



INSIDER TRADING POLICY

Introduction

As a public company, Sierra Metals Inc. (the “**Corporation**”) has adopted this insider trading policy to educate you about your legal obligations with respect to “insider trading” and “tipping”, and to assist you in complying with applicable laws to avoid personal liability and potential criminal penalties.

Summary:

- **You must not trade any securities of the Corporation during certain blackout periods.**
- **You must not trade any securities of any company when you have knowledge of undisclosed material information.**
- **You must not tell other people about this undisclosed material information.**
- **Some of you must file insider reports when you trade securities of the Corporation.**

This Policy applies to all directors, officers and employees of the Corporation and its Subsidiaries (as defined in subsection 1(c)(x) below) (“**Representatives**”). “**Corporation**” as used in this Policy, means the Corporation and its Subsidiaries, as the context requires.

1. Legal Background

(a) **Insider Trading**

- (i) Canadian securities legislation prohibits anyone in a “**special relationship**” with the Corporation (as defined in subsection 1(c)(ix) below) from trading in the Corporation’s securities with knowledge of a “**material fact**” or “**material change**” (as defined in subsection 1(c) below) that has not been generally disclosed.
- (ii) Under Canadian securities legislation, the Corporation may itself be considered to be in a “special relationship” with another public company in certain circumstances such as where the Corporation intends to make a take-over bid for that other company or intends to be a party to an amalgamation, merger or business combination with such other company.

In such circumstances, a Representative who has knowledge of a material fact or material change regarding that other public company which has not been generally disclosed and which knowledge was gained:

- during the course of his or her work with the Corporation;
- because he or she is in a “special relationship” with that other public company; or
- because he or she was “tipped” by another person who was in a “special relationship” with that other public company,

is prohibited from trading in the securities of such other public company with knowledge of a “material fact” or “material change” that has not been generally disclosed.

This prohibited activity, as set out in clauses (i) and (ii) above, is commonly known as “**insider trading**”.

(b) Tipping

Canadian securities legislation prohibits a public company or any person in a “special relationship” with a public company from informing any other person, other than in the “**necessary course of business**”, of a material fact or material change before the material fact or material change has been generally disclosed. This prohibited activity is commonly known as “**tipping**”. Both the person who provides the information and the person who receives the information could be liable under securities laws if the person who receives the information trades in securities.

(c) Definitions

- (i) “**Blacked-out Employee**” means a Representative who is described in subclause 2(c)(i)(B) of this Policy.
- (ii) “**Compliance Officer**” means the **Chief Financial Officer** of the Corporation or such other person designated by the Corporation’s Governance Committee.
- (iii) “**discretionary blackout periods**” means blackout periods imposed from time to time on Representatives, in addition to regularly scheduled blackout periods, following consultation with the Corporation’s Chief Executive Officer and Chief Financial Officer.
- (iv) “**Insider**” means a Representative who is described in subclause 2(c)(i)(A) of this Policy.
- (v) “**material change**” in relation to the affairs of the Corporation, means a change in the business, operations or capital of the Corporation that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the Corporation, or a decision to implement such a change made by: (a) senior management of the Corporation who

believe that confirmation of the decision by the Board of Directors of the Corporation is probable; or (b) the Board of Directors of the Corporation.

- (vi) **“material fact”** in relation to securities issued or proposed to be issued by the Corporation, means a fact that would reasonably be expected to have a significant effect on the market price or value of such securities.
- (vii) **“Material Information”** means any information relating to the business and affairs of the Corporation, that (i) results in, or would reasonably be expected to result in, a significant change in the market price or value of any of the listed securities of the Corporation or (ii) a prudent investor would find significant in making an investment decision with respect to the Corporation’s securities. Material Information includes both material changes and material facts. (See attached Schedule A for examples of potentially Material Information.)
- (viii) **“regularly scheduled blackout periods”** begin fifteen (15) days and thirty (30) days respectively after the end of the quarter or the year and terminate on the close of business on the first full business day following the day on which the Corporation discloses its quarterly or annual financial results, as the case may be.
- (ix) **“special relationship”** includes, among others, for the purpose of determining whether a person is in a special relationship with the Corporation, situations where a person:
 - (A) is a Representative or a 10% shareholder (as defined below);
 - (B) is engaging in or is proposing to engage in any business or professional activity with or on behalf of any of the Corporation (or a Subsidiary), and includes, without limitation, a consultant;
 - (C) is a person or company that learned of Material Information with respect to the Corporation while the person or company was a person or company described above; and
 - (D) is a person or company that learns of Material Information with respect to the Corporation from any other person or company described above and knows or ought reasonably to have known that the other person or company is a person or company in such a relationship (eg. family members of Insiders).
- (x) **“Subsidiary”** has the meaning given to that term in the *Securities Act* (Ontario).

2. **Obligations**

(a) **Obligations on all Representatives**

- (i) Representatives cannot trade in securities of the Corporation while in possession of Material Information with respect to the Corporation which

has not yet been generally disclosed.

