



FORTUNA
SILVER MINES INC.

2016 Earnings Call Webcast

NYSE: FSM | TSX: FVI | fortunasilver.com

May 16, 2017

Building a world-leading precious metals mining company

Cautionary Statement on Forward Looking Statements / Non-GAAP Financial Measures

This corporate presentation contains forward looking statements which constitute “forward looking information” within the meaning of applicable Canadian securities legislation and “forward looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 (collectively, “Forward looking Statements”). All statements included herein, other than statements of historical fact, are Forward looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward looking Statements. The Forward looking Statements in this corporate presentation may include, without limitation, statements about the company’s plans for its mines and mineral properties; the company’s business strategy, plans and outlook; the merit of the company’s mines and mineral properties; mineral resource and reserve estimates; timelines; the future financial or operating performance of the company; expenditures; approvals and other matters. Often, but not always, these Forward looking Statements can be identified by the use of words such as “estimate”, “estimated”, “potential”, “open”, “future”, “assumed”, “projected”, “calculated”, “used”, “detailed”, “has been”, “gain”, “upgraded”, “expected”, “offset”, “limited”, “contained”, “reflecting”, “containing”, “conduct”, “increasing”, “remaining”, “to be”, “periodically”, or statements that events, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others, changes in general economic conditions and financial markets; changes in prices for silver and other metals; technological and operational hazards in Fortuna’s mining and mine development activities; risks inherent in mineral exploration; uncertainties inherent in the estimation of mineral reserves, mineral resources, and metal recoveries; the timing and availability of financing; governmental and other approvals; political unrest or instability in countries where Fortuna is active; labor relations issues; as well as those factors discussed under “Risk Factors” in the Company’s Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in Forward-looking Statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking Statements contained herein are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to estimates of future production levels; expectations regarding mine production costs; expected trends in mineral prices and currency exchange rates; the accuracy of the company’s current mineral resource and reserve estimates; that the company’s activities will be in accordance with the company’s public statements and stated goals; that there will be no material adverse change affecting the company or its properties; that all required approvals will be obtained; that there will be no significant disruptions affecting operations and such other assumptions as set out herein. Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Certain technical data in this presentation was taken from the technical report entitled, “Technical Report Update on the Lindero Heap Leach Project Salta Province, Argentina,” dated February 23, 2016, prepared by Carl E. Defilippi, SME Registered Member, Paul Tietz, C.P.G., Thomas L. Dyer, P.E. and David G. Thomas, P.Geo. (the “Lindero Technical Report”), and is subject to the assumptions, qualifications and procedures defined therein.

This corporate presentation also refers to non-GAAP financial measures, such as cash cost per tonne of processed ore; cash cost per payable ounce of silver; total production cost per tonne; all-in sustaining cash cost; all-in cash cost; adjusted net (loss) income; operating cash flow per share before changes in working capital, income taxes, and interest income; and adjusted EBITDA. These measures do not have a standardized meaning or method of calculation, even though the descriptions of such measures may be similar. These performance measures have no meaning under International Financial Reporting Standards (IFRS) and therefore, amounts presented may not be comparable to similar data presented by other mining companies.

Mr. Eric N. Chapman, M.Sc., Vice President of Technical Services, is the Qualified Person for Fortuna Silver Mines Inc. as defined by National Instrument 43-101. Mr. Chapman is a Professional Geoscientist of the Association of Professional Engineers and Geoscientists of the Province of British Columbia (Registration Number 36328) and is responsible for ensuring that the information contained in this presentation is an accurate summary of the original reports and data provided to or developed by Fortuna Silver Mines Inc., and has approved this disclosure.

Dollar amounts expressed in US dollars, unless otherwise indicated.



Jorge A. Ganoza

President, CEO and Director



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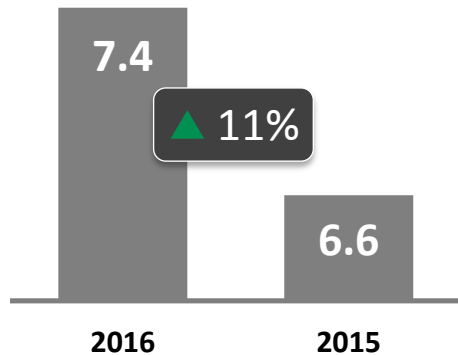
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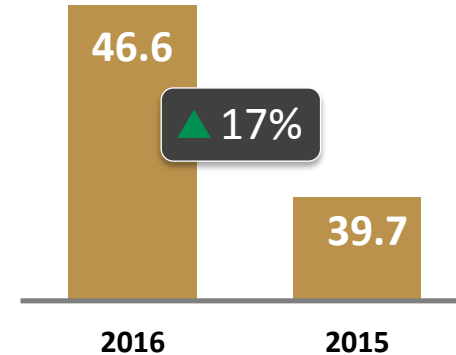
2016 Consolidated Highlights

Production metrics

Silver Production (Moz)



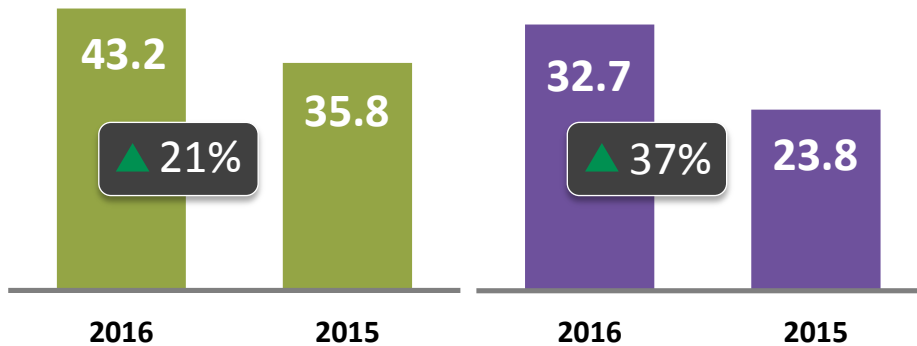
Gold Production (koz)



