

Alpayana Announces Intention to Make All-Cash Takeover Bid to Acquire Outstanding Common Shares of Sierra Metals at C\$0.85 Per Common Share

- The cash consideration under the Offer represents a premium of approximately 26% based on the volume weighted average trading price of C\$0.676 per Common Share on the TSX over the 30-trading days prior to December 13, 2024 and 10% based on the closing price of C\$0.770 per Common Share on the TSX on December 13, 2024.
- Shareholders with questions about the Offer can contact Shorecrest Group at 1-888-637-5789 (North American Toll-Free Number) or +1 647-931-7454 (outside North America) or email: contact@shorecrestgroup.com or visit www.sierrametalscashoffer.com.

Toronto, ON – December 16, 2024 – Alpayana S.A.C. (“**Alpayana**”), announces today that it intends to commence an all-cash takeover bid (the “**Offer**”) to acquire all of the issued and outstanding common shares (the “**Common Shares**”) of Sierra Metals Inc. (TSX: SMT) (“**Sierra**”) at a price of C\$0.85 per Common Share through its newly formed wholly-owned Canadian subsidiary (the “**Offeror**”). The Offeror intends to make the Offer directly to the shareholders of Sierra (the “**Shareholders**”) so that they can determine the outcome of their investment.

The cash consideration under the Offer represents premiums of approximately:

- 26% to the 30-day volume weighted average trading price of C\$0.676 per Common Share on the TSX over the 30 trading days ended December 13, 2024 (the last trading day prior to today’s announcement of the Offer); and
- 10% based on the closing price of C\$0.770 per Common Share on the TSX on December 13, 2024.

The Offeror believes that Shareholders should have the opportunity to determine what is best for their investment and will be offering immediate and certain value in the form of C\$0.85 in cash per Common Share from a credible transaction partner. The Offeror is a Canadian wholly-owned subsidiary of Alpayana which is a family-owned private mining company that is debt free and has annual revenues over US\$500 million and a commitment to the development and promotion of sustainable and responsible mining. Alpayana strives to leave a positive and meaningful legacy by prioritizing the well-being of its employees, the communities it impacts and the environment.

In addition to the premium, the Offeror believes that the proposed Offer is attractive to Shareholders for reasons that include:

- **Opportunity to Redeploy Funds.** Based on its publicly available annual audited financial statements from 2013 to September 30, 2024, Sierra has reported accumulated net losses of an aggregate of US\$153 million. The Offer provides Shareholders with an opportunity to monetize their investment and redeploy such funds into other investments, including dividend paying investments and/or in other mining companies with assets in Latin America that may have more liquid stock, more critical mass and a better financial position.
- **Weak Balance Sheet.** Sierra has expensive liabilities, a working capital shortfall, a large asset base subject to potential impairments, and outsized corporate expenses relative to total assets and revenues. The funding of future capital expenditures could result in earnings per share dilution, free cash flow per share dilution, value per share dilution, and

continued constraint to establish a dividend program. Accepting the Offer eliminates these balance sheet related risks for Shareholders.

- **Liquidity and Certainty of Value.** The Offer provides a compelling liquidity event and an opportunity for Shareholders to realize cash proceeds and certainty of value for their entire investment in an entity that has low liquidity.
- **Risk of the Status Quo.** There is considerable risk to Shareholders if the Sierra Board of Directors (the “**Board**”) and management team continue to pursue their current strategy which has resulted in a weak and weakening balance sheet with restrictive bank covenants, failed M&A attempts, and a lack of critical mass capable of absorbing potential mining risks. The Offer provides Shareholders with the ability to fully monetize and derisk their investment and, ultimately, redeploy their capital into the market. The Offeror will be required to pay for Common Shares taken up by it at the expiry time of the Offer (the “**Expiry Time**”), not later than three business days after the Expiry Time. Provided the conditions to the Offer are satisfied or, where permitted, waived, the Offeror will be required to take up Common Shares validly deposited and not withdrawn at the Expiry Time.
 - **High Debt Load.** Based on its publicly available information, as at September 30, 2024, Sierra had US\$97.1 million in gross bank debt. In addition, Sierra also had another US\$23.1 million in structural gross financing through working capital deficit, discounted sales of minerals which generate implicit interest costs, and leases. This total amount of US\$120.2 million in structural gross financings needs to be serviced which will continue to impair Sierra’s ability to pay future dividends. Furthermore, Sierra owes Sociedad Minera Corona S.A. (“**Corona**”), a controlled publicly traded subsidiary with minority shareholders, US\$56.5 million as at September 30, 2024.
 - **Expensive Debt Load.** Based on publicly available information, Sierra’s cost of funds remains high. The syndicated loan was priced at a floating rate of 3-month SOFR + 6.5% and at a fixed rate of 12%. The constant refinancings, restructurings and waiver requirements increase the real financing costs. As Sierra has recently experienced a weak balance sheet, this combined with restrictive covenants and only two mining units in a volatile mining sector that has significant inherent risks leads to a high quantity of financial distress.
 - **Impaired Dividend Capacity.** Sierra’s press releases focus on Net Debt to EBITDA. Such ratio ignores the high capex requirements (sustaining and growth), the high working capital requirements (both ordinary course and to replenish the deficit), the high interest expense, the upcoming principal amortizations, and the non-bank structural financings. Under a dividend discount model (DDM) there does not seem to be value in Sierra’s stock in the status quo scenario unless corporate expenses are eliminated and the balance sheet is adequately strengthened.
 - **Restrictive Covenants Put Shareholders at Risk.** Based on publicly available information, Sierra’s senior secured credit agreement entered into in June 2024 contains restrictive financial covenants and amortization starting next year. Such credit agreement is restrictive of dividend payments and capex. Under such credit agreement, Sierra pledged its key mining assets as collateral, including the

