



FORTUNA
SILVER MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2023 and 2022

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of Fortuna Silver Mines Inc. (the "Company") ("we", "us" or "our") have prepared the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and the accompanying Management's Discussion and Analysis ("MD&A") and are responsible for their content. The financial information presented in the MD&A is consistent with the information that is contained in the consolidated financial statements. The consolidated financial statements include, where necessary, amounts based on our estimates and judgement.

In order to discharge our responsibility for the integrity of the financial statements, the Company maintains a system of Internal Control over Financial Reporting and Disclosure Controls and Procedures. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with our authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in the hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well defined areas of responsibility.

The Board of Directors is responsible for overseeing the performance of our responsibilities for financial reporting and internal control over Financial Reporting and Disclosure Controls and Procedures. The Audit Committee, which is composed of independent directors, meets with us as well as the external auditors to ensure that we are properly fulfilling our financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, and the adequacy of the system of internal controls, and to review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, the Company's independent registered public accounting firm, in accordance with the standards of the Public Company Accounting Oversight Board (United States).

/s/ Jorge Ganoza Durant
President and Chief Executive Officer

/s /Luis Ganoza Durant
Chief Financial Officer

Vancouver, Canada
March 06, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Fortuna Silver Mines Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Fortuna Silver Mines Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), cash flows, and changes in equity for each of the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for each of the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the Audit Committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the recoverable amount of the Lindero cash-generating unit

As discussed in Note 9 to the consolidated financial statements, the carrying value of the Company's mineral properties, plant, and equipment was \$1,574,212 thousand as of December 31, 2023. As discussed in Note 32 to the consolidated financial statements, the Company determined that there were indicators of impairment at the Lindero cash-generating unit (CGU) due to an increase in capital costs for the heap leach expansion project and an increase in operating costs as a result of macro-economic factors. The Company estimated the recoverable amount of the Lindero CGU, determined on a fair value less cost of disposal basis, and concluded no impairment charge was required.

We identified the assessment of the recoverable amount of the Lindero CGU as a critical audit matter. A high degree of auditor judgment was required to evaluate the inputs used to estimate the recoverable amount. Significant assumptions used in the determination of the recoverable amount included the quantities of mineral reserves and mineral resources that form the basis for the life of mine plan, metal prices, expected future production costs and capital expenditures, and the discount rate. Changes in any of these assumptions could have had a significant effect on the determination of the estimated recoverable amount.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to determine the recoverable amount of the Lindero CGU. This included controls over the Company's development of the significant assumptions used to estimate the recoverable amount of the Lindero CGU. We assessed the competence, capabilities and objectivity of the Company's personnel who determined the quantities of mineral reserves and mineral resources that form the basis for the life of mine plan for the Lindero CGU. We compared the amount of mineral reserves and mineral resources in the discounted cash flow model to the life of mine plan and to the mineral reserve and mineral resource information. We compared the Company's historical mineral reserve and resource information, life of mine plan and operating results to actual results to assess the accuracy of the Company's forecasting process. We compared expected future production costs and capital expenditures in the discounted cash flow model to the life of mine plan and to historical expenditures. We involved valuations professionals with specialized skills and knowledge, who assisted in (1) assessing the metal prices by comparing to third party data; and (2) evaluating the discount rate by comparing it to an independently calculated range of discount rates using internal and external independent sources.

/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2017.

Vancouver, Canada
March 6, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Fortuna Silver Mines Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Fortuna Silver Mines Inc.'s (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), cash flows, and changes in equity for each of the years then ended, and the related notes (collectively, the consolidated financial statements), and our report dated March 6, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, which appears under the heading Management's Report on Internal Control Over Financial Reporting in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

March 6, 2024

Fortuna Silver Mines Inc.**Consolidated Statements of Income (Loss)**

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Note	Years ended December 31,	
		2023	2022
Sales	20	\$ 842,428	\$ 681,491
Cost of sales	21	652,403	534,695
Mine operating income		190,025	146,796
General and administration	22	64,073	61,456
Foreign exchange loss		10,885	8,866
Impairment of mineral properties, plant and equipment	32	90,615	182,842
Write-off of mineral properties		5,985	5,874
Other (income) expenses	23	18,874	1,310
		190,432	260,348
Operating loss		(407)	(113,552)
Investment gains	5	12,395	-
Interest and finance costs, net	24	(21,790)	(12,057)
(Loss) gain on derivatives	20	(1,249)	500
		(10,644)	(11,557)
Loss before income taxes		(11,051)	(125,109)
Income taxes			
Current income tax expense	25	42,636	35,783
Deferred income tax expense (recovery)	25	(10,057)	(24,986)
		32,579	10,797
Net loss for the year		\$ (43,630)	\$ (135,906)
Net loss attributable to:			
Fortuna shareholders		\$ (50,836)	\$ (128,132)
Non-controlling interest	30	7,206	(7,774)
		\$ (43,630)	\$ (135,906)
Loss per share	19		
Basic		\$ (0.17)	\$ (0.44)
Diluted		\$ (0.17)	\$ (0.44)
Weighted average number of common shares outstanding (000's)			
Basic		295,067	291,281
Diluted		295,067	291,281

The accompanying notes are an integral part of these financial statements.

Fortuna Silver Mines Inc.**Consolidated Statements of Comprehensive Income (Loss)**

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Note	Years ended December 31,	
		2023	2022
Net loss for the year		\$ (43,630)	\$ (135,906)
Items that will remain permanently in other comprehensive income (loss):			
Changes in fair value of investments in equity securities, net of \$nil tax		(22)	(280)
Items that may in the future be reclassified to profit or loss:			
Currency translation adjustment, net of tax ¹		(1,859)	(61)
Changes in fair value of hedging instruments, net of \$nil tax		-	70
Total other comprehensive income (loss) for the year		(1,881)	(271)
Comprehensive loss for the year		\$ (45,511)	\$ (136,177)
Comprehensive income (loss) attributable to:			
Fortuna shareholders		(52,717)	(128,403)
Non-controlling interest	30	7,206	(7,774)
		\$ (45,511)	\$ (136,177)

¹ For the year ended December 31, 2023, the currency translation adjustment is net of tax recovery of \$2.2 million (2022 - \$1.1 million expense).

The accompanying notes are an integral part of these financial statements.

Fortuna Silver Mines Inc.**Consolidated Statements of Financial Position**

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Balance at	Note	December 31, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 128,148	\$ 80,493
Trade and other receivables	5	69,529	68,165
Inventories	6	115,825	92,033
Other current assets	7	19,823	12,021
		333,325	252,712
NON-CURRENT ASSETS			
Restricted cash		910	3,967
Mineral properties and property, plant and equipment	9	1,574,212	1,567,622
Other non-current assets	10	59,416	51,923
Total assets		\$ 1,967,863	\$ 1,876,224
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	\$ 148,084	\$ 111,896
Current portion of debt	14	43,901	-
Income taxes payable	25	31,779	11,591
Current portion of lease obligations	13	14,941	9,416
Current portion of closure and reclamation provisions	16	5,065	2,177
		243,770	135,080
NON-CURRENT LIABILITIES			
Debt	14	162,946	219,175
Deferred tax liabilities	25	159,855	167,619
Closure and reclamation provisions	16	60,738	51,128
Lease obligations	13	42,460	11,930
Other non-current liabilities	15	9,973	2,596
Total liabilities		679,742	587,528
SHAREHOLDERS' EQUITY			
Share capital	18	1,125,376	1,076,342
Reserves		25,342	29,929
Retained earnings		87,649	138,485
Equity attributable to Fortuna shareholders		1,238,367	1,244,756
Equity attributable to non-controlling interest	30	49,754	43,940
Total equity		1,288,121	1,288,696
Total liabilities and shareholders' equity		\$ 1,967,863	\$ 1,876,224

Contingencies and Capital Commitments (Note 31)

/s/ Jorge Ganoza Durant
 Jorge Ganoza Durant
 Director

/s/ Kylie Dickson
 Kylie Dickson
 Director

The accompanying notes are an integral part of these financial statements.

Fortuna Silver Mines Inc.**Consolidated Statements of Cash Flows**

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Note	Years ended December 31,	
		2023	2022
Operating activities:			
Net loss for the year		\$ (43,630)	\$ (135,906)
Items not involving cash			
Depletion and depreciation		219,688	172,809
Accretion expense	24	6,773	4,830
Income taxes		32,579	10,797
Interest expense, net	24	15,017	7,227
Share-based payments, net of cash settlements		2,017	(1)
Impairment of mineral properties, plant and equipment	32	90,615	182,841
Inventory net realizable value adjustments	6	6,188	8,898
Inventory obsolescence adjustments	6	10,097	-
Write-off of mineral properties	9	5,985	5,874
Unrealized foreign exchange loss		5,706	4,554
Investment gains	5	(12,395)	-
Unrealized gains on derivatives		(170)	(1,194)
Other	23	5,142	-
Closure and reclamation payments	16	(1,203)	(623)
Changes in working capital	29	(9,737)	(18,021)
Cash provided by operating activities		332,672	242,085
Income taxes paid		(25,872)	(42,222)
Interest paid		(13,545)	(7,465)
Interest received		3,654	1,851
Net cash provided by operating activities		296,909	194,249
Investing activities:			
Costs related to Chesser acquisition, net of cash acquired	8	(13,321)	-
Restricted cash		-	(1,911)
Additions to mineral properties and property, plant and equipment		(217,314)	(251,236)
Contractor advances on Séguéla construction		(8)	(2,186)
Purchases of investments	5	(9,359)	-
Proceeds from sale of investments	5	21,754	-
Other investing activities		1,364	-
Cash used in investing activities		(216,884)	(255,333)
Financing activities:			
Transaction costs on credit facility	14	-	(688)
Proceeds from credit facility	14	75,500	80,000
Repayment of credit facility	14	(90,500)	(20,000)
Repurchase of common shares	18	-	(5,929)
Issuance of common shares from option exercise		301	-
Payments of lease obligations		(16,625)	(12,209)
Dividend payment to non-controlling interest		(1,392)	(2,708)
Cash (used in) provided by financing activities		(32,716)	38,466
Effect of exchange rate changes on cash and cash equivalents		346	(3,986)
Increase (decrease) in cash and cash equivalents during the year		47,655	(26,604)
Cash and cash equivalents, beginning of the year		80,493	107,097
Cash and cash equivalents, end of the year		\$ 128,148	\$ 80,493
Cash and cash equivalents consist of:			
Cash		\$ 106,135	\$ 65,140
Cash equivalents		22,013	15,353
Cash and cash equivalents, end of the year		\$ 128,148	\$ 80,493

Supplemental cash flow information (Note 29)

The accompanying notes are an integral part of these financial statements.

Fortuna Silver Mines Inc.
Consolidated Statements of Changes in Equity

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Note	Share capital		Reserves							Total equity
		Number of common shares	Amount	Equity reserve	Hedging reserve	Fair value reserve	Equity component of convertible debentures	Foreign currency reserve	Retained earnings	Non-controlling interest	
Balance at January 1, 2023		290,221,971	\$ 1,076,342	\$ 28,850	\$ 198	\$ (976)	\$ 4,825	\$ (2,968)	\$ 138,485	\$ 43,940	\$ 1,288,696
Total comprehensive loss for the year											
Net loss for the year		-	-	-	-	-	-	-	(50,836)	7,206	(43,630)
Other comprehensive loss for the year		-	-	-	-	(22)	-	(1,859)	-	-	(1,881)
Total comprehensive loss for the year		-	-	-	-	(22)	-	(1,859)	(50,836)	7,206	(45,511)
Transactions with owners of the Company											
Acquisition of Chesser	8	15,545,368	45,548	-	-	-	-	-	-	-	45,548
Dividend payment to non-controlling interest		-	-	-	-	-	-	-	-	(1,392)	(1,392)
Exercise of stock options		127,350	397	(96)	-	-	-	-	-	-	301
Shares issued on vesting of share units		647,941	2,864	(2,864)	-	-	-	-	-	-	-
Convertible debenture conversion		45,000	225	-	-	-	-	-	-	-	225
Share-based payments	17	-	-	254	-	-	-	-	-	-	254
		16,365,659	49,034	(2,706)	-	-	-	-	-	(1,392)	44,936
Balance at December 31, 2023		306,587,630	\$ 1,125,376	\$ 26,144	\$ 198	\$ (998)	\$ 4,825	\$ (4,827)	\$ 87,649	\$ 49,754	\$ 1,288,121
Balance at January 1, 2022		291,529,330	\$ 1,079,746	\$ 27,435	\$ 128	\$ (696)	\$ 4,825	\$ (2,907)	\$ 266,617	\$ 54,422	\$ 1,429,570
Total comprehensive loss for the year											
Net loss for the year		-	-	-	-	-	-	-	(128,132)	(7,774)	(135,906)
Other comprehensive loss for the year		-	-	-	70	(280)	-	(61)	-	-	(271)
Total comprehensive loss for the year		-	-	-	70	(280)	-	(61)	(128,132)	(7,774)	(136,177)
Transactions with owners of the Company											
Dividend payment to non-controlling interest		-	-	-	-	-	-	-	-	(2,708)	(2,708)
Repurchase of common shares		(2,201,404)	(5,929)	-	-	-	-	-	-	-	(5,929)
Shares issued on vesting of share units		894,045	2,525	(2,006)	-	-	-	-	-	-	519
Share-based payments	17	-	-	3,421	-	-	-	-	-	-	3,421
		(1,307,359)	(3,404)	1,415	-	-	-	-	-	(2,708)	(4,697)
Balance at December 31, 2022		290,221,971	\$ 1,076,342	\$ 28,850	\$ 198	\$ (976)	\$ 4,825	\$ (2,968)	\$ 138,485	\$ 43,940	\$ 1,288,696

The accompanying notes are an integral part of these financial statements.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

1. NATURE OF OPERATIONS

Fortuna Silver Mines Inc. (the “Company”) is a publicly traded company incorporated and domiciled in British Columbia, Canada.