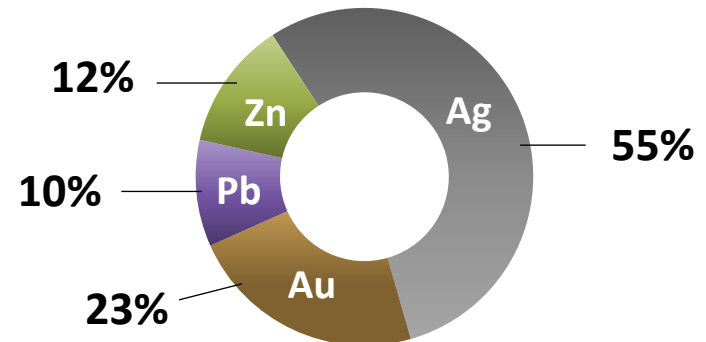
Base Metals Production

Zinc (Mlbs)

Lead (Mlbs)



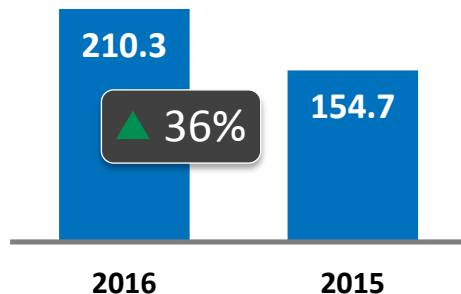
Provisional Sales Contribution by Metal



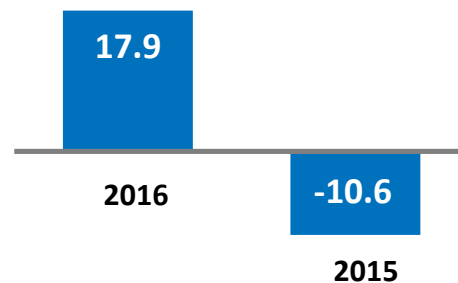
2016 Consolidated Highlights

Financial metrics

Sales (\$ M)



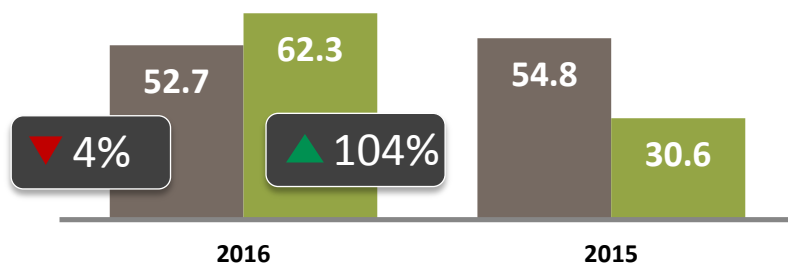
Net Income (\$ M)



0.13 EPS, basic (\$) **-0.08**

Cash Flow from Operations (\$ M)

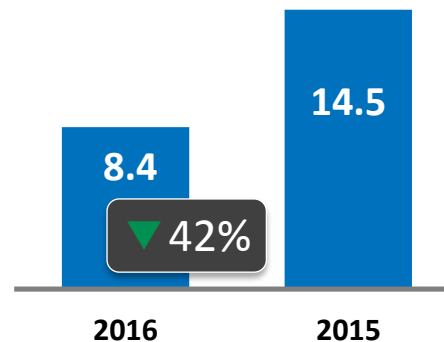
- Net Cash Provided by Operating Activities
- Cash from Operations before changes in working capital



