



RESPONSIBLE MINING

2018 SUSTAINABILITY REPORT



FORTUNA
SILVER MINES INC.



Jorge A. Ganoza

PRESIDENT & CHIEF EXECUTIVE OFFICER

“ We believe that this reporting exercise is valuable not only in our dedicated efforts to advance our corporate mission and vision, but also in our endeavor to maintain timely and transparent communication with all of our stakeholders. ”

Letter from the President

(102-14)

To Our Stakeholders

I am pleased to present our first Sustainability Report, prepared in accordance with the GRI Standards: Core option. This document summarizes the actions that we, as a company, are taking in terms of economic, social and environmental sustainability in our mining operations in Peru and Mexico. I look forward to incorporating our Lindero project, in Salta Province, Argentina, in our future sustainability reports.

Being a good corporate citizen underpins our operating philosophy and informs of our vision of establishing Fortuna as a sustainable, world-leading precious metals mining company. Our approach to sustainability dictates that we replace reserves and mine at low cost, but, more importantly, demands that we conduct ourselves proactively in respect of: the health and safety of our workers; care for the environment; upholding of ethical standards; and respect for the vital interests of our local communities and stakeholders in general. We recognize that these issues go beyond a mere productivity analysis. They are moral and ethical issues. How we address them will define us.

Our Business – the responsible mining of precious metals

All of us at Fortuna are deeply proud of the role we play in producing metals which are essential to society. Silver, gold and by-products lead and zinc are all relevant to the advancement of mankind and are present in everyday life. Silver for instance has important and diverse uses that range from being used in medical equipment to a key component in solar panels.

We take great pride in conducting our business by incorporating best practices and searching for continued improvement to create shared value for our stakeholders. We foster a culture of good corporate citizenship and sustainability where we rely on: i) the alignment of the entire organization with our vision, mission and values; ii) having the right talent in the organization; and iii) our management systems and accountability.

Our Governance

It is my commitment and that of our senior officers to set the tone at the top of our organization, particularly on ethical behaviour. At Fortuna, we, and our subsidiaries, all subscribe to clear guidelines outlined in our Code of Business Conduct and Ethics, as well as sets of policies designed to govern our actions adhering to best practices and compliance with local and international law.

Although I cannot assure the actions of over 3,500 company personnel and contractors conform with policies and guidelines at all times, I can guarantee that we have provided training on policies and guidelines, we have mechanisms in place to identify violations, and violations are not tolerated.

Our Impact

We never lose sight of the fact that mining is an extractive industry. Underground mining presents certain dangers, our host nations are emerging economies where neighbours to our mines suffer from an opportunity gap, due in large part to lagging education, poor health services, and inadequate infrastructure.

The grey water treatment plant at San Jose serves as a new source of employment, hosts community site visits and contributes to improving the surrounding landscape.

Today, society demands more from extractive industries than ever before, and from mining in particular. This presents a challenge but also represents a great opportunity to contribute to much-needed, collaborative community development initiatives while conducting our business in a transparent and ethical manner.

A central aspect of Fortuna's business responsibility involves observing and mitigating the impact that our activities have on the environment through consumption of electricity, use of water, impact on surrounding biodiversity, contribution to air emissions, and generation of effluents and waste from our operations. We share with you in this document our actions in these important areas.

We monitor the distributed economic value from our operations and their overall positive impact on local economies. For example, we are committed to being an equal opportunities employer in the areas of chronic under employment where we operate.

We believe that this reporting exercise is valuable not only in our dedicated efforts to advance our corporate mission and vision, but also in our endeavour to maintain timely and transparent communication with all of our stakeholders. We are committed to the continued annual publication of this report, identifying actions and areas where we can improve, as well as to underpin those where we have been achieving positive results.

Sincerely,



Jorge A. Ganoza
President & CEO



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All amounts expressed in US dollars, unless otherwise stated

Cover photo: Elena Torres. Flotation plant operator at San Jose Mine

About Fortuna Silver Mines

We pride ourselves on the responsible extraction and production of minerals, while leaving a lasting legacy in the communities in which we operate.

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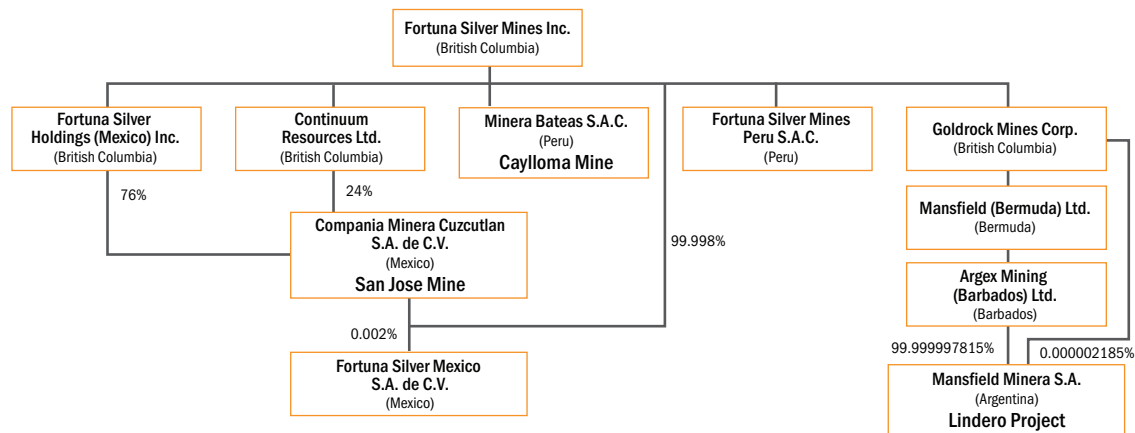
About Fortuna Silver Mines

(102-1, 102-2, 102-3, 102-6)

Fortuna Silver Mines, Inc. has since its incorporation in 2005 been engaged in the exploration, exploitation, extraction and production of precious and base metals in Latin America. Our aim is to become a leading producer of precious metals with a reputation for operational excellence, safety, excellence in sustainable development, organic growth and acquisitions. We have two operating underground mines: the Caylloma Mine in the Arequipa department of Peru and the San Jose Mine in the State of Oaxaca in Mexico. We are currently building our third, an open pit mine, at the Lindero Project in Salta Province, Argentina. In addition, we also have exploration and development projects in Peru, Mexico and Argentina as well as in Serbia.

The Company exists under the laws of the Province of British Columbia, Canada and its shares are listed for trading on the New York Stock Exchange and the Toronto Stock Exchange. Our corporate and administrative offices are located in Vancouver, Canada and Lima, Peru which gives us immediate access to the Americas, Europe and Asia.

Fortuna carries on a significant portion of its business through a number of 100%-owned subsidiaries, held either directly or indirectly, as follows:



From our mines we produce silver, gold, lead and zinc. These are vital elements used in daily life. From cell phones and renewable energy products such as solar panels, to medical equipment, these metals are a fundamental part of multiple activities in society.

The demand for these minerals is constantly increasing in line with the growing world population and improved living standards in many countries. We are proud to be able to contribute to meeting the demand through the responsible extraction and production of minerals, while leaving a positive and lasting legacy in the communities in which we operate.

(417-1, 103-1, 103-2, 103-3)

Our mines produce high-quality mineral concentrates, which are sold through auctions or tenders to international traders to be marketed and exported directly to smelters worldwide. The Caylloma Mine produces lead-silver and zinc concentrates, while the San Jose Mine produces silver-gold concentrates. All of our mineral concentrates are continuously sampled and analysed by our laboratory teams to determine quality and metallic content.

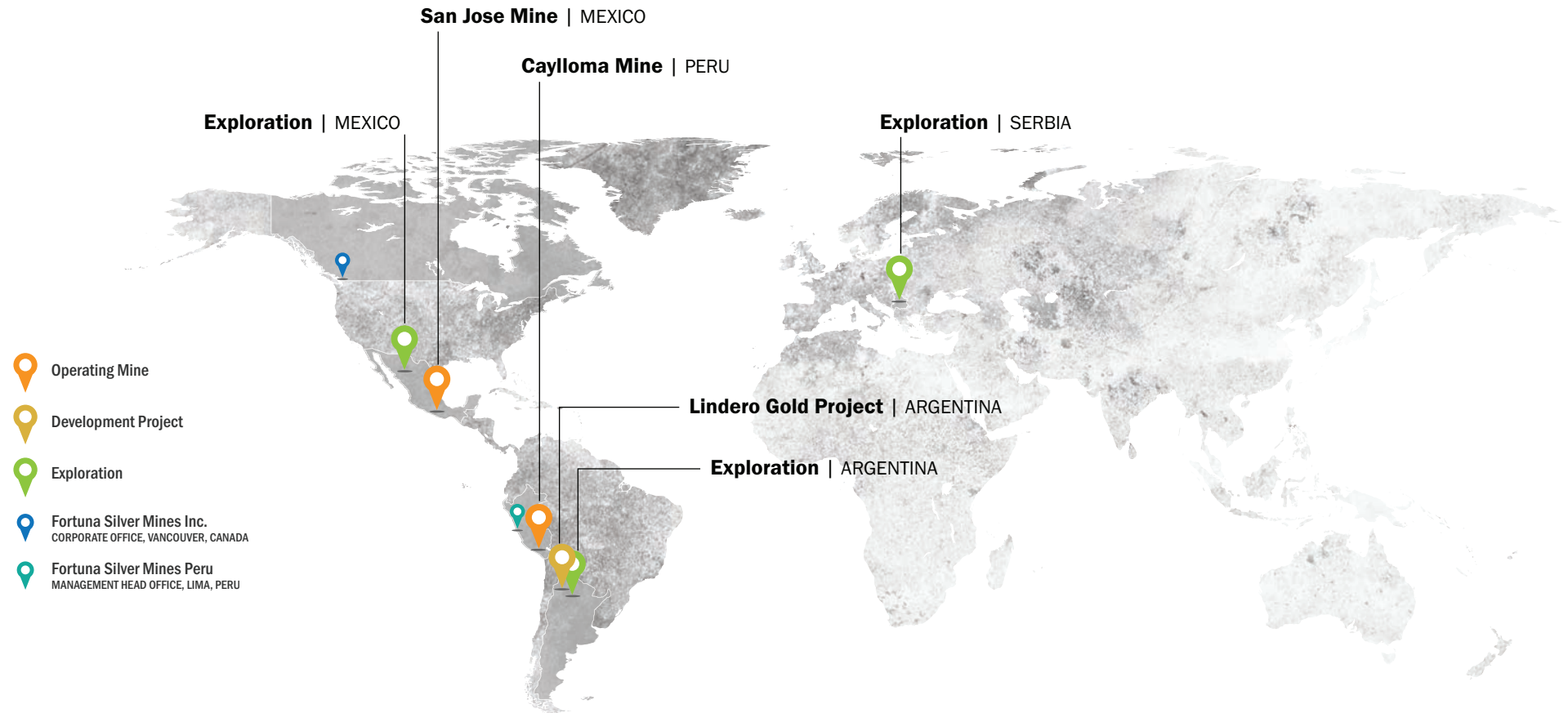
Zinc from the Caylloma Mine is exported to international concentrate markets through the port of Matarani, located in the department of Arequipa, in southern Peru; while lead and silver is exported through the port of Callao, in the Province of Callao, in central Peru. Concentrates produced from the San Jose Mine are exported through the port of Manzanillo, located in the state of Colima, on the central Pacific coast of Mexico.

