



FOR IMMEDIATE RELEASE  
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**SIERRA METALS REPORTS CONSOLIDATED RESULTS FOR THE FIRST  
QUARTER OF 2017  
CONFERENCE CALL MAY 15, 2017 AT 10:30 AM (EDT)**

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(All \$ figures reported in USD)

- **Adjusted EBITDA of \$25.4 million in Q1 2017 increased from \$4.4 million in Q1 2016**
- **Operating cash flows before movements in working capital of \$22.8 million in Q1 2017 increased from \$5.0 million in Q1 2016**
- **Revenue from metals payable of \$54.5 million in Q1 2017 increased by 130% from \$23.7 million in Q1 2016**
- **Q1 2017 silver equivalent production of 3.1 million ounces or copper equivalent production of 26.1 million pounds; a 28% increase from Q1 2016 and within production guidance<sup>(1)</sup>**
- **\$38.0 million of cash and cash equivalents as at March 31, 2017**
- **Net Debt of \$37.1 million as at March 31, 2017**
- **Shareholder conference call to be held Monday May 15, 2017 at 10:30 AM (EDT)**

<sup>(1)</sup> 2017 Silver equivalent ounces and copper equivalent pounds were calculated using the following metal prices: \$19.50/oz Ag, \$2.28/lb Cu, \$0.85/lb Pb, \$1.05/lb Zn, \$1,369/oz Au.

**Toronto, ON – May 11, 2017: Sierra Metals Inc. (TSX:SMT)(BVL:SMT)** (“Sierra Metals” or the “Company”) today reported revenue of \$54.5 million and adjusted EBITDA of \$25.4 million on throughput of 529,695 tonnes and metal production of 3.1 million silver equivalent ounces or 26.1 million copper equivalent pounds for the three month period ended March 31, 2017.

Sierra Metals had a third consecutive exceptional quarter of operational and financial results, aided by stable metal prices and continued production improvements at the Yauricocha Mine. During the first quarter, the Company continued to build upon the revenue and adjusted EBITDA realized during the previous quarter. This was largely attributed to the continued benefits being realized from the completion of key aspects of the operational improvements program at Yauricocha. The Company achieved excellent quarter over quarter improvements in the first quarter with revenues up 130%, adjusted EBITDA up by \$21.0 million, and a decline in the consolidated all-in sustaining cost (ASIC) per silver equivalent payable ounce and copper payable pound.

During Q1 2017, consolidated metal production increased 28% compared to Q1 2016. The increase in metal production was due to higher throughput; higher silver, copper and zinc head grades as well as higher recoveries for all metals (except gold) at Yauricocha. Additionally, the Company saw higher throughput and recoveries of all metals at Bolivar but this was partially offset by lower throughput, head grades and recoveries of all metals at Cusi.

Brownfield exploration programs remains a key aspect at all three mines and the Company is very optimistic that they will continue to add high value tonnage going forward. Examples of this can be seen at Yauricocha with the Esperanza, Cuye-Mascota zones, at Bolivar with the Bolivar West and Northwest zones as well as at Cusi with the recently announced Santa Rosa de Lima Zone. When combined with

the continued production optimization program, it should lead to substantial growth, not only in production with lower costs, but most importantly in shareholder value.

*“Sierra Metals continues to deliver value and growth to investors in the first quarter with a solid financial performance”, commented Igor Gonzales, President and CEO of Sierra Metals. “The Company saw very significant increases in revenue, cashflow and adjusted EBITDA over the prior quarter as well as over the same quarter in 2016. This solid performance is attributable to a very successful operational improvements program at the Yauricocha Mine, continued work to development of new areas for higher grade ore at Bolivar and the reinterpretation of geology at the Cusi Mine which promises to drive increased grade and tonnage in the future. It is also thanks to the hard work and dedication of our team at Sierra Metals, without whom these achievements would not be possible.”*

He added: *“Sierra Metals’ very strong balance sheet and liquidity will allow for continued operational successes as well as numerous growth opportunities and developments planned this year. A commitment to continued successful brownfield exploration programs will drive in due time, substantial production growth and increase economic returns at all three of the Company’s Mines.”*