Cash from operations before changes in working capital

30%	Margin over sales	20%
0.46	CFPS (\$)	0.24

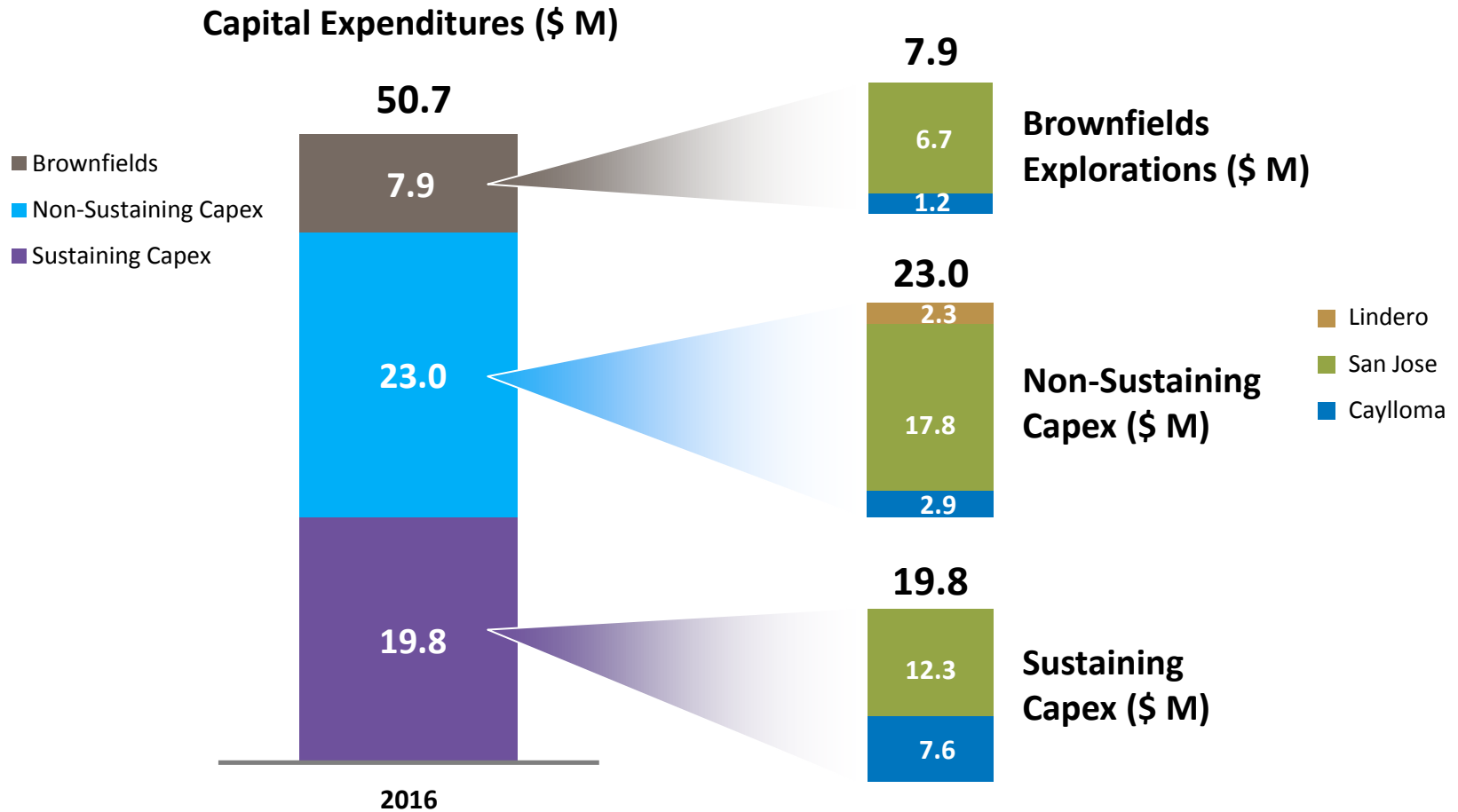
AISC (\$/oz Ag)



Note: EPS = Earnings Per Share | CFPS = Cash Flow Per Share | AISC = All-In Sustaining Cash Cost

