



## NEWS RELEASE

# Sierra Metals Responds to Most Recent Claims Made by Shareholder

5/18/2023

TORONTO--(BUSINESS WIRE)-- Sierra Metals Inc. (TSX: SMT) ("Sierra Metals" or the "Company") today issues a statement in response to the news release issued by its shareholder Arias Resource Capital ("ARC") and its principal, Alberto Arias on May 15, 2023 (the "ARC News Release") and ARC's circular dated May 11, 2023 (the "ARC Circular"). Once again, the Company believes it has an obligation to its shareholders to correct false or misleading statements made by ARC.

The ARC News Release's description of the Company's 2021 strategic review process continues the pattern of inaccurate and misleading statements from ARC and Mr. Arias. ARC indicated that it "recently learned" about an all-cash offer. It was not an all-cash offer. The Company did enter into negotiations with another party which offered a cash and share deal with no premium to the market price of Sierra Metals' shares at the time of the bid (the "2021 Offer"). The Company further negotiated with the proposed buyer, resulting in a revised cash and share offer with a small premium to the then market price. The decision not to accept the 2021 Offer was made after extensive negotiation with the proposed buyer, consultation with the Company's financial advisors and at the recommendation of the Company's board of directors' (the "Board") then special committee. If ARC is suggesting that the Board should accept a cash and share deal with no or little premium to the market price of the Sierra shares at the time of the offer, the Board disagrees. Similarly, the Board is not prepared to recommend any current offer that fails to provide fair value to the Company's shareholders.

The ARC News Release and ARC Circular also included misleading statements about an operational merger proposed by Compañía Minera Kolpa S.A. ("Kolpa"), a company majority owned by ARC (or its affiliates). ARC indicated in the ARC News Release that Sierra Metals waited four months before reaching out to Kolpa about its proposed transaction. From early on Sierra Metals repeatedly invited Kolpa to participate in the Company's current strategic review. Kolpa refused. The Company nonetheless accommodated Kolpa by informing Kolpa of timelines related to the process, thereby allowing Kolpa to submit its bid in the same manner as all other process

participants. Furthermore, after receiving Kolpa's revised proposal, the Company conducted due diligence on Kolpa, including a review of Kolpa's data room. Following this due diligence process, Sierra Metals made further requests to better evaluate the valuation of Kolpa (including asking if Kolpa could arrange a site visit for Sierra Metals' management) to allow the Company to make an informed counterproposal. Kolpa did not accommodate these requests.

While Kolpa's indicative proposal contemplated an operational merger along with a concurrent US\$30 million convertible debenture financing by a third party, ARC and Mr. Arias have again failed to provide their fellow Sierra Metals shareholders (who do not have an equity interest in Kolpa) with complete information. ARC and Mr. Arias have (repeatedly) neglected to communicate to fellow Sierra Metals shareholders the dilutive effect of Kolpa's proposed merger (on a diluted and non-diluted basis). The Company was not able to counter with a more reasonable equity split as the Company requested additional information from Kolpa to make an informed counterproposal based on the asset value of each of Sierra Metals and Kolpa. This requested additional information has not been provided and Kolpa alternatively suggested that Sierra Metals submit a counterproposal based on inadequate information.

### About Sierra Metals

Sierra Metals is a diversified Canadian mining company with green metal exposure including copper, zinc and lead production with precious metals byproduct credits, focused on the production and development of its Yauricocha Mine in Peru and its Bolivar Mine in Mexico. The Company is focused on the safety and productivity of its producing mines. The Company also has large land packages with several prospective regional targets providing longer-term exploration upside and mineral resource growth potential.

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

### Securityholder Communications Advisor

Christine Carson

President & CEO

Carson Proxy Advisors

Tel: (416) 804-0825

Email: [christine@carsonproxy.com](mailto:christine@carsonproxy.com)

### Media Relations

John Vincic

Principal

Oakstrom Advisors

Tel: (647) 402-6375

Email: [john@oakstrom.com](mailto:john@oakstrom.com)

## Investor Relations

Raj Vyas

Vice-President, Corporate Controller and Corporate Secretary

Sierra Metals Inc.

Tel: (416) 366-7777

Email: [info@sierrametals.com](mailto:info@sierrametals.com)

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