition to extending the current mineralized zones, which speaks to the brownfield exploration operation at all 3 assets.

In 2018, the company plans to drill over 71,000 meters across all 3 properties, which have already led to the discoveries of new zones, such as the Contacto Oriental, Contacto Sur Medio, an extension of Cuye-Mascota at depth at the Yauricocha mine.

At Bolívar, drilling has identified an extension to the part of the Bolívar West zone. And that's named Cieneguita. [To instruct somebody to really found a Cieneguita.]

At Cusi, the drilling has identified a 40-meter wide high-grade silver stockwork within the Santa Rosa de Lima zone, which is what I just referred to previously. Subsequent drilling has extended the width of that zone to 50 meters. And the zone remains open at depth and along strike. Going forward, exploration will remain the key aspect of our growth plan at all 3 mines.



During Q2 2018, company drilled 45 holes totaling 8,366 meters at Yauricocha. Exploration drilling included 33 holes, 4,013 meters at various zones, including Contacto Oriental, Contacto Sur Medio Oeste, Esperanza-Cuye and Escondida Norte, to explore continuity and verify potential mineralization.

Definition drilling comprised of 52 holes, 3,440 meters, at Antacaca, Esperanza, Catas in the Central Mine zone; Butz and Mascota, to define and determine the continuity of the ore zones.

During Q2 2018, surface exploration was continued in the southern end of the Central Mine zone, mainly in the areas of Chonta Fault [tree] and in -- where a diamond drilling program will be carried out.

I'll highlight in here. We're in the process right now. The drill sites are prepared. We have 2 small shops where we have discussion with the community. So we expect to be drilling in 4 weeks in that zone.

At Bolívar, the company drilled 7,403 meters at El Gallo. And within the Bolívar Northwest, Bolívar West and Cieneguita zones. At Cusi, the company drilled 11,376 meters to verify the continuity of the ore bodies and support development work on the various veins systems. We are currently waiting at the results from recent drilling and are modeling the zones. We expect the in a position to press release further results in Q3 2018, which are expected to further define the current ore bodies and highlight further mineralization potential.

With that, now I'll turn the call over to Ed Guimaraes, our CFO, for a financial update.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Thanks, Gord, and good morning, everyone. Turning now to Slide 13. The company had its fourth consecutive quarter of higher revenues and adjusted EBITDA compared to previous quarters, aided by stable metal prices, record throughput at the Yauricocha and Bolívar mines and improving production at the Cusi mine. The company has continued to be successful in maintaining positive cash flow generation from its existing operations in order to reduce debt levels, fund required capital expenditures and maintain liquidity. The company remains focused on capitalizing on the successful drilling campaigns executed during 2017 and continuing in 2018, which resulted in significant increases to the reserves and resources at the Yauricocha, Bolívar and Cusi mines. Continued production growth is expected to be realized from the strategic allocation of operating cash flows towards growth-efficient capital in order to provide the infrastructure and scoping studies necessary to monetize the reserve and resource increases as quickly as possible.

During Q2 2018, the company earned revenues of \$62.7 million, which was \$14.1 million higher than Q2 2017, as well as adjusted EBITDA of \$28.9 million and operating cash flows before movements in working capital of \$29.6 million. During the second quarter, the company maintained the significant improvements in revenue and adjusted EBITDA realized during the previous quarters. The all-in sustaining costs during Q2 2018 trended lower than the previous quarters as consolidated throughput and metal production increased.

In the second quarter of 2018, the company earned net income of \$10.8 million compared to a net loss of \$2.8 million in Q2 2017, or \$0.07 per share, both on a basic and diluted basis, compared to a negative \$0.02 per share in Q2 2017. A large component of the net income for every period is the noncash depletion charge in Peru, which was \$2.8 million for Q2 2018 compared to \$9.7 million in Q2 2017. The noncash depletion charge is based on the aggregate fair value of the Yauricocha mineral property at the date of acquisition of Corona of \$371 million amortized over the total proven and probable reserves of the mine. The decrease in the noncash depletion charge in Q2 2018 was due to the 134% increase in proven and probable reserves reported in the company's NI 43-101 Technical Report issued on October 26, 2017. Higher revenues are primarily attributable to the 19% increase in throughput, the increase in copper and gold head grades and higher recoveries for copper, lead and gold at Yauricocha and the increase in the prices of copper of 21%; zinc prices increased 15%; lead prices, 10%; and gold, 2% in Q2 of 2018 compared to Q2 2017. The 41% increase in throughput, higher copper and silver head grades, copper and gold recoveries and the higher copper price resulted in Bolívar's revenues being 61% higher than Q2 2017. And the 95% increase in throughput and higher silver recoveries resulted in Cusi's revenue being 102% higher than Q2 2017.