2016 Consolidated Highlights

Capital investments



Note: Totals may not add due to rounding procedures

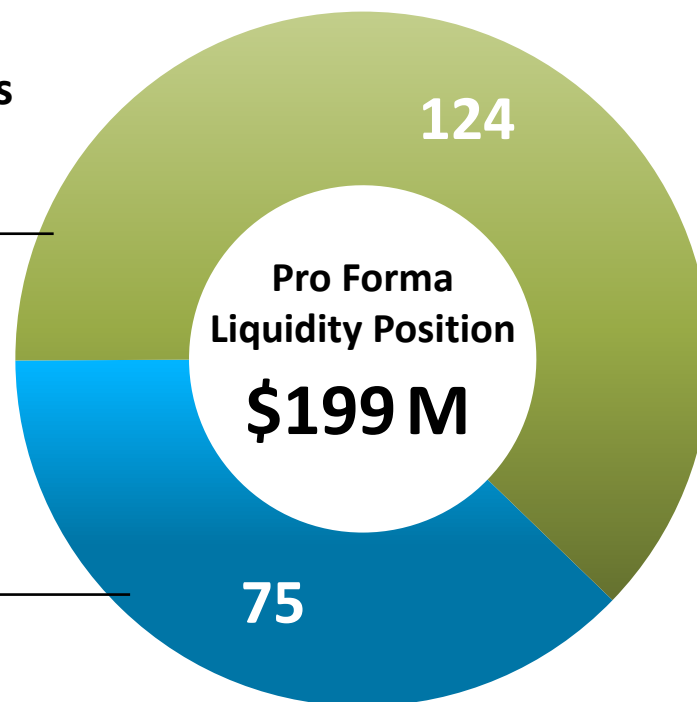
Pro Forma Liquidity Position¹

Cash and Cash Equivalents
as of December 2016²

\$124 M

Bought Deal Financing³

\$75 M



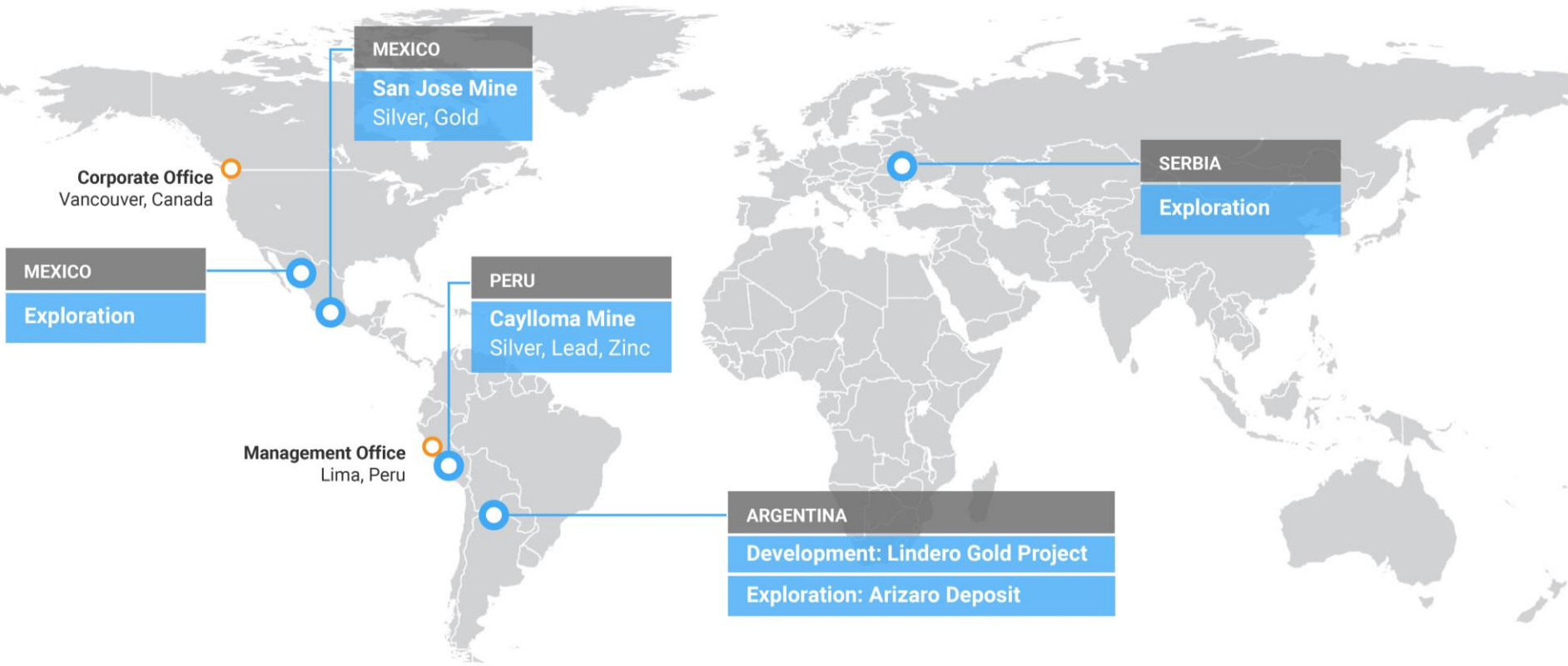
Notes:

1. Post bought deal closed on Q1 2017; see [Fortuna news release dated February 9, 2017](#)

2. Cash and Cash equivalents & Short term investments as at December 31, 2016

3. See [Fortuna news release dated February 9, 2017](#)





Core Assets



Projects Update

Lindero Project

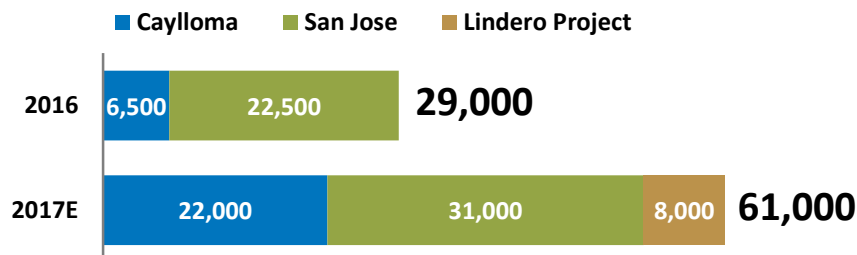
- In September 2016, pre-construction review commenced including:
 - Validation of the geological model and resource/reserve estimates
 - Optimization of the mine design
 - Review of metallurgical process including key laboratory tests
 - Update of the infrastructure basic engineering
- Construction decision expected in Q3 2017

New Exploration Projects

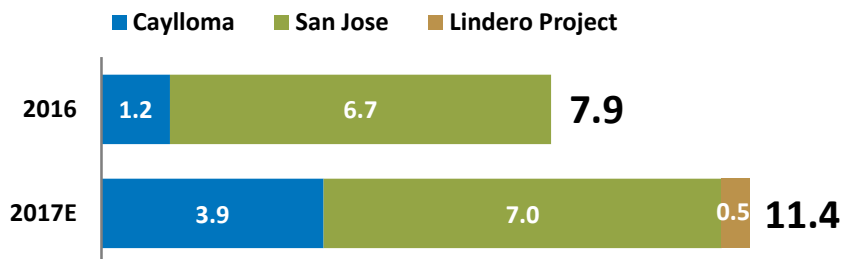
- Funding Strategic Alliances with the right to select projects for joint venture:
 - *Medgold Resources Corp. (TSX.v: MED) | (Serbia)*: C\$3.0 M equity investment; 23.97% ownership; Tlamino Gold Project selected for joint venture
 - *Prospero Silver Corp. (TSX.v: PSL) | (Mexico)*: C\$1.5 M equity investment; 14.91% ownership
- 2017 Salta generative exploration budget: \$700,000

Brownfields Projects

Drilling (meters)



Investment (\$ M)





Luis D. Ganoza

Chief Financial Officer / Chief Compliance Officer



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10

2016 Financial Highlights

Summary

(in \$ M, except in earnings per share figure)

	2016	2015	% Change
Sales	210.3	154.7	▲ 36%
Net income (loss)	17.9	-10.6	–
EPS, basic	0.13	-0.08	–
Adjusted net income (loss)	18.1	6.7	▲ 170%
Cash provided by operating activities	52.7	54.8	▼ 4%
Cash provided by operating activities before changes in working capital	62.3	30.6	▲ 104%
Cash and cash equivalents & Short term investments, end of period	123.6	108.2	▲ 14%

