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SIERRA METALS ANNOUNCES Q3-2016 FINANCIAL RESULTS AT ITS SOCIEDAD MINERA CORONA SUBSIDIARY IN PERU

- Operational Improvements at the Yauricocha Mine continue to have very positive impact on financial results
- Q3 production highest in Yauricocha 68 year history

Toronto, ON – October 28, 2016 – Sierra Metals Inc. (TSX:SMT, BVL:SMT) (“Sierra Metals” or the “Company” - <http://www.commodity-tv.net/c/mid,1323,Interviews/?v=295965>) announces the filing of Sociedad Minera Corona S.A.’s (“Corona”) unaudited Financial Statements and Management Discussion and Analysis (“MD&A”) for the third quarter of 2016 (“Q3 2016”).

The Company holds an 81.8% interest in Corona. All amounts are presented in US dollars, unless otherwise stated, and have not been adjusted for the 18.2% non-controlling interest.

Corona’s Highlights for the Three Months Ended September 30, 2016

- Revenues of US\$ 29.5 million vs US\$17.1 million in Q3 2015
- Adjusted EBITDA of US\$ 13.9 million vs US\$2.8 million in Q3 2015
- Total tonnes processed of 237,429 vs 193,558 in Q3 2015
- All in sustaining cost (“ASIC”) per silver equivalent payable ounce lower by 19% to US\$11.80
- Silver equivalent production of 2.1 million ounces vs 1.5 million ounces in Q3 2015
- Copper equivalent production of 14.2 million pounds vs 10.3 million pounds in Q3 2015
- \$27.3 million of cash and cash equivalents as at September 30, 2016
- \$14.6 million of working capital as at September 30, 2016

Sierra Metals continued to see significant improvements in Revenue and Adjusted EBITDA combined with lower costs in the third quarter at its Yauricocha mine in Peru. The Company has completed key aspects of the operational improvements program and has returned to normalized operations. The Company achieved excellent year over year improvements in the third quarter with revenue up 73%, adjusted EBITDA up 401% and the all in sustaining cost (“ASIC”) per silver equivalent payable ounce lower by 19% to US\$11.80. The Company is also encouraged by the continued improvements seen on a quarter by quarter basis (Q3 vs Q2 2016) with revenue up 26%, adjusted EBITDA up 164% and the ASIC per silver equivalent payable ounce lower by 17%. The Company’s continued emphasis at Yauricocha will be to focus on the production of higher value ore, cost reductions and optimization programs that will improve the Company’s production, operating margins and cash flow generation.

“I am very pleased with the historic production record achieved in the third quarter and its significant impact on increases in revenue and cash flow.” stated Mark Brennan, President and CEO of Sierra Metals. *“The strong operational improvements program and focus on higher value ore are positively impacting Corona’s operating margins and cash flows. This can be seen by increases of 39% in silver equivalent ounce production year over year and of 15% over the previous quarter which have led to significant increases in Revenue and Adjusted EBITDA and lower AISC per silver equivalent ounce.”*

Having experienced record production in the third quarter we anticipate a one-time reduction in production capacity in November, as we complete a planned 25-day shutdown while we 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.”

He continued, “Corona continues to have a solid balance sheet, strong liquidity and management is optimistic that continued growth will occur from our brownfield exploration programs including areas such as the Esperanza zone within the mine complex. When combined with significant operational improvements already completed at Yauricocha, we expect this will provide for substantial growth in the future.”

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

(In thousands of US dollars, except cash cost and revenue per tonne metrics)	Three Months Ended			Nine Months Ended				
	September 30, 2016	June 30, 2016	Var %	September 30, 2015	Var %	September 30, 2016	September 30, 2015	Var %
Revenue	\$ 29,532	23,409	26%	17,066	73%	65,441	67,973	-4%
Adjusted EBITDA ⁽¹⁾	13,904	5,272	164%	2,776	401%	20,086	26,354	-24%
Cash Flow from operations	10,057	5,814	73%	12,392	-19%	10,294	19,720	-48%
Gross profit	14,335	5,989	139%	3,215	346%	22,008	27,883	-21%
Income Tax Expense	(3,924)	(287)	1267%	(850)	362%	(4,248)	(8,317)	-49%
Net Income	7,337	3,274	124%	40	18243%	9,225	11,973	-23%
Net production revenue per tonne of ore milled ⁽²⁾	119.70	102.30	17%	90.37	32%	99.10	106.49	-7%
Cash cost per tonne of ore milled ⁽²⁾	56.17	55.41	1%	55.24	2%	55.65	51.27	9%
Cash cost per silver equivalent payable ounce ⁽²⁾	6.55	9.30	-30%	8.68	-25%	7.97	6.47	23%
All-In Sustaining Cost per silver equivalent payable ounce ⁽²⁾	11.80	14.27	-17%	14.64	-19%	13.36	12.39	8%
Cash cost per copper equivalent payable pound ⁽²⁾	0.99	1.40	-29%	1.30	-24%	1.20	0.97	24%
All-In Sustaining Cost per copper equivalent payable pound ⁽²⁾	\$ 1.77	2.15	-18%	2.20	-20%	2.01	1.86	8%

(In thousands of US dollars, unless otherwise stated)	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 27,320	21,818
Assets	120,734	105,605
Liabilities	62,228	53,599
Equity	58,506	52,006

¹ Adjusted EBITDA includes adjustments for depletion and depreciation, interest expense and other financing costs, interest income, share-based compensation, Foreign Exchange (gain) loss and income taxes; see non-IFRS Performance Measures section of the Company’s MD&A.