All concentrates are transported to these ports under clearly established procedures and strict security measures, by means of sealed, encapsulated and/or covered trucks. The content of the cargo is then checked at the port and/or warehouse of the trader who purchased it.

At Fortuna, we exercise care and caution in all phases of our operations in order to protect life, health and the environment and to mitigate our environmental footprint. We are committed to meeting, and where possible, exceeding regulatory requirements in our safety, health and environmental performance. We seek to reduce the impact of our operations, by developing remediation and rehabilitation plans to enhance or protect the lands on which we operate.

Fortuna at a Glance

(102-4)



4

countries with operating mines or projects

\$263 M

consolidated revenues in 2018

8.9

million ounces silver production in 2018

54.2

thousand ounces gold production in 2018

28.25

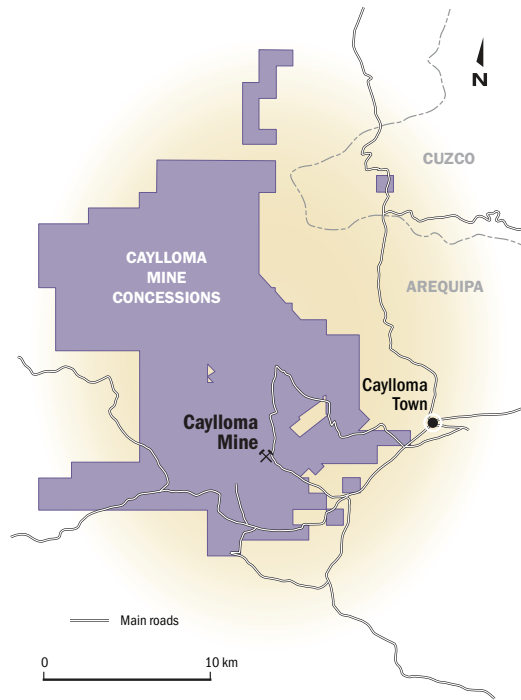
thousand pounds lead production in 2018

45.48

thousand pounds zinc production in 2018

2,165

people employed during 2018



CAYLLOMA MINE | PERU

(102-4)

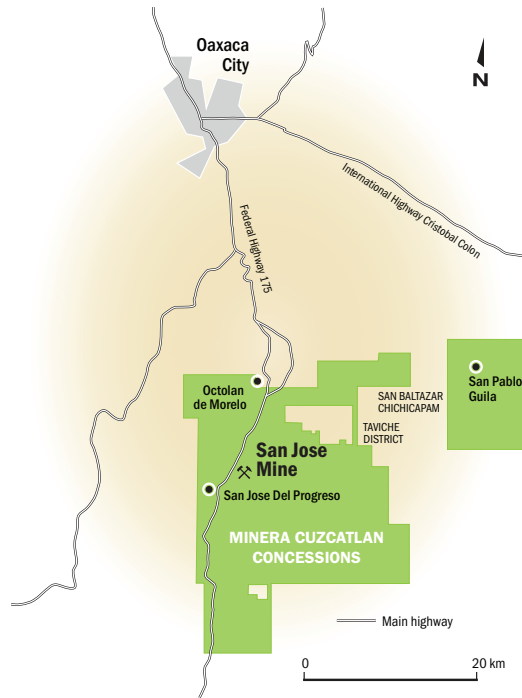
LOCATION	Arequipa, Peru
COMMODITIES	Silver, gold, lead, zinc
OPERATION	1,430 tpd underground operation
MINING METHOD	Overhand cut-and-fill
LIFE OF MINE	5 years
WORK FORCE	392
CLOSEST COMMUNITY	Caylloma Town



Fortuna purchased a 100 % interest in the Caylloma Mine and related mining concessions in 2005. Following significant expansion and modernization of the mill, the mine resumed production in the final quarter of 2006.

The mill is currently operating at a rate of 1,430 tpd with production sourced primarily from the silver-polymetallic Animas Vein.





SAN JOSE MINE | MEXICO

(102-4)

LOCATION	Taviche Mining District Oaxaca, Mexico
COMMODITIES	Silver & gold
OPERATION	3,000 tonnes per day underground
MINING METHOD	Overhand cut-and-fill
LIFE OF MINE	5 years
WORK FORCE	404
CLOSEST COMMUNITIES	San Jose Del Progreso, Octolan De Morelo, San Pablo Guila, Oaxaca City



The San Jose Mine was commissioned in July 2011 and began commercial production in September 2011 at a rate of 1,000 tpd. In September of 2013, the mill was expanded from 1,150 tpd to 1,800 tpd and in April 2014, the mill was further expanded to 2,000 tpd without incurring additional capital investments.

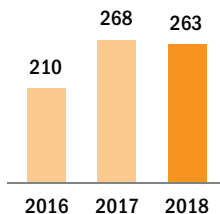
Expansion of the mill from 2,000 tpd to 3,000 tpd was initiated in the first quarter of 2015 and successfully commissioned on time and under budget in July 2016.



(102-7)

In 2018, Fortuna produced 8.9 million ounces of silver and 54.2 thousand ounces of gold and reported consolidated revenues of \$263 million, whereas in 2017 we produced 8.5 million ounces of silver and 56.4 thousand ounces of gold, and reported consolidated revenues of \$268 million. In 2016, our annual production was 7.4 million ounces of silver and 46.6 thousand ounces of gold for consolidated revenues of \$210 million.

CONSOLIDATED REVENUE
\$ MILLIONS

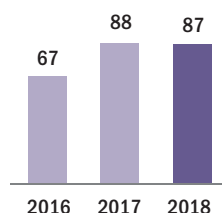


Further financial information on our Company can be found in our audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which are available for review on SEDAR at www.sedar.com under the Company's issuer profile.

At the subsidiary level, the Caylloma Mine recorded sales of \$87 million in 2018, \$88 million in 2017, and \$67 million in 2016. As at the end of 2018, the assets of this unit were \$172 million. In the case of the San Jose Mine, sales amounted to \$176 million in 2018, \$180 million in 2017 and \$143 million in 2016. Its assets, at the end of 2018, were \$287 million.

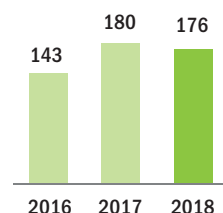
Caylloma Mine

SALES IN \$ MILLIONS



San Jose Mine

SALES IN \$ MILLIONS



In terms of people employed at our mines, at the end of 2018, Fortuna directly and indirectly employed 796 people. This figure is broken down as follows: 392 at the Caylloma Mine in Peru and 404 workers at the San Jose Mine in Mexico.

TOTAL EMPLOYEES AT THE END OF 2018



(102-12, 102-13)

We maintain memberships with industry associations in the countries in which we operate. In Peru we are members of the Peruvian Canadian Chamber of Commerce and the National Society of Mining, Petroleum and Energy. In Mexico, we are affiliated to the Mexican Mining Chamber and the Canadian Chamber of Commerce.



Corporate Philosophy

(102-16)

Fortuna’s business philosophy is based on our vision, mission and values, which we integrate into our day-to-day operations. We have expanded our operations from Peru and Mexico to Argentina, in addition to having exploration activities in Serbia. Our people are our most valuable asset. Therefore, we seek to recruit the best employees, and provide them with regular training.

Vision and mission

Our **vision** is to be valued by our employees, the community and our shareholders as a leading precious metals mining company worldwide, while our **mission** is to create value through the growth of reserves, metal production and efficient operation of our assets, committed to safety and social and environmental responsibility.

Our Values



We value the health and safety of our workers.
We do not tolerate unsafe acts or conditions.



We value the environment.
We subscribe to the highest environmental standards.



We value our neighbours and other stakeholders.
We respect cultural diversity and work as a strategic partner towards the sustainable development of neighbouring communities.



We value the commitment to excellence.
We achieve high standards and best practices.



We value integrity.
We act according to our philosophy.



Economic Performance

(102-45, 201-1, 103-1, 103-2, 103-3)

GENERATING RETURNS FOR STAKEHOLDERS

In each of the local areas in which we operate, we engage in open dialogue to better understand the needs and expectations of those communities. Through this collaborative communication, we aim to participate and support these communities with initiatives and to better understand their challenges and, importantly, to build long term relationships with them.