Q4 2016 Financial Highlights

Summary

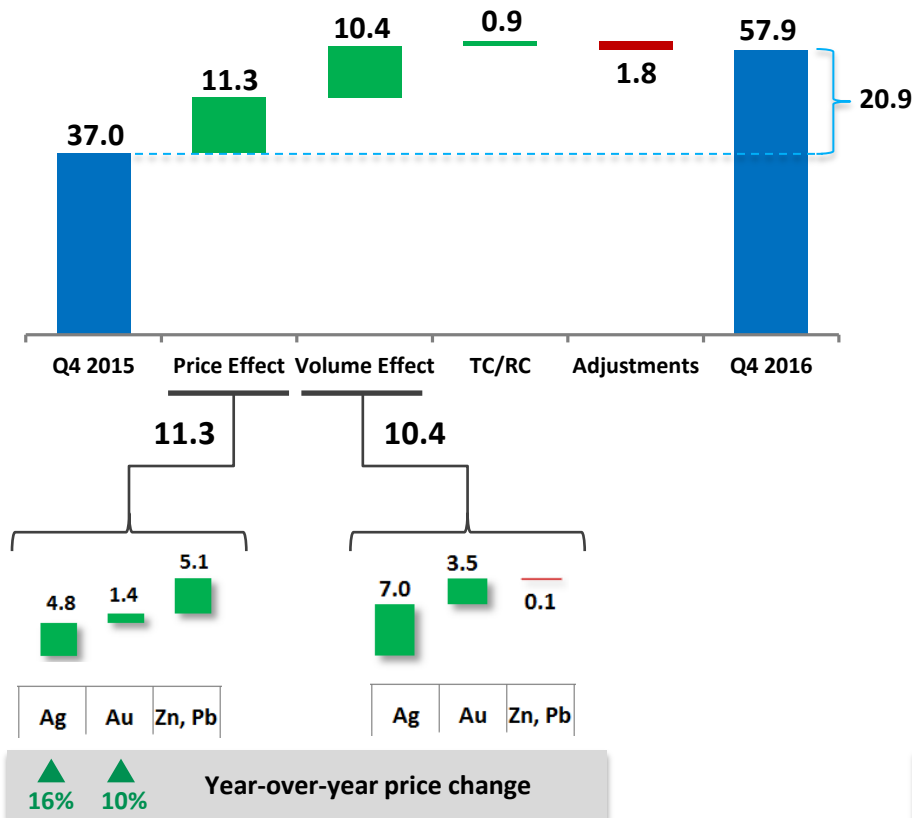
(in \$ M, except in earnings per share figure)

	Q4 2016	Q4 2015	% Change
Sales	57.9	37.0	▲ 56%
Net income (loss)	6.5	-17.3	–
EPS, basic	0.04	-0.13	–
Adjusted net income (loss)	8.8	0.1	–
<hr/>			
Cash provided by operating activities	25.8	23.2	▲ 11%
Cash provided by operating activities before changes in working capital	22.7	9.6	▲ 136%

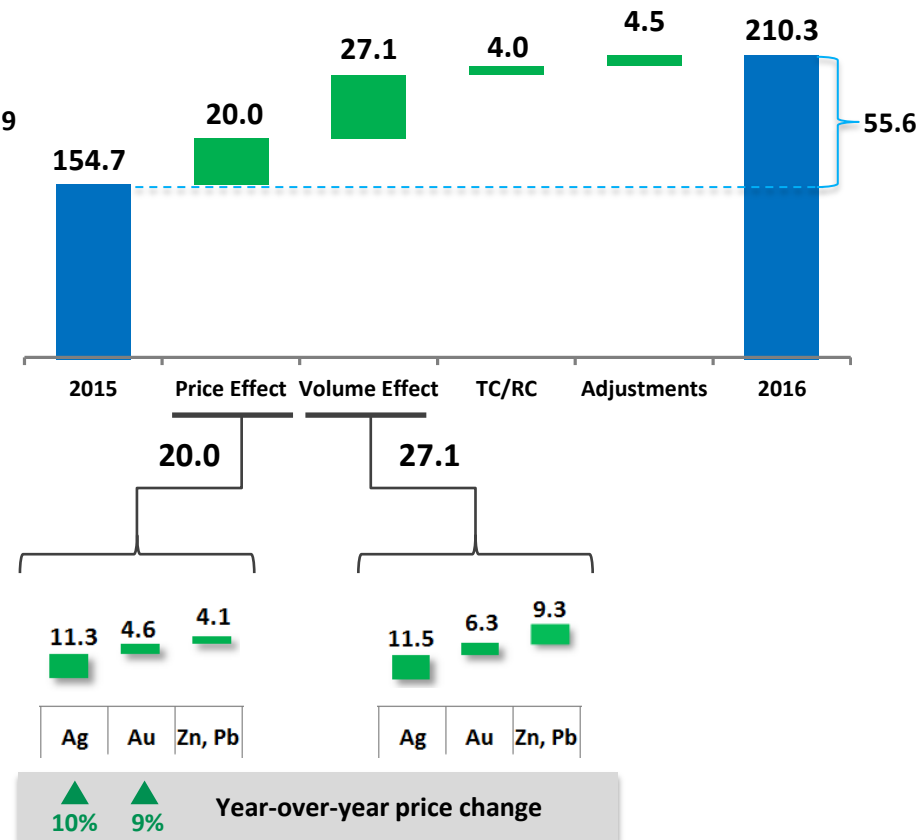
Q4 2016 / 2016 Financial Highlights

Sales

Sales Bridge Chart Q4 2016 vs Q4 2015 (\$ M)



Sales Bridge Chart 2016 vs 2015 (\$ M)



Note: Totals may not add due to rounding procedures

2016 Financial Highlights

Operating Income and Adjusted EBITDA

Consolidated			
(in \$ M, except in earnings per share figure)	2016	2015	% Change
Operating Income	48.5	-1.7	-
Adjusted EBITDA	83.0	49.6	▲ 67%
Margin over sales	39%	32%	-

