



FOR IMMEDIATE RELEASE  
TORONTO STOCK EXCHANGE: SMT  
LIMA STOCK EXCHANGE: SMT

No. 03-2017

## **SIERRA METALS REPORTS Q4-2016 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**
- **Q4 production second highest in Yauricocha 68 year history despite a 25-day scheduled shutdown in November which was completed in only 10 days for the installation of a new higher capacity hoist at its main production shaft**

---

**Toronto, ON – February 15, 2017 – Sierra Metals Inc.** (TSX:SMT, BVL:SMT) (“Sierra Metals” or the “Company” - [http://www.commodity-tv.net/c/mid,2697,Company\\_Presentation/?v=297012](http://www.commodity-tv.net/c/mid,2697,Company_Presentation/?v=297012) ) announces the filing of Sociedad Minera Corona S.A.’s (“Corona”) audited Financial Statements and Management Discussion and Analysis (“MD&A”) for the fourth quarter of 2016 (“Q4 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 December 31, 2016**

- Revenues of US\$31.9 million vs US\$12.1 million in Q4 2015
- Adjusted EBITDA of US\$ 14.9 million vs US\$(1.5) million in Q4 2015
- Total tonnes processed of 236,650 vs 193,710 in Q4 2015
- Net production revenue per tonne of ore milled increased by 113% to US\$132.66
- All in sustaining cost (“ASIC”) per silver equivalent payable ounce lower by 25% to US\$12.51
- Silver equivalent production of 2.2 million ounces vs 1.3 million ounces in Q4 2015
- Copper equivalent production of 14.4 million pounds vs 8.8 million pounds in Q4 2015
- \$36.9 million of cash and cash equivalents as at December 31, 2016
- \$20.0 million of working capital as at December 31, 2016

Sierra Metals continues to see a positive impact from the operational improvements program with significant improvements in Revenue and adjusted EBITDA combined with lower costs in the fourth quarter at its Yauricocha mine in Peru. The Company completed key aspects of the operational improvements program this quarter including the transitioning to a higher capacity hoist at the Mascota shaft and has returned to normalized operations. Sierra Metals achieved remarkable year over year improvements in the fourth quarter with revenue up 164%, adjusted EBITDA up 1,093% and the all in sustaining cost (“ASIC”) per silver equivalent payable ounce lower by 25% to US\$12.51. The Company’s continued emphasis at Yauricocha will be to focus on the production of higher value ore, further cost reductions where possible and optimization to improve the Company’s production, operating margins and cash flow generation.

*“I am extremely pleased with the very successful operational improvements program completed at the Yauricocha Mine and how that has translated into near record production levels in the fourth quarter complimented by remarkable improvements to revenues, adjusted EBITDA and cashflow for the Mine.”* stated Mark Brennan, President and CEO of Sierra Metals. *“Corona’s operating margins and cash flows have been positively impacted by the Company’s focus on the processing of higher value ore. This can*

be seen by an increase of 69% in silver equivalent production year over year which has led to significant increases in revenue and adjusted EBITDA and a lower AISC per silver equivalent payable ounce. Corona's Q4 near record production level was the second highest in the 68-year history of the Mine. This was still accomplished despite a planned 25-day shutdown in November, to complete the transition to a new, higher capacity hoist located on the 720 level at the Mascota shaft (please see press release dated September 12, 2016).

He continued, "Corona's balance sheet continues to improve and the Company has strong liquidity. Management is optimistic that we will realize continued mineral resource growth from our brownfield exploration programs including the Esperanza zone, the Cuye-Mascota zone as well as several other high value targets within the mine complex. When combined with significant operational improvements already completed at Yauricocha, we expect this will provide for substantial growth generation in the future."