At all times we are respectful of the local beliefs, culture and language of our local communities.

The following table illustrates the direct economic value generated and distributed by Fortuna over the last three fiscal years ended December 31.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

thousands of dollars	2018	2017	2016
Direct economic value generated and distributed			
Revenues	269,276	274,419	213,918
Peru	91,957	93,094	70,735
Mexico	177,319	181,325	143,183
Distributed economic benefits			
Operating	106,669	107,351	91,235
Peru	38,050	38,903	33,536
Mexico	67,183	65,942	53,224
Canada	1,436	2,506	4,475
Employee wages and benefits	34,956	33,590	22,419
Peru	15,640	13,525	11,389
Mexico	14,856	11,988	7,859
Canada	4,460	8,077	3,171
Payments to government	30,490	36,164	29,014
Peru	8,901	8,711	5,230
Mexico	21,589	27,453	23,783
Community investments	3,025	1,326	1,084
Peru	1,743	334	109
Mexico	1,282	992	975
Payments to providers of capital	996	763	2,027
Peru	27	61	101
Canada	969	703	1,926
Retained economic value	93,139	95,225	68,139

Notes: Operating Costs is comprised of cash operating costs, exploration and evaluation costs, foreign exchange losses, other operating costs, and realized derivative losses. These figures exclude non-cash expenses such as depletion, depreciation and amortization, impairment reversals, write down of assets, deferred income taxes, unrealized gains/losses of financial assets and share-based payments. Revenues include sales of concentrates, interest income and sales of inventory and other assets.

The payments which we have made to governments, provides our stakeholders with an idea of our economic contributions to various levels of government, including at the municipal, local, provincial, regional, state and national levels. These payments are in the form of taxes, royalties and fees that can then be re-invested by such governments in their social and economic programs which benefit the local communities in which we operate. We comply with the Extractive Sector Transparency Measures Act, which requires a company to file a public report of all payments made to governments. Our most recent report was filed in May 2018 for the fiscal year ended December 31, 2017. It is available for review on our website at www.fortunasilver.com.

Corporate Governance

(102-5)

Fortuna aims to maintain the highest standards of corporate governance practices to ensure that its decision making incorporates its vision and values, including its commitment to sustainability. Good corporate governance requires strong leadership to ensure that the vision and values of the Company are integrated into the Company’s day to day operations and plans.

The primary role of our Board of Directors is to provide governance and stewardship to the Company, guided by legislative and other governance standards, stock exchange rules and industry best practices. Each of the members of the Board is required to exercise their business judgment in a manner consistent with their fiduciary duties. In particular, directors are required to act honestly and in good faith, with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board has determined that four of the Company’s seven directors are independent. As the Chairman of the Board is not considered independent, we have appointed a Lead Director, among whose other duties, are to provide an additional conduit for shareholder engagement and chair regularly-scheduled meetings (and any ad-hoc meetings deemed prudent) of independent directors. The independent directors believe that their majority on the Board and its committees, their knowledge of the Company’s business, and their independence has been sufficient to facilitate the functioning of the Board independently of management. The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

The Board has overall responsibility for corporate governance matters through:

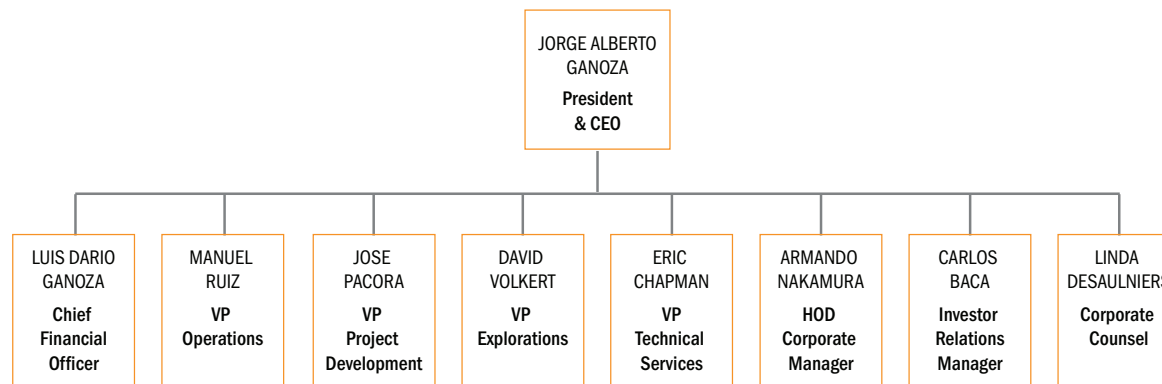
- developing corporate policies, procedures and guidelines;
- overseeing the Company’s system of corporate governance and financial reporting and controls; including the integrity of our internal controls; and
- evaluating the Company’s performance on a regular basis.

The Board delegates the day-to-day management of the Company to senior management of the Company as set out below.

MANAGEMENT STRUCTURE

(102-18)

Fortuna has a corporate management team, which is made up of the following people:



Each of our subsidiaries uses a similar management structure based around the following key areas:



Sustainability is embedded in our vision, values and business strategy. Our Health, Safety, Security, and Environment (HSSE) Corporate Manager, reports directly to the VP of Operations and is responsible for monitoring our social, economic and environmental global performance .

Our HSSE corporate strategy is led by an internal committee whose mandate is to improve the culture and management of health, safety, security and environment within the Company.

This internal HSSE Committee is composed of:

- Chief Safety Officer
- Health, Safety, Security and Environmental Corporate Manager
- Project Managers
- Vice President of Exploration / Exploration Project Representative
- Core Business Managers
- Corporate HOD Manager
- Corporate Innovation and Operational Excellence Manager

Subsequent to the end of 2018, the Company created a Sustainability Committee. This committee was appointed by the Board of Directors to assist it in fulfilling its health, safety security, environmental, sustainable development and social responsibility obligations.

The purposes of the Sustainability Committee are to:

- a. review the health, safety, security, environmental, sustainable development and social responsibility policies of the Company;
- b. monitor the health, safety, security, environmental, sustainable development and social responsibility performance of the Company; and
- c. assess the effectiveness of the Company's health, safety, security, environmental, sustainable development and social responsibility policies and practices.

Ethics and Anti-Corruption Management

CODE OF BUSINESS CONDUCT AND ETHICS AND WHISTLE-BLOWER POLICY

(102-16)

Our Code of Business Conduct and Ethics and Whistle-Blower Policy (“Code of Ethics”) outlines the standards of ethical behaviour we expect from people working on our behalf around the world. This code establishes standards for, including among others, the prevention of conflicts of interest, bribery practices, receiving gifts as an unjustified influence for a business relationship, requires disclosure of business activities, relationship with customers and suppliers, and prohibits abusive conduct or harassment The Code of Ethics applies to all of our directors, officers, employees, contractors and consultants and commits them to conduct their business in accordance with all applicable laws, rules and regulations and to the highest ethical standards.

The Code of Ethics can be reviewed on SEDAR under the Company’s profile.

To ensure that the Code of Ethics is complied with, we require that, all of our people in all of our operations have, upon joining Fortuna, received a copy of the Code of Ethics, which they have signed as an acknowledgement of its contents and commitment to compliance. In addition, employees, contractors and consultants are trained annually on the Code of Ethics. In 2018, more than 1,900 employees and contractors were trained. The Code of Ethics is posted and readily available at all locations across our operational sites and is publicly available on our website in English and Spanish.

Individuals who fail to comply with the Code of Ethics and all applicable laws are subject to disciplinary measures, up to and including discharge from the Company or termination of any business relationship that we have with them.



The Code of Ethics provides a company wide protocol for reporting, either in person or through our virtual platform, without fear of retaliation, any accounting, internal controls, auditing matters, disclosure, fraud, illegal behaviour and unethical business practices. Concerns can be raised on a confidential and on an anonymous basis. Reports are directed to the Chair of the Audit Committee and we investigate and document all concerns. In 2018, no breaches of the Code of Ethics were identified with respect to any financial irregularities.

ANTI-CORRUPTION POLICY

(205-2, 103-1, 103-2, 103-3)

We consider that one of the pillars of the sustainability of our business is the honesty, integrity and responsible performance of our workforce. We take a zero tolerance approach to any form of bribery and corruption. We adhere to all laws in this area. Our commitment to the prevention of bribery and corruption is detailed in our Anti-Corruption Policy, which includes the appointment of a Compliance Officer to administer the terms of the Policy and to emphasize the importance of the Policy throughout our organization.

All the members of management of our operating entities subscribe to the Anti-Corruption Policy. All the workers directly and indirectly employed by our company, have been informed about the Anti-Corruption Policy. Members of management and supervisors of all of our operating entities receive annual training in respect of the Anti-Corruption Policy.

Corruption related risks are evaluated at the management level as part of the Company wide risk assessment process, supplemented by our internal financial controls, which are in place to monitor aspects of operations that could be affected by bribery or corruption. Both risk management and internal controls are reviewed and evaluated annually by the Board of Directors. In 2018, there were no reported incidents of bribery or corruption.

In accordance with recent legislation enacted in Peru which criminalized the financing of terrorism, our subsidiary in Peru will, in 2019, be adding to its internal controls by implementing a criminal compliance management system.

(205-3)

We are pleased to report that we have no cases or history of corruption in any of our operations.

COMPLAINT MECHANISMS

(102-17)

As set forth in our Code of Ethics, Fortuna has mechanisms in place for the confidential and/or anonymous reporting of facts that may constitute a breach of our Anti-Corruption Policy. Reports may be filed in person, in writing, or through our virtual platform.