Record quarterly adjusted EBITDA of \$28.9 million increased 64% compared to \$17.6 million in Q2 2017. The increase in adjusted EBITDA was primarily due to the \$14.1 million increase in revenues. Cash flow generated from operations before movements in working capital of \$29.5 million



increased 70% when compared to \$17.4 million in Q2 2017. The increase in operating cash flow is mainly the result of higher revenues generated and higher gross margins realized.

I would now like to review our cash flows in more detail. I have summarized the changes in cash during Q2 of 2018 on Slide 14. During the second quarter of 2018, our operating cash flows before movements in working capital were \$29.5 million. We had negative working capital adjustments of \$8 million, paid \$6.1 million in taxes in Peru, spent \$14.2 million on capital expenditures in Peru and Mexico and paid \$4.1 million in principal repayments and interests on our credit facilities in Peru and Mexico as well as paying dividends to noncontrolling shareholders of \$0.6 million. These items decreased our cash balance from \$25.5 million as of March 31, 2018, to \$21.8 million as of June 30, 2018. Along with the strong operational results realized during the quarter, the company's strong cash flow generation allows the company to be self-sufficient and fund its brownfield exploration and capital projects as well as reduce debt levels.

During Q2 2018, the company spent \$4.1 million on sustaining capital expenditures, mostly consisting of purchases of equipment and concentrator plant improvements, and \$10.1 million on in growth capital expenditures, consisting mainly of \$2.1 million of brownfield exploration drilling, \$3.3 million of mine development, \$1.5 million of plant enhancements to increase throughput and \$2.1 million on the Yauricocha shaft and tunnel projects.

The company's focus for 2018 remains on allocating operating cash flows towards efficient growth capital to provide funding for the significant capital expenditures planned in 2018 as well as mine development, plant improvements, infrastructure work on mineshafts and tunnels as well as the recently completed PEAs and feasibility studies under way, which are necessary to monetize the recent reserve and resource increases as quickly as possible. Management will continue to review metal prices and retains the option to adjust the capital expenditures should metal prices experience any dramatic changes within the year.

The company has principal payment obligations on its loans and credit facilities of approximately \$12.5 million to be paid in 2018, \$22.5 million to be paid in 2019 and \$27 million to be paid in 2020. The company expects to be able to continue to fund its short-term capital and debt commitments through the generation of operating cash flow.

With that, I will now turn the call back to Mike.

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**Michael McAllister** - *Sierra Metals Inc. - VP of Corporate Development*

Thanks, Ed. That ends the presentation portion this call. We would now like to open the call to questions from participants. Operator, could you please open the lines?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from the line of Jake Sekelsky with Roth Capital Partners.

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**Jacob G. Sekelsky** - *Roth Capital Partners, LLC, Research Division - Director & Research Analyst*

At Cusi, how much material is coming from Santa Rosa right now? Should we expect the rate to gradually trend higher throughout 2019 and into 2020?



**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Right now the predominant -- thanks for the question, Jake. Right now the predominant feed is coming from Santa Rosa de Lima. We have the areas that we're developing in the stockwork zone as well as some areas to the south, which are higher grade, and some of the areas to the north. That's the target, yes.

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

To complement the response from Gordon, we are also finalizing the improvement of the ramp to Santa Rosa de Lima. We're widening the ramp. And this has allowed us to bring larger trucks to mobilize the ore and the waste.

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**Jacob G. Sekelsky** - *Roth Capital Partners, LLC, Research Division - Director & Research Analyst*

Got it, okay. And assuming the second ball mill will rise on the second half of this year, is it fair safe to assume will be at 1,200 tonnes a day, call it, by midyear next year?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Yes. Yes. That's correct.

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**Jacob G. Sekelsky** - *Roth Capital Partners, LLC, Research Division - Director & Research Analyst*

Okay, perfect. And then just lastly, on exploration, what's the budget for the remainder of the year? And if you could just break it down between the 3 mines, that would be helpful.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Jake, thanks for your question -- go ahead.

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

No, no, go ahead, Ed. That's fine.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

(inaudible)

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Jake, did you get that response, Jake?

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**Jacob G. Sekelsky** - *Roth Capital Partners, LLC, Research Division - Director & Research Analyst*

I didn't. It cut out.



**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Okay. Go ahead then, Gordon.

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

The budget to date -- the estimated runs can be close to \$6 million.

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**Jacob G. Sekelsky** - *Roth Capital Partners, LLC, Research Division - Director & Research Analyst*

Okay. Do you break it down between the 3 mines or no?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

I would say -- I would split it fairly evenly between the 3 mines, roughly \$2 million at each one.

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**Operator**

Our next question comes from the line of Lee Cooperman with Omega Advisors.

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**Leon G. Cooperman** - *Omega Advisors, Inc. - President, CEO & Chairman*

Let me first, before I ask my questions, compliment the entire management team for the job they have doing, and particularly, for the [high-quality financial information you disclose [for a company of that size]. And now let me ask a question. It's probably hard to understand how (inaudible) community fails to ask you about the company (inaudible) deadline with the Arias fund (inaudible) who asked for an extension. We talk about somebody who controls 52% of the company. So the question we should be asking and I'm asking is, are you guys going to distribute -- and it's Arias, not you. But you should know the answer. We're sitting here in the middle of August, we're talking 5, 6 weeks away. As the -- Arias can ask its fund investors for an extension or is it going to distribute? And if it distributes, how it's going to distribute? Common sense tells me with the net present value of USD 428 million and the stock price at \$2.54, that distribution would make sense because you'll give up the control of premium. So the choice, to me, would be either sale of the company at private market value if there's a buyer or ask for an extension to give yourself time to develop, say, the Yauricocha mine facility, which might be an elephant, given all the stuff you've disclosed. But I think it's relevant that you guys should give us some insight into what is likely to happen in October.

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Okay. This is Igor, and I will ask also Ed to participate right after. What we're doing, as operators, we presented a strategy to our board last year. And we're well into the execution of business strategy and we have continued to do that. As a matter of fact, next month, we have a strategy review session to update ourselves on what have we completed on the strategy, which is what you guys been getting all along throughout our press releases, throughout our 43-101s, throughout our PEAs, et cetera. Regarding the ARC fund, we don't know and we cannot answer, unfortunately, what they're going to do. I mean, they are a shareholder for Sierra, but we don't control their activities. So we cannot comment on what they will be doing in 6 weeks. Ed, you want to comment also?

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Thanks, Igor. No, just to add that the company and its shareholders, we're completely aligned in terms of maximizing shareholder value. And any decision that the ARC fund ultimately takes is not impacting our day-to-day decisions and in running our minds and pursuing shareholder maximization -- optimizing our assets as best as we can.

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**Leon G. Cooperman** - *Omega Advisors, Inc. - President, CEO & Chairman*

I have no question about that. But I think with this event 6 weeks away, the management -- you'd like to know who can be working for. And I would like to know, since I'm the buyer in the market, do I want to buy in front of the possibility of distributing 52% to the equity. So I think, we're close enough to the event, where Alberto should feel obligated to inform you guys of what his plans are. That's all. But I don't want to beat a dead horse, but that's kind of my view. And again, you're doing a very fine job in running the company, which is most important.

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**Igor Alcides Gonz  les Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Thank you.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Thank you.

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**Operator**

Our next question comes from the line of Mark Reichman with NOBLE Capital Markets.

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

I'd also like to commend the management on the strong results and the solid execution of this plan. I'm looking at Page 37 of your corporate presentation, the breakdown of the CapEx guidance, and I kind of use that as a scorecard. And so what I'm showing is on sustaining CapEx, you've spent about \$7.1 million of your \$13.1 million budget. The exploration, I think, you've spent about \$5.7 million of the \$9.2 million. Where I'm a little less clear is progress to date on the bottom, by mine, the exploration drilling. So could you just -- of that by mine, the total is up 71,250 meters. Could you just let us know kind of how many meters have been drilled in the first half? That would be helpful.

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**Igor Alcides Gonz  les Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Ed, do you want to comment on CapEx? And then Gordon will comment on the...

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Well, let's -- yes, I mean, if you can just confirm those numbers, that would be fine. But just on that last line, on exploration drilling. So for example, Yauricocha, you're planning to drill 33,500 meters. Just looking at your first and second quarter conference call presentations, I get about 15,285 meters. I'm not sure that's correct. So if you could just kind of walk through the meters drilled to date in the first half by mind, that would be really helpful.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Yes. And that was touched on already, Mark, by Gord, I believe. Or it might have been just the...

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Can you -- yes, okay. Well, can we go through it one more time?



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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Sure. I'll actually -- so we, in Q2...

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Well, the problem -- yes. So the reason I was asking is I was a little confused. Because looking at the first and second quarter conference call slides, I was getting like 13,684 meters for Bolívar. And I know that's not the case. So that had to include something else.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Yes. At Bolívar, we did about 7,400 meters in Q2. So I don't think it's quite that high. But we're...

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Well, see -- right. The first quarter showed 6,281 meters and the second quarter showed 7,403 meters but your budget is 10,000 meters. So that can't be right. So I was just wanting to clarify those numbers.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Well, I -- that's -- it's not right. We just allocated a little bit more over -- more than budget to Bolívar. I think, in total, we're going to be coming in around that 71,000 meters mark. But again, it's tough to really -- a budget is still something that we retain the right to modify.

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Yes. So what you're telling me is that 13,684 meters is correct. So you've just gone a little over the 10,000. And that -- so you're a little over -- you're a little under the halfway mark at Yauricocha, and you're probably, what, about 2/3 there on Cusi. And so -- okay. Well, that's helpful. That's why I wanted to clarify it. In terms of the exploration dollars per meter, when you look out kind of your '18 to '22 plans on the 330,000 what are you kind of seeing in your dollars per meter costs? Or I mean, are you seeing some escalation there? Or when you kind of look out, kind of what are your expectations?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Right now, what we're seeing on the exploration front, we've managed to do some more negotiations with our contract drilling services here in Peru as well as in Mexico. Our rates have actually gone down. The deep wells are expensive as you probably can gather. Also, I wanted to add a little more concerning the drilling. In the case of Bolívar, the reason there's a delta change in the drilling meters is because we discovered the Cieneguita zone. So 1 hole drilled in the Cieneguita came back with good copper results so we drilled more holes. The whole concept here is to take us from where we are in the resource base to reserve. So we're trying to up our definition program and take advantage of that fact. So that's why that delta is there. We have that right by the board so we maximize it whenever we can.

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

But still -- and so like, even on your exploration budget, you spent \$1.1 million of your budget at \$1.2, yet you've gone over in terms of the meters. So in other words, your cost per meter have been a little lower than expected at Bolívar.

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Yes. That's right. That's right.

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Got you, okay. And I just wanted to pivot back to the Cusi mine PEA. I think I've discussed this with -- before, and I just want to kind of better understand it. So the plans call for increasing the throughput capacity at the Mal Paso mill to 1,200 tonnes per day in '19, and then to put in a new 1,500 tonnes per day processing plant that would begin in mid-2021. And you'd run those in tandem. And I think currently, the Mal Paso plant has about 1.5 years of storage. So it doesn't quite get you to the point where you've got that new waste site, so to speak, that comes with the proposed plan. But as I recall, I mean, there's a lot of savings, and that new plant is scalable. So I just wanted to revisit the rationale in terms of why not size that new plant at a much higher -- at a higher level, say, 3,000 tonnes per day and just phase out Mal Paso?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

That's the long-term plan. The idea is in this next round of feasibility studies, we're going to look at those options. So in the case of Cusi, in the case of the Mal Paso plant, we do have some upside potential for more storage. So there are opportunity. There's just 4 sites there that we can choose from. And we can add to it right now. So the idea was we get to 1,200 tonnes and we construct new plants, again, after our feasibility run. And then the idea is that plant -- we have access to a mill that could certainly give us our 3,000 tonnes per day milling capacity. So we've got some optionality here.

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

The design for the new mill is a -- so far, is a 1,500-tonne per day modular mill. And we have allowed space for a second module. And as Gordon says, when -- if we build a second module, of course, economics have to make sense, which we think they will. And then at that point, we'll build a second module right next to the first module. And then we'll shut down the Mal Paso mill at that point.

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**Mark La France Reichman** - *NOBLE Capital Markets, Inc., Research Division - Senior Natural Resource Analyst*

Okay. And then, for the Mal Paso facility, going back to the existing tailings facility that had 1.5 years of storage capacity based on a 1,200 tonnes per day, I think there was a mention that prior to -- because you're kind of contemplating a new site that would accommodate like 5.4 million tonnes of waste ore. But I think you'd identified like 4 additional storage sites that could offer varying levels of storage capacity. Have those been kind of confirmed? Or maybe you feel pretty comfortable with the tailings facilities in terms of when you're operating in that period between to extend that 1.5 years until you get the new site up and running?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Yes. Yes, we do. Remember, we're in the process right now of doing test work with the decanters. So it's just a need to dewatering these [ores]. So when we do that, we're going to be -- the idea is to deposit semi-dry tails, and we'll use that with a dry stack facility. So that's the concept. So then we're not going to be concerning ourselves with slurries and handling slurries and so forth.

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Yes. In a more general terms, what we've done with the tailings both at Bolívar in Cusi, is we hired engineering firms to do a short-term plan, which we're executing, and a mid- and long-term plan, which are now under study. That's why Gordon mentioned that in Cusi, in the Mal Paso, we have

3 or 4 options. We are also looking at a new tailing facility on-site for the 1,500 tonne per day module. So -- and in Bolívar, there is also a study going on for a new site for additional tailings for the expansion. So all that is being engineered as we speak.

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Another further comment is both sites are going to require in a future fill. So the other concept would be backfill, possibly a piece backfill going into Cusi as well as Bolívar. So those options are also out there as well. That's part of our whole program in the feasibility run.

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**Operator**

Our next question comes from the line of Heiko Ihle with H.C. Wainwright.

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**Matthew James Barry** - *H.C. Wainwright & Co, LLC, Research Division - Associate*

This is Matt Barry here for Heiko. Unfortunately, he's on a flight and couldn't call in himself. We noticed your trade and other receivables have continued to increase. They're about \$35 million right now compared to about \$28 million at year-end and \$29 million at the end of the first quarter. Any ideas what we can attribute this to? Sluggish metal prices or some other factors? And as for the MD&A, only some of that is attributable to the obvious factor, which are the Mexican value-added tax receivables that went from about \$4 million to about \$6 million.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Hey, Matt. It's Ed. Thanks for your question. So that higher receivable balance is largely attributable to the higher-than-normal zinc concentrate shipments that were done pretty much at year-end. There are 2 big shipments done on June 28 and on June 30, where no amounts of -- we weren't paid for any of that. And it's really timing. We can't really control when the plant will have the concentrates ready to be loaded onto trucks and shipped. And it just so happened to be the case, that a large amount of this physical concentrate we shipped at the end of the quarter. So -- and now we consequently -- yes, and that was all received within 2 weeks, pretty much. So by July 15, we had that receivable coming way down.

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**Matthew James Barry** - *H.C. Wainwright & Co, LLC, Research Division - Associate*

Perfect, perfect. And then I believe you guys touched on this briefly earlier, about the second ball mill at Cusi. When exactly does it get to site? And as far as we know, it's been ordered, recorded in pricing as loss, correct?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Okay. The -- I'll answer that, Matt. Gord here. The second ball mill is in Cusi now. It's mounted -- it's pretty much ready to go. It's on an infrastructure, a structural -- steel infrastructure. We're in the process now of preparing the concrete pad. And the way we go, we should be -- it should be in place by the end of the year. We should be -- that should be in place and ready to go.

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**Operator**

Our next question comes from the line of Chris LaFemina with Jefferies.



**Christopher LaFemina** - Jefferies LLC, Research Division - Senior Equity Research Analyst

To echo a comment from earlier, I would definitely agree that we appreciate the level of transparency in your financials. It makes it very easy to model and very easy to understand. Just a couple of questions. You guys beat my expectations at all 3 of your mining operations in the quarter pretty significantly. And you've given us regular guidance around how those operations should progress. I'm wondering about the corporate costs, do we -- should we expect corporate costs to rise as well as production ramps up from your operations? Or is there any reason why the corporate and just SG&A costs would potentially go down over time? And the second question I have is kind of a bit longer term. Conceptually, you guys obviously have significant expansion potential at Yauricocha, at Cusi, even at Bolívar, and over various time horizons. I'm wondering what Sierra could look like in your mind in, I suppose, 2021, 2022, if you're able to deliver this growth? And in line with the way unit costs likely will go, what sort of EBITDA do you think you guys could generate on an annualized basis? I don't know if you've done the math on this, but if you assume kind of where prices were in the last quarter, where prices are on spot, what sort of annualized EBITDA run rate we would be looking at for your company in 3 years' or 4 years' time? Because obviously, the investment case here depends a lot on the growth. And the market is not valuing your stock and what you look like today, but once the value -- will look like in 3 years' or 4 years' time, it will be helpful to have just some insight as to what you think you could look like. I know the 43-101s have some of the details well, but just wanted to kind of hear it from you guys, how you think you'll look in a few years' time.

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**Edmundo Gontardo Guimaraes** - Sierra Metals Inc. - CFO

Thanks, Chris, for -- yes. Thanks for your questions. In terms of G&A. I think G&A should -- we'd expect G&A to come down a little bit. There has been some additional cost over the last couple of years in terms of -- last year, for instance, taking the company dual-listed into the New York Stock Exchange American. Also the ATM that we worked on. We also did a spinout of Cautivo, which was our -- some of the northern exploration properties we had in Peru. As well as bringing on -- just supplementing our staff to handle the more of the technical aspects of the scoping studies and planning. So I -- again, that -- it's -- I'd expect the cost not to increase unless there is a significant event that would cause it to increase. If that's -- so it's a little bit of sucking and blowing, but I don't foresee anything that would drive G&A costs higher. But again, it all speaks to scale of the operations and the staffing requirements and consultants used. So that's the first point. In terms of EBITDA, I'd -- the company policy really isn't to forecast out or provide guidance to EBITDA. But I think you can do the math, just looking at the throughput expansions and using a consistent metal price scenario and the fact that your costs should, overall, should decline with these additional throughputs. I think you can get to an EBITDA number that's -- look, I'll leave it to you. But it's much higher than where we are today, that's for sure.

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**Christopher LaFemina** - Jefferies LLC, Research Division - Senior Equity Research Analyst

It looks like it could be more than double your current run rate, assuming commodity prices stay where there are. So if you could deliver that growth, your shares are clearly not priced correctly.

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**Edmundo Gontardo Guimaraes** - Sierra Metals Inc. - CFO

Right, right. That's a fair comment. Yes.

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**Operator**

(Operator Instructions) Our next question comes from the line of Jim Young with West Family Investments.

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**James Young** - West Family Investments, Inc. - Investment Analyst

A couple of questions. First is a follow-up to Chris' question regarding your EBITDA. Can you -- I recognize forecast the EBITDA or give guidance, but can you give us a sense regarding the EBITDA margins? So for example, you did a great job of increasing EBITDA at the corporate level from -- by 170 basis points from the first quarter to the second quarter at 46.1%. But Yauricocha EBITDA was 52.5%. So when I think about the different



operations, the different mines at Yauricocha, Bolívar and Cusi, can you give us a sense as to the -- as the operation is growing scale, our EBITDA should -- a more normalized EBITDA for the whole company be at the Yauricocha level, which obviously, will increase over time. But I'm just wondering if you can give us a feel for -- directionally, where the EBITDA margin should or could go.

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Jim, it's Ed. Thanks for your question. And yes, you're right that Yauricocha's EBITDA was about 52%. And I believe, overall, for Cusi and Bolívar, that's kind of in the 40s. I don't think it's a stretch to say that the company, at all 3 levels, can't be at the 50% EBITDA level. And I'll leave it at that.

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

I'd like to complement that, Jim, with -- the reason we're moving quickly with the feasibility studies and our life of mine estimates and calculations is that, that will help us to define the operating costs at all levels and the capital costs. And then at that point, we'll be in a position to estimate the financials, to make a reasonable estimate in our financials. So I think we're halfway there. We've done the PA, but I think in the feasibility studies were going to narrow the options and we're going to be more precise in defining operating costs -- capital costs for all of our units.

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**James Young** - *West Family Investments, Inc. - Investment Analyst*

Okay. And then the second question is for Gord. Gord, can you help us understand the size and significance of this Santa Rosa de Lima news, where you mentioned that the width goes from 40 meters to 50 meters, which -- they just seem substantial. But is the -- what's the ore grade on this incremental 10 meters? And overall, just from this one part of Santa Rosa de Lima, how much ore will -- and does this suggest is contained in this one area? And will this supply the Mal Paso Mill for 1 year or 3 years? Or just -- can you give us a sense of the magnitude and the opportunities that you see, really, with this area?

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**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Okay. Thanks, Jim. Jim, that area, it's a series of stockwork. It's a veins system. It's a series of systems. So what we're seeing is, in the development plan, this is going to be a sublevel drilling plus a fill operations. So it's almost like an avoca method. So it's going to be a volumetric plus to the whole operation. And the grades range from one end to the other. And we've got some high-grade intercepts in the center. I can't really disclose what the average grade is going to be because we're in the process right now of putting together our definition program, defining our targets in the zone. We've got average grades running from 160 grams to 5,300 grams. So they run the map. The idea is looking at this possibility -- not possibility, it's more than the possibility, it's an actual plan. We run this with a sublevel stoping technique with long haul of roughly 12-meter levels, 12 meters between levels, and we'll bump it up to 16 meters down below. So it's going to give us some productivity opportunities here. The idea is in the next plan, the next quarter, we're going to be reviewing our plan for next year. This area could supply the complete mill with 1 year of supply. And we continue with the ramp and so on, going down. And then the following that, the lower levels, as we go down the next 16 meters to 32 meters below, we're pretty confident this zone continues at depth. So roughly, the dimensions run 70 meters in depth that we know now. We've got it approximately 100 meters long. And then the center is like an ellipsoid. So the exact section in the middle runs anywhere from 40 meters to 50 meters wide. And we're driving development drifts right now in that zone, it's basically draw points. And where going to structure it so that we can long haul the complete area and retreat back. And then on the area above the zone, we have an end of sight contact and that's the area where we're going to be filling. So we're going to be doing the progressive fill behind the stoping program. So it's a modified sublevel cave, sublevel long haul drilling program. And that will give us both tonnage immediately. So that's the concept. So if it all goes correctly, we have 1 year's capacity. Then we follow it up with the next year with another year's capacity. Just in that zone with what we know now. But we need to do the definition drilling program below the 1,744 level where we're mining now. This is a great opportunity. There are other opportunities like this in the mine as well. The other area we spoke about before called the Azucarera. And there's some opportunities in the upper part of the mine that we have to look at with a possible potential. After drilling program is complete, there's a possibility that we can get some bulk tonnage in the form of a small open-pit surface. That is in the future.





**James Young** - *West Family Investments, Inc. - Investment Analyst*

Okay. And Gordon, Bolívar, can you update us with respect to the timing for (inaudible) or out of the Bolívar Northwest and the Bolívar West areas? These, as I recall that, like El Gallo, is a much more lower grade than Bolívar West and Bolívar Northwest. But can you give us a sense as to when this ore is starting to -- is going to get processed in old areas and also in the Cieneguita zone, what's the timing of that?

**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Okay, all right. Thanks, Jim. Jim, concerning Bolívar, right now, our definition programs have delineated that we need to work on the El Gallo Inferior area of the mine. We do have grades that are close to the 1% mark in that area. We have programs. Now we're actually going after the pillars in the upper part of Gallo Superior mantle, and that's giving us an opportunity in better grade. So we're going to target the Gallo Superior as well as the Gallo Inferior area. We're going to continue with the access we're in the process right now. And the next month, we're going to be reviewing our strategy to attack these zones. In the future, we're going to get a complete strategy review with our mine teams. It will be here. And we're going to review the Gallo area. That has opportunity, we've more than doubled the resources in that area so there's an opportunity that warrants attacking. We've changed the mining method from the room and pillar. And we're approximately -- our target is for next year to be about 85% to around 87% long-haul drilling, long-haul stoping in the mantel zone. As well, our continued drives to Bolívar West and Bolívar Northwest, those ramps will continue. But we're going to review everything we're looking at now. We've got to concentrate on what opportunities are right there in front of our faces first and then go after these other things. There's a considerable amount of development to do. There's also a review that we have to do in targeting that tunnel to run from the Mal Paso -- the pardon me, the Piedras Verde plant to the Gallo and the Bolívar West areas of the mine. That would give us some other opportunities for fill and so on in the future. We have to review all of those. So to answer your question in one short [comment], Gallo Inferior is our target to new development in key areas.

**James Young** - *West Family Investments, Inc. - Investment Analyst*

Okay, great. And then last, if I could, Gord. Can you just help -- just update us on, like, Yauricocha, where your priorities are at that mine? Because you have so many opportunities that you're pursuing, but -- and then also, in particular, the Chonta Fault, what's happening in that area?

**Gordon J. Babcock** - *Sierra Metals Inc. - COO*

Okay. In the mining plant, we have been very optimistic in our runs and we've delivered, for the first half of the year, excess production in many of the zones. One of the opportunities that we've been able to access has been the zones of the Cuerpos Chicos. This has been the result of our definition program in the area of Cachi Cachi. That's one. Also, in the areas close to Mascota and the immediate area near Cuye -- the Central Mine zone. We've targeted some new areas. Our definition drilling program has picked up some more of these Cuerpos Chicos, that's why our head grades have been above the norm. So that opportunity has been well received. So our target is to continue with that area, continue with the Esperanza area as far as mining is concerned. So Esperanza, Cachi Cachi and the Central Mine zone are the same opportunities. We're going to go after those, carry on with that. On the exploration front, we're drilling on a potential porphyry from the 720 level. Down -- we're going approximately 1,500 meters. And we're in process right now. We've picked up chalcopyrite stringers, plus molybdenite. So there's -- we have to target that drilling program. So that's an opportunity for the future. In the surface program, we've got targets. And by the way, that 1 potential porphyry is also based on the Titan 24 geophysical survey. We also have delineated the drilling program under the Cuye area of the mine. That's also noted in the Titan 24 program. Also, underneath the Esperanza zone, again, another program. Our future run for the next few years is going to be a horizontal run to try and access as much ore as we possibly can from that 1,070 level. We know that we have drill intercepts at the 1,070 horizon to -- between the Esperanza zone and Cachi Cachi. We've got that target area. So we know that there is opportunity there. Now we have to start to look at this with an opportunity to increase our resources. Though on the case of the Chonta Fault, as I mentioned, the program -- there's a program of approximately 8,000 meters of drilling to do on surface. And we've got -- we made the presentations to the communities to detail what we want to do. It's 2 communities. The community of [Loras] and [Antalis]. And that first presentation was done. And we expect that -- it's a process. It's an informative process. And we've got a total of 21 different sites all targeted in that same program with this community. So we expect to see the go signal coming from them -- from the government in 4 weeks' time. We're ready to go with 2 drill stations now on the Chonta Fault. And we have geochemical



anomalies as well as the area has some prospecting done before. So we know that there's good targets there for lead, zinc, silver. There's good opportunity there.

