



## Sierra Metals Board of Directors Rejects Alpayana's Hostile Bid; Hostile Bid's Inadequate Offer Price Fails to Recognize Sierra Metals' Value and Growth Potential

*Board Recommends that Shareholders REJECT the Hostile Bid and TO NOT TENDER THEIR SHARES*

*All dollar figures are in USD, except share prices noted as "C\$" which are in CAD.*

**Toronto, ON – January 14, 2025 – Sierra Metals Inc.** (TSX: SMT | OTCQX: SMTSF | BVL: SMT) ("Sierra" or the "Company") today announced that its Board of Directors (the "Board"), following careful consideration and receipt of the unanimous recommendation of a special committee of its independent directors (the "Special Committee"), and after consultation with its financial and legal advisors, has recommended that Sierra shareholders reject the unsolicited all-cash take-over bid by an affiliate of Alpayana S.A.C. ("Alpayana"), to acquire all of the issued and outstanding common shares ("Common Shares") of Sierra for C\$0.85 per share (the "Hostile Bid").

The Board unanimously recommends that Sierra shareholders **REJECT** the Hostile Bid and not tender their Common Shares to the Hostile Bid. Shareholders simply need to **TAKE NO ACTION** in order to **REJECT** the Hostile Bid.

Miguel Aramburu, Chair of the Board, commented:

*"Alpayana is offering to buy your Common Shares at a price that undervalues the Company and is well below where prior transactions of a similar nature have transacted. At a time of growing worldwide demand for copper, Sierra owns two thriving copper-producing mines in proven jurisdictions. The Company has increased production significantly at both of the Yauricocha and Bolivar mines and expects to continue to grow mineral resources and production in 2025. As a result, the Company is positioned to deliver improvements in its operational results and create meaningful shareholder value by a significant expected increase in EBITDA."*

### Significant Expected EBITDA Increase in 2025

The Company has introduced a projection of approximately US\$130 million of EBITDA<sup>1</sup> in 2025, as described in the Director's Circular (as defined herein). This represents significant year-over-year growth in EBITDA from US\$72 million in 2024 (expected) and US\$50 million in

<sup>1</sup> This is a non-IFRS performance measure and based on the following consensus pricing: 2025 (US\$4.34 / lb Cu, US\$0.95 / lb Pb, US\$1.25 / lb Zn, US\$31.14 / oz Ag, US\$2,600 / oz Au). Please refer to "Non-IFRS Financial Measures" and "Financial Outlook".

2023<sup>2</sup>, representing an approximate 80% increase relative to 2024 (expected) EBITDA and an approximate 158% increase relative to 2023 EBITDA. This increase is expected to be driven by increased production at both Yauricocha and Bolivar and careful management of costs. While the Company does not typically provide EBITDA guidance, the Board determined that the information is essential to shareholders in the unique circumstances of the Hostile Bid. The EBITDA projection provides support for the Board's recommendation to reject the Hostile Bid.

Mr. Aramburu continued, "*The Board's view is that selling your shares at the low price offered by Alpayana would deprive you of significant upside potential in your investment. One need not look further than the collective view of greater than fifty percent of Sierra's shareholders who have informed the Company that they are aligned with the view of the Board.*"

### **Reasons to Reject Alpayana's Inadequate Hostile Bid**

The basis for the Board's recommendation that shareholders reject the Hostile Bid is set forth in the Sierra Directors' Circular (the "Directors' Circular"), which was filed today with Canadian securities regulatory authorities, is being mailed to shareholders, and is available on the Company's website and SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)) under the Company's profile. The reasons for the Board's recommendation include, among other things, the following:

- **The Hostile Bid is dead on arrival.**

***The Hostile Bid has already been rejected by a majority of shareholders, rendering the bid incapable of completion based on its non-waivable condition.***

As announced by the Company on December 26, 2024, shareholders holding cumulatively more than 50% of the outstanding Common Shares have each informed the Company that the proposed C\$0.85 per Common Share bid price is inadequate and that they do not intend to support the Hostile Bid. Accordingly, Sierra believes that Alpayana will not be able to satisfy the minimum tender condition to acquire control of the Company.