Caylloma Mine			
(in \$ M, except in cash cost figures)	2016	2015	% Change
Adjusted EBITDA	25.2	10.0	▲ 152%
Margin over sales	38%	19%	-

Production cash cost (\$/tonne)	71.89	85.76	▼ -16%
All-in sustaining cash cost (\$/oz Ag)	4.34	13.56	▼ -68%

San Jose Mine			
(in \$ M, except in cash cost figures)	2016	2015	% Change
Adjusted EBITDA	81.2	50.1	▲ 62%
Margin over sales	57%	50%	-

Production cash cost (\$/tonne)	56.90	58.83	▼ -3%
All-in sustaining cash cost (\$/oz Ag)	7.58	12.86	▼ -41%

Q4 2016 Financial Highlights

Operating Income and Adjusted EBITDA

Consolidated			
(in \$ M, except in earnings per share figure)	Q4 2016	Q4 2015	% Change
Operating Income	17.6	-20.6	-
Adjusted EBITDA	29.4	11.0	▲ 167%
Margin over sales	51%	30%	-

Caylloma Mine			
(in \$ M, except in cash cost figures)	Q4 2016	Q4 2015	% Change
Adjusted EBITDA	7.4	1.4	▲ 429%
Margin over sales	41%	12%	-
Production cash cost (\$/tonne)	71.15	81.77	▼ -13%
All-in sustaining cash cost (\$/oz Ag)	1.72	16.47	▼ -90%

San Jose Mine			
(in \$ M, except in cash cost figures)	Q4 2016	Q4 2015	% Change
Adjusted EBITDA	22.5	12.8	▲ 76%
Margin over sales	57%	51%	-
Production cash cost (\$/tonne)	55.09	55.45	▼ -1%
All-in sustaining cash cost (\$/oz Ag)	6.73	16.80	▼ -60%

Q4 2016 / 2016 Consolidated Financial Highlights

Expense Performance

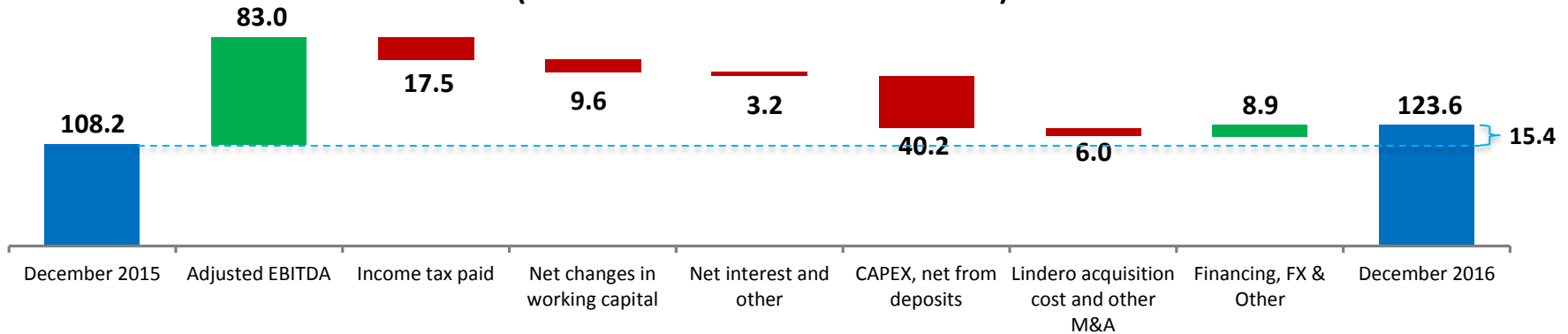
(in \$ M, except in earnings per share figure)	Q4 2016	% Change over Q4 2015	2016	% Change over 2015
Operating mines SG&A	1.2	▼ -8%	6.1	▼ -5%
Corporate SG&A	2.6	▲ 30%	9.5	▲ 3%
Share-base payments	- 2.2	—	14.1	▲ 840%
Workers' participation	0.4	▲ 100%	1.4	▲ 100%
Total SG&A	2.0	▼ -56%	31.1	▲ 75%
Effective Tax Rate	63%	—	62%	—

Note: Totals may not add due to rounding procedures

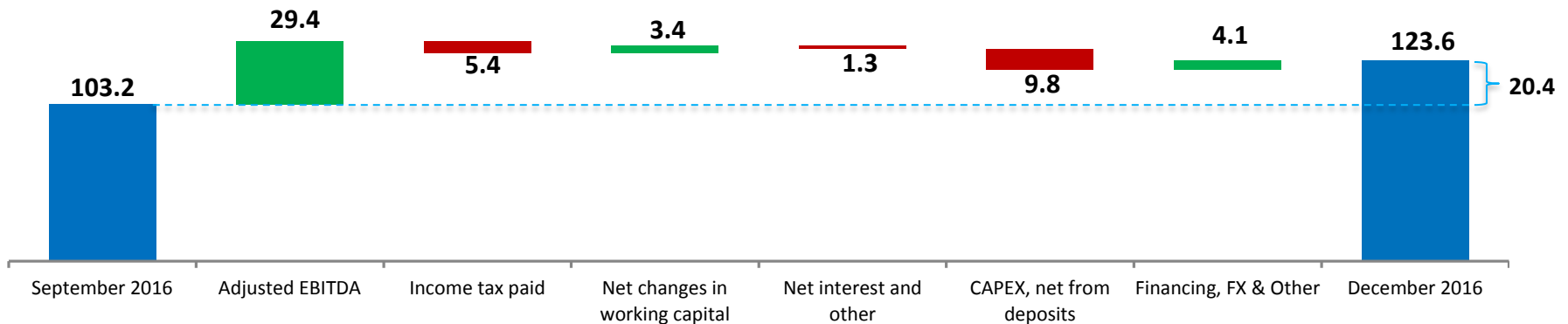
2016 Consolidated Financial Highlights

Cash position

Cash Balance Bridge Chart (\$ M)
(December 2016 vs December 2015)



