

Alpayana Commences All-Cash Offer to Acquire Sierra Metals Inc.

Toronto, ON – December 30, 2024 – Alpayana S.A.C. (“**Alpayana**”), today announced that it has commenced a formal all-cash offer (the “**Offer**”) to acquire all of the issued and outstanding common shares (the “**Common Shares**”) of Sierra Metals Inc. (TSX: SMT) (“**Sierra**”) through its newly formed Canadian wholly-owned subsidiary (“**Alpayana Canada**”).

The offer to purchase and circular (the “**Offer to Purchase and Circular**”) and related documents were mailed to Sierra shareholders (the “**Shareholders**”) on December 30, 2024 and the Offer commenced the same day. The Offer to Purchase and Circular have been filed with the Canadian securities regulators on SEDAR+ under Sierra’s profile. Alpayana has also completed the required anti-trust filings in Mexico and Peru. The Offer material is available on www.sierrametalscashoffer.com.

Under the terms of the Offer, Shareholders who tender their Common Shares will receive C\$0.85 in cash for each Common Share. The Offer represents a significant premium 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 (being the last trading day prior to the announcement of Alpayana’s intention to make the Offer); and a 10% premium based on the closing price of C\$0.770 per Common Share on the TSX on December 13, 2024. The Offer is open for acceptance until 5:00 p.m. (Toronto time) on April 14, 2025, unless the Offer is extended, accelerated or withdrawn by Alpayana Canada in accordance with its terms.

The Offer allows Shareholders to monetize the current value of Sierra with a premium rather than continuing to be exposed to the structural stand-alone risks associated with the hurdles that Sierra faces. Sierra’s continued structural problems, including lack of scale, high production costs, high expensive debt load and high corporate expenses relative to revenues, make its Shareholders highly vulnerable to foreseeable challenges in the Latin American debt markets, when access to additional capital is likely to be difficult. After approximately US\$150 million in accumulated net losses over the last 10 years, Shareholders are encouraged to take advantage of this unique opportunity allowing for the redeployment of capital in more viable alternatives.

For Alpayana, despite the listed challenges, it views the acquisition of Sierra as an attractive opportunity as Alpayana has the resources available to eliminate the high corporate expense, the high yield debt and inject fresh capital to support the capex required to support the company’s growth and cover the working capital shortfall. Alpayana also anticipates that its existing mining platform will be better suited to take advantage of economies of scale in advancing the asset.

REASONS TO TENDER TO THE OFFER

- **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. Sierra’s actions have resulted in effective destruction of shareholder value; in the last 10-years the return on equity of Sierra has been negative 11.1% and over the last twelve months the return on equity was negative 5.4% which compares to +15.8% for Latin American mining companies with a foreign listing (“**Latam Mining Companies**”). The Offer provides Shareholders with a unique 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. Sierra's Assets Subject to Potential Impairment are 133% of shareholder's common equity as at September 30th, 2024. 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 unique and 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 stock liquidity.
- **Risk of the Status Quo.** There is considerable risk to Shareholders if Sierra's board of directors 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.
 - **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 net working capital deficit, discounted sales of minerals which generate implicit interest costs, and leases. This total amount of US\$120.2¹ 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, 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 all-in financing costs. As Sierra has recently experienced, a weak balance sheet 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. Moreover, the high yield nature of Sierra leaves the company and its Shareholders more vulnerable to market turmoil and a potentially restrictive Latin American debt market.
 - **Impaired Dividend Capacity** – Sierra's press releases focus on net debt to EBITDA. Such ratio ignores Sierra's high interest expense, high capex requirements (sustaining and growth), high working capital requirements (both ordinary course and to replenish the deficit), the upcoming principal amortizations, and the non-bank structural financings. Under a dividend discount model there does not seem to be value in Sierra's stock in the status quo scenario unless

¹ Non-current lease liabilities are not included as this figure is not reported in the interim financial statement as of September 30, 2024.

corporate expenses are eliminated and the balance sheet is adequately strengthened.

