



COMPENSATION COMMITTEE MANDATE

General

The board of directors (the “**Board**”) of Sierra Metals Inc. (the “**Corporation**”) has delegated the responsibilities, authorities and duties described below to the compensation committee (the “**Committee**”). For the purpose of this mandate, the term “Corporation” includes the Corporation and its subsidiaries.

The overall purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to compensation by developing, monitoring and assessing the Corporation’s approach to the compensation of its directors, senior management and employees.

Members

1. The Committee will be comprised of a minimum of three directors, Each Committee member shall satisfy the independence and/or experience requirements, if any, imposed by applicable securities laws, rules or regulations, any applicable stock exchange requirements and any other applicable regulatory rules. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.
2. Members of the Committee shall be appointed annually by the Board at the first meeting of the Board or by resolution after the annual general meeting of shareholders to which he or she is elected. Any member of the Committee may be removed or replaced at any time by the Board and shall serve until such member’s successor is appointed, unless that member resigns or otherwise ceases to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than three directors. A member of the Committee will cease to be a member upon ceasing to be a director of the Corporation.
3. The Chair of the Committee will be designated by the Board. The Chair of the Committee shall, among other things, have the following duties and responsibilities:
 - (a) overseeing the structure, effectiveness of the Committee, membership and activities delegated to the Committee;
 - (b) chairing meetings of the Committee and encouraging free and open discussion at such meetings, including encouraging members to ask questions and express viewpoints during meetings;

- (c) scheduling and setting the agenda for meetings of the Committee with input from other members of the Committee, the Board and management as appropriate;
- (d) facilitating the timely, accurate and proper flow of information to and from the Committee, including reporting periodically to the Board;
- (e) arranging sufficient time during meetings of the Committee to discuss agenda items;
- (f) taking reasonable steps to ensure the duties of the Committee are understood by members; and
- (g) carrying out such other duties as may reasonably be requested by the Board.

Meetings

4. The Committee will meet at least once per calendar year and meetings will be scheduled to facilitate the Committee carrying out its responsibilities. Additional meetings will be held as deemed necessary by the Chair of the Committee. The time at which and place where the meetings of the Committee shall be held, and the calling of meetings and the procedure in all things at such meetings, shall be determined by the Committee. Any director of the Corporation may request the Chair of the Committee to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chair of the Committee.
5. Meetings of the Committee shall be validly constituted if a majority of the members of the Committee is present in person or by tele- or video-conference.
6. A resolution in writing signed by all the members of the Committee entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee duly called and held.
7. The Committee may invite such officers, directors, and employees of the Corporation as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the duties of the Committee.
8. The Committee shall submit the minutes of all meetings to the Board, and when requested to, shall discuss the matters discussed at each Committee meeting with the Board.

Mandate Review

9. The Committee shall review and assess the adequacy of this mandate and the effectiveness of the Committee at least annually or otherwise, as it deems appropriate, and recommend changes to the Board for approval.

Committee Authority and Responsibilities

10. The Committee shall have the power and authority to perform the following duties and fulfill the following responsibilities:

- (a) Review and approve compensation packages, including goals and objectives against which bonuses are assessed, of the Corporation's Chief Executive Officer and his direct reports.
- (b) Review and recommend to the Board for approval all annual cash bonuses and restricted share unit ("RSU") allocations.
- (c) Review the compensation practices and policies of the Corporation to ensure that they are competitive and that they provide appropriate motivation for corporate performance and increased shareholder value and make recommendations to the Board regarding same.
- (d) Periodically survey the executive compensation practices of other comparable companies and report back to the Board.
- (e) Annually review and evaluate the implications of the risks associated with the Corporation's compensation policies and practices and, if necessary, identify practices that can be used to identify and mitigate such policies and practices that could encourage inappropriate or excessive risk taking.
- (f) Oversee the administration of the Corporation's compensation programs, including any incentive compensation plans and equity-based plans, and the nature of the compensation provided under such programs to ensure that all management compensation programs are linked to meaningful and measurable performance targets.
- (g) Make recommendations to the Board regarding the adoption, amendment or termination of compensation programs and the formal approval of the adoption, amendment and termination of compensation programs of the Corporation, including for greater certainty, ensuring that if any equity-based compensation plan is subject to shareholder approval, that such approval is sought.
- (h) Establish, if deemed necessary by the Committee, and recommend to the Board share ownership guidelines for senior executives of the Corporation and policies (including pre-approval requirements) for the number and type of boards of directors that senior executives may join (except for boards of directors that senior executives are asked by the Corporation to join in connection with their employment).
- (i) At least annually, review and make recommendations to the Board with respect to compensation of directors, the Chairman and those acting as committee chairs to, among other things, ensure their compensation appropriately reflects the responsibilities they are assuming.
- (j) Annually review and make recommendations to the Board regarding the Corporation's director's and officer's liability insurance policies.
- (k) Review and recommend to the Board for approval the annual report on executive compensation required to be prepared under applicable corporate and securities legislation, regulation and rules including the disclosure concerning members of the Committee and settle the reports required to be made by the Committee in any

document required to be filed with a regulatory authority and/or distributed to shareholders.

- (l) At the request of the Board, investigate and report on such other matters as it considers necessary or appropriate in the circumstances.
11. In discharging its responsibilities, the Committee shall have full access to any relevant records of the Corporation.

Authority to engage outside advisors

12. The Committee has the authority to engage outside advisors, consultants and/or experts as it determines necessary to carry out its duties.
13. The Corporation shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment (a) of compensation to any advisors, consultants and/or experts engaged by the Committee, and (b) of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Limitations

14. Notwithstanding the foregoing and subject to applicable laws, nothing contained in this mandate is intended to require the Committee to ensure the Corporation's compliance with applicable laws or regulations.
15. The Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to shareholders of the Corporation or other liability whatsoever.

This mandate was approved by the Committee and the Board effective August 18, 2015.