- **The Hostile Bid attributes no value to commodity and jurisdiction upside.**

***The Hostile Bid fails to recognize the strategic value of a copper producing company operating in proven mining jurisdictions.***

The price of copper has been increasing due to global demand and tight supply conditions. With new copper supply constrained by the challenges of developing new mines, there has been an increase in valuations of copper-focused equities as well as proposed mergers and acquisitions. Mexico and Peru, where Sierra operates, are both globally established mining jurisdictions hosting some of world's largest producing metals deposits. As one of the Western world's few publicly traded copper producers

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<sup>2</sup> Reflects EBITDA from continuing operations and excludes the Cusi Mine which was placed on care and maintenance and subsequently sold by the Company.

operating in proven jurisdictions, Sierra is a highly strategic and coveted company in which to hold equity.

- **Shareholders should continue to capture the growth at Sierra.**

***Sierra has a high-quality portfolio of assets with significant upside potential.***

Sierra's two copper producing assets, the Yauricocha mine in Peru and the Bolivar mine in Mexico, both contain significant near mine, brownfield and greenfield exploration potential that could be leveraged to drive significant long-term value for the Company. At Yauricocha, the Company obtained the permit to mine below level 1120 where 95% of the mine's current mineral reserves sit, allowing the mine to operate at full capacity (currently 3,600 tonnes per day ("tpd")) since Q4 2024. The Company believes there is significant exploration opportunity below level 1120 as the geology appears open in all directions. Sierra is also confident in its exploration efforts at Bolivar and its ability to deliver additional resources to support the Company's plan to increase production capacity from 5,000 tpd to 7,500 tpd in the mid-term.

- **Sierra's plan to create value is working, Shareholders should keep the upside.**

***The Hostile Bid is opportunistic and clearly timed to deprive Sierra shareholders of a potential near-term uplift in the share price.***

In the two years since current management was appointed, Sierra has successfully stabilized, optimized and improved its operations, resulting in a lower cost structure, increased efficiencies, higher production levels and profitability across the Company. The Board believes there is an opportunity for significant share price appreciation in 2025 based on the projected EBITDA growth. Applying the Company's existing EV / LTM EBITDA<sup>3</sup> multiple of 3.6x to the CIBC Capital Market's 2025 EBITDA estimate of US\$130 million would imply an increase of 200% in share price at the end of next year, and an opportunity for further appreciation as Sierra approaches a valuation multiple more closely aligned with industry averages. Alpayana's C\$0.85 per Common Share bid is opportunistically timed to deprive shareholders of this potential near-term uplift in the share price and falls short of the value creation the Board expects to see in the near term.

- **Shareholders should ignore the misleading statements and enjoy the fruits of fiscal prudence.**

***Contrary to Alpayana's assertion on Sierra's financial position, the Company has a manageable debt load and is well positioned to de-lever in the near-term.***

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<sup>3</sup> This is a non-IFRS performance measure. Please refer to "Non-IFRS Financial Measures" and "Financial Outlook".

Sierra's current debt financing has served its purpose by providing the Company with the time and financial flexibility it required to turn around its operations when management took over just two years ago. Management took actions to improve the debt profile in 2024 through a new credit agreement with enhanced financing terms that also provided US\$20 million of capital deployed towards operational improvements at Yauricocha. The Company is now positioned to generate meaningful free cash flow in 2025. The Company's anticipated net debt / 2025E EBITDA ratio<sup>4</sup> of 0.6x is already below the industry median of 0.8x<sup>5</sup>. In 2025 it is anticipated that free cash flow (operating cash flow less capital expenditures) will exceed net debt, providing Sierra with the cash it will need to quickly re-pay debt should it so choose. Sierra continues to believe that it has used leverage constructively to enhance the returns of shareholders and will aim to continue effectively deploying leverage to amplify returns for shareholders in the future. In addition, given the Company's improved financial performance, the Company intends to pursue opportunities to refinance its debt on more favorable terms in the near future.

- **Alpayana has not made a serious offer to Sierra shareholders.**

***The Hostile Bid is significantly below implied premiums of precedent transactions.***

The Board believes that any change of control transaction should compensate Sierra's shareholders for the loss of exposure to the future earnings potential of its asset base, while also reflecting the relative undervaluation of the Sierra share price prior to the Hostile Bid announcement. The Hostile Bid price of C\$0.85 per Common Share would represent one of the lowest 1-day and 30-day volume-weighted average price premiums in the comparable universe of successful copper-focused corporate transactions since 2011. Furthermore, the price of the Common Shares has been negatively affected by persistent selling by funds controlled by Arias Resource Capital ("Arias"), a significant shareholder that had its principal voted off the Board and subsequently lost a proxy battle in 2023. Over the past year, sales of Common Shares by Arias represent on average, 15% of total Canadian trading volume. The overhang created by the selling pressure renders the unaffected share price of C\$0.77 not reflective of an appropriate basis to which a take-over premium should be referenced.