The Company is engaged in precious and base metal mining and related activities in Argentina, Burkina Faso, Côte d’Ivoire, Mexico, and Peru. The Company operates the open pit Lindero gold mine (“Lindero”) in northern Argentina, the underground Yaramoko gold mine (“Yaramoko”) in southwestern Burkina Faso, the open pit Séguéla gold mine (“Séguéla”) in southwestern Côte d’Ivoire, the underground San Jose silver and gold mine (“San Jose”) in southern Mexico, and the underground Caylloma silver, lead, and zinc mine (“Caylloma”) in southern Peru.

The Company’s common shares are listed on the New York Stock Exchange (the “NYSE”) under the trading symbol FSM and on the Toronto Stock Exchange (the “TSX”) under the trading symbol FVI.

The Company’s registered office is located at Suite 650 - 200 Burrard Street, Vancouver, British Columbia, V6C 3L6, Canada.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements (“financial statements”) have been prepared by management of the Company in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) effective as of December 31, 2023.

On March 6, 2024, the Company's Board of Directors approved these financial statements for issuance.

Basis of Measurement

These financial statements have been prepared on a going concern basis under the historical cost basis, except for those assets and liabilities that are measured at fair value (Note 27) at the end of each reporting period.

3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Basis of Consolidation

These financial statements include the accounts of the Company. All significant intercompany transactions, balances, revenues, and expenses have been eliminated upon consolidation.

Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition or control and up to the effective date of disposition or loss of control. Control is achieved when the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with an investee, and had the ability to affect those returns through its power over the investee.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Fortuna Silver Mines Inc. is the ultimate parent entity of the group. At December 31, 2023, the principal subsidiaries of the Company, their geographic locations, and the ownership interests held by the Company, were as follows:

Name	Location	Ownership	Principal Activity
Minera Bateas S.A.C. ("Bateas")	Peru	100%	Caylloma Mine
Compania Minera Cuzcatlan S.A. de C.V. ("Cuzcatlan")	Mexico	100%	San Jose Mine
Mansfield Minera S.A. ("Mansfield")	Argentina	100%	Lindero Mine
Roxgold SANU S.A. ("Sanu")	Burkina Faso	90%	Yaramoko Mine
Roxgold SANGO S.A. ("Sango")	Côte d'Ivoire	90%	Séguéla Mine

(b) Business Combination

A business combination is an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that consist of inputs and processes, including operational processes that, when applied to those inputs, have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs.

When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is allocated to the identifiable assets acquired and liabilities assumed based on the acquisition-date fair value. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference, or gain, is recognized directly in the consolidated statement of operations. The results of businesses acquired during the period are included in the financial statements from the date of acquisition. Acquisition-related costs are expensed as incurred. Provisional fair values are finalized within 12 months of the acquisition date. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(c) Non-Controlling Interests

Non-controlling interests represents equity interests in subsidiaries owned by outside parties. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and other comprehensive income is recognized directly in equity even if the results of the non-controlling interest have a deficit balance.

The Company recognizes transactions with non-controlling interest as transactions with equity shareholders. Changes in the Company's ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

(d) Consolidation, Functional and Presentation Currency

These financial statements are presented in United States Dollars ("\$" or "US\$" or "US dollars"), which is the functional currency of the Company. Reference to C\$ are to Canadian dollars. All amounts in these financial statements have been rounded to the nearest thousand US dollars, unless otherwise stated.

The functional currency for each entity consolidated within the Company's financial statements is determined by the currency of the primary economic environment in which it operates. The functional currency of all subsidiaries is US dollars except for those outlined in the table below.

Name of Subsidiary	Place of Incorporation	Beneficial Common Share Ownership Interest	Principal Activity	Functional Currency
Roxgold Inc.	Canada	100%	Holding	CAD
FR Gold Mining Inc.	Canada	100%	Holding	CAD
Fortuna Silver Mines Australia Pty Ltd.	Australia	100%	Corporate	AUD
LGL Exploration Côte d'Ivoire SA	Côte d'Ivoire	100%	Exploration	XOF
LGL Resources Côte d'Ivoire SA	Côte d'Ivoire	100%	Exploration	XOF

Assets and liabilities of the subsidiaries that have a functional currency other than US dollar are translated into US dollars at the exchange rate in effect on the consolidated statements of financial position date and revenues and expenses are translated at the average rate over the reporting period. Gains and losses from these translations are recognized in other comprehensive income.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at each financial position date. Foreign exchange gains or losses on translation to the functional currency of an entity are recorded in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(e) Inventories

Inventories include mineral concentrates, doré, leach pad, gold in-circuit, stockpiled ore, materials and supplies, which are valued at the lower of average production cost and estimated net realizable value. Production costs allocated to metal inventories include direct mining costs, direct labour costs, direct material costs, mine site overhead, depletion and amortization. Stockpiled ore that is not expected to be processed within the next twelve

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

months is classified as non-current. Costs allocated to materials and supplies are based on weighted average costs and include all costs of purchase and other costs in bringing these inventories to their existing location and condition.

In the heap leaching process, ore is stacked on the leach pad and treated with a chemical solution that dissolves the gold contained within the ore. The resulting pregnant solution is further processed in a plant where the gold is recovered. The cost of leach pad inventory is based on cost of mining, crushing, and leaching, including applicable depletion and amortization, and is removed as ounces of gold are recovered at the weighted average cost per recoverable ounce of gold on the leach pad. Estimates of recoverable gold in the leach pad are calculated based on the quantities of ore placed on the leach pad (measured tonnes added to the leach pad), the estimated grade of ore placed on the leach pad (based on assay data), and an estimated recovery percentage (based on estimated recovery assumptions from metallurgical testing). The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, estimates are refined based on actual results and engineering studies over a period of time. The final recovery of gold from leach pad will not be known until the leaching process is concluded at the end of the mine life.

If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist, to the extent that the related inventory has not been sold. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future costs to convert the inventories into saleable form and estimated costs to sell.

(f) Exploration and Evaluation Assets

Exploration expenditures on properties for which the Company does not have title or rights to are expensed when incurred. Significant payments related to the acquisition of land and mineral rights and the costs to conduct a preliminary evaluation to determine that the property has potential to develop an economic ore body are capitalized as incurred. The time between initial acquisition and a full evaluation of a property's potential is dependent on many factors including, but not limited to, location relative to existing infrastructure, the property's stage of development, geological controls and metal prices.

The Company capitalizes the cost of acquiring, maintaining its interest, and exploring mineral properties as exploration and evaluation assets until such time as the properties are placed into development, abandoned, sold, or considered to be impaired in value.

If a mineable ore body is discovered, exploration and evaluation costs are reclassified to mining properties. The Company uses the following criteria in its assessment:

- the property has mineral reserves as referred to in Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), and
- when legal, permitting, and social matters have been resolved sufficiently to allow mining of the ore body.

Exploration and evaluation assets are tested for impairment when an indicator of impairment is identified and upon reclassification to mining properties.

If no mineable ore body is discovered, all previously capitalized costs are expensed in the period in which it is determined the property has no economic value.

Proceeds received from the sale of interests in exploration and evaluation assets are credited to the carrying value of the mineral properties, plant and equipment. Exploration costs that do not relate to any specific property are expensed as incurred.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(g) Mineral Properties, and Property, Plant and Equipment

i. Mineral Properties and Development Costs

For operating mines, all mineral property expenditures are capitalized and amortized based on a unit-of-production method considering the expected production to be obtained over the life of the mineral property. The expected production includes proven and probable reserves, and for the Caylloma, Yaramoko, and Séguéla mines the portion of inferred resources expected to be extracted economically as part of the production cost.

Capitalized costs of producing properties are amortized on a unit-of-production basis over proven and probable reserves and the portion of inferred resources where it is considered highly probable that those resources are expected to be extracted economically.

The expected production to be obtained over the life of the mineral property is based on our life-of-mine production plans which for Caylloma, Yaramoko and Séguéla include a portion of inferred resources, and therefore differ from the life-of-mine plans the Company publishes as part of our NI 43-101 compliant technical reports which are based on reserves only. The decision to use inferred resources, and the portion of inferred resources to be included varies for each operation and is based on the geological characteristics of the ore body, the quality and predictability of inferred resources, and the conversion of inferred resources into measured and indicated (“M&I”) that the Company has historically achieved in the past.

As part of the process to include inferred resources into our life-of-mine production plans, the Company applies an economic cut-off to identify only the material that can be considered profitable to mine within our mine designs, and at this time we apply a conversion or “risk” factor to the mining blocks comprised of inferred resources that we include in such mine production plans. This conversion factor is based on the predictability of conversion derived from statistical estimates of confidence as described above and the support from historic conversion rates of inferred resources into M&I at each of our mines. The conversion factors used in our 2023 life-of-mine plans were 0% (2022: 90%) at San Jose, 90% (2022: 90%) at Caylloma, 100% (2022: 100%) at Yaramoko, and 100% at Séguéla.

The percentage of inferred resources included as a component of the total mineable inventory (reserve and resource) considered in the 2023 life-of-mine evaluation for each operation as of December 31, 2023, was San Jose 0% (2022: 31%), Caylloma 50% (2022: 41%), Yaramoko 5% (2022: 8%), Séguéla 1%, and Lindero 0% (2022: 0%).

The Company reviews the conversion factors including past experience in assessing the future expected conversion of inferred resources to be used in the life-of-mine plans for inclusion of inferred resources once a year in light of new geologic information and conversion data and when events or circumstances indicate that a review should be made. The Company continually monitors expected conversion and any changes in estimates that arise from this review are accounted for prospectively.

ii. Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and impairments. Costs directly related to construction projects are capitalized to work in progress until the asset is available for use in the manner intended by management. Assets, other than capital works in progress, are depreciated to their residual values over their estimated useful lives as follows:

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Land and buildings

Land	Not depreciated	
Mineral properties	Units of production	Declining balance
Buildings, located at the mine	Units of production	Declining balance
Buildings, others ⁽¹⁾	6-10 years	Straight line
Leasehold improvements ⁽¹⁾	4-8 years	Straight line

Plant and equipment

Processing plant	Units of production	Declining balance
Machinery and equipment ⁽¹⁾	3-12 years	Straight line
Furniture and other equipment ⁽¹⁾	2-12 years	Straight line
Transport units	4-5 years	Straight line
Capital work in progress	Not depreciated	

⁽¹⁾ The lesser of useful life or life of mine.

Equipment under finance lease is initially recorded at the present value of minimum lease payments at the inception of the lease and depreciated over the shorter of the lease term or useful life.

Spare parts and components included in machinery and equipment are depreciated over the shorter of the useful life of the component or the related machinery and equipment.

Borrowing costs attributed to the construction of qualifying assets are capitalized to mineral properties, plant and equipment, and are included in the carrying amounts of related assets until the asset is available for use in the manner intended by management.

The sales proceeds and associated production costs incurred during commissioning of qualifying assets under capital works in progress are recognized in profit or loss.

On an annual basis, the depreciation method, useful economic life, and residual value of each component asset is reviewed with any changes recognized prospectively over its remaining useful economic life.

iii. Stripping cost

Pre-production stripping costs are generally capitalized and amortized over the production life of the mine using the unit-of-production method.

Stripping costs incurred during the production stage are incurred in order to produce inventory or to improve access to ore which will be mined in the future. Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories. Where the costs are incurred to improve access to ore which will be mined in the future, the costs are deferred and capitalized to the statement of financial position as a stripping activity asset (included in mining interest) if the following criteria are met:

- improved access to the ore body is probable;
- the component of the ore body can be accurately identified; and
- the costs relating to the stripping activity associated with the component can be reliably measured.

If these criteria are not met, the costs are expensed in the period in which they are incurred.

The stripping activity asset is subsequently depleted using the units-of-production depletion method over the life of the identified component of the ore body to which access has been improved as a result of the stripping activity.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(h) Asset Impairment

At the end of each reporting period, the Company assesses for impairment indicators and if there are such indicators, then the Company performs a test of impairment.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows or cash generating units. These are typically individual mines or development projects. Brownfields exploration projects, located close to existing mine infrastructure, are assessed for impairment as part of the associated mine cash generating unit.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal ("FVLCD") and value in use.

When the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs compatible with the current condition of the business. The cash flow forecasts are based on best estimates of the expected future revenues and costs, including the future cash costs of production, sustaining capital expenditures, and reclamation and closure costs.

Where a FVLCD model is used, the cash flow forecast includes net cash flows expected to be realized from extraction, processing, and sale of mineral resources that do not currently qualify for inclusion in proven or probable reserves and the portion of resources expected to be extracted economically.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of recoverable amount but not beyond the carrying amount, net of depreciation and amortization, that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized into earnings immediately.

(i) Borrowing Costs

Interest and other financing costs incurred that are attributable to acquiring and developing exploration and development stage mining properties and constructing new facilities ("qualifying assets"), are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are capable of operating in the manner intended by management.

The capitalization of borrowing costs incurred commences on the date when the following three conditions are met:

- expenditures for the qualifying asset are being incurred;
- borrowing costs are being incurred; and,
- activities that are necessary to prepare the qualifying asset for its intended use are being undertaken.

Borrowing costs incurred after the qualifying assets are substantially complete are expensed.

Transaction costs, including legal, upfront commitment fees and other costs of issuance, associated with debt are recorded against the debt and are amortized over the term of the credit facility using the effective interest rate method.

