

Arias Resource Capital Proposes Five Nominees for Sierra Metals Board

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Slate to Oversee Turnaround and Restore Sierra Metals to its Former Track-Record of Prosperity and Value Creation

- Nomination comes from Sierra's largest shareholders as Sierra continues to underperform operationally, faces a financial crisis, and struggles to meet its debt obligations due to a significant drop in metals production combined with a significant increase in operating costs compared to prior years.
- Sierra's revolving suite of executives and directors have destroyed over 90% of Sierra's market capitalization over the last two years, are responsible for total negative returns of -73.68% over the last four quarters ending March 31, 2023, and failed to deliver on two strategic review processes in two years.
- ARC's proposed nominees include former Sierra directors who were previously involved in Sierra's remarkable growth in production and profitability from 2010 until ARC representatives left the board in mid-2021, and who achieved positive total shareholder returns of 93.12% in 2020 and 188.33% cumulative (9.64% annualized) from 2010 until mid-2021 for the benefit of shareholders.
- Sierra Board's poor oversight, lack of practical mining experience with Sierra's operating and exploration assets in Mexico, and an absence of meaningful ownership (less than 1% of issued and outstanding common shares of Sierra) is risking Sierra's strong asset base of critical metals that the world needs to meet its low carbon future.
- ARC holds approximately 27% of the shares of Sierra and its proposed nominees have the experience and track-record required to enhance the efficiency and production throughput of the Company, while accessing broader financing options and strategic partners to provide medium and long-term solutions to Sierra's financial liquidity issues. They are the right team to return Sierra to the track record of success and prosperity it had prior to mid-2021.

MIAMI, May 1, 2023 - Arias Resource Capital announced today that they are nominating five new nominees - J. Alberto Arias, Derek White, Daniel Tellechea, Ricardo Arrarte, and Alonso Checa (collectively, the "ARC Nominees") - for election to the Board of Directors (the "Board") of [Sierra Metals Inc.](#) ("Sierra" or the "Company") (TSX: SMT) at Sierra's annual general and special meeting of shareholders currently scheduled to be held on June 28, 2023. Arias Resource Capital Fund II L.P. and Arias Resource Capital Fund II (Mexico) L.P. (the "Nominating Shareholders"), together with other affiliates of Arias Resource Capital and its partners (together with the Nominating Shareholders, "ARC") hold approximately 27% of the outstanding shares of Sierra. The ARC Nominees intend to act quickly to resolve Sierra's mounting losses, share price collapse and financial liquidity crisis, and return the Company to its previous track record of excellence and value creation prior to mid-2021.

The destruction of shareholder value began when ARC representatives left the Board in mid-2021. ARC is calling on all shareholders to avoid further shareholder value destruction by significantly reconstituting the Board with the ARC Nominees. ARC Nominees have in-depth knowledge and experience with Sierra's operations and a track-record of delivering high returns. The ARC Nominees include former Sierra Board members, J. Alberto Arias and Ricardo Arrarte, who have achieved positive total shareholder returns of 93.12% in 2020 and a cumulative return of 188.33% for the period between 2010 and mid-2021, as compared to the total negative returns of -73.68% that shareholders have seen over the last four quarters ending March 31, 2023.

ARC's Case for Change

The figures below are compelling evidence of the need for change at Sierra given its abysmal results following the departure of ARC's representatives from the Sierra Board in mid-2021.

Figure 1: Sierra's shareholders have suffered an unimaginable value destruction in the past two years, after a revolving door of executives and directors with less than 1% combined ownership took charge

Figure 2: Sierra's total ore throughput has fallen dramatically since 2021, reversing a multi-year growth trend of capital expenditures

Figure 3: Sierra's financial position has deteriorated since 2021, with escalating net debt levels and dwindling cash levels, a situation unimaginable at any time prior to 2022 and which highlights the Board's poor oversight and leadership

Figure 4: Quarterly adjusted EBITDA and working capital decreased sharply into negative territory despite massive Capex investments by Sierra (over US\$100mm in 2021 and 2022 combined)

Figure 5: Sierra delivered a remarkable 11-year track record of consistent production growth while ARC led the Board. Since 2021, its performance fell catastrophically and destroyed value

Figure 6: Sierra also delivered a remarkable 10-year trend of consistent growth of mineral resources reflecting ARC's vision of its three mines' geologic potential while leading the Board. The trend reversed post-2021 which eroded value and growth

ARC believes the Sierra Board is no longer acting in the best interests of all shareholders

Since ARC representatives left the Board in mid-2021, Sierra's share price has been in a freefall, declining a staggering 80%. The current Board members, with combined share ownership of less than 1%, are not incentivized, and have not demonstrated the necessary operational mining or financial markets acumen to turn Sierra around.

