

Sierra Metals announces filing of preliminary prospectus relating to Cautivo Mining Inc. Spin-Off and rights offering

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TORONTO, Jan. 13, 2017 - [Sierra Metals Inc.](#) (TSX: SMT) (BVL: SMT) ("Sierra Metals" or "the Company") is pleased to announce that its wholly-owned subsidiary, Cautivo Mining Inc. ("Cautivo"), has filed a preliminary prospectus (the "Preliminary Prospectus") with the securities regulatory authorities in each of the provinces and territories of Canada, other than Québec, for the purpose of qualifying the distribution by Sierra Metals to holders of Sierra's common shares ("Sierra Shares") of all of the issued and outstanding common shares ("Cautivo Shares") in the capital of Cautivo (the "Distribution") as a return of capital and to effect a rights offering under which recipients of Cautivo Shares under the Distribution will be entitled to purchase additional Cautivo Shares (the "Rights Offering"). The exercise price for the Rights Offering will be determined in the context of the market prior to the filing of Cautivo's final prospectus (the "Final Prospectus"). Dundee Capital Partners has been retained as managing dealer to solicit the exercise of Rights in connection with the Rights Offering. The effect of the Distribution and the Rights Offering will be to spin-off Cautivo as a standalone public company (the "Spin-Off") and to capitalize Cautivo to enable it to pursue its business plan.

On the completion of the Spin-off, Cautivo's main asset will be its indirect interest in the Las Lomas Project (the "Las Lomas Project"). Mark Brennan, President and CEO of Sierra Metals commented: "As part of an ongoing program to maximize value for Sierra shareholders and after completing an extensive review of the Company's assets in Peru, Sierra Metals has decided to spin-out to existing shareholders its 100% owned Las Lomas Project, consisting of approximately 32,000 hectares of greenfield exploration properties located in northern Peru, into a new public entity named Cautivo Mining. The Las Lomas Project is not considered to be part of the Company's core focus going forward. Furthermore, management and the Board of Directors believe the value of the Las Lomas Project is not fully reflected in the current share price of Sierra Metals and that the spin-out would reduce the Company's concession maintenance liability and allow for the accelerated exploration and development of the properties, enhancing value to Sierra shareholders."

Certain details of the Distribution and the Rights Offering, including the number of Cautivo Shares to be received by shareholders of the Company for each Sierra Share held, the number of rights ("Rights") to be distributed, the subscription price for Cautivo Shares under the Rights Offering, the total size of the Rights Offering and the timing of the Distribution and the Rights Offering have not been finalized. Such details will be contained in the Final Prospectus, if any. Complete details of the Distribution and the Rights Offering, including the tax treatment of the Distribution, will also be contained in the Final Prospectus which will be sent to each holder of Sierra Shares and which will be made accessible on SEDAR at www.sedar.com under Cautivo's profile.

In connection with the Distribution, Sierra Metals intends to effect a reduction in the stated capital of the Sierra Shares in an amount equal to the aggregate fair market value of the Cautivo Shares to be distributed under the Distribution. Such a reduction will require the approval of the holders of Sierra Shares. Accordingly, a meeting of the shareholders of Sierra Metals has been called for 10:00 a.m. (Toronto time) on February 16, 2017 (the "Meeting") for the purpose of considering a special resolution to approve the stated capital reduction. The completion of the Distribution and the Rights Offering is conditional on at least two-thirds of the votes cast by holders of Sierra Shares at the Meeting being in favour of the stated capital reduction. In this regard, Sierra Metals has filed a notice of meeting and management information circular in connection with the Meeting (the "Circular"). The Circular is available on SEDAR at www.sedar.com under the Company's profile.

The Preliminary Prospectus contains important information relating to the Cautivo Shares and the Rights and is still subject to completion or amendment. A copy of the Preliminary Prospectus is available under Cautivo's profile on SEDAR at www.sedar.com. There will not be any distribution of the Cautivo Shares or the Rights until a receipt for the Final Prospectus has been issued.

About Sierra Metals

Sierra Metals is Canadian based growth oriented mining company with production from its polymetallic Yauricocha Mine in Perú, its Bolivar Copper Mine and its Cusi Silver Mine in Mexico. The Company recently

completed a very successful operational improvements program at it Yauricocha mine and is now focused on completing similar programs at its other operations. Sierra Metals continues to grow its mineral resources with several exciting brownfield opportunities such as the successful Esperanza Zone at the Yauricocha Mine which went from first discovery to mining in less than one year. The Company has numerous other brownfield exploration opportunities at all three of its mines within or very close to existing mining infrastructure. The Sierra Shares trade on the Toronto Stock Exchange (the "TSX") under the symbol "SMT" and on the Lima Stock Exchange (Bolsa de Valores de Lima).

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. Forward-looking information includes, but is not limited to information with respect to expectations regarding completion of the Spin-Off, the expected effects of the Spin-Off on Sierra Metals and expectations for other economic and business factors. 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 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.

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

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