Yauricocha Mine in Peru and the Bolivar Mine in Mexico. In this context, considering that Sierra has only two assets, has a weak balance sheet and operates in the volatile mining environment, such restrictions put the Shareholders at risk.

- **Failed M&A Attempts.** Based on publicly available information, Sierra has conducted strategic reviews which have failed to result in any accretive acquisitions or mergers.
- **Lack of Scale.** We recognize management's competency and commitment. However, Sierra does not seem to have the critical mass to absorb inherent mining risks, further asset impairments, or current corporate expenses. Furthermore, the lack of scale contributes to the high production cost of Sierra. In recent quarters the All in Sustainable Cost at the Yauricocha and Bolivar mines has ranged from US\$3.23 to US\$3.75 per copper-equivalent pound. These figures are well above industry averages.
- **Fully Funded Cash Offer.** Alpayana is a credible counterparty with the resources and capability to close this acquisition based on its available cash. The Offer is not subject to any financing condition.

The Offer will be made as Alpayana believes that acquiring the Common Shares directly from Shareholders is the only course of action available to Alpayana. Alpayana respects the current CEO and Chairman; however, during the past few years, Alpayana has observed certain actions taken by Sierra's leadership and its influence over the operations of Corona, that Alpayana believes did not respect the interest of Corona's public minority shareholders.

In addition, in January 2023, Alpayana submitted a non-binding offer to the then Chair of the Board to participate in a capitalization of Sierra that was not made public. Shortly after the submission of such confidential letter, the share price of Sierra's Common Shares increased substantially and Alpayana determined that it was unable to continue to pursue its offer.

As such, Alpayana believes that making the offer directly to Shareholders is the most effective, transparent and efficient way for Shareholders to receive a compelling offer and to have an opportunity to determine what is best for their investment. In addition, the Offer will provide Shareholders with the ability to realise immediate and certain value for their Common Shares.

Full details of the Offer will be provided in a formal offer and take-over bid circular, letter of transmittal and notice of guaranteed delivery (collectively, the "**Offer Documents**") to be filed with Canadian securities regulatory authorities and mailed to Shareholders. The Offeror will request a list of security holders from Sierra and expects to mail the Offer Documents as soon as practicable after receipt of such list. The Offer will be open for acceptance for a period of 105 days following formal commencement, unless the Offer is extended, accelerated or withdrawn in accordance with its terms.

Sierra has announced that it will hold a special meeting to approve a consolidation of its Common Shares on the basis of one new Sierra common share for up to every 20 Common Shares of Sierra. Alpayana believes that this is a clear sign that Sierra has lost faith in its ability to increase its share price based on performance. In addition, many share consolidations have had mixed results, with the share price often not increasing to a level equivalent to the consolidation ratio. If Sierra proceeds with the share consolidation, the consideration per share offered by the Offeror

will be adjusted proportionately to any such share consolidation.

It is possible that the current Canada Post strike may still be continuing at the time of the Offeror's mailing of the Offer Documents. Shareholders that have not consented with their financial intermediary for electronic delivery may not receive the material in the mail until after the strike ends. The Offer Documents will also be accessible under Sierra's profile on SEDAR+. Shareholders are encouraged to check SEDAR+ and visit www.sierrametalscashoffer.com, which will be updated as the offer process proceeds.

The Offer will be conditional upon certain conditions being satisfied or, where permitted, waived at or prior to the expiry of the Offer. Such conditions will include, among others to be described in the formal offer and take-over bid circular:

- (i) there having been validly deposited under the Offer and not withdrawn that number of Common Shares, representing more than 50% of the outstanding Common Shares, excluding those Common Shares beneficially owned, or over which control or direction is exercised, by the Offeror or by any person acting jointly or in concert with the Offeror, which is a non-waivable condition;
- (ii) there having been validly deposited under the Offer and not withdrawn that number of Common Shares, representing at least 66 2/3% of the outstanding Common Shares (calculated on a fully diluted basis), excluding those Common Shares beneficially owned, or over which control or direction is exercised, by the Offeror or by any person acting jointly or in concert with the Offeror, which the Offeror may determine to waive in its absolute discretion;
- (iii) the delivery of an unqualified audit opinion by its auditors, PricewaterhouseCoopers LLP, in connection with Sierra's consolidated audited financial statements (without restatements and/or further asset impairments) for and as at the year ended December 31, 2024;
- (iv) the achievement by Sierra of certain financial metrics for and as at the year ended December 31, 2024;
- (v) certain government and regulatory approvals having been obtained that the Offeror considers necessary or desirable in connection with the Offer. Alpayana expects to complete the necessary filings in Peru and Mexico within the next few days;
- (vi) Sierra not undertaking certain operational or corporate changes and the Board not using its broad powers in the case of a prospective Change of Control; and
- (vii) the Offeror having determined, in its sole judgment, that there does not exist and there shall not have occurred or been publicly disclosed since the date of the Offer, a material adverse effect.

