

# Sierra Metals Inc. Responds to Inflammatory and Untrue Statements by Alpayana

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- Alpayana acquired Sierra Metals with full knowledge of the customary change of control entitlements owing to its senior officers, which entitlements (i) were publicly disclosed in Sierra Metals' initial director's circular dated January 13, 2025 on pages 59-60, and (ii) were disclosed in diligence documents shared confidentially with Alpayana in April 2025 prior to its decision to acquire Sierra Metals
- The change of control entitlements paid to the key senior officers of Sierra Metals (i) are customary and market standard for management of Canadian public companies, and (ii) were necessary to retain senior officers during the extended seven month term of Alpayana's hostile take-over bid to ensure business continuity
- Alejandro Gubbins, Chair of Alpayana, sent a formal letter to the Chair of the Special Committee in April 2025, demanding that Sierra Metals unilaterally amend existing employment agreements with certain key senior officers of Sierra Metals in order to deprive them of their contractually agreed change of control entitlements

[Sierra Metals Inc.](#) (TSX: SMT | OTCQX: SMTSF | BVL: SMT) ("Sierra Metals" or the "Company") wishes to respond to the unfounded allegations made by Alpayana S.A.C. ("Alpayana") in its July 18, 2025 press release.

Alpayana began its pursuit of Sierra Metals on December 16, 2024, by launching a hostile take-over for Sierra Metals at a bid price of CAD \$0.85 per common share.

The CAD \$0.85 bid price was a 10% premium to the prior day closing price, a price that Alpayana knew would never be recommended by the Board of Directors of Sierra Metals (the "Board") or accepted by the Company's shareholders. Alpayana launched its bid without prior engagement with the Board about a possible negotiated transaction.

Ultimately, the unattractiveness of its CAD \$0.85 bid forced Alpayana to increase its bid price on two occasions, to CAD \$1.11 on April 2, 2025 and to CAD \$1.15 on May 1, 2025.

Even as it increased its bid price, Alpayana refused to meaningfully engage in customary discussions with the Company that would permit Alpayana's acquisition to be completed expeditiously, at lower cost, and with the support of the Board. Alpayana's decision to proceed at every stage on an adversarial basis, and contrary to Canadian capital markets practice, created delay and came at the expense of the business that Alpayana has been seeking to acquire.

In Canada, a negotiated public M&A transaction can customarily be completed in three months or less. It has been more than seven months since Alpayana launched its hostile bid, and it still does not own all of the Company's shares or control the Board.

The odd transaction structure chosen by Alpayana, together with its aggressive tactics, forced a protracted transaction timeline and caused Sierra Metals to incur greater expenses and divert more of management's attention away from running the business over the seven plus months since the hostile bid was launched.

When Alpayana did finally engage with the Board in April 2025, months after Alpayana commenced its bid, Alpayana ended negotiations without disclosing its reasons for doing so. The Board believes that Alpayana's decision to terminate engagement and continue on a hostile basis was contrary to the interests of Sierra Metals and contrary to Alpayana's own interests.

As part of the April 2025 engagement, Alpayana was given confidential access to diligence, including

employment agreements and details of employee entitlements on a change of control. The information disclosed to Alpayana in April was consistent with the disclosure on pages 59-60 of Sierra Metals' January 13, 2025 directors' circular (the "Directors' Circular").

During the April 2025 discussions, Alejandro Gubbins, Chair of Alpayana, sent a formal letter to the Chair of the Special Committee, demanding that Sierra Metals unilaterally amend existing employment agreements with certain key senior officers of Sierra Metals in order to deprive them of their contractually agreed change of control entitlements.

The change of control payments, which are fully and clearly disclosed the Directors' Circular, are customary, both in amounts and triggers, for Canadian-listed public companies. Sierra Metals was unable to unilaterally amend existing employment agreements, nor would the Board agree to take steps to deprive employees of their entitlements on a change of control.