The following table displays selected unaudited financial information for the three months and year ended December 31, 2016:

<i>(In thousands of US dollars, except cash cost and revenue per tonne metrics)</i>	Three Months Ended			Year Ended		
	December 31, 2016	December 31, 2015	Var %	December 31, 2016	December 31, 2015	Var %
Revenue	\$ 31,849	12,140	162%	97,290	80,113	21%
Adjusted EBITDA <sup>(1)</sup>	14,905	(1,453)	-1126%	34,991	24,901	41%
Cash Flow from operations	14,830	(5,075)	-392%	25,124	14,645	72%
Gross profit	13,765	(272)	-5161%	35,773	27,611	30%
Income Tax (Expense) Recovery	(4,302)	364	-1282%	(8,550)	(7,953)	8%
Net Income (loss)	8,009	(4,441)	-280%	17,234	7,532	129%
Net production revenue per tonne of ore milled <sup>(2)</sup>	132.66	62.26	113%	107.95	96.20	12%
Cash cost per tonne of ore milled <sup>(2)</sup>	56.15	54.55	3%	55.78	52.03	7%
Cash cost per silver equivalent payable ounce <sup>(2)</sup>	7.29	9.45	-23%	7.77	7.01	10%
All-In Sustaining Cost per silver equivalent payable ounce <sup>(2)</sup>	12.51	16.70	-25%	13.11	13.17	0%
Cash cost per copper equivalent payable pound <sup>(2)</sup>	1.10	1.42	-23%	1.17	1.06	10%
All-In Sustaining Cost per copper equivalent payable pound <sup>(2)</sup>	\$ 1.88	2.51	-25%	1.97	1.98	0%

  

<i>(In thousands of US dollars, unless otherwise stated)</i>	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 36,877	21,818
Assets	128,769	105,605
Liabilities	62,254	53,599
Equity	66,515	52,006

<sup>1</sup> 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.

<sup>2</sup> 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 Months and Year Ended December 31, 2016**

- Cash and cash equivalents of \$36.9 million as at December 31, 2016 compared to \$21.8 million as at December 31, 2015. Cash and cash equivalents increased by \$15.1 million which was driven by operating cash flows of \$25.1 million, proceeds received from credit facilities of \$8.8 million, partially offset by capital expenditures of \$11.6 million, debt and interest payments of \$4.5 million, and dividends paid of \$2.7 million.
- Revenues of \$31.9 million for Q4 2016 compared to \$12.1 million in Q4 2015 and revenues of \$97.3 million for the year ended December 31, 2016 compared to \$80.1 million for the same period in 2015. The increase in revenues was due to a 22% increase in tonnes processed, higher head grades for silver, copper and zinc, higher recoveries for all metals, except gold, and the increase in the prices of silver (14%), copper (9%), lead (23%), zinc (59%), and gold (23%).

- Cash cost per silver equivalent ounce sold at the Yauricocha Mine of \$7.29 for Q4 2016 compared to \$9.45 for Q4 2015 and \$7.77 for the year ended December 31, 2016 compared to \$7.01 for the same period in 2015. All-in sustaining cost ("AISC") per silver equivalent ounce sold of \$12.51 for Q4 2016 compared to \$16.70 for Q4 2015 and AISC of \$13.11 for the year ended December 31, 2016 compared to \$13.17 for the same period in 2015. The decrease in AISC during Q4 2016 was due to the increase in throughput and metal production from the mine. The AISC during the year ended December 31, 2016 is consistent with the same period in 2015 as the restructuring process at Yauricocha has reached its completion and the mining costs have stabilized and should remain consistent going forward.
- Adjusted EBITDA of \$14.9 million for Q4 2016 compared to \$(5.1) million for Q4 2015 and \$35.0 million for the year ended December 31, 2016 compared to \$24.9 million for the same period in 2015. The increase in adjusted EBITDA for Q4 and the year ended December 31, 2016 was due to the increase in plant throughput, metal production and revenues, discussed above.
- Operating cash flows of \$14.6 million for Q4 2016 compared to US\$(4.8) million for Q4 2015 and \$25.1 million for the year ended December 31, 2016 compared to \$14.9 million for the same period in 2015. The increase in operating cash flows for the three months and year ended December 31, 2016, compared to the same periods in 2015, was primarily due to the increase in operating cash flows discussed previously.
- Net income of \$8.0 million, or \$0.22 per share, for Q4 2016 compared to a net loss of \$(4.4) million, or \$(0.12) per share, for Q4 2015. Net income of \$17.2 million, or \$0.48 per share, for the year ended December 31, 2016 compared to \$7.5 million, or \$0.21 per share, for the same period in 2015.