All other borrowing costs are expensed in the period in which they are incurred.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(j) Income Taxes

Income tax expense consists of current and deferred tax expense.

Current tax expense is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at period end adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits, and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis ("temporary differences"). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable income;
- goodwill; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Provisions

i. Closure and Reclamation Provisions

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operation are initially recognized and recorded as a liability based on estimated future cash flows discounted at the risk-free rate.

The closure and reclamation provision ("CRP") is adjusted at each reporting period for changes to the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate.

The liability is accreted to full value over time through periodic charges to profit or loss.

The amount of the CRP initially recognized is capitalized as part of the related asset's carrying value and amortized to profit or loss. The method of amortization follows that of the underlying asset. The costs related to a CRP are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. For a closed site or where the asset which generated a CRP no longer exists, there is no longer a future benefit related to the costs and as such, the amounts are expensed. Revisions in estimates or new disturbances

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

result in an adjustment to the CRP with an offsetting adjustment to the asset, unless there is no future benefit, in which case they are expensed.

Due to uncertainties inherent in environmental remediation, the ultimate cost of future site closure and reclamation could differ from the amounts provided. The estimate of future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technologies, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available. Such changes are reflected prospectively in the determination of the provision.

ii. Environmental Disturbance Restoration Provisions

During the operating life of an asset, events such as infractions of environmental laws or regulations may occur. These events are not related to the normal operation of the asset and are referred to as environmental disturbance restoration provisions ("EDRP"). The costs associated with an EDRP are accrued and charged to earnings in the period in which the event giving rise to the liability occurs. Any subsequent adjustments to an EDRP due to changes in estimates are also charged to earnings in the period of adjustment. These costs are not capitalized as part of the long-lived asset's carrying value.

(l) Share-Based Payments

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and other equity-settled share-based payment arrangements are recorded based on the estimated fair value at the grant date and charged to earnings over the vesting period. Where awards are forfeited because non-market based vesting conditions were not satisfied, the expense previously recognized is reversed in the period the forfeiture occurs.

Share-based payment expenses relating to cash-settled awards, including deferred share units, restricted share units, and performance share units, are accrued and expensed over the vesting period based on the quoted market value of the Company's common shares. As these awards will be settled in cash, the expense and liability are adjusted at each reporting period for any changes in the underlying share price.

Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counter party renders the services.

i. Stock Option Plan

The Company applies the fair value method of accounting for all stock option awards. Under this method, the Company recognizes a compensation expense for all stock options awarded to employees, based on the fair value of the options on the date of grant which is determined by using the Black-Scholes option pricing model. The fair value of the options is expensed over the graded vesting period of the options.

ii. Deferred Share Unit Plan

Deferred share units ("DSU") are typically granted to non-executive directors of the Company. They are payable in cash upon resignation, retirement, removal, failure to achieve re-election, or upon a change of control of the Company. The DSU compensation liability is accounted for based on the number of DSUs outstanding and the quoted

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

market value of the Company's common shares at the financial position date. The year-over-year change in the DSU compensation liability is recognized in profit or loss.

iii. Share Unit Plans

The Company's share unit plan covers all restricted share units ("RSUs") and performance share units ("PSUs") granted by the Company.

Restricted Share Units

The Company's RSUs are settled in either cash or equity, as determined by the Company's Board of Directors at the grant date and typically vest over three years.

For cash settled RSUs, the share-based payment expense is adjusted at each reporting period to reflect any change in the quoted market price of the Company's common shares and the vesting of each RSU grant, with a corresponding amount recorded in Trade and Other Payables, and Other Non-Current Liabilities.

For equity-settled RSUs, the fair value is determined based on the quoted market price of the Company's common shares at the date of grant, and the fair value is recognized as a share-based payment expense over the vesting period with a corresponding amount recorded in equity reserves.

Performance Share Units

The Company's PSUs are performance-based awards for the achievement of specified performance metrics by specified deadlines and are settled in either cash or equity, as determined by the Company's Board of Directors at the grant date and typically vest over three years.

For cash settled PSUs, the share-based payment expense is adjusted at each reporting period to reflect any change in the quoted market price of the Company's common shares, the vesting of each PSU grant and the expected performance factors with a corresponding amount recorded in Trade and Other Payables.

For equity-settled PSUs, the fair value is determined based on the quoted market price of the Company's common shares at the date of grant and the number of PSUs expected to vest based on the performance factors. The fair value is recognized as a share-based payment expense over the vesting period with a corresponding amount recorded in equity reserves.

(m) Financial Instruments

Classification and measurement of financial assets and financial liabilities

Financial assets are measured as either: amortized cost; fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All non-derivative financial liabilities are measured at amortized cost. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated, and instead the hybrid financial instrument is assessed for classification.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Components of compound financial instruments are separately classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The financial liability is initially recognized at fair value, net of an allocation of issuance costs, and is subsequently measured at amortized cost. The equity component is initially measured based on the residual amount, net of an allocation of issuance costs, and is not subsequently remeasured.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, or cancellation of our own equity instruments. No gain or loss is recognized on the issue of our own equity instruments, unless the equity is issued to settle a liability.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss, or the Company has opted to measure them at FVTPL. Debt and accounts payable and accrued liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

The following accounting policies apply to the subsequent measurement of financial assets:

- **Financial assets at FVTPL** - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- **Financial assets at amortized cost** - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- **Equity investments at FVOCI** - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in OCI and are never reclassified to profit or loss.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(n) Revenue Recognition

The Company earns revenue from contracts with customers related to its concentrate and doré sales. Revenue from contracts with customers is recognized when a customer obtains control of the concentrate or the doré and the Company satisfies its performance obligation. The Company considers the terms of the contract in determining the transaction price, which is the amount the entity expects to be entitled to in exchange for the transferring of the concentrates. The transaction price of a contract is allocated to each performance obligation based on its stand-alone selling price.

The Company satisfies its performance obligations for its concentrate sales based upon specified contract terms which are generally upon delivery to the customer at a specified warehouse or upon loading of the concentrate onto a vessel. The Company typically receives payment within one to four weeks of delivery.

Doré sales are recognized when the Company satisfies its performance obligation and control is transferred to the customer upon payment. Final weights and assays are adjusted on final settlement which is approximately one month after delivery.

Revenue from concentrate sales is recorded based upon forward market price of the expected final sales price date. IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") does not consider provisional price adjustments associated with concentrate sales to be revenue from contracts with customers as they arise from changes in market pricing for silver, gold, lead and zinc between the delivery date and settlement date. As such, the provisional price adjustments are accounted for as derivatives and presented separately in Note 20 of these financial statements.

(o) Adoption of New Accounting Standards, Interpretation or Amendments

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3 in certain instances.

(p) New Accounting Standards Issued but not yet Effective

A number of new standards are effective for annual periods beginning on or after January 1, 2024 and earlier application is permitted; however, the Company has not early adopted any new or amended standards in preparing these financial statements. The Company is currently evaluating the impact of the following amended standard on its financial statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

These amendments clarify that the classification of liabilities as current or non-current is based on the right to defer settlement in existence at the end of the reporting period, which is unaffected by management's intentions or expectation. These amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

In addition, the amendments specify that only covenants that a company is required to comply with on or before the reporting date affect the company's right to defer settlement of a liability, and therefore the classification of current or non-current. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

The following new standards or amendments are effective for annual periods beginning on or after January 1, 2024 and are expected to have no impact on the Company's financial statements:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Company is currently evaluating the impact of the following amended standard, effective January 1, 2025, and interpretations on its consolidated financial statements:

- Lack of Exchangeability (Amendments to IAS 21)

4. USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these consolidated financial statements for the year ended December 31, 2023, the Company applied the critical estimates, assumptions and judgements as disclosed below.

(a) Critical Accounting Estimates and Assumptions

Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements include:

i. Mineral Reserves and Resources and the Life of Mine Plan

The Company estimates its mineral reserves and mineral resources in accordance with the requirements of NI 43-101. Estimates of the quantities of the mineral reserves and mineral resources form the basis for the Company's life of mine plans, which are used for the calculation of depletion expense under the units of production method, impairment tests, and forecasting the timing of the payments related to the environmental reclamation provision.

Significant estimation is involved in determining the reserves and resources included within the Company's life of mine plans. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may result in the Company's life-of-mine plan being revised and such changes could impact depletion rates, asset carrying values and the environmental reclamation provision. As at December 31, 2023, the Company used the following long-term prices for the reserve and resource estimations: gold \$1,600/oz, silver \$21/oz, lead \$2,000/t and zinc \$2,600/t, except at the San Jose mine which used \$1,880/oz gold and \$23.90/oz silver.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

In addition to the estimates above, estimation is involved in determining the percentage of resources ultimately expected to be converted to reserves and hence included in the Company's life of mine plans. The Company's life of mine plans include a portion of inferred resources as the Company believes this provides a better estimate of the expected life of mine for certain types of deposits, in particular for vein type structures. The percentage of inferred resources out of the total tonnage included in the life of mine plans is based on site specific geological, technical, and economic considerations. Estimation of future conversion of resources is inherently uncertain and involves judgement, and actual outcomes may vary from these judgements and estimates and such changes could have a material impact on the financial results. Some of the key assumptions in the estimation process include geological continuity, stationarity in the grades within defined domains, reasonable geotechnical and metallurgical conditions, treatment of outlier (extreme) values, cut-off grade determination and the establishment of geostatistical and search parameters. Revisions to these estimates are accounted for prospectively in the period in which the change in estimate arises.

ii. Valuation of Mineral Properties and Exploration Properties

The Company carries its mineral properties at cost less accumulated depletion and any accumulated impairment. The costs of each property and related capitalized expenditures are depleted over the economic life of the property on a units-of-production basis. When a property is abandoned or when there is an impairment, costs are charged to profit or loss.

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. Where previous impairment has been recorded, the Company analyzes any impairment reversal indicators. An impairment loss is recognized when the carrying value of those assets is not recoverable.

In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sales volumes, metal prices, discount rates, mineral resource and reserve quantities, future operating and capital costs to the end of the mine's life, and reclamation costs. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Company, from time to time, acquires exploration and development properties. When properties are acquired, the Company must determine the fair value attributable to each of the properties. When the Company conducts exploration on a mineral property and the results from the exploration do not support the carrying value, the property is written down to its new fair value which could have a material effect on the consolidated statement of financial position and the consolidated income statement.

iii. Deferred stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves that will be mined in a future period and therefore should be capitalized, the Company makes estimates of the proportion of stripping activity which relates to extracting ore in the current period versus the proportion which relates to obtaining access to ore reserves which will be mined in the future.

iv. Inventory

Finished goods, work-in-process, heap leach ore, and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

v. Reclamation and Other Closure Provisions

The Company has obligations for reclamation and other closure activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations.

Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of the obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions.

vi. Revenue from metal in concentrate

The Company's sales of metal in concentrates allow for price adjustments based on the market price at the end of the relevant quotational period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on the prevailing spot price on a specified future date. At each balance sheet date, the Company estimates the value of the trade receivable using forward metal prices.

Adjustments to the sale price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP is generally between one and three months. Any future changes over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. As such, the provisional price adjustments are accounted for as derivatives and presented separately in Note 20 of these financial statements.

vii. Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company with assistance from its legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims or actions.

A liability is recognized in the consolidated financial statements when the outcome of the legal proceedings is probable and the estimated settlement amount can be estimated reliably. Contingent assets are not recognized in the consolidated financial statements until virtually certain.

(b) Critical Accounting Judgements in Applying the Entity's Accounting Policies

Judgements that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

i. Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases and losses carried forward. The determination of the ability of the Company to utilize tax loss carryforwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Company.

Management is required to assess whether it is “probable” that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

ii. Assessment of Impairment and Reversal of Impairment Indicators

Management applies significant judgement in assessing whether indicators of impairment or impairment reversal exist for an asset or a group of assets. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used, and indicators of economic performance of the assets.

iii. Functional Currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The determination of functional currency may require certain judgements to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in the events and conditions which determined the primary economic environment.

iv. Leases

Significant judgements made by management in the accounting for leases primarily included whether the lease conveys the right to use a specific asset, whether the Company obtains substantially all of the economic benefits from the use of the asset, whether the Company has the right to direct the use of the asset, evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets, and to determine the lease term where a contract includes renewal options. Significant judgements over these factors would affect the present value of the lease liabilities, as well as the associated amount of the right-of-use (“ROU”) asset.

v. Value-added tax (“VAT”) receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the amounts receivable at each reporting date and the expected timing of the recovery, which are impacted by several factors, including the status of discussions with the tax authorities, and current interpretation of relevant VAT legislation and regulation. Changes in these judgements can materially affect the amount recognized as VAT receivable and could result in an increase in other expenses recognized in profit or loss and the presentation of current and non-current VAT receivable.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

5. TRADE AND OTHER RECEIVABLES

As at	December 31, 2023	December 31, 2022
Trade receivables from doré and concentrate sales	\$ 19,970	\$ 23,977
Advances and other receivables	5,189	7,443
Value added tax receivables	44,370	36,745
Trade and other receivables	\$ 69,529	\$ 68,165

The Company's trade receivables from concentrate and doré sales are expected to be collected in accordance with the terms of the existing concentrate and doré sales contracts with its customers. No amounts were past due as at December 31, 2023 and December 31, 2022.

As at December 31, 2023, current VAT receivables included \$7.5 million (December 31, 2022 - \$8.8 million) for Argentina, \$7.4 million (December 31, 2022 - \$4.7 million) for Mexico, \$5.1 million (December 31, 2022 - \$1.0 million) for Côte d'Ivoire, and \$22.7 million (December 31, 2022 - \$20.9 million) for Burkina Faso.