Regulatory Compliance

(419-1, 103-1, 103-2, 103-3)

Across our mining and administrative operations, Fortuna is committed to the safety of its workers, as well as to social and environmental responsibility and integrity, as established in its corporate values. In this connection, we try to maintain our business behaviour at the highest level, complying with the law and regulations in force in the locations where we have a presence.

In our mining operations, our subsidiaries, comply with labour, tax, environmental among other regulations in force in the countries where they are located.

At the corporate level, the Company maintains a system of Internal Control over Financial Reporting and Disclosure Controls and Procedures (COSO ERM-ISO 31000). These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with appropriate 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 Ethics 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 entirely of independent directors, meets with management as well as the external auditors to ensure that we are properly fulfilling our financial reporting responsibilities to the Board of Directors who approve our consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of our internal controls, and to review financial reporting issues.

Management assesses the effectiveness of the Company's internal control over financial reporting using the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission. Management conducted an evaluation of the effectiveness of internal controls over financial reporting and concluded that it was effective as at December 31, 2018.



Our People

Our people are the most important asset. We consider our employees and contractors as partners in sustainability as they play a significant part in creating value for the communities in which we operate.

IN THIS SECTION

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- 26 Diversity
- 26 We Promote Respect for Human Rights



Our people are our most important asset.

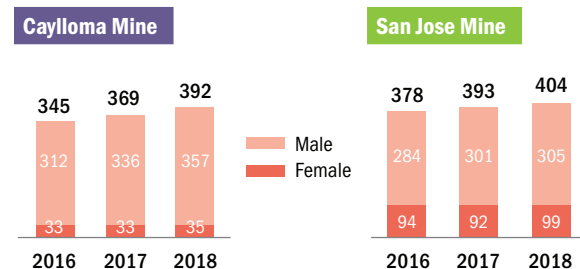
(102-7, 102-8)

Our people are our most important asset. We consider our employees and contractors as partners in sustainability as they play a significant part in creating value for the communities in which we operate.

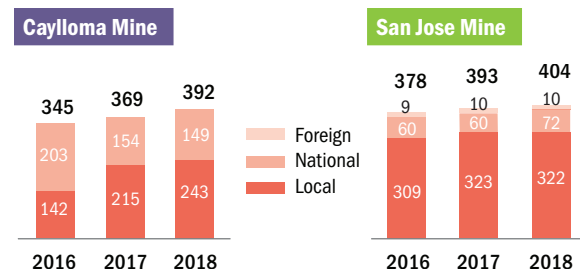
Achievement of our strategic objectives is contingent upon our ability to successfully recruit, retain, motivate and train high-quality people. Effective and responsible human resources management practices have been designed to attract and retain people who share our commitment to principles of sustainable development and securing favourable returns for our stakeholders.

We promote diversity through our hiring practices, and prohibit internal policies that result in disparity in compensation solely on the base of gender.

EMPLOYEES BY GENDER



EMPLOYEES BY LOCATION



This section of the report provides information on our employees at the Caylloma and San Jose Mines. It does not include contractors and employees at our corporate offices or at the Lindero project in Argentina.

In 2018, the Caylloma Mine directly employed 392 people, while the San Jose Mine employed 404 people. At Caylloma and San Jose the figures reflect full-time employees.

In line with our commitment to generate local employment in the areas in which we operate, in 2018, 62 % of the employees at the Caylloma Mine came from the department of Arequipa, while 80 % of the workers at the San Jose Mine came from the state of Oaxaca.

We have a personnel management system in place which securely manages all of our employee records.

The adjacent graph and the tables below identifies the number of employees by gender who work on a full-time basis or on an intern basis at each of our operations:

EMPLOYEES BY TYPE OF CONTRACT AND GENDER

Caylloma Mine	2016			2017			2018		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Full-Time	24	312	336	26	329	355	26	340	366
Internship	9	0	9	7	7	14	9	17	26

San Jose Mine	2016			2017			2018		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Full-Time	94	284	378	92	301	393	99	305	404
Internship	1	7	8	3	3	6	3	1	4

Contractors perform a significant amount of the work at our operations. In 2018, at the Caylloma Mine, contractors employed 770 people, and at the San Jose Mine, contractors employed 625 people.

The total number of people working in our operations, including employees and contractors in 2018, was 1,136 people and 1,029 people at the Caylloma and San Jose Mines, respectively.

(102-41, 407-1, 103-1, 103-2, 103-3)

We respect our employees' right to collective association, in 2018, 40 % of the workers at the Caylloma Mine were unionized; while at the San Jose Mine, 61 % of the workers have adhered to collective bargaining agreements.

The Company's ability to achieve its future goals and objectives is dependent, in part, on maintaining good relations with its employees and minimizing employee turnover. During 2018, neither of Fortuna's operating entities were subject to any strikes or work stoppages by employees represented by unions.

Recruitment and Selection of Personnel

(401-1, 103-1, 103-2, 103-3)

We currently have mines in two countries and, wherever possible, we hire our employees and management from the local areas and countries in which we operate as a means to contributing to the development of the local economy. Hiring managers and executives who speak the local language and understand the local culture translates our corporate values into site practices.

Our neighbouring communities are included in our selection processes for vacancies during the year. Our community relations managers collect the resumes of applicants, and contractors, who also offer job opportunities.

In our two operating subsidiaries, the management of the recruitment and selection process is standardized and clearly outlined to meet specific needs for skilled labour. The hiring of skilled employees enables us to grow as a company, providing opportunities for the professional growth of our people, as well as possibilities of progress for our people in the local areas in which we operate.

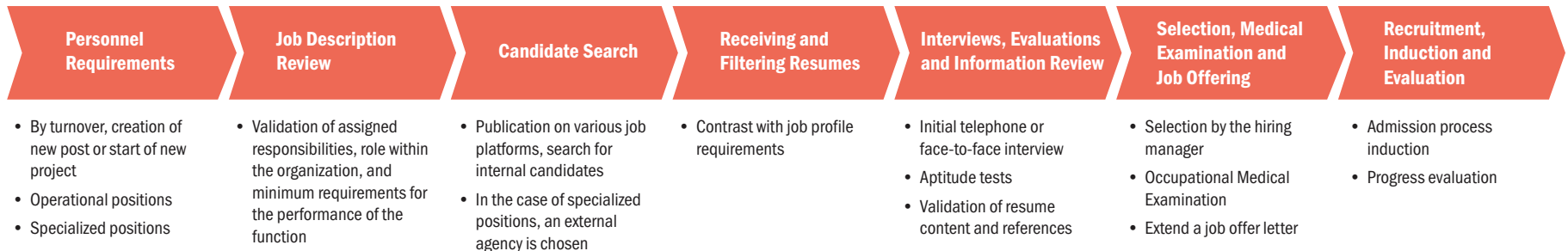
Diversity defines the characteristics that make people unique, including race, colour, religion, sexual orientation, national origin, marital status, disability, age, educational background or expertise. Fortuna’s hiring policy is inclusive to all people. We are actively working towards building a more inclusive work environment by enhancing awareness of diversity issues throughout the Company.

The selection process always prioritizes local employment taking into consideration the required technical and managerial skills for the position.

At the corporate level, our Human & Organizational Development department is responsible for providing specialized support to our subsidiaries to ensure best practices and procedures are followed in hiring senior employees or those in specialized positions.

In general, the personnel recruitment and selection process follows the diagram below:

PERSONNEL RECRUITMENT AND SELECTION PROCESS



San Jose Mine staff



EMPLOYEES HIRED DURING THE LAST THREE YEARS

The following tables show the number of employees hired at our operations in Peru and Mexico, by age, gender and region during the last three years:

(401-1)

Peru – Caylloma

BY AGE

		Under 30 years	Between 30 and 50 years	Older than 50 years	Total
2018	New hires	30	41	6	77
	% of new hires	38.96 %	53.25 %	7.79 %	100 %
2017	New hires	73	14	1	88
	% of new hires	82.95 %	15.91 %	1.14 %	100 %
2016	New hires	43	14	1	58
	% of new hires	74.14 %	24.14 %	1.72 %	100 %

BY GENDER

		Females	Males	Total
2018	New hires	17	56	77
	% of new hires	23.29 %	76.71 %	100 %
2017	New hires	19	69	88
	% of new hires	21.6 %	78.4 %	100 %
2016	New hires	16	42	58
	% of new hires	27.59 %	72.41 %	100 %

BY REGION

		Locals ¹	Peru	International	Total
2018	New Hires	20	53	0	73
	% of new hires	27.4 %	72.6 %	0.0 %	100 %
2017	New hires	43	45	0	88
	% of new hires	48.86 %	51.14 %	0.0 %	100 %
2016	New hires	37	21	0	58
	% of new hires	63.8 %	36.2 %	0.0 %	100 %

1. Local means those people who live in the Arequipa department

Mexico – San Jose

BY AGE

		Under 30 years	Between 30 and 50 years	Older than 50 years	Total
2018	New hires	13	26	1	40
	% of new hires	32.5 %	65.0 %	2.5 %	100 %
2017	New hires	16	16	1	33
	% of new hires	48.48 %	48.48 %	3.04 %	100 %
2016	New hires	45	60	1	106
	% of new hires	42.46 %	56.6 %	0.94 %	100 %

BY GENDER

		Females	Males	Total
2018	New hires	5	35	40
	% of new hires	12.5 %	87.5 %	100 %
2017	New hires	5	28	33
	% of new hires	15.15 %	84.85 %	100 %
2016	New hires	11	95	106
	% of new hires	10.38 %	89.62 %	100 %

BY REGION

		Locals ¹	Mexico	International	Total
2018	New hires	23	13	4	40
	% of new hires	57.5 %	32.5 %	10.0 %	9.9 %
2017	New hires	20	11	2	33
	% of new hires	60.61 %	33.33 %	6.06 %	100 %
2016	New hires	87	18	1	106
	% of new hires	82.08 %	16.98 %	0.94 %	100 %