The following table displays selected financial and operational information for the three months ended March 31, 2017:

| <i>(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise)</i> | Three Months Ended |                |
|---|--------------------|----------------|
|   | March 31, 2017     | March 31, 2016 |
| <b>Operating</b>  |                    |                |
| Ore Processed / Tonnes Milled   | 529,695            | 476,220        |
| Silver Ounces Produced (000's)  | 698                | 588            |
| Copper Pounds Produced (000's)  | 7,290              | 5,836          |
| Lead Pounds Produced (000's)  | 9,143              | 8,255          |
| Zinc Pounds Produced (000's)  | 18,137             | 10,919         |
| Gold Ounces Produced  | 1,777              | 2,236          |
| Copper Equivalent Pounds Produced (000's) <sup>1</sup>  | 26,086             | 20,309         |
| Silver Equivalent Ounces Produced (000's) <sup>1</sup>  | 3,050              | 2,375          |
| Cash Cost per Tonne Processed   | \$ 39.84           | \$ 41.57       |
| Cash Cost per AgEqOz <sup>2</sup>   | \$ 8.23            | \$ 9.12        |
| AISC per AgEqOz <sup>2</sup>  | \$ 12.84           | \$ 16.33       |
| Cash Cost per CuEqLb <sup>2</sup>   | \$ 0.96            | \$ 1.07        |
| AISC per CuEqLb <sup>2</sup>  | \$ 1.50            | \$ 1.91        |
| Cash Cost per AgEqOz (Yauricocha) <sup>2</sup>  | \$ 7.39            | \$ 8.69        |
| AISC per AgEqOz (Yauricocha) <sup>2</sup>   | \$ 10.60           | \$ 15.16       |
| Cash Cost per CuEqLb (Bolivar) <sup>2</sup>   | \$ 1.14            | \$ 1.41        |
| AISC per CuEqLb (Bolivar) <sup>2</sup>  | \$ 1.89            | \$ 2.35        |
| Cash Cost per AgEqOz (Cusi) <sup>2</sup>  | \$ 10.82           | \$ 3.88        |
| AISC per AgEqOz (Cusi) <sup>2</sup>   | \$ 22.72           | \$ 12.88       |
| <b>Financial</b>  |                    |                |
| Revenues  | \$ 54,518          | \$ 23,740      |
| Adjusted EBITDA <sup>2</sup>  | \$ 25,361          | \$ 4,373       |
| Operating cash flows before movements in working capital  | \$ 22,800          | \$ 5,010       |
| Adjusted net income (loss) attributable to shareholders <sup>2</sup>  | \$ 10,990          | \$ (1,967)     |
| Net income (loss) attributable to shareholders  | \$ 2,558           | \$ (5,116)     |
| Cash and cash equivalents   | \$ 37,959          | \$ 19,147      |
| Working capital   | \$ 12,442          | \$ 11,920      |

<sup>(1)</sup> Silver equivalent ounces and copper equivalent pounds were calculated using the following metal prices: \$19.50/oz Ag, \$2.28/lb Cu, \$0.85/lb Pb, \$1.05/lb Zn, \$1,369/oz Au. Budgeted Ag price used in equivalent ounce/pound calculations is higher than the Company's realized selling prices during 2017, and thus, has caused AgEq cost metrics to be higher than those actually realized.

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

## **Q1 2017 Financial Highlights**

Revenue from metals payable of \$54.5 million in Q1 2017 increased by 130% from \$23.7 million in Q1 2016. Higher revenues are primarily attributable to the 11% increase in throughput, the increase in silver, copper, and lead head grades, and higher recoveries for all metals, except gold, at Yauricocha; the 11% increase in throughput and higher recoveries for all metals at Bolivar; and the increase in the prices of silver (16%), copper (24%), lead (30%), zinc (65%), and gold (2%) in Q1 2017 compared to Q1 2016; this was partially offset by a 31% decrease in throughput and lower head grades and recoveries for all metals at Cusi.

