

## SIERRA METALS INC.

# ANNUAL INFORMATION FORM

# FOR THE YEAR ENDED DECEMBER 31, 2024

# **DATED: MARCH 26, 2025**

Corporate Office:

200 Bay Street, South Tower, Suite 2800 Toronto, Ontario M5J 2J3

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## ANNUAL INFORMATION FORM DATED MARCH 26, 2025 SIERRA METALS INC. ("Sierra", "Sierra Metals" or the "Company")

#### PRELIMINARY NOTES

## **EFFECTIVE DATE OF INFORMATION**

The date of this Annual Information Form (the "AIF") is March 26, 2025. Except as otherwise indicated, the information contained herein is as at December 31, 2024.

#### DOCUMENTS INCORPORATED BY REFERENCE

The information provided in this AIF is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to Sierra Metals. The documents listed below are not contained within or attached to this document. The documents may be accessed on SEDAR+ at <u>www.sedarplus.ca</u> under the Company's profile.

Document	Effective Date/ Period Ended	Date Filed on SEDAR+ website	Document Category on the SEDAR+ Website
Technical Report on the Yauricocha Mine (the "Yauricocha Technical Report").	December 31, 2023	June 20, 2024	Technical Report
Technical Report on the Bolivar Mine (the " <b>Bolivar Technical Report</b> ", and together with the Yauricocha Technical Report, the " <b>Technical Reports</b> ")	December 31, 2023	June 20, 2024	Technical Report

## CAUTIONARY STATEMENT – FORWARD LOOKING INFORMATION

This AIF contains "forward looking information" within the meaning of Canadian securities laws related to the Company and its operations, and in particular, the anticipated developments in the Company's operations in future periods, the Company's planned exploration activities, the adequacy of the Company's financial resources and other events or conditions that may occur in the future. Statements concerning mineral reserve and resource estimates may also be considered to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if and when the properties are developed or further developed. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

These forward-looking statements include, but are not limited to: future production of silver, gold, lead, copper and zinc (collectively, the "**metals**"); future cash costs per ounce or pound of the metals; the price of the metals; the effects of domestic and foreign laws, regulations and government policies and actions affecting the Company's operations or potential future operations; future successful development of the Yauricocha mine in Yauyos Province, Peru ("**Yauricocha**" or the "**Yauricocha Mine**") and the Bolivar mine in Chihuahua, Mexico ("**Bolivar**" or the "**Bolivar Mine**") and other exploration and development projects; the sufficiency of the Company's current working capital, anticipated operating cash flow or the Company's ability to raise necessary funds; estimated production rates for the metals produced by the Company; timing of production; the estimated cost of sustaining capital; ongoing or future development plans and capital replacement, improvement or remediation programs; the estimates of expected or

anticipated economic returns from the Company's mining projects; future sales of the metals, concentrates or other future products produced by the Company; implementation of programs; effects of renegotiation and termination of contracts or sub-contracts; refinancing of debt obligations (and the timing of same); the effective date of treaties; future breaches of debt covenants; the Company's ability to obtain waivers for any potential future breaches of its debt covenants; and the Company's plans and expectations for its properties and operations.

Forward-looking statements or forward-looking information can be identified by the use of forward-looking terminology such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential" or variations thereof, or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions and are not statements of historical fact and may be forward-looking information. Such forward-looking statements and forward-looking information are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in such forward-looking statements and forward-looking information, including, without limitation, risks with respect to: liquidity and going concern risks and risks related to the inability of the Company to obtain waivers for any potential future breaches of its debt covenants; operating hazards and risks; precious metal and base metal price fluctuation; mining operations; infrastructure; exploration and development; uncertainty of calculation of reserves and sources and metal recoveries; replacement of reserves and resources; fluctuations in the price of consumed commodities; no defined mineral reserves at the Cusi Mine; risk of foreign operations; burden of government regulation and permitting; risks relating to outstanding borrowings; uncertainty of title to assets; environmental risks; litigation risks; insurance risks; competitive risks; volatility in the price of the common shares in the capital of the Company (the "Common Shares"); global financial risks; employee recruitment and retention; reliance on key personnel and labour relations; potential conflict of interest; significant shareholders; third party reliance; potential dilution of present and prospective shareholdings; currency risks; risks related to cyclical business; financial reporting standards; credit risks; climate change; and cyber security risks. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or forward-looking information. Forward-looking information includes statements about the future and are inherently uncertain, and the Company's actual achievements or other future events or conditions may differ materially from those reflected in the forwardlooking information due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this AIF under the heading "Risk 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 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.

#### **Classification of Mineral Reserves and Resources**

In this AIF, the definitions of proven and probable mineral reserves, and measured, indicated and inferred mineral resources are those used by the Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**"), as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as amended. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Scientific and technical information contained in this AIF is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in the Technical Reports which are incorporated by reference herein. Reference should be made to the full text of the Technical Reports, which are available for review under Sierra's profile on SEDAR+ at <u>www.sedarplus.ca</u>.

#### **Currency Information**

All currency references in this AIF are in United States dollars ("\$" or "US\$") unless otherwise indicated. References to "Canadian dollars" or the use of the symbol "C\$" refers to Canadian dollars.

## **CORPORATE STRUCTURE**

#### NAME, ADDRESS AND INCORPORATION

The Company was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on April 11, 1996 under the corporate name "Line Islands Exploration Inc.". The articles were amended by a certificate of amendment dated December 9, 1999 changing the corporate name to "Dia Bras Exploration Inc." The Company changed its name to "Sierra Metals Inc." by a certificate of amendment dated December 5, 2012. On June 19, 2014, the Company's articles were further amended to provide that meetings of shareholders may be held in (i) Canada, (ii) the United States of America or (iii) any city, municipality or other country in which the Company is doing business.

The registered principal office of Sierra Metals is located at 200 Bay Street, South Tower, Suite 2800, Toronto, Ontario, Canada M5J 2J3. The head office of the Company's Mexican subsidiaries is located at Calle Blas Cano de los Rios No 500, Colonia San Felipe, C.P 31203, Chihuahua, Chihuahua, Mexico. The head office of the Company's Peruvian subsidiaries is located at Avenida El Derby No. 254, Oficina 2304 2305, Edificio Lima Central Tower, Santiago de Surco, Lima – Perú.

#### INTERCORPORATE RELATIONSHIPS

The Company carries on a significant portion of its business through a number of direct and indirect subsidiaries, as follows:



1) Dia Bras Mexicana S.A. de C.V holds the remaining ownership percentage

2) Exmin S.A de C.V holds the remaining ownership percentage

## GENERAL DEVELOPMENT OF THE BUSINESS

## THREE-YEAR HISTORY AND RECENT DEVELOPMENTS

2022

## Peru

On January 20, 2022, the Company announced results of the Yauricocha PEA Technical Report, including the latest reported resources and revised pre-feasibility study ("**PFS**") level capex and opex estimations. Highlights of the Yauricocha PEA Technical Report included:

- Updated Mine plan based on the last reported resource, prepared by SRK and dated March 31st, 2021
- PFS level CAPEX and OPEX estimation for expansion
- Mine plan includes updated mineral resources, including inferred resources
- Expansion Development Capital (Years 1-3): \$102.2 Million
- LOM after-tax Net Present Value (NPV): \$273.1 Million at an 8% discount rate
- LOM Net After-tax Cash Flow: \$407.7 Million
- LOM & Sustaining Capital Cost: \$312.1 Million
- Average LOM Operating Unit Cost: \$44.01/tonne and \$1.30/lb copper equivalent
- Mine Life: 11 years based on existing Mineralized material estimate of 17.4 Mt.
- Average LOM Grades of Copper 1.2%, Zinc 1.4% Silver 31.12 g/t (1.00 oz/t), Lead 0.4% and Gold 0.398 g/t (0.013 oz/t)
- LOM Payable Production: Copper 332.9 million pounds, Zinc 399.9 million pounds, Silver 10.9 million troy ounces, Lead 131.2 million pounds and Gold 19.9 thousand troy ounces
- Metal Price Assumptions: Copper \$3.39/lb, Zinc \$1.10/lb, Silver \$21.02/oz, Lead \$0.91/lb, Gold \$1,598/oz.

The National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") compliant Technical Report for the above-mentioned PEA was filed on March 3, 2022.

On April 28, 2022, the Company announced the discovery of a new high-grade zone referred to as the 'Fortuna' zone, located adjacent to existing underground operations at the Yauricocha Mine. The exploration drilling results indicated high grade mineralization for copper, zinc and lead in this zone.

On September 11, 2022, there was a mudslide incident at the Yauricocha Mine, as a result of which three contractor employees lost their lives and one was injured. Mining operations were temporarily suspended pending investigation into the incident by the local authorities. On September 22, 2022, the Company also reported a blockade of the main access road to the Yauricocha Mine by a group of residents from the nearby town of Alis, resulting in the continued suspension of production activities to ensure proper safety and

maintenance. An agreement was reached with these residents on September 28, 2022 and the Company announced a safe and progressive restart of the mining operations.

## Mexico

On January 10, 2022, an accident at the underground mining operations at the Bolivar Mine resulted in a fatality. The injured individual was evacuated to medical facilities in Cuauhtemoc where the individual was later pronounced deceased following medical complications. The Company notified appropriate government and local authorities. A thorough investigation into the accident was conducted to determine the cause and appropriate corrective measures were implemented.

#### Corporate

On January 27, 2022, the Company announced changes to its organizational structure, following the Strategic Review. In connection with the changes to the organizational structure, the Company also announced the appointment of:

- Mr. James Leon as Vice-President, Operations effective February 1, 2022.
- Mr. Alonso Lujan as Vice- President, Exploration effective February 1, 2022.
- Mr. Alberto Calle as Vice-President, Human Resources effective November 1, 2021
- Mr. Juan Jose Mostajo as Vice-President, Legal Affairs effective December 1, 2021.

On February 24, 2022, the Company announced the appointment of Dawn Whittaker to the board of directors of the Company (the "**Board**"), effective immediately.

The annual general meeting of shareholders of the Company ("AGM") was held on June 10, 2022. Jose Vizquerra, Steven Dean and Dionisio Romero did not stand for re-election at this AGM. The shareholders of the Company re-elected Oscar Cabrera, Douglas Cater, Carlos Santa Cruz, Luis Marchese, Dawn Whittaker and Koko Yamamoto to the Board. In addition, the shareholders elected Robert Neal to join the Board.

Following the AGM, on June 13, 2022, the Company announced the appointment of Oscar Cabrera as Chair of the Board. Additionally, the Company announced the appointment of Miguel Aramburu to the Board, effective immediately.

The Company faced liquidity challenges throughout 2022 due to the operational issues at the Bolivar Mine and Cusi Mine and the above-mentioned suspension of operations at the Yauricocha Mine. On October 18, 2022, the Company announced the appointment of a special committee, comprised of its independent directors (the "**Special Committee**"). The mandate of the Special Committee included exploring, reviewing and considering options to optimize the operations of the Company and financing, restructuring and determining strategic options in the best interests of the Company (the "**2022 Strategic Process**").

On October 25, 2022, the Company announced its voluntary delisting from the NYSE American ("**NYSE**") and the Bolsa de Valores de Lima ("**BVL**") to reduce costs and simplify the Company's administrative and compliance structure associated with these listings. The last day of trading of the Common Shares was November 14, 2022, on the NYSE and December 14, 2022, on the BVL. The Common Shares continue to be listed and traded on the Toronto Stock Exchange ("**TSX**").

On October 31, 2022, the Company confirmed receipt of an unsolicited, non-binding letter of intent ("LOI") from Compañia Minera Kolpa S.A ("Kolpa"). The LOI outlined indicative terms for a proposed business combination of Kolpa and the Company and concurrent financing by an investment firm (the "Kolpa Proposal"). The LOI was submitted by Kolpa with its shareholders Arias Resource Capital Fund II L.P. and Arias Resource Capital Fund II (Mexico) L.P., who along with the other members of the Arias Group (and principals) held approximately 27% of the Common Shares as of the date of the LOI. After further correspondence from Kolpa, the Company confirmed on November 14, 2022, that it had not refused to engage nor reject any proposals from Kolpa, but rather welcomed Kolpa's participation in the 2022 Strategic Process.

On November 3, 2022, the Company announced that it had retained CIBC World Markets Inc. ("**CIBC**") as its financial advisor for the 2022 Strategic Process.

On November 28, 2022, the Company announced the resignation of Mr. Luis Marchese as the CEO and director of the Company and the appointment, effective immediately, of Mr. Ernesto Balarezo Valdez as the Interim CEO to lead the Company during the ongoing 2022 Strategic Process. Mr. Balarezo was also appointed to the Board.

<u>2023</u>

#### Mexico

On August 22, 2023, the Company announced the results of its 2023 drilling activities at the Bolivar Mine, that included an additional 15.5 million copper equivalent pounds in measured and indicated mineral resources hosted by the 'Dulce' structure.

On September 20, 2023, the Company placed its Cusi Mine in care and maintenance and initiated a process to sell the mine. SCP Resource Financing was appointed as the Company's financial advisor for the Cusi Mine sale process.

#### Corporate

On January 16, 2023, the Company announced the departure of Mr. Ed Guimaraes, the Chief Financial Officer ("**CFO**") of the Company and the appointment of Mr. Jose Fernandez-Baca as the Interim CFO.

On March 13, 2023, announced that it was engaged in advanced discussion with Banco de Credito del Peru ("**BCP**") and Banco Santander S.A. ("**Santander**" and collectively with BCP, the "**Lenders**") on terms to refinance \$18.8 million of the \$25.0 million principal debt repayment obligations that were due in 2023 under the Company's senior secured credit facility. This announcement included the Lenders' willingness to provide a bridge loan of \$6.3 million to refinance the Q1 2023 amortization payment that was due on March 8, 2023. The refinancing agreement was finalized on May 29, 2023.

On May 2, 2023, the ARC Funds (as defined below) and J. Alberto Arias, shareholders of the Company, launched a proxy battle against management of the Company by proposing a slate of five director nominees (the "**Dissident Nominees**") for election at the Company's Annual & Special Meeting of the shareholders held on June 28, 2023. At the AGM, management's director nominees were elected/re-elected to the Board, being Oscar Cabrera, Miguel Aramburu, Ernesto Balarezo, Douglas Cater, Robert Neal, Beatriz Orrantia and Carlos Santa Cruz. None of the Dissident Nominees were elected.

On May 31, 2023, the Company announced the appointments of Ernesto Balarezo and Jose Fernandez-Baca as the CEO and CFO, respectively, of the Company.

On July 21, 2023, the Company provided an update on its previously announced strategic review process. This included the conclusion of the Special Committee mandate and the dissolution of the Special Committee. The Special Committee's recommendations highlighted, *inter alia*, the importance of:

- Additional near term equity financing to provide working capital flexibility and to fund immediate capital expenditure needs.
- Funding for longer term capital expansion, particularly operations below the 1120 level at the Yauricocha Mine.
- Minimizing investment of resources in non-core assets, and continuing to identify opportunities to divest such non-core assets.

Based on the outcome of the Strategic Process review conducted with CIBC, the Company concluded that it was not in its best interests to pursue any identified sale or business combination transactions at such time.

On August 21, 2023, the Company announced the appointment of Ms. Wendy Kaufman to the Board effective immediately.

On October 13, 2023, the Company announced the closing of its non-brokered private placement and issued 43,107,360 Common Shares at a price of C\$0.38 per share for aggregate gross proceeds of C\$16.4 million from various investors, including existing shareholders, directors and employees. A portion of the Common Shares issued pursuant to the private placement closed in escrow pending satisfaction of conditions established by the TSX (which were subsequently satisfied).

On November 16, 2023, the Company announced commencement of the trading of its Common Shares on the OTCQX markets in the United States under the symbol "SMTSF".

2024

#### Peru

On January 29, 2024, the Company provided an update on the status of the permit to operate below the 1120 level at its Yauricocha Mine.

On February 21, 2024, the Company announced that it had received the environmental permit to develop and mine below the 1120 level at its Yauricocha Mine.

On May 7, 2024, the Company announced the updated results for its National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**") compliant Mineral Resource and Reserve Estimates ("**MRE**") for its Yauricocha Mine, which included:

- over 8-year Life-of-Mine ("LOM") with 10.4 million tonnes of Measured & Indicated Resources,
- over 10-year LOM with 13.2 million tonnes of Inferred Resources
- over 5-year LOM of Proven and Probable Mineral Reserves of 6.4 million tonnes

The Company filed the corresponding NI 43-101 Technical Report on June 20, 2024.

On December 4, 2024, the Company announced that its Yauricocha Mine had reached a full capacity throughput rate of 3,600 tonnes per day ("**tpd**") since the beginning of the fourth quarter of 2024.

## Mexico

On May 7, 2024, the Company announced the updated results for its NI 43-101 compliant MRE for its Bolivar Mine, which indicated:

- over 10-year LOM with 18.4 million tonnes of Measured & Indicated Resources
- over 7-year LOM with 12.1 million tonnes of Inferred Resources
- over 3-year LOM of Proven and Probable Mineral Reserves 5.6 million tonnes

The Company filed the corresponding NI 43-101 Technical Report on June 20, 2024.

On May 22, 2024, the Company announced that it had entered into a binding agreement with Silverco Mining Corp. ("**Silverco**") in respect of the proposed purchase by Silverco of the mining concessions comprising the Cusi Mine and related assets including, among other things, land and land agreements, equipment and environmental permits (collectively with the Cusi Mine, the "**Cusi Property**").

Accordingly, the Company agreed to sell the Cusi Property to Silverco in exchange for:

- US\$2,500,000 in cash consideration at closing; and
- A 2.0% net smelter royalty in respect of the Cusi Mine granted in favour of Sierra Metals (the "**Royalty**"). Silverco has the right to purchase half of the Royalty (being 1.0%) at any time in exchange for a cash payment to Sierra Metals of US\$5,000,000.

On July 19, 2024, the Company announced the completion of the sale of the Cusi Property to Silverco.

#### Corporate

On March 4, 2024, the Company announced the appointment of Astolfo Romero as the new Vice President, Health & Safety, effective March 1, 2024, succeeding Felix Guerra, who retired on that date.

On April 4, 2024, the Company announced its intention to list on the Lima Stock Exchange and commenced its process to obtain a secondary listing of the Common Shares. The Company commenced trading on the Lima Stock Exchange on June 28, 2024 under the symbol BVL:SMT.

On June 4, 2024, the Company announced that it had completed the refinancing of its \$75.0 million longterm debt facility and entered into a new \$95.0 million credit facility ("**New Credit Facility**") with a syndicate of financial institutions led by Santander. The New Credit Facility carries new covenants, repayment terms and a 5-year term. The New Credit Facility was used to repay the existing \$75.0 million loan and the additional \$20.0 million was earmarked for high-return capital projects as well as for transaction fees and expenses.

Highlights of the New Credit Facility included:

- 5-year term with maturity in June 2029
- Bearing interest at 3-month SOFR plus 6.50% for \$85 million and 12% fixed rate for \$10 million
- 12-month grace period before quarterly principal instalments
- Revised Net Debt to EBITDA and Debt service coverage covenants
- Provides covenant headroom during grace period
- Balloon payment of 35% upon maturity
- Callable at no penalties, but for \$10 million for a period of 18 months

On June 25, 2024, the Company announced the results of the voting at its AGM held on June 25, 2024. Mr. Douglas Cater received less than 50% of the votes casted and resigned with immediate effect. Mr. Roberto Maldonado was elected to the Board. Mr. Oscar Cabrera and Mr. Carlos Santa Cruz did not stand for their re-election to the Board at the AGM held on June 25, 2024.

On June 27, 2024, the Company announced that Miguel Aramburu had been appointed as Chair of the Board.

On June 28, 2024, the Company announced the appointment of Mr. Jean Pierre Fort to the position of the CFO effective July 1, 2024 to replace the retiring CFO, Mr. Jose Fernandez-Baca.

On December 5, 2024, the Company provided production and cost guidance for 2025 for its Yauricocha Mine and Bolivar Mine.

On December 12, 2024, the Company announced that it would hold a special meeting of shareholders (the "**Special Meeting**") on January 31, 2025, with a record date of December 30, 2024. The purpose of the Special Meeting was to seek authorization from the Company's shareholders to enable the Board to consider a consolidation of all of the Company's issued and outstanding Common Shares at a ratio of one post-consolidation share for up to every twenty pre-consolidation shares.

On December 16, 2024, a Peruvian company, Alpayana S.A.C. ("**Alpayana**") announced its intention to acquire all of the issued and outstanding Common Shares for C\$0.85 per share for cash. The Company acknowledged this unsolicited take over bid on December 17, 2024 and formed a special committee of the Board in relation with this announcement by Alpayana.

On December 26, 2024, the Company announced that a majority of its shareholders had committed not to tender their shares in the event that Alpayana formalizes its proposed unsolicited all-cash take-over bid to acquire all of the issued and outstanding Common Shares for C\$0.85 per share. The Company also announced that it had engaged in discussions with a number of concerned shareholders of the Company. Shareholders holding more that 50% of the outstanding Common Shares each informed the Company that the proposed \$0.85 per share bid price was inadequate and that they did not intend to support the unsolicited bid by Alpayana. The Company has engaged BMO Capital Markets as financial advisor, Mintz LLP as legal counsel, Miranda & Amado as Peruvian legal counsel and Carson Proxy Advisors as communications advisor. The special committee of the Board engaged Bennett Jones as legal advisor. The Company also announced that along with its advisors, it would review a formal offer if it were received and consider other strategic options to maximize long-term value for all shareholders and stakeholders. The Company also advised shareholders to take no further action.

