

- Restructuring process at the Yauricocha Mine shows positive improvement in financial results

TORONTO, May 2, 2016 /CNW/ - Sierra Metals Inc. (TSX:SMT, BVL:SMT) ("Sierra Metals" or the "Company") announces the filing of Sociedad Minera Corona S.A.'s ("Corona") unaudited Financial Statements and Management Discussion and Analysis ("MD&A") for the first quarter of 2016 ("Q1 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 March 31, 2016

- \$17.3 million of cash and cash equivalents as at March 31, 2016
- \$8.9 million of working capital as at March 31, 2016
- Revenues of US\$ 12.5 million for Q1 2016
- Adjusted EBITDA of US\$ 0.9 million for Q1 2016
- Total tonnes processed: 207,580
- Silver equivalent production of 1.5 million ounces
- Copper equivalent production of 10.0 million pounds

Sierra's continued restructuring at the Yauricocha Mine has resulted in lower throughput attributable to the ongoing operational improvement program that has addressed the management of water control issues, the improvement of mine sequencing, implementation of best practices and the mechanization of the Mine. The Company's emphasis at Yauricocha will be on the production of higher value ore in an effort to improve the Company's operating margins and cash flow generation within a continued soft metals price environment.

"We anticipate improved production and financial results in second half of 2016 as Corona's initiatives start to kick in at the Yauricocha Mine. In addition, we expect to see an improvement in ore quality and mill feed as we begin to mine the Esperanza Zone in the third quarter of this year." commented Mark Brennan, President and CEO of Sierra Metals. "We have already begun to see the impact of these changes over the fourth quarter of 2015 with metal production increased by 13%. Management believes that these changes, which have resulted in lower production beginning in the third quarter of 2015, will serve to increase production in the coming years."

He continued, "Management remains very optimistic that our brownfield exploration programs, including the discovery of the new Esperanza zone, combined with our optimization program at Yauricocha, will lead to substantial growth in production and shareholder value. Corona continues to have a solid balance sheet, strong liquidity, and should benefit from any increase in metal prices during the first quarter of 2016."

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

(In thousands of US dollars, except cash cost and revenue per tonne metrics) Three Months Ended  
March 31, 2016 March 31, 2015

Revenue	\$ 12,500	22,569
Adjusted EBITDA <sup>(1)</sup>	910	10,263
Cash Flow from operations	(5,577)	4,622
Gross profit	1,685	10,418
Income Tax Expense	(37)	(3,140)
Net Income (loss)	(1,386)	4,693
Net production revenue per tonne of ore milled <sup>(2)</sup>	72.19	107.38
Cash cost per tonne of ore milled <sup>(2)</sup>	55.30	50.78
Cash cost per silver equivalent ounce sold <sup>(2)</sup>	8.47	5.49
All-In Sustaining Cost per silver equivalent ounce sold <sup>(2)</sup>	14.78	11.31
Cash cost per copper equivalent pound sold <sup>(2)</sup>	1.27	0.83
All-In Sustaining Cost per copper equivalent pound sold <sup>(2)</sup>	\$ 2.22	1.70

(In thousands of US dollars, unless otherwise stated) March 31, 2016 December 31, 2015

Cash and cash equivalents	\$ 17,294	21,818
Assets	106,772	105,605
Liabilities	56,152	53,599
Equity	50,620	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 Ended March 31, 2016

- Cash and cash equivalents of \$17.3 million as at March 31, 2016 compared to \$21.8 million as at December 31, 2015. Cash and cash equivalents decreased by \$4.5 million which was driven by negative operating cash flows of \$5.6 million, capital expenditures of \$1.6 million, debt and interest payments of \$1.1 million, partially offset by proceeds received from a revolving credit facility of \$3.8 million.
- Revenues of \$12.5 million for Q1 2016 compared to \$22.6 million in Q1 2015. The decrease in revenue was due to the decreases in the price of silver (9%), copper (19%), lead (2%), zinc (19%) and gold (1%), a 6% decrease in plant throughput, the decrease in head grades for silver, lead and gold and lower recoveries for all metals during Q1 2016 compared to Q1 2015. Concentrate inventory increased by \$2.4 million during Q1 2016, which contributed to the decrease in revenues, and this inventory was subsequently sold during April 2016.

- Cash cost per silver equivalent ounce sold (at the Yauricocha Mine) of \$8.47 for Q1 2016 compared to \$5.49 for Q1 2015. All-in sustaining cost ("AISC") per silver equivalent ounce sold of \$14.78 for Q1 2016 compared to \$11.31 for Q1 2015. The increase in AISC during Q1 2016 was due to the decrease in plant throughput and ore feed head grades due to the decrease in available production from higher grade zones in the Mine; and additional costs related to the mechanization and water management controls continuing to be implemented at the Mine.
- Adjusted EBITDA of \$0.9 million for Q1 2016 compared to \$10.3 million for Q1 2015. The decrease in adjusted EBITDA for Q1 2016 is due to the 6% decrease in plant throughput, decrease in revenues, increase in concentrate inventory, and increase in costs, previously discussed.
- Operating cash flows of \$(5.6) million for Q1 2016 compared to US\$ 4.6 million for Q1 2015. The decrease was due to the decrease in revenues and negative working capital movements of \$(5.0) million.
- Net loss of \$(1.4) million, or \$(0.04) per share, for Q1 2016 compared to net income of \$4.7 million, or \$0.13 per share, for Q1 2015.

Corona's Operational Highlights for the Three Months Ended March 31, 2016:

The following table displays the production results for the three months ended March 31, 2016:

Yauricocha Production	3 Months Ended					
	Q1 2016	Q4 2015	% Var.	Q1 2015	% Var.	
Tonnes processed (mt)	207,580	193,710	7%	219,969	-6%	
Daily throughput	2,372	2,214	7%	2,514	-6%	
Silver grade (g/t)	74.21	86.13	-14%	115.25	-36%	
Copper grade	0.75%	0.38%	99%	0.51%	46%	
Lead grade	2.29%	2.46%	-7%	3.23%	-29%	
Zinc grade	2.68%	2.48%	8%	2.42%	11%	
Gold Grade (g/t)	0.63	0.63	-1%	0.79	-20%	
Silver recovery	57.19%	53.53%	7%	67.47%	-15%	
Copper recovery	54.23%	64.94%	-16%	68.72%	-21%	
Lead recovery	66.17%	64.98%	2%	74.98%	-12%	
Zinc recovery	83.98%	87.45%	-4%	89.13%	-6%	
Gold Recovery	25.33%	26.38%	-4%	28.40%	-11%	
Silver ounces (000's)	283	287	-1%	550	-49%	
Copper pounds (000's)	1,863	1,047	78%	1,712	9%	
Lead pounds (000's)	6,944	6,814	2%	11,738	-41%	
Zinc pounds (000's)	10,281	9,265	11%	10,461	-2%	
Gold ounces	1,062	1,041	2%	1,587	-33%	
Silver equivalent ounces (000's) <sup>(1)</sup>	1,496	1,319	13%	2,024	-26%	
Copper equivalent pounds (000's) <sup>(1)</sup>	9,948	8,768	13%	13,456	-26%	

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".

#### 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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