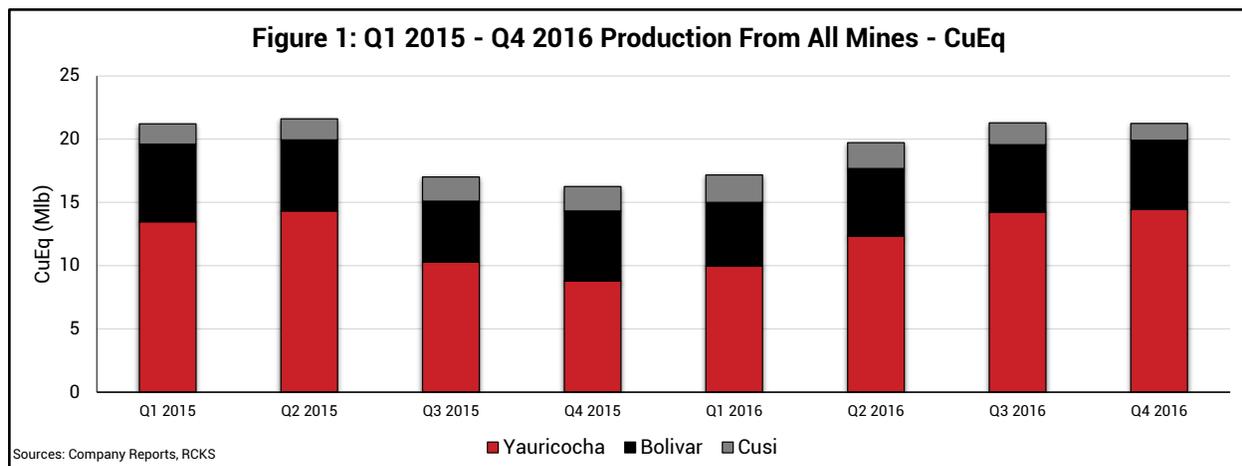


Sierra Metals Inc. - TSX:SMT, BVL:SMT

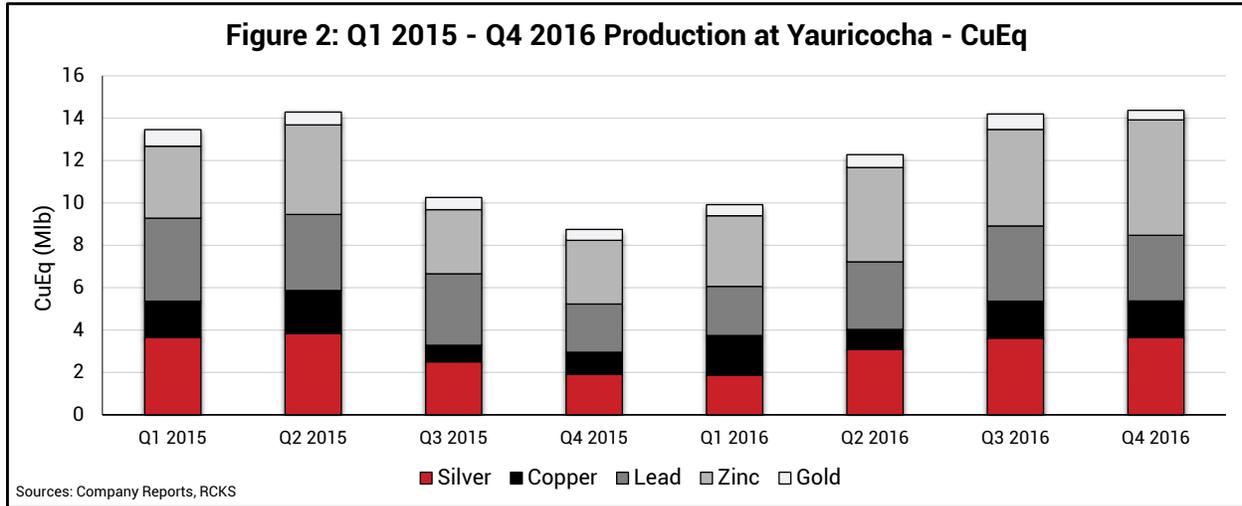
January 18, 2017

## Sierra Reports a Solid Q4

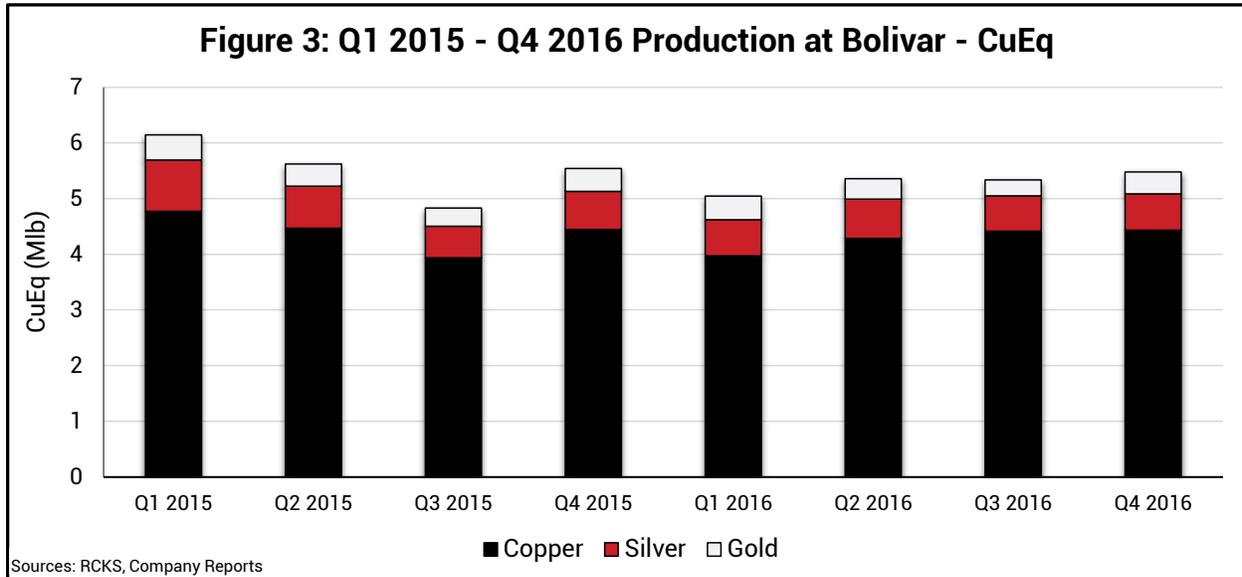
Sierra Metals Inc. (TSX:SMT,BVL:SMT) reported Q4 and 2016 production results that were highlighted by record consolidated throughput and the company's second highest level of annual metal production to date. At 79.1M lb CuEq, Sierra's annual production increased by 4% YoY and reached the higher end of the company's 2016 guidance (69.1-85.3M lb CuEq). The company's Q4 production was flat QoQ but increased by 31% YoY (Figure 1). Of note, Yauricocha's quarterly production increased by 1% QoQ, although a planned shutdown took place at the mine during Q4. Bolivar benefited from record annual throughput in 2016 which increased by 14% YoY but the mine's annual production, which increased by only 4% YoY, was impacted by declines in grades and recoveries. In addition, the company released its 2017 production and cost guidance with an expected