On December 30, 2024, the Company announced the adoption of a shareholder rights plan ("**Rights Plan**") that is designed to ensure that all Sierra Metals shareholders are treated fairly in connection with any takeover bid and to protect against "creeping bids" for the outstanding Common Shares through purchases exempt from applicable take over-bid rules. Subject to the terms of the Rights Plan, in the event that rights become exercisable under the Rights Plan, holders of the rights (other than the acquiring person and its related parties) will be permitted to exercise their rights to purchase additional Common Shares at a 50% discount to the then prevailing market price of the Common Shares. Pursuant to the Rights Plan, one right attaches to each issued and outstanding Common Share. While the Rights Plan was effective as of December 30, 2024, it is subject to ratification by the Company's shareholders and is subject to approval of the TSX. If the Rights Plan is not ratified by the Company's shareholders at a special meeting of shareholders of Sierra Metals on or prior to June 30, 2025, the Rights Plan will terminate, and all rights issued thereunder will be cancelled. On December 30, 2024, Alpayana commenced a formal all-cash offer to acquire all of the issued and outstanding Common Shares through its newly formed Canadian wholly owned subsidiary. Alpayana's offer to purchase, circular and related documents were mailed to Sierra Metals shareholders on December 30, 2024 and the offer commenced the same day.

## <u>2025</u>

On January 14, 2025, the Company announced that the Board, following careful consideration and receipt of the unanimous recommendation of a special committee of its independent directors, and after consultation with its financial and legal advisors, had recommended that Sierra shareholders reject the unsolicited all-cash take-over bid by an affiliate of Alpayana, to acquire all of the issued and outstanding Common Shares for C\$0.85 per share.

On January 21, 2025, the Company reported drill results for the 2024 drill program in the Marian Zone at the Bolivar Mine.

On January 22, 2025, the Company announced that it had been notified by the TSX that the TSX would defer its consideration of the acceptance of the Rights Plan until (i) such time as the TSX is satisfied that the appropriate securities regulatory authority will not intervene pursuant to National Instrument 62-102 - Take-Over Bids - Defensive Tactics and, (ii) the ratification of the Rights Plan by shareholders of the Company by no later than June 30, 2025.

## **DESCRIPTION OF THE BUSINESS**

## GENERAL

#### <u>Summary</u>

Sierra Metals Inc. is a Canadian mining company focused on copper production with additional base and precious metals by-product credits in Peru and Mexico. The Company plans to continue growing its production base through brownfield exploration investments within its properties.

The Company has two producing mining properties and manages its business on the basis of the geographical location of its mining projects. The Peruvian Operation ("Peru") is comprised of the Yauricocha Mine, located in the province of Yauyos, its near-mine concessions, and exploration and early-stage properties. The Mexican Operation ("Mexico") includes the Bolivar Mine located in Chihuahua State, Mexico, their near-mine concessions, and exploration and early-stage properties.

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. The Company is willing to consider and pursue growth opportunities at, and surrounding, its operating projects to enhance and deliver shareholder value.

Sierra Metals is fully committed to disciplined and responsible growth and has Safety and Health and Environmental Policies in place to support this commitment. The Company's corporate responsibility objectives are to prevent pollution, minimize the impact that operations may cause to the environment and practice progressive rehabilitation of areas impacted by its activities. The Company aims to operate in a socially responsible and sustainable manner, and to follow international best practices in Mexico and Peru. The Company plans to focus on social programs with the local communities in Mexico and Peru on an ongoing basis.

The Company produces zinc, copper and lead concentrates with gold and silver by-products from its polymetallic circuit at the Yauricocha Mine and copper concentrates at the Bolivar Mine. These concentrates are sold to international metal traders who in turn sell and deliver these products to different clients around the world.

By Revenue (%)	2024	2023
Copper	56%	54%
Zinc	13%	13%
Silver	15%	15%
Gold	12%	13%
Lead	4%	5%

The breakdown of revenue from metals payable by product for 2024 and 2023 is as follows:

#### <u>Peru – Yauricocha Mine</u>

Mining at Yauricocha is completed by various extraction methods, principally sublevel caving and overhand cut and fill stoping. Ore is transported for processing via underground rail to the on-site Chumpe mill, which has a maximum permitted capacity of 3,600 tonnes per day for processing. The Chumpe mill processes ores produced by Yauricocha using crushing, grinding and flotation. Polymetallic ore is processed and treated in a polymetallic circuit.

#### <u>Mexico – Bolivar Mine</u>

At the Bolivar Mine, mining is done by room-and-pillar and sublevel stoping methods. Extracted ore is trucked 5 kilometers to the Company's Piedras Verdes mill, which is a conventional flotation processing plant rated at 5,000 tpd depending on the work index of the ore being processed at the mill.

#### Exploration Properties

In addition to the production properties at Bolivar, the Company owns seven (7) exploration projects in Mexico namely Maguarichic, Orivo, Reyna, Batopilas, East Durango and Melchor Ocampo. Prospection-level exploration that includes mapping, outcrop sampling, and geophysics, were developed in the East Durango and Batopilas projects. The rest of the projects are of lower priority or are waiting to be explored with diamond drill holes.

#### Specialized Skill and Knowledge

Most aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mining, metallurgy, engineering, environmental issues, permitting, social issues, and accounting. The Company has adequate employees with experience in these specialized areas to meet its current needs.

#### <u>Cycles</u>

The mining and exploration industry is cyclical in nature. The mining industry is subject to commodity pricing, which is in turn affected by other economic indicators and worldwide cycles. The pricing cycles that the mining industry experiences affect the overall environment in which the Company conducts its business. For example, if commodity pricing is low, Sierra's access to capital may be restricted. Continuing periods of low commodity prices or economic stalls could also affect the economic potential of the

Company's current properties and may affect its ability to, among other things: (i) capitalize on financing, including equity financing, to fund its ongoing operations and exploration and development activities; and (ii) continue exploration or development activities on its properties.

Weather cycles may affect the Company's ability to conduct exploration activities at its mines. More specifically, drilling and other exploration activities may be restricted during periods of adverse weather conditions or winter seasons as a result of weather-related factors, including inclement weather, snow covering the ground, frozen ground and restricted access due to snow, ice, or other weather-related factors.

## **Competitive Conditions**

The mining and exploration industry is competitive in all aspects. The Company competes with other mining companies, many of whom have greater financial resources, operational experience or technical capabilities than Sierra, in connection with the acquisition of properties producing, or capable of producing, precious metals. In addition, the Company also competes for the recruitment and retention of qualified employees and consultants.

## Changes to Contracts

On June 3, 2024, the Company entered into the New Credit Facility. The proceeds from the New Credit Facility were used to repay the balance of \$75.0 million of the original senior secured corporate facility with BCP and Santander.

The Company does not anticipate that its business will be materially affected in the current financial year by the renegotiation or termination of any other contracts or sub-contracts.

#### Metal Price Volatility

The profitability of the Company's operations may be significantly affected by changes in the market price of the base and precious metals that it produces. The economics of producing base and precious metals are affected by many factors, including the cost of operations, variations in the grade of ore mined and the price of the base and precious metals. Depending on the price of base and precious metals that it produces, the Company may determine that it is impractical to commence or continue commercial production. The price of base and precious metals fluctuates widely and is affected by numerous industry factors beyond the Company's control, such as the demand for base and precious metals, forward selling by producers and central bank sales and purchases of base and precious metals. The price of gold and silver is also affected by macro-economic factors, such as expectations for inflation, interest rates, the world supply of mineral commodities, the stability of currency exchange rates and global or regional political and economic situations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of base and precious metals has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Any significant drop in the price of base and precious metals adversely impacts the Company's revenues, profitability and cash flows. In addition, sustained low metal prices may:

- reduce production revenues as a result of cutbacks caused by the cessation of mining operations involving deposits or portions of deposits that have become uneconomic at prevailing prices;
- cause the cessation or deferral of new mining projects;

- decrease the amount of capital available for exploration activities;
- reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices; or
- cause the write-off of an asset whose value is impaired by low metal prices.

There can be no assurance that the price of base and precious metals will remain stable or that such prices will be at a level that will prove feasible to begin development of its properties, or commence or continue commercial production, as applicable.

## Environmental Protection

The Company is currently in material compliance with all applicable environmental regulations applicable to its exploration, development, construction and operating activities. The financial and operational effects of environmental protection requirements on capital expenditures, earnings and expenditures during the fiscal year ended December 31, 2024 were not material.

#### Climate Change

Climate change could affect the mining industry in a range of possible ways. More frequent severe weather events can: affect the stability and effectiveness of infrastructure and equipment; impact environmental protection and site closure practices; lead to changes in the regulatory environment, including increased carbon tax regimes; and impact the stability and cost of water and energy supplies. The Company is also aware of the impact climate change could have on the vulnerable communities in which it operates. Sierra has adopted an environmental policy to commit to minimizing the Company's environmental impact of its mining activities (see "Social, Environmental and Health and Safety Policies – Environmental Policies" below).

#### Employees

As at December 31, 2024, the Company and its subsidiaries had 696 employees in Peru, 473 employees in Mexico, and 1 employee in Canada.

#### Social, Environmental and Health and Safety Policies

The Company works towards building strong relationships with the communities in which it operates and is committed to complying in all material respects with all environmental laws and regulations applicable to its activities. In December 2020, the Company implemented the Sustainability Policy, Environment Policy and Health and Safety Policy, which were confirmed by the Board on March 8, 2024.

#### SUSTAINABILITY POLICY

The Company's vision is to achieve development that is shared with the communities around its operating locations, with the goal of mutual well-being of all stakeholders for both the mid- and long-term.

In order to achieve this, the Sustainability Policy contemplates the Company:

• Maintaining an open, transparent and collaborative relationship with those living in the surrounding communities, their organizations and government entities. These relationships are based on mutual respect and maintaining an inclusive and cooperative dialogue.

- Identifying, respecting and supporting the development aspirations of the people residing in surrounding communities, establishing shared activities that support the development of those aspirations within a suitable time frame.
- Complying with all commitments made to the surrounding communities. The Company understands that this is a collaborative effort and so it encourages the participation of third parties when defining and fulfilling commitments.
- Providing opportunities for the inhabitants of the surrounding communities to provide goods and services for the Company's activities when required.
- Ensuring the development of and access to mechanisms that allow those residing in the surrounding communities to express their concerns, and also addressing those concerns pre-emptively and ensuring they are answered.
- Fighting corruption. In order to do this, the Sustainability Policy contemplates compliance with all anti-bribery and anti-corruption laws and regulations that may apply when conducting business and activities, as established in the Company's policies.

## **ENVIRONMENTAL POLICY**

The Company envisions itself as a leading company when it comes to minimizing impacts on the environment and the active prevention of environmental pollution in underground polymetallic mining.

The Environmental Policy contemplates the Company:

- Ensuring compliance with the legislation in the countries in which it operates..
- Ensuring that potential environmental impacts caused by the Company's activities are identified ahead of time, and that control measures are implemented to eliminate or minimize these impacts.
- Ensuring the development, implementation and maintenance of an Environmental Management System that makes it possible to manage environmental aspects of and impacts on all its operations.
- Putting in the necessary effort to implement the best possible industry practices, when technologically possible and economically viable, including the use of clean energy.
- Establishing environmental performance objectives and goals in its operations, as well as measuring their performance and framing them within a process of continuous improvement.
- Encouraging responsible and efficient water use in its operations.
- Promoting a culture of environmental responsibility among its employees and contractors, as well as with its stakeholders.
- Ensuring that its employees and contractors clearly understand their responsibility to maintain proper environmental management in their activities.
- Communicating the Environmental Policy to all its employees and contractors, as well as stakeholders upon request.

## HEALTH AND SAFETY POLICY

The Company is aware that to achieve its vision of being a leading polymetallic production company with a world-class reputation in all aspects of its operations, it has the responsibility to maintain safe and healthy workplaces for all its employees and partners. As such, the Health and Safety Policy contemplates the Company:

- Complying with legislation in the countries in which it operates, and with proper industry standards.
- Promoting a culture of safety throughout the organization that supports its vision and values as a company. In order to do this, the Company will establish clearly defined objectives framed within a culture of ongoing improvement, which will be periodically communicated and evaluated.
- Ensuring that dangers and risks that could cause death or severely damage the health of its employees and contractors are identified and mitigated in advance, through the implementation of a Health and Safety Management system within its operations.
- Providing the leadership and resources necessary to develop, implement and maintain its Health and Safety Management systems.
- Ensuring that all its employees and contractors have the training and knowledge necessary to carry out their activities safely, and that they clearly understand their responsibilities regarding health and safety.
- Maintaining open and transparent communication and consultation with its employees about decision-making processes related to health and safety, using the appropriate channels.
- Communicating the Health and Safety policy to all its employees and contractors, as well as making it available to stakeholders.

The Sustainability Policy, Environmental Policy and Health and Safety Policy are applicable to all employees of Sierra Metals and its subsidiaries, as well as companies that are contracted for Sierra Metals activities.

#### FOREIGN OPERATIONS

#### Doing Business in Peru

Peru is a democratic republic governed by an elected government which is headed by a president who serves for a five-year term.

In Peru, the General Mining Law allows mining companies to obtain clear and secure title to mining concessions. The surface land rights are distinct from the mining concessions. The government retains ownership of mineral resources, but the titleholder of the concessions retains ownership of extracted mineral resources. Peruvian law requires that all operators of mines in Peru have an agreement with the owners of the land surface above the mining rights or to establish an easement upon such surface for mining purposes. Mining concessions allow for both exploration and for exploitation.

Mining rights in Peru can be transferred by their private holders with no restrictions or requirements other than to register the transaction with the Public Mining Register and the Ministry of Energy and Mines. The only exception to this rule is that foreigners cannot acquire or possess mining concessions within 50

kilometers of the border, unless an exception based on public necessity or national interest is granted by the President of Peru by means of a Supreme Decree.

The sale of mineral products is also unrestricted, so there is no obligation to satisfy the internal market before exporting products. Pursuant to environmental laws applicable to the mining sector, holders of mining activities are required to file and obtain approval for an Environmental Impact Assessment ("**EIA**"), which incorporates technical, environmental and social matters, before being authorized to commence operations.

The Environmental Evaluation and Oversight Agency ("**OEFA**") monitors environmental compliance. OEFA has the authority to carry out audits and levy fines on companies if they fail to comply with prescribed environmental standards. The following main permits are generally needed for a project: Start-Up Authorization; Certificate for the Inexistence of Archaeological Remains (CIRA); EIA; Mine Closure Plan; Beneficiation Concession; Water Usage Permits and Rights over surface lands.

Companies incorporated in Peru are subject to income tax on their worldwide taxable income, while foreign companies that are located in Peru and non-resident entities are taxed on income from Peruvian sources only. The current corporate income tax rate is 29.5%.

In general terms, mining companies in Peru are subject to the general corporate income tax regime. If the taxpayer has elected to sign a Stability Agreement, an additional 2% premium is applied on the regular corporate income tax rate. The Company has not signed a Stability Agreement. Also, 50% of income tax paid by a mine to the Central Government is remitted as "Canon" by the Central Government back to the regional and local authorities of the area where the mine is located.

In Peru, the current dividend tax rate of 5% is imposed on distributions of profits to non-residents and domiciled individuals by resident companies and by branches, permanent establishments and agencies of foreign companies. This rate applies to dividends that correspond to profits generated since January 1, 2017. Profits generated up to December 31, 2014 are subject to a withholding tax rate of 4.1%, and profits generated between January 1, 2015 and December 31, 2016 are subject to a withholding tax at a rate of 6.8%, even if the relevant profits are distributed in future years.

Peru's transfer-pricing rules apply to cross-border and domestic transactions between related parties and to all transactions with residents in tax-haven jurisdictions. The transfer-pricing rules also apply to transactions with residents in non-cooperating jurisdictions, as well as transactions with residents whose revenue or income is subject to a preferential tax regime.

In Peru, the Board will be responsible for approving the entity's tax planning. This obligation cannot be delegated.

Peru has entered into double tax treaties with the countries that make up the "Alianza del Pacífico" (Chile, Colombia, Mexico and Colombia), Brazil, Canada, Korea (South), Portugal, Switzerland and Japan. It has also entered into an agreement to avoid double taxation with the other members of the "Comunidad Andina" (Bolivia and Ecuador).

As of 2004, holders of mining concessions are required to pay the government a Mining Royalty as consideration for the exploitation of metallic and non-metallic minerals. Payment of mining royalties shall be completed on a quarterly basis and is calculated based on the greater of either: (a) an amount determined in accordance with a statutory scale of tax rates based on a company's operating profit margin and applied to the company's operating profit; and (b) 1% of the company's net sales, in each case during the applicable quarter. The royalty rate applicable to the company's profit is based on its operating profit margin according

to a statutory scale of rates that range between 1% and 12%. Mining royalty payments are deductible as expenses for income tax purposes in the fiscal year in which such payments are made.

The Special Mining Tax ("**SMT**") is a tax imposed in parallel with the Mining Royalty described above. The SMT is applied on operating margin profit based on a sliding scale, with progressive marginal rates ranging from 2.0% to 8.4%. The tax liability arises and becomes payable on a quarterly basis. The SMT applies on the operating margin profit derived from sales of metallic mineral resources, regardless of whether the mineral producer owns or leases the mining concession. SMT payments are deductible as expenses for income tax purposes in the fiscal year in which such payments are made.

#### Doing Business in Mexico

Mexico is a federal presidential representative democratic republic, where the President is both head of state and head of government. The current government of Mexico is guided by the 1917 constitution as amended from time to time (the "Mexican Constitution"). The President is the head of the executive branch, the commander-in-chief of the armed forces and also the head of state. The President of Mexico is elected by an absolute majority of the votes from Mexican citizens across the federal entities. Mexico's President is elected for six years and cannot be re-elected. The President is mandated to appoint and dismiss cabinet ministers and nearly all other officials of the executive.

The Mexican legal system is civil law-based; its regulations are codified in diverse laws, international treaties, regulations, norms, etc. In accordance with the Mexican Constitution all those matters that are not expressly reserved to the Federation (Federal) fall under the competence of the Mexican States (Local) and some to the Municipalities; the Mexican legal system has three levels: Federal, Local and Municipal.

The mining industry in Mexico is controlled by the *Secretaría de Economía* through the *Dirección General de Minas*, which is officially located and administered from in Mexico City. In Mexico, mining activities include extraction activities independent from lithium ore, petroleum, natural gas and radioactive minerals, the exploration and exploitation of which are exclusively for the Mexican Federal Government. Additionally, certain non-metallic minerals such as construction and ornament materials are subject to less stringent regulations and may not always be subject to the mining legislation. In addition to the extraction activities, mining, smelting and refining activities. Mining concessions in Mexico may only be obtained by Mexican nationals or Mexican companies incorporated under Mexican law (which could be wholly owned by foreign investors). The construction of processing plants requires further governmental approvals (e.g. Federal, local and municipal permits).

In addition, the following laws govern all activities that are ancillary to mining activities: (i) at Federal level: the Mexican Constitution; the Federal Environmental Law and Federal Environmental Norms ("Federal Environmental Laws"); the Federal Waters Law; the Federal Agrarian Law (the "Agrarian Law") (social tenure of most of the land where mining projects are located); the Federal Tax Code; the Income Tax Law ("ITL") and its regulations; the Federal Commercial Code; Federal Army Regulations for the storage, transport and use of explosives; Federal Labor Laws; International Treaties; (ii) at local level: State Civil Codes applicable to land tenure and local tax laws; and (iii) at Municipal level: Municipal regulations for zoning the use of land or for the use of ground or even assets owned by the Municipality; likewise, there are certain concurrent matters between the Federation, the local authorities and the Municipalities in connection with civil protection (public safety) and health and safety matters related to the operation of mine or related facilities through verification visits.

On May 8, 2023, the Mining Law was modified as published in the Federal Official Gazette of Mexico (the "**New Mining Law**"). The New Mining Law, materially changed the rules to hold and conduct activities in the mining concessions.<sup>1</sup>

Under the New Mining Law, the holder of a mining concession is granted the exclusive right to explore and develop a designated area of the subsoil. Mining concessions will be granted for 30 years from the date of their registration with the Public Registry of Mining to the concession holder as a matter of law, if all regulations have been complied with. During the final two years of this period, the concession holder may apply for one additional 25-year period, which shall be granted provided all other concession terms have been complied with. Former Mining Law provided an initial term of 50 years extendable for an additional period of 50 years.

Mining rights in Mexico can be transferred by their private holders provided that the holder obtains the previous authorization of the *Secretaría de Economía* and complies with other requirements to register the transaction with the Public Registry of Mining. Additionally, the assignee must be qualified to hold a concession (i.e. a Mexican national or a Mexican company incorporated under Mexican law having mining activities as its main corporate purpose). Securities can be imposed to mining concessions, but with prior authorization from the *Secretaría de Economía*. The instrument formalizing the corresponding security shall be also registered before the Mining Public Registry.

Under the New Mining Law, mining concessions will not be granted to the first applicant, and the concept of "available ground" (terreno libre) from the former Mining Law no longer exists. Instead, areas subject to exploration by the Mexican Geological Service ("SGM") will be auctioned off. Private individuals or companies with the best proposals, which include a financial offer and a discovery royalty ("prima por descubrimiento") to be paid to the SGM, will be awarded the concessions. However, a new concession will not be granted to anyone who has two or more concessions adjacent to the concession being tendered in order to avoid hoarding.