Yauricocha's cash cost per silver equivalent payable ounce was \$7.39 (Q1 2016 - \$8.69) and all-in sustaining cash cost ("AISC") per silver equivalent payable ounce was \$10.60 (Q1 2016 - \$15.16) for Q1 2017 compared to the same period in 2016. The decrease in the AISC per silver equivalent payable ounce during Q1 2017 was due to an increase in silver equivalent payable ounces as a result of higher throughput and ore feed head grades from the increase in available production from higher grade zones in the Mine. Also, lower treatment and refining costs were incurred during Q1 2017 resulting from improved terms within re-negotiated sales contracts with our off-takers.

Bolivar's cash cost per copper equivalent payable pound was \$1.14 (Q1 2016 - \$1.41) and AISC per copper equivalent payable pound was \$1.89 (Q1 2016 - \$2.35) for Q1 2017 compared to the same period in 2016. The decrease in the AISC per copper equivalent payable pound during Q1 2017 was due to an increase in copper equivalent payable pounds as a result of 11% higher throughput, and higher recoveries realized for all metals.

Cusi's cash cost per silver equivalent payable ounce was \$10.82 (Q1 2016 - \$3.88) and AISC per silver equivalent payable ounce was \$22.72 (Q1 2016 - \$12.88) for Q1 2017 compared to the same period in 2016. AISC per silver equivalent payable ounce increased due to the increase of \$0.4M in sustaining capital expenditures related to stope and drift development within the mine during Q1 2017 as the Company is currently re-evaluating its development plan following a successful reinterpretation of the mine's geology. The decline in throughput and silver head grades and recoveries resulted in fewer silver equivalent payable ounces which also contributed to the higher AISC per silver equivalent payable ounce in Q1 2017 compared to Q1 2016.

Adjusted EBITDA (1) of \$25.4 million for Q1 2017 increased compared to \$4.4 million in Q1 2016. The increase in adjusted EBITDA in Q1 2017 was primarily due to the \$26.0 million increase in revenues at Yauricocha, discussed previously.

Cash flow generated from operations before movements in working capital of \$22.8 million for Q1 2017 increased compared to \$5.0 million in Q1 2016. The increase in operating cash flow is mainly the result of higher revenues generated and higher gross margins realized.

Cash and cash equivalents of \$38.0 million and working capital of \$12.4 million as at March 31, 2017 compared to \$42.1 million and \$9.6 million, respectively, at the end of 2016. Cash and cash equivalents have decreased by \$4.2 million during Q1 2017 due to \$11.0 million of operating cash flows being offset by capital expenditures incurred in Mexico and Peru of \$(9.8) million, repayment of loans, credit facilities and interest of \$(5.2) million, and dividends paid to non-controlling interest shareholders of \$(0.5) million. Included in the \$11.0 million of operating cash flows were negative changes in non-cash working capital items of \$7.7 million due to the increase accounts receivable as at March 31, 2017.

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

## **Project Development**

The Company announced the discovery of a new high-grade oxide zone, referred to as the Esperanza North zone, which is located between the Esperanza zone and Cachi-Cachi Mine at Yauricocha. The Company also announced drilling results demonstrating the extension of the high-grade sulfide zone, referred to as the Cuye-Mascota zone, discovered in November 2016. The new discoveries come as part of an ongoing brownfield drilling program that is testing priority targets at the Yauricocha, and all drilling will be included in an upcoming Mineral Resource and Reserve Estimate report that is expected to be published in the fourth quarter of 2017.

On March 6, 2017, the Company announced the results of the initial drill program on the Bolivar property in Chihuahua State, Mexico which continues to define high grade silver-gold, and polymetallic mineralization within the La Sidra vein.

Sierra Metals filed an updated NI 43-101 compliant Mineral Reserve and Resource Report for the Company's Bolivar Mine on April 19, 2017 and filed an updated NI 43-101 compliant Mineral Resource Report for the Company's Cusi Mine on April 17, 2017.