- (ii) Representatives cannot trade in the securities of another public company while in possession of Material Information regarding that public company which knowledge was gained during the course of their work with the Corporation, if the Material Information has not been generally disclosed to the public.
- (iii) Representatives cannot inform other people of Material Information regarding the Corporation before that Material Information has been generally disclosed, unless the Representative discloses that Material Information in the “necessary course of business” (as described below).
- (iv) Representatives cannot inform other people of Material Information regarding a public company where they have gained knowledge of Material Information regarding that public company in the course of their work at the Corporation before that Material Information has been generally disclosed, unless the Representative discloses that Material Information in the “necessary course of business”.
- (v) If a Representative knows that the Corporation is about to issue a news release of Material Information, at any time, the Representative should not trade from the time of such knowledge of the release until the close of business on the first full business day following the date of issue of the release.
- (vi) If a Representative knows that drilling results are to be announced, the Representative should not trade from the time of such knowledge until the close of business on the first full business day following the date of issue of the announcement.

The restrictions on trading and use of Material Information set forth in clauses 2(a)(i) to (vi) above apply not only to each Representative in possession of Material Information which has not been generally disclosed but also to the members of such person’s household (including spouses, family members and others). Representatives are responsible for the compliance of such persons and should, if necessary, review this policy with them and the general prohibitions on insider trading. **In any event, Representatives should avoid disclosing any confidential information to such persons and any business partners, friends and others.**

The “**necessary course of business**” exception is a limited one and exists so as not to unduly interfere with a company’s ordinary business activities. The exception could cover communications that are required to be made to further the business purposes of the Corporation with:

- vendors, suppliers or strategic partners on issues such as joint venture, technical consulting, service and supply contracts;
- employees, officers and board members;

- lenders, legal counsel, auditors, underwriters and financial and other professional advisors;
- parties to negotiations;
- labour unions and industry associations;
- government agencies and non-governmental regulators; or
- credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings generally are or will be publicly available).

Such persons must be made aware that they cannot pass the information onto anyone else (except in the "necessary course of business") until it has generally been disclosed. There is no exception to the prohibition against "tipping" for disclosure made pursuant to a confidentiality agreement, so the Representative must ensure that such disclosure is in the "necessary course of business". **Furthermore, there is no exception that would permit the Corporation to make selective disclosure of material corporate information to an analyst, institutional investor or other market professional.**

In order to avoid possible inadvertent conflict with this policy, standing sell orders or standing purchase orders should not be left with a broker by a Representative.

(b) Prohibitions Against Short Selling and Certain Trading

In addition to the obligations set forth in subsection 2(a) above, all Representatives who are Insiders (as defined in clause 2(c)(i) below), shall not engage (i) in the short selling of, or trading in puts, calls or options in respect of the securities of the Corporation; and (ii) in the purchase of financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities as compensation or held, directly or indirectly by them.

(c) Additional Obligations on Insiders and Blacked-out Employees

Additional obligations are imposed on Representatives who are Insiders and Blacked-out Employees, in the manner described in this subsection 2(c).

(i) Definitions

(A) Who is an Insider?

Insiders of the Corporation include:

- directors and officers of the Corporation;
- directors and officers of Subsidiaries of the Corporation;

- a person who beneficially owns, directly or indirectly, more than 10% of the voting securities of the Corporation or who exercises control or direction over more than 10% of the votes attached to the voting securities of the Corporation (a “**10% shareholder**”); and
- a director or officer of a 10% shareholder.

(B) *Who is a Blacked-out Employee for the purposes of regularly scheduled blackout periods?*

- The following are Blacked-out Employees of the Corporation during regularly scheduled blackout periods:
 - all Insiders, including members in acting positions; and
 - all Representatives who receive notice from the Compliance Officer that they are designated Blacked-out Employees in respect of such periods.

(C) *Who is a Blacked-out Employee for the purposes of discretionary blackout periods?*

All Representatives who receive notice that they are designated Blacked-out Employees in respect of such periods.

(ii) *Additional Obligations on Insiders*

(A) *Insider Reports*

Under securities laws and this policy, most Insiders are required to file a report (the “**Insider Report**”) with securities regulators within five calendar days of becoming an Insider (if they hold securities of the Corporation) and any time they trade in securities of the Corporation, including shares, debt securities, options (including the grant and exercise of options), deferred share units or restricted stock units of the Corporation, including certain derivative-based transactions and equity monetization transactions related thereto. Examples of such derivative-based transactions include total return swaps and credit default swaps. Insiders must file an Insider Report electronically through the “System for Electronic Disclosure by Insiders” (also known as “SEDI”) within five calendar days after each trade.

Canadian securities legislation provides some exemptions from filing insider reports. Please contact the Compliance Officer for further information on exemptions.

It is each Insider’s own responsibility to prepare and file the required Insider Reports. The Corporation does not assume this responsibility on behalf of its Insiders.

