

# Sierra Metals Comments on Proposal by Shareholder

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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") on May 1, 2023 (the "ARC Proposal").

The Company welcomes input from its shareholders and regularly engages in constructive conversations. The ARC Proposal was the first time ARC had communicated a desire to elect a new slate of directors at the Company's upcoming annual and special shareholders meeting scheduled to take place on June 28, 2023 (the "Meeting"). Despite maintaining an active dialogue during Sierra Metals' strategic process, ARC had not previously approached the Company to propose director nominees to be put forward for election at the Meeting. As such, the Company did not have an opportunity to discuss any proposed director nominees or the issues discussed in the ARC Proposal in an amicable and constructive manner before ARC embarked on this unnecessary and time-consuming process.

The Sierra Metals board of directors and management team have worked tirelessly to improve the safety record and increase accountability at the Company's operations, to rectify underinvestment in key infrastructure and mine development, and to establish a realistic framework to mine the Company's deposits. These priorities were previously overlooked in favour of seeking short-term results and at the expense of long-term sustainability - in particular, sustainable mine planning and profitability.

Contrary to inaccurate and misleading characterizations in the ARC Proposal which were put forward at a time of critical strategic importance, in the last two months alone Sierra Metals has announced several initiatives that provide evidence of positive operating momentum, improved financial flexibility and a strong commitment to a culture of safety. These include:

- On March 13, 2023, the announcement by the Company of discussions with its major lenders to improve financial flexibility as operational improvements take effect.
- On March 29, 2023, the announcement by the Company of its fourth quarter and year end 2022 financial results. In this press release, the Company described the significant progress made towards stabilizing and optimizing operations, highlighted by a renewed commitment to safety and employee engagement, and a more "hands on" approach to operations.
- The implementation by management of upgraded infrastructure including pumping and ventilation that has enabled increased production at the Company's Bolivar mine.
- 2023 guidance that included significant year-over-year increases in production and decreases in costs.
- On April 25, 2023, the announcement by the Company of Q1 2023 production results (the "April 2023 Press Release"). In the April 2023 Press Release, Sierra Metals reported a 17% increase in daily throughput compared to Q4 2022 and a 28% increase in copper equivalent production, indicating a strong start to the year.
- Also as disclosed in the April 2023 Press Release, the announcement by the Company of various operational improvements, including its expectation that permits to mine below the 1120 level at its Yauricocha mine would ultimately lead to higher throughput rates when obtained, allowing access to higher-grade ore bodies. Progress continues to be made on this front, a matter which was not previously identified and addressed in a timely manner.

The foregoing are in addition to the recent changes to the Company's board of directors and management team at the end of 2022 and the beginning of 2023. These included:

- The additions of Ernesto Balarezo Valdez as Interim CEO and director and José Fernández-Baca as Interim CFO.
- The hiring of a Vice President of Health and Safety, a newly created position (as well as instituting new safety protocols, training, communication and safety-focused capital investments).

To ensure all stakeholders have access to accurate information, the Company wishes to correct certain false

or misleading statements in the ARC Proposal.

- The special committee of independent directors formed in October 2022 (the "Special Committee") continues to evaluate strategic opportunities for the Company. Over the course of the strategic review process, the Special Committee and the Company's management team have identified and implemented a number of operational and financial improvements, including those set forth above. The Special Committee's work has included a thorough, comprehensive and good faith review of the Letter of Intent submitted by ARC and Compañía Minera Kolpa S.A. ("Kolpa"). Notwithstanding Kolpa making certain information concerning its operations available to the Company and its advisors, most recently, the Special Committee made material inquiries of Kolpa regarding same but has not, to date, received substantive information in response thereto. Instead, the ARC Proposal to nominate five new board members to the Company was put forward.
- As noted above, on March 13, 2023, the Company announced advanced discussions to refinance part of its principal debt repayment obligations due in 2023 under its senior secured credit facility. The parties intend to formalize the refinancing contract prior to the due date of the second quarterly principal installment on June 8, 2023, subject to, among other things, the completion of due diligence. The Company believes it is contrary to the interests of shareholders for ARC to mischaracterize Sierra Metals' financial situation.
- Management has already implemented a number of the initiatives outlined in the five-point plan included in the ARC Proposal. Most notably, management has clearly communicated safety as its top priority and a key to ensuring reliable and predictable performance across its operations, and has actively advanced this objective.
- Sierra Metals' current directors and management team have extensive operational experience and a thorough understanding of the quality and potential of the Company's mines. They have quickly implemented meaningful operational improvements and progress has been reported to date. Further information concerning the experience of the current board members and management team are set forth in the Company's publicly filed disclosure documents, including its most recently filed management information circular and annual information form.

The Company reiterates its commitment to constructive shareholder engagement and to generating value for its shareholders.

#### 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.

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

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#### Forward-Looking Statements

This press release contains forward-looking information within the meaning of Canadian securities legislation, including information with respect to the Company's 2023 guidance, operational improvements and the status of the refinancing contract. Forward-looking information relates to future events or the anticipated performance of Sierra 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 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 28, 2023 for its fiscal year ended December 31, 2022 and other risks identified in the Company's filings with Canadian securities regulators, which are available at [www.sedar.com](http://www.sedar.com).

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.

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