1. Local means those people who live in the city of Oaxaca.

EMPLOYEE TURNOVER

The following tables show the employee turnover at our operations in Peru and Mexico, by age, gender and region during the last three years:

Peru – Caylloma

BY AGE

		Under 30 years	Between 30 and 50 years	Older than 50 years	Total
2018	Employees who resigned or were dismissed	11	8	0	19
	% of total	57.90 %	42.1 %	0 %	100 %
2017	Employees who resigned or were dismissed	48	14	2	64
	% of total	75.0 %	21.88 %	3.12 %	100 %
2016	Employees who resigned or were dismissed	31	13	2	46
	% of total	67.39 %	28.26 %	4.35 %	100 %

BY GENDER

		Female	Male	Total
2018	Employees who resigned or were dismissed	4	15	19
	% of total	21.05 %	78.94 %	100 %
2017	Employees who resigned or were dismissed	17	47	64
	% of total	26.56 %	73.44 %	100 %
2016	Employees who resigned or were dismissed	11	35	46
	% of total	23.91 %	76.09 %	100 %

BY REGION

		Locals ¹	Peru	International	Total
2018	Employees who resigned or were dismissed	33	34	0	67
	% of total	49.25 %	50.75 %	0.0 %	100 %
2017	Employees who resigned or were dismissed	35	29	0	64
	% of total	54.69 %	45.31 %	0.0 %	100 %
2016	Employees who resigned or were dismissed	24	22	0	46
	% of total	52.17 %	47.83 %	0.0 %	100 %

1. Local means those people who live in the Arequipa department

Mexico – San Jose

BY AGE

		Under 30 years	Between 30 and 50 years	Older than 50 years	Total
2018	Employees who resigned or were dismissed	9	16	2	27
	% of total	33.33 %	59.26 %	7.41 %	100 %
2017	Employees who resigned or were dismissed	7	17	4	28
	% of total	25.0 %	60.71 %	14.29 %	100 %
2016	Employees who resigned or were dismissed	29	60	1	90
	% of total	32.22 %	66.67 %	1.11 %	100 %

BY GENDER

		Female	Male	Total
2018	Employees who resigned or were dismissed	1	26	27
	% of total	3.70 %	96.30 %	100 %
2017	Employees who resigned or were dismissed	6	22	28
	% of total	21.43 %	78.57 %	100 %
2016	Employees who resigned or were dismissed	26	64	90
	% of total	28.89 %	71.11 %	100 %

BY REGION

		Locals ¹	Mexico	International	Total
2018	Employees who resigned or were dismissed	9	10	0	19
	% of total	47.37 %	52.63 %	0 %	100 %
2017	Employees who resigned or were dismissed	12	15	1	28
	% of total	42.86 %	53.57 %	3.57 %	100 %
2016	Employees who resigned or were dismissed	69	17	4	90
	% of total	76.67 %	18.89 %	4.44 %	100 %

1. Local means those people who live in the city of Oaxaca.

LOCAL HIRING OF SENIOR EXECUTIVES

(202-2, 103-1, 103-2, 103-3)

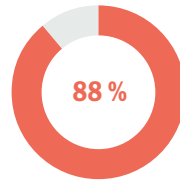
We hire our employees and management from the local areas and countries in which we operate as a means to contributing to the deployment of the local economy. Hiring managers and executives who speak the local language and understand the local culture translates corporate values into site practices.

In the case of senior executives we consider those that come from the country in which we operate to be local.

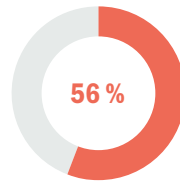
Senior executives are those members of staff who have a leadership hierarchical position and who are in charge of the managerial aspects of an area in the subsidiaries.

At the Caylloma Mine seven out of eight (88 %) of the senior executives are from Peru. At the San Jose Mine, four out of seven (56 %) of the senior executives are from Mexico.

As a company, we understand that our hiring practices can contribute to the development of our neighbouring communities, empowering them in their search for economic autonomy and promoting their training in professional skills. Along these lines, we are confident that the professionals coming from Arequipa and Oaxaca will be able to meet the requirements for senior level positions in their appropriate operations.



Percentage of Caylloma Mine senior executives from Peru



Percentage of San Jose Mine senior executives from Mexico

IMPACT OF OPERATIONAL CHANGES ON EMPLOYMENT

(402-1, 103-1, 103-2, 103-3)

In the Caylloma and San Jose Mines, any operational changes that may have a significant impact on employee relations are communicated as a matter of priority, in order to maintain a good working environment and comply with any applicable regulatory requirements. This practice is not formally embodied in any internal policy; however, the management of all of our operating entities implement such communication as a standard operating practice.

All collective bargaining agreements are reviewed on an annual basis.

Caylloma Mine senior geologists



Occupational Health and Safety

(403-1, 103-1, 103-2, 103-3)

In order to achieve our production goals and other corporate objectives, we must ensure that we have an efficient and healthy workforce that is motivated to continue to perform at a high level. We are committed to providing and maintaining a safe and healthy working environment at all of our operations and development projects.

We design our practices at each location to ensure consistency with the principles set out in our Occupational Safety, Health and Environmental Corporate Policy. We do not tolerate unsafe acts and conditions. Our primary goal is to achieve zero accidents in our places of work, through good practices, training, and risk mitigation through compliance with applicable legal standards.

Our environmental, health and safety pledge is to:

- Identify safety and environmental hazards, to evaluate and control risks and the impacts of our mining operations and exploration projects.
- Maintain an optimum level of preparedness in the event of an emergency.
- Comply with all regulations, standards and other requirements applicable to our processes.
- Encourage and promote a culture of safety and employee well-being among the workforce.
- Instruct and train workers to improve our culture of safety.
- Continuously improve our management processes to prevent injuries, occupational illnesses and environmental impacts.
- Maintain responsible and timely communication with all of our workers and stakeholders.

Creating a Sustainable Business Through an HSSE Culture

All workers in both operations are trained in HSSE fundamentals before starting work in their assigned area. The training process starts with a general induction. Training includes; reporting of incidents, emergency protocols, hazard identification and risk assessments, occupational health controls, and use of personal protective equipment. Once the new worker is assigned to a job position, specific training on the hazards of the position and related safety and operations procedures takes place.

At both operations all specialized HSSE training is provided by an external certified trainer.

Since 2018, our Occupational Health and Safety information is managed at both mining operations using BluFire software, which monitors incidents information, inspection and audit findings, and manages preventive and corrective actions.



Peru – Caylloma

The Caylloma Mine is regulated and audited on a regular basis by the supra sectorial office SUNAFIL and the sub sectorial agency OSINERGMIN in accordance to the 29783 law and the DS-023-2018-DM Supreme Decree.

The management team at the Caylloma Mine has implemented a system certified by OHSAS 18001:2007 and ISO 14001:2015, which includes an HSSE manual explaining its implementation, procedures for hazard identification, risk assessment and control, identification and assessment of environmental aspects, operational controls, performance measurement and audits, as well as occupational safety, health and environmental operational standards, and regulations. This allows senior management to manage and monitor operational risks while continuously improving the system.

Mexico – San Jose

At the San Jose Mine, the operations are subject to the guidelines established by Mexican legislation and ISO 45001. We currently comply with certain elements of ISO 45001 and we plan full certification by 2020.

At the San Jose Mine, our HSSE controls are regulated and audited under the Mandatory Mexican Standard issued by the Ministry of Labour and Social Security (“STPS”) in accordance with ILO Convention 176 - Safety and Health in Mines Convention. The operation at the San Jose Mine participates in the Self-Management Program for Occupational Safety and Health (“PASST”) regulated by the STPS.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEES

(403-1)

Each of our operating mines has its own occupational health and safety committee.

Peru – Caylloma

The Caylloma Mine has an Occupational Health and Safety Committee, which aims to promote health, safety and hygiene for the benefit of all its workers. It fulfils the role as mandated in Peruvian regulations on occupational health and safety, favouring labour well-being.

The Committee was set up in January 2018. It is made up of five representatives of management and five representatives of the workers who belong to different areas of the operation, but whose work is performed inside the mine and is characterized as high risk. It is chaired by the Operations Manager, and meets regularly on a monthly basis and under extraordinary circumstances where necessary, in order to analyse serious accidents or other circumstances.

Mexico – San Jose

In the case of the San Jose Mine, it has an Occupational Safety and Health committee made up of twelve workers from different areas of the operation and thirteen employees from the contractor companies. This structure has been in effect since 2018 and was established by the Occupational Health, Safety, and Environment department.

SAFETY PERFORMANCE

(403-2)

In 2018, Fortuna implemented significant changes in its accident preventive strategy, aligned with its organic growth plans, which included:

- The appointment of our VP Operations as the Chief Safety Officer (CSO).
- The integration of the management of health, safety, security and environmental issues at a corporate level.
- Incorporating representatives from key functional areas into our Corporate HSSE Committee.
- Hiring a Health, Safety, Security and Environmental Corporate Manager.
- Completing an external audit plan across our operations and projects.
- Restructuring Health, Safety, Security and Environmental standards aligned with our health and safety pledge.

As a result of these efforts, in 2018 we recorded the lowest number of accidents and lost days of work resulting from accidents, in our operating history.