Cash Balance Bridge Chart (\$ M)
(December 2016 vs September 2016)

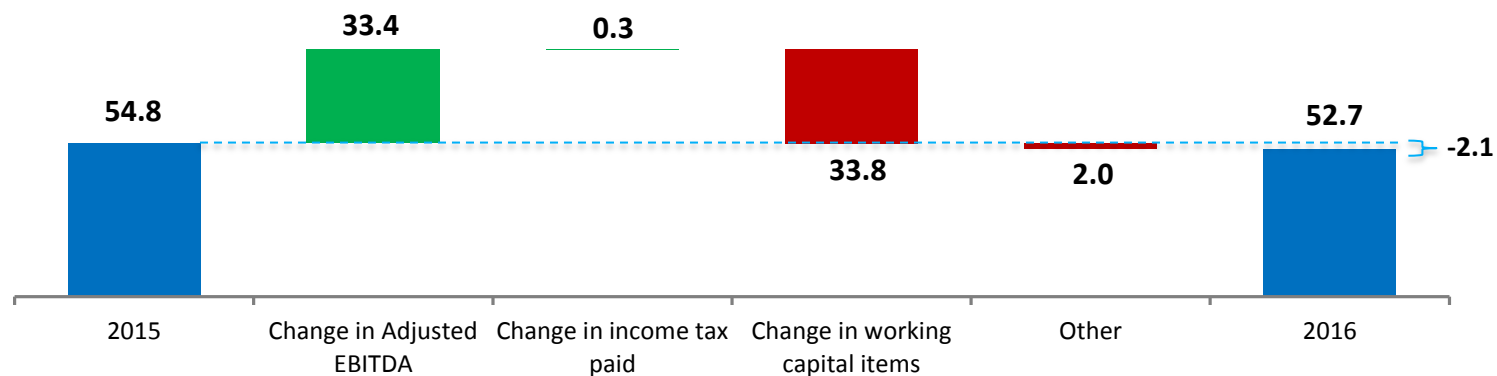


Note: Totals may not add due to rounding procedures

2016 Consolidated Financial Highlights

Cash position

Cash Provided by Operating Activities Bridge Chart (\$ M)
2016 vs. 2015



Note: Totals may not add due to rounding procedures

2017 Production and Cash Cost Guidance

PRODUCTION

8.1 Moz
Ag

52.4 koz
Au

41.0 Mlbs
Zn

30.0 Mlbs
Pb

CASH COST PER TONNE

56.7 \$/t
San Jose

75.5 \$/t
Caylloma

AISC

8.4 \$/oz Ag
San Jose

10.8 \$/oz Ag
Caylloma

9.8 \$/oz Ag
Consolidated

CAPEX

23.2 \$M
San Jose

14.1 \$M
Caylloma





Q & A



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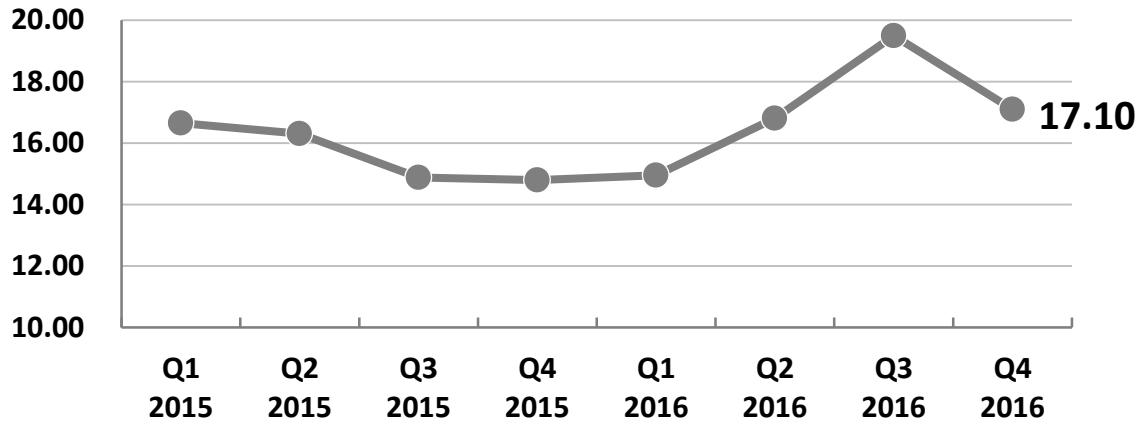