Barely one year after the failure of a prior strategic review process was disclosed,² the Company announced another strategic review process on October 18, 2022, in the face of "liquidity challenges" and stated, "absent additional support and increased funding, the Company's ability to continue operations in the ordinary course may be impacted." Less than two weeks later, on October 27, 2022, ARC and Compañía Minera Kolpa S.A. ("Kolpa") provided Sierra with a letter of intent (the "LOI") to complete an operational merger along with a concurrent fully funded US\$30 million convertible debenture financing by a third party. We believe that this transaction would have immediately helped alleviate the Company's liquidity and operational challenges.

After effectively avoiding any meaningful engagement with ARC and Kolpa on the proposed transaction, it is clear that the Board has once again failed to identify strategic alternatives that provide any value enhancement opportunities for shareholders. Although ARC and Kolpa recently reconfirmed the continued availability of the concurrent US\$30 million financing transaction, the submitted enhanced terms in respect of an operational merger, which represented, and continues to represent, a significant premium to the prevailing market price of Sierra shares. The Board is failing to act with the urgency necessary to preserve and continuing to destroy shareholder value.

Sierra's financial situation should be of concern to all shareholders. In March 2023, Sierra confirmed that a bridge loan of US\$6,250,000 was used to cover its first quarter 2023 loan payment. More than six months after Sierra's loans went into forbearance, Sierra's management and Board have not closed a refinancing contract.³ Despite its materiality, the expected "refinancing contract" remain undisclosed and its signing has been deferred thereby avoiding accountability to shareholders and leaving Sierra's fate in the hands of its lenders. A bridge loan is NOT a true refinancing, but typically is short term, high interest debt which may make it difficult to attract truly independent financing. Even if the Company is able to defer its remaining loan payments, it is still unclear how the Company is going to address 2024 and beyond, as the Company has indicated that production is expected to remain depressed at its flagship Yauricocha mine in Peru until 2025.⁴

The Company's 2022 annual financial statements showed that shareholder losses more than tripled last year as mining revenue dropped by 21% and costs increased by up to 41% relative to 2021 costs. This poor performance is surprising given the massive Capex investment in the Company (US\$100 million in 2021 and 2022 combined), as well as the significant cash flow from its Peruvian subsidiary Sociedad Minera Corona S.A. ("Corona") which include US\$50 million in dividends and a US\$100 million increase in account receivables of Corona from related parties (which include [Sierra Metals Inc.](#), Dia Bras Mexico S.A. and Dia Bras Peru S.A.C.) from June 30, 2021 to December 31, 2022.

J. Alberto Arias, director and principal of ARC, stated, "After transforming Sierra from a small producer that was largely overlooked by the capital markets in the late 2000s to a very profitable midsize mining player in the copper-silver space and working as its Chairman for over eight years until January 2021, it is painful to watch the speed with which the Company's fortunes have declined since stepping down from the Board in July 2021."

He added, "Since Sierra announced its financial distress last October, ARC has provided the Board with concrete solutions around the Company but has seen no real engagement six months down the road. We have no faith that the current Board can turn things around. Instead, we are nominating the right people for the job, with a sense of urgency to avoid the risk of complete shareholder value destruction, a path which the Company unfortunately seems to be heading down at breakneck speed."

high quality assets, so the loss of over 90% of the market capitalization over the past two years is difficult to understand in stark contrast to the returns we achieved during our tenure on the Board. There is a pressing need for change at the Board level.

Despite Sierra hiring CIBC World Markets in November 2022, it has not disclosed any results of its strategic review process. No information has been provided to shareholders on any other available alternatives for the Company or how they compare to the LOI that ARC and Kolpa provided to the Company in October 2022.