During the year ended December 31, 2023, the Company sold VAT receivables in the amount of \$10.4 million at a factor rate of 5% to a commercial bank in Burkina Faso.

In the fourth quarter of 2023, the Company recognized foreign exchange losses incurred during the devaluation of the Argentine Peso in December 2023, primarily impacting VAT receivables. As of December 2023, the Company has unrealized FX losses of \$7.6 million related to Argentine VAT receivables. The Company had already implemented an investment strategy, utilizing Argentine export promotions, to address its local currency requirements in Argentina. This strategy enabled the Company to achieve gains of \$12.4 million from trades in Argentine Peso denominated cross-border securities, which helped offset foreign exchange losses.

6. INVENTORIES

As at	Note	December 31, 2023	December 31, 2022
Concentrate stockpiles		\$ 1,328	\$ 2,161
Doré bars		273	4,494
Leach pad and gold-in-circuit		27,527	31,649
Ore stockpiles		73,015	52,692
Materials and supplies		53,235	44,476
Total inventories		\$ 155,378	\$ 135,472
Less: non-current portion	10	(39,553)	(43,439)
Current inventories		\$ 115,825	\$ 92,033

During the year ended December 31, 2023, the Company expensed \$584.6 million of inventories to cost of sales (December 31, 2022 - \$481.5 million).

During the year ended December 31, 2023, a charge of \$6.2 million (December 31, 2022 – charge of \$8.9 million) was recognized to reduce low grade stockpiles at Lindero and Yaramoko to net realizable value. This includes a charge of \$2.3 million (December 31, 2022 – charge of \$3.4 million) related to depletion and depreciation.

During the year ended December 31, 2023, the Company completed an assessment of its consumption plan for the materials in the warehouse and set up a provision of \$10.1 million (\$3.0 million Yaramoko, \$4.6 million San Jose and \$2.5 million at Lindero) related to inventory obsolescence.

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

7. OTHER CURRENT ASSETS

As at	December 31, 2023	December 31, 2022
Prepaid expenses	\$ 14,604	\$ 11,180
Income tax recoverable	5,113	718
Other	106	123
Other current assets	\$ 19,823	\$ 12,021

8. ACQUISITION OF CHESSER RESOURCES

On September 20, 2023, the Company acquired a portfolio of exploration projects in eastern Senegal, including the flagship Diambu Sud project, through the acquisition of Chesser Resources Limited ("Chesser").

The transaction did not qualify as a business combination under IFRS 3, Business Combinations, as significant inputs and processes that together constitute a business were not identified, given the early stage of exploration and evaluation of the projects acquired. The acquisition was therefore accounted for as an asset acquisition, and the purchase price was allocated to the assets acquired and liabilities assumed, based on their relative fair values at the date of acquisition. Acquisition costs were capitalized as part of the cost of assets acquired.

The cost of acquisition includes the fair value of the Fortuna shares issued to acquire Chesser, based on the issuance of 15,545,368 Fortuna shares at \$2.93 per share, the Fortuna acquisition costs related to the acquisition, and the settlement of taxes related to the transaction. These taxes relate to the capital gain on the indirect disposition of the exploration projects in Senegal, and related registration fees.

The Company advanced interest-bearing loans of \$3.4 million Australian dollars (\$2.2 million) to Chesser in advance of closing of the transaction. The loans, and related interest, were effectively settled upon closing of the transaction.

The consideration and allocation of purchase price to assets acquired and liabilities assumed are as follows:

Consideration transferred

Shares issued	\$	45,548
Acquisition costs		2,182
Settlement of loan facility from Fortuna		2,212
Capital gains taxes and registration fees		9,371
	\$	59,313

Assets acquired and liabilities assumed

Cash and cash equivalents	\$	420
Other current assets		300
Property, plant and equipment		282
Exploration and evaluation assets		58,862
Current liabilities		(551)
	\$	59,313

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

9. MINERAL PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties - Depletable	Mineral Properties - Non depletable	Construction in Progress	Property, Plant & Equipment	Total
COST					
Balance as at December 31, 2022	\$ 866,999	\$ 712,269	\$ 154,647	\$ 704,781	\$ 2,438,696
Acquisition of Chesser	-	58,862	-	282	59,144
Additions	100,366	39,835	111,690	23,930	275,821
Changes in closure and reclamation provision	9,407	-	-	152	9,559
Disposals and write-offs	(142)	(5,883)	-	(6,872)	(12,897)
Transfers	534,991	(532,127)	(222,119)	219,255	-
Balance as at December 31, 2023	\$ 1,511,621	\$ 272,956	\$ 44,218	\$ 941,528	\$ 2,770,323
ACCUMULATED DEPLETION AND IMPAIRMENT					
Balance as at December 31, 2022	\$ 506,268	\$ -	\$ -	\$ 364,807	\$ 871,075
Disposals and write-offs	(40)	-	-	(6,610)	(6,650)
Impairment	60,602	-	49	29,964	90,615
Depletion and depreciation	156,425	-	-	84,646	241,071
Balance as at December 31, 2023	\$ 723,255	\$ -	\$ 49	\$ 472,807	\$ 1,196,111
Net Book Value as at December 31, 2023	\$ 788,366	\$ 272,956	\$ 44,169	\$ 468,721	\$ 1,574,212

Following the first gold pour on May 24, 2023, and the subsequent ramp-up of operations, the Séguéla project was evaluated to determine if it was ready for its intended use. Determining when a mine under construction is substantially complete and ready for its intended use involves significant judgement. Some of the criteria used to make the determination for the Séguéla mine included:

- Completion of all major capital expenditures to prepare the mine for steady state operations.
- The mine and plant achieving a predetermined percentage of design capacity.
- Metallurgical recoveries aligning with expectations.
- Ability to sustain ongoing metal production.
- Availability and utilization of key infrastructure aligned with the intended design.

No single factor was more important than any other factor. Management considered these factors collectively and determined that commercial production was achieved, and assets were ready for their intended use on July 1, 2023, for the open pit mine and August 1, 2023, for the processing plant and supporting infrastructure. Upon reaching commercial production, the related assets started depreciating, and the Company stopped capitalizing interest expenses associated with the project on July 1, 2023.

During the year ended December 31, 2023, the Company capitalized \$6.5 million of interest related to the construction of the Séguéla mine (year ended December 31, 2022 - \$3.3 million).

As at December 31, 2023, non-depletable mineral properties include \$88.5 million of exploration and evaluation assets (December 31, 2022 - \$26.4 million).

During the year ended December 31, 2023, mining equipment arrived at site and was placed into use at the Séguéla mine as part of a mining services contract. As a result, the Company recognized right-of-use assets with a cost of \$35.8 million.

As at December 31, 2023, property, plant and equipment includes right-of-use assets with a net book value of \$56.1 million (December 31, 2022 - \$21.5 million). Related depletion and depreciation for the year ended December 31, 2023, was \$16.2 million (year ended December 31, 2022 - \$9.5 million).

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Mineral Properties - Depletable	Mineral Properties - Non depletable	Construction in Progress	Property, Plant & Equipment	Total
COST					
Balance as at December 31, 2021	\$ 758,112	\$ 719,663	\$ 57,759	\$ 675,486	\$ 2,211,020
Additions	74,301	35,468	117,860	14,255	241,884
Changes in closure and reclamation provision	(10,024)	5,238	-	(235)	(5,021)
Disposals and write-offs	(372)	(5,502)	-	(3,313)	(9,187)
Transfers	44,982	(42,598)	(20,972)	18,588	-
Balance as at December 31, 2022	\$ 866,999	\$ 712,269	\$ 154,647	\$ 704,781	\$ 2,438,696
ACCUMULATED DEPLETION AND IMPAIRMENT					
Balance as at December 31, 2021	\$ 275,460	\$ -	\$ -	\$ 223,206	\$ 498,666
Disposals and write-offs	-	-	-	(1,970)	(1,970)
Impairment	117,237	-	-	65,605	182,842
Depletion and depreciation	113,571	-	-	77,966	191,537
Balance as at December 31, 2022	\$ 506,268	\$ -	\$ -	\$ 364,807	\$ 871,075
Net Book Value as at December 31, 2022	\$ 360,731	\$ 712,269	\$ 154,647	\$ 339,975	\$ 1,567,622

10. OTHER NON-CURRENT ASSETS

As at	Note	December 31, 2023	December 31, 2022
Ore stockpiles	6	\$ 39,553	\$ 43,439
Value added tax receivables		13,172	3,642
Income tax recoverable		1,170	1,137
Other		5,521	3,705
Total other non-current assets		\$ 59,416	\$ 51,923

As at December 31, 2023, non-current VAT receivables included \$3.8 million (December 31, 2022 - \$3.6 million) for Mexico and \$9.4 million (December 31, 2022 - nil) for Burkina Faso.

11. TRADE AND OTHER PAYABLES

As at	Note	December 31, 2023	December 31, 2022
Trade accounts payable		\$ 100,387	\$ 72,571
Payroll and related payables		21,896	22,967
Mining royalty payable		3,997	2,476
Other payables		15,112	7,794
Derivative liabilities		81	270
Share units payable	17(a)(b)(c)	6,611	5,818
Total trade and other payables		\$ 148,084	\$ 111,896

12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following related party transactions during the year ended December 31, 2023, and 2022:

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Key Management Personnel

Amounts paid to key management personnel were as follows:

	Years ended December 31,	
	2023	2022
Salaries and benefits	\$ 8,450	\$ 11,532
Directors fees	830	934
Consulting fees	66	69
Share-based payments	4,874	7,042
	\$ 14,220	\$ 19,577

During the year ended December 31, 2023, and 2022, the Company was charged for consulting services by Mario Sztolender, a director of the Company.

13. LEASE OBLIGATIONS

As at	Minimum lease payments	
	December 31, 2023	December 31, 2022
Less than one year	\$ 20,339	\$ 11,343
Between one and five years	44,677	14,044
More than five years	6,457	5,806
	71,473	31,193
Less: future finance charges	(14,072)	(9,847)
Present value of lease obligations	57,401	21,346
Less: Current portion	(14,941)	(9,416)
Non-current portion	\$ 42,460	\$ 11,930

14. DEBT

The following table summarizes the changes in debt:

	Credit facility	Convertible debentures	Total
Balance at December 31, 2021	\$ 117,082	\$ 40,407	\$ 157,489
Convertible debenture conversion	-	(60)	(60)
Drawdown	80,000	-	80,000
Transaction costs	(688)	-	(688)
Amortization of discount	626	1,808	2,434
Payments	(20,000)	-	(20,000)
Balance at December 31, 2022	177,020	42,155	219,175
Convertible debenture conversion	-	(225)	(225)
Drawdown	75,500	-	75,500
Amortization of discount	926	1,971	2,897
Payments	(90,500)	-	(90,500)
Balance at December 31, 2023	\$ 162,946	\$ 43,901	\$ 206,847
Less: Current portion	-	(43,901)	(43,901)
Non-current portion	\$ 162,946	\$ -	\$ 162,946

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(a) Credit Facilities

On November 4, 2021, the Company entered into a fourth amended and restated credit agreement (the “Amended Credit Facility”) effective November 5, 2021, with a syndicate of banks led by BNP Paribas, and including The Bank of Nova Scotia, Bank of Montreal and Société Générale, which converted the Company’s prior non-revolving and revolving facilities with the Bank of Nova Scotia and BNP Paribas (the “Scotiabank Facility”) into a revolving term credit facility and increased the amount of the Amended Credit Facility from \$120.0 million to \$200.0 million, subject to the conditions described below. The Amended Credit Facility has a term of four years, maturing in November 2025, and steps down to \$150.0 million after three years. Interest initially accrued on LIBOR loans under the Amended Credit Facility at LIBOR plus an applicable margin of between two and three percent per annum, which varied according to the consolidated leverage levels of the Company, as defined in the Amended Credit Facility.

Effective December 15, 2022, the Company executed a second amendment to the fourth Amended Credit Facility. The second amendment increased the amount of the Amended Credit Facility from \$200.0 million to \$250.0 million and increased the level of the step down of the Amended Credit Facility from \$150.0 million to \$175.0 million in November 2024. The amendment also introduced an uncommitted \$50.0 million accordion option, exercisable from June 1, 2023, to October 2024. LIBOR loans under the Amended Credit Facility were converted to Term Benchmark loans, with the interest base rate on these loans converting from LIBOR to an Adjusted Term SOFR. The applicable loan margins on Term Benchmark loans increased by 25 basis points across all levels of the margin grid, and the commitment fee rate increased by 9 to 12 basis points across the margin grid. The counterparties, guarantors, covenants, step down date and maturity date of the Amended Credit Facility were unchanged.

The Company’s principal operating subsidiaries in Mexico, Peru, Côte d’Ivoire and Burkina Faso, and their respective direct and indirect holding companies, have guaranteed the obligations of the Company contemplated under the Amended Credit Facility. The Company has pledged all its assets to secure the payment of its obligations contemplated by the Amended Credit Facility. The Company’s principal operating subsidiaries in Mexico and Peru, as well as their direct and indirect holding companies, have pledged substantially all their respective assets to secure their respective guarantees of such payment, including the shares of the Company’s principal operating subsidiaries in Mexico and Peru. The Company’s principal operating subsidiary in Burkina Faso has pledged its bank accounts to secure the obligations under its guarantee of the obligations of the Company under the Amended Credit Facility and the holding companies of the Company’s principal operating subsidiaries in Burkina Faso and Côte d’Ivoire have pledged the shares of those principal operating subsidiaries to secure the payment of their obligations under their respective guarantees.

In December 2023, the Amended Credit Facility was further amended to include additional security to the lenders in the form of guarantees and share pledges from the Company’s subsidiaries which indirectly own the Diamba Sud project in Senegal, acquired pursuant to the acquisition of Chesser.