increase of 25-45% over 2016 production. In our view, it is likely that Sierra is poised for a strong 2017 on the back of operational improvements at Yauricocha and continued exploration success at the mine's Esperanza zone. We expect Sierra's operational execution to bring about the capital structure changes needed to improve the stock's liquidity, which in our view, has the potential to positively benefit the company's share price.



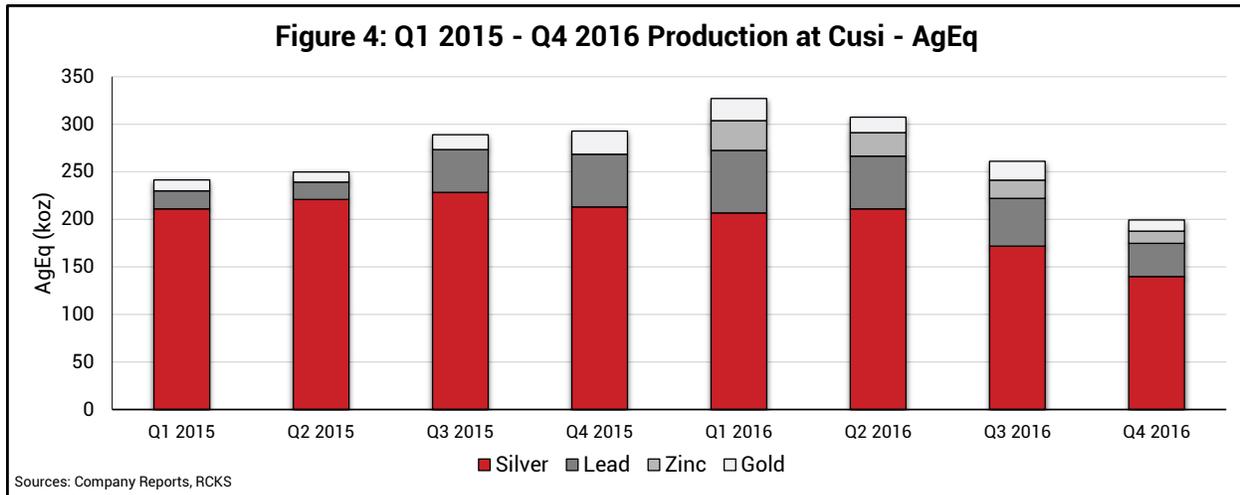
**Yauricocha delivers good operating results despite shutdown.** At Yauricocha, annual production increased by 9% YoY while quarterly production increased by 1% QoQ and 65% YoY, despite there being a planned shutdown at the mine in Q4. In our view, these results demonstrate the positive effect the operational improvement program. In addition, grades from the higher grade Esperanza zone continued to benefit production in Q4. We expect these strong operational results to be reflected in the company's financials and expect these operating results to be repeatable in Q1 2017.