Caylloma Mine emergency response team



(403-2)

STATISTICS RELATING TO INJURY, OCCUPATIONAL DISEASES, WORK RELATED FATALITIES, LOST DAYS AND ABSENTEEISM - EMPLOYEES AND CONTRACTORS

Peru - Caylloma

BY GENDER

Year	Gender	LTIR	SR	ODIR	FI
2018	Male	1.44	91.64	0	0
	Female	0	0	0	0
2017	Male	2.93	432.38	0	2
	Female	0	0	0	0
2016	Male	8.26	554.43	0	0
	Female	0	0	0	0

Mexico - San Jose

BY GENDER

Year	Gender	LTIR	SR	ODIR	FI
2018	Male	1.50	113.88	0	0
	Female	0	0	0	0
2017	Male	2.48	137.54	0	0
	Female	0	0	0	0
2016	Male	3.25	172.16	0	0
	Female	0	0	0	0

- Lost Time Incident rate (**LTIR**) = Number of LTI x 1,000,000 / Man Hours
- Severity Rate (**SR**) = Number of Day lost by LTI x 1,000,000 / Man Hours
- Occupational Diseases Incidence Rate (**ODIR**) = Number of ODI x 1,000,000 / Man Hours
- Fatality Incident count (**FI**) = Number fatal incidents

OCCUPATIONAL HEALTH

In all aspects of health and safety in the workplace we place a strong focus on primary prevention of hazards. All risk factors at the workplace leading to any type of health disorders and communicable diseases are identified, properly controlled, and annually verified through occupational medical exams to each worker.

Peru - Caylloma

The Caylloma Mine did not report any occupational diseases in 2018. However, our operations are by their nature and environment susceptible to such risks. For this reason, engineering and administrative controls have been implemented, as well as the mandatory use of personal protection equipment, to mitigate such risks.

Caylloma medical facilities



All accidents are investigated through a root cause analysis methodology. As a result, preventive and corrective actions are taken to prevent any similar accidents from happening in the future.

Mexico - San Jose

In the San Jose Mine, we focus on the implementation of technologies, processes and quality controls to reduce operational risks, by eliminating and mitigating operational hazards. This process is carried out using our risk assessment methodology as a preventive tool and our investigation methodology as a corrective tool. In both cases, all preventive and corrective actions are inspected when implemented to verify its effectiveness. As a result the San Jose Mine did not report any occupational diseases in 2018.

San Jose health check



Learning, Transition and Training

At Fortuna, we consider it important to maintain and promote the development of our employees, strengthening their technical and personal skills. To this end, we annually evaluate their performance, and at the management level their competencies are assessed through a 360-degree evaluation. With the results of both processes, we establish individual development plans and training for areas of improvement.

On the job training at Caylloma Mine



(404-1, 404-2, 103-1, 103-2, 103-3)

Over the past year, we have reached milestones in training activities for workers in our operations, which include the following:

- In 2017, Caylloma Mine won the national contest Fondo Empleo, a program promoted by the government that allows access to the labour force without technical training to specialized mining courses at prestigious institutions, including mining, geology, mineral processing, maintenance. The program started in 2018 directly benefiting 180 workers.
- At the San Jose Mine, the number of hours of training completed in 2018 totalled 15,667 hours, exceeding the 9,312 hours recorded in 2017 and 7,514 hours recorded in 2016. Also noteworthy is the significant increase in the average number of hours of training completed by female workers in the operation, which increased from an average of 31.85 hours in 2017 to an average of 56.06 hours in 2018. In addition, the average number of hours of training completed by workers increased from an average of 12.67 hours in 2017 to an average of 46 hours in 2018.

15,667

completed training hours at San Jose Mine in 2018

56.06

average number of training hours completed by each female worker at San Jose Mine in 2018



AVERAGE HOURS OF TRAINING PER YEAR

Mexico – San Jose

BY GENDER

	Gender	2016	2017	2018
Total Hours of Training	Male	5,616	6,382	10,061
	Female	1,898	2,930	5,606
	Total	7,514	9,312	15,667
Average Hours	Male	19.77	21.20	33.10
	Female	20.19	31.85	56.06

BY JOB CATEGORY

	Labour Category	2016	2017	2018
Total Hours of Training	Employee	5,113	5,851	11,407
	Worker	1,939	3,091	4,345
	Total	7,052	8,942	15,752
Average Hours	Employee	36.26	39.27	27.68
	Worker	8.18	12.67	46.00

(404-3)

In 2018, performance evaluations were conducted at both mines. Approximately 90 % of the employees at the Caylloma Mine were evaluated and 100 % of employees at the San Jose Mine. Managers are evaluated through a 360-degree appraisal process which gathered feedback from an employee’s subordinates, colleagues, and supervisor(s), as well as a self-evaluation by the employee themselves. Other positions went through a review process with their supervisor.

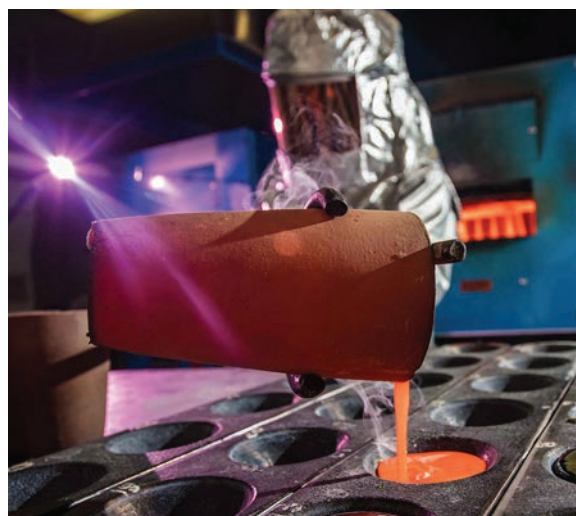
The results of the performance evaluations make it possible to define training plans for the areas, recognize the progress made, and establish future paths of action in order to consolidate and improve the skills of our employees in our operation.

Within the framework of improving employees’ skills, as well as supporting their professional transition, our mines have in recent years carried out the following training activities:

LEADERSHIP SKILLS DEVELOPMENT COURSES

At the Caylloma Mine, we implemented the “Safe Leader” program, aimed at training management, supervisors, and superintendents with a view to strengthening their leadership skills as well as promoting optimal physical, working and emotional conditions for the effective and safe development of our operations. Thirty employees have completed this program.

At the San Jose Mine, 10 department heads and superintendents have completed coaching sessions and soft skills E-Learning training as part of their individual development plan. Field Supervisor leadership training was completed by 73 workers.





“CANTERA” PROGRAM

We have implemented an international trainee program which is targeted at young professionals with high potential, performance and values. This program complements our global vision for the Company and is aimed at developing and training management from within in order to drive the growth of our organization.

In its first year, the “Cantera” program received applications from more than 1,400 people from nine countries and 102 different educational institutions. Among these candidates, five trainees were hired. These trainees will rotate in different areas of our operations including, geology, mine, planning and plant areas. The program has a 24 month term and contemplates an international assignment of at least six months, as well as a mentoring program conducted by Fortuna executives.



Our CEO with the Cantera trainees and the HOD team

Transition

(404-2)

Fortuna does not generally provide transition assistance programs to support employees who are retiring or who have been terminated; however, it has done so in limited situations in the past and may do so on a case by case basis in the future. For employees who are retiring or whose employment is being terminated, all such terminations are handled in accordance with applicable laws and any termination payments are paid in accordance with such laws and company policies, if applicable.

For employees who are being relocated to another operation within our organization, we provide appropriate relocation support.

Diversity

(405-2, 103-1, 103-2, 103-3)

Diversity defines the characteristics that make people unique, including race, colour, religion, national origin, marital status, sexual orientation, disability, age, educational background or expertise. We promote equal opportunities in the workplace. Our hiring policy is inclusive to all people. Through our Code of Ethics, we are actively working towards building a more inclusive working environment by enhancing awareness of diversity issues throughout the Company. We prohibit internal policies that result in disparity in compensation solely on the basis of gender.

We can report that in 2018, no cases have been identified of wage differentiation based on the worker's gender at either the Caylloma Mine or the San Jose Mine.

We Promote Respect for Human Rights

(409-1, 410-1, 412-2, 103-1, 103-2, 103-3)

We abide by human rights laws established internationally and in the countries in which we operate.

Through our risk assessment processes, we have not identified any operations to be at risk for child labour, forced labour or Indigenous rights violations.

All of our employees and contractors have been trained on respect for diversity as provided for in our Code of Ethics and in line with article 2 of the Universal Declaration of Human Rights.

Universal Declaration of Human Rights, Article 2:

“Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.”



Our Suppliers

The supply chain is a fundamental part of our operations.

IN THIS SECTION

- 28 Our Supply Chain – Suppliers
- 28 Local Suppliers



Our Supply Chain – Suppliers

(102-9, 102-10)

Our mining operations at the Caylloma and San Jose Mines require a reliable supply chain and transport logistics for both the supply of materials which we need for our operations and for the transportation and distribution of our products. Our suppliers are primarily locally based companies or local subsidiaries of international companies.

Our mines extract and process ore to produce mineral concentrates. We sell our concentrates through auctions or tenders to international traders to be marketed and exported directly to smelters worldwide.

As a mineral extraction company, our supply chain includes:

- the acquisition of products such as chemical reagents, explosives, cement, fuel, steel supplies for drilling and plant process, personal safety equipment; and
- service providers such as those who provide services related to electricity, maintenance and calibration, haulage and transport, engineering and construction.

During 2018, we upgraded our management of the supply chain at the Caylloma and San Jose Mines by implementing improvements to our processes which includes:

- a supplier approval process, with the objective of having a list of potential suppliers capable of providing products and services of the quality needed to meet our requirements; and
- ensuring that all contracts that we enter into with suppliers include terms to ensure compliance with our internal occupational safety and health regulations, our internal transit regulations, our safety and environmental specifications, as well as comply with our Anti-Corruption Policy.

In this way we ensure that our suppliers and supply chain partners are working towards common goals.

