



SIERRA METALS REPORTS CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER 2016

- **Company reports highest throughput and second highest metals production in its history**
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Third quarter consolidated highlights:

- **Revenue of US\$40.8 million vs US\$28.4 million in Q3 2015**
- **Adjusted EBITDA of US\$16.3 million vs US\$2.0 million in Q3 2015**
- **Company reports highest quarterly throughput in its history with 536,553 tonnes processed and the second highest quarterly metals production with silver equivalent production of 3.2 million ounces vs. 2.6 million ounces or copper equivalent production of 21.3 million pounds vs. 17.0 million pounds in Q3 2015**
- **Benefits of the operational improvement process at its Yauricocha Mine continue with the Company realizing an 8% increase in silver equivalent production and copper equivalent production compared to Q2 2016 due to the continued focus on the mining of higher value ore and the return to normalized operations at the Mine**
- **All in sustaining cost ("ASIC") per silver equivalent payable ounce was 19% lower at US\$11.80 at Yauricocha and at Bolivar the AISC per copper equivalent payable pound 42% lower at US\$1.90**
- **Record throughput at both the Yauricocha and Bolivar Mines during Q3 2016**
- **US\$30.3 million of cash and cash equivalents (including US\$3.1 million of restricted cash) as at September 30, 2016**
- **Conference Call to be held November 17th at 10:00 AM (EST)**

Toronto, ON – November 14, 2016: Sierra Metals Inc. (TSX:SMT)(BVL:SMT) ("Sierra Metals" or the "Company") today reported revenue of \$40.8 million and adjusted EBITDA of \$16.3 million on throughput of 536,553 tonnes and metal production of 3.2 million silver equivalent ounces or 21.3 million copper equivalent pounds during Q3 2016.

Sierra Metals had an exceptional third quarter and benefited from the continued rise in metal prices. The Company saw significant improvements in revenue and adjusted EBITDA combined with lower AISC costs in the third quarter. This was largely attributable to the completion of key aspects of the operational improvements program and a return to normalized operations at the Yauricocha Mine in Peru, which had record throughput this quarter. The Company achieved excellent year over year improvement in the third quarter with revenue up 43%, adjusted EBITDA up 708% and the ASIC per silver equivalent payable ounce lower by 19% to US\$11.80 at the Yauricocha Mine. Also, the AISC per copper payable equivalent pound was lower by 42% to US\$1.90 at the Bolivar Mine in Mexico.

The Company continued to benefit from improvements on a quarter by quarter basis (Q3 vs Q2 2016). Revenue was up 11%, adjusted EBITDA was up 209% and the ASIC per silver equivalent payable ounce was 17% lower at Yauricocha and the AISC per copper equivalent payable pound was 21% lower at Bolivar. The Company has continued to focus on the production of higher value ore, reducing costs and optimization programs at all three Mines to improve the production, operating margins and cash flow generation.

At the Bolivar Mine in Mexico, the Company had another quarter of record plant throughput in Q3 2016 with a 21% increase compared to Q3 2015. The record throughput and higher recoveries for all metals helped offset the lower head grades encountered for all metals and resulted in a 10% increase in copper equivalent production in Q3 2016 compared to Q3 2015. The Company expects to see improved production with higher throughput, better head grades and higher recoveries into 2017 by concentrating on the development and extraction of higher grade material from known mineralized areas within the Bolivar concession.

The Cusi project, also in Mexico, realized a 6% decrease in plant throughput in Q3 2016 over Q3 2015 however, the AISC per silver equivalent payable ounce decreased to \$19.22 in Q3 2016 compared to \$37.49 in Q3 2015. Higher head grades for gold and lead combined with higher recoveries for all metals (except silver) and the start of zinc concentrate production during Q1 2016 helped offset the decrease in throughput which resulted in a 10% decrease in silver equivalent production.

"The Company had a tremendous third quarter, achieving historic record production and realizing significant increases in revenue and cash flow while benefiting from lower operating costs and improved metal prices" stated Mark Brennan, President and CEO of Sierra Metals. "The operational improvements program at Yauricocha has been a great success and when matched with a continued focus on higher value ore production at all three Mines, the Company has witnessed a significant impact on its operating margins and cash flows. This can be seen by a 25% increase in silver equivalent ounce production year over year and an 8% increase over the previous quarter--which was the second highest quarter of metal production in the history of the Company. This resulted in significant increases in revenue and adjusted EBITDA and lower AISC per silver equivalent ounce."