The Amended Credit Facility includes covenants customary for a facility of this nature, including, among other matters, reporting requirements, and positive, negative, and financial covenants set out therein. As at December 31, 2023, the Company was in compliance with all of the covenants under the Amended Credit Facility.

(b) Convertible Debentures

On October 2 and 6, 2019, the Company completed a bought deal public offering of senior subordinated unsecured convertible debentures with an aggregate principal amount of \$46.0 million (the “Debentures”).

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

The Debentures mature on October 31, 2024, and bear interest at a rate of 4.65% per annum, payable semi-annually in arrears on the last business day of April and October, commencing on April 30, 2020. For the year ended December 31, 2023, the Company paid \$2.1 million in interest on the Debentures.

The Debentures are convertible at the holder's option into common shares in the capital of the Company at a conversion price of \$5.00 per share (the "Conversion Price"), representing a conversion rate of 200 Common Shares per \$1 thousand principal amount of Debentures, subject to adjustment in certain circumstances.

On and after October 31, 2023, the Debentures may be redeemed in whole or in part from time to time at the Company's option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

Subject to applicable securities laws and regulatory approval and provided that no event of default has occurred and is continuing, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures and accrued and unpaid interest on the redemption date and the maturity date, in whole or in part, through the issuance of Common Shares, by issuing and delivering that number of Common Shares, obtained by dividing the principal amount of the Debentures and all accrued and unpaid interest thereon by 95% of the current market price (as defined in the Debenture Indenture) on such redemption date or maturity date, as applicable.

15. OTHER NON-CURRENT LIABILITIES

As at	Note	December 31, 2023	December 31, 2022
Restricted share units	17(b)	\$ 2,648	\$ 1,490
Other		7,325	1,106
Total other non-current liabilities		\$ 9,973	\$ 2,596

Other non-current liabilities include \$6.4 million of severance provisions for the anticipated San Jose mine closure at the end of 2024.

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

16. CLOSURE AND RECLAMATION PROVISIONS

The following table summarizes the changes in closure and reclamation provisions:

	Closure and Reclamation Provisions					Total
	Caylloma Mine	San Jose Mine	Lindero Mine	Yaramoko Mine	Séguéla Mine	
Balance as at December 31, 2022	\$ 13,956	\$ 7,670	\$ 11,514	\$ 13,375	\$ 6,790	\$ 53,305
Changes in estimate	2,215	949	2,442	261	3,692	9,559
Reclamation expenditures	(1,011)	(192)	-	-	-	(1,203)
Accretion	790	777	529	597	295	2,988
Effect of changes in foreign exchange rates	-	1,154	-	-	-	1,154
Balance as at December 31, 2023	15,950	10,358	14,485	14,233	10,777	65,803
Less: Current portion	(3,804)	(1,261)	-	-	-	(5,065)
Non-current portion	\$ 12,146	\$ 9,097	\$ 14,485	\$ 14,233	\$ 10,777	\$ 60,738

	Closure and Reclamation Provisions					Total
	Caylloma Mine	San Jose Mine	Lindero Mine	Yaramoko Mine	Séguéla Mine	
Balance as at December 31, 2021	\$ 14,898	\$ 7,128	\$ 19,639	\$ 12,895	\$ 1,552	\$ 56,112
Changes in estimate	(1,235)	(493)	(8,666)	135	5,238	(5,021)
Reclamation expenditures	(503)	(120)	-	-	-	(623)
Accretion	796	682	541	345	-	2,364
Effect of changes in foreign exchange rates	-	473	-	-	-	473
Balance as at December 31, 2022	13,956	7,670	11,514	13,375	6,790	53,305
Less: Current portion	(1,577)	(600)	-	-	-	(2,177)
Non-current portion	\$ 12,379	\$ 7,070	\$ 11,514	\$ 13,375	\$ 6,790	\$ 51,128

The following table summarizes certain key inputs used in determining the present value of reclamation costs related to mine and development sites:

	Closure and Reclamation Provisions					Total
	Caylloma Mine	San Jose Mine	Lindero Mine	Yaramoko Mine	Séguéla Mine	
Undiscounted uninflated estimated cash flows	\$ 17,036	\$ 11,972	\$ 24,507	\$ 14,805	\$ 11,003	\$ 79,323
Discount rate	6.30%	9.29%	4.19%	4.23%	3.88%	
Inflation rate	3.20%	4.85%	2.26%	2.20%	2.61%	

The Company is expecting to incur progressive reclamation costs throughout the life of its mines.

17. SHARE BASED PAYMENTS

During the year ended December 31, 2023, the Company recognized share-based payments of \$8.1 million, (December 31, 2022 – \$10.2 million) related to the amortization of deferred, restricted and performance share units and \$nil (December 31, 2022 – \$0.1 million) related to amortization of stock options.

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(a) Deferred Share Units (DSUs)

	Cash Settled		Fair Value
	Number of DSUs		
Outstanding, December 31, 2021	805,055	\$	3,137
Granted	117,643		452
Changes in fair value	-		(121)
Outstanding, December 31, 2022	922,698		3,468
Granted	125,802		431
Changes in fair value	-		144
Outstanding, December 31, 2023	1,048,500	\$	4,043

(b) Restricted Share Units (RSUs)

	Cash Settled		Equity Settled
	Number of RSUs	Fair Value	Number of RSUs
Outstanding, December 31, 2021	1,859,139	\$ 5,503	1,644,461
Granted	1,348,538	5,264	-
Units paid out in cash	(1,256,288)	(5,737)	-
Vested and paid out in shares	-	-	(665,305)
Transferred from equity to cash settled	413,864	-	(413,864)
Transferred from cash to equity settled	(155,674)	-	155,674
Forfeited or cancelled	(260,870)	-	(15,111)
Changes in fair value and vesting	-	(1,190)	-
Outstanding, December 31, 2022	1,948,709	3,840	705,855
Granted	1,716,286	5,887	-
Units paid out in cash	(1,214,393)	(4,812)	-
Vested and paid out in shares	-	-	(297,275)
Transferred from equity to cash settled	406,487	-	(406,487)
Forfeited or cancelled	(188,892)	-	(2,093)
Changes in fair value and vesting	-	301	-
Outstanding, December 31, 2023	2,668,197	5,216	-
Less: current portion		(2,568)	
Non-current portion		\$ 2,648	

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(c) Performance Share Units

	Cash Settled		Equity Settled
	Number of PSUs	Fair Value	Number of PSUs
Outstanding, December 31, 2021	515,008	\$ 3,104	1,845,887
Granted	-	-	824,768
Forfeited or cancelled	-	-	(434,007)
Transferred from equity to cash settled	168,452	-	(168,452)
Units paid out in cash	(683,460)	(3,882)	-
Vested and paid out in shares	-	-	(228,740)
Changes in fair value and vesting	-	778	-
Outstanding, December 31, 2022	-	-	1,839,456
Granted	-	-	844,187
Forfeited or cancelled	-	-	(152,729)
Transferred from equity to cash settled	340,236	-	(340,236)
Units paid out in cash	(340,236)	(1,240)	-
Vested and paid out in shares	-	-	(350,666)
Change in fair value and vesting	-	1,240	-
Outstanding, December 31, 2023	-	\$ -	1,840,012

(d) Stock Options

The Company's Stock Option Plan, as amended and approved from time to time, permits the Company to issue up to 12,200,000 stock options. As at December 31, 2023, a total of 2,950,529 stock options are available for issuance under the plan.

	Number of stock options	Weighted average exercise price
		Canadian dollars
Outstanding, December 31, 2021	1,249,383	\$ 5.88
Expired unexercised	(612,565)	6.16
Outstanding, December 31, 2022	636,818	5.62
Exercised	(127,350)	3.22
Expired unexercised	(509,468)	6.21
Outstanding, December 31, 2023	-	\$ -
Vested and exercisable, December 31, 2022	636,818	\$ 5.62
Vested and exercisable, December 31, 2023	-	\$ -

18. SHARE CAPITAL

Authorized Share Capital

The Company has an unlimited number of common shares without par value authorized for issue.

On April 28, 2023, the Company announced a renewal of its Normal Course Issuer Bid Program ("NCIB") pursuant to which the Company can purchase up to five percent of its outstanding common shares. Under the NCIB, purchases of common shares may be made through the facilities of the TSX, the NYSE and/or alternative Canadian trading systems. The share repurchase program started on May 2, 2023 and will expire on the earlier of: (i) May 1, 2024;

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

(ii) the date the Company acquires the maximum number of common shares allowable under the NCIB; or (iii) the date the Company otherwise decides not to make any further repurchases under the NCIB.

During the year ended December 31, 2023, the Company did not purchase any of its outstanding common shares. During the year ended December 31, 2022, the Company acquired and cancelled 2,201,404 common shares through its previous program at an average cost of \$2.69 per share for a total cost of \$5.9 million.

19. EARNINGS PER SHARE

	Years ended December 31,	
	2023	2022
Basic:		
Net loss attributable to Fortuna shareholders	\$ (50,836)	\$ (128,132)
Weighted average number of shares (000's)	295,067	291,281
Loss per share - basic	\$ (0.17)	\$ (0.44)

	Years ended December 31,	
	2023	2022
Diluted:		
Net loss attributable to Fortuna shareholders	\$ (50,836)	\$ (128,132)
Diluted net loss for the period	\$ (50,836)	\$ (128,132)
Weighted average number of shares (000's)	295,067	291,281
Weighted average diluted number of shares (000's)	295,067	291,281
Loss per share - diluted	\$ (0.17)	\$ (0.44)

For the year ended December 31, 2023, nil (December 31, 2022 – 509,468) out of the money options, 1,657,298 (December 31, 2022 – 2,380,857) share units, and 9,143,000 (December 31, 2022 – 9,176,000) potential shares issuable on conversion of the debentures were excluded from the diluted earnings per share calculation. These items were excluded from the diluted earnings per share calculations as their effect would have been anti-dilutive.

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

20. SALES

The Company's geographical analysis of revenue from contracts with customers attributed to the location of the products produced, is as follows:

	Years ended December 31, 2023					
	Peru	Mexico	Argentina	Burkina Faso	Côte d'Ivoire	Total
Silver-gold concentrates	\$ -	\$ 148,828	\$ -	\$ -	\$ -	\$ 148,828
Silver-lead concentrates	60,813	-	-	-	-	60,813
Zinc concentrates	42,989	-	-	-	-	42,989
Gold doré	-	-	207,509	228,846	154,165	590,520
Provisional pricing adjustments	(1,600)	878	-	-	-	(722)
Sales to external customers	\$ 102,202	\$ 149,706	\$ 207,509	\$ 228,846	\$ 154,165	\$ 842,428

	Years ended December 31, 2022					
	Peru	Mexico	Argentina	Burkina Faso	Côte d'Ivoire	Total
Silver-gold concentrates	\$ -	\$ 173,871	\$ -	\$ -	\$ -	\$ 173,871
Silver-lead concentrates	50,300	-	-	-	-	50,300
Zinc concentrates	53,147	-	-	-	-	53,147
Gold doré	-	-	212,092	193,541	-	405,633
Provisional pricing adjustments	(1,116)	(344)	-	-	-	(1,460)
Sales to external customers	\$ 102,331	\$ 173,527	\$ 212,092	\$ 193,541	\$ -	\$ 681,491

	Years ended December 31,	
	2023	2022
Customer 1	\$ 228,846	\$ 193,541
Customer 2	207,505	212,092
Customer 3	154,165	-
Customer 4	102,206	102,332
Customer 5	78,519	76,851
Customer 6	71,187	70,584
Customer 7	-	26,091
	\$ 842,428	\$ 681,491

From time to time, the Company enters into forward sale and collar contracts to mitigate the price risk for some of its forecasted base and precious metals production, and non-metal commodities.

During the year ended December 31, 2023, the Company recognized \$1.5 million of realized losses on the settlement of forward sale and collar contracts (December 31, 2022 - \$0.7 million realized losses), and \$0.3 million unrealized gains from changes in the fair value of the open positions (December 31, 2022 - \$1.2 million unrealized gains).

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

21. COST OF SALES

	Years ended December 31,	
	2023	2022
Direct mining costs	\$ 297,322	\$ 272,329
Salaries and benefits	75,088	44,432
Workers' participation	1,422	4,285
Depletion and depreciation	216,250	171,447
Royalties and other taxes	46,036	33,304
Other	16,285	8,898
Cost of sales	\$ 652,403	\$ 534,695

For the year ended December 31, 2023, depletion and depreciation includes \$13.9 million of depreciation related to right-of-use assets (December 31, 2022 - \$9.0 million).

22. GENERAL AND ADMINISTRATION

	Years ended December 31,	
	2023	2022
General and administration	\$ 55,769	\$ 50,191
Workers' participation	241	954
	56,010	51,145
Share-based payments	8,063	10,311
General and administration	\$ 64,073	\$ 61,456

23. OTHER (INCOME) EXPENSES

	Years ended December 31,	
	2023	2022
Loss on disposal of property, plant, and equipment	\$ 209	\$ 789
Other (income) expenses	18,665	521
	\$ 18,874	\$ 1,310

Other expenses include payments made and provisions raised during the year ended December 31, 2023:

- \$2.8 million related to a new agreement with the workers' union at San Jose,
- \$1.5 million for stand-by and maintenance costs during the work stoppage at San Jose,
- \$6.4 million severance provisions for the anticipated San Jose mine closure at the end of 2024,
- \$1.4 million penalty provision related to a customs dispute at Séguéla,
- \$2.0 million at Yaramoko for stand-by and maintenance costs during the underground work stoppage, and
- \$3.7 million in administrative penalties incurred by Yaramoko, payable to the Ministry of Mines.