(B) Authorization to Trade

All Blacked-out Employees must obtain the written authorization of the Compliance Officer should they wish to trade in any securities of the Corporation within a Blackout Period, which authorization shall be valid for three (3) days from the date of issuance.

(C) Officers, directors and employees leaving the Company

Officers, directors and employees shall continue to be bound by this Policy for a period of thirty (30) days following their leaving the Company.

(iii) Obligations on Blacked-out Employees

During regularly scheduled or discretionary blackout periods, the affected Blacked-out Employees cannot:

- trade in any securities of the Corporation, including shares, convertible securities or debt securities;
- engage in derivative-based transactions or equity monetization transactions related to shares or debt securities of the Corporation; or
- exercise stock options or other convertible securities of the Corporation.

(d) Waiver

Notwithstanding any of the prohibitions contained in subsection 2(c), the Compliance Officer may, at his or her discretion, waive the prohibitions contained in subsection 2(c) in exceptional circumstances, provided that the Representative seeking the waiver does not have knowledge of any undisclosed Material Information and that making such an exception would not violate any applicable securities laws. The Compliance Officer will report any such waivers to the Corporate Governance and Compensation Committee at its next regularly scheduled meeting.

(e) Potential Civil and Criminal Penalties

The consequences of prohibited insider trading, tipping or a failure to file an insider report where required on a timely basis can be severe and may include dismissal, fines, and criminal sanctions and may also damage the reputation of the Corporation.

Canadian securities laws provide that breach of the prohibition against trading in securities with knowledge of undisclosed material information or providing undisclosed material information to others, in addition to civil liability for damages, may result in imprisonment for up to five years and/or a fine of up to the greater of: (i) \$5 million; and (ii) an amount equal to three times the profit obtained or loss avoided by reason of the contravention.

Penalties may also be levied by Canadian securities regulatory authorities for not complying with the requirements to file insider reports.

(f) Responsibility of the Compliance Officer

The Compliance Officer shall send out a memo to all Insiders and Blacked-out Employees to inform of the beginning and the end of both discretionary and regularly scheduled blackout periods.

Insider Trading
Quick reference list

DO NOT TRADE IN SECURITIES OF THE CORPORATION WHEN YOU:

- know Material Information about the Corporation which has not been generally disclosed and disseminated to the public;
- are subject to a blackout period; or
- have received any other notice from the Compliance Officer that you cannot trade in securities.

REGULARLY SCHEDULED BLACKOUT PERIODS

The blackout periods relative to the financial information begin fifteen (15) days and thirty (30) days respectively after the end of the quarter or the year and terminate on the close of business on the first full business day following the day on which the Corporation discloses its quarterly or annual financial results, as the case may be.

DO NOT TRADE IN SECURITIES OF ANOTHER PUBLIC COMPANY WHEN YOU:

- know Material Information about another public company which has not been generally disclosed and disseminated to the public especially if you learned of such Material Information because of your business or dealings with the Corporation.

Schedule A

Excerpt from s. 4.3 of National Policy 51-201 (“Disclosure Standards”): Examples of Potentially Material Information

The following are examples of events or information that would be material if they result in, or would reasonably be expected to result in, a significant change in the market price or value of any of the listed securities of the Corporation. This list is not exhaustive.

Changes in Corporate Structure

- Changes in share ownership that may affect control of the Corporation
- Major reorganizations, amalgamations or mergers
- Takeover bids, issuer bids or insider bids

Changes in Capital Structure

- Public or private sale of additional securities
- Planned repurchases or redemptions of securities
- Planned splits of ordinary shares or offerings of warrants or rights to buy shares
- Any share consolidation, share exchange, or stock dividend
- Changes in dividend payments or policies
- Possible initiation of a proxy fight
- Material modification to the rights of security holders

Changes in Financial Results

- A significant increase or decrease in near-term earnings prospects
- Unexpected changes in financial results for any periods
- Shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- Changes in the value or composition of the Corporation’s assets
- Any material change in the Corporation’s accounting policies

Changes in Business and Operations

- Any development that affects the Corporation’s resources, technology, products or markets, including drilling or other exploration results

- A significant change in capital investment plans or corporate objectives
- Major labour disputes or disputes with major contractors or suppliers
- Significant new contracts, products, patents or services or significant losses of contracts or business
- Significant resource discoveries
- Changes to the Board of Directors or executive management, including the departure of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, president or senior vice-president (or persons in equivalent positions)
- The commencement of, or developments in, material legal proceedings or regulatory matters
- Waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- Any notice that reliance on a prior audit is no longer permissible
- De-listing of the Corporation's securities or their movement from one quotation system or exchange to another

Acquisitions and Dispositions

- Significant acquisitions or dispositions of assets, property or joint venture interests
- Acquisitions of other companies, including a take-over bid for, or merger with, another company

Changes in Credit Arrangements

- The borrowing or lending of a significant amount of money
- Any mortgaging or encumbering of the Corporation's assets
- Defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- Changes in rating agency decisions
- Significant new credit arrangements