He continued "We saw another record quarter of throughput at Bolivar however we encountered lower head grades. We believe that we will see higher metal production as we define and begin accessing higher grade ore zones. At Cusi, silver equivalent production decreased 10% over the same quarter last year however AISC per silver equivalent payable ounce was 49% lower. Sierra Metals continues to have a strong balance sheet and strong liquidity to drive operations. Continual operational improvements and successful brownfield exploration programs will drive substantial resource production growth and reduce costs at all three of the Company's Mines benefitting all shareholders."

The following table displays selected unaudited financial and operational information for the three and nine months ended September 30, 2016:

(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise)	Three Months Ended			Nine Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Operating					
Ore Processed / Tonnes Milled	536,553	503,988	452,082	1,516,760	1,407,863
Silver Ounces Produced (000's)	812	780	691	2,179	2,502
Copper Pounds Produced (000's)	6,156	5,245	4,709	17,238	17,701
Lead Pounds Produced (000's)	11,650	10,655	11,026	30,561	34,257
Zinc Pounds Produced (000's)	14,435	14,218	9,332	39,571	32,812
Gold Ounces Produced	2,305	2,197	2,026	6,737	6,864
Copper Equivalent Pounds Produced (000's) ¹	21,284	19,714	17,002	58,162	59,798
Silver Equivalent Ounces Produced (000's) ¹	3,201	2,965	2,557	8,748	8,994
Cash Cost per Tonne Processed	\$ 39.87	\$ 40.48	\$ 43.26	\$ 40.61	\$ 39.77
Cash Cost per AgEqOz ²	\$ 6.71	\$ 9.20	\$ 10.03	\$ 7.97	\$ 7.14
AISC per AgEqOz ²	\$ 12.55	\$ 15.22	\$ 18.52	\$ 14.03	\$ 14.48
Cash Cost per CuEqLb ²	\$ 1.02	\$ 1.40	\$ 1.51	\$ 1.21	\$ 1.07
AISC per CuEqLb ²	\$ 1.90	\$ 2.32	\$ 2.78	\$ 2.12	\$ 2.18
Cash Cost per AgEqOz (Yauricocha) ²	\$ 6.55	\$ 9.30	\$ 8.68	\$ 7.97	\$ 6.47
AISC per AgEqOz (Yauricocha) ²	\$ 11.80	\$ 14.27	\$ 14.64	\$ 13.36	\$ 12.39
Cash Cost per AgEqOz (Cusi) ²	\$ 9.67	\$ 10.63	\$ 10.60	\$ 8.43	\$ 7.58
AISC per AgEqOz (Cusi) ²	\$ 19.22	\$ 18.49	\$ 37.49	\$ 17.04	\$ 28.26
Cash Cost per CuEqLb (Bolivar) ²	\$ 0.94	\$ 1.25	\$ 2.00	\$ 1.17	\$ 1.29
AISC per CuEqLb (Bolivar) ²	\$ 1.90	\$ 2.41	\$ 3.27	\$ 2.18	\$ 2.27
Financial					
Revenues	\$ 40,757	\$ 36,858	\$ 28,421	\$ 101,355	\$ 109,028
Adjusted EBITDA ²	\$ 16,264	\$ 5,265	\$ 2,013	\$ 25,902	\$ 34,252
Operating cash flows before movements in working capital	\$ 16,870	\$ 6,226	\$ 1,527	\$ 28,106	\$ 34,988
Adjusted net income (loss) attributable to shareholders ²	\$ 5,003	\$ 454	\$ (3,646)	\$ 3,490	\$ 7,707
Net income (loss) attributable to shareholders	\$ 1,367	\$ (3,440)	\$ (6,761)	\$ (7,189)	\$ (6,219)
Cash and cash equivalents	\$ 27,166	\$ 20,564	\$ 32,124	\$ 27,166	\$ 32,124
Restricted cash	\$ 3,069	\$ 4,653	\$ -	\$ 3,069	\$ -
Working capital	\$ 9,604	\$ 7,936	\$ 22,047	\$ 9,604	\$ 22,047

⁽¹⁾ Silver equivalent ounces and copper equivalent pounds were calculated using the following metal prices: \$14.96/oz Ag, \$2.25/lb Cu, \$0.75/lb Pb, \$0.73/lb Zn, \$1,113/oz Au. Budgeted Cu price used in equivalent ounce/pound calculations is higher than the Company's realized selling prices during 9M 2016, and thus, has caused CuEqLb cost metrics to be higher than those realized.