¹ Sierra shares traded on the TSX at C\$3.83 per share (or US\$3.25 per share) on June 10, 2021 and at C\$0.38 per share (or US\$0.28 per share) on April 28, 2023. Source: Bloomberg.

² Sierra Metals Completes Strategic Review Process, Initiates Annual Base Dividend of US\$0.03 per Share and Appoints Two New Directors to its Board, 2021. <https://www.businesswire.com/news/home/20211007005386/en/>.

³ Sierra Metals Announces Refinancing Agreement and Ongoing Discussions to Allow for Flexibility on Debt Repayment for 2023, 2023. <https://www.businesswire.com/news/home/20230313005278/en/>.

⁴ Sierra 2022 earnings call and Sociedad Minera Corona S.A. annual report
Current financial distress

The extent of the operating and financial challenges that have caused the destruction of shareholder value have been outlined in Sierra's latest filings.

Set out below are some of the troubling highlights from the Company's recent performance:

Sierra Operational and Cost Metrics Following ARC's Departure from the Sierra Board ⁵					
	Q1 2021	Q1 2023	Change (%)	FY 2022	Change (%)
Sierra Consolidated					
Throughput ('000 tonnes)	774	577	-25.5 %	2,208	-21.2 %
Copper equivalent production ('000 lbs)	25,496	18,009	-29.4 %	69,268	-28.6 %
Cash cost (US\$ per Copper eq. Lbs)	1.62	N/A	N/A	2.85	+40.9 %
Yauricocha					
Throughput (tonnes)	326	219	-32.8 %	1,057	-16.1 %
Copper equivalent production ('000 lbs)	15,937	9,003	-43.5 %	59,486	-34.1 %
Cash cost (US\$ per Copper eq. Lbs)	1.48	N/A	N/A	2.26	+52.7 %
Bolivar					
Throughput (tonnes)	372	299	-19.5 %	9,650	-30.2 %
Copper equivalent production ('000 lbs)	7,285	7,588	+4.2 %	20,207	-23.8 %
Cash cost (US\$ per Copper eq. Lbs)	1.58	N/A	N/A	2.99	+37.2 %
Sierra Financial Results Highlight its Liquidity Crisis as Consequence of Inadequate Oversight ⁶					
(In millions of dollars)				FY 2021	Change (%)
Revenues				272.0	122.1 %
Adjusted EBITDA				104.7	137.0 %
Net loss attributable to shareholders				-27.4	87.9 %
Working capital				17.3	88.7 %
Short term financial debt				24.9	82.5 %
Total cash				34.9	58.5 %
NOTE: Net loss for 2022 includes non-cash impairment charges totaling US\$50 million. As of December 31, 2022, the Company was in default of its debt covenants and therefore classified all of the debt as current liabilities. US\$18.8 million of US\$25.0 million principal debt repayment obligations are due in 2023.					

⁵ Sierra quarterly press releases and reports. Cash cost and copper equivalent pounds have the meanings set out in Sierra's MD&A.

⁶ Sierra quarterly press releases and reports. Adjusted EBITDA and other calculations have the meanings set out in Sierra's MD&A.

Five highly qualified director nominees to bring urgent change at Sierra

ARC is the virtual founder and by far the largest shareholder of Sierra. ARC strongly believes that there is an

urgent need to significantly reconstitute the Board so it is aligned with the interests of all shareholders.

The ARC Nominees provide that alignment. The ARC Nominees, who include three Peruvian nationals, one Mexican national, and one Canadian, understand Sierra's challenges and have local knowledge and experience needed to transform the Company. They have a deep understanding of the geologic potential of Sierra's Yauricocha, Bolivar and Cusi mines and former experience managing these mines, the quality of which is currently misunderstood and underappreciated by most of the Sierra Board.

The ARC Nominees have in-country experience in the mining and metals industry in Peru and Mexico, expertise in geological, mining and metallurgical engineering, experience in permitting and community engagement, and expertise in mining finance and M&A transactions in the metals sector. ARC believes that there is no better group of people to restore Sierra to its prior levels of profitability than those that were involved in growing Sierra to those levels of excellence in the first place and those who have demonstrated operational and financial experience in situations like this. Based on our track record, we expect the ARC Nominees will provide access to broader financing sources and strategic partners to generate medium and long-term solutions to Sierra's current liquidity crisis while embarking on an extensive marketing and capital markets engagement that will help Sierra regain its attractiveness to investors.