Appendix

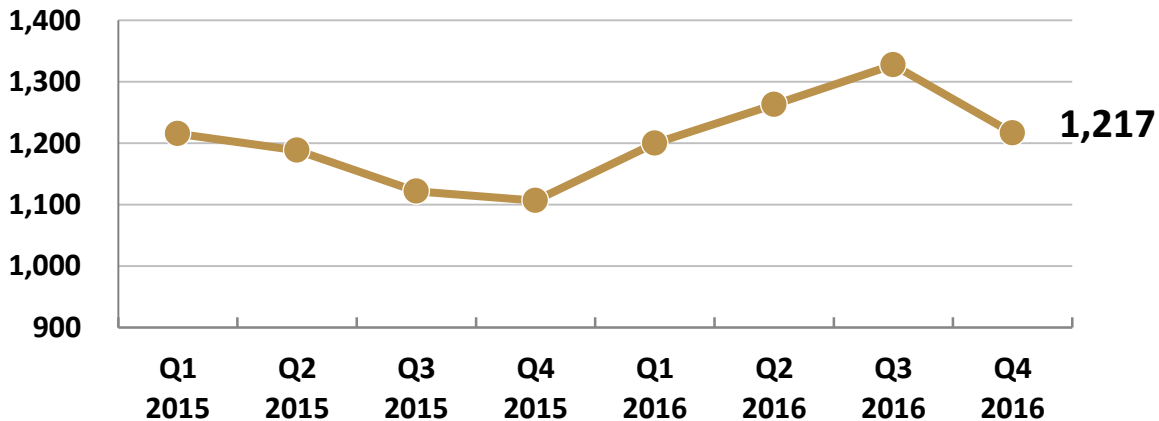


Metal Prices

Realized Silver Price (\$/oz)



Realized Gold Price (\$/oz)



Consolidated Sales Metrics

	Q4 2016	Q4 2015	% Change	2016	2015	% Change
Metal Sold						
Ag (oz)	2,126,723	1,614,908	▲ 32%	7,377,509	6,618,784	▲ 11%
Au (oz)	13,803	9,865	▲ 40%	45,958	39,209	▲ 17%
Pb ('000 lb)	7,361	8,156	▼ 10%	33,187	23,361	▲ 42%
Zn ('000 lb)	10,537	9,665	▲ 9%	43,041	35,934	▲ 20%
Realized Price¹						
Ag (US\$/oz)	17.10	14.80	▲ 16%	17.23	15.65	▲ 10%
Au (US\$/oz)	1,217	1,106	▲ 10%	1,253	1,156	▲ 8%
Pb (US\$/lb)	0.97	0.77	▲ 26%	0.84	0.80	▲ 5%
Zn (US\$/lb)	1.15	0.73	▲ 58%	0.95	0.87	▲ 9%

Note: Based on provisional sales before final price adjustments

Operating Income and Adjusted EBITDA

Operating Income

(in \$ M, except in earnings per share figure)	Q4 2016	Q4 2015	% Change	2016	2015	% Change
Caylloma	4.5	-26.7	-	16.5	-24.8	-
San Jose	13.7	9.5	▲ 44%	55.6	34.2	▲ 63%
Corporate	-0.5	-3.4	-	-23.5	-11.1	-
Total Operating Income	17.6	-20.6	-	48.5	-1.7	-
Margin over sales	30%	-56%	-	23%	-1%	-

Adjusted EBITDA

(in \$ M, except in earnings per share figure)	Q4 2016	Q4 2015	% Change	2016	2015	% Change
Caylloma	7.4	1.4	▲ 429%	25.2	10.0	▲ 152%
San Jose	22.5	12.8	▲ 76%	81.2	50.1	▲ 62%
Corporate	-0.5	-3.3	-	-23.3	-10.5	-
Total Adjusted EBITDA	29.4	11.0	▲ 167%	83.0	49.6	▲ 67%
Margin over sales	51%	30%	-	39%	32%	-

Note: Totals may not add due to rounding procedures



Adjusted Net Income (Non-GAAP Financial Measures)

Expressed in \$'000's	ADJUSTED NET INCOME			
	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
NET INCOME FOR THE PERIOD	\$ 6,513	\$ (17,290)	\$ 17,858	\$ (10,608)
Items of note, net of tax:				
Unrealized gain on financial instruments	1,264	-	(742)	-
Write-off of mineral properties	791	-	791	-
Impairment of mineral properties, plant and equipment	-	17,000	-	17,000
Impairment of inventories	190	398	190	398
Other operating income - other	-	(57)	-	(57)
Adjusted Net Income (a non-GAAP measure)	\$ 8,758	\$ 51	\$ 18,097	\$ 6,733

Operating Cash Flow per Share Before Changes in Working Capital (Non-GAAP Financial Measures)

\$ '000's	OPERATING CASH FLOW PER SHARE BEFORE CHANGES IN WORKING CAPITAL			
	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
Net income for the period	\$ 6,513	\$ (17,290)	\$ 17,858	\$ (10,608)
Items not involving cash	22,264	27,634	63,693	59,796
	28,777	10,344	81,551	49,188
Income taxes paid	(5,372)	(367)	(17,513)	(17,846)
Interest expense paid	(720)	(417)	(2,028)	(1,110)
Interest income received	49	86	289	354
Cash generated by operating activities before changes in working capital	\$ 22,734	\$ 9,646	\$ 62,299	\$ 30,586
Divided by				
Weighted average number of shares ('000's)	146,454	129,133	136,888	129,001
Operating cash flow per share before changes in working capital	\$ 0.16	\$ 0.07	\$ 0.46	\$ 0.24



Adjusted EBITDA (Non-GAAP Financial Measures)

(a non-GAAP financial measure) \$ 000's	ADJUSTED EBITDA			
	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
Net Income	\$ 6,513	\$ (17,290)	\$ 17,858	\$ (10,608)
Add back:				
Net finance items	69	667	1,431	1,547
Depreciation, depletion, and amortization	10,414	6,263	33,024	25,739
Income taxes	11,025	(3,949)	29,252	7,391
Impairment of mineral properties	-	25,000	-	25,000
Other operating expenses	1,424	321	1,420	550
Adjusted EBITDA	\$ 29,445	\$ 11,012	\$ 82,985	\$ 49,619