



Sierra Metals Responds to Alpayana's Increased Offer; Makes No Recommendation to Shareholders

Toronto, ON – May 6, 2025 – Sierra Metals Inc. (TSX: SMT | OTCQX: SMTSF | BVL: SMT) ("**Sierra Metals**" or the "**Company**") provides an update in respect of the press release and notice of variation and extension dated May 1, 2025 (the "**Notice of Variation**"), filed by Alpayana S.A.C. ("**Alpayana**"), announcing an increase to the offer price for its proposed take-over bid to acquire all of the common shares of the Company ("**Common Shares**") from C\$1.11 to C\$1.15 per Common Share (the "**Revised Offer**").

The Board of Directors of Sierra Metals (the "**Board**"), after consultation with its independent legal and financial advisors and based on the unanimous recommendation of the Special Committee of independent directors of the Board (the "**Special Committee**"), has unanimously determined to make **NO RECOMMENDATION** as to whether holders of Common Shares ("**Shareholders**") should accept or reject the Revised Offer (the "**Revised Recommendation**").

The Board notes that it had hoped to reach agreed terms with Alpayana for a supported transaction. Following the termination of those discussions, the Board makes its Revised Recommendation due to a number of factors, including, but not limited to, the continued extensive conditionality and uncertainty attached to the Revised Offer, noting that the Revised Offer continues to contain conditions which Alpayana is aware cannot be satisfied (as described further below).

The Board will provide greater context regarding the Revised Recommendation in a Notice of Change to Directors' Circular (the "**Notice of Change**") to be filed on SEDAR+ (www.sedarplus.ca) under Sierra's issuer profile. The Notice of Change will also be mailed to all persons required to be sent a copy under applicable securities laws.

The Board encourages Shareholders, including those who may have already accepted the Revised Offer and who may lawfully withdraw their deposited Common Shares, to consider the Revised Offer and the information contained in the Notice of Change carefully and make their own decisions regarding whether or not to accept the Revised Offer. Unless extended, the Revised Offer expires at 5:00 p.m. (Toronto time) on May 12, 2025.

The Notice of Change will include a letter to shareholders from the Board, which will summarize the principal factors considered by the Board in reaching its recommendation, set out below.

- Sierra Metals and BMO Conducted an Exhaustive Strategic Review. Since December 16, 2024, the date that Alpayana announced its intention to make its original offer at an offer price of C\$0.85 in cash per Common Share (the "**Original Offer**"), the Special Committee, with the assistance of the Company's management and BMO Nesbitt Burns Inc. ("**BMO**"), has worked to actively pursue a broad range of strategic alternatives in order to identify other options that may be in the best interests of Sierra Metals and its Shareholders, and that might have resulted in a transaction superior to the Original Offer. The Special Committee considered the outcome of this process, the range of other strategic alternatives available to Sierra Metals and the Revised Offer and concluded that the Revised Offer represented the best alternative available to Sierra Metals and its Shareholders.
- Significant Premium to Market Price. The Revised Offer of C\$1.15 per Common Share represents a premium of approximately 49% to the closing price of the Common Shares on the Toronto Stock Exchange on December 13, 2024 (the last trading day prior to the public disclosure of the Original Offer). The premium to Sierra Metals' Shareholders is effectively higher when considering that the share price

for peers of Sierra Metals has declined 11%, since the Original Offer. The Revised Offer also represents a 35% increase from the Original Offer of C\$0.85 per Common Share.