Concessionaires must perform work each year that begins within ninety days of the concession being granted. Concessionaires must file proof of the work performed every year by the end of May. Non-compliance with these requirements is cause for cancellation, only after the authority communicating in writing about such default, granting the concessionaire a term of forty-five days to remedy the default.

In Mexico, there are no limitations on the total number of mining concessions or on the amount of land that may be held by an individual or a company. Excessive accumulation of concessions is regulated indirectly through the duties levied on the property and the production and exploration requirements as outlined below.

Three different fees or royalties applicable to the mining activity in Mexico exist under the Federal Fees Law ("**LFD**"). Such fees are as follows: [NTD: maybe the language of this section can be simplified? -It is not easy to follow.

- Special mining fee:

<sup>&</sup>lt;sup>1</sup> A constitutional challenge to the amendment of the former Mining Law was filed by parliamentary groups in the Chamber of Deputies (the "Action of Unconstitutionality"). If the Supreme Court of Justice of Mexico (the "Court") rules in favor, the amendment will be declared unconstitutional and therefore void. This will ensure that the existing rights of mining concession holders, applicants, and others with rights over mining concessions remain intact. Additionally, many mining concessionaires filed amparo lawsuits challenging the changes to the law. Several of these amparos have been granted, allowing concession holders to retain their rights as they were before May 8th, 2023.

This fee shall be calculated at an 8.5% rate on the positive difference between the mining revenue and the deductions allowed under the Mexican Income Tax Law.

However, for purposes of calculating the basis of this fee, LFD does not allow for deduction of several expenses that may be incurred by the mining taxpayers. Such expenses involve investments not related to mining prospecting and exploration, as well as tax losses not yet amortized and incurred in previous fiscal years.

- Additional mining fee:

This fee shall be incurred based on the maximum rate of the mining fee set forth in Article 263 of the LFD per concession's hectare. Usually, this fee is nominal.

- Extraordinary mining fee:

This fee shall be calculated at a 1% rate over the income resulting from the sale of gold, silver, and platinum, without any deduction.

In addition to the new Mining Law, the Mexican Government has made changes to the Mining, National Waters, and Environmental Protection laws, significantly altering the process for obtaining environmental permits and using national waters. Key changes include: i) New water concessions for mining; ii) New rules for obtaining permits from authorities other than the Mine Bureau before granting mining concessions; iii) New rules for surface agreements before granting mining concessions, including paying at least 5% of the amount from the fiscal result under the Income Tax Law, when agreements are made with Indigenous or Afro-Mexican communities or other settlements. Sierra Metals and other mining companies have filed an "amparo" lawsuit against these changes.

#### Control over Subsidiaries

#### Corporate Governance

The Company has implemented a system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that apply at all levels of the Company and its subsidiaries. These systems are overseen by the Board and implemented by the Company's senior management. The relevant features of these systems are set forth below.

The Company's corporate structure has been designed to ensure that the Company controls, and/or has a measure of direct oversight over, the operations of its subsidiaries. The Company, as the ultimate shareholder, has internal policies and systems in place which provide it with visibility into the operations of its subsidiaries, including its subsidiaries operating in emerging markets, and the Company's management team is responsible for monitoring the activities of the subsidiaries.

The Company, directly or indirectly, controls the appointments of all of the directors and senior officers of its subsidiaries. The directors of the Company's subsidiaries are ultimately accountable to the Company, and the Board and senior management of the Company. As well, the annual budget, capital investment and exploration program in respect of the Company's mineral properties are established by the Company.

Further, signing officers for subsidiary foreign bank accounts are either employees of the Company or employees of the subsidiaries. In accordance with the Company's internal policies, all subsidiaries must notify the Company's corporate treasury department of any changes in their local bank accounts including requests for changes to authority over the subsidiaries' foreign bank accounts. Monetary limits are

established internally by the Company as well as with the respective banking institution. Annually, authorizations over bank accounts are reviewed and revised as necessary. Changes are communicated to the banking institution by the Company and the applicable subsidiary to ensure appropriate individuals are identified as having authority over the bank accounts.

The Company owns 81.84% of Sociedad Minera Corona, S.A ("**Minera Corona**") which is a publicly traded company with its securities listed on the Lima Stock Exchange. The directors and officers of Minera Corona (including those who may from time to time also be directors and officers of Sierra) owe a duty to Minera Corona and its minority shareholders that may conflict with the interests of the Company (see "Risk Factors - Minera Corona is not a wholly owned subsidiary").

## Strategic Direction

While the mining operations of each of the Company's subsidiaries are managed locally, the Board is responsible for the overall stewardship of the Company and, as such, supervises the management of the business and affairs of the Company. More specifically, the Board is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are material to the Company including those of its material subsidiaries.

## Internal Control Over Financial Reporting

The Company prepares its consolidated financial statements on an annual basis in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and on a quarterly basis in accordance with IFRS, as applicable to interim financial reports including International Accounting Standard 34, *Interim Financial Reporting*. This requires financial information and disclosures from its subsidiaries. The Company implements internal controls over the preparation of its financial statements and other financial disclosures to provide reasonable assurance that its financial reporting is reliable and that the quarterly and annual financial statements are being prepared in accordance with the relevant reporting framework and securities laws.

The responsibilities of the Board include oversight of the Company's internal control systems including those systems to identify, monitor and mitigate business risks as well as compliance with legal, ethical and regulatory requirements.

## Regional Experience

The directors and executive officers of the Company have significant experience conducting business in Peru and/or Mexico, including (i) international corporate finance and mergers and acquisitions experience in Peru and/or Mexico, (ii) planning, supervising and managing experience with mining operations in Peru and/or Mexico, and (iii) experience with other publicly listed mining companies with operations in Peru and/or Mexico. Further, Miguel Aramburu (Director), Beatriz Orrantia (Director), Roberto Maldonado (Director), Ernesto Balarezo (CEO), Jean Pierre Fort (CFO), Luis Rojas (Vice President, Technical), Alberto Calle (Vice President, Human Resources), Astolfo Romero (Vice President, Health & Safety), Patricia Kosa (Vice President, Legal) and Rajesh Vyas (Vice President, Corporate Controller) are all either fluent or have some proficiency in Spanish.

## MATERIAL MINERAL PROPERTIES

The Company has two material projects described below. To satisfy the reporting requirements of Form National Instrument 51-102F2 – Annual Information Form ("Form 51-102F2") with respect to the

Company's material mineral projects, the Company has opted, as permitted by Form 51-102F2, to reproduce the summaries from the Technical Reports on the respective material properties and to incorporate by reference each such technical report into this AIF.

The Company has undergone significant change at the operational and executive management level over the last two years. The Board and current management of the Company have determined that certain aspects of the Company's operations were not, or in some cases may not have been, carried on in full compliance with all required permits (see "Risk Factors – Burden of government regulation and permitting"). Management has taken steps to mitigate that risk in Yauricocha and is taking steps to mitigate any pending risk of any ongoing or future non-compliance in Bolivar. Non-compliance results in a risk that authorities could take steps that may negatively impact mining operations affected by the non-compliance, impose monetary fines, or request that additional or new permits be obtained.

## YAURICOCHA MINE, PERU

The Company owns 81.84% of Minera Corona which in turn owns 100% of the Yauricocha Mine.

#### 1. "SUMMARY

#### 1.1 INTRODUCTION

Sierra Metals is a Canadian mining company with its corporate office located in Toronto, Canada with their Peruvian head office in Lima, Peru. Sierra Metals is a mid-tier mining company with two active mining operations: Yauricocha Mine (Peru) and Bolivar Mine (Mexico). Sierra Metals also has several exploration properties in both Mexico and Peru.

The Yauricocha Technical Report was prepared on behalf of Sierra Metals by AGP Mining Consultants Inc. ("AGP", "AGP Mining" or "AGP Mining Consultants"), Caracle Creek International Consulting Inc. (Caracle Creek), and Atticus Geoscience Consulting (Atticus). The purpose of the Yauricocha Technical Report is to present the results of the Mineral Resources and Mineral Reserves for the Yauricocha Mine to include all available drill information and account for the depletion of mineral resources in 2023.

The Yauricocha Technical Report was prepared in compliance with the Canadian disclosure National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and in accordance with the requirements of Form 43-101 F1 and in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves: Definitions and Guidelines, May 10, 2014 ("CIM, 2014"). The effective date of the Yauricocha Technical Report is 31 December 2023.

## **1.2 PROPERTY DESCRIPTION AND LOCATION**

The Yauricocha Mine, the subject of the Yauricocha Technical Report, is situated in central Peru approximately 330 km by road south-east of Lima, is a polymetallic mine producing copper, gold, and silver. The mine is operated by Sierra Metal's wholly owned subsidiary, Dia Bras Peru S.A.C. ("DBP").

The mineral rights to the mining concession Acumulación Yauricocha (the "**Yauricocha** Property" or the "**Yauricocha Project**") is comprised of a single mining concession (Concession Minera). The mineral rights are in good standing.

The mining rights that make up the mining concession Acumulación Yauricocha were transferred to Minera Corona by Empresa Minera del Centro del Peru S.A. (CENTROMIN). In May 2011, DBP, a subsidiary of Sierra Metals, purchased 82% of Minera Corona, which includes the mining concession Accumulation Yauricocha.

# 1.3 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The main access to the Yauricocha Property is from Lima, along the Pan-American Highway south for approximately 135 km, following the coast to San Vicente de Cañete. The road turns inland along Highway 24 northeast (Carretera Yauyos-Cañete), through the valley of the Rio Cañete, for approximately 190 km to the turn off on the access road (Chumpe Road) to the mine. The mine is situated a further 6 km along this road. The road is unpaved from Chupaca to the mine. The drive is typically 7 hours.

The largest community in the area is Huancayo located approximately 100 km to the east-northeast. Huancayo and the surrounding communities have a combined population of approximately 619,000. Huancayo is the capital of the Junin Region of Peru.

There are Tailings Storage Facilities (TSF), Waste Rock Dumps and Processing plant facilities in operation on at the mine site.

The primary power is provided through the existing power system, Sistema Interconectado Nacional (SINAC) to the La Oroya Substation.

Water is sourced from Mishquipuquio spring the Klepetko Tunnel and Huacuypacha spring. Water is also sourced from the recycle/overflow water from the tailings storage facility (TSF) depending on end use.

The Yauricocha Property position including mineral concessions and surface rights are expected to be sufficient for foreseeable mine activities. The Yauricocha Project infrastructure is located within the area where Sierra Metals has surface rights.

The Yauricocha mine is situated in the high altitudes of the Andean Cordillera in central Peru. Elevations on the Yauricocha Property vary from 4,000 to 4,700 masl. The highest peaks in the vicinity of the mine reach 5,000 masl.

## 1.4 HISTORY

The silver of Yauricocha was initially documented by Alexander von Humboldt in the early 1800s. In 1905, the Valladares family filed the claims of what is today the Yauricocha Mine. The Valladares family mined high grade silver mineralized material for 22 years and in 1927, Cerro de Pasco Corporation acquired the Yauricocha claims. In 1948, Cerro de Pasco commenced mining operations at Yauricocha until the Peruvian Military Government nationalized Cerro de Pasco Corporation and Yauricocha became a production unit of State-owned Centromin Peru S.A. for 30 years. In 2002, the Yauricocha unit was privatized and purchased by Minera Corona. Sierra Metals, through DBP, acquired 82% of the total equity of Corona in May 2011 (SRK, 2022).

Sierra Metals retains a 100% controlling ownership status in the Yauricocha Mine, through their subsidiary Minera Corona. An unnamed private interest holds 18.16% equity ownership in Yauricocha, with Sierra Metals holding the remaining 81.84% (SRK, 2022).

Prior to the 1970s detailed production records are unavailable. Since 1973, Company records indicate that Yauricocha has produced 13.6 Mt of mineralized material containing 63 Moz of silver as well as 378 kt of lead, 117 kt of copper and nearly 618 kt of zinc. Since 1979, Yauricocha has averaged 413,000 t of production per year.

#### **1.5 GEOLOGY AND MINERALIZATION**

The Western Andean Cordillera is recognized for its world class base- and precious-metal deposits, many of which have been intermittently mined since Incan time. Most of the metal deposits in Peru are spatially and genetically associated with metal-rich hydrothermal fluids generated along magmatic belts that were emplaced along convergent plate tectonic lineaments. Furthermore, many of these primary base-metal deposits have undergone significant supergene enrichment due to uplift and weathering over the last 30 Ma.

Formations significant to the Yauricocha Mine include the oldest rocks of the lower Cretaceous Goyllarisquizga arenites; the mid-Cretaceous limestones of the Jumasha Formation; the Celendín Formation which concordantly overlies the Jumasha Formation and contains finely stratified silicic lutites with intercalations of recrystallized limestone; the Casapalca red beds lay concordantly on the Celendín Formation with a gradational contact; and Miocene age intrusions with an average age of about 6.9 Ma.

All of the intrusions have produced metamorphic aureoles in the surrounding rocks. The extent, type, and grade of metamorphism vary greatly with the type of rock intruded. The rocks have been altered to quartzites, hornfelsed lutites, and recrystallized limestones. Locally, the intrusions have produced narrow zones of skarn of variable width. These skarn zones contain epidote, zoisite, tremolite, wollastonite, phlogopite, garnet, chlorite and diopside.

The Andean Cordillera uplift has dominated the structural evolution of the Yauricocha area through episodes of folding, fracturing, and brecciation associated with the local structure having a general NW-SE strike.

Mineralization at the Yauricocha Mine is represented by variably oxidized portions of a multiplephase polymetallic system with at least two stages of mineralization, demonstrated by sulphide veins cutting brecciated polymetallic sulphide mineralized bodies. The mineralized bodies and quartz- sulphide veins appear to be intimately related and form a very important structural/mineralogical assemblage in the Yauricocha mineral deposit. Comments herein made regarding the characteristics of the Yauricocha district apply directly to the Minera Corona Yauricocha Mine.

#### **1.6 DEPOSIT TYPES**

Mineralization in the Yauricocha district is spatially and genetically related to the Yauricocha stock, a composite intrusive body of granodioritic to quartz monzonitic composition that has been radiometrically dated at late Miocene (approximately 7.5 Ma) (Giletti and Day, 1968). The stock intrudes tightly folded beds of the late Cretaceous Jumasha and Celendín Formations and the overlying Casapalca Formation (latest Cretaceous and Paleocene?). Mineralized bodies are dominantly high-temperature polymetallic sulphide bodies that replaced limestone. Metal-bearing solutions of the Yauricocha magmatic-hydrothermal system were highly reactive and intensely attacked the carbonate wall rock of the Jumasha and Celendín Formations, producing the channels in which sulphides were deposited. Base and precious metals were largely precipitated within several hundred metres of the stock (Lacy, 1949; Thompson, 1960). Skarn is developed adjacent to the stock but does not host appreciable amounts of economic mineralization (Alverez and Noble, 1988). Mineralization typically exhibits both vertical and radial zoning and there is a pronounced district zoning, with an inner core of enargite (the principal copper mineral) giving way outward to an enargite-chalcopyrite-bornite zone, which in turn is succeeded to the west by zones characterized by sphalerite, galena, and silver (Lacy, 1949; Thompson, 1960).

The mineralized zones at Yauricocha are partially to completely oxidized and extend from the surface to below level 1220. Supergene enrichment is closely related to oxidation distribution. Supergene covellite, chalcocite and digenite are found where the sulphide minerals are in contact with oxidized areas.

## 1.7 EXPLORATION

Since 2016, surface exploration has focused more on areas surrounding the Central mine, mainly to the south of the mine in the areas of Doña Leone, El Paso, Success, Kilcasca, and the South Yauricocha Fault. The work has consisted of detailed geological mapping, sampling for geochemical interpretation and focusing on areas with strong anomalies. During 2017, the Canadian company, Quantec Geoscience Ltd. ("Quantec"), was contracted to perform a surface geophysical study using the Titan 24 DC resistivity induced polarization (DCIP) & Magnetotelluric (MT) methods.

The Yauricocha mining district contains multiple polymetallic deposits represented by skarn and carbonate replacement bodies and intrusion-hosted veins related to Miocene-era magmatism. Mineralization is strongly structurally controlled with the dominant features being the Yauricocha Fault and the contact between the Jumasha limestones and the Celendín Formation (especially the France Chert). Exploration is being conducted to expand the mineralized zones currently being exploited as well as on prospects in the vicinity of the operations.

Exploration in the district has been ongoing and work has been successful in delineating several targets (described above) for future drilling or exploration development. This work has included detailed geological mapping of the areas, surface rock chip sampling, and limited trench / channel sampling.

## 1.8 DRILLING

As of the Effective Date, 31 December 2023, Sierra Metals has completed approximately 663,013 m of diamond drilling in 4,502 drill holes. Drill holes are categorized as exploration and development, drilling by contractor, and drilling by the Company. Since the effective date of the previous technical report (SRK, 2022), Sierra Metals has completed 73,913 m of drilling in 568 diamond drill holes. Drilling is ongoing on the Yauricocha Project.

#### **1.9 SAMPLE PREPARATION**

Samples were processed and analyzed for the Company by ALS Minerals an industry leader in sample preparation and analysis which uses equipment that meets or exceeds industry standards. Preparation included jaw crushing to 70% less than 2 mm, with a riffle split of 250 g, followed by pulverization using ring pulverizers to >85% passing 75 micrometres. Samples are tracked in barcoded envelopes throughout the process using internal software tracking and control measures.

The core samples were analyzed for a suite of 35 elements using inductively coupled plasma atomic emission spectroscopy (ICP-AES) after an aqua-regia digestion. Samples are also analyzed using an atomic adsorption ("AA") method after an aqua-regia digestion for accuracy at overlimit ranges. Au is analyzed using fire assay (FA) with an AA finish.

Since 2018 a rigorous program for quality assurance and quality control has been in place to monitor the results of the reported analyses. The QA/QC process was supported by the insertion of various materials into the normal sample stream including: i) eleven different custom CRMs (certified reference materials); samples of inert blank material; fine (pulp) and coarse (reject) duplicates; and field (quartered core) duplicates. The results conclude that the database is supported by adequate QA/QC to have reasonable confidence to estimate Mineral Resources.

#### 1.10 DATA VERIFICATION

It is the opinion of the authors of the Yauricocha Technical Report that the procedures, policies and protocols for sampling and drilling verification are sufficient and appropriate and that the core sampling, core handling and core assaying methods used are consistent with good exploration and operational practices such that the data is reliable for the purpose of mineral resource estimation, and for a preliminary economic assessment or other future economic study and for the purposes of the Yauricocha Technical Report as outlined in Section 2.1 thereof.

#### 1.11 MINERAL RESOURCES

The Mineral Resources for the Yauricocha Mine are: Measured Resource of 1.9 Mt at 1.37% copper, 2.12% zinc, 40.35 g/t silver, 0.48% lead and 0.56 g/t gold. Indicated Resource of 8.4 Mt at 1.29% copper, 2.21% zinc, 42.73 g/t silver, 0.56% lead and 0.47 g/t gold; and an Inferred Resource of 13.2 Mt at 1.30% copper, 1.59% zinc, 34.42 g/t silver, 0.49% lead and 0.43 g/t gold.

Mineral Resources are reported at an NSR and are variable by mining method, the cut-off US\$39.71/t for sub-level caving ("SLC") and US\$62.86/t for cut and fill ("OCF") method. Table 1-1 presents the Measured, Indicated and Inferred Mineral Resources on the Yauricocha Mine at the two NSR cut-offs.

			Metal Grade					Value		Co	ntained Me	etal		
Class	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	As (%)	Fe (%)	NSR (US\$/t)	Cu (Mlb)	Au (koz)	Ag (koz)	Zn (Mlb)	Pb (Mlb)
Measured	1945.6	1.37	0.56	40.35	2.12	0.48	0.17	28.53	114.90	58.76	35.03	2523.99	90.93	20.59
Indicated	8428.7	1.29	0.47	42.73	2.21	0.56	0.18	28.07	113.84	239.71	127.36	11579.35	410.66	104.06
M+I	10374.3	1.30	0.48	42.28	2.19	0.55	0.18	28.16	114.04	297.33	160.10	14102.12	500.88	125.79
Inferred	13211.1	1.30	0.43	34.42	1.59	0.49	0.11	30.22	102.88	378.63	182.64	14619.77	463.10	142.71

Table 1-1: Consolidated Yauricocha Mine Mineral Resource Statem	ent; effective date 31 Dec.
2023.	

Notes to Table 1-1:

- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- Summation errors may occur due to rounding.
- Mineral Resources are reported at Cut-Off values (COV)'s based on 2023 actual metallurgical recoveries and 2024 smelter contracts.
- Reporting cut-off value is an NSR and are variable based on mining method: US\$39.71/t (SLC) and US\$62.86/t (OCF).
- NSR was calculated as follows: NSR = Cu + 47.337 + Ag + 0.346 + Pb + 15.448 + Zn + 12.346 + Au + 4.588.
- Metal prices for the NSR formulas are: US\$3.77/lb Cu, US\$1,711.21/ oz Au, US\$22.55/ oz Ag, US\$1.17/lb Zn, US\$0.94/lb Pb.
- Capping of grades for silver, gold, copper, lead, zinc, arsenic, and iron assays were applied depending on mineralized domain and where appropriate.

