

SIERRA METALS SETS MONTHLY PRODUCTION RECORD FOR SECOND SEQUENTIAL MONTH AT ITS YAURICOCHA MINE IN PERU

- **Company anticipates spin-out of northern exploration properties in Peru**

Toronto, ON – October 5, 2016 – Sierra Metals Inc. (TSX: SMT) (BVL: SMT) (“Sierra Metals” or “the Company” - <http://www.commodity-tv.net/c/mid,1323,Interviews/?v=295965>) is very pleased to announce that the Yauricocha Mine achieved historic production for a second sequential month in September, 2016. The Mine produced 83,661 Dry Metric Tonnes (“DMT”) or 2,789 tonnes per day on average for the month. This is the most tonnage ever produced in one calendar month in the history of the Mine and exceeded the previous best month achieved in August 2016 of 82,149 DMT.

Plant production at the Chumpe Mill at the Yauricocha Mine also set a historic record for a second sequential month with September, 2016 production totalling 82,043 DMT which includes polymetallic and oxides from third party sources. September’s record plant production exceeds the previous best month of August 2016 when 79,554 DMT were produced.

“I am very pleased to see record production for a second subsequent month at both the Yauricocha Mine and the Chumpe Mill” commented Mark Brennan, President and CEO of Sierra Metals. *“These significant achievements continue to highlight the terrific job that our operations team have achieved implementing the modernization and operational improvement programs at the Mine.”* He continued, *“The team has positioned the Mine to drive higher value per tonne of ore mined as well as provide a path to higher production volume. As mentioned previously, we expect to see some volatility in both parameters while work is completed on certain aspects of the improvement program like the commissioning of the new hoist at Mascota in November, however the foundation has again moved higher as we continue to see the benefits of our efforts.”*

Spin-out of Peru Northern Properties

After completing a review and evaluation of its assets in Peru, Sierra Metals is anticipating spinning-out of the exploration stage properties of Piura, La Libertad and Cajamarca located in northern Peru to existing shareholders. These properties represent approximately 37,000 hectares containing 57 concessions. The spin-out would reduce the concession maintenance liability for the Company and allow for the properties accelerated exploration and development while enhancing value to Sierra shareholders.

Quality Control

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

About Sierra Metals

Sierra Metals Inc. is a Canadian mining company focused on production of precious and base metals from its Yauricocha Mine in Peru, and its Bolivar Mine and Cusi Mine in Mexico.

In addition, Sierra Metals is exploring several precious and base metals targets in Peru and Mexico. Projects in Peru include Adrico (gold), Victoria (copper-silver) and Ipillo (polymetallic) at the Yauricocha Property in the province of Yauyos and the San Miguelito gold properties in Northern Peru. Projects in Mexico include Bacerac (silver) in the state of Sonora and La Verde (gold) at the Batopilas Property in the state of Chihuahua.

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

For further information regarding Sierra Metals, please visit www.sierrametals.com or contact:

Mike McAllister

Vice President, Corporate Development
Sierra Metals Inc.
Tel: +1 (416) 366-7777
Email: info@sierrametals.com

Mark Brennan

President & CEO
Sierra Metals Inc.
Tel: +1 (416) 366-7777

In Europe:

Swiss Resource Capital AG
Jochen Staiger
info@resource-capital.ch

Forward-Looking Statements

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

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