⁽²⁾ This is a non-IFRS performance measure, see Non-IFRS Performance Measures section of the MD&A.

Q3 2016 Financial Highlights

Revenue from metals payable of \$40.8 million in Q3 2016 increased by 44% from \$28.4 million in Q3 2015. Higher revenues are primarily attributable to the 23% increase in throughput, the increase in silver, copper and zinc head grades, and the increase in recoveries of all metals, except zinc, at Yauricocha; the increase in recoveries of all metals at Bolivar; the introduction of a zinc concentrate from Cusi; and the increase in the prices of silver (31%), lead (11%), zinc (25%), and gold (22%) in Q3 2016 compared to Q3 2015; this was partially offset by a 9% decrease in the price of copper, and lower head grades of all metals at Bolivar.

Yauricocha's cash cost per silver equivalent payable ounce was \$6.55 vs \$8.68 in Q3 2015 and all-in sustaining cash cost ("AISC") per silver equivalent payable ounce was \$11.80 vs \$14.64 in Q3 2015. The decrease in AISC per silver equivalent payable ounce during Q3 2016 was due to the increase in throughput, head grades, and recoveries which resulted in the increase in silver equivalent payable ounces; cash costs and AISC's have remained consistent, quarter over quarter, but the increase in equivalent metal production has reduced the cost metrics at Yauricocha.

Bolivar's cash cost per copper equivalent payable pound was \$0.94 vs \$2.00 in Q3 2015 and AISC per copper equivalent payable pound was \$1.90 vs \$3.27 in Q3 2015. The decrease in AISC per copper equivalent payable pound during Q3 2016 was mainly due to the increase in copper equivalent payable pounds from the increase in throughput and recoveries, as well as a reduction in equipment maintenance costs incurred during Q3 2015.

Cusi's cash cost per silver equivalent payable ounce was \$9.67 vs \$10.60 in Q3 2015 and AISC per silver equivalent payable ounce was \$19.22 vs \$37.49 in Q3 2015. AISC per silver equivalent payable ounce decreased due to the addition of a zinc concentrate in the first nine months of 2016 which increased the silver equivalent payable ounces; the increase in gold and lead head grades which

resulted in a higher percentage of payable metal relative to tonnes of ore processed; and a decrease in sustaining capital expenditures related to stope and drift development within the mine as the Company incurred significant development costs during 2015 which are expected to be much lower during going forward.

Adjusted EBITDA of \$16.3 million for Q3 2016 increased compared to \$2.0 million in Q3 2015. The increase in adjusted EBITDA in Q3 2016 is due to the \$12.4 million increase in revenue, and decrease in cash costs, at Yauricocha, as well as the reduction in cash costs at Bolivar and slight increase in revenues at Cusi. The increase in revenue at Yauricocha was due to higher throughput, head grades and recoveries, and metal prices, discussed previously.

Cash flow generated from operations before movements in working capital of \$16.9 million for Q3 2016 compared to \$1.5 million in Q3 2015. The increase in operating cash flow is mainly the result of higher revenues generated and higher gross margins incurred.

Cash and cash equivalents of \$30.2 million (including restricted cash of \$3.1 million), and working capital of \$9.6 million as at September 30, 2016 compared to \$25.1 million, \$Nil, and \$13.6 million, respectively, at the end of 2015. Cash and cash equivalents have increased by \$2.1 million during 9M 2016 due to placement of \$(3.1) million into an escrow account classified as restricted cash, the capital expenditures incurred in Mexico and Peru of \$(18.2) million, repayment of loans, credit facilities and interest of \$(8.7) million, and dividends paid to non-controlling interest shareholders of \$(0.5) million; partially offset by \$20.0 million of operating cash flows, and proceeds from the issuance of credit facilities of \$12.8 million. Included in the \$20.0 million of operating cash flows were negative changes in non-cash working capital items of \$5.3 million due to the increase accounts receivable as at September 30, 2016.