- **Sierra should not be sold at markdown prices while it continues to grow.**

***The Hostile Bid is significantly below implied multiples of precedent base metal transactions.***

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<sup>4</sup> This is a non-IFRS performance measure. Please refer to "Non-IFRS Financial Measures" and "Financial Outlook".

<sup>5</sup> Trading peers include 29 Metals, Adriatic, Aeris, Atalaya, Buenaventura, Capstone, Centerra, Ero, Hudbay, Lundin, MAC, Nexa, Sandfire and Taseko as at January 7, 2025.

The Hostile Bid price of C\$0.85 per Common Share implies a price to net asset value<sup>6</sup> (“P/NAV”) of 0.69x and an enterprise value to 2025E EBITDA ratio<sup>7</sup> (“EV/EBITDA”) of 1.9x. Precedent producing copper asset and corporate deals<sup>8</sup> have transacted at a median P/NAV multiple of 0.9x, and a median EV/EBITDA multiple of 5.9x. Contested corporate-level transactions<sup>9</sup> have been executed at a significantly higher range, with medians of 1.1x P/NAV and 7.1x EV/EBITDA. Applying the median EV/EBITDA multiple of 5.9x from precedent transactions implies a valuation of C\$4.34 per Common Share for Sierra, which is over 400% higher than the Hostile Bid price.

- **Every alternative to the Hostile Bid promises better value to shareholders.**

***The standalone case has strong upside potential for shareholders and superior offers or other alternatives have the potential to emerge.***

The Board, consistent with its fiduciary duties, continuously reviews and evaluates potential strategic alternatives to maximize shareholders’ value. While the Board believes in the Company’s stand-alone plan and the strength of its long-term strategy, the Board acknowledges that the Hostile Bid may act as a catalyst to uncover additional opportunities or interested parties. Sierra has engaged BMO Capital Markets as its financial adviser to manage a broader strategic review process for Sierra aimed at exploring and considering potential strategic alternative transactions to the Hostile Bid. Should a superior proposal or alternative transactions arise, the Board is fully prepared to evaluate these options and present them transparently to shareholders.

- **Do not give away an asset for pennies when it is worth dollars.**

***Independent Equity Research has agreed with the Board’s assessment that the Hostile Bid is opportunistic and undervalues the Company.***

CIBC Capital Markets provided<sup>10</sup> periodic, independent, equity research coverage on Sierra. In a recent note titled “Unsolicited Takeover Bid Is Undervalued” dated December 17, 2024 and in response to the Alpayana proposal, analyst Bryce Adams expressed the view that “the offer price undervalues the company, at a time when the company has reported improved production results highlighted by 3,600 tpd throughput rates at Yauricocha in Q4/24 QTD.”

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<sup>6</sup> This is a non-IFRS performance measure. Please refer to “Non-IFRS Financial Measures” and “Financial Outlook”.

<sup>7</sup> This is a non-IFRS performance measure. Please refer to “Non-IFRS Financial Measures” and “Financial Outlook”.

<sup>8</sup> Reflects producing copper corporate and asset transactions since 2016.

<sup>9</sup> Reflects contested copper corporate transactions over the last 15 years. Contested transactions include transactions that were launched (a) without target board support; (b) with a public release, either formally or informally, without target board support; or (c) where a board-supported deal faced significant shareholder resistance.

<sup>10</sup> CIBC Capital Markets suspended coverage of Sierra due to a re-allocation of analyst resources in December 2024.

- **Shareholders should not grant free cash flows to Alpayana.**

***Alpayana has a strong strategic imperative to secure Yauricocha for itself and ample ability to pay a significantly higher purchase price if it so chooses.***

The acquisition of Sierra would be a large and transformative acquisition for Alpayana, a family-owned Peruvian mining company which has recently embarked on an M&A program to facilitate its growth ambitions. Alpayana would benefit significantly from operational synergies and drastically accelerate its growth plans if it were to acquire Yauricocha. At the Hostile Bid price of C\$0.85, Alpayana would generate an exceptionally high internal rate of return, an indication that Sierra shareholders are not being afforded fair value for their Common Shares.