The ARC Nominees are:

J. Alberto Arias

Mr. Arias brings 30 years of experience in the field of international mining finance and is the founder of Arias Resource Capital Management LP, having raised close to US\$700 million in two private equity funds. He is also the virtual founder of Sierra, Chairman of the Board of Largo Inc., and Board member of Kolpa as a consequence of the investment by ARC in these companies. Mr. Arias worked at Goldman Sachs as Managing Director and Head of Equity Research for metals and mining in the U.S., Canada and Latin America before founding Arias Resource Capital Management LP. He has also worked at UBS Warburg as Executive Director and Analyst covering the Latin American metals and mining sector.

Derek White

Mr. White has over 30 years of experience in the mining and metals industry and is the President and CEO of [Ascot Resources Ltd.](#) He is a Chartered Accountant, an ICSA Accredited Director and holds a degree in Geological Engineering from the University of British Columbia. Prior to his current role, Mr. White was the Principal of Traxys Capital Partners LLP, a private equity firm specializing in the mining and minerals sectors. He was the President and CEO of KGHM International Ltd. from 2012 to 2015 and was Executive Vice President, Business Development and Chief Financial Officer of [Quadra FNX Mining Ltd.](#) from 2004 to 2012. He has also held various executive positions with International Vision Direct Ltd., BHP-Billiton Plc, Billiton International Metals BV and Impala Platinum Ltd., in Vancouver, Toronto, London, The Hague, and Johannesburg.

Daniel Tellechea

Mr. Tellechea is the Interim Chief Executive Officer of Largo Inc. and brings extensive experience in international mining. He was the President & CEO of Sierra between 2007 and 2014 and was President and CEO of Asarco LLC from 2003 to 2005. He served as the Managing Director of Finance and Administration for Asarco's parent, Grupo Mexico from 1994 to 2003 and also served as Asarco's Chief Financial Officer and Vice-president of finance for Southern Copper Corporation from 1999 to 2003. Daniel is also a member of the board of Kolpa.

Ricardo Arrarte

Mr. Arrarte currently serves as a Director on the investment team for Arias Resource Capital and is the Chief Executive Officer for Cautivo Mining Inc. Mr. Arrarte is a Mining and Mechanical Engineer with an MBA from the George Washington University. He is experienced in mine and plant design, managing mining operations, production and costs with large teams of personnel. Mr. Arrarte brings over 20 years of

experience in management, operations, and consulting for mining companies. Mr. Arrarte was a director of Sierra from 2019 to 2021. He has worked with Hochschild Mining PLC as Operations Manager in charge of four silver mines in Peru, Compañía Minera Caudalosa SA as Chief Executive Officer, Consorcio Minero Horizonte as Planning and Engineering Manager, Buenavetura Ingenieros SA - BISA as an Engineering Consultant, Fosfatos Del Pacifico SA as Mine Manager, and Cementos Pacasmayo SAA as Geology and Mine Central Manager.

Alonso Checa

Mr. Checa brings over 12 years of experience in M&A transactions in the metals sector and is well-versed with the mining industry in Peru. Mr. Checa worked for J.P. Morgan in the Latin America Investment Banking and M&A Advisory team, and he currently serves as a Director at Arias Resource Capital Management LP and is a member of the board of directors of Kolpa.

The Choice to Restore Sierra to its Former Track-Record of Prosperity and Value Creation is CLEAR

ARC Nominees	Current Board
? Aligned with the interests of all shareholders	× No "skin in the game" - less than 1% combined share ownership
	OR
? Transformed Sierra from small mining company to a profitable US\$600mm+ market cap company	× Destruction of Sierra market capitalization to less than US\$50mm - down 91% since ARC representatives left Board
? Executive and Board experience with Sierra assets	× No prior experience with Sierra assets
? Track record of growth and positive shareholder returns	× Unimaginable deterioration of operations resulting in Company facing financial distress
? Access to financing sources and strategic partners	× Two failed strategic processes - did not act urgently on premium offers and financing opportunities
? Local knowledge and operational and financial acumen in the mining industry	× No demonstration of ability to turn Company around