- **Restrictive Covenants** – 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 the Yauricocha Mine in Peru and the Bolivar Mine in Mexico. In this context, considering that Sierra has only two assets, 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, potential further asset impairments, or current high corporate expenses relative to revenues. Sierra has made an announcement regarding reaching full production; however, while this improves its debt service capacity it will not resolve their continued structural problems related to scale such as very high corporate expenses and very high production costs per pound.
- **High Production Costs** – Lack of scale contributes to the high production cost of Sierra. In recent quarters the all in sustaining 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.
- **High Selling, General and Administrative Expenses** – Sierra's reported selling, general and administrative ("SG&A") expenses relative to total assets is 13.5% which compares to 2.4% for Latam Mining Companies for the last twelve months as at September 30, 2024; to bring it to median levels of Latam Mining Companies, Sierra would need to reduce SG&A expenses by 82%. Sierra appears to lack the scale to remain independent.
- **High Vulnerability to Markets Turmoil** – A weak balance sheet combined with lack of scale, high and expensive debt load and restrictive covenants leaves Sierra and its Shareholders highly vulnerable to market turmoil and/or a restrictive Latin American debt market. Access to capital can become restrictive, and lenders may be hesitant to extend credit, leaving Sierra with greater exposure to liquidity problems. In the event of market turmoil, Sierra may face significant challenges raising new capital or refinancing existing debt.

OFFER DETAILS

The Offer is conditional upon specified conditions being satisfied or where permitted, waived by Alpayana Canada. These conditions include, without limitation: more than 50% of the outstanding Common Shares on a fully diluted basis being validly deposited under the Offer and not withdrawn; Alpayana Canada having determined, in its sole judgment, that no material adverse effect exists; and receipt of all necessary regulatory approvals.

The Offer is not subject to a financing condition. Alpayana intends to fund the Offer from cash on hand. All cash payments under the Offer will be made in Canadian dollars; however, a

Shareholder can elect to receive payment in U.S. dollars by checking the appropriate box in the letter of transmittal.

Alpayana encourages Shareholders to read the full details of the Offer set forth in the Offer to Purchase and Circular, which contains the full terms and conditions of the Offer and other important information, as well as detailed instructions on how Shareholders can tender their Common Shares to the Offer. 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.

FOR MORE INFORMATION AND HOW TO TENDER SHARES TO THE OFFER

Shareholders who hold Common Shares through a broker or intermediary should promptly contact them directly and provide their instructions to tender to the Offer, including any U.S. dollar currency election. The deadline for Shareholders to tender their shares is April 14, 2025, 5:00 p.m. (Toronto Time). Your financial intermediary may require more time to deposit your shares before the deadline, please follow the deadline your intermediary provided.

Registered Shareholders should complete the letter of transmittal and follow the instructions provided in the offering documents mailed to them.

For assistance or to ask any questions, Shareholders should visit www.sierrametalscashoffer.com or contact Shorecrest Group at 1-888-637-5789 (North American Toll Free Number) or 647-931-7454 (outside North America), or by email at contact@shorecrestgroup.com.

ABOUT ALPAYANA CANADA AND ALPAYANA

Alpayana Canada is a Canadian wholly-owned subsidiary of 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 discipline and with a view on long term intrinsic value. Alpayana is currently debt-free and has annual revenues over US\$500 million.

ADVISORS

McCarthy Tétrault LLP is acting as Canadian legal counsel to Alpayana Canada 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 Alpayana Canada and Alpayana. Shorecrest Group is acting as the Depositary and Information Agent to Alpayana Canada and Alpayana in respect of the Offer. LXG Capital is acting as the sole financial advisor to Alpayana.

DISCLAIMERS

This news release is for informational purposes only and does not constitute an offer to buy or sell, or a solicitation of an offer to buy or sell, any securities. The Offer will be made solely by, and

subject to the terms and conditions set out in, the formal Offer to Purchase and Circular, letter of transmittal and notice of guaranteed delivery. The Offer will not be made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction.

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 Alpayana Canada 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, reasons to accept the Offer and expectations that such reasons continue to be prevailing and risks and challenges facing Sierra. Such forward-looking statements reflect Alpayana Canada 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 Alpayana Canada 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, Alpayana Canada 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.

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