- **The Hostile Bid is a free option to Alpayana with unsatisfiable conditions.**

***The Hostile Bid contains extraordinary conditionality, including certain conditions which cannot be satisfied. This calls into question the seriousness and legitimacy of the Hostile Bid.***

The Hostile Bid contains a significant number of conditions (20) which must be satisfied or waived before Alpayana is obligated to take up and pay for any Common Shares tendered. Many of the conditions are not subject to materiality thresholds or reasonableness standards or any other objective criteria, but rather are in Alpayana's sole discretion. Further, certain conditions of the Hostile Bid, including a minimum tender of two-thirds of the outstanding Common Shares and there being no shareholder rights plan adopted by Sierra, cannot be satisfied. As a result, tendering Common Shares to the Hostile Bid may, in effect, constitute the grant to Alpayana of a unilateral and discretionary option to acquire all of the Common Shares at a price that the Board views as inadequate.

- **The Hostile Bid is financially inadequate.**

***Sierra has received an inadequacy opinion from BMO Capital Markets that from a financial point of view the Hostile Bid is not an adequate offer for shareholders.***

Sierra's financial advisor, BMO Capital Markets has delivered an opinion to the Board and the Special Committee, to the effect that, as of the date of the opinion, and based upon and subject to the assumptions, limitations and qualifications contained therein and such other matters as BMO Capital Markets considered relevant, the consideration offered to the shareholders pursuant to the Hostile Bid is inadequate from a financial point of view to the shareholders (other than Alpayana and its affiliates).

### **Take No Action and Reject Alpayana's Hostile Bid**

Sierra shareholders are urged to REJECT the Hostile Bid. To do so, shareholders should TAKE NO ACTION.

Shareholders are encouraged to carefully review the Directors' Circular in its entirety. This document has been mailed to Sierra shareholders and is available on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)) under the Company's profile, and on the Company's website ([www.SierraMetals.com](http://www.SierraMetals.com)).

Sierra shareholders who have already tendered their Common Shares to the Hostile Bid and who wish to obtain assistance in withdrawing them are urged to contact their broker or Carson Proxy Advisors, Sierra's Information Agent and strategic shareholder advisor, by North American toll-free phone at 1-800-530-5189, local and text: 416-751-2066 or by email at [info@carsonproxy.com](mailto:info@carsonproxy.com).

### **Advisors**

The Company has engaged BMO Capital Markets as financial advisor, Mintz LLP as Canadian legal counsel, Miranda & Amado Law Firm as Peruvian legal counsel, Carson Proxy Advisors as securityholder communications advisor, and Oakstrom as media relations advisor. The Special Committee of independent directors of the Board has engaged Bennett Jones LLP as legal advisor.

### **Qualified Persons Statement**

Ricardo Salazar Milla (AIG #8551), Corporate Manager – Mineral Resources of Sierra, is a Qualified Person as defined under National Instrument NI 43-101 - Standards of Disclosure for Mineral Projects. Mr. Salazar has reviewed and approved the scientific and technical content of this news release.

### **About Sierra Metals Inc.**

Sierra Metals Inc. is a Canadian mining company focused on copper production with additional base and precious metals by-product credits at its Yauricocha Mine in Peru and Bolivar Mine in Mexico. The Company is intent on safely increasing production volume and growing mineral resources. Sierra has recently had several new key discoveries and still has many more exciting brownfield exploration opportunities in Peru and Mexico that are within close proximity to the existing mines. Additionally, the Company has large land packages at each of its mines with several prospective regional targets providing longer-term exploration upside and mineral resource growth potential.

For further information regarding Sierra, please visit [www.SierraMetals.com](http://www.SierraMetals.com) or contact:

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## **Forward-Looking Statements**

This news release contains 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. Forward-looking information in this news release includes, without limitation, statements regarding: the strategic value of Sierra's portfolio; management's expectations regarding the Company's future share price, production and growth; management's expectations regarding future EBITDA; future demand for copper; growth of mineral resources; expectations regarding future cash flows; maintenance of production at full capacity in 2025; the ability to manage costs; the exploration potential of the Company's properties; the intention of holders of more than 50% of the Common Shares not tendering to the Hostile Bid; expectations regarding debt repayment and capital expenditures; the ability to refinance existing debt on more favourable terms; the ability to complete potential strategic alternatives to maximize shareholder value and the timing thereof; and statements regarding Alpayana and the Hostile Bid. 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.