ARC has a five-point plan and a track-record to match

1. Increase Ore Throughput with Safety as a Top Priority and Achieve Optimum Levels of Economies of Scale: A refreshed Board with in-depth experience with Sierra's assets will aid Sierra management to boost the efficiency of the operations through productivity improvements, cost reductions and targeted exploration investments. With previous ARC leadership on the Board, Sierra achieved capital-efficient output expansion of its three mines, considered remarkable by metal industry standards. This successful track record is also evident in other companies where ARC has invested. This expertise and experience will be instrumental in the operational turnaround of Sierra's mines.

2. Stronger Board Expertise to Obtain Better Financing Alternatives and Strategic Partnerships: ARC responded quickly to Sierra's public announcement of its financial difficulties with a full-fledged strategic and financing proposal. The ARC Nominees bring strong market credibility that should provide access to broader financing sources and strategic partners to generate medium and long-term solutions to Sierra's current liquidity crisis that Sierra urgently needs to maximize shareholder value. For example, the LOI that ARC and Kolpa provided to the Company in October 2022 outlined that the concurrent financing would be provided by a strategic investment firm that is NOT an affiliate of Kolpa or its shareholders, with the full support of Kolpa shareholders. This reflects the access to capital and creativity that ARC can put to work to solve Sierra's problems.

3. Return of Ownership Mentality: ARC has been Sierra's largest shareholder for over 10 years. Driven by

that ownership alignment, when ARC representatives were on the Board, the Board's focus was on maximizing shareholder value for all shareholders. This incentivized generating consistent returns on capital and reducing waste and inefficiencies in the Company. The ARC team members worked closely with management to instill a sense of ownership across the whole organization, which became an important element of Sierra's corporate culture. Sierra's focus and alignment with value creation is now clearly lost under the current Board that has "no skin in the game" with less than 1% combined share ownership in Sierra. Over the last two years, the destruction of Sierra's corporate culture has resulted in a decline in operating efficiency, the inability to hold onto key talent, and a significant loss of shareholder value. A refreshed Board, including the ARC Nominees, will re-instill the culture of value creation success and ownership mentality that prevailed when ARC's representatives were on the Board.

4. Leadership Realignment: Despite recent departures, the Company has several competent team members. These include individuals hired in the recent past and the vast majority of talented employees with whom ARC worked prior to 2021, who, ARC believes, are frustrated with the current Board's inefficacy and would like to bring the previous track-record of success back to the Company. Aligning this talent with the right roles and bringing back key members with institutional and operational knowledge - who ARC understands quit because of the current Board's mismanagement - will be possible under a refreshed Board with experience with Sierra's assets.

5. Shareholder Transparency: Sierra has almost completely stopped informing the markets on the state of its financial and liquidity positions and about progress on exploration or its growth development plans, which are critical for the market to properly assess the Company's investment merits and its value. The Company's reduced transparency and failure to adequately engage and market its strengths has made it less friendly to capital markets and has diminished its attractiveness to investors. The ARC Nominees are well known for their success in capital markets and investor relations. They will highlight Sierra's strengths in precious metals and metals that are in high demand for a low carbon future, such as copper and zinc, which have positive supply-demand fundamentals in the medium term.

ADVISORS

ARC has retained Kingsdale Advisors as its strategic shareholder and communications advisor. ARC has retained Stikeman Elliott LLP as its legal advisor.

ABOUT ARC

Arias Resource Capital, founded in 2007, is a Miami-based private equity firm in the metals sector that invests in critical materials empowering the clean energy revolution.