24. INTEREST AND FINANCE COSTS, NET

	Years ended December 31,	
	2023	2022
Interest income	\$ 3,654	\$ 1,851
Interest expense	(18,367)	(8,885)
Bank stand-by and commitment fees	(304)	(193)
Accretion expense	(2,988)	(2,364)
Lease liabilities	(3,785)	(2,466)
	\$ (21,790)	\$ (12,057)

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

25. INCOME TAX

(a) Reconciliation of Effective Tax Rate

Income tax expense differs from the amount that would be computed by applying the applicable Canadian statutory income tax rate to income before income taxes. The significant reasons for the differences are as follows:

	Years ended December 31,	
	2023	2022
Net loss before tax	\$ (11,051)	\$ (125,109)
Statutory tax rate	27.0%	27.0%
Anticipated income tax at statutory rates	(2,984)	(33,779)
Non-deductible expenditures (deductible expenditures)	2,443	(3,513)
Differences between Canadian and foreign tax rates	(729)	10,448
Changes in estimate	7,419	(4,492)
Inflation adjustment	(63,095)	(57,403)
Impact of foreign exchange	70,014	17,336
Change in deferred tax assets not recognized	11,489	70,178
Mining taxes	2,714	5,629
Withholding taxes	5,629	7,720
Other items	(321)	(1,327)
Total income tax expense	\$ 32,579	\$ 10,797
Total income tax represented by:		
Current income tax expense	\$ 42,636	\$ 35,783
Deferred tax recovery	(10,057)	(24,986)
	\$ 32,579	\$ 10,797

(b) Tax Amounts Recognized in Profit or Loss

	Years ended December 31,	
	2023	2022
Current tax expense		
Current taxes on profit for the year	\$ 42,096	\$ 35,884
Changes in estimates related to prior years	540	(101)
	\$ 42,636	\$ 35,783
Deferred tax expense		
Origination and reversal of temporary differences and foreign exchange rate	\$ (16,899)	\$ (20,826)
Changes in estimates related to prior years	6,879	(4,392)
Effect of differences in tax rates	(37)	232
Effect of changes in tax rates	-	-
	\$ (10,057)	\$ (24,986)
Total tax expense	\$ 32,579	\$ 10,797

(c) Deferred Tax Balances

The significant components of the recognized deferred tax assets and liabilities are:

	December 31, 2023	December 31, 2022

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Deferred tax assets:			
Reclamation and closure cost obligation	\$	15,011	\$ 14,942
Carried forward tax loss		16,043	3,552
Equipment and buildings		-	11,976
Accounts payable and accrued liabilities		16,747	13,286
Deductibility of resource taxes		154	2,406
Lease obligations		7,972	8,374
Other		-	86
Total deferred tax assets	\$	55,927	\$ 54,622

Deferred tax liabilities:			
Mineral properties	\$	(193,646)	\$ (202,087)
Mining and foreign withholding taxes		(1,124)	(3,524)
Equipment and buildings		(5,941)	-
Convertible debenture		(406)	(831)
Inflation		(598)	(4,306)
Inventory and other		(14,067)	(11,493)
Total deferred tax liabilities	\$	(215,782)	\$ (222,241)

Net deferred tax liabilities	\$	(159,855)	\$ (167,619)
-------------------------------------	-----------	------------------	---------------------

		2023	2022
Classification:			
Deferred tax assets	\$	-	\$ -
Deferred tax liabilities		(159,855)	(167,619)
Net deferred tax liabilities	\$	(159,855)	\$ (167,619)

The Company's movement of net deferred tax liabilities is described below:

		2023	2022
At January 1	\$	167,619	\$ 191,668
Deferred income tax (recovery) expense through income statement		(10,057)	(24,831)
Deferred income tax expense through equity		2,293	782
At December 31	\$	159,855	\$ 167,619

(d) Unrecognized Deferred Tax Assets and Liabilities

The Company recognizes tax benefits on losses or other deductible amounts where it is more likely than not that the deferred tax asset will be realized. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		December 31, 2023	December 31, 2022
Unrecognized deductible temporary differences and unused tax losses:			
Non-capital losses	\$	138,736	\$ 164,427
Provisions		19,335	7,215
Share issue costs		-	306
Mineral properties, plant and equipment		163,508	184,970
Lease obligation		1,729	578
Derivative liabilities		23,395	335
Investments in equity securities and associates		1,069	1,070
Unrecognized deductible temporary differences	\$	347,772	\$ 358,901

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

As at December 31, 2023, the Company has temporary differences associated with investments in subsidiaries for which an income tax liability has not been recognized as the Company can control the timing of the reversal of the temporary differences and the Company plans to reinvest in its foreign subsidiaries. The temporary difference associated with investments in subsidiaries aggregate as follows:

	December 31, 2023	December 31, 2022
Mexico	\$ 27,491	\$ 150,379
Peru	96,467	78,505
West Africa	-	18,122

(e) Tax Loss Carry Forwards

Tax losses have the following expiry dates:

	Year of expiry	December 31, 2023	Year of expiry	December 31, 2022
Canada	2025 - 2042	\$ 210,847	2025 - 2042	\$ 184,717
Mexico	2024 - 2031	6,623	2023 - 2031	20

In addition, as at December 31, 2023, the Company has accumulated Canadian resource related expenses of \$8.2 million (December 31, 2022- \$8.0 million) for which the deferred tax benefit has not been recognized.

26. SEGMENTED INFORMATION

The Company's operating segments are based on the reports reviewed by the senior management group that are used to make strategic decisions. The Chief Executive Officer, as chief operating decision maker, considers the business from a geographic perspective when considering the performance of the Company's business units.

The following summary describes the operations of each reportable segment:

- Mansfield – operates the Lindero gold mine
- Sanu – operates the Yaramoko gold mine
- Sango – operates the Séguéla gold mine
- Cuzcatlan – operates the San Jose silver-gold mine
- Bateas – operates the Caylloma silver, lead, and zinc mine
- Corporate – corporate stewardship

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Year ended December 31, 2023						
	Mansfield	Sanu	Sango	Cuzcatlan	Bateas	Corporate	Total
Revenues from external customers	\$ 207,509	\$ 228,846	\$ 154,165	\$ 149,706	\$ 102,202	\$ -	\$ 842,428
Cost of sales before depreciation and depletion	(125,438)	(113,693)	(38,948)	(100,040)	(58,034)	-	(436,153)
Depreciation and depletion in cost of sales	(51,258)	(73,064)	(40,524)	(40,028)	(11,376)	-	(216,250)
General and administration	(9,697)	(919)	(4,930)	(7,304)	(5,157)	(36,066)	(64,073)
Impairment of mineral properties, plant and equipment	-	-	-	(90,615)	-	-	(90,615)
Other (expenses) income	(10,601)	(4,998)	(1,136)	(17,428)	108	(1,689)	(35,744)
Finance items	9,685	(1,045)	(3,039)	(707)	296	(15,834)	(10,644)
Segment income (loss) before taxes	20,200	35,127	65,588	(106,416)	28,039	(53,589)	(11,051)
Income taxes	(2,096)	(7,423)	(8,472)	(910)	(8,862)	(4,816)	(32,579)
Segment income (loss) after taxes	\$ 18,104	\$ 27,704	\$ 57,116	\$ (107,326)	\$ 19,177	\$ (58,405)	\$ (43,630)

	Year ended December 31, 2022						
	Mansfield	Sanu	Sango	Cuzcatlan	Bateas	Corporate	Total
Revenues from external customers	\$ 212,092	\$ 193,541	\$ -	\$ 173,527	\$ 102,331	\$ -	\$ 681,491
Cost of sales before depreciation and depletion	(111,625)	(106,953)	-	(91,312)	(53,358)	-	(363,248)
Depreciation and depletion in cost of sales	(54,644)	(64,893)	-	(37,776)	(14,134)	-	(171,447)
General and administration	(8,698)	(2,101)	(366)	(8,150)	(4,478)	(37,663)	(61,456)
Impairment of mineral properties, plant and equipment	(70,156)	(103,457)	-	(9,229)	-	-	(182,842)
Other (expenses) income	(3,239)	2,570	(1,175)	(5,026)	(208)	(8,972)	(16,050)
Finance items	(1,695)	(760)	(360)	(660)	(1,167)	(6,915)	(11,557)
Segment income (loss) before taxes	(37,965)	(82,053)	(1,901)	21,374	28,986	(53,550)	(125,109)
Income taxes	(3,529)	13,056	405	(4,855)	(8,915)	(6,959)	(10,797)
Segment income (loss) after taxes	\$ (41,494)	\$ (68,997)	\$ (1,496)	\$ 16,519	\$ 20,071	\$ (60,509)	\$ (135,906)

As at December 31, 2023	Mansfield	Sanu	Sango	Cuzcatlan	Bateas	Corporate	Total
Total assets	\$ 491,213	\$ 228,335	\$ 976,169	\$ 58,501	\$ 139,161	\$ 74,484	\$ 1,967,863
Total liabilities	\$ 53,175	\$ 59,043	\$ 243,532	\$ 36,955	\$ 49,944	\$ 237,093	\$ 679,742
Capital expenditures ¹	\$ 44,667	\$ 63,833	\$ 118,693	\$ 22,260	\$ 22,394	\$ 3,974	\$ 275,821

¹ Capital expenditures are on an accrual basis for the year ended December 31, 2023

As at December 31, 2022	Mansfield	Sanu	Sango	Cuzcatlan	Bateas	Corporate	Total
Total assets	\$ 499,937	\$ 182,621	\$ 833,179	\$ 187,898	\$ 142,385	\$ 30,204	\$ 1,876,224
Total liabilities	\$ 44,152	\$ 47,122	\$ 173,082	\$ 30,381	\$ 49,143	\$ 243,648	\$ 587,528
Capital expenditures ¹	\$ 23,048	\$ 54,137	\$ 118,645	\$ 24,397	\$ 19,610	\$ 2,047	\$ 241,884

¹ Capital expenditures are on an accrual basis for the year ended December 31, 2022

27. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following sets up the methods and assumptions used to estimate the fair value of financial instruments.

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Financial asset or liability	Methods and assumptions used to estimate fair value
Trade receivables	Trade receivables arising from the sales of metal concentrates are subject to provisional pricing, and the final selling price is adjusted at the end of a quotational period. These are marked to market at each reporting date based on the forward price corresponding to the expected settlement date.
Investments in equity securities	Investments in equity securities are recorded at fair value based on the quoted market price at the end of each reporting period with changes in fair value through other comprehensive income.
Interest rate swap, metal, fuel and foreign exchange contracts	Fair value is calculated as the present value of the estimated contractual cash flows. Estimates of future cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. These are discounted using a yield curve, and adjusted for credit risk of the Company or the counterparty.
Convertible Debentures	The fair value of the convertible debentures represents both the debt and equity components of the convertible debentures and has been determined with reference to the quoted market price of the convertible debentures.

During the years ended December 31, 2023, and 2022, there were no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy. The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

December 31, 2023	Carrying value				Fair value			Carrying value approximates Fair Value
	Fair Value through OCI	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	
Financial assets measured at Fair Value								
Investments in equity securities	\$ 80	\$ -	\$ -	\$ 80	\$ 80	\$ -	\$ -	\$ -
Trade receivables concentrate sales	-	16,819	-	16,819	-	16,819	-	-
	\$ 80	\$ 16,819	\$ -	\$ 16,899	\$ 80	\$ 16,819	\$ -	\$ -
Financial assets not measured at Fair Value								
Cash and cash equivalents	\$ -	\$ -	\$ 128,148	\$ 128,148	\$ -	\$ -	\$ -	\$ 128,148
Trade receivables doré sales	-	-	3,151	3,151	-	-	-	3,151
Other receivables	-	-	5,189	5,189	-	-	-	5,189
	\$ -	\$ -	\$ 136,488	\$ 136,488	\$ -	\$ -	\$ -	\$ 136,488
Financial liabilities measured at Fair Value								
Metal forward sale and collar contracts liability	\$ -	\$ (81)	\$ -	\$ (81)	\$ -	\$ (81)	\$ -	\$ -
Share units payable	-	(9,259)	-	(9,259)	-	(9,259)	-	-
	\$ -	\$ (9,340)	\$ -	\$ (9,340)	\$ -	\$ (9,340)	\$ -	\$ -
Financial liabilities not measured at Fair Value								
Trade payables	\$ -	\$ -	\$ (100,387)	\$ (100,387)	\$ -	\$ -	\$ -	\$ (100,387)
Payroll payable	-	-	(21,896)	(21,896)	-	-	-	(21,896)
Credit facilities	-	-	(162,946)	(162,946)	-	(165,000)	-	-
Convertible debentures	-	-	(43,901)	(43,901)	-	(44,344)	-	-
Other payables	-	-	(82,807)	(82,807)	-	-	-	(82,807)
	\$ -	\$ -	\$ (411,937)	\$ (411,937)	\$ -	\$ (209,344)	\$ -	\$ (205,090)

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

	Carrying value				Fair value			Carrying value approximates Fair Value
	Fair Value through OCI	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	
December 31, 2022								
Financial assets measured at Fair Value								
Investments in equity securities	\$ 78	\$ -	\$ -	\$ 78	\$ 78	\$ -	\$ -	\$ -
Trade receivables concentrate sales	-	21,455	-	21,455	-	21,455	-	-
Fuel hedge contracts asset	-	18	-	18	-	18	-	-
	<u>\$ 78</u>	<u>\$ 21,473</u>	<u>\$ -</u>	<u>\$ 21,551</u>	<u>\$ 78</u>	<u>\$ 21,473</u>	<u>\$ -</u>	<u>\$ -</u>
Financial assets not measured at Fair Value								
Cash and cash equivalents	\$ -	\$ -	\$ 80,493	\$ 80,493	\$ -	\$ -	\$ -	\$ 80,493
Trade receivables doré sales	-	-	2,522	2,522	-	-	-	2,522
Other receivables	-	-	7,443	7,443	-	-	-	7,443
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,458</u>	<u>\$ 90,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,458</u>
Financial liabilities measured at Fair Value								
Foreign exchange forward contracts liability	\$ -	\$ (270)	\$ -	\$ (270)	\$ -	\$ (270)	\$ -	\$ -
Share units payable	-	(7,308)	-	(7,308)	-	(7,308)	-	-
	<u>\$ -</u>	<u>\$ (7,578)</u>	<u>\$ -</u>	<u>\$ (7,578)</u>	<u>\$ -</u>	<u>\$ (7,578)</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities not measured at Fair Value								
Trade payables	\$ -	\$ -	\$ (72,571)	\$ (72,571)	\$ -	\$ -	\$ -	\$ (72,571)
Payroll payable	-	-	(22,967)	(22,967)	-	-	-	(22,967)
Credit facilities	-	-	(177,020)	(177,020)	-	(180,000)	-	-
Convertible debentures	-	-	(42,155)	(42,155)	-	(46,138)	-	-
Other payables	-	-	(31,519)	(31,519)	-	-	-	(31,519)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (346,232)</u>	<u>\$ (346,232)</u>	<u>\$ -</u>	<u>\$ (226,138)</u>	<u>\$ -</u>	<u>\$ (127,057)</u>

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

28. MANAGEMENT OF FINANCIAL RISK

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

The Company is exposed to certain financial risks, including credit risk, liquidity risk, currency risk, metal price risk, and interest rate risk.