The Offer is not subject to any due diligence, financing or Alpayana or Offeror shareholder approval conditions.

If the statutory minimum is satisfied and the other conditions to the Offer are satisfied or waived at or prior to the expiry of the Offer such that the Offeror takes up the Common Shares validly deposited under the Offer, it will make a public announcement of the foregoing and extend the period during which Common Shares may be deposited and tendered to the Offer for a period of not less than 10 business days after the date of such announcement.

Following completion of the Offer, the Offeror intends (but is not required) to enter into one or more transactions to enable it to acquire all Common Shares not acquired under the Offer, including a compulsory acquisition or subsequent acquisition transaction. If the Offeror is able to complete such a transaction, the Offeror intends to seek to delist the Common Shares from the Toronto Stock Exchange and the Bolsa de Valores de Lima and to cause Sierra to cease to be a reporting issuer if permitted under applicable law.

Full details of the Offer will be provided in the Offer Documents to be filed with Canadian securities regulatory authorities and mailed to Shareholders. This news release is not a substitute for the Offer Documents. The Offer Documents are not currently available, but once they are made available, will contain important information relating to the Offer, the Offeror and Sierra and should be reviewed carefully.

Shareholders should consult their own tax advisors having regard to their own particular circumstances to determine the particular tax consequences to them of a disposition of Common Shares pursuant to the Offer, a compulsory acquisition or subsequent acquisition transaction.

Readers are cautioned that the Offeror may determine not to make or proceed with the Offer and there can be no assurance that the Offer will be made or that the final terms of the Offer will be as described in this news release.

This press release does not constitute an offer to buy or the solicitation of an offer to sell any securities of the Offeror, Alpayana or Sierra.

ABOUT THE OFFEROR AND ALPAYANA

The Offeror is a Canadian wholly-owned subsidiary of Alpayana S.A.C. (“**Alpayana**”) and was incorporated for the sole purpose of making the Offer.

Alpayana is a family-owned private mining company committed to the development and promotion of sustainable and responsible mining. It strives to leave a positive and meaningful legacy by prioritizing the well-being of its employees, the communities it impacts and the environment. Alpayana has been operating mines in Peru for over 38 years, has a successful M&A track record, and experience in developing projects with a view on intrinsic value. Alpayana successfully acquired Empresa Minera Los Quenuales (Yauliyacu mine and Iscaycruz mine) from Glencore in 2022 and Compañía Minera Argentum (Morococha mine) from Pan American Silver in 2023. Alpayana is currently debt-free and has annual revenues over US\$500 million.

ADVISORS

McCarthy Tétrault LLP is acting as Canadian legal counsel to the Offeror and Alpayana. Rebaza, Alcázar & De Las Casas is acting as Peruvian legal counsel and Creel, García-Cuellar, Aiza y Enriquez, S.C. is acting as Mexican legal counsel to the Offeror and Alpayana. Shorecrest Group is acting as the Depositary and Information Agent to the Offeror and Alpayana in respect of the Offer. LXG Capital is acting as the sole financial advisor to Alpayana.

FOR MORE INFORMATION

Shareholders

www.sierrametalscashoffer.com

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document contains “forward-looking statements” (as defined under applicable securities laws). These statements relate to future events or future performance and reflect the Offeror and Alpayana’s expectations, beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements include, but are not limited to, statements regarding: the Offer, including the anticipated timing of the Offer; reasons to accept the Offer and expectations that such reasons continue to be prevailing; risks and challenges facing Sierra. Such forward-looking statements reflect the Offeror and Alpayana’s current beliefs and are based on information currently available. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions (including slowing economic growth, inflation and rising interest rates) and the dynamic nature of the industry in which Sierra operates.

Although the forward-looking information contained in this document is based upon what the Offeror and Alpayana believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this document and should not be relied upon as representing views as of any date subsequent to the date of this document. Except as may be required by applicable law, the Offeror and Alpayana do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, further developments or otherwise.

Neither the Offeror, Alpayana nor any of their subsidiaries, affiliates, associates, officers, partners, employees, representatives and advisers, make any representation or warranty, express or implied, as to the fairness, truth, fullness, accuracy or completeness of the information contained in this document or otherwise made available, nor as to the reasonableness of any assumption contained herein, and any liability therefore (including in respect of direct, indirect, consequential loss or damage) is expressly disclaimed. Nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of the information contained herein.