CAUTIONARY NOTES AND FORWARD-LOOKING STATEMENTS

This news release contains forward-looking information within the meaning of applicable securities laws and are prospective in nature. Forward-looking information is not based on historical facts, but rather on current expectations and may include projections about future events and estimates and their underlying assumptions, statements regarding plans, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates", "plans", "will", "may", "should", "could", "believes", "potential" or "continue" and similar expressions, or the negative thereof. Forward-looking statements information in this news release include, without limitation, statements regarding the potential benefits and development of the ARC Nominees and the expected impact and results of Sierra's strategic review process and Sierra's corporate governance practices. There are numerous risks and uncertainties that could cause actual results and ARC's plans and objectives to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements in this news release, including, without limitation, the risks described under the headings such as "Cautionary Statement - Forward Looking Information" and "Risk Factors" in Sierra's annual information form dated March 28, 2023 for its fiscal year ended December 31, 2022, and other risks identified in Sierra's filings with Canadian securities regulatory authorities which are available under Sierra's profile on SEDAR at www.sedar.com and with the SEC on EDGAR at www.sec.gov. The forward-looking statements speak only as of the date hereof and, other than as required by applicable law, ARC undertakes no duty or obligation to update or revise any forward-looking information or statements contained in this news release as a result of new information, future events, changes in expectation or otherwise.

ADDITIONAL INFORMATION CONCERNING ARC'S PROPOSED BOARD NOMINEES

The ARC Nominees will be nominated to serve as new independent directors of the Board until the next

annual meeting of shareholders of the Company, or until their successors are elected or appointed in accordance with applicable law. The table below sets out, in respect of each of the ARC Nominees, his or her name, province or state and country of residence, and his or her principal occupation, business or employment within the five preceding years. None of the ARC Nominees have any compensation arrangement with ARC or associated companies in connection with their nominations and services, should they be elected, as directors on the Company's Board.

Name Province/State, Country of Residence	Present Principal Occupation, Business or Employment and in Five Preceding Years	Number of Common Shares of Sierra Beneficially Owned or Controlled
J. Alberto Arias Florida, USA	<p>Portfolio Manager of Arias Resource Capital Management LP.</p> <p>Non-Executive Chairman, Board of Directors (September 2019 to present) of Largo Inc.</p> <p>Non-Executive Chairman (March 2013 to January 2021) and director (November 2008 to July 2021) of Sierra.</p> <p>Director (December 2016 to January 2020) of Cautivo Mining Inc.</p>	<p>Mr. Arias beneficially owns, or exercises control or direction over, 717,110 shares of Sierra.</p> <p>In addition, Mr. Arias is the sole director of each of the general partner of the Nominating Shareholders, and indirectly controls Arias Resource Capital Management LP. As such, Mr. Arias may be deemed to share voting and dispositive power with respect to securities of the Company held by these entities (30,064,883 common shares held by Arias Resource Capital II L.P.; 1,706,040 common shares of Sierra held by Arias Resource Capital Fund II (Mexico) L.P.; 696,437 common shares of Sierra held by Arias Resource Capital Management LP; and 10,558,154 common shares of Sierra held by Arias Resource Capital GP Ltd.), but he disclaims any beneficial ownership of any such securities, except to the extent of his pecuniary interest therein.</p>
Derek White British Columbia, Canada	President and Chief Executive Officer of Ascot Resources Ltd.	Nil.
Daniel Tellechea Arizona, USA	<p>Interim Chief Executive Officer (February 2023 to present) of Largo Inc.</p> <p>Independent Consultant (July 2014 to February 2023).</p>	

177,542 common shares of Sierra.

Alonso Checa Lima, Peru	Private Equity Executive and Director of Arias Resource Capital Management LP.	Nil.
Ricardo Arrarte Lima, Peru	Director of Arias Resource Capital Management LP. Director (April 2019 to July 2021) of Sierra. Chief Executive Officer (August 2017 to present) of Cautivo Mining Inc.	Nil.

Other Boards of Reporting Issuers

As of the date hereof, the ARC Nominees currently serve as directors of other reporting issuers as follows:

ARC Nominee	Other Reporting Issuer
J. Alberto Arias	Largo Inc.
Derek White	Battery Mineral Resources Corp. , Minto Metals Corp.
Daniel Tellechea	Largo Inc.
Alonso Checa	N/A
Ricardo Arrarte	N/A

Other Information Concerning the ARC Nominees

To the knowledge of ARC and other than as described below, none of the directors or officers of ARC, or any joint actors, associates or affiliates of the foregoing, or any of the ARC Nominees or their respective associates or affiliates, has: (a) any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries; or (b) any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter proposed to be acted on at Sierra's annual general and special meeting of shareholders currently scheduled to be held on June 28, 2023 ("Sierra's 2023 AGM"), other than the re-constitution of the Board or as disclosed in accordance with applicable law.