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All our trade accounts receivables from concentrate sales are held with large international metals trading companies.

The Company's cash and cash equivalents and short-term investments are held through large financial institutions. These investments mature at various dates within three months.

The Company's maximum exposure to credit risk as at December 31, 2023 and 2022 is as follows:

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 128,148	\$ 80,493
Trade and other receivables	69,529	68,165
Income tax receivable	6,283	718
Other non-current receivables	18,693	8,503
	\$ 222,653	\$ 157,879

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. We limit our exposure to counterparty credit risk on cash and term deposits by only dealing with financial institutions with high credit ratings and through our investment policy of purchasing only instruments with a high credit rating. Materially all of the Company's concentrates are sold to large, well-known concentrate buyers.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continually monitoring forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support its normal operating requirements and its development plans. The Company aims to maintain sufficient liquidity to meet its short term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and cash equivalents, and its committed and anticipated liabilities.

The Company had \$213.1 million of liquidity comprised of cash and cash equivalents and undrawn credit facilities as at December 31, 2023. The Company believes that it has sufficient liquidity to meet the Company's minimum obligations for at least the next 12 months from December 31, 2023.

Compania Minera Cuzcatlan S.A. de C.V. ("Minera Cuzcatlan"), the wholly owned subsidiary that operates the San Jose mine, has an ongoing legal proceeding (the "Mexican Legal Proceedings") over the 12-year extension of its Environmental Impact Authorization ("EIA") with the Secretaría de Medio Ambiente y Recursos Naturales ("SEMARNAT") after it annulled the mine's EIA on January 5, 2023. Until there is a determination in the Mexican

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Legal Proceedings, the San Jose mine continues to operate under the terms of the 12-year EIA due to a permanent injunction granted by the Mexican Federal Administrative Court (see Note 33).

Until the determination of the Mexican Legal Proceedings, the Company has agreed to certain temporary restrictions on its Amended Credit Facility and is required to have a positive unappealable decision in such proceedings prior to December 31, 2024. In the event such a decision is not received before December 31, 2024, an event of default would occur and the availability under the Amended Credit Facility would be reduced to nil. Management expects to receive either a positive unappealable decision or an additional extension from its lenders prior to December 31, 2024. In the event that the Company does not receive either a positive unappealable decision or an extension and an event of default occurs, the Company anticipates having sufficient liquidity to fulfill its financial obligations and settle any outstanding debt.

The Company manages its liquidity risk by continuously monitoring forecasted and actual cashflows. A rigorous reporting, planning and budgeting process is in place to help facilitate forecasting funding requirements, to support operations on an ongoing basis and expansion plans, if any.

As at December 31, 2023, the Company expects the following maturities of its financial liabilities, lease obligations, and other contractual commitments, excluding payments relating to interest:

	Expected payments due by year as at December 31, 2023					Total
	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years		
Trade and other payables	\$ 148,084	\$ -	\$ -	\$ -	\$ -	\$ 148,084
Debt	45,715	165,000	-	-	-	210,715
Income taxes payable	31,779	-	-	-	-	31,779
Lease obligations	20,339	39,775	4,902	6,457	-	71,473
Other liabilities	-	9,973	-	-	-	9,973
Closure and reclamation provisions	5,527	27,157	8,219	38,420	-	79,323
	\$ 251,444	\$ 241,905	\$ 13,121	\$ 44,877	\$ -	\$ 551,347

	Expected payments due by year as at December 31, 2022					Total
	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years		
Trade and other payables	\$ 111,896	\$ -	\$ -	\$ -	\$ -	\$ 111,896
Debt	-	225,940	-	-	-	225,940
Income taxes payable	11,589	-	-	-	-	11,589
Lease obligations	11,343	8,308	5,736	5,806	-	31,193
Other liabilities	-	2,596	-	-	-	2,596
Capital commitments, Séguéla	13,923	380	-	-	-	14,303
Closure and reclamation provisions	3,227	24,635	9,110	23,040	-	60,012
	\$ 151,978	\$ 261,859	\$ 14,846	\$ 28,846	\$ -	\$ 457,529

(c) Currency risk

The Company is exposed to fluctuations in foreign exchange rates as a portion of our expenses are incurred in Canadian dollars, Peruvian soles, Argentine pesos, Mexican pesos, West Africa CFA francs, Australian dollars, and Euros. A significant change in the foreign exchange rates between the United States dollar relative to the other currencies could have a material effect on the Company's profit or loss, financial position, or cash flows.

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

As at December 31, 2023 and 2022, the Company was exposed to currency risk through the following assets and liabilities denominated in foreign currencies:

	December 31, 2023						
	Canadian Dollars	Peruvian Soles	Mexican Pesos	Argentine Pesos	West African CFA Francs	Australian Dollars	Euros
Cash and cash equivalents	480	6,871	8,798	1,092,738	39,898,039	48	-
Marketable securities	105	-	-	-	-	-	-
Restricted cash	-	-	-	-	573,830	-	-
Trade and VAT receivables	388	1,730	114,189	9,554,183	16,584,783	(117)	-
Income tax receivable	-	28,052	84,050	-	-	-	-
VAT - long term receivable	-	-	64,265	-	5,582,765	-	-
Trade and other payables	(18,669)	(51,327)	(174,021)	(6,605,563)	(18,465,087)	(1,259)	(2,535)
Provisions, current	-	(5,905)	(21,420)	(1,334,105)	-	-	-
Income tax payable	-	-	(28,094)	-	(2,136,164)	-	-
Other liabilities	(184)	-	(121,249)	-	-	-	-
Provisions, non-current	-	(13,879)	(107,576)	-	-	-	-
Total foreign currency exposure	(17,880)	(34,458)	(181,058)	2,707,253	42,038,166	(1,328)	(2,535)
US\$ equivalent of foreign currency exposure	(13,516)	(9,280)	(10,718)	3,350	70,851	(905)	(2,802)

	December 31, 2022						
	Canadian Dollars	Peruvian Soles	Mexican Pesos	Argentine Pesos	West African CFA Francs	Australian Dollars	Euros
Cash and cash equivalents	587	6,237	73,868	11,845	6,057,885	250	0
Marketable securities	105	-	-	-	-	-	-
Restricted cash	-	-	-	-	2,338,983	-	-
Trade and VAT receivables	215	3,317	73,868	2,062,918	12,979,116	(115)	-
Income tax receivable	-	28,137	13,900	-	-	-	-
VAT - long term receivable	-	-	70,520	-	-	-	-
Trade and other payables	(13,374)	(16,966)	(218,288)	(1,429,416)	(15,346,471)	(1,285)	(274)
Provisions, current	-	(8,123)	(11,729)	(387,883)	-	-	-
Income tax payable	51	-	(84,393)	-	(1,353,215)	-	-
Other liabilities	(177)	-	(9,708)	-	-	-	-
Provisions, non-current	-	(12,611)	(90,797)	-	-	-	-
Total foreign currency exposure	(12,593)	(9)	(182,759)	257,464	4,676,298	(1,150)	(274)
US\$ equivalent of foreign currency exposure	(9,297)	(2)	(9,439)	1,436	7,416	(793)	(287)

Sensitivity as to change in foreign currency exchange rates on our foreign currency exposure as at December 31, 2023 is provided below:

Currency	Change	Effect on foreign denominated items
Mexican pesos	+/- 10%	\$ 974
Peruvian soles	+/- 10%	\$ 844
Argentine pesos	+/- 10%	\$ 305
Canadian dollars	+/- 10%	\$ 1,229
West African CFA francs	+/- 10%	\$ 6,441

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Australian dollars	+/- 10%	\$	82
Euros	+/- 10%	\$	255

Due to the volatility of the exchange rate for Argentine Peso, the Company is applying additional measures in cash management to minimize potential losses arising from the conversion of funds. As discussed in Note 28(f), with the capital controls in effect, the Company is required to convert the equivalent value of foreign currency received from the proceeds of the sale of all gold doré from the Lindero Mine.

(d) Metal Price Risk

The Company is exposed to metal price risk with respect to the sales of silver, gold, lead, and zinc concentrates. The following table summarizes the effect on provisionally priced sales and accounts receivables of a 10% change in metal prices from the prices used at December 31, 2023:

Metal	Change	Effect on Sales
Silver	+/- 10%	\$ 433
Gold	+/- 10%	\$ 246
Lead	+/- 10%	\$ 488
Zinc	+/- 10%	\$ 449

During the year ended December 31, 2023, the Company recognized negative sales adjustments of \$0.7 million (December 31, 2022 – negative \$1.5 million) as a result of changes in metal prices on the final settlement or during the quotational period.

From time to time, the Company mitigates the price risk associated with its base metal production by entering into forward sale and collar contracts for some of its forecasted base metal production and non-metal commodities (see Note 20).

(e) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently, the Company's interest rate exposure mainly relates to interest earned on its cash, cash equivalent, and short-term investment balances, interest paid on its SOFR-based debt and the mark-to-market value of derivative instruments which depend on interest rates.

(f) Capital Management

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets.

Effective December 23, 2019, changes to Argentina's tax laws proposed by the new Argentine Government were implemented. The changes ratified and extended legislation which was to expire on December 31, 2019 and allow the Argentine Central Bank to regulate funds coming into and flowing out of Argentina in order to maintain stability and support the economic recovery of the country. These capital controls, together with additional temporary controls enacted on May 29, 2020, have the effect of requiring exporters to convert the equivalent value of foreign currency received from the export into Argentine Pesos; requiring the prior consent of the Argentine Central Bank to the payment of cash dividends and distributions of currency out of Argentina; requiring Argentine companies to

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

convert foreign currency loans received from abroad into Argentine Pesos; and restricting the sale of Argentine Pesos for foreign currency. These changes have since been ratified and extended legislation to December 31, 2025.

The Company's capital requirement is effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company's capital structure consists of equity comprising of share capital, reserves and retained earnings as well as debt facilities, equipment financing obligations less cash, cash equivalents and short-term investments.

	December 31, 2023	December 31, 2022
Equity	\$ 1,238,367	\$ 1,244,756
Debt	206,847	219,175
Lease obligations	57,401	21,346
Less: cash and cash equivalents	(128,148)	(80,493)
	\$ 1,374,467	\$ 1,404,784

Other than the restrictions related to capital controls, and complying with the debt covenants under the Company's Amended Credit Facility, the Company is not subject to any externally imposed capital requirements. As at December 31, 2023 and 2022, the Company was in compliance with its debt covenants.

29. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital for the years ended December 31, 2023 and 2022 are as follows:

	Years ended December 31,	
	2023	2022
Trade and other receivables	\$ (17,111)	\$ 7,315
Prepaid expenses	(3,242)	(1,643)
Inventories	(21,020)	(20,415)
Trade and other payables	31,636	(3,278)
Total changes in working capital	\$ (9,737)	\$ (18,021)

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes for the periods as set out below are as follows:

	Bank loan	Convertible debentures	Lease obligations
As at December 31, 2021	\$ 117,082	\$ 40,407	\$ 29,405
Loss on debt modifications	—	—	(729)
Additions	80,000	—	2,774
Terminations	—	—	(661)
Conversion of debenture	—	(60)	—
Interest	626	1,808	2,623
Payments	(20,000)	—	(12,209)
Transaction costs	(688)	—	—
Foreign exchange	—	—	143
As at December 31, 2022	177,020	42,155	21,346
Additions	75,500	—	48,805
Terminations	—	—	(21)
Conversion of debenture	—	(225)	—
Interest	926	1,971	3,658
Payments	(90,500)	—	(16,625)
Foreign exchange	—	—	238
As at December 31, 2023	\$ 162,946	\$ 43,901	\$ 57,401

The significant non-cash financing and investing transactions during the years ended December 31, 2023 and 2022 are as follows:

	Years ended December 31,	
	2023	2022
Acquisition of Chesser	\$ 45,548	\$ -
Mineral properties, plant and equipment changes in closure and reclamation provision	\$ (9,559)	\$ 5,021
Stock options allocated to share capital upon exercise	\$ 96	\$ -
Additions to right of use assets	\$ 48,805	\$ 2,774
Share units allocated to share capital upon settlement	\$ 2,864	\$ 2,525

30. NON-CONTROLLING INTEREST

As at December 31, 2023, the non-controlling interest (“NCI”) of the State of Burkina Faso, which represents a 10% interest in Roxgold SANU S.A., totaled \$3.4 million. The income attributable to the NCI for the year ended December 31, 2023, totaling \$2.6 million, is based on the net income for Yaramoko.