After Alpayana ceased discussions about a supported transaction, likely because Alpayana intended to have Sierra Metals dishonour lawful obligations to its employees after it acquired control, the Board became justifiably concerned to protect employee entitlements. On page 16 of the Company's notice of change to directors' circular dated May 5, 2025, the Company disclosed that the Board was considering taking steps to ensure the continuity of Sierra Metals' business operations, and taking measures to safeguard the entitlements of employees in the event of a change of control:

To ensure retention of management and the continuity of Sierra's business operations while the revised Offer is pending ... the Board may take steps to ensure the continuity of Sierra's business operations, including, among other things, the acceleration of vesting and the settlement of outstanding RSUs and DSUs, and other measures to safeguard the entitlements of employees in the event of a change of control.

As set out above, since January 2025, Alpayana had full knowledge of the customary change of control entitlements owing to Sierra Metals' senior officers as it increased its bid price twice and waived conditions to complete its bid, including waiving conditions relating to the contractually agreed change of control entitlements that are the subject to Alpayana's July 17, 2025 press release.

Shortly after the disclosure made as of May 5, 2025, as disclosed in its management information circular dated June 23, 2025, and acting in the best interest of the Company and in accordance with its fiduciary duties, the Board approved separation agreements with its senior management for the dual purposes of ensuring retention for the sake of the smooth operation of the business during the post-change of control period of transition, and to ensure such employees are treated fairly and to safeguard their legal entitlements.

Regrettably, Alpayana has chosen to characterize the separation agreements as removing the "double trigger" from the employment agreements. Alpayana did not mention, however, that change of control entitlements are also triggered by the employee resigning for "good reason", not just by termination.

Sierra Metals prides itself on operating in accordance with the highest ethical standards, both in respect of its mining operations and also in treating its employees and all of its stakeholders fairly. Sierra Metals believes that Alpayana never intended to honour its employees' contractual change of control entitlements, which are customary and market standard for management of Canadian public companies.

As its acquisition of complete control is only days away, Alpayana has chosen to issue a press release that contains misleading and untrue statements, all for no apparent purpose as its acquisition of complete control is by now assured. It is unfortunate, but ultimately to its own account, that Alpayana has taken steps inconsistent with Canadian practice that have prolonged its bid and created unnecessary conflict and uncertainty for Sierra Metals and its employees. The Board remains committed to acting in the best interests of the Company as directors near the end of their service to the Company.

## About Sierra Metals

Sierra Metals is a Canadian mining company focused on copper production with additional base and

precious metals by-product credits at its Yauricocha Mine in Peru and Bolivar Mine in Mexico. The Company is intent on safely increasing production volume and growing mineral resources. Sierra Metals has recently had several new key discoveries and still has many more exciting brownfield exploration opportunities in Peru and Mexico that are within close proximity to the existing mines. Additionally, the Company has large land packages at each of its mines with several prospective regional targets providing longer-term exploration upside and mineral resource growth potential.

### Forward-Looking Statements

This news release contains forward-looking information within the meaning of Canadian securities legislation. Forward-looking information relates to future events or the anticipated performance of Sierra Metals and reflect management's expectations or beliefs regarding such future events and anticipated performance based on an assumed set of economic conditions and courses of action. In certain cases, statements that contain forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative of these words or comparable terminology. By its very nature forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual performance of Sierra Metals to be materially different from any anticipated performance expressed or implied by such forward-looking information. Forward-looking statements in this news release include, but are not limited to, statements regarding the Company's employment arrangements, transition matters following the change of control of the Company and the business and operations of the Company.

Forward-looking information is subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the risks described under the heading "Risk Factors" in the Company's annual information form dated March 26, 2025 for its fiscal year ended December 31, 2024 and other risks identified in the Company's filings with Canadian securities regulators, which are available at [www.sedarplus.ca](http://www.sedarplus.ca).

The risk factors referred to above are not an exhaustive list of the factors that may affect any of the Company's forward-looking information. Forward-looking information includes statements about the future and is inherently uncertain, and the Company's actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking information due to a variety of risks, uncertainties and other factors. The Company's statements containing forward-looking information are based on the beliefs, expectations, and opinions of management on the date the statements are made, and the Company does not assume any obligation to update such forward-looking information if circumstances or management's beliefs, expectations or opinions should change, other than as required by applicable law. For the reasons set forth above, one should not place undue reliance on forward-looking information.

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