The qualified persons ("QPs") (Simon Mortimer and Oscar Retto) are not aware of any information not already discussed in the Yauricocha Technical Report, which would affect their interpretation or conclusions regarding the subject property. The QPs (Simon Mortimer and Oscar Retto) are required to inform the public that the quantity and grade of reported Inferred resources in this estimation must be regarded as conceptual in nature and are based on limited geological evidence and sampling. The geological evidence is sufficient to imply, but not verify, geological grade or quality of continuity. For these reasons, an Inferred resource has a lower level of confidence than an Indicated resource. It is reasonably expected that most of the Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. The rounding of values, as required by the reporting guidelines, may result in apparent differences between tonnes, grade, and metal content.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

## 1.12 MINERAL RESERVES

AGP Mining Consultants affirms the adherence of the Mineral Reserve Estimate to rigorous industry standards, with the available dataset robustly supporting the categorization of reserves as Probable and Proven. Given the operational status of the Yauricocha Mine, recent production data stands as a cornerstone for validating and, if necessary, deriving pertinent modifying factors to convert Mineral Resources into Mineral Reserves.

Each mining area underwent meticulous evaluation, with tailored mining block configurations aligning precisely with the specific mining methods employed within each zone. This evaluation process drew upon an extensive dataset, incorporating crucial parameters such as mining recovery, dilution, metallurgical recovery rates, operational expenditures, and smelter agreements. These metrics, derived from comprehensive historical data including mine-to-mill reconciliation processes, underpinned the robustness of the assessment.

The production schedule aligned with these reserve estimates extends mining activities until Q4 2029, with an anticipated daily production rate averaging approximately 3,780 tonnes of ore. The overarching LOM production plan encompasses material sourced from 22 primary mining zones, forming the core of the Ore Reserves for the Yauricocha Mine.

The Mineral Reserves for the Yauricocha Mine are: Proven Reserve of 1.1 Mt at 0.86 % copper, 0.39 g/t gold, 28.22 g/t silver, 1.71 % zinc and 0.24 % lead and Probable Reserves of 5.2 Mt at 1.05 % copper, 0.36 g/t gold, 35.75 g/t silver, 1.85 % zinc and 0.47 % lead.

Mineral Reserves are reported at an NSR and are variable by mining method, the cut-off \$US 39.71/t for sub-level caving (SLC) and \$US 62.86/t for cut and fill (OCF) method. Mining recovery and dilution have been applied and are variable by mining area and proposed mining method. The effective date of the Mineral Reserves is 31 December 2023.

The consolidated Mineral Reserve statement for the Yauricocha Mine is presented in Table 1-2.

 Table 1-2: Individual Mineral Reserve Statement for Yauricocha Mine Areas as of 31

 December 2023, AGP.

		Grade							Value	Contained Metal				
Class	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	As (%)	Fe (%)	NSR (\$US/t)	Cu (Mlb)	Au (koz)	Ag (koz)	Zn (Mlb)	Pb (Mlb)
Proven	1,114	0.86	0.39	28.22	1.71	0.24	0.13	21.98	77.08	21.11	13.86	1,011	42.10	5.90
Probable	5,239	1.05	0.36	35.75	1.85	0.47	0.15	21.30	93.89	121.57	59.94	6,021	213.55	53.98
Total	6,353	1.02	0.36	34.43	1.83	0.43	0.15	21.42	90.94	142.68	73.80	7,032	255.65	59.87

Notes:

Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101.

All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding.

The consolidated Yauricocha Reserve Estimate is comprised of Proven and Probable material

Mineral Reserves are reported at Cut-Off values (COV)'s based on 2023 actual metallurgical recoveries and 2024 smelter contracts.

Reporting cut-off value is an NSR and are variable by mining method: \$US 39.71/t. (SLC) and \$US 62.86/t (OCF) NSR was calculated as follows: NSR =Cu\*47.337+Ag \*0.346+Pb \*15.448+Zn\*12.346 +Au \*4.588 Metal prices for the NSR formulas are: \$US 3.77/lb Cu, \$US 1,711.00/ oz Au; and \$US 22.55/ oz Ag, \$US 0.94/lb Pb, and \$US 1.17/lb Zn. Mining recovery and dilution have been applied and are variable by mining area and proposed mining method.

AGP Mining Consultants confidently asserts that the reserve estimations are apt for public reporting, offering a transparent and accurate portrayal of the mill feed tonnes, grade, and metal content for the Yauricocha deposit. Nonetheless, the consultancy recommends further refinement, particularly suggesting the development of flow modeling techniques for the SLC mining areas and calibration of the geotechnical numerical modeling, to enhance the accuracy and reliability of future assessments.

## 1.13 MINING AND GEOTECHNICAL

#### 1.13.1 <u>Mining</u>

Access to the Central Mine and the Cachi-Cachi Mine is facilitated through key infrastructure, including shafts, tunnels, and various access points. The Central Shaft provides access to different operational levels, with the Yauricocha Tunnel connecting it to the Chumpe concentrator plant. Similarly, the Cachi-Cachi Mine utilizes the Yauricocha Tunnel for access, with personnel reaching operational levels via ramps, galleries, and raises.

Extraction of minerals and overburden from different levels is conducted through designated shaft pockets, with ore and waste transported to the surface using a combination of vehicles and rail systems. The mining methods employed vary based on the characteristics of the mineralized bodies, with mechanized sub-level caving and overhand cut-and-fill being the primary methods.

A detailed LOM production schedule has been developed to ensure operational efficiency, aligning with historical performance and targeting sustainable production rates. Strategic plans are in place to enhance operational facets and maintain targeted production levels, including improvements in equipment maintenance, processing plant optimization, and talent acquisition. The Production Rates are 3,780 tonnes per day for ore extraction

Ventilation systems have been meticulously engineered to supply necessary airflows to all mining zones, ensuring a safe and conducive working environment underground. Presently, the mine maintains a comprehensive ventilation system to facilitate airflow throughout the various mining areas. Ventilation System total fresh air drawn is 204.2 m3/s, with exhaust at 217.2 m3/s.

Overall, the Yauricocha mine is a well-established underground operation with a robust infrastructure and strategic plans for sustainable production and operational excellence, as shown in Figure 1-1.





Source: Sierra Metals, 2024

#### 1.13.2 <u>Geotechnical</u>

The Geotechnical logging database initially serves its purpose for preliminary assessments, yet ongoing data collection programs are imperative for deeper sections. AGP Mining Consultants strongly advises the continuous updating and maintenance of the geotechnical model. Closer definition of geotechnical domains near ore zones is imperative to prevent data smearing from disparate domains within block modeling geotechnical classifications unless distinct boundaries are enforced.

Assessments of stoping and SLC layouts through numerical modeling reveal shortcomings in stress modeling adequacy. Considering regional "thrust" tectonic conditions, the horizontal to vertical stress ratio ought to exceed 1.5. Relying solely on individual triaxial tests to determine local strength parameters instead of domain averages risks misinterpretation. Long sections for SLC assessment neglect stress concentration effects around the cave zone, necessitating 2D numerical models perpendicular to ore zone strike, or even full 3D models, to ascertain stress concentration and yield extent around orebodies. Recommendations outlined in Section 26 aim to ensure compliance if adopted and followed.

Current stoping methods align with geotechnical conditions, with potential for reduced Overhand Cut & Fill ("C&F") support requirements in poorer ground if cemented rock or pastefill is available for undercutting beneath filled ore drives.

Assessment of ground control management level plans reveals alignment with the conceptual geotechnical rock mass model and domain/sub-domain descriptions outlined in the Geomechanical Assessment Mining Plan 2024. These plans, accompanied by development profiles and installation procedures, are well-prepared for operational implementation. While ground support designs weren't extensively scrutinized, the absence of surface support in favorable ground contradicts industry standards. Incorporating surface mesh and/or shotcrete, even in favorable conditions, is customary unless a comprehensive and systematic check-scaling procedure is ensured.

While the current understanding of subsidence and its impacts is deemed adequate, deeper planned mining areas warrant site-specific stress measurements and modeling. Although comprehension of factors contributing to mudflow and implemented mitigation measures is reasonable, the perpetual risk of mud rush events, particularly during new mining area initiation, emphasizes the need for vigilant dewatering practices, continuous monitoring of existing drawpoints, and thorough investigation of new development areas prior to commencement.

#### 1.13.3 <u>Hydrology</u>

Water ingress into the underground mine, though significant, is effectively managed, a common challenge in Sub-Level Caving (SLC) operations. Operational measures mitigate risks associated with inflow volume and mud rushes, ensuring continuous mining progress. The subsequent sections offer a comprehensive overview of prevailing water conditions and mitigation strategies.

Abundant hydrogeological and hydrological data, from internal mine records and external consultant studies, underpin informed decision-making. These data encompass flow rates and water quality parameters, meticulously mapped for spatial understanding.

Current inflow, approximately 100 liters per second in 2023, arises from surface infiltration and underground discharge. Surface inflow, estimated to surge by 20 to 35 liters per second by 2029, is projected to increase with mine expansion.

Future mine water management necessitates ongoing mitigation efforts to comprehend and control inflow distribution. Monitoring pressure and flow in hydrogeological boreholes, establishing permanent monitoring stations, consolidating data into a unified database, and updating the mine water balance are recommended.

While historical efforts manage water inflows, anticipated expansion demands continual evaluation of mitigation measures. Proactive operational management and strategic planning are vital to mitigate water-related risks effectively.

## 1.14 MINERAL PROCESSING

Various metallurgical test work programs have occurred at the Yauricocha Mine. The Yauricocha process plant currently treats polymetallic sulphide ore via conventional comminution and flotation circuits. The process plant has been progressively upgraded and can nominally treat 3,600 tpd. The plant historically had a capacity of 3,100 tpd to process sulphides and 500 tpd to process oxides. Since 2018, no oxide material has been treated at Yauricocha. The process plant treated 0.99 Mt of ore in 2023 to produce 39 kt of zinc, 26 kt of copper and 11 kt of lead concentrate products.

#### **1.15 INFRASTRUCTURE**

The surface facilities at the mine are essential for its operations, encompassing various critical components. These include hoists and headframes to facilitate the operation of on-site shafts, as well as amenities such as change houses, workshops, engineering spaces, and administrative facilities to support operational needs.

Access to the underground mine is facilitated through a network of pre-existing shafts and tunnels. Presently, the site has three operational shafts: the Central shaft, Mascota shaft, and the Cachi-Cachi shaft, with construction underway for a new shaft, the Yauricocha shaft. These shafts primarily serve to transport personnel and materials, as well as to convey ore and waste to the surface when required.

Material transportation from underground to the surface primarily occurs through tunnels, with all ore and waste transportation currently happening exclusively through these tunnels. At the Cachi Cachi Mine, ore and waste extraction are transported via dump trucks along the Hidden Ramp to the pocket of the Cachi Cachi Shaft at Level 920, then hoisted to Level 720 and conveyed by locomotive through the Yauricocha tunnel to the Concentrator Plant – CHUMPE. Similarly, at the Central Mine, ore and waste extraction are transported by dump trucks along Level 1070 to the pocket of the Mascota Shaft, hoisted to Level 720, and transported by locomotive through the Yauricocha tunnel to the Concentrator Plant – CHUMPE.

The fragmented ore from mechanized sub-level caving (SLCM) and ascending cut-and-fill (OCF) exploitation fronts is directed into accumulation chambers before being loaded onto mine cars and transported to shaft pockets for subsequent hoisting. Waste rock generated from advances is accumulated in loading chambers and loaded onto mine cars before being hoisted to the surface.

The transportation system utilizes locomotives and mine cars, operating on continuous 250 Volt trolley power, along with low-profile trucks for each mining zone. The water flow trajectory through tunnels reaches the mine water treatment plant via channels and pipelines, where conventional treatment processes are carried out.

The mine ensures an uninterrupted electrical power supply through primary and secondary energy sources. The primary energy source is drawn from the Sistema Electrico Interconectado Nacional (SEIN) and distributed through dedicated transformers, while the secondary energy source utilizes backup generators in case of unforeseen disruptions.

Tailings from the mill are processed and stored in on-site tailings facilities. Currently, Stage 6 of the tailings storage facility (TSF) has been constructed, with ongoing expansion to Stage 7 to accommodate future capacity needs.

## 1.16 MARKET STUDIES AND CONTRACTS

Yauricocha functions as a polymetallic mining facility, strategically extracting and processing lead, zinc, and copper ores to produce high-quality concentrates. These concentrates are meticulously tailored to meet specific requirements of smelting operations and are sold to various smelters across the market. Sierra Metals holds a contractual agreement for concentrate sales, meticulously reviewed by AGP Mining, and found to be reasonable and compliant with industry standards. The metals derived from Yauricocha concentrate are actively traded on metal exchanges, including zinc, copper, silver, lead, and gold. Metal prices, sourced from Sierra Metals and validated against the November 2023 CIBC Global Mining Group Analyst Consensus Commodity Price Forecast, are deemed rational and appropriate by AGP Mining for accurate mineral resource and ore reserve representation. Detailed metal price assumptions are provided in Table 1-3 for transparency and reference.

Metal	Price	Unit
Copper	8,302.27	\$/tm
Gold	1,711.21	\$/oz
Silver	22.55	\$/oz
Zinc	2,588.55	\$/tm
Lead	2,064.04	\$/tm

#### Table 1-3: Metal Prices for Mineral Reserves for the Yauricocha Mine

#### 1.17 ENVIRONMENTAL, PERMITTING, SOCIAL IMPACT

Sierra Metals has all relevant permits required for the current mining and metallurgical operations. Sierra Metals also has a Community Relations Plan that includes annual assessment, records, minutes, contracts, and agreements. An Environmental Impact Assessment was obtained on 11 February 2019.

Currently Sierra Metals is developing a modification of its EIA (EIA Modification), the preparation of the study has been formally started, Sierra Metals expects to present this study to the authority in the fourth quarter of 2024 for their evaluation.

## 1.18 CAPITAL AND OPERATING COSTS

The Yauricocha Project's technical team has meticulously compiled a capital estimate to sustain mining and processing operations, covering essential components. Equipment sustaining costs include resources for maintaining and renewing mining and plant machinery, encompassing vital elements such as the concentrator plant, water pumping systems, tailings dam expansion, mine camp facilities, underground ventilation systems, and environmental considerations.

Additionally, the expansionary capital estimate includes investments like the Yauricocha shaft extension and Yauricocha Tunnel finalization to enhance operational efficiencies. This estimation categorizes into areas including mine development, ventilation, equipment, infill drilling and exploration, plant and tailings storage facility (TSF) enhancement, closure activities, and project or expansionary capital.

Given the Yauricocha Project's operational status, AGP Mining Consultants considered existing working capital reserves sufficient for ongoing operations, thus excluding provisions for working capital fluctuations from economic modeling. A comprehensive breakdown of capital expenditure by area is succinctly presented in Table 1.4 for reference and clarity.

Description	Budget 2024 (US\$ ,000)	Life of Mine (US\$ ,000)		
Sustaining Capital Development	\$8,153	\$24,910		
Sustaining Capital Ventilation	\$1,807	\$7.804		
Sustaining Capital Equipment	\$835	\$3,495		
Sustaining Capital Infill Drilling - Exploration	\$811	\$1,734		
Sustaining Capital Concentrator	\$500	\$1,500		
Growth Capital Tailings Dam	-	\$13,082		
Sustaining Capital Draining System	\$1,483	\$4,618		
Sustaining Capital Pumping System	\$900	\$3,225		
Growth Capital Yauricocha Shaft	\$2,181	\$3,938		
Growth Capital Waste Dump	-	\$1,267		
Growth Capital Integration Access to Yau Shaft	\$780	-		
Growth Capital Mine Closure	-	\$10,100		
TOTAL CAPITAL	\$17,451	\$76,483		

#### Table 1-4: Capital Cost Summary 2024-2027 (US\$)

Source: Sierra Metals (2024)

The operating cost estimation is meticulously based on site-specific data, supported by historical cost analysis for contextualization. Costs are categorized into mining, processing, and General and Administrative (G&A). For clarity, Table 1.5 presents a summarized comparison of estimated and historical costs, aiding in trend analysis for informed decision-making.

## Table 1-5: Modeled Operating Cost Summary

Description	Budget 2024 (US\$ ,000)	Life of Mine (US\$/t ore)
Underground Mining	358,330	60.05
Process	81,468	13.78
G&A	29.813	5.42
Total Operating	439,798	79.25

Source: Sierra Metals (2024)

#### 1.19 ECONOMIC ANALYSIS

In accordance with NI 43-101, producing issuers may omit the information necessary for Economic Analysis on properties in current production if the Yauricocha Technical Report does not entail a substantial expansion of ongoing production. As a producing issuer, Sierra Metals operates the Yauricocha Mine, which is currently in production. Moreover, there are no plans for a significant expansion of current production. Sierra Metals has conducted an economic analysis based on the estimates provided in the Yauricocha Technical Report for the LOM plan of the Yauricocha Mine. The analysis affirms positive cash flow, thereby substantiating the declaration of Mineral Reserves.

### 1.20 CONCLUSIONS AND RECOMMENDATIONS

#### 1.20.1 <u>Geology</u>

The Yauricocha Mine is an active underground mine operation, situated in Yauyos Province, Peru, approximately 135 km by road from Lima. The Yauricocha Mine and has been in production since the early 1900's. In 2002, the mine was privatized and acquired by Minera Corona. In 2011, Sierra Metals, through DBP, a subsidiary of Sierra Metals, purchased and holds an 82% interest in Minera Corona. Since 2001, through Minera Corona, the Yauricocha Mine has remained an active mining operation.

Like many of the ore deposits in the Yauricocha District of central Peru, the Yauricocha Deposit is spatially and genetically related to the Yauricocha Stock, a composite intrusive body of granodioritic to quartz monzonitic composition. The approximately 7.5 Ma (Giletti and Day, 1968) stock intruded tightly folded beds of the Cretaceous Goyllarisquizga, Jumasha, and Celendin formations, and Cretaceous-Tertiary Casapalca Red Beds.

Mineralization in the Yauricocha Deposit features several mineralized zones which have been emplaced along structural trends, with the mineralization itself related to replacement of limestones by hydrothermal fluids related to nearby intrusions. Mineralization varies widely in morphology from large, relatively wide, tabular manto-style deposits, to narrow, sub-vertical chimneys (shoots or pipes). The majority of the mineralization is related to the regional high-angle northwesttrending Yauricocha Fault, or the northeast trending and less well-defined Cachi-Cachi structural trend. The mineralization generally presents as polymetallic sulphides but is locally oxidized to significant depths or related to more Cu-rich mineralization.

All parts of the Yauricocha Property with historical exploration or current production activity are in the current area of operations. This area is nearly centered within the concession boundary and there is both space and potential to expand the resources and the operation both directions along the strike of the Yauricocha Fault.

The sedimentary-hosted Yauricocha polymetallic (copper, lead, zinc, silver, gold) deposit closely resembles that typified by polymetallic Ag-Au deposits, which comprise quartz-sulphide-carbonate fissure vein equivalents of quartz-sulphide and carbonate- base metal deposits.

Mineralized bodies are dominantly high-temperature polymetallic sulphide bodies that replaced limestone. Metal-bearing solutions of the Yauricocha magmatic-hydrothermal system were highly reactive and intensely attacked the carbonate wall rock of the Jumasha and Celendín Formations, producing the channels in which sulphides were deposited. Mineralized zones at Yauricocha are partially to completely oxidized and extend from the surface to below level 1220. Supergene
enrichment is closely related to oxidation distribution. Supergene covellite, chalcocite and digenite are found where the sulphide minerals are in contact with oxidized areas.

As of the Effective Date, 31 December 2023, Sierra Metals has completed approximately 663,013 m of diamond drilling in 4,502 holes. Drill holes are categorized as exploration and development, drilling by contractor, and drilling by the Company. Since the effective date of the previous technical report (SRK, 2022), Sierra Metals has completed 73,913 m of drilling in 568 diamond drill holes (Table 10-2 of the Yauricocha Technical Report). Drilling is ongoing on the Yauricocha Project.

Since 2018 a rigorous program for quality assurance and quality control has been in place to monitor the results of analyses reported from samples of drill core processed by ALS Minerals for the Company. The QA/QC process included the insertion of various materials into the normal sample stream. This included: i) eleven different custom CRMs (certified reference materials); samples of inert blank material; fine (pulp) and coarse (reject) duplicates; and field (quartered core) duplicates.

The results conclude that the database is supported by adequate QA/QC to have reasonable confidence to estimate Mineral Resources. The QP recommends that QA/QC failures be addressed as soon as possible a through a continuous review of the QA/QC results and their performance limits.

QPs (Simon Mortimer and Oscar Retto) have undertaken detailed review of the database, domain interpretation, estimation parameters and validation of the block models of Yauricocha Mine for all stages of the mineral resource estimate.

The Mineral Resources for the Yauricocha Mine are: Measured Resource of 1.9 Mt at 1.37% Cu, 2.12% Zn, 40.35 g/t Ag, 0.48% Pb, and 0.56 g/t Au; Indicated Resource of 8.4 Mt at 1.29% Cu, 2.21% Zn, 42.73 g/t Ag, 0.56% Pb, and 0.47 g/t Au; and an Inferred Resource of 13.2 Mt at 1.30% Cu, 1.59% Zn, 34.42 g/t Ag, 0.49% Pb, and 0.43 g/t Au.

Mineral Resources are reported at an NSR and are variable by mining method, the cut-off US\$39.71/t for sub level caving (SLC) and US\$62.86/t for cut and fill (OCF) method. The QP responsible for the Mineral Resources Estimate for the Yauricocha Mine is Oscar Retto, MAIG. The effective date of the Mineral Resources is 31 December 2023.