As at December 31, 2023, the NCI of the State of Côte d’Ivoire, which represents a 10% interest in Roxgold Sango S.A., totaled \$46.4 million. The income attributable to the NCI for the year ended December 31, 2023, totaling \$4.7 million, is based on the net income for Séguéla.

Summarized statement of financial position

As of December 31, 2023	Yaramoko	Séguéla
Non-controlling interest percentage	10%	10%
Current assets	\$ 53,002	\$ 82,462
Non-current assets	153,037	318,912

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Current liabilities	(30,356)	(63,515)
Non-current liabilities	(100,919)	(228,553)
Net assets	\$ 74,764	\$ 109,306
Non-controlling interest	\$ 3,379	\$ 46,376

Summarized income statement

For the period ended December 31, 2023	Yaramoko	Séguéla
Revenue	\$ 228,846	\$ 154,165
Net income (loss) and comprehensive income (loss)	\$ (2,881)	\$ 66,915

Summarized cash flows

For the period ended December 31, 2023	Yaramoko	Séguéla
Cash flows provided by operating activities	\$ 101,193	\$ 109,264
Cash flows used in investing activities	\$ (51,057)	\$ (59,022)
Cash flows (used in) provided by financing activities	\$ (43,025)	\$ 79

31. CONTINGENCIES AND CAPITAL COMMITMENTS

(a) Caylloma Letter of Guarantee

The Caylloma mine closure plan, as amended, that was in effect in January 2021, included total undiscounted closure costs of \$18.2 million, which consisted of progressive closure activities of \$6.2 million, final closure activities of \$9.8 million, and post closure activities of \$2.3 million pursuant to the terms of the Mine Closing Law.

Under the terms of the current Mine Closing Law, the Company is required to provide the Peruvian Government with a guarantee in respect of the Caylloma mine closure plan as it relates to final closure activities and post-closure activities and related taxes. In 2024, the Company provided a bank letter of guarantee of \$12.9 million to the Peruvian Government in respect of such closure costs and taxes.

(b) San Jose Letter of Guarantee

The Company has established three letters of guarantee in the aggregate amount of \$0.8 million to fulfill its environmental obligations under the terms and conditions of the Environmental Impact Statements issued by the Secretaria de Medio Ambiente y Recursos Naturales ("SEMARNAT") in 2009 in respect of the construction of the San Jose mine, and in 2017 and 2020 with respect to the expansion of the dry stack tailings facility at the San Jose mine. The letters of guarantee expire on March 5, 2024, September 17, 2024 and December 31, 2024, respectively. The letter expiring on March 5, 2024 is in the process of being extended for a further 12 months.

(c) Other Commitments

As at December 31, 2023, the Company had capital commitments of \$5.8 million, for civil work, equipment purchases and other services at the Lindero mine, which are expected to be expended within one year.

Côte d'Ivoire

The Company entered into an agreement with a service provider at the Séguéla mine wherein if the Company terminates the agreement prior to the end of its term, in November 2026, the Company would be required to make

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

an early termination payment, which is reduced monthly over 48 months. If the Company had terminated the agreement on December 31, 2023, and elected not to purchase the service provider's equipment, it would have been subject to an early termination payment of \$16.7 million. If the Company had terminated the agreement on December 31, 2023, and elected to purchase the service provider's equipment, the early termination amount would be adjusted to exclude equipment depreciation and demobilization of equipment, and only include portion of the monthly management fee and demobilization of personnel.

(d) Tax Contingencies

The Company is, from time to time, involved in various tax assessments arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company has recognized tax provisions with respect to current assessments received from the tax authorities in the various jurisdictions in which the Company operates, and from any uncertain tax positions identified. For those amounts recognized related to current tax assessments received, the provision is based on management's best estimate of the outcome of those assessments, based on the validity of the issues in the assessment, management's support for their position, and the expectation with respect to any negotiations to settle the assessment. Management re-evaluates the outstanding tax assessments regularly to update their estimates related to the outcome for those assessments taking into account the criteria above.

Peru

The Company was assessed \$1.2 million (4.3 million Peruvian soles), including interest and penalties of \$0.8 million (2.9 million Peruvian soles), for the 2010 tax year by SUNAT, the Peruvian tax authority, with respect to the deduction of certain losses arising from derivative instruments. The Company applied to the Peruvian tax court to appeal the assessment. On January 22, 2019, the Peruvian tax court reaffirmed SUNAT's position and denied the deduction. The Company believes the assessment is inconsistent with Peruvian tax law and that it is probable the Company will succeed on appeal through the Peruvian legal system. The Company has paid the disputed amount in full and has initiated proceedings through the Peruvian legal system to appeal the decision of the Peruvian tax court.

As at December 31, 2023, the Company has recorded the amount paid of \$1.2 million (4.3 million Peruvian soles) in other long-term assets, as the Company believes it is probable that the appeal will be successful (Note 10).

The Company was assessed \$0.7 million (2.8 million Peruvian soles), including interest and penalties of \$0.5 million (1.7 million Peruvian soles), for the 2011 tax year by SUNAT, the Peruvian tax authority, with respect to the deduction of certain losses arising from intercompany transactions. The Company applied to the Peruvian tax court to appeal the assessment. On May 14, 2019, the Peruvian tax court reaffirmed SUNAT's position and denied the deduction. The Company believes the assessment is inconsistent with Peruvian tax law and that it is probable the Company will succeed on appeal through the Peruvian legal system. The Company has paid the disputed amount in full and has initiated proceedings through the Peruvian legal system to appeal the decision of the Peruvian tax court.

Argentina

On August 16, 2022, the Argentine Tax Authority ("AFIP") published General Resolution No.5248/2022 (the "Resolution") which established a one-time "windfall income tax prepayment" for companies that have obtained extraordinary income derived from the general increase in international prices. The Resolution was published by AFIP without prior notice.

The windfall income tax prepayment applies to companies that meet certain income tax or net income tax (before the deduction of accumulated tax losses) thresholds for 2021 or 2022. The aggregate amount of the windfall income

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

tax prepayment payable by Mansfield calculated in accordance with the Resolution was approximately \$1.0 million (810 million Argentine Pesos), excluding related accrued interest of approximately \$0.3 million (277 million Argentine Pesos).

The windfall income tax prepayment was to be paid in three equal and consecutive monthly instalments, starting on October 22, 2022, and was payable in addition to income tax instalments currently being paid by corporate taxpayers on account of their income tax obligations. The windfall income tax prepayment is an advance payment of income taxes which were due to be paid in 2022.

Based on the historical accumulated losses of Mansfield for fiscal 2021, which can be carried forward for 2022, Mansfield was not liable for income tax, and based upon current corporate income tax laws and the ability of the Company to deduct historical accumulated losses, income tax will not be required to be paid for fiscal 2022.

To protect Mansfield's position from having to pay the windfall income tax prepayment as an advance income tax for 2022, which based on management's projections is not payable, Mansfield applied to the Federal Court of Salta Province for a preliminary injunction to prevent the AFIP from issuing a demand or other similar measure for the collection of the windfall income tax prepayment. On October 3, 2022, Mansfield was notified that the Court had granted the preliminary injunction. As a result, Mansfield did not pay any of the instalments.

Mansfield also filed an administrative claim with the AFIP to challenge the constitutionality of the Resolution, which was rejected by AFIP on November 2, 2022. Mansfield has challenged the rejection of its administrative claim, by filing legal proceedings against the AFIP with the Federal Court. On February 15, 2023, the Federal Court granted Mansfield a preliminary injunction in these legal proceedings. Mansfield has subsequently presented additional documentation to AFIP which has resulted in the windfall tax prepayment installments being eliminated from Mansfield's account in AFIP's system. The legal proceedings to determine the unconstitutionality of the Resolution and whether interest is payable to AFIP continue under the protection of a preliminary injunction.

(e) Other Contingencies

The Company is subject to various investigations and other claims; and legal, labour, and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavourably for the Company. Certain conditions may exist as of the date these financial statements are issued that may result in a loss to the Company. None of these matters is expected to have a material effect on the results of operations or financial conditions of the Company.

32. IMPAIRMENT

Impairment Testing

In accordance with the Company's accounting policies each cash-generating unit (CGU) is assessed for indicators of impairment from both internal and external sources at the end of each reporting period. If such indicators of impairment exist for any CGU, those CGUs are tested for impairment. Based on this assessment, the Company determined that the San Jose and Lindero CGUs had indicators of impairment.

The recoverable amounts of the CGUs are determined based on the discounted cash flows expected to be derived from the Company's mining properties, which is a Level 3 fair value estimate. Due to its short mine life, the recoverable amount of the San Jose mine was calculated based on its Value in Use (VIU). The recoverable amount of the Lindero CGU was calculated based on its Fair Value Less Cost of Disposal (FVLCD).

Fortuna Silver Mines Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

San Jose

During the fourth quarter of 2023, the life of mine plan for the San Jose mine was updated and indicated that the Mineral Reserves will be exhausted at the end of 2024, compared to mid-2025 as previously planned. The decrease in the life of mine was the result of significant cost increases over the last 12 months, which resulted from:

- Appreciation of the Mexican Peso.
- Higher labour costs as a result of new labour reform mandates which either took effect on January 1, 2024, or are expected to take place in 2024.
- Higher contractor costs for transportation, distribution, shotcrete, maintenance and mine services.
- Higher costs for fuel, energy and materials related to inflation.

In addition to the reduction in Mineral Reserves in the Trinidad Zone, planned expansion areas such as the Victoria Zone failed to convert from Mineral Resources to Mineral Reserves as a result of the higher costs noted above.

As a result, the Company determined that the recoverable amount of the San Jose CGU was \$10.0 million, and recorded an impairment charge of \$90.6 million to reduce the carrying amount of the CGU to its recoverable amount.

Lindero

As of December 31, 2023, the Company determined that there were indicators of impairment at the Lindero mine due to an increase in capital costs for the heap leach expansion project and an increase in operating costs as a result of macro-economic factors, in particular the pace of inflation relative to the devaluation of the Argentine Peso. As a result, management estimated the recoverable amount of the Lindero mine as at December 31, 2023, determined on a fair value less cost of disposal basis, and concluded that no impairment charge was required. However, adverse changes in any of the assumptions used to determine the recoverable amount in future periods may result in an impairment.

Key Assumptions

The projected cash flows used in impairment testing are significantly affected by changes in the assumptions of metal prices, estimated quantities of mineral reserves and mineral resources that form the basis for the life of mine plans, production cost estimates, capital requirements, and discount rates. The Company's impairment testing incorporated the following key assumptions.

Weighted Average Cost of Capital

Projected cash flows were discounted using an after-tax discount rate that reflects the weighted average cost of capital for each CGU when considering estimates for risk free interest rates, market value of the Company's equity, market return on equity, share volatility, debt-to-equity financing ratio and a country risk premium. Discount rates used in each impairment assessment were as follows:

Cash Generating Unit	Discount Rate
Lindero, after-tax	7.7%
San Jose, after-tax	6.6%
San Jose, pre-tax	6.9%

Pricing Assumptions

Metal pricing including in the cash flow projects beyond five years is based on historical volatility and consensus analyst pricing. The metal price assumptions used in the Company's impairment assessments were as follows:

Fortuna Silver Mines Inc.**Notes to Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

(Tabular amounts presented in thousands of US dollars, except share and per share amounts)

Metal	2024	2025	2026	2027	Long Term
Gold (Per Ounce)	\$2,000	\$2,000	\$1,925	\$1,875	\$1,800
Silver (Per Ounce)	\$24.50	\$24.50	\$24.00	\$23.25	\$23.00

Production and Costs

The Company's estimates of future cash costs of production and capital expenditures are based on the life of mine (LOM) plan for each cash generating unit. The LOM plans for each CGU are based on detailed research and analysis and consider the optimal level of capital investment, overall production levels and mine sequence, commodity prices, export and corporate taxes, historical performance, and other factors to maximize the value of the CGU. Adverse changes in any of the assumptions made in future periods may result in an impairment.

Projected future revenues reflect the forecasted production at each CGU as detailed in their LOM plans. The LOM may include mineralized material that does not qualify for inclusion as a mineral reserve or a mineral resource. This is consistent with the methodology used to measure value beyond proven and probable reserves when allocating the purchase price of a business combination to acquired mining assets. The Company's estimate of recoverable amount for accounting purposes is not a "preliminary assessment", as defined in Canadian Securities Administrators' National Instrument 43-101 "Standards of Disclosure for Mineral Projects".

33. SUBSEQUENT EVENTS

On October 30, 2023, the Company announced that the Mexican Federal Administrative Court (the "Court") had ruled in favour of Cuzcatlan (Fortuna's Mexican subsidiary), and reinstated the 12 year environmental impact authorization for the San Jose mine. The decision of the Court has been appealed and was admitted by the Mexican Collegiate Court (the "Appeals Court") in January 2024. Cuzcatlan filed a response in February 2024. A decision of the Appeals Court is expected within the next six to 12 months. The permanent injunction that Cuzcatlan already has allowing the San Jose Mine to continue to operate, remains in effect. If a positive unappealable decision in these proceedings is not received by Cuzcatlan before December 31, 2024, the availability under the Amended Credit Facility will be reduced to nil, and an event of default will occur.