- 100% Liquidity and Certainty of Value. The Revised Offer provides 100% cash consideration for the Common Shares, giving Shareholders certainty of value and immediate liquidity at an attractive price in the face of volatile markets.
- Project Execution and Development Risk. The Board and the Special Committee believe that the Revised Offer provides Shareholders with a fair value for the Company's portfolio of projects, including both the Bolivar and Yauricocha mines, without the long-term risks associated with the development and execution of operational improvements at both Bolivar and Yauricocha.
- BMO Fairness Opinion. BMO provided the Special Committee with a written opinion to the effect that, as of the date of such opinion, subject to the assumptions, limitations and qualifications set out therein, the consideration proposed to be received by Shareholders (other than Alpayana) under the Revised Offer is fair, from a financial point of view, to Shareholders.
- The Board Believes in the Potential Upside of the Company's Assets. In the event that the Revised Offer is not successful, the Board believes in the potential of the Company to continue on a stand-alone basis. Specifically, the Company'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 tpd) since Q4 2024. The Company believes there is significant exploration opportunity below level 1120 as the geology appears open in all directions. Sierra Metals is also confident in its exploration efforts at Bolivar and its ability to deliver additional mineral resources to support the Company's plan to increase production capacity from 5,000 tpd to 7,500 tpd in the mid-term.
- The Revised Offer Remains Highly Conditional. The Revised Offer contains a significant number of conditions 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, Alpayana is aware that certain conditions of the Revised Offer, as further set out below, cannot be satisfied.
 - *The Revised Offer contains a condition that no shareholder rights plan or similar plan shall have been adopted by the Company.* On December 16, 2024, Alpayana announced its intention to make the Original Offer. Following this announcement, on December 30, 2024, Sierra Metals entered into a shareholder rights plan to ensure that all Shareholders are treated fairly in connection with any take-over bid. Later, on December 30, 2024, Alpayana formally commenced the Original Offer, which contained a condition that no shareholder rights plan or similar plan should have been adopted by the Company, despite the fact that such condition could not have been satisfied at the time the Original Offer was formally commenced. This condition remains in the Revised Offer.
 - *The Revised Offer contains a condition that the Company shall not have adopted or amended, or taken any other action with respect to, any bonus, profit sharing, incentive, salary or other compensation plan, severance, change in control, employment or other employee benefit plan, agreement, fund or arrangement for the benefit of any officer, director or consultant, except for limited exceptions.* Following the Original Offer, which

the Board determined to be highly opportunistic, well below the fair value of the Company and which BMO had determined to be inadequate, from a financial point of view, to the Shareholders, the Board determined to make amendments to the employment agreements of certain officers of the Company, to provide such officers with adequate protection in the event that such officers are terminated without cause within 12 months of a change of control and to ensure the continued retention of such officers as a result of the turbulence and uncertainty created by the opportunistic offer. The particulars of such change of control provisions were fully described in the Directors' Circular of the Company dated January 13, 2025 under the heading "*Arrangements Between Sierra and its Directors and Officers – Compensation Agreements and Arrangements*". Such changes are customary in connection with unsolicited takeover bids and were necessary for retention purposes to allow the Company to continue to operate while the Board assessed the Original Offer and potential alternatives. Alpayana was aware of these change of control provisions at the time it made the Revised Offer, however, such condition remains in the Revised Offer.

- *The Revised Offer contains a condition that the Company shall not have issued, sold, granted or awarded any Common Shares or other equity or voting interests or any options or rights to acquire Common Shares.* Following the conclusion of the financial year-ended December 31, 2024, as part of the Company's regular compensation process, the Company issued an aggregate of 2,370,956 restricted share units to senior management as part of their performance bonuses for the year ended December 31, 2024. Such grants were made in the ordinary course, consistent with past practice and properly disclosed via the System for Electronic Disclosure by Insiders (SEDI). Alpayana was aware of these issuances, and the timing thereof, at the time it made the Revised Offer, however, such condition remains in the Revised Offer.

Alpayana was aware that the above noted conditions could not be satisfied at the time it made the Revised Offer. However, it has not elected to waive such conditions in connection with the Revised Offer. As a result, tendering Common Shares to the Revised Offer, in effect, constitutes the grant to Alpayana of a unilateral and discretionary option to acquire all of the Common Shares and there can be no certainty that Alpayana will waive such conditions and take up and pay for the Common Shares.

About Sierra Metals

Sierra Metals 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 Metals 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 Metals, please visit 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 Metals and reflect management's expectations or beliefs regarding such future events and anticipated performance based on an assumed set of economic conditions and courses of action. In certain cases, statements that contain forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative of these words or comparable terminology. By its very nature forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual performance of Sierra Metals 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 26, 2025 for its fiscal year ended December 31, 2024 and other risks identified in the Company's filings with Canadian securities regulators, which are available at 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.