The QPs (Simon Mortimer and Oscar Retto) are of the opinion that the Mineral Resources have been estimated using standard industry practices and are suitable for public reporting in compliance with NI 43-101.

QP (Simon Mortimer) has made the following recommendations for the development of the Mineral Resources at Yauricocha:

- Integrate geology data in a single database for the entire Yauricocha mine, which can be easily verified and audited.
- The number of bulk density measurements be increased in mineralized structures that lack sufficient values.
- Integration of structures (fault model) and mineralized zones as shown in Mina Central into a global model is essential in developing a comprehensive exploration and mining model. This will improve the representation of mineral continuity and prevent inconsistencies in defining domains.

- Evaluate the inclusion of channel samples for block estimation with alternative geostatistical methods as conditional simulation.
- Conduct geostatistical studies to investigate if the current block dimensions used in the model are the optimum size for resource estimation and mining method.
- Lithology and structural models be extended to cover all the zones of the mine and that the individual mineralised zone wireframes be remodelled with respect to the new 3D lithostratigraphic interpretation.
- Completion of an integrated structural-lithostratigraphic and mineralisation model would facilitate the mine planning process with regards to the ability to apply a waste density for dilution purposes and serve for brownfields exploration.

## 1.20.2 <u>Mineral Reserves and Mining Method</u>

The Yauricocha Mine operates efficiently with a rich production history. Its primary mining method, mechanized sub-level caving, supplemented by overhand cut and fill, ensures operational stability. With a projected daily production rate of 3,780 tonnes (1.38 million tonnes annually) in 2024, the mine's operational continuity is deemed sustainable throughout its LOM plan.

The QP (Alonso Gonzales) have the following recommendations for the Mineral Reserve estimation practices and mining methods at Yauricocha:

- Efforts should be directed towards streamlining and automating the mineral reserve estimation process to facilitate future estimates, reviews, and audits.
- The mine planning group should thoroughly review the latest version of the MRMR Best Practice Guidelines published by CIM on November 29th, 2019, and strive to implement the best practices pertaining to the mineral reserve estimation process.
- It is imperative to establish a robust mineral reserve to mine-to-mill reconciliation process to provide solid support for the dilution and mining recovery assumptions.
- The redesign and update of the SLC mine design layouts and sequencing based on the Geotechnical recommendations:
  - o lead/lag rules
  - cave front retreat direction
  - pillar analysis (Interlevel and on level design)
- Reassessment of the production drilling equipment fleet utilised on site to meet redesign requirements.
- The development of an SLC flow model for grade and tonnage forecasting
  - o step-outs
  - o cave draw strategy
  - o HoV optimisation
  - SLC flow model calibration and reconciliation
- Integration of flow model with Deswik mine design and scheduling process.
- The development of a cave and operational management plan
  - o enhancing operational practices and reduces hazards on the SLC
  - improvement on the risk and safety protocols
  - o optimising the SLC mining recovery and reduction in dilution
- Incorporating a risk assessment as a standard component of the reserve estimation process is considered a best practice.

- An appropriate data collection system must be implemented to gather the necessary data for establishing the reconciliation process in a usable format. While this is relative straightforward for cut and fill areas, it presents greater challenges for sub-level caving areas.
- Close monitoring of the Yauricocha Shaft project is essential to ensure timely access.
- Completion of a consolidated 3D LOM design is recommended to enhance communication of the LOM plan, infill drilling requirements, and overall mine planning and execution.
- Update on the Base Case LOM plan should be maintained and utilized by Yauricocha to furnish medium and short-term mine production forecasts.
- The mine planning group should prepare one or more LOM plans that are more optimistic than the Base Case for strategic planning purposes.
  - typically, the optimistic LOM plan incorporates inferred mineral resources designed to a conceptual level of detail and is updated as resources transition to Indicated or Measured categories.

## 1.20.3 <u>Geotechnical</u>

AGP Mining Consultants suggests ongoing data collection for deeper sections and detailed definition of geotechnical domains near ore zones. They recommend improved stress modeling for stoping and SLC layouts and utilizing 2D and 3D models. Current stoping methods are deemed appropriate, with potential support reduction in poorer ground conditions. While ground control management plans align with geotechnical models, the absence of surface support in good ground contradicts industry standards. AGP acknowledges the adequacy of understanding subsidence and induced stress within existing mining areas but highlights the need for site-specific stress measurements in deeper planned areas and vigilant dewatering practices to mitigate mud rush risks during new mining area initiation.

AGP's geotechnical recommendations are:

- Develop a comprehensive Geotechnical Management Plan
  - available logging, mapping, and testing data,
  - o maintain a centralized geotechnical database for efficient data management.
  - o planned investigation programmes,
  - develop and uphold geotechnical models, encompassing structures and rock mass wireframes, to enhance geological understanding.
  - design methods to be applied for mining sections,
  - o ground support requirements,
  - o monitoring systems.
- Continue the acquisition of geotechnical characterization data from mined drifts and exploration drillholes.
- Undertake further numerical modelling analyses to assess ore drive stability and potential dilution in deeper mining sections; analyses should include prominent structural features.
- Conduct an insitu stress measurements in the deeper planned mining areas.
- Friction bolts (split sets) are not effective in high stress/deformation conditions.
  - o consider using higher capacity grouted and yieldable types of rock bolts.
- Conditions will become more difficult with increasing depth and stress. Increased deformation/yield is likely to develop.
  - o increased spacing between cross-cut drives and levels to limit pillar yield.

- If cemented rock or pastefill is available, the mine could reduce C&F support requirements in poorer ground by undercutting beneath filled ore drives.
- Longhole open stoping does not appear to be a practical method for Fortuna 7 ground conditions; it is likely to result in extensive wall failure/dilution.
- Sustain short-term to long-term dewatering programs, employing drainage systems to manage groundwater levels effectively.
- Review the current mine sequence and simulate an optimal mine sequence to mitigate safety risks and the potential for inadvertent ore reserve sterilization due to unforeseen ground conditions.
  - cave front retreat relative to principal stress
  - o SLC step-outs
  - o lead lag rules (inter-level and within production level)

#### 1.20.4 <u>Capital and Operating Cost</u>

AGP Mining believes that the current operating and capital cost estimates represent reasonable projections for extracting the existing Mineral Reserves, given the current state of knowledge."

### **BOLIVAR MINE, MEXICO**

The Company owns 100% of the Bolivar Mine.

### 1. "SUMMARY

#### 1.1 INTRODUCTION

Sierra Metals, through its wholly owned subsidiary Dia Bras Mexicana S.A. de C.V. ("DBM"), owns and operates the Bolivar Mine owns and operates the Bolivar Mine and Piedras Verdes processing plant (combined to form the "**Bolivar** Property") located in the Piedras Verdes District of Chihuahua State, Mexico, approximately 250 km southwest of the city of Chihuahua. The Bolivar Property consists of 14 mineral concessions totalling 6,800 ha.

The Bolivar Technical Report was prepared on behalf of Sierra Metals by AGP Mining Consultants Inc. The purpose of the Bolivar Technical Report is to present the results of the Mineral Resources and Mineral Reserves for the Bolivar Mine to include all available drill information and account for the depletion of resources in 2023. The Bolivar Technical Report was prepared in compliance with the Canadian disclosure NI 43-101 and in accordance with the requirements of Form 43-101 F1.

The Bolivar Technical Report was prepared in accordance with CIM, 2014. The effective date of this report is 31 December 2023.

#### 1.2 PROPERTY DESCRIPTION AND OWNERSHIP

The Bolivar Property consists of 14 mineral concessions covering approximately 6,800 ha in the southwest Chihuahua State, Mexico. The Bolivar Property is situated in the municipality of Urique, within the Piedras Verdes ejido, approximately 400 km south by road from the city of Chihuahua.

The Bolivar Property includes the Bolivar Mine, an historic Cu-Zn skarn deposit that has been actively mined by Sierra Metals since November 2009, as well as the Piedras Verdes processing plant, which is situated approximately 5 km by road from the mine.

### 1.3 ACCESSIBILITY, LOCAL RESOURCES, INFRASTRUCTURE AND CLIMATE

The Bolivar mine is located approximately 400 km by road southwest of Chihuahua where the drive is typically 7 hours via paved highway and unpaved road. The region is in a subtropical highland climate zone characterized by a wet and dry season, often with high diurnal temperature variation due to the higher elevations. Mining and exploration activities may operate year-round.

The nearest villages to the mine are Piedras Verdes (pop. 355, est. 2020) and Cieneguita Lluvia de Oro, located approximately 2 km and 10 km by road, respectively, north of the exploration offices. Some of the mine personnel and contract drillers live in these and surrounding villages. Other employees operate on a rotation schedule in and out of Chihuahua. Mine supplies, fuel and consumables are sourced from Chihuahua, with some minor supplies are available in the nearest larger towns, for example, Bahuichivo, San Rafael, and Creel. Sierra Metals maintains a 600-person camp at the mine. Electricity is source from the national electric grid. Potable water is available from local sources and industrial water is sourced from the Piedras Verdes dam, owned, and operated by Sierra Metals.

The Bolivar Property is located in the rugged topography of the Sierra Madre Occidental mountain range. The Bolivar Mine is situated between 1,300 masl and 2,000 masl elevation

Sierra Metals has sufficient surface rights for the mining operations and infrastructure; and to conduct exploration activities on the Bolivar Property.

# 1.4 HISTORY

Modern exploration on the Bolivar Property has been carried out since the 1960's, there Exploration prior to the Bolivar Mine. From 1980 to 2000, some 300,000 tonnes of mineralized material were mined while the Bolivar Mine, also known as the Piedras Verde Mine. In 2009, Dia Bras Exploration Inc. acquired the Bolivar Property; and, in 2011, the Bolivar Mine started commercial production.

# 1.5 GEOLOGY AND MINERALIZATION

The Bolivar deposit is a Cu-Zn skarn and is one of many precious and base metal deposits of the Sierra Madre belt, which trends north-northwest across the states of Chihuahua, Durango, and Sonora in northwestern Mexico (Meinert, 2007). The deposit is located within the Guerrero composite terrane, which makes up the bulk of western Mexico and is one of the largest accreted terranes in the North American Cordillera. The Guerrero terrane, proposed to have accreted to the margin of nuclear Mexico in the Late Cretaceous, consists of submarine and lesser subaerial volcanic and sedimentary sequences ranging from Upper Jurassic to middle Upper Cretaceous in age. These sequences rest unconformably on deformed and partially metamorphosed early Mesozoic oceanic sequences.

The Piedras Verdes district is made up of Cretaceous andesitic to basaltic flows and tuffs intercalated with greywacke, limestone, and shale beds. Cu-Zn skarn mineralization is in carbonate rocks adjacent to the Piedras Verde granodiorite. Mineralization exhibits strong stratigraphic control, and two stratigraphic horizons host the bulk of the mineralization: an upper calcic horizon, which predominantly hosts Zn-rich mineralization, and a lower dolomitic horizon, which predominantly hosts Cu-rich mineralization. In both cases, the highest grades are developed where structures and associated breccia zones cross these favorable horizons near skarn-marble contacts.

# 1.6 EXPLORATION AND DRILLING

The Bolivar Mine is currently an operational project. During 2019, the Piedras Verdes processing plant consistently produced copper concentrate of commercial quality with copper grade ranging between 21.7% Cu to 28% Cu, silver content in concentrate ranging from 392 g/t to 677 g/t, and gold content in concentrate ranging from 3.2 g/t to 7.9 g/t. Metal recovery for copper, silver, and gold averaged monthly 82.9%, 78.3% and 62.3%, respectively. The mined material is transported 5 km to the Piedras Verdes mill which currently operates at 5,000 tpd of mineralized material.

# 1.7 SAMPLE PREPARATION, ANALYSIS AND SECURITY

AGP reviewed the QA/QC program and is of the opinion it is in accordance with standard industry practice and CIM Exploration Best Practice Guidelines. Sierra Metals personnel have taken all reasonable measures to ensure the sample analysis completed is accurate and precise. AGP considers the assay results and database acceptable for use in the estimation of mineral resources.

AGP is of the opinion that the preparation and analyses are satisfactory for this type of the deposit and that the sample handling and chain of custody meet or exceed industry standards.

#### **1.8 DATA VERIFICATION**

AGP received the database containing all drill holes for the Bolivar Mine in a Leapfrog project that included, but not limited to, collar, survey, assay, and lithology files.

AGP verified approximately 6% of the data from the 2020 to the 2023 drill programs (approximately 2,300 records out of 38,218). The copper, gold and silver assay values were compared to the laboratory certificates provided by Sierra Metal. No errors were found.

AGP is of the opinion the database is representative and adequate to support the resource estimates for the Bolivar deposits. AGP is satisfied that the core descriptions, sampling procedures, and data entries were conducted in accordance with industry standards.

### **1.9 MINERAL RESOURCES**

The Mineral Resources for the Bolivar Mine are: Measured Resource of 2.3 Mt at 0.84 %Cu, 0.33 g/t Au, and 19.83 g/t Ag; Indicated Resource of 16.0 Mt at 0.74 %Cu, 0.24 g/t Au, and 14.63 g/t Ag; and an Inferred Resource of 12.1 Mt at 0.72 %Cu, 0.19 g/t Au, and 12.21 g/t Ag. Mineral Resources are reported at an NSR cut-off US\$23.80/t. The QP responsible for the Mineral Resources for the Bolivar Mine is Paul Daigle, P.Geo.. The effective date of the Mineral Resources is 31 December 2023.

The principal metal grades, copper, gold and silver, were estimated by OK or ID interpolation, depending on mineralized domain, on capped composited copper, gold, silver, and iron values. No recoveries have been applied to the interpolated grade estimates.

Table 1-1 presents the Measured, Indicated and Inferred Mineral Resources on the Bolivar Mine at a US\$23.80 /t NSR cut-off.

			Metal	Grade		Value	Co	etal	
Classification	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)	Fe (%)	NSR (US\$/t)	Cu (Mlb)	Au (koz)	Ag (koz)
Measured	2327.7	0.84	0.33	19.83	12.67	68.65	43.22	24.58	1484.06
Indicated	16039.2	0.74	0.24	14.63	12.19	57.93	262.74	122.81	7546.82
M+I	18366.9	0.76	0.25	15.29	12.25	59.29	305.96	147.38	9030.88
Inferred	12108.4	0.72	0.19	12.21	12.08	54.33	192.97	73.47	4754.54

#### Table 1-1: Mineral Resources for the Deposit; at a 23.80 US\$/t NSR Cut-off Value

Notes:

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Summation errors may occur due to rounding.

Reporting cut-off value is an NSR of US\$ 23.80/t.

NSR was calculated as follows:

 $NSR = Cu^*60.7714 + Au^*26.575 + Ag^*0.4406$ 

Metal prices for the NSR formulas are: US\$ 3.77/lb Cu, US\$ 1,711.21/ oz Au; and US\$ 22.55/ oz Ag

Capping of grades varied between 1.35 % Cu and 9.0 % Cu, 0.4 g/t Au and 6.0 g/t Au, and 38.0 g/t Ag and 300.0 g/t Ag, depending on mineralized domain.

The density is determined by slope of regression based on Fe block grades where: Density =  $(Fe^*0.0295)+2.9338$ 

#### 1.10 MINERAL RESERVES

The Mineral Reserves at Bolivar adhere to the latest CIM Estimation of Mineral Resource and Mineral Reserves Best Practices Guidelines (November 2019) and are classified according to CIM

Standard Definition for Mineral Resources and Mineral Reserves (May 2014) guidelines. These reserves are reported in accordance with NI 43-101 guidelines, with the reference point identified at the delivery of ore to the processing plant.

AGP conducted a thorough audit covering various aspects of the Bolivar Mine, including mining methods, infrastructure, environmental studies, permitting, and economic analysis. The Ore Reserve estimates for the six mining zones underwent rigorous review, ensuring compliance with NI 43-101. The Competent Person conducted a site visit, providing a comprehensive understanding of all aspects relevant to ore reserve estimation.

Mineral Resource block models, updated and reviewed by the Mineral Resource Competent Person, contain essential descriptions necessary for underground mine design. The Bolivar Mineral Reserve Estimate includes Probable and Proven material from multiple orebodies. Dilution aspects, including planned, fill, and hanging wall dilution, were carefully considered.

The understanding of operating and capital costs, coupled with allowances for additional support requirements, mitigates risks of underestimation. Economic modelling demonstrates positive annual operating cash flows, with substantially positive NPV based on reviewed costs, metal prices, and exchange rates. Discount rates are aligned with corporate economic assumptions, adjusted for any applicable country risk premium.

The Mineral Reserves for the Bolivar Mine are: Proven Reserve of 0.452 Mt at 0.86 % copper, 26.05 g/t silver and 0.43 g/t gold and Probable Reserves of 5.125 Mt at 0.76 % copper, 16.02 g/t silver and 0.26 g/t gold.

Mineral Reserves are reported at an NSR, the cut-off US\$ 23.8/t for sub-level stopping method. Mining recovery and dilution have been applied.

The consolidated Mineral Reserve Statement for the Bolivar Mine is presented in Table 1-2 with an effective date of December 31, 2023.

			Grade		Value	Contained Metal				
Classification	Ton Kt	Cu %	Au g/t	Ag g/t	NSR \$/t	Cu Mlb	Au Koz	Ag Koz		
Proven	452	0.86	0.43	26.05	75.11	8.57	6.21	378		
Probable	5,125	0.76	0.26	16.02	60.38	86.17	43.24	2,640		
Total	5,577	0.77	0.28	16.83	61.58	94.74	49.46	3,018		

1 able 1-2: Consolidated Donvar Mineral Reserve Estimate as of December 51, 202	Table 1	1-2:	Consolidated	Bolivar	Mineral	Reserve	Estimate	as of	December	31,	2023
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Source: AGP, 2024

Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101

All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding.

The consolidated Bolivar Reserve Estimate is comprised of Proven and Probable Material Reserves in the EG, 6900, Cieneguita, Dulce, Bolivar West and Bolivar Northwest mining areas.

\* Metal price assumptions considered for the calculation of metal value are: US\$ 3.77/lb Cu, US\$ 1,711.21/ oz Au; and US\$ 22.55/ oz Ag.

\*\* Metallurgical recovery assumptions are based on projected mill recoveries resulting from ongoing mill upgrades, 92.0% Cu, 81.0% Ag, and 62.50% Au.

The mining costs are based on projected costs for mining at 5,000 tpd using Longhole Stoping mining methods.

Ore reserves are reported at unit value cut-offs based on metal price assumptions\*, metallurgical recovery assumptions\*\*, mining costs, processing costs, general and administrative (G&A) costs, and treatment and refining charges.

Reporting cut-off value is an NSR of US\$ 23.80/t. NSR was calculated as follows:

- $NSR = Cu^*60.7714 + Au^*26.575 + Ag^*0.4406$
- A 4% external dilution has been included with zero grade for room and pillar mining.
- Mining recovery for Longhole Stoping mining is estimate at 96%.

AGP Mining Consultants confidently asserts that the reserve estimations are apt for public reporting, offering a transparent and accurate portrayal of the mill feed tonnes, grade, and metal content for the Bolivar deposit.

#### 1.11 MINING

The mineral reserve at Bolivar Mine is estimated to be 5.57 million metric tons (Mt), utilizing sublevel open stoping mining techniques, with past operations occasionally employing longhole stope and room and pillar methods. Strategic initiatives include integrating longhole mining practices into operations following a comprehensive geotechnical assessment program with Redco in 2021. Historically, mining targeted ore bodies such as Bolivar, Chimenea, and El Gallo Superior, now considered depleted. Present production focuses on El Gallo, 6900, Cieneguita, Dulce, and Bolivar West orebodies.

The Bolivar Mineral Reserve mainly comprises probable and proven material from various orebodies. Production primarily originates from Chimenea 1, Bolivar Northwest, lower CNG, and 6900, with ore transported to the Piedras Verdes mill via gravel roads. Construction of an underground tunnel is underway to streamline ore transportation to the mill, enhancing cost-effectiveness and reliability.

Future production targets lower Bolivar Northwest, Upper CNG, El Gallo, and Dulce orebodies. Ore and waste handling strategies are effectively implemented, with plans for comprehensive haulage simulations to validate assumptions and optimize handling processes.

Hydrogeological assessments indicate the mine's predominantly "dry" status, with no extensive dewatering measures necessary. A detailed LOM production schedule has been formulated, utilizing historical data to ensure operational efficiency.

Operational improvements, including equipment maintenance and processing plant optimization, have contributed to surpassing production targets. Strategic recruitment of mining professionals has enhanced operational management.

The mine's ventilation system functions primarily as an exhaust ventilation setup, drawing fresh air downward from the surface through the declines/adits. This negative pressure is created by surface fans strategically positioned on top of raise bores throughout the mine.

The ventilation system is divided into two distinct zones for management simplicity: the Bolivar Zone and the Fierro Zone.

• Bolivar Zone: This zone encompasses mining areas such as Bolivar W and Bolivar NW. Fresh air is supplied to this zone through the airways of the Integration tunnel and the main decline. Exhaust systems for this zone include the Fierro RB and Bolivar NW RB. A total airflow of 206.6 m3/s (437,761 cfm) is directed to this zone, facilitated by the utilization of exhaust fans with varying power capacities.