**Corona's Operational Highlights for the Three Months and Year Ended December 31, 2016:**

The following table displays the production results for the three months and year ended December 31, 2016:

Yauricocha Production	3 Months Ended			Year Ended		
	Dec 31, 2016	Dec 31, 2015	% Var.	Dec 31, 2016	Dec 31, 2015	% Var.
<b>Tonnes processed (mt)</b>	<b>236,650</b>	<b>193,710</b>	<b>22%</b>	<b>897,169</b>	<b>832,225</b>	<b>8%</b>
Daily throughput	2,705	2,214	22%	2,563	2,378	8%
Silver grade (g/t)	100.37	86.13	17%	97.69	102.62	-5%
Copper grade	0.51%	0.38%	35%	0.54%	0.49%	9%
Lead grade	2.18%	2.46%	-11%	2.52%	2.93%	-14%
Zinc grade	3.63%	2.48%	46%	3.18%	2.57%	24%
Gold Grade (g/t)	0.59	0.63	-6%	0.64	0.70	-8%
Silver recovery	72.05%	53.53%	35%	65.34%	65.23%	0%
Copper recovery	64.75%	64.94%	0%	59.26%	61.68%	-4%
Lead recovery	81.72%	64.98%	26%	73.07%	73.28%	0%
Zinc recovery	88.49%	87.45%	1%	87.18%	89.38%	-2%
Gold Recovery	20.06%	26.38%	-24%	25.19%	26.74%	-6%
<b>Silver ounces (000's)</b>	<b>550</b>	<b>287</b>	<b>92%</b>	<b>1,841</b>	<b>1,791</b>	<b>3%</b>
<b>Copper pounds (000's)</b>	<b>1,720</b>	<b>1,047</b>	<b>64%</b>	<b>6,281</b>	<b>5,567</b>	<b>13%</b>
<b>Lead pounds (000's)</b>	<b>9,295</b>	<b>6,814</b>	<b>36%</b>	<b>36,440</b>	<b>39,430</b>	<b>-8%</b>
<b>Zinc pounds (000's)</b>	<b>16,776</b>	<b>9,265</b>	<b>81%</b>	<b>54,805</b>	<b>42,077</b>	<b>30%</b>
<b>Gold ounces</b>	<b>908</b>	<b>1,041</b>	<b>-13%</b>	<b>4,664</b>	<b>5,018</b>	<b>-7%</b>
<b>Silver equivalent ounces (000's)<sup>(1)</sup></b>	<b>2,170</b>	<b>1,319</b>	<b>65%</b>	<b>7,656</b>	<b>7,037</b>	<b>9%</b>
<b>Copper equivalent pounds (000's)<sup>(1)</sup></b>	<b>14,425</b>	<b>8,768</b>	<b>65%</b>	<b>50,903</b>	<b>46,788</b>	<b>9%</b>

(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 Canadian based growing polymetallic mining company with production from its Yauricocha Mine in Peru, and its Bolivar and Cusi Mines in Mexico. The company recently completed a very successful operational improvements program at its Yauricocha mine and is now focused on completing a similar program at its Mexican operations to increase production volume, recoveries and modernize operations. Sierra continues to grow its mineral resources with several exciting brownfield opportunities such as the Esperanza Zone at the Yauricocha Mine which went from first discovery to mining in less than one year. The Company has several other brownfield exploration opportunities at all three Mines in Peru and Mexico within or very close to the existing mines which its actively exploring and hopes to daylight in the short-term. The company has large land packages at all three Mines with several regional highly prospective 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:

**Mike McAllister**  
VP, Corporate Development  
Sierra Metals Inc.  
1 (416) 366-7777  
[info@sierrametals.com](mailto:info@sierrametals.com)

**Ed Guimaraes**  
CFO  
Sierra Metals Inc.  
1 (416) 366-7777

**Mark Brennan**  
President & CEO  
Sierra Metals Inc.  
1 (416) 366-7777

In Europe:  
Swiss Resource Capital AG  
Jochen Staiger  
[info@resource-capital.ch](mailto:info@resource-capital.ch)  
[www.resource-capital.ch](http://www.resource-capital.ch)

### **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).

### **Continue to watch our progress at:**

Web: [www.sierrametals.com](http://www.sierrametals.com)  
Twitter: [sierrametals](https://twitter.com/sierrametals)  
Facebook: [SierraMetalsInc](https://www.facebook.com/SierraMetalsInc)  
LinkedIn: [Sierra Metals Inc](https://www.linkedin.com/company/SierraMetalsInc)