Operational Update

During Q3 2016 consolidated silver and copper equivalent metal production increased 25% compared to Q3 2015, and 8% compared to Q2 2016 and was the second highest level of quarterly metals production in the Company's history. The increase was due to record plant throughput, higher head grades and higher recoveries at the Yauricocha Mine in Peru as well as record plant throughput at the Bolivar Mine in Mexico. This was partially offset by a decrease in head grades at the Bolivar Mine and the decrease in throughput, head grades and recoveries at the Cusi Mine. The Company is continuing to successfully work through the operational improvement process at its Yauricocha Mine and has seen improved production and throughput, quarter over quarter since Q4 2015.

Despite record production in the third quarter the Company anticipates a one-time reduction in production capacity in November, as a planned 25-day shutdown is completed at the Yauricocha Mine while there is a transition from the current hoist on surface to the new higher capacity hoist located on the 720 level at the Mascota shaft (please see press release dated September 12, 2016). Through extensive planning we have taken steps to mitigate the down time and shortfall including the stockpiling of material on surface to process during the shutdown."

Plant improvements completed at the Bolivar Mine during Q3 2016 included the installation of a new vibrating screen and cyclones, which will result in improved recoveries. At the Cusi Mine, the installation of a screening plant, a zinc circuit, and an improved cyclone rack resulted in recovery and grade improvements in the lead and zinc circuits.

Mine development at Bolívar during Q3 2016 totaled 1,177 meters. Most of the development was to prepare stopes for the El Fierro deposit on the main levels 753 and 757. El Gallo also saw development to provide further access to mineralization.

At the Cusi property mine development totaled 1,101 meters during the quarter to verify the continuity of structures and assist in the development of mining stopes and various veins.

The Cusi operations in Mexico mined 57,161 tons of ore with average head grades of: 184.0 g/t Ag; 1.59% Pb and 1.60% Zn and 0.13 g/t. Au. Most of this ore was sourced from the Moctezuma, Contact and San Nicolas veins. The Company began producing a zinc concentrate from the Cusi Mine in 2016 which will continue to enhance the cash flows from the operation.

Exploration Update

The Company continues with the exploration, development and definition drilling program on the Esperanza ore body from the 1070 level of the Yauricocha Mine. The program continues to realize intercepts at depth (100 meters below previously drilled holes) in two holes drilled at -50 degree angles as well as with five horizontal holes providing evidence of increased mineralization at the 1070 level. Drilling will continue from the 1070 level horizon with additional flat holes to the south as well with additional inclined holes at depth.

At the Bolivar Mine 6,244 meters have been drilled at the lower El Gallo zone as well as the Bolivar West and NW fault areas during Q3 2016.

At Cusi drilling continues to increase the resource size within numerous different veins. During Q3 2016, 1,239 meters of infill drilling was carried out inside the mine to verify the continuity of the structures and assist in the development of mining stopes

Conference Call Webcast

Sierra Metals' senior management will host a conference call on Thursday, November 17th, 2016 at 10:00 AM (EST) to discuss the Company's third quarter 2016 financial and operating results.

Via Webcast:

A live audio webcast of the meeting will be available on the Company's website at:

<http://event.on24.com/wcc/r/1211872/DF503AADE6C5C83F6E150379312D5BF>

The webcast along with presentation slides will be archived for 180 days on www.sierrametals.com

Via phone:

For those who prefer to listen by phone, dial-in instructions are below. To ensure your participation, please call approximately five minutes prior to the scheduled start time of the call.

Participant Number (Toll Free Peru): 0800-53-840

Participant Number (Toll Free North America): (877) 201-0168

Participant Number (International): (647) 788-4901

Conference ID: 15486445

Quality Control

All production 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 precious and base metals from its Yauricocha Mine in Peru, its Bolivar Mine and Cusi Mine in Mexico. In addition, Sierra Metals is exploring several precious and base metal 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 Bolsa de Valores de Lima and the Toronto Stock Exchange under the symbol "SMT".

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

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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 and until 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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