On October 31, 2022, Sierra confirmed receipt of the LOI submitted by Kolpa, among others, including the Nominating Shareholders. The LOI, as supplemented after the date thereof, outlined indicative terms for a proposed business combination of Kolpa and Sierra and concurrent financing by an investment firm.

Penalties or Sanctions

To the knowledge of ARC, as at the date hereof, none of ARC's proposed board nominees, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable security holder in deciding whether to vote for an ARC Nominee.

Individual Bankruptcies

To the knowledge of ARC, none of ARC's proposed board nominees is, at the date hereof, or has been, within ten (10) years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of ARC and other than as described below, no ARC Nominee is, at the date hereof, or has been, within ten (10) years prior to the date hereof: (a) a director, chief executive officer or chief financial officer of any company that (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than thirty (30) consecutive days (each, an "order"), in each case that was issued

while the ARC Nominee was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to an order that was issued after the ARC Nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) a director or executive officer of any company that, while such ARC Nominee was acting in that capacity, or within one (1) year of such ARC Nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) someone who became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such ARC Nominee.

Mr. Arias served as a member of the board of directors for [Colossus Minerals Inc.](#) ("Colossus") less than one year from March 2013 to January 2014. On January 14, 2014, Colossus announced it had approved the filing of a notice of intention to make a proposal under the Bankruptcy and Insolvency Act (Canada), to enable the company to pursue a sale process and restructuring with the benefit of creditor protection and under court supervision. On March 13, 2014, the Ontario Superior Court of Justice (in Bankruptcy and Insolvency) approved a proposal and plan of reorganization that was unanimously accepted by the creditors of Colossus.

Mr. Tellechea served as a director of [Mercator Minerals Ltd.](#) ("Mercator") from April 5, 2012 to September 4, 2014. On August 26, 2014, Mercator and its wholly owned subsidiary, [Creston Moly Corp.](#), filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada). On September 9, 2014, the official receiver issued a Certificate of Assignment in Bankruptcy for Mercator, effective from the date of bankruptcy, being September 5, 2014.

Additional Information

In connection with the Nominating Shareholders' solicitation of proxies in respect of Sierra's 2023 AGM, the Nominating Shareholders intend to file and mail to Sierra shareholders an information circular and form of proxy in due course.

Any solicitation made by ARC will be made by it and not by or on behalf of the management of Sierra. All costs incurred for any solicitation will be borne by ARC, provided that, subject to applicable law, ARC may seek reimbursement from Sierra of ARC's out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with any successful result at a meeting of Sierra shareholders. Proxies may be solicited by ARC pursuant to an information circular sent to shareholders after which solicitations may be made by or on behalf of ARC by mail, telephone, fax, email or other electronic means as well as by newspaper or other media advertising, and in person by directors, officers and employees of ARC, who will not be specifically remunerated therefor. ARC may also solicit proxies in reliance upon the public broadcast exemption to the solicitation requirements under applicable Canadian corporate and securities laws, including through press releases, speeches or publications, and by any other manner permitted under applicable Canadian laws. ARC may engage the services of one or more agents and authorize other persons to assist in soliciting proxies on its behalf, which agents would receive customary fees for such services. In particular, Kingsdale Advisors (the "Proxy Solicitor") has been engaged to solicit proxies in the United States and Canada. Pursuant to this engagement, the Proxy Solicitor will receive an initial fee of C\$150,000 plus a customary fee for each call to and from shareholders. In addition, the Proxy Solicitor may be entitled to a fee of up to C\$150,000 in connection with a successful solicitation campaign. Proxies may be revoked by instrument in writing by a shareholder giving the proxy or by its duly authorized officer or attorney, or in any other manner permitted by law and the articles or by-laws of Sierra. None of ARC nor, to its knowledge, any of its associates or affiliates, has any material interest, direct or indirect: (i) in any transaction since the beginning of Sierra's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect Sierra or any of its subsidiaries; or (ii) by way of beneficial ownership of securities or otherwise, in any matter proposed to be acted on by Sierra, other than the election of directors to the board of Sierra or as disclosed in accordance with applicable law.

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SOURCE Arias Resource Capital Management LP

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