Despite the decreases in tonnage and metal production at Cusi it is very important to note that the Company is currently re-evaluating its development plan at the mine following a successful reinterpretation of the mine's geology. Management are very encouraged by data from a recently completed 15,000-metre drilling program that was focused on the high-grade Santa Rosa de Lima zone with a goal of increasing tonnage and grade at Cusi, which was not included in the recently released Mineral Resource Estimate at Cusi (please see news release dated April 13, 2017). Drilling in this area is based on a new conceptual interpretation of the Santa Rosa de Lima structure at the Cusi Mine. This interpretation is based on exploration drilling of the NW-SE regional structural system and demonstrates that mineralization is consistent across the assessed area.

Management plans to focus on improving head grades and maintaining production at a rate of approximately 400tpd, while stockpiling ore at the plant and producing it in batches. The Company will be drifting on the Santa Rosa de Lima zone in an effort to improve head grades as well as focus on the reinterpretation of geology at Cusi.

## **Exploration Update**

On May 1, 2017, the Company announced the discovery of a new high-grade lead and silver oxides zone, referred to as the Esperanza North zone, which is located between the Esperanza zone and Cachi-Cachi Mine. The Company also announced drilling results which demonstrate the extension of the high-grade sulfide zone, referred to as the Cuye-Mascota zone which was discovered in November 2016. Results included 69 meters of continuous sulfide mineralization. This zone is located 200 meters north of the central mine area, along strike from current mining activities. The new discovery and extension come as part of an ongoing brownfield drilling program that is testing priority targets at the Yauricocha Mine located 150 kilometers east southeast of Lima in the Yauricocha Mining District (Cordillera Occidental), Peru. All drilling that has taken place will be included in an upcoming Mineral Resource and Reserve Estimate report that is expected to be published for the Yauricocha Mine in the fourth quarter of 2017.

At Bolívar during Q1 2017, 3,189 meters were drilled in the following areas: 1,051 meters in the El Gallo area with the objective of finding the continuation of the El Gallo Inferior orebody between the Mina de Fierro and the Bolivar Mine; and 2,138 meters were drilled at Bolivar Northwest.

A Titan 24 geophysical survey was performed during Q1 2017 in the area of Bolívar NW and Bolivar West.

At Cusi, the Company is continuing the exploration program on the Santa Rosa de Lima area as well as performing some definition drilling within the mine. On February 27, 2017, the Company announced the discovery of new high grade silver intercepts occurring in the Santa Rosa de Lima complex located within the current Cusi Mine operational area. The Santa Rosa de Lima complex lies within a regional structure extending some 64 kilometers. Extension on the Cusi property has an anticipated length of 12 kilometers. The discovery comes as part of a reinterpretation of the Hydrothermal model and a drilling campaign consisting of 15,000 meters which began in December 2016 and has now been completed. The structural mineralization widths from this program range from 1.5 meters to 10.0 meters with an average width of 4.16 meters. Full results from the program are expected to be released in late June. Subsequent to the completion of the initial drilling campaign the Company has also commenced an additional drilling campaign consisting of 15,000 meters of infill drilling which is approximately 25% complete.

### **Conference Call Webcast**

Sierra Metals' senior management will host a conference call on Monday May 15, 2017 at 10:30 AM (EDT) to discuss the Company's financial and operating results for the three-month period ended March 31, 2017.

#### **Via Webcast:**

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

<http://event.on24.com/wcc/r/1334843/BB0DCBCD12DD52503AF53BA895D50291>

The webcast along with presentation slides will be archived for 180 days on [www.sierrametals.com](http://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: 14644464

### **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 Canadian based growing polymetallic mining company with production from its Yauricocha Mine in Peru, and its Bolivar and Cusi Mines in Mexico. The Company is focused on increasing production volume and growing mineral resources. Sierra Metals has recently had several new key discoveries and still has many more exciting brownfield exploration opportunities at all three Mines in Peru and Mexico that are within or very close proximity to the existing mines. Additionally, the Company also has large land packages at all three mines with several highly prospective regional targets providing longer term exploration upside and mineral resource growth potential.

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](http://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](http://www.sedar.com).

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