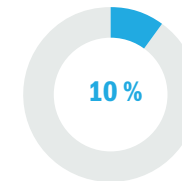


Local Suppliers

(203-2, 204-1, 103-1, 103-2, 103-3)

Peru – Caylloma

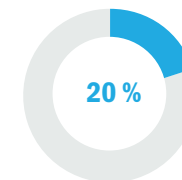
At the Caylloma Mine, 10 % of our procurement budget is allocated to purchases from local suppliers within the district of Caylloma, in the department of Arequipa. These suppliers are first identified by our Community Relations department, and then evaluated by our Logistics and Security department. All suppliers who are approved under our internal procedures are recorded on a register, which is kept up to date.



Local suppliers account for 10 % of the procurement budget

Mexico – San Jose

The San Jose Mine also supports the local economy by hiring local suppliers, subject to compliance with its purchasing policy and procurement procedure in force in at that operation. Between 2016 and 2018, approximately 20 % of the total number of suppliers of the San Jose Mine are from the state of Oaxaca.



Local suppliers account for 20 % of the procurement budget



Energy and Environment

Our goal is to minimize the impact of our activities on the environment, preserving it for future generations, and ensuring that when we close our operations we return the land disturbed by our activities to as close to its natural state as possible.

IN THIS SECTION

- 30 Precautionary Approach
- 30 Energy
- 32 Water
- 34 Biodiversity
- 36 Emissions
- 37 Effluents and Waste
- 40 Environmental Compliance



Energy and Environment

We believe that it is possible to design, construct, operate and close mining facilities based on the efficient and economic use of energy and materials and the protection of the environment that comply with all applicable laws and international guidelines. Our goal is to minimize the impact of our activities on the environment, preserving it for future generations, and ensuring that when we close our operations we return the land disturbed by our activities to as close to its natural state as possible.

Precautionary Approach

(102-11)

The Caylloma Mine has a Safety and Environmental Contingency Plan, which specifies the actions to be taken to prevent and respond to emergencies in these areas. This plan is updated and improved annually.

The San Jose Mine also has a Contingency Plan in place, which in addition to identifying risks through an Environmental Aspects and Impacts matrix, contains operational controls for mitigation and prevention.

In both subsidiaries, environmental, safety and operational emergency drills are performed quarterly.

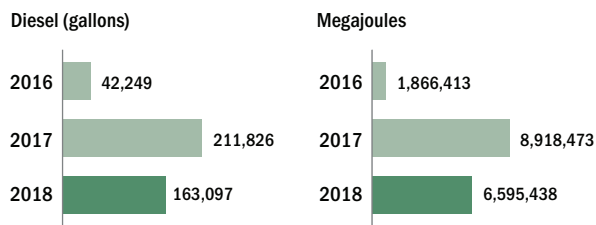
Energy

(302-1, 103-1, 103-2, 103-3)

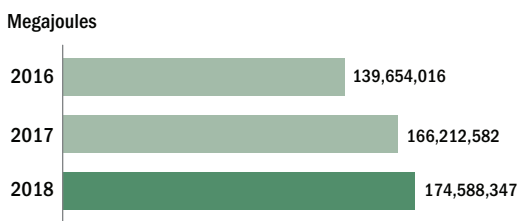
Peru – Caylloma

Currently, the capacity to draw power from the national grid is capped at 6.7 kVA due to limitations on our substation transformer bay. At times of peak consumption, this capacity is exceeded which forces us to cover the differential through the use of fuel-driven power generators. We identify this as an area of opportunity for improvement.

SELF GENERATED POWER (NON-RENEWABLE SOURCE)



CONSUMPTION FROM NATIONAL POWER GRID (INCLUDING RENEWABLE SOURCES*)



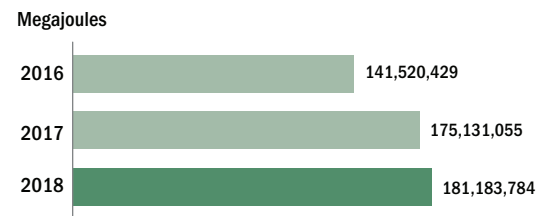
Source: National Electric Power Grid ("SEIN")

* The Company draws power from the national grid under a 10 year agreement with a private provider. 26 % of the power drawn from the national power grid is reported by the power provider to be from renewable sources.



Caylloma Mine facilities

POWER CONSUMPTION – TOTAL



Mexico – San Jose

CONSUMPTION FROM NATIONAL POWER GRID
(RENEWABLE SOURCES**)



** The Company draws power from the national grid under a 10 year contract with the Federal Electricity Board of Mexico. 100 % of the power drawn from the national power grid is reported by the provider to be from renewable sources.

ENERGY REDUCTION AND EFFICIENCY

(302-4)

Peru – Caylloma

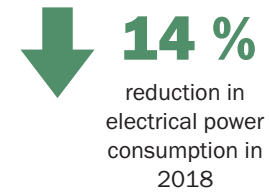
We are taking steps to reduce our energy consumption and to use energy more efficiently. For example, in 2018 we built and installed new underground ventilation infrastructure which was designed to reduce the number of fans used in the mine. In addition, we improved the design of the water pumping station in the mine and renovated the equipment used in the pumping station which has reduced our energy consumption.

The efficiency improvements described above have made it possible to reduce the consumption of power from non-renewable sources. The average monthly consumption of power from diesel generators decreased from 743,206 MJ in 2017 to 549,620 MJ in 2018, representing an annual reduction of 2,323,035 MJ.

Mexico – San Jose

We are also taking steps to reduce our energy consumption and to use energy more efficiently at the San Jose Mine. In 2017, we installed a capacitor bank designed to improve the power factor of the electrical system from 0.85 to 0.94. (1.00 the theoretical ideal for maximizing the efficiency). As a result of this investment, the consumption of electrical power was reduced by 14 % while maintaining the same level of mining activities in 2018.

Savings in electricity became apparent a month after the installation of this equipment both in consumption and economic terms. In addition, we have created a map of the mine based on energy consumption, which we are using to identify areas for improving the consumption and efficiency of electricity.



Caylloma Mine



San Jose Mine



Water

(303-1, 303-2, 303-3, 103-1, 103-2, 103-3)

Responsible use of water is one of the highest environmental and social values. Water is necessary for our mining processes. We understand that the use of water is a sensitive matter in our industry. Accordingly, we dedicate efforts to: using water efficiently; to not competing with our neighbours for water; and to respecting the natural sources and the surrounding environment.

Peru – Caylloma

In 2018, our operations at the Caylloma Mine consumed 1,105,643 m³ of fresh water for mining, processing and domestic camp use. In 2016 and 2017, such consumption was 1,181,210 m³ and 1,165,111 m³, respectively.

Water consumption and measurements are regulated under the authorization granted by the National Water Authority that allows the Company to use water from the Santiago River, the only source of water for our operation. This authorization allows us to use up to 60 l/s and an approved annual volume of 1.89 Hm³ (1,893,416 m³).

The Company also stores rain water in a pond for use in the irrigation of roads for dust control.

The Caylloma Mine recycles on average 65 % of the water it consumes from the Santiago river. Through the recycling of our water, we maintain water consumption at 50 % to 55 % of the volume permitted under our authorization.

The Santiago River provides water for the Caylloma Mine of which 65 % is recycled.

USE OF WATER (m³)

Source	2018	2017	2016
Make up water (Santiago River)	1,105,643	1,165,111	1,181,210
Recycled water	785,351.63	708,140.05	775,020.05
Total water consumption	1,890,995	1,873,251	1,956,230

We monitor water quality on a monthly basis by taking samples at established sample stations. In addition, we undertake joint water quality monitoring of the Santiago River three times a year with representatives of the community of Caylloma.

The Company is audited annually by the local water authority (ALA) and is required to report monthly water consumption for mining and domestic use.



Mexico – San Jose

Responsible mining is about collaboration, transparency, open communication and effective interaction with all stakeholders. The Ocotlan grey water treatment plant project serves as an excellent example of how corporate social responsibility, when integrated throughout an organization, can lead to long-term social, economic and environmental benefits for local communities.

When Fortuna started to plan the construction of the San Jose Mine in Oaxaca, Mexico, sourcing water for the original 1,500 tonne per day underground operation presented a significant challenge. The mine is located in a semi-arid region known for poor aquifers and scarcity of water.

The Company recognized that sourcing water from traditional water wells or the near-by Atoyac River was not a sustainable option. In 2008, Fortuna identified a potential alternative water source in a wastewater treatment plant located in the community of Ocotlan de Morelos, 15 kilometres from the mine site. The plant had fallen into disrepair due to lack of investment and maintenance, causing serious environmental and public health problems in the community and surrounding areas.

In January 2010, Fortuna signed a 15-year renewable agreement with the Municipality of Ocotlan to refurbish and operate the sewage plant in exchange for residual wastewater to use at the San Jose Mine. Fortuna made the necessary investments to transform the plant into a modern facility and, in October 2010, the upgraded plant became fully operational.

The Ocotlan grey water treatment plant provides 5 % of the total water consumption for the San Jose Mine.

The wastewater treatment plant provides 5 % of the total water consumption for the San Jose mine processes. The balance comes from rainwater collected at the tailings dam during the rainy season and from water recycled from the zero discharge operation.

USE OF WATER (m³)

Source	2018	2017	2016
Make up water			
Wastewater treatment plant (Municipality of Ocotlan)	134,925	201,927	114,842
Rainwater collected and stored directly	79,105	138,693	71,353
Municipal water supplies or other public or private water services	5,043	5,274	7,153
Total Make up water	219,073	345,894	193,348
Recycled water	2,701,000	2,701,000	2,701,000
Total water consumption	2,920,073	3,046,894	2,894,348



Alpacas grazing at the Caylloma Mine

Biodiversity

(MM1, 304-1, 304-2, 304-3, 304-4, 103-1, 103-2, 103-3)

Peru – Caylloma

The Caylloma Mine has an environmental management strategy, which contains measures of prevention, mitigation and control in order to minimize any potential impacts during the development of the mining operation. The strategy includes plans for environmental management, environmental monitoring, solid waste management, contingencies and closure.