• Fierro Zone: This zone includes the Fierro mining area. Fresh air is introduced through the 741 Adit and the Fierro Decline/Adit. The exhaust system for this zone consists of the Fierro RB. A total airflow of 93.9 m3/s (198,963 cfm) is directed to this zone, facilitated by an exhaust fan with a specific power capacity.

The Bolivar Mine's strategic initiatives, efficient production practices, and ongoing improvements position it for sustainable long-term success within the mining industry.

# 1.12 GEOTECHNICAL

The geological characteristics of the Bolivar deposit play a significant role in shaping mining methodologies and ground stability considerations. The deposit primarily comprises hornfels and skarn hosted ore zones, with granodiorite and andesite footwall and hanging wall formations. Skarn deposits, formed by magmatic-hydrothermal activity, exhibit alteration structures that can weaken rock mass integrity.

The Bolivar orebody exhibits tabular shape, varying ore zone dips from approximately  $10^{\circ}$  to over  $40^{\circ}$ , and a true width typically ranging from 12 to 20 meters. Plunge is nearly flat to intermediate, with planned mining depths extending from 200 to 600 meters under mountain ridges. Secondary brittle structures, such as local faults, contribute to ground instability in areas like La Increfble and El Gallo mines.

Geotechnical data collection involved extensive core logging, structural mapping, and geotechnical mapping, alongside point load strength tests and UCS tests on core samples. Rock mass structural mapping identified two joint sets with dips ranging from 60° to 80°, indicating potential wedge formation areas.

Current and historical mining methodologies vary based on orebody characteristics. Primary/secondary open stoping layouts with paste fill are employed in steeply dipping zones, while transverse sub-level stoping methods are utilized in areas with lower dips. Historical methods include room and pillar mining in El Gallo Superior and Inferior and long hole open stoping in Chimenea.

AGP Mining Consultants note the extensive logging and mapping databases but raise concerns about potential systematic errors due to logging intervals and inadequate rock strength tests. Ground conditions are generally rated as "Fair" to "Good," with occasional zones of "Poor" ground adjacent to faults. In-situ stress conditions are moderate, and ground support designs align with observed ground conditions, although deeper intersections may require longer support elements.

Caution is advised when correlating RMR89 and Q for design purposes, emphasizing the need for thorough analysis and consideration of geological and geotechnical factors in mine planning and design processes.

# 1.13 MINERAL PROCESSING

Various metallurgical test work programs have occurred at the Bolivar Mine under Sierra Metal's ownership since 2005. Prior to 2011, no processing facilities were available on site, and ore was hauled and treated at the Malpaso process plant located approximately 270 km away by road. Bolivar's processing facilities commenced commercial operations in November 2011 at 1,000 tpd and has been progressively upgraded to a nominal capacity of 5,000 tpd and consists of

conventional comminution and flotation circuits. The process plant treated 1.48 Mt of ore in 2023 to produce 49 kt of copper concentrate product.

### 1.14 INFRASTRUCTURE

The Bolivar Mine boasts a robust infrastructure supporting its operations, including access roads, a 600-person man-camp with facilities like cafeteria and laundry, maintenance workshops for both underground and surface equipment, electrical shop, guard house, fuel storage, laboratories, administrative offices, and processing plant. It also features a tailings storage facility (TSF), water storage reservoir, and water tanks. Electric power is primarily supplied by the Mexican power grid, supplemented by diesel generators, with heating provided by on-site propane tanks.

The mine's access points are through multiple portals, each supported by modern facilities such as accommodation, changing rooms, and cafeterias. Maintenance operations are facilitated by strategically located maintenance facilities both underground and on the surface, ensuring efficient upkeep of equipment.

The compressed air system at the primary portal enhances underground operations, supported by subterranean workshops dedicated to equipment maintenance. A new tunnel project is underway to optimize ore transportation to the processing plant, reducing reliance on surface haulage trucks and mitigating environmental risks associated with surface transportation.

The tunnel will connect with various ore zones underground, improving efficiency and safety. The mine's pumping system is designed to manage runoff and collect fine materials, ensuring efficient water management and environmental compliance.

The mine's electrical infrastructure includes substations equipped with transformers to distribute power efficiently to various operational areas. Water supply for the processing plant is sourced from a nearby reservoir, with a significant portion of process water being recycled.

Tailings management involves strategic placement and management of tailings, with plans for future expansions to accommodate long-term production schedules. Efforts are ongoing to enhance water recovery and reduce environmental impact, with all necessary permits in place for current and future operations.

In summary, the Bolivar Mine's comprehensive infrastructure, efficient operations, and strategic planning underscore its commitment to sustainable mining practices and long-term success.

# 1.15 MARKET STUDIES AND CONTRACTS

Bolivar stands as a distinguished underground mining endeavour specializing in the extraction of high-quality copper concentrate, enriched with commercially significant quantities of copper, silver, and gold. Sierra Metals maintains a contractual agreement for concentrate sales, meticulously reviewed by AGP Mining to ensure alignment with industry standards. Metal prices, integral to Bolivar's trading operations, are meticulously sourced from Sierra Metals and reflect the November 2023 CIBC Global Mining Group Analyst Consensus Commodity Price Forecast, providing a robust foundation for transparent and informed decision-making. Detailed metal price assumptions, presented in Table 1-3, further enhance transparency and referenceability.

Metal	Price	Unit
Copper	8,302.27	\$/tm
Gold	1,711.21	\$/oz
Silver	22.55	\$/oz
Lead	2,064.04	\$/tm
Zinc	2,588.55	\$/tm

### Table 1-3: Metal Prices for Mineral Reserves for the Bolivar Mine

Source: Sierra Metals (2024)

### 1.16 ENVIRONMENTAL, PERMITTING, SOCIAL IMPACT

Sierra Metals intends to build additional tailings capacity current with mine operations, and the permitting associated with TSF expansion is in progress.

Geochemical characterization results for 2023, provided to AGP, indicate low metal leaching potential and uncertain or non-acidic generation potential. The 2023 ABA results PNN = PN/AP = 1.31 mg KOH/g. Further investigation of the current materials being deposited in the tailing's impoundment may be warranted; however, given the dryness of the Chihuahuan Desert, this may not necessarily be a material problem for the project.

The required permits for continued operations of the Bolivar Mine, including exploration of the site, have been obtained. AGP has no investigated as to the status of all the required permits. Currently, AGP is not aware of any outstanding permits or any non-compliance at the Bolivar Project or nearby exploration sites.

# 1.17 CAPITAL AND OPERATING COSTS

The Bolivar Project's technical team has meticulously compiled a capital estimate essential for sustaining mining and processing operations, meticulously itemizing expenses into crucial categories:

- Mine Development: Encompassing underground mine development costs derived from Bolivar-specific data.
- Ventilation: Anticipating costs associated with establishing ventilation raises to maintain optimal production.
- Equipment: Covering capital outlay necessary for equipment maintenance and replacement, ensuring uninterrupted operations.
- Infill Drilling and Exploration: Allocated for identifying and assessing potential mining opportunities through infill drilling and exploration efforts.
- Plant and Tailings Storage Facility (TSF): Incorporating capital expenditures aimed at enhancing and expanding processing plant and TSF infrastructure.
- Closure: Reserved for funding future closure activities in adherence to environmental regulations and operational sustainability principles.

Considering the Bolivar Project's operational status, AGP Mining has judiciously considered preexisting working capital reserves, obviating the need for additional provisions for working capital fluctuations in economic modeling. A comprehensive breakdown of the capital expenditure by area is succinctly summarized in Table 1-4 for reference and clarity.

Description	Sustaining (US\$ ,000)	Life of Mine (US\$ ,000)
Sustaining Capital Development	\$8,929	\$29,056
Sustaining Capital Ventilation	-	-
Sustaining Capital Equipment	\$3,585	\$11,352
Sustaining Capital Infill Drilling - Exploration	\$4571	\$13,371
Sustaining Capital Concentrator	\$3,293	\$8,713
Sustaining Capital Tailings Dam	\$9,260	\$3,596
Sustaining Capital Tunnel	\$1,400	\$1,400
Sustaining Capital Other	-	\$5,020
TOTAL CAPITAL	\$26,711	\$76,483

## Table 1-4: Capital Cost Summary 2024-2027 (US\$)

Source: Sierra Metals (2024)

The estimation of operating costs at AGP Mining is grounded in rigorous site-specific data analysis, ensuring a comprehensive and precise assessment. Historical cost data is leveraged for comparative analysis, aiding in contextualizing current projections. Costs are meticulously categorized into three primary areas: Mining, encompassing expenses directly linked to extraction and transportation; Processing, covering operational costs associated with the processing plant; and G&A (General and Administrative), addressing administrative and overhead expenses. A detailed summary of estimated operating costs, alongside historical data, is presented in Tables 1-5, providing valuable insights for informed decision-making and strategic planning.

### **Table 1-5: Modeled Operating Cost Summary**

Description	Life of Mine (US\$ ,000)	Life of Mine (US\$/t ore)
Underground Mining	151,868	27.81
Process	60,211	11.03
G&A	54,440	5.67
Total Operating	266,519	44.51

Source: Sierra Metals (2024)

# 1.18 ECONOMIC ANALYSIS

In accordance with NI 43-101, producing issuers may omit the information necessary for Economic Analysis on properties in current production if the Bolivar Technical Report does not entail a substantial expansion of ongoing production. As a producing issuer, Sierra Metals operates the Bolivar Mine, which is currently in production. Moreover, there are no plans for a significant expansion of current production. Sierra Metals has conducted an economic analysis based on the estimates provided in this report for the LOM plan of the Bolivar Mine. The analysis affirms positive cash flow, thereby substantiating the declaration of Mineral Reserves.

### 1.19 CONCLUSIONS AND RECOMMENDATIONS

#### 1.19.1 <u>Geology</u>

The Bolivar Mine is an active underground mine operation, situated in southwest Chihuahua State, Mexico, and has been in production since 2009. From 2009 to present day, Sierra Metals has had active surface and underground drilling programs to develop the mineral resources of the mine.

The Bolivar Mine is a polymetallic skarn breccia deposit consisting of several mineralized zones within two distinct types of breccia occurrences. The first is a breccia consisting of a mineralized calcite-quartz stockwork zone with the associated copper sulphides (chalcopyrite-bornite) and zinc sulphides (sphalerite). The second is a garnet skarn and has been formed in the volcano-sedimentary package with calcareous content and micritic limestones.

AGP has reviewed the drill logging and sampling procedures and protocols, including drill hole data and is satisfied the drill programs and QAQC procedures conducted by Sierra Metals meet industry standards and norms; and that sample preparation and analyses are appropriate for this style of deposit.

The Mineral Resources for the Bolivar Mine are: Measured Resource of 2.3 Mt at 0.84 %Cu, 0.33 g/t Au, and 83 g/t Ag; Indicated Resource of 16.0 Mt at 0.74 %Cu, 0.24 g/t Au, and 14.63 g/t Ag; and an Inferred Resource of 12.1 Mt at 0.72 %Cu, 0.19 g/t Au, and 12.21 g/t Ag. Mineral Resources are reported at an NSR cut-off US\$ 23.80/t. The QP responsible for the Mineral Resources for the Bolivar Mine is Paul Daigle, P.Geo.. The effective date of the Mineral Resources is 31 December 2023.

The principal metal grades were estimated by OK or ID interpolation, depending on mineralized domain, on capped composite copper, gold, silver, and iron values. No recoveries have been applied to the interpolated grade estimates. AGP is of the opinion that the Mineral Resources have been estimated using standard industry practices.

AGP recommends the following for the development of the Bolivar Mine:

- To continue delineation and infill drilling in areas of Inferred Mineral Resources to facilitate upgrading to higher confidence resource categories (i.e. Indicated or Measured Mineral Resource) to support LOM planning activities.
- To complete a drill hole spacing study is likewise recommended to provide guidance on drill hole density requirements.
- To continue with density check samples from each drill program to assure that density model does not depart from the current density assignment, currently based on slope of regression with iron.

#### 1.19.2 <u>Mining</u>

AGP Mining Consultants confirms that the Mineral Reserve Estimate adheres to established industry standards, with available data supporting the classification of reserves as Probable.

Given its operational status, the Bolivar Mine relies on recent production data as a primary means to validate or adjust relevant modifying factors for converting Mineral Resources into Mineral Reserves.

The production schedule associated with these reserve estimates extends mining operations until Q4 2027, maintaining an average daily production rate of approximately 5,000 tonnes of ore. This LOM production plan focuses on primary mining zones: El Gallo, 6900, Cieneguita, Dulce, Bolivar W, and Bolivar NW, utilizing Longhole Stoping mining techniques.

The Mineral Reserves for the Bolivar Mine are: Proven Reserve of 0.452 Mt at 0.86 % copper, 26.05 g/t silver and 0.43 g/t gold and Probable Reserves of 5.125 Mt at 0.76 % copper, 16.02 g/t silver and 0.26 g/t gold.

Mineral Reserves are reported at an NSR, the cut-off US\$ 23.8/t for sub-level stopping method. Mining recovery and dilution have been applied.

AGP presents the following recommendations concerning mining operations and reserves management at Bolivar mine:

- maintain and annually update the 3D LOM design and schedule
- conduct regular 3D mine surveys and utilize the data for ongoing stope-by-stope reconciliations between planned and actual outcomes, ensuring validation of mining recovery and dilution assumptions
- keep accurate records of mined material (as-builts)
- develop a comprehensive waste handling and underground storage plan, validating assumptions regarding swell factors for blast material and re-handled material, as well as storage fill factors
- implement a comprehensive whole-of-mine ventilation plan to establish and maintain a forced ventilation system throughout the mine's operational lifespan
- reconciled Ventsim model to match up to date Deswik model. To allow for years 2024-2027 to be modelled accurately this model needs to be updated
- annual flywheels should be used to give accurate simulations of heat across the mines life
- heat simulations should be modelled with the equipment on site and activity tracks added in
- conduct geotechnical analyses, particularly in the newly developed zones of Bolivar Northwest and Bolivar West
- develop a Geotechnical Management Plan detailing:
  - the available logging, mapping, and testing data
  - o planned investigation programmes
  - the geotechnical model
  - design methods to be applied for mining sections
  - o ground support requirements
  - o monitoring systems
- undertake further numerical modelling analyses to assess stope stability and potential dilution in deeper mining sections; analyses should include prominent structural features
- undertake a trade-off study on mining methods (avoca) to identify opportunities for enhancing production rates and improving mining recovery through the optimization of mine design dimensions, ore and waste handling processes, and other design criteria, ultimately enhancing the conversion of mine resources into reserves
- develop and maintain an estimate of remaining tonnes and grades within pillars, necessitating improvements in the accuracy of mined-out survey models and the establishment of a channel samples database for reserve estimation

- establish a plan for the safe extraction of pillars, including analysis of potential utilization of tailings or waste material as backfill within the mine
- prioritize infill drilling and mine planning activities to focus on converting resources into reserve inventory, particularly for mid-range and long-range planning horizons

The estimated budget for these proposed work programs is approximately US\$ 1.6 million."

# UPDATED MINERAL RESOURCE AND MINERAL RESERVE INFORMATION

The Company prepared an updated mineral resource estimate for the Yauricocha Mine and the Bolivar Mine as at December 31, 2023 which is set out in the chart below:

Resources – Measured and Indicated <sup>(1)(2)</sup> (based on AGP Technical Report; effective date 31 Dec. 2023)													
				Metal Grade				Value		Contained Metal			
Mine	Class	Tonnes	Cu	Au	Ag	Zn	Pb	NSR	Cu	Au	Ag	Zn	Pb
white	Cluss	(kt)	(%)	(g/t)	(g/t)	(%)	(%)	(US\$/t)	(Mlb)	(koz)	(koz)	(Mlb)	(Mlb)
Yauricocha	Measured	1,945.6	1.37	0.56	40.35	2.12	0.48	114.90	58.76	35.03	2,523.99	90.93	20.59
	Indicated	8,428.7	1.29	0.47	42.73	2.21	0.56	113.84	239.71	127.36	11,579.35	410.66	104.06
	M+I	10,374.3	1.30	0.48	42.28	2.19	0.55	114.04	297.33	160.10	14,102.12	500.88	125.79
Bolivar	Measured	2,327.7	0.84	0.33	19.83	-	-	68.65	43.22	24.58	1,484.06	-	-
	Indicated	16,039.2	0.74	0.24	14.63	-	-	57.93	262.74	122.81	7,546.82	-	-
	M+I	18,366.9	0.76	0.25	15.29	-	-	59.29	305.96	147.38	9,030.88	-	-
Total	M+I	28,741.2	0.95	0.33	25.03	0.79	0.20	79.05	603.29	307.48	23,133.00	500.88	125.79

Resources – Inferred <sup>(1)(2)</sup> (based on AGP Technical Report; effective date 31 Dec. 2023)													
				Metal Grade					Contained Metal				
Mino	Class	Tonnes	Cu	Au	Ag	Zn	Pb	NSR	Cu	Au	Ag	Zn	Pb
wine	Class	( <b>kt</b> )	(%)	(g/t)	(g/t)	(%)	(%)	(US\$/t)	(Mlb)	(koz)	(koz)	(Mlb)	(Mlb)
Yauricocha	Inferred	13,211.1	1.30	0.43	34.42	1.59	0.49	102.88	378.63	182.64	14,619.77	463.10	142.71
Bolivar	Inferred	12,108.4	0.72	0.19	12.21	-	-	54.33	192.97	73.47	4,754.54	-	-
Total	Inferred	25,319.5	1.02	0.31	23.80	0.83	0.26	79.66	571.60	256.11	19,374.31	463.10	142.71

Notes:

(1) Mineral resources that are not mineral reserves do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimates.

(2) Figures may not add due to rounding.

(3) Mineral Resources are reported at Cut-Off values (COV)'s based on 2023 actual metallurgical recoveries and 2024 smelter contracts.

(4) Reporting cut-off value is an NSR and are variable based on mining method. Yauricocha; US\$39.71/t (SLC) and US\$62.86/t (OCF). Bolivar US\$ 23.80/t.

(5) NSR was calculated as follows: Yauricocha NSR = Cu\*47.337+Ag\*0.346+Pb\*15.448+Zn\*12.346+Au\*4.588 and Bolivar NSR = Cu\*60.7714 + Au\*26.575 + Ag\*0.4406

Metal prices for the NSR formulas are: US\$3.77/lb Cu, US\$1,711.21/ oz Au, US\$22.55/ oz Ag, US\$1.17/lb Zn, US\$0.94/lb Pb.

The above mineral resource estimate has been reviewed by Ricardo Salazar Milla, the Company's Corporate Manager – Mineral Resources, a Qualified Person as defined in the NI 43-101.

The resource estimates are based on the consolidated mineral resource estimate with the following effective dates as contained in the respective Technical Reports filed for each of the mines:

Yauricocha Technical Report – effective date: December 31, 2023 Bolivar Technical Report – effective date: December 31, 2023

The Company prepared an updated mineral reserve for the Yauricocha Mine and the Bolivar Mine as at December 31, 2023 which is set out in the chart below:

			Grade					Value		Con	tained Me	etal	
Mine	Class	Tonnes	Cu	Au	Ag	Zn	Pb	NSR	Cu	Au	Ag	Zn	Pb
		(kt)	(%)	(g/t)	(g/t)	(%)	(%)	(US\$/t)	(Mlb)	(koz)	(koz)	(Mlb)	(Mlb)
	Proven	1,114	0.9	0.4	28.2	1.7	0.2	77.08	21.11	13.86	1,011	42.1	5.9
Vauriaaaha													
rauricocha	Probable	5,239	1.1	0.4	35.8	1.9	0.5	93.89	121.6	59.94	6,021	213.6	54
	Total	6,353	1.02	0.36	34.43	1.83	0.43	90.94	142.68	73.8	7,032	255.65	59.87

	Proven	452	0.86	0.43	26.05	-	-	75.11	8.57	6.21	378	-	-
Bolivar	Probable	5,125	0.76	0.26	16.02	-	-	60.38	86.17	43.24	2,640	-	-
	Total	5,577	0.77	0.28	16.83	-	-	61.58	94.74	49.46	3,018	-	-
Total	<b>Proven+Probable</b>	11,930	0.90	0.32	26.20	0.97	0.23	77.21	237.42	123.26	10,050	255.65	59.87

Notes:

(1) Mineral Reserves have been classified in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into NI 43-101

(2) All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding.

- (3) Mineral Reserves are reported at Cut-Off values (COV)'s based on 2023 actual metallurgical recoveries and 2024 smelter contracts.
- (4) Reporting cut-off value is an NSR and are variable based on mining method. Yauricocha; US\$39.71/t (SLC) and US\$62.86/t (OCF). Bolivar US\$ 23.80/t.
- (5) NSR was calculated as follows: Yauricocha NSR = Cu\*47.337+Ag\*0.346+Pb\*15.448+Zn\*12.346 +Au\*4.588 and Bolivar NSR = Cu\*60.7714 + Au\*26.575 + Ag\*0.4406
- (6) Metal prices for the NSR formulas are: US\$3.77/lb Cu, US\$1,711.21/ oz Au, US\$22.55/ oz Ag, US\$1.17/lb Zn, US\$0.94/lb Pb.
- (7) In Yauricocha mining recovery and dilution have been applied and are variable by mining area and proposed mining method, for Bolivar a 4% external dilution has been included with zero grade for room and pillar mining; and mining recovery for Longhole Stoping mining is estimate at 96%.

