

Sierra Metals to Spin Out Cautivo Mining as New Public Entity

22.02.2017 | [CNW](#)

- **Sierra shareholders overwhelmingly vote to spin out of Northern Peru Properties into Cautivo Mining**
- **Spin out of properties reduces concession maintenance cost to Sierra Metals and allows for accelerated exploration to enhance value for Sierra shareholders**

TORONTO, Feb. 22, 2017 - [Sierra Metals Inc.](#) (TSX: SMT) (BVL: SMT) ("Sierra Metals" or "the Company") is pleased to announce that shareholders have overwhelmingly voted at a special meeting of shareholders on February 16, 2017, to spin-out (the "Spin-out") to existing shareholders its 100% owned Las Lomas Project, into a new public entity called [Cautivo Mining Inc.](#) ("Cautivo") by approving a reduction in the capital of the common shares of Sierra Metals for the capital assigned to Cautivo Mining. The final voting results were 99.94% voting in favour of the capital reduction.

On the completion of the Spin-out, Cautivo who are the developer of the properties' main asset will be its indirect interest in the Las Lomas Project (the "Las Lomas Project") consisting of approximately 32,000 hectares of greenfield exploration properties located in northern Peru.

Mark Brennan, President and CEO of Sierra Metals commented: "Sierra Metals is committed to an ongoing program of maximizing value for Sierra shareholders. After completing an extensive review of the Company's assets in Peru, Sierra Metals decided to spin-out to existing shareholders its 100% owned Las Lomas Project. The Las Lomas Project is not considered to be part of the Company's core focus and management, as well as the Board of Directors, believe the value of the Las Lomas Project is not being fully reflected in the current share price of Sierra Metals. The Spin out of properties reduces concession maintenance cost to Sierra Metals and allow for the accelerated exploration and development of properties by Cautivo Mining and thus enhancing value for Sierra shareholders."

On January 12th, Sierra Metals wholly-owned subsidiary, Cautivo Mining Inc. who are the developers of the properties, filed a preliminary prospectus with the securities regulatory authorities for the purpose of qualifying the distribution by Sierra Metals to holders of Sierra's common shares of all of the issued and outstanding common shares in the capital of Cautivo as a return of capital and to effect a rights offering under which recipients of Cautivo Shares will be entitled to purchase additional Cautivo shares. The exercise price for the rights offering will be determined prior to the filing of Cautivo's final prospectus. The effect of the distribution and the rights offering will be to spin-out Cautivo as a standalone public company and to capitalize Cautivo to enable it to pursue its business plan.

Certain details of the distribution and the rights offering, including the number of Cautivo shares to be received by shareholders of the Company for each Sierra share held, the number of rights to be distributed, the subscription price for Cautivo shares under the rights offering, the total size of the rights offering and the timing of the distribution and the rights offering have not been finalized. These details will be contained in the final prospectus. Complete details of the distribution and the rights offering, including the tax treatment of the distribution, will also be contained in the final prospectus which will be sent to each holder of Sierra shares and will be made accessible on SEDAR at www.sedar.com under Cautivo's profile.

Quality Control

All technical data contained in this news release has been reviewed and approved by Gordon Babcock, P.Eng., Chief Operating Officer and a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

About Sierra Metals

[Sierra Metals Inc.](#) is Canadian based growing polymetallic mining company with production from its Yauricocha Mine in Peru, and its Bolivar and Cusi Mines in Mexico. The company recently completed a very

successful operational improvements program at its Yauricocha mine and is now focused on completing a similar program at its Mexican operations to increase production volume, recoveries and modernize operations. Sierra continues to grow its mineral resources with several exciting brownfield opportunities such as the Esperanza Zone at the Yauricocha Mine which went from first discovery to mining in less than one year. The Company has several other brownfield exploration opportunities at all three Mines in Peru and Mexico within or very close to the existing mines which it is actively exploring and hopes to daylight in the short-term. The company has large land packages at all three Mines with several regional highly prospective targets providing longer term exploration upside and mineral resource growth potential.

The Company's shares trade on the Lima Stock Exchange (Bolsa de Valores de Lima) and on the TSX under the symbol "SMT".

Forward-Looking Statements

Except for statements of historical fact contained herein, the information in this press release may constitute "forward-looking information" within the meaning of Canadian securities law. Statements containing forward-looking information express, as at the date of this news release, the Company's plans, estimates, forecasts, projections, expectations or beliefs as to future events or results. These statements reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Actual results might differ materially from results suggested in any forward-looking statements. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements unless required by securities laws applicable to the Company. Additional information identifying risks and uncertainties is contained in filings by the Company with the Canadian securities regulators, which filings are available at www.sedar.com.

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Die URL für diesen Artikel lautet:

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