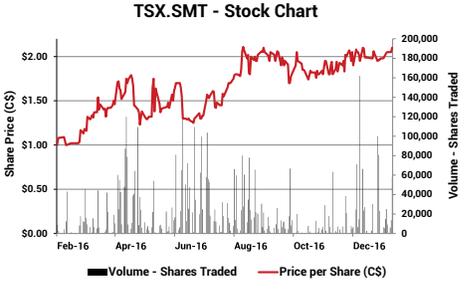
**Lower grades and recoveries offset Bolivar's record annual throughput.** Bolivar featured record annual throughput which increased by 14% YoY while production, which was impacted by declines in grades and recoveries, showed an increase of only 4% during the same period. Sierra continues to be focused on higher grade material, along with operational improvements which appear to have benefitted production in Q4. Although throughput declined by 2% QoQ, quarterly production increased by 3% QoQ (Figure 3).



**Cusi's Q4 production suffers from poor weather.** Annual metal production declined by 3% YoY at Cusi as a result of decreased throughput (down 7% YoY), a decline in silver grade (down 2%) and silver recoveries (down 6%). As a result, annual silver production saw a decline of 15% YoY but was partially offset by an increase in gold production (up 15% YoY) and lead production (up 50% YoY). Quarterly production declined steeply by 23% QoQ and 32% YoY (Figure 4) as a result of poor weather conditions on site.



**Sierra guides for significant production increases in 2017.** Sierra is guiding for 2017 production in the range of 98.6-115.1M lb CuEq (11.534-13.454M oz AgEq), which represents a 25-45% increase over 2016 production. Sierra expects to achieve this on the back of increased production and higher recoveries at Yaurichoca and Bolivar and increased throughput at Cusi. Yaurichoca is expected to produce ~60% of 2017 output and has forecasted AISC and cash costs of US\$12.29/oz AgEq and US\$9.58/oz AgEq, respectively.

Company Information: Sierra Metals Inc (TSX:SMT)																																														
Sierra Metals is a Canadian mining company with three operating mines and several precious and base metal exploration targets in Latin America. After starting to mine the higher grade Esperanza zone at its Peruvian flagship Yaurichoca mine in August 2016, Sierra Metals reported its second highest quarterly metals production in Q3 2016, producing 3,201 AgEq, and is poised for strong results going forward. In the near-term, Sierra is focused on improving operating performance through the production of higher value ore and strengthening its asset base.																																														
<p><b>TSX.SMT - Stock Chart</b></p> 	<p><b>Key Projects</b></p> <table border="1"> <thead> <tr> <th>Project</th> <th>Stage</th> <th>Current Resources (M&amp;I+)</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Yaurichoca (82%) (Peru)</td> <td>Production</td> <td>121M oz AgEq (11.6Mt @ 323.9 g/t AgEq)</td> <td>~5 year mine life remains. Exploration &amp; development ongoing from the mine's 1070 level</td> </tr> <tr> <td>Bolivar (Mexico)</td> <td>Production</td> <td>587M lb CuEq (21.6Mt @ 1.23% CuEq)</td> <td>~6 year mine life remains. A resource update is expected following a 2016 exploration program</td> </tr> <tr> <td>Cusi (Mexico)</td> <td>Production</td> <td>35M oz AgEq (4.4Mt @ 246.8 g/t AgEq)</td> <td>Pre-feasibility study in progress, including for the construction of a new on-site processing plant</td> </tr> </tbody> </table>			Project	Stage	Current Resources (M&I+)	Notes	Yaurichoca (82%) (Peru)	Production	121M oz AgEq (11.6Mt @ 323.9 g/t AgEq)	~5 year mine life remains. Exploration & development ongoing from the mine's 1070 level	Bolivar (Mexico)	Production	587M lb CuEq (21.6Mt @ 1.23% CuEq)	~6 year mine life remains. A resource update is expected following a 2016 exploration program	Cusi (Mexico)	Production	35M oz AgEq (4.4Mt @ 246.8 g/t AgEq)	Pre-feasibility study in progress, including for the construction of a new on-site processing plant																											
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Sources: RCKS, Thomson Reuters, Capital IQ, company reports

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