All economic parameters are based on the respective Technical Reports. All risks associated with the Mines are defined in the risks section of the Technical Reports. Disclosure follows assumptions and parameters used in the Technical Reports.

### **RISK FACTORS**

The Company's ability to generate revenues and profits from its mineral properties, or any other mineral property it may acquire, is dependent upon a number of factors. The risks and uncertainties described below as well as the other information contained in this AIF should be carefully considered. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. If any of these events actually occur, Sierra's business, prospects, financial condition, cash flows and operating results could be materially harmed.

#### Liquidity risks and going concern

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's ability to continue as a going concern is dependent on its ability to repay or refinance its current loans and obtain the necessary financing to advance its exploration projects and meet its ongoing corporate overhead costs. Although the Company has been successful in obtaining debt or equity financing in the past, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company. These consolidated financial statements are prepared on a going concern basis which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include adjustments to the recoverability and classification of recorded asset and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion and development plans. The Company's budgets and forecasts are based on estimates of commodity prices, future production,

operating costs and capital costs. The Company cannot assure that such revenues, production plans, costs or other estimates will be achieved. Actual revenues and production costs may vary from the estimates depending on a variety of factors, many of which are not within the Company's control. Failure to achieve revenue, production or cost estimates or material increases in costs or material decreases in commodity prices could have a material adverse impact on the Company's ability to meet its financial obligations as they come due.

The Company ensures that it has sufficient committed credit facilities to meet its short-term operating needs. There can be no guarantee that the Company will be successful in obtaining these credit facilities on acceptable terms, or at all. If additional financing is not available, the Company may have to postpone its capital expenditures and exploration programs, which could materially impact the long-term financial performance of the Company.

# Political risk

The potential impact of future social instability, labor disruptions and any lack of public order in Mexico and Peru, and on the Company's operations in particular, is not known at this time. The Company may be required to incur significant costs in the future to safeguard the Company's assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to the Company's assets. There can be no assurance that the Company will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Company does suffer damage.

## **Operating hazards and risks**

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, criminal activity, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material adverse effect on the Company's financial position.

The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry at reasonable terms or at all. In addition, the Company's insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on Sierra's business.

### Minera Corona is not a wholly-owned subsidiary

The Company owns 81.84% of Minera Corona, which in turn owns 100% of the Yauricocha Mine. Minera Corona is also a publicly traded company with its securities listed on the Lima Stock Exchange and consequently has certain disclosure and reporting obligations as a public company which may differ from those of Sierra. The directors and officers of Minera Corona (including those who may from time to time also be directors and officers of Sierra) owe a duty to Minera Corona that may conflict with the interests of the Company. Furthermore, the directors and officers of Minera Corona may also owe a duty to minority shareholders of Minera Corona which may conflict with the interests of the Company. In the event of such conflict, the directors and officers of Minera Corona may need to balance these completing interests in their decision making and certain decisions of the directors and officers of Minera Corona may ultimately not be favorable to the Company.

### Base and precious metal price fluctuations

The value and price of the Company's securities, its financial results, and its exploration, development and mining activities may be significantly adversely affected by declines in the price of precious and base metals. Such prices may fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of precious and base metal producing countries throughout the world. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Mineralized material calculations and LOM plans using significantly lower precious and base metal prices could result in material write-downs of the Company's investments in mining properties and increased amortization, reclamation and closure charges.

### Mining operations

The capital costs required by the Company's projects may be significantly higher than anticipated. Capital and operating costs, production and economic returns, and other estimates contained in the Technical Reports, may differ significantly from those provided for in future studies and estimates and from management guidance, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction and exploration schedules may negatively impact the NPV and internal rates of return of the Company's mineral properties as set forth in the applicable technical report. Similarly, there can be no assurance that historical rates of production, grades of ore processed, rates of recoveries or mining cash costs will not experience fluctuations or differ significantly from current levels over the course of the mining operations conducted by the Company.

In addition, there can be no assurance that the Company will be able to continue to extend the production from its current operations through exploration and drilling programs.

#### Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the

exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company's advanced projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

### Exploration and development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, other than the mineral resources and reserves on the Yauricocha Mine and Bolivar Mine, none of the Company's properties have any orebodies with proven or probable reserves.

The economics of developing precious and base metal properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Substantial expenditures are required to discover an ore body, to establish mineral resources and reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

# Uncertainty of calculation of reserves and resources and metal recoveries

Although the Company's reported mineral reserves and resources have been prepared by Qualified Persons, these amounts are estimates only by independent geologists, and the Company cannot be certain that any specified level of recovery of mineral will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body that can be economically exploited. Mineralized materials, which are not mineral reserves, do not have demonstrated economic viability. Any material changes in the quantity of mineralization, grade or stripping ratio, or the metal price may affect the economic viability of the Company's properties. In addition, the Company cannot be certain that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production.

The mineral resource and reserve figures included in the AIF and the documents incorporated by reference are estimates, which are, in part, based on forward-looking information, and no assurance can be given that

the indicated level of precious or base metals will be produced. Although resource estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Factors such as inherent sample variability, metal price fluctuations, variations in mining and processing parameters, increased production costs, reduced recovery rates and adverse changes in environmental or mining laws and regulations may render the present proven and probable reserves unprofitable to develop at a particular site or sites for periods of time and/or may require a reassessment of the commercial feasibility of a particular project. Such a reassessment may be the result of a management decision related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties.

### Replacement of reserves and resources

The Yauricocha Mine and Bolivar Mine are the Company's only current sources of mineral production. Current LOM plans provide for a defined production life for mining at the Company's mines. If the Company's mineral reserves and resources are not replaced either by the development or discovery of additional reserves and/or extension of the LOM at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, financial performance and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning.

### Fluctuations in the price of consumed commodities

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other re-agents fluctuate and affect the costs of production at the Company's operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on the Company's operating costs or the timing and costs of various projects. The Company's general policy is not to hedge its exposure to changes in prices of the commodities used in its business.

### Risk of foreign operations

The Company's operations are currently conducted through subsidiaries principally in Peru and Mexico and, as such, its operations are exposed to various levels of political, economic and other risks and uncertainties in those countries which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets.

The Yauricocha mine is located in Peru. The effect of any social unrest, protests, political instability or interference in Peru cannot accurately be predicted and could have a significant adverse effect on the Company's operating results, its financial condition, or its ability to retain and/or renew existing or new permits to continue its operations as intended.

The risks and uncertainties specific to the Company's Mexican operations vary from region to region and include, but are not limited to, terrorism, hostage taking, murder, corruption of government officials, blackmail, extortion, local drug gang activities as the Company's operations are located in areas where Mexican drug cartels operate, military repression, expropriation, extreme fluctuations in currency exchange

rates, high rates of inflation, labour unrest, the risks of war or civil unrest, nationalization, renegotiation or nullification of existing concessions, licenses, permits and contracts; unreasonable changes to existing laws; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation of earnings or capital, changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Mexico continues to undergo violent internal struggles between the government and organized crime with drug cartel relations and other unlawful activities. The number of kidnappings, violence and threats of violence throughout Mexico is of particular concern. While the Company takes measures to protect both personnel and property (including certain police escorts in and out of areas), there is no guarantee that such measures will provide an adequate level of protection for the Company or its personnel. The occurrence of illegal activity against the Company or its personnel cannot be accurately predicted and could have an adverse effect on the Company's operations.

The former Mexican Government was considered anti-mining industry and insisted to ban open pit mining in the country. The new Government has not been actively promoting the foregoing. While the Company's operations are underground and this possible ban will not affect its operations, changes to current laws governing the Company's Mexican operation, and political changes in Mexico, among the new rules provided in the New Mining Law and related laws ruling the mining industry, may risk the Company's ability to obtain future or new permits.

Additionally, local opposition to mine development projects could arise in Peru and/or Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's foreign operations. If the Company were to experience resistance or unrest in connection with its foreign operations, it could have a material adverse effect on its operations and profitability. To the extent the Company acquires mineral properties in jurisdictions other than Peru and Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

### Burden of government regulation and permitting

The Company's operations, exploration and development activities are subject to extensive foreign federal, state and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post-closure reclamation, safety and labour, mining law reform, price controls import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even those actions of parties from whom the Company acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company retains competent and well-trained individuals and consultants in jurisdictions in which it does business, however, even with the application of considerable skill the Company may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

In the ordinary course of business, the Company will be required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits and licenses are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licensing authority. The Company may not be able to obtain or renew permits and licenses that are necessary to continue its operations or the cost to obtain or renew permits and licenses may exceed what the Company expects. Any unexpected delays or costs associated with the permitting and licensing process could delay the development or impede operations, which may adversely affect the Company's revenues and future growth.

### Risks relating to outstanding borrowings

The Company's ability to repay its outstanding borrowings depends on its future cash flows, profitability, results of operations and financial condition. The Company has prepared budgets based on estimates of commodity prices, future production, operating costs and capital costs. However, the Company cannot assure that such revenues, production plans, costs or other estimates will be achieved. Actual revenues and production costs may vary from the estimates depending on a variety of factors including those discussed herein, many of which are not within the Company's control. Failure to achieve revenue, production or cost estimates or material increases in costs or material decreases in commodity prices could have a material adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

If there is any event of default under any of the Company's loan facilities, the principal amount of such loans, plus accrued and unpaid interest, if any, may be declared immediately due and payable. If such an event occurs, this would place additional strain on the Company's cash resources, which could inhibit its ability to further its operating and/or exploration activities.

### Uncertainty of title to assets

Although the Company believes that it has exercised commercially reasonable diligence with respect to determining title to properties that it owns, controls or has rights in, there is no guarantee that title to such properties will not be challenged or impugned. The Company's properties may be subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties which could impair development and/or operations of the Company. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

### Environmental risks

All phases of the Company's operations are subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company cannot be certain that future changes in environmental regulations, if any, will not adversely affect its operations. Environmental hazards may exist on properties held by the Company that are unknown to it and that have been caused by previous or existing owners or operators of the Company's properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

## Litigation risks

All industries, including the mining industry, are subject to legal claims, with and without merit. Although the Company is not currently aware of any threatened or pending legal proceedings other than as disclosed in the Company's financial statements, there is no guarantee that the Company will not become subject to additional proceedings in the future. There can be no guarantee of the outcome of any such claim. In addition, defense and settlement costs for any legal proceeding can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's financial position or results of operations.

### Insurance risks

The Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, the Company expects that insurance against risks such as environmental pollution or other hazards as a result of exploration and production may be prohibitively expensive to obtain for a company of Sierra's size and financial means. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial condition and results of operations.

### Competitive risks

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company does. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms acceptable to the Company or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

# Volatility in the price of the Common Shares

Securities of mineral resource and mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. In addition, because of the nature of the Company's business, certain factors such as public announcements and the public's reaction, the Company's operating performance and the performance of competitors and other similar companies, fluctuations in the market prices of precious and base metals, government regulations, changes in earnings estimates or recommendations by research analysts who track Sierra's securities of other companies in the resource sector, general market conditions, announcements

relating to litigation, the arrival or departure of key personnel and the risk factors described in this AIF can have an adverse impact on the market price of the Common Shares.

Any negative change in the public's perception of the Company's prospects could cause the price of its securities, including the price of the Common Shares, to decrease dramatically. Furthermore, any negative change in the public's perception of the prospects of mining companies in general could depress the price of Sierra's securities, including the price of the Common Shares, regardless of the Company's results. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

## Global financial risks

Financial markets globally have been subject to increased volatility. Access to financing has been negatively impacted by liquidity crises throughout the world. These factors may impact the Company's ability to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to Sierra. The levels of volatility and market turmoil are on the rise, and the Company may not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

### Employee recruitment and retention

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's CEO and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration, development and operation of mining properties are limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. The Company could experience increases in its recruiting and training costs and decreases in its operating efficiency, productivity and profit margins. If the Company is not able to attract, hire and retain qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, financial performance and financial condition.

### Reliance on key personnel and labour relations

The Company's operations are dependent on the abilities, experience and efforts of key personnel. If any of these individuals were to be unable or unwilling to continue to provide their services to the Company, there may be a material adverse effect on the Company's operations. The Company's success is dependent upon its ability to attract and retain qualified employees and personnel to meet its needs from time to time. The Company may be negatively impacted by the availability and potential increased costs that may be associated with experienced key personnel and general labour. Sierra's ability to achieve its future goals and objectives is dependent, in part, on maintaining good relations with its employees and minimizing employee turnover. Work stoppages or other industrial relations events at any of Sierra's operations could lead to delayed revenues, increased costs and delayed operation cash flows. As a result, prolonged labor disruptions at any of Sierra's operations could have a material adverse impact on its operations as a whole.

### Potential conflicts of interest

Certain of the Company's directors and officers serve, or may serve in the future, as officers and directors for other companies engaged in natural resource exploration, development and/or production.

Consequently, there is a possibility that the Company's directors and/or officers may be in a position of conflict in the future.

To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The CBCA requires the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

## Significant shareholders

Arias Resource Capital Fund II L.P., Arias Resource Capital Fund II (Mexico) L.P. (collectively, the "**ARC Funds**"), Arias Resource Capital GP Ltd., J. Alberto Arias and Arias Resource Capital Management LP (the "**Manager**") collectively own a significant number of Common Shares. This significant concentration of ownership may adversely affect the trading price for the Common Shares because investors often perceive disadvantages in owning shares in companies with significant shareholders. In addition, these shareholders may be able to exercise influence over certain matters requiring shareholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of the Company or its assets. This concentration of ownership could limit investors' ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation, or other business combination involving the Company, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit the Company's other shareholders.

# Third party reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

### Potential dilution of present and prospective shareholdings

The exercise of stock options and restricted share units ("**RSUs**") issued by the Company and the issuance of other additional equity securities in the future could result in dilution in the value of the Common Shares and the voting power represented by such shares. Furthermore, to the extent holders of the Company's stock options or other securities exercise their securities and then sell the Common Shares they receive, the trading price of the Common Shares may decrease due to the additional number of Common Shares available in the market.

### Currency risks

The Company's operations in Mexico and Peru are subject to foreign currency exchange fluctuations. The Company may suffer losses due to adverse foreign currency fluctuations.

The Company and its subsidiaries' financial instruments are exposed to currency risk where those instruments are denominated in currencies that are not the same as their functional currency; exchange gains and losses in these situations impact net income or loss. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration and operating costs of the Company are denominated in United States dollars, Peruvian Soles, and Mexican pesos. In addition,

the Company's sales of silver, copper, lead, zinc and gold are denominated in United States dollars. The United States dollar is the functional currency of the Peruvian entities and the Mexican entities. The Canadian dollar is the functional currency of all other entities. The Company also holds cash and cash equivalents, trade and other receivables, accounts payable that are subject to currency risk. As a result, the Company's financial performance may be significantly impacted by changes in foreign exchange rates.

### Risks relating to cyclical business

The mining and exploration industry is cyclical in nature. The mining industry is subject to commodity pricing, which is in turn affected by other economic indicators and worldwide cycles. The pricing cycles that the mining industry experiences affect the overall environment in which the Company conducts its business. For example, if commodity pricing is low, Sierra's access to capital may be restricted. Continuing periods of low commodity prices or economic stalls could also affect the economic potential of the Company's current properties and may affect its ability to, among other things: (i) capitalize on financing, including equity financing, to fund its ongoing operations and exploration and development activities; and (ii) continue exploration or development activities on its properties.

Weather cycles may affect the Company's ability to conduct exploration activities at its mines, including the Yauricocha Mine, Bolivar Mine and Cusi Mine. More specifically, drilling and other exploration activities may be restricted during periods of adverse weather conditions or winter seasons as a result of weather-related factors, including inclement weather, snow covering the ground, frozen ground and restricted access due to snow, ice, or other weather-related factors.

## Financial reporting standards

The Company prepares its financial reports in accordance with IFRS applicable to publicly accountable enterprises. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

# <u>Credit risks</u>

Credit risk is the risk that the counterparty to a financial instrument might fail to discharge its obligations under the terms of a financial contract. Credit risk is primarily associated with trade receivables; however, it also arises on cash and cash equivalents, other receivables and financial assets.

### Climate change

There is significant evidence of the effects of climate change on our planet and an intensifying focus on addressing these issues. Governments are introducing climate change legislation and treaties at the international, national, and local levels, and regulations relating to emission levels and energy efficiency are evolving and becoming more rigorous. However, the laws and regulatory requirements are not consistent across the jurisdictions in which we operate, and regulatory uncertainty is likely to result in additional complexity and cost in our compliance efforts. Public perception of mining is, in some respects, negative and there is increasing pressure to curtail mining in many jurisdictions as a result, in part, of perceived adverse effects of mining on the environment. Concerns around climate change may also affect

the market price of the Company's shares as institutional investors and others may divest interests in industries that are thought to have more environmental impacts. While the Company is committed to operating responsibly and reducing the negative effects of its operations on the environment, its ability to reduce emissions, energy and water usage by increasing efficiency and by adopting innovation is constrained by technological advancement, operational factors and economics. Adoption of new technologies, the use of renewable energy, and infrastructure and operational changes necessary to reduce water usage may also increase the costs at the Company's operations significantly. Concerns over climate change, and the Company's ability to respond to regulatory requirements and societal pressures, may have significant impacts on its operations and on its reputation, and may even result in reduced demand for its products. The physical risks of climate change could also adversely impact the Company's operations. These risks include, among other things, extreme weather events, resource shortages, changes in rainfall and in storm patterns and intensities, water shortages, changing sea levels and extreme temperatures. Climate-related events such as mudslides, floods, droughts and fires can have significant impacts, directly and indirectly, on the Company's operations and could result in damage to its facilities, disruptions in accessing its sites with labour and essential materials or in shipping products from its mines, risks to the safety and security of its personnel and to communities, shortages of required supplies such as fuel and chemicals, inability to source enough water to supply its operations, and the temporary or permanent cessation of one or more of its operations. There is no assurance that the Company will be able to anticipate, respond to, or manage the risks associated with physical climate change events and impacts, and this may result in material adverse consequences to its business and to its financial results.

## Biological hazards

While the World Health Organization declared the end of the COVID-19 global emergency in May 2023, there has been a spread of new COVID-19 mutations, other infectious diseases and pathogens since. Such new mutations or other pathogens and local government mandates could impact the Company's operations in the future. The extent to which these circumstances will impact the operations will depend on future developments which are highly uncertain and cannot be predicted with confidence.

### Cybersecurity Risk

The risk of a cyber-attack on the Company's servers, computers, software, data and network is possible. The Company has local protocols in place to manage and prevent security risks related to cyber-attacks, including active malware protection, intrusion detection, authentication methods, and use of dedicated servers and secure cloud-based servers. However, there can be no assurance that this can effectively prevent or manage a cyber-attack on the Company and risks exist related to exposing private non-public information or private personnel information. The Company continues to advance its cyber security systems and develop and enhance controls, processes and practices designed to protect the Company's systems from attack, damage or unauthorized access. Additionally, the Company's insurance policies consider coverage for cyber related attacks. As cyber-attacks continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### Dividends and Distributions

No cash dividends or distributions were declared on Sierra's securities for each of the three most recently completed financial years.

The amount of future dividends to be declared in the future, if any, shall be considered by the Board on a quarterly basis and will depend on the Company's overall cash and operating position at the relevant time,

satisfaction of solvency tests imposed by applicable law for the declaration and payment of dividends and other relevant factors.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the date hereof, the Company has 211,929,720 Common Shares issued and outstanding.

Each Common Share carries one vote at all meetings of shareholders, is entitled to receive dividends as and when declared by the Board and is entitled to participation in the remaining property and assets of the Company upon dissolution or winding-up. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights.

### MARKET FOR SECURITIES

The Common Shares are currently listed for trading on the TSX under the symbol "SMT".

## TRADING PRICES AND VOLUMES

The following table provides a summary of the high and low prices and aggregate volume for the Common Shares as traded on the TSX for the twelve-month period ending December 31, 2024.<sup>(1)</sup>

Period	High (C\$)	Low (C\$)	Volume
January 2024	1.00	0.61	5,210,077
February 2024	0.955	0.71	2,578,861
March 2024	0.88	0.71	1,966,950
April 2024	0.87	0.76	2,604,119
May 2024	1.05	0.78	4,069,033
June 2024	0.98	0.72	2,798,843
July 2024	0.89	0.71	1,788,033
August 2024	0.74	0.62	2,128,868
September 2024	0.81	0.64	2,478,980
October 2024	0.94	0.73	2,373,108
November 2024	0.89	0.62	8,851,119
December 2024	0.88	0.65	3,615,038

(1) Source: TSX Infosuite.

### PRIOR SALES

During the fiscal year ended December 31, 2024, the Company issued the following securities that are not listed or quoted on a marketplace:

Date of Issue	Type of Security Issued	Number of Securities Issued
March 31, 2024	RSUs	$1,806,420^{(1)(2)}$

(1) 95,654 of these RSUs have since been cancelled.

(2) 781,929 of these RSUs vested and were exercised during the year.

### **ESCROWED SECURITIES**

Other than disclosed herein, to the Company's knowledge, as at December 31, 2024, no securities of the Company were held in escrow or were subject to contractual restriction on transfer.

In connection with the departure of Luis Marchese as CEO in 2022, certain of his RSUs were accelerated with the underlying Common Shares subject to contractual lock-up, such that: (a) 103,333 of such Common Shares were restricted from transfer until December 1, 2023; (b) 103,333 of such Common Shares were restricted from transfer until December 1, 2024; and (c) 103,334 of such Common Shares are restricted from transfer until December 1, 2025 (subject to certain acceleration in the event of a change of control of the Company).