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**James Young** - *West Family Investments, Inc. - Investment Analyst*

Okay. And my last question, if I could, for Igor and Ed, is that, on Page 11 of your corporate presentation, you have both your 2018 production guidance and 2018 cost guidance. So we're more than halfway through the year at this stage, and you seem to be exceeding expectations. Can you give us a better sense on the production? Are you going to be towards the higher end or are you exceeding your production targets? And likewise, on the cost guidance, your cost guidance and your performance so far at Yauricocha and Bolívar are notably below your targets. And Cusi, you are making progress. So can you share with us some thoughts and maybe potentially narrow some guidance for both production and cost for this year?

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Yes. I will respond, Matt (sic) [Jim] to your question, and then I will let Ed to complement. Remember what Gordon mentioned, we have maintenance program on the Mascota shaft in Yauricocha. And so that -- during those 3 months, on the fourth quarter, Yauricocha will not be able to deliver the higher tonnages that it had been delivering in the first 3 quarters. So that's something we have to keep in mind. This maintenance has been budgeted. It was part of our plan all the way. So -- and this is the main reason why we would like to be cautious and stay on budget. So in terms of production, we would like to keep our guidance the way it is. And I guess that's going to impact also the cost. So I don't know if -- Ed, you want to complement that?

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**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Thanks. Thanks, Igor. I think, Jim, in terms of production guidance and to where -- what Igor was saying as well, I think we're going to be pretty much, like, right there, in the middle between the low and the high is a fair assessment for the year. So zinc at 200 million pounds, copper, a little about 90, 93-ish range and same for silver. So I don't see any variation from a low perspective. And I don't think we're going to knock it out of the park either in terms of hitting the highs. But somewhere in the middle of low and high is a good guidance. In terms of 2018 cost guidance, I think those are still -- those are the numbers we're striving for. And I know we're a little below at Yauricocha and Bolivar. But -- and Cusi has a potential to come down. So I think those are still attainable.

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**Operator**

Your next question comes from the line of Lee Cooperman with Omega Advisors.

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**Leon G. Cooperman** - *Omega Advisors, Inc. - President, CEO & Chairman*

This is a difficult question, but I don't have the industry knowledge that you guys possess. I'm just curious, from your historical experience, asked as a quick transaction in the space, does it generally take place a premium or discount to the present value calculation of the asset base towards -- the \$428 million is your NPV. Generally speaking, not so much for Sierra, but a sign of growth for [when they enter into it] with the growth prospects of the company are but. Typically, how do these transactions occur relative to NPV or net asset value?

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**Igor Alcides Gonzáles Galindo** - *Sierra Metals Inc. - President, CEO & Director*

Ed, do you want to comment on that?



**Edmundo Gontardo Guimaraes** - *Sierra Metals Inc. - CFO*

Thanks, Igor. So Leon, in terms of -- it all depends. Usually, it's based on a share price, and there's usually a premium to the share price. Again, there's so many scenarios. It all depends, right? If someone's going, if it's a private transaction, it changes. There's no rhyme or reason. But typically, what you see is, in terms of acquisitions of public companies is that there is a premium associated to a share price. And that could be 20-day VWAP, 6-months VWAP. There's really no template.

**Leon G. Cooperman** - *Omega Advisors, Inc. - President, CEO & Chairman*

Yes, I don't think that would work for us, frankly. Because we're so far below NAV. But okay. A difficult question, I'm just curious if you had any insight.

**Operator**

No further questions at this time. I turn the call back over to the presenters.

**Michael McAllister** - *Sierra Metals Inc. - VP of Corporate Development*

Thank you, operator. That concludes today's call. On behalf of the management team I would like to thank all the participants for joining us today. A replay of the webcast and the materials can be found on our website at [www.sierrametals.com](http://www.sierrametals.com). If there are any further questions or concerns you can reach out to the management team any time after today's call. Our contact information can be found in today's presentation as well as on the company's website.

Thank you, operator, please conclude the call.

**Operator**

This concludes today's conference call. You may now disconnect.

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