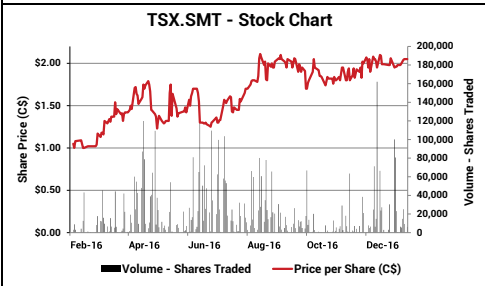


Sierra Metals Inc. – TSX:SMT, BVL:SMT

January 16, 2017

SMT Advances Spin-off of Northern Peru Assets

Sierra Metals Inc (TSX:SMT, BVL:SMT) announced the filing of a preliminary prospectus as part of the previously announced spin-off of its northern Peru exploration assets. Sierra intends to spin out its 320 km² Las Lomas property in Peru by distributing shares of its newly formed Peruvian subsidiary, Cautivo Mining Inc., to existing shareholders. To adjust its share capital in accordance with the impact of the transaction, the company intends to reduce Sierra shares by an amount equal to the fair market value of the Cautivo shares distributed. While conditions of the transaction have not been finalized we view the spin-off positively as besides reducing holding costs, this could provide Sierra shareholders with the potential to obtain value for this non-core asset. Coupled with the continued exploration success at the Esperanza zone and operational improvements at its Yauricocha mine in Peru, the transaction could contribute to Sierra's efforts in bringing about the capital structure changes needed to improve the stock's liquidity, which we believe has the potential to positively benefit Sierra's share price.

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 Yauricocha 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>TSX.SMT - Stock Chart</p>	<table border="1"> <thead> <tr> <th colspan="4">Key Projects</th> </tr> <tr> <th>Project</th> <th>Stage</th> <th>Current Resources (M&I)</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Yauricocha (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 & 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>			Key Projects				Project	Stage	Current Resources (M&I)	Notes	Yauricocha (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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Company Name	Ticker Symbol	Disclosures
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