Forward-looking information is subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the risks described under the heading "Risk Factors" in the Company's annual information form dated March 15, 2024 for its fiscal year ended December 31, 2023 and other risks identified in the Company's filings with Canadian securities regulators, which are available at [www.sedarplus.ca](http://www.sedarplus.ca).

The risk factors referred to above are not an exhaustive list of the factors that may affect any of the Company's forward-looking information. Forward-looking information includes statements about the future and is 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. 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 such 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.

## **Non-IFRS Performance Measures**

Certain financial measures and ratios within this news release including "EBITDA", "free cash flow", "net asset value (NAV)", "IRR", "enterprise value to last twelve months EBITDA", "net debt to EBITDA", "P/NAV" and "EV/EBITDA" are not measures or ratios recognized by International Financial Reporting Standards, as issued by the International Accounting Standards

Board ("IFRS"). The non-IFRS measures and ratios presented do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures or ratios presented by other issuers. 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 (and in the case of 2024, 2023 and 2022, excludes the Cusi Mine which was placed on care and maintenance and subsequently sold by the Company). Adjusted EBITDA is calculated as net income, adding back interest, taxes, depreciation, and amortization, and excluding non-recurring, non-operational or non-cash items, which the Company believes is useful for investors to assess a company's core operational performance without the impact of the capital structure, tax regime, or non-operational items. Free cash flow is calculated as operating cash flow minus capital expenditures, which the Company believes is a useful measure to show how much cash is available after reinvesting in the business, providing insight into other capital allocation priorities. Net asset value (NAV) is calculated as the net present value of future cash flows, discounted at an appropriate discount rate minus liabilities, which is a key valuation metric in mining as it is a proxy for intrinsic value of reserves and resources. Internal Rate of Return (IRR) is the discount rate that sets the net present value of all cash flows from an investment to zero, which the Company believes is a useful measure of profitability of a project, expressed as an annualized percentage return. Enterprise Value to adjusted EBITDA is calculated as enterprise value (market capitalization plus net debt plus minority interest plus preferred equity less cash and cash equivalents) divided by adjusted EBITDA and measures a company's enterprise value relative to its operational profitability. Net debt to adjusted EBITDA is calculated as total debt minus cash and cash equivalents divided by adjusted EBITDA and indicates a company's leverage and its capacity to service debt using operational cash flow. Free cash flow / net debt is calculated as free cash flow divided by debt minus cash and cash equivalents and shows how efficiently a company generates cash relative to its debt obligations. Price to Net Asset Value (P/NAV) is calculated as a company's market capitalization divided by its Net Asset Value and helps investors assess whether a company is trading at a premium or discount relative to its underlying asset value. Investors are cautioned that non-IFRS financial measures and ratios should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. The foregoing non-IFRS financial measures and ratios are provided to assist investors with their evaluation of Sierra. Management considers these non-IFRS financial measures to be important indicators in assessing its performance. See the "Non-IFRS Performance Measures" section in Sierra's management's discussion and analysis for the three and nine months ended September 30, 2024 for further information on the definition, calculation and reconciliation of certain non-IFRS financial measures.

## **Financial Outlook**

This news release contains financial outlooks about Sierra's prospective results of operations including, without limitation, anticipated EBITDA for the 12 months ended December 31, 2024 and December 31, 2025, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth under "*Forward-Looking Statements*" above. Readers are cautioned that the assumptions used in the preparation of such financial outlooks, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on financial outlooks. Sierra's actual results, performance or achievement could differ materially from those expressed in, or implied by, these financial outlooks. Sierra has included the financial outlooks in order to provide readers with a more complete perspective on Sierra's future operations and such information may not be appropriate for other purposes. Sierra and the Board disclaim any intention or obligation to update or revise any financial outlooks, whether as a result of new information, future events or otherwise, except as required by law.

## **Third Party Information**

This press release includes market and industry data that has been obtained from third party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this press release or ascertained the underlying economic assumptions relied upon by such sources. This press release has quoted from a publicly available analyst report of CIBC Capital Markets. Such analyst has not consented to the inclusion of all or any portion of its report in this document. CIBC Capital Markets, the firm employing such analyst, was not an advisor to Sierra as at the date of such analyst report.