## **DIRECTORS AND OFFICERS**

As of the date of this AIF, the Board consists of six directors. Each director will hold office until the next AGM of the Company or until his successor is elected or appointed, unless his or her office is earlier vacated in accordance with the consenting documents of the Company or the provisions of the CBCA.

The following table sets forth the names, residency and office of each director and executive officer of the Company as at the date hereof:

Name, position with the Company, province or state and country of residence	Principal occupation for the past five years	Director/officer of the Company since
ERNESTO BALAREZO VALDEZ CEO and Director (Lima, Peru)	<ol> <li>May 2022 to present: Director, Grupo LAR - Perú</li> <li>June 2022 to present: Director, Agrícola Chapi SA</li> <li>January 2016 to present: Director, Perú Sostenible</li> <li>2018 to 2020: AENZA (former Graña y Montero)</li> <li>February 2024 to present: Director, Ecosac, Perú</li> <li>Member of the Advisory Council         <ul> <li>Cobra - Perú (Construction &amp; Infrastructure)</li> </ul> </li> </ol>	November 28, 2022
ROBERT NEAL <sup>(3)</sup> Director (New York, United States)	<ol> <li>May 2007 to present: Founder and portfolio manager at Skellig Capital Management LLC</li> </ol>	June 10, 2022
MIGUEL ARAMBURU ALVAREZ-CALDERON <sup>(1)(2)</sup> Director (Lima, Peru)	<ol> <li>May 2022 to present: Director of Stracon, S.A.C.</li> <li>March 2023 to present: Director of El Comercio</li> <li>May 2018 to present: Director of Fibra Prime</li> <li>September 2012 to present: Director of Minsur.</li> <li>September 2012 to present: Director of Visiva (formerly IEduca)</li> </ol>	June 13, 2022
BEATRIZ ORRANTIA <sup>(1)(2)</sup> Director (Ontario, Canada)	<ol> <li>July 2023 to Present: Director and Chair of the Sustainability Committee of Lifezone Metals Ltd.</li> <li>February 2023 to December 2024: Director of Fission Uranium Corp. and Chair of the ESG Committee</li> <li>February 2022 to present: External Advisor- AMER Mining &amp; Metals Centre of Excellence at Ernst &amp; Young</li> <li>March 2020 to Present: Lead Independent Director and Chair of the ESG and Nomination for Star Royalties Ltd.</li> <li>November 2017 to Present: Strategic Consultant Canada-LatAm</li> </ol>	June 28, 2023

Name, position with the Company, province or state and country of residence	Principal occupation for the past five years	Director/officer of the Company since
	<ul> <li>(6) March 2020 to April 2022: Director of Mineros S.A, Chair of the Compensation Committee; member of the Business Opportunities and Optimization Committee</li> </ul>	
WENDY KAUFMAN <sup>(2)(3)</sup> Director (Ontario, Canada)	<ol> <li>November 2020 to Present: CFO of Canada Nickel Company Inc.</li> <li>April 2023 to Present: Director of BZAM Ltd.</li> <li>July 2019 to October 2020: CFO of Khiron Life Sciences Corp.</li> </ol>	August 21, 2023
ROBERTO MALDONADO <sup>(1)(3)</sup> Director (Lima, Peru)	<ol> <li>January 2018 to Present: General Manager of Agnitia Consultores SAC.</li> <li>September 1995 to Present: Appointed Principal Professor of the Faculty of Geological, Mining and Metallurgy Engineering at the National University of Engineering (Universidad Nacional de Ingeniería) in Lima, Peru.</li> </ol>	June 25, 2024
JEAN PIERRE FORT CFO (Lima, Peru)	<ol> <li>July 2024 to Present: CFO of the Company</li> <li>May 2023 to June 2024: Corporate Business Development Manager of the Company</li> <li>April 2021 to May 2023: CFO of Silver Mountain Resources</li> <li>May 2020 to September 2020: Investment Banking Associate at RBC Capital Markets</li> <li>July 2018 to May 2019 – Financial Planning &amp; Analysis Associate at Volcan Compania Minera</li> </ol>	July 1, 2024
PATRICIA KOSA Vice President, Legal Chief Compliance Officer (Lima, Peru)	<ol> <li>Sierra Metals - VP Legal: September 2023 - to Present</li> <li>Gold Fields La Cima S.A Legal and Compliance Director: April 2023 - August 2023</li> <li>Gold Fields La Cima S.A Legal and Compliance Manager: December 2018 - April 2023</li> </ol>	September 11, 2024
RAJESH VYAS Vice President, Corporate Controller (Ontario, Canada)	<ol> <li>December 2019 to present: Corporate Controller of the Company</li> <li>November 2017 to November 2019: Director of Finance of Alamos Gold Inc.</li> </ol>	December 18, 2019

<sup>(1)</sup> Member of the Sustainability and Operations Committee

<sup>(2)</sup> Member of the Corporate Governance, Nomination and Compensation Committee

<sup>(3)</sup> Member of the Audit Committee

As at the date hereof, the directors and executive officers of the Company as a group beneficially own, directly and indirectly, or exercise control or direction over, an aggregate of 4,505,388 Common Shares, representing approximately 2.1% of the outstanding Common Shares.

# CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, CEO or CFO of any company (including the Company), that:

(a) was the subject of 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 30 consecutive days (an "**order**") that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Except as disclosed herein, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person 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;
- (b) has, within ten years before the date of this AIF, 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 the director, executive officer or shareholder.

Ms. Wendy Kaufman is currently a director of BZAM Ltd. ("BZAM"). On February 28, 2024, BZAM and certain of its Canadian and foreign subsidiaries (the "BZAM Entities") initiated creditor protection proceedings in Canada under the Companies' Creditors Arrangement Act (the "CCAA") pursuant to an Initial Order issued by the Court. On March 8, 2024, the BZAM Entities received Court approval to commence a sales and investment solicitation process in respect of their business and assets. On April 16, 2024, the monitor deemed the stalking horse subscription agreement to be the successful bid. The BZAM Entities' proceedings under the CCAA remain ongoing as the business has been restructured. Presently, BZAM and the surviving BZAM Entities, as applicable, are intending to seek approval to exit the CCAA proceedings at the next hearing in May, 2025.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) 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
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **CONFLICTS OF INTEREST**

The Company confirms that there are currently no existing material conflicts of interest between Sierra or a subsidiary of Sierra and any director or officer of Sierra or of a subsidiary of Sierra. Other than with respect to the involvement of certain directors of the Company in other mining companies, there are no potential material conflicts of interest between Sierra or a subsidiary of Sierra and any director or officer of Sierra or a subsidiary of Sierra and any director or officer of Sierra or of a subsidiary of Sierra.

## AUDIT COMMITTEE INFORMATION

The Board has established an audit committee (the "Audit Committee") comprised of Wendy Kaufman (Chair), Roberto Maldonado and Robert Neal. All of the members of the Audit Committee are independent, non-executive directors of the Company. All members of the Audit Committee meet the independence and financial literacy requirements of National Instrument 52-110 - *Audit Committees* ("NI 52-110").

The Board has adopted a written charter for the Audit Committee, which sets out the Audit Committee's responsibility in overseeing the accounting and financial reporting processes of the Company, audits of the financial statements of the Company, and the appointment, compensation, and oversight of the work of any registered external auditor employed by the Company for the purpose of preparing or issuing an audit report or related work. This charter is reviewed and assessed at least annually or otherwise, deemed appropriate, by the Board with the assistance of the Corporate Governance, Nominating and Audit Committees. A copy of this charter is attached hereto as Appendix "A".

## Wendy Kaufman

Ms. Kaufman is a senior financial executive and corporate director with over 25 years of experience leading junior and mid-tier publicly traded companies, largely in the resource sector. She currently serves as Chief Financial Officer of Canada Nickel Company Inc. which is focused on the development and financing of a large-scale nickel deposit in Canada. Previous to Canada Nickel, she served as Chief Financial Officer of Pasinex Resources Limited and Primero Mining Corporation and was Vice President, Finance and Treasury at Inmet Mining Corporation.

Ms. Kaufman brings extensive knowledge in the areas of liquidity, capital structuring, financial management and planning and corporate governance geared to support growth strategies. She also has expertise in public company accounting and reporting, corporate strategy, capital markets, acquisitions and integration.

Ms. Kaufman is a CPA, CA and holds a Bachelor of Business Administration from Wilfrid Laurier University.

# Roberto Maldonado

Roberto Maldonado has over 35 years of professional experience in the mining sector, currently serving as the General Manager of Agnitia Consultores SAC in Peru. He previously held the position of Central Operations Manager (2008-2017) at Volcan Compañía Minera and was responsible for five mining operations including supporting activities such as administration, human resources management, procurement management, control of contracts, appraisals, inventory control, safety, and environmental systems.

Mr. Maldonado holds a masters in Mineral Engineering Management from The Pennsylvania State University and obtained his Mining Engineering degree from the National University of Engineering (Universidad Nacional de Ingeniería).

### **Robert Neal**

Mr. Neal has 33 years experience in senior roles with hedge funds and leading global corporate finance firms. He has extensive experience as both a principal investor and advisor in leveraged finance, high yield, private and public equity. He has long-standing relationships and expertise in the energy, industrial and materials sectors.

Mr. Neal founded Skellig Capital LLC in February 2007. Skellig Capital is a global long/short equity hedge fund based in New York. Primary industry concentrations include industrials, energy, mining, metals and logistics. Prior to founding Skellig Capital, Mr. Neal was responsible for industrial sector research with a concentration on ferrous and industrial metals at Passport Capital, LLC. Prior to joining Passport Capital, Mr. Neal had a 14-year corporate finance career with firms including Merrill Lynch, Barclays de Zoete Wedd and Dresdner Kleinwort Wasserstein, where Mr. Neal was the global head of private equity coverage. Mr. Neal's corporate finance expertise concentrated on leveraged finance, high yield, restructuring and mergers & acquisitions. In his corporate finance work Mr. Neal focused for many years on the private equity community in the United States and Western Europe, providing acquisition and financial structuring advice for numerous transactions, principally in the industrial sector.

Mr. Neal received a BA from Duke University in 1988.

# AUDIT COMMITTEE OVERSIGHT

At no time since January 1, 2024 has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

### PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services, including the requirement that all non-audit services to be performed by the external auditor must be pre-approved and monitored by the Audit Committee. Subject to NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable the Audit Committee, on a case-by-case basis.

### **EXTERNAL AUDITOR FEES**

PricewaterhouseCoopers LLP ("**PWC**") was appointed as auditors of the Company on July 11, 2012. For the fiscal years ended December 31, 2024 and December 31, 2023, the fees billed by PWC are summarized below for each category:

Service	Fees billed in 2024	Fees billed in 2023
Audit Fees	\$576,246	\$793,495
Audit-Related Fees <sup>(1)</sup>	\$96,150	\$114,666
Tax Fees	\$18,137	\$15,701
All Other Fees	\$nil	\$nil
Total Fees Paid	\$690,532	\$923,862

(1) For the year ended December 31, 2024, the \$96,150 in "Audit-Related Fees" relates to PWC's quarterly reviews.

(2) For the year ended December 31, 2023, the \$114,666 in "Audit-Related Fees" relates to PWC's quarterly reviews.

The fees set forth in the table above cover the following services provided to us by PWC:

"Audit Fees" include fees necessary to perform the audit of the Company's consolidated financial statements. Audit Fees include quarterly reviews, fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

"Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

"**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

"All Other Fees" include fees relating to the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported in the preceding paragraphs.

There were no non-audit fees paid to the auditor during the years ended December 31, 2024 and 2023.

# LEGAL PROCEEDINGS AND REGULATORY ACTIONS

## Legal Proceedings

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the normal course of business. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. The Company carries liability insurance coverage and will establish accruals and provisions for matters that are probable and can be reasonably estimated. In addition, the Company may be involved in disputes with other parties in the future. These may result in a significant impact on the Company's financial condition, cash flow and results of operations.

# **REGULATORY ACTIONS**

During the financial year ended December 31, 2024, there were no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

# INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management of the Company is not aware of any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company:

- a director or executive officer of the Company;
- a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities; and
- an associate or affiliate of any of the persons or companies referred to in (i) or (ii) above.
## TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Odyssey Trust Company, located at 1230 – 300, 5<sup>th</sup> Ave SW, Calgary, Alberta T2P 3C4.

## MATERIAL CONTRACTS

There are no contracts, other than those disclosed in this AIF, that are material to the Company and that were entered into during the financial year ended December 31, 2024, or before the most recently completed financial year that are still in effect as of the date of this AIF.

The New Credit Facility includes certain covenants with respect to the governance and management of the Company. Specifically, the Company would have to repay 100% of the outstanding principal amount owing under the New Credit Facility in the following events:

- (a) change of control of the Company.
- (b) the Company ceases to control DBP, DBM or Minera Corona; or

(c) individuals constituting a majority of the members of the Board before any general shareholders meeting of Sierra Metals shall cease to constitute the majority of the Board immediately following such general shareholders meeting.

Additionally, under the New Credit Facility each of the Company, DBP and DBM covenant to consult with the lenders in good faith prior to any replacement, appointment, removal, addition or hiring of any Chief Executive Officer, Chief Financial Officer, Chief Operating Officer (or the equivalent) or any new member to such entity's board of directors.

Highlights of the New Facility:

- 5-year term with maturity in June 2029
- Interest at 3-month SOFR plus 6.50% for \$85.0 million and 12% fixed rate for \$10.0 million
- 12-month grace period before quarterly principal repayments
- Revised Net Debt to EBITDA and Debt service coverage covenants
- Provides covenant headroom during grace period
- Balloon payment of 35% upon maturity
- Callable at no penalties, but for \$10.0 million for a period of 18 months.

### **INTEREST OF EXPERTS**

The Qualified Persons responsible for reviewing the Yauricocha Technical Report are:

Simon Mortimer- FAIG, Professional Geologist with Atticus Geoscience Consulting S.A.C. Dr. Scott Jobin-Bevans - P.Geo., PhD, PMP, Caracle Creek International Consulting John M. SIriunas -M.A.Sc., P.Eng., Caracle Creek International Consulting Oscar Retto Magallanes, MAIG, Principal Mineral Resource Associate with AGP Mining Consultants Inc. Alonso Gonzales, MAusIMM, Principal Mine Engineer with AGP Mining Consultants Inc. Neil Lincoln, P.Eng., Principal Process Engineer with AGP Mining Consultants Sandro Guarniz Anticona, MAusIMM, Mining Engineer with Sierra Metals Inc.

The Qualified Persons responsible for reviewing the Bolivar Technical Report are:

Paul Daigle, P.Geo., Senior Resource Geologist with AGP Mining Consultants Inc. Neil Lincoln, P.Eng., Principal Process Engineer with AGP Mining Consultants Alonso Gonzales, MAusIMM, Principal Mine Engineer with AGP Mining Consultants Inc. Sandro Guarniz Anticona, MAusIMM, Mining Engineer with Sierra Metals Inc.

To the knowledge of the Company, each of the Qualified Persons listed above hold less than 1% of the outstanding Common Shares, at the time of the preparation of the Technical Reports and/or at the time of the preparation of the technical information contained in this AIF and either did not receive any or received less than a 1% direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports or data.

PWC are the auditors of the Company who have prepared the auditors' report in respect of Sierra's annual financial statements for the fiscal year ended December 31, 2024. PWC has confirmed that it is independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR+ at <u>www.sedarplus.ca</u>. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company's financial statements and management discussion & analysis for its most recently completed financial year.

## **APPENDIX "A"**

# SIERRA METALS INC. AUDIT COMMITTEE CHARTER

## **PURPOSE**

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of Sierra Metals Inc. (the "Corporation"). The primary function of the Committee is to assist the Board in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Committee. The Committee's primary duties and responsibilities are:

- overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or to the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors, overseeing the external auditors' qualifications and independence and providing an open avenue of communication among the external auditors, the Corporation's financial and senior management and the Board; and
- monitoring the Corporation's financial reporting process and internal controls, its management of business and financial risk, and its compliance with legal, ethical and regulatory requirements.

### **COMPOSITION**

The Committee will be comprised of members of the Board, the number of which will be determined from time to time by resolution of the Board. The composition of the Committee will be determined by the Board such that the membership and independence requirements set out in the rules and regulations, in effect from time to time, of any securities commissions (including, but not limited to, the Ontario Securities Commission) and any exchanges upon which the Corporation's securities are listed (including, but not limited to, the Toronto Stock Exchange) are satisfied.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall remain on the Committee until the next annual organizational meeting of the Board or until their successors have been duly elected or appointed. The Board may remove a member of the Committee at any time in its sole discretion by resolution of the Board.

### **DUTIES AND RESPONSIBILITIES**

- 1. The Committee shall:
  - (a) review and recommend to the Board for approval the annual audited and unaudited interim consolidated financial statements of the Corporation and related MD&As;
  - (b) review with financial management and external auditors the Corporation's financial statements, MD&A and earnings releases prior to filing the same with regulatory bodies such as securities commissions and/or prior to their release;

- (c) review documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or unaudited interim financial statements (e.g. prospectuses and/or press releases containing financial results) prior to their release; and
- (d) make changes or additions to security policies of the Corporation and report, from time to time, to the Board on the appropriateness of the policy guidelines in place to administer the Corporation's security programs.
- 2. The Committee, in fulfilling its mandate, shall:
  - (a) review and monitor the Corporation's major financial and operational risks and risk management practices, the effectiveness and efficiency of such practices, and the steps taken by management to mitigate those risks;
  - (b) in consultation with the external auditors and management (including for certainty any internal auditor of the Corporation), review the adequacy of the Corporation's internal control structure and procedures designed to ensure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Corporation's financial and accounting group;
  - (c) ensure to its satisfaction that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer of the Corporation to certify financial statements and other disclosure documents as required under securities laws;
  - (d) ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's public disclosure and periodically assess the adequacy of those procedures (including compliance with the Corporation's Disclosure Policy);
  - (e) recommend to the Board the selection of the external auditors, consider their independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors;
  - (f) monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors, and discussing and resolving any material differences of opinion or disagreements between management and the external auditors;
  - (g) review the performance of the external auditors and approve any proposed discharge and replacement of the external auditors when circumstances warrant. Consider, with management, the rationale for employing accounting/auditing firms other than the principal external auditors;
  - (h) periodically consult with the external auditors without of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper;
  - (i) arrange for the external auditors to be available to the Committee and the Board as needed. Ensure that the external auditors report directly to the Committee and are made accountable

to the Board and the Committee, as representatives of the shareholders to whom the auditors are ultimately responsible;

- (j) review and approve the Corporation's hiring policies regarding employees or former employees of the current and former external auditors;
- (k) review the scope of the external audit, including the fees involved;
- (l) review the external auditors' report on the annual audited consolidated financial statements;
- (m) review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue;
- (n) review major positive and negative observations of the external auditors during the course of the audit;
- (o) review with management and the external auditors the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results;
- (p) review emerging accounting issues and their potential impact on the Corporation's financial reporting;
- (q) review and approve requests for any management consulting engagement to be performed by the external auditors and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees;
- (r) review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material impact upon the financial position or operating results of the Corporation, and whether these matters have been appropriately disclosed in the financial statements;
- (s) review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements;
- (t) periodically review risk assessments from management with respect to cyber security, including assessments of the overall threat landscape and related strategies and investments;
- (u) review with management their approach with respect to business ethics and corporate conduct;
- (v) review annually the legal and regulatory requirements that, if breached, could have a significant impact on the Corporation's published financial reports or reputation;
- (w) receive periodic reports on the nature and extent of compliance with security policies. The nature and extent of non-compliance together with the reasons therefore, with the plan and timetable to correct such non-compliance will be reported to the Board, if material;

- (x) review with management the accuracy and timeliness of filing with regulatory authorities;
- (y) review periodically the business continuity plans for the Corporation;
- (z) review annually general insurance coverage of the Corporation to ensure adequate protection of major corporate assets including, but not limited to, D&O (Directors and Officers) and "Key Person" coverage;
- (aa) perform such other duties as required by the Corporation's incorporating statute and applicable securities legislation and policies;
- (bb) review and provide appropriate oversight of any related-party or conflicted transactions, whether actual or perceived, and make recommendations to the Board whether any such transactions should be approved or continued; and
- (cc) establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or audit matters.
- 3. The Committee may engage and communicate directly and independently with outside legal and other advisors for the Committee as required and set and pay the compensation of such advisors.
- 4. On an annual basis, the Committee will review the Audit Committee Charter and, where appropriate, recommend changes to the Board.

### SECRETARY

The Secretary of the Committee will be appointed by the Chair of the Committee.

#### **MEETINGS**

- 1. The Committee shall meet at such times and places as the Committee may determine, but no less than four times per year. At least annually, the Committee shall meet separately with management and with the external auditors.
- 2. Meetings may be conducted with members present in person, by telephone or by video conference.
- 3. A resolution in writing signed by all the members of the Committee is valid as if it had been passed at a meeting of the Committee.
- 4. Notice must be given to each Committee member not less than 48 hours before the time when a meeting is to be held. The notice period may be waived by a quorum of the Committee.
- 5. The external auditors or any member of the Committee may also call a meeting of the Committee. The external auditors of the Corporation will receive notice of every meeting of the Committee.
- 6. The Board shall be kept informed of the Committee's activities by a report, including copies of minutes, at the next Board meeting following each Committee meeting.

## **QUORUM**

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee.