

(All \$ figures reported in USD)

- Adjusted EBITDA of \$41.9 million in 2016 increased 30% from \$32.3 million in 2015
- Operating cash flows before movements in working capital of \$44.3 million in 2016 increased 36% from \$32.5 million in 2015
- Revenue from metals payable of \$143.2 million in 2016 increased by 7% from \$134.1 million in 2015
- Annual 2016 silver equivalent production of 11.9 million ounces or copper equivalent production of 79.5 million pounds; a 4% increase from 2015 and within production guidance⁽¹⁾
- 2017 Production guidance of 11.5 – 13.5 million Ag Eq oz or 98.6 – 115.1 M Cu Eq lbs⁽¹⁾
- Successful completion of the restructuring program and new Hepburn hoist installation at the Yauricocha Mine
- \$42.1 million of cash and cash equivalents as at December 31, 2016
- Net Debt of \$36.5 million represents less than 1x trailing adjusted EBITDA as at December 31, 2016
- Shareholder conference call to be held Friday March 31, 2017 at 10:30 AM (EDT)

⁽¹⁾ 2016 Silver equivalent ounces and 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. 2017 Silver equivalent ounces and copper equivalent pounds Guidance 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, March 30, 2017 /CNW/ - Sierra Metals Inc. (TSX:SMT)(BVL:SMT) ("Sierra Metals" or the "Company") today reported revenue of \$143.2 million and adjusted EBITDA of \$41.9 million on throughput of 2,034,465 tonnes and metal production of 11.9 million silver equivalent ounces or 79.5 million copper equivalent pounds for the year ended December 31, 2016.

Sierra Metals had a second consecutive exceptional quarter in its operational and financial results aided by the rise in metal prices. During the fourth quarter, the Company maintained the significant improvements in revenue and adjusted EBITDA realized during the previous quarter. This was largely attributable to the completion of key aspects of the operational improvements program and a return to normalized operations at the Yauricocha Mine in Peru, which had another quarter of excellent throughput. The Company achieved excellent year over year improvement in the fourth quarter with revenues up 67%, adjusted EBITDA up by \$17.9 million, and the all-in sustaining cost (ASIC) per silver equivalent payable ounce was lower by 27% to US\$12.51 at the Yauricocha Mine.

In 2016, consolidated metal production increased by 4% compared to 2015 which represented the second highest level of annual metal production in the Company's history. In Q4 2016, consolidated metal production increased by 31% compared to Q4 2015, and resulted in the achievement of the second highest level of quarterly metals production in the Company's history. The increase in metal production compared to Q4 2015 was due to higher throughput, head grades and recoveries at the Yauricocha Mine in Peru. This was partially offset by a decrease in head grades and recoveries at the Bolivar Mine, and the decrease in throughput, head grades and recoveries at the Cusi Mine; both mines located in Mexico.

The Company ended 2016 with solid production performance despite a planned shutdown in November for the installation of a higher capacity hoist at the Yauricocha Mine which will significantly increase capacity moving forward. In addition, Sierra also continues to see a substantial positive impact from the operational improvement programs implemented at the Yauricocha Mine which continued to contribute strongly to operational results during the second half of 2016. At Cusi, poor weather and significant rainfall caused flooding in ramps which led to stope unavailability resulting in lower production in the fourth quarter.

Plant improvements completed at the Bolivar Mine during the second half of 2016 included the installation of a new screening plant and cyclones which resulted in improved recoveries. At the Cusi Mine, the installation of a screening plant, a zinc circuit, and an improved cyclone rack, resulted in recovery and grade improvements in the lead and zinc circuits.

Mark Brennan, President and CEO of Sierra Metals commented "2016 has been a transformational year for Sierra and the stage has been set for exceptional growth following a very successful operational improvements program and the Esperanza discovery at the Yauricocha Mine, development of new areas for higher grade ore at Bolivar and the reinterpretation of geology at the Cusi Mine. In its operations, the Company also reported record tonnage throughput and realized remarkable increases in revenue, cash flows and adjusted EBITDA."

He added "Sierra Metals continues to have a very strong balance sheet and strong liquidity to drive operations and the numerous growth opportunities developed in the last year. Continual operational improvements and very successful brownfield exploration programs will drive 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 and year ended December 31, 2016:

(In thousands of dollars, except per share and cash cost amounts, consolidated figures unless noted otherwise) December 31, 2016

Operating

Ore Processed / Tonnes Milled	517,705
Silver Ounces Produced (000's)	789
Copper Pounds Produced (000's)	6,153
Lead Pounds Produced (000's)	9,990
Zinc Pounds Produced (000's)	17,039
Gold Ounces Produced	1,867
Copper Equivalent Pounds Produced (000's) ¹	21,233
Silver Equivalent Ounces Produced (000's) ¹	3,194

Cash Cost per Tonne Processed	\$ 40.05
Cash Cost per AgEqOz ²	\$ 7.89
AISC per AgEqOz ²	\$ 14.91
Cash Cost per CuEqLb ²	\$ 1.16
AISC per CuEqLb ²	\$ 2.20

Cash Cost per AgEqOz (Yauricocha) ²	\$ 7.29
AISC per AgEqOz (Yauricocha) ²	\$ 12.51
Cash Cost per CuEqLb (Bolivar) ²	\$ 1.05
AISC per CuEqLb (Bolivar) ²	\$ 2.71
Cash Cost per AgEqOz (Cusi) ²	\$ 21.80
AISC per AgEqOz (Cusi) ²	\$ 41.32

Financial

Revenues	\$ 41,825
Adjusted EBITDA ²	\$ 15,985
Operating cash flows before movements in working capital	\$ 16,197
Adjusted net income (loss) attributable to shareholders ²	\$ 3,516
Net income (loss) attributable to shareholders	\$ (5,076)
Cash and cash equivalents	\$ 42,145
Working capital	\$ 9,576

(1) Silver equivalent ounces and 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. Budgeted Cu price used in equivalent ounce/pound calculations is higher than the Company's realized selling prices during 2016, and thus, has caused CuEqb cost metrics to be higher than those actually realized.

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

2016 Financial Highlights

Revenue from metals payable of \$143.2 million in 2016 increased by 7% from \$134.1 million in 2015. Higher revenues are primarily attributable to the 8% increase in throughput and increase in copper head grades at Yauricocha; the increase in throughput and gold recoveries at Bolivar; the introduction of a zinc concentrate and higher gold and lead grades and recoveries from Cusi; and the increase in the prices of silver (9%), lead (2%), zinc (10%), and gold (9%) in 2016 compared to 2015; this was partially offset by an 11% decrease in the price of copper, and lower head grades of all metals at Bolivar.

Yauricocha's cash cost per silver equivalent payable ounce was \$7.77 (2015 - \$7.10) and all-in sustaining cash cost ("AISC") per silver equivalent payable ounce was \$13.11 (2015 - \$13.25) for the year ended December 31, 2016 compared to the same period in 2015. The decrease in the annual AISC per silver equivalent payable ounce during 2016 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 incurred during 2016 resulting from improved terms within re-negotiated sales contracts with our off-takers offset some of the additional sustaining capital costs and costs related to the mechanization and water management controls implemented at the Mine during 2016.

Bolivar's cash cost per copper equivalent payable pound was \$1.15 (2015 - \$1.33) and AISC per copper equivalent payable pound was \$2.28 (2015 - \$2.29) for the year ended December 31, 2016 compared to the same period in 2015. The annual AISC per copper equivalent payable pound remained consistent during 2016 the decrease in cash costs offset an increase of \$2.2M in sustaining capital expenditures related to mine development and equipment purchases; as well as a decrease in copper equivalent pounds sold which was due to the lower head grades and recoveries of all metals, except gold recoveries.

Cusi's cash cost per silver equivalent payable ounce was \$10.28 (2015 - \$8.82) and AISC per silver equivalent payable ounce was \$20.41 (2015 - \$26.47) for the year ended December 31, 2016 compared to the same period in 2015. Annual AISC per silver equivalent payable ounce decreased due to the significant decrease of \$8.5M in sustaining capital expenditures related to stope and drift development within the mine during 2016 as a significant amount of mine development work was completed during the last two years which has resulted in reduced sustaining capital costs required to drift and develop the necessary amount of mining faces required to maintain current production levels. The decline in throughput and silver head grades and recoveries resulted in fewer silver equivalent payable ounces which also contributed to the higher annual cash cost per silver equivalent payable ounce in 2016 compared to 2015.

The Company is currently re-evaluating its development plan at the Cusi Mine following the successful reinterpretation of the Mine's geology (see press release dated February 27, 2017).

Adjusted EBITDA ⁽¹⁾ of \$41.9 million for the year ended December 31, 2016 increased compared to \$32.3 million in 2015. The increase in adjusted EBITDA in 2016 was primarily due to the \$7.4 million increase in revenue at Yauricocha, discussed previously.

Cash flow generated from operations before movements in working capital of \$44.3 million for the year ended December 31, 2016 compared to \$32.5 million in 2015. The increase in operating cash flow is mainly the result of higher revenues generated and higher gross margins incurred.

Cash and cash equivalents of \$42.1 million and working capital of \$9.6 million as at December 31, 2016 compared to \$25.1 million and \$13.6 million, respectively, at the end of 2015. Cash and cash equivalents have increased by \$17.0 million during the year ended December 31, 2016 due to by \$43.6 million of operating cash flows, and proceeds from the issuance of credit facilities of \$12.8 million; partially offset by capital expenditures incurred in Mexico and Peru of \$(25.4) million, repayment of loans, credit facilities and interest of \$(13.2) million, and dividends paid to non-controlling interest shareholders of \$(0.5) million. Included in the \$43.6 million of operating cash flows were negative changes in non-cash working capital items of \$1.5 million due to the increase accounts receivable and inventory as at December 31, 2016.

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

Project Development

The Company announced the results of its continuing drill program at Esperanza (Yauricocha) which reveal that the zone is open on strike to the North, and at depth, and comes as part of an ongoing drill program at this high priority target at the Yauricocha Mine.

An updated Mineral Reserve and Resource update at the Company's Yauricocha Mine was provided which includes the Esperanza zone (press release dated August 11, 2016); and an NI 43-101 compliant Technical Report was filed on SEDAR on September 12, 2016 which was prepared by SRK Consulting.

Recent exploration development and test stope programs from the Esperanza zone have provided 54,000 tonnes of material in 2016 which was processed at the Chumpe plant, located in the Lima District, Peru. The Company expects to process approximately 200,000 tonnes from the Esperanza zone during 2017.

The Company successfully transitioned from the previously operating surface hoist to a new Hepburn double drum 1100 HP production hoist currently installed on the 720 level, where it will service the Mascota Shaft and increase skipping capacity by 30,000 MT per month.

Work is progressing on new NI 43-101 Technical Reports for the Bolivar and Cusi Mines, which are being prepared by SRK Consulting; These reports are expected to be completed by April 2017.

Mine development at Bolívar during Q4 2016 totaled 1,112 m. Most of these meters (746) were developed to prepare stopes for mine production. The remainder of the meters (366) were related to the deepening of ramps and developing service ramps to be used for ventilation and pumping.

During Q4 2016, at the Cusi property, mine development totaled 1,304 meters, and 4,750 meters of infill drilling was carried out inside the Mine.

Exploration Update

On November 17, 2016 the Company announced the discovery of a new high grade sulfide zone referred to as the "Cuye - Mascota" zone, located 200 meters north of the central mine area along strike and adjacent to current mining activities. The discovery comes as part of ongoing diamond drill brownfield exploration programs testing priority targets at its Yauricocha Mine located 150 kilometers southeast of Lima in the Yauricocha Mining District (Cordillera Occidental), Peru. A total of seven drill holes have been drilled to date on the Cuye - Mascota orebody, which is located at the extreme south end of the Mascota oxide orebody. The Company continues with exploration drilling activities in areas below the Cuye and Mascota ore bodies and will continue to report assay results as they become available.

During 2016, exploration drilling continued along the Bolivar West fault area and the Company drilled a total of 11,749 meters in this area; while 3,473 meters were drilled in the El Gallo Inferior area. On March 6, 2017 the Company announced the results of the initial drill program on the Bolivar property in Chihuahua State, Mexico and continues to define high grade silver-gold and polymetallic mineralization within the La Sidra vein. The mineralized zone currently extends to over 500 meters in length and to 300 meters in depth and is still open along strike and down dip.

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. To date, the Company has drilled 10,200 meters or about 79% of the planned program which is expected to be completed by the end of March 2017.

Conference Call Webcast

Sierra Metals' senior management will host a conference call on Friday March 29th, 2017 at 10:30 AM (EDT) to discuss the Company's year ended December 31, 2016 financial and operating results.

Via Webcast:

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

<http://event.on24.com/wcc/r/1211872/DFF503AADE6C5C83F6E150379312D5BF>

The webcast along with presentation slides will be archived for 180 days on 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: 15486445

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.

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