² All-In Sustaining Cost per silver equivalent ounce sold and copper equivalent pound sold are non-IFRS performance measures and include cost of sales, treatment and refining charges, sustaining capital expenditures, general and administrative expense, and selling expense, and exclude workers’ profit sharing, depreciation and other non-cash provisions; Cash cost per silver equivalent ounce sold and copper equivalent pound sold, net production revenue per tonne of ore milled, and cash cost per tonne of ore milled are non-IFRS performance measures; see non-IFRS Performance Measures section of the Company’s MD&A.

Corona’s Financial Highlights for the Three and Nine Month Periods Ended September 30, 2016

- Cash and cash equivalents of \$27.3 million as at September 30, 2016 compared to \$21.8 million as at December 31, 2015. Cash and cash equivalents increased by \$5.5 million which was driven by operating cash flows of \$10.3 million, proceeds received from credit facilities of \$8.8 million, partially offset by capital expenditures of \$7.4 million, debt and interest payments of \$3.4 million, and dividends paid of \$2.7 million.
- Revenues of \$29.5 million for Q3 2016 compared to \$17.1 million in Q3 2015 and revenues of \$65.4 million for the nine-month period ended September 30, 2016 compared to \$68.0 million for the same period in 2015. The increase in revenues was due to a 23% increase in tonnes processed, higher head grades for silver, copper and zinc, higher recoveries for all metals, except zinc, and the increase in the price of silver (31%), lead (10%), zinc (24%), and gold (22%).
- Cash cost per silver equivalent ounce sold (at the Yauricocha Mine) of \$6.55 for Q3 2016 compared to \$8.68 for Q3 2015 and \$7.97 for the nine months ended September 30, 2016 compared to \$6.47 for the same period in 2015. All-in sustaining cost (“AISC”) per silver equivalent ounce sold of \$11.80 for Q3 2016 compared to \$14.64 for Q3 2015 and AISC of \$13.36 for the nine-month period

ended September 30, 2016 compared to \$12.39 for the same period in 2015. The decrease in AISC during Q3 2016 was due to the increase in throughput, and metal production from the mine. The increase in AISC during the first nine months of 2016 was due to the decrease in available production from higher grade zones in the Mine, and additional costs incurred related to the mechanization and water management controls implemented at the Mine during H1 2016.

- Adjusted EBITDA of \$13.9 million for Q3 2016 compared to \$2.8 million for Q3 2015 and \$20.1 million for the nine-month period ended September 30, 2016 compared to \$26.4 million for the same period in 2015. The increase in adjusted EBITDA for Q3 2016 was due to the increase in plant throughput, metal production and revenues, discussed above.
- Operating cash flows of \$10.1 million for Q3 2016 compared to US\$ 12.4 million for Q3 2015 and \$10.3 million for the nine month period ended September 30, 2016 compared to \$19.7 million for the same period in 2015. The decrease in operating cash flows for the nine month period ended September 30, 2016, compared to the same period in 2015, was primarily due to negative working capital adjustments pertaining to an increase in trade accounts receivable on concentrate sales delayed from Q2 2015 and realized in Q3 2015.
- Net income of \$7.3 million, or \$0.20 per share, for Q3 2016 compared to net income of \$0.04 million, or \$0.00 per share, for Q3 2015. Net income of \$9.2 million, or \$0.26 per share, for the nine month period ended September 30, 2016 compared to \$12.0 million, or \$0.33 per share, for the same period in 2015.

Corona's Operational Highlights for the Three and Nine Month Periods Ended September 30, 2016:

The following table displays the production results for the three and nine months ended September 30, 2016:

Yauricocha Production	3 Months Ended					9 Months Ended		
	Q3 2016	Q2 2016	% Var.	Q3 2015	% Var.	Q3 2016	Q3 2015	% Var.
Tonnes processed (mt)	237,429	215,510	10%	193,558	23%	660,519	638,515	3%
Daily throughput	2,713	2,463	10%	2,212	23%	2,516	2,432	3%
Silver grade (g/t)	106.80	107.34	-1%	96.45	11%	96.73	107.62	-10%
Copper grade	0.51%	0.39%	31%	0.33%	53%	0.55%	0.53%	4%
Lead grade	2.69%	2.93%	-8%	3.24%	-17%	2.64%	3.08%	-14%
Zinc grade	3.06%	3.30%	-7%	2.41%	27%	3.02%	2.59%	16%
Gold Grade (g/t)	0.70	0.64	9%	0.73	-4%	0.66	0.72	-9%
Silver recovery	66.81%	62.26%	7%	62.88%	6%	62.84%	68.07%	-8%
Copper recovery	65.33%	51.98%	26%	54.28%	20%	57.43%	60.96%	-6%
Lead recovery	75.75%	68.49%	11%	73.33%	3%	70.51%	75.29%	-6%
Zinc recovery	87.73%	87.53%	0%	90.76%	-3%	86.61%	89.94%	-4%
Gold Recovery	27.25%	27.79%	-2%	25.52%	7%	26.85%	26.83%	0%
Silver ounces (000's)	545	463	18%	377	44%	1,291	1,504	-14%
Copper pounds (000's)	1,740	959	81%	770	126%	4,561	4,520	1%
Lead pounds (000's)	10,652	9,550	12%	10,127	5%	27,145	32,616	-17%
Zinc pounds (000's)	14,040	13,708	2%	9,332	50%	38,030	32,812	16%
Gold ounces	1,458	1,236	18%	1,158	26%	3,756	3,977	-6%
Silver equivalent ounces (000's)⁽¹⁾	2,138	1,852	15%	1,542	39%	5,486	5,718	-4%
Copper equivalent pounds (000's)⁽¹⁾	14,216	12,314	15%	10,254	39%	36,478	38,018	-4%

(1) Silver equivalent ounces & 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.

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".

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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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