We have agreed with the Ministry of Energy and Mines (MINEM) to a total of 49 commitments focused on ensuring the preservation of the flora and the fauna in the habitats contained in our area of influence, which represents 43 % of the total environmental commitments assumed by the Company. The compliance of these commitments is audited by the Environmental Evaluation and Monitoring Agency (OEFA) through half-yearly biological monitoring which is compared with the 2015 baseline

The Caylloma Mine has an environmental impact area of 64.76 hectares.



The environmental impact statement for Caylloma establishes an area of direct influence of 4,089.40 hectares; the indirect area of influence is 560.33 hectares. Within the total area of influence, 245.54 hectares have been identified as biodiverse wetlands, in addition to various rivers and lagoons including; Santiago, Huancane, Huarhuarco, Vilafro, Antimonio, Jesús María, Huarahuarco, Pajonales and Roquedales.

The expansion of our operations in 2017 and 2018 resulted in the addition of new infrastructure which increased the permanent impact area of Caylloma from 55.30 hectares to 64.76 hectares. The construction for the expansions was carried out minimizing the impact to the environment’s biodiversity.

The significant direct and indirect negative impacts of our operations include the generation of permanent noises; artificial lighting, clear cutting in which plant species and organic material are transplanted; interruption of migratory bird flight; and displacement of birds, mammals and amphibians. The duration of the impacts at drilling sites fluctuates between 1 to 9 months.

In some exceptional cases, impacts may be permanent and in all of those cases remediation actions were executed. Three examples where our mine operation has impacted native species and where preventive and remediation measures were applied are:

- In 2017 migratory birds were identified in the lagoons adjacent to the mine. The construction of a transmission line near the Muscapampa lagoon required establishing which species could be affected in order to prevent birds from colliding with the transmission line.
- The construction of service and ventilation raises for the mine near a lagoon allowed us to evaluate the impact on the environment through monitoring.
- The expansion of our mine facilities required that surrounding shrubs and feather grass be removed and relocated.



In addition to the species that inhabit the wetlands, the following species are present in our operation's area of influence:

- **Flora:** *Lepidophyllum quadrangulare*, *Senecio rhizomatous*, *Azorella compacta*, *Cumulopuntia sphaerica*, *Ephedra americana*, *Gentianella alborosea*, *Buteo polyosoma*.
- **Fauna:** *Buteo polyosoma*, *Geranoaetus melanoleucus*, *Anas flavirostris*, *Chloephaga melanoptera*, *Lophonetta specularioides*, *Charadrius alticola*, *Phegornis mitchellii*, *Vanellus resplendens*, *Metriopelia aymara*, *Metriopelia ceciliae*, *Diuca speculifera*, *Sicalis olivascens*, *Sicalis uropygialis*, *Zonotrichia capensis*, *Phalcoboenus megalopterus*, *Carduelis atrata*, *Asthenes modesta*, *Cinclodes atacamensis*, *Geositta cunicularia*, *Geositta punensis*, *Geositta tenuirostris*, *Phoenicoparrus andinus*, *Colaptes rupicola*, *Podiceps occipitalis*, *Fulica gigantea*, *Gallinago*, *Thinocorus orbignyianus*, *Phrygius plebejus*, *Phrygillus punensis*, *Plegadis ridgwayi*, *Tinamotis pentlandii*, *Agriornis montanus*, *Lessonia oreas*, *Muscisaxicola cinereus*, *Muscisaxicola griseus*, *Muscisaxicola juninensis*, *Lagidium peruanum*, *Lycalopex culpaeus*, *Vicugna vicugna*.

Currently, there are no critically endangered species on the lands covered by our operations.

In 2017, three flora species (yareta, tola or tara, huacahuasi) and two fauna species (taruca, Andean flamingo) were classified as vulnerable. In 2017, one species of flora (Pinco Pinco) and five species of fauna (Andean plover, silvery grebe, giant coot, Puna tinamou, vicuña) were reported to be at risk of becoming an endangered species.

As far as invasive species are concerned, we have only identified the presence of rodents which are attracted by the organic waste generated at the mine. We carry out annual campaigns to control and mitigate their impact.

We remedy the negative impacts of our operations on biodiversity with several actions such as slopes recovery and revegetation; placement of flight diverters to avoid bird collisions; conservation of plant layers and flora species. In our closure plan we contemplate revegetation with native species and the recovery of habitat disturbed by operations for a five years period after closure.

México - San Jose

Our commitment to biodiversity has led us to design a Flora and Fauna Monitoring Program according to the commitments declared in the environmental instruments presented to SEMARNAT.

The San Jose Mine has an environmental impact area of 107 hectares.

The Company has an approved environmental impact statement issued by the Ministry of the Environment and Natural Resources ("SEMARNAT"). This instrument identifies mitigation and remediation measures including: frequent monitoring of water, air, waste, reforestation activities, among others.

Two endangered species have been identified in the San Jose Mine area according to the environmental impact statement: *Parabuteo unicinctus* (red-eyed eagle) and *Lampropeltis triangulum* (milk snake). For both species there is a program to mitigate the impact of operations-generated noise. Initiatives include dispersion, rescue and relocation.

The tailings dam which serves as a water reservoir, has drawn species of birds not previously observed in the area. In addition, species of migratory birds such as *Pelecanus* and *Egretta thula* (snowy egret), *Ardea alba* (great egret) and *Egretta caerulea* (little blue heron) have been sighted at the reservoir.

The expansion of the vegetation cover through reforestation in the mine area over the past three years has improved the general habitat for local species.

All the environmental impacts reported above relate to the area of mining operations covering the 107 hectares.



The tailings dam at San Jose has drawn species of birds not previously observed in the area.

Emissions

(305-1, 103-1, 103-2, 103-3)

Peru – Caylloma

The Caylloma Mine complies with current domestic regulations that establish air quality standards. Air quality is monitored quarterly at nine points of our operations for elements that may be harmful to health. Data is recorded and reported according to our environmental management plan.

Initiatives to improve air quality include dust control for roads inside our mine site.

Towards the end of 2018, the Caylloma Mine initiated a greenhouse gas emissions monitoring protocol. The results of the monitoring will be reflected in our next Sustainability Report.

Monitoring gas emissions at Caylloma



Mexico – San Jose

As part of our environmental commitment, we conduct greenhouse gas emissions studies at the San Jose Mine on an annual basis, and monitor particles and noise on a semi-annual basis. The results of these procedures are communicated to the relevant authorities, such as SEMARNAT and the Federal Environmental Protection Agency (“PROFEPA”).

We mitigate the emissions resulting from our operations through daily irrigation of roads and work areas; conducting preventative and corrective maintenance of our vehicle fleet; covering vehicles that transport materials with tarp, and by imposing speed restrictions on vehicles within the mine site.

(305-1, 305-7)

Peru – Caylloma

SIGNIFICANT AIR EMISSIONS AT CAYLLOMA

	2018	2017	2016
Nitrogen oxides (NOx)	8,020 ug/m ³	9,030 ug/m ³	14,976 ug/m ³
SOx	<13.72 ug/m ³	<13.72 ug/m ³	<13.72 ug/m ³
Volatile organic compounds (COV)	<0.6 ug/m ³	<0.011 ug/m ³	<0.011 ug/m ³
Particles (PM 2.5)	5.84 ug/m ³	8.43 ug/m ³	8.46 ug/m ³
Particles (PM 10)	35.73 ug/m ³	24.13 ug/m ³	21.21 ug/m ³

Annual value calculated from the arithmetic mean.

(305-1)

Mexico – San Jose

In 2015, we began a greenhouse gas emissions study. The results for 2015 show that emissions reached 19,985.27 GtCO₂eq. In 2017 and 2016, direct greenhouse gas (GHG) emissions reached 37,064 and 21,221.56 GtCO₂eq, respectively. These figures include the emission of CO₂, CH₄ and N₂O gases. The results for the study for 2018 are not yet available.

The increased emissions observed in the study responds to changes in the estimation methodology. For example, in 2015 only vehicles that used gasoline were considered, and not those that used diesel, nor was the consumption of electricity in that year considered. Another relevant variant is the number of items of equipment that use cooling systems, totalling 24 in 2015, and 39 in 2017.

The calculation of greenhouse gas emissions includes, in addition to the San Jose Mine, its offices and other administrative facilities under the Company’s responsibility. The methodology used is that provided by the Ministry of Environment and Natural Resources (SEMARNAT) using the calculation tools provided by the Greenhouse Gas Protocol, based on the principle of Emission Factors.

Effluents and Waste

(306-1, 306-5, 103-1, 103-2, 103-3)

Peru – Caylloma

The Caylloma Mine is required to report the effluents resulting from its activity to the National Water Authority (“ANA”), on a monthly basis. Solid waste is disposed of and handled by a certified Solid Waste Service Provider (“EPS-RS”) under a precise schedule of hazardous, marketable (scrap, HDPE pipes, tires), reusable, and non-hazardous (organic, etc.) waste collections, thus keeping clean the collection courtyards on site.

The Caylloma Mine has eight effluents authorized by the Ministry of Energy and Mines, seven of which originate from operating activities and one from domestic wastewater.

VOLUME OF WATER DISCHARGED INTO THE SANTIAGO RIVER BY EFFLUENT (M³/YEAR)

Effluent	2018	2017	2016
E-03 (Pumahuasi - Caylloma and Don Luis II Pitheads)	3,365,926	3,608,065	2,270,592
E-05 (LVL 12 Animas Pitheads)	3,484,094	2,635,647	2,335,214
EF-03 (Car Wash)	3,224	3,363	68.6
E-04 (LVL 1 San Cristóbal Pitheads)	-	-	-
E-12 (Concentrator plants overflow lakes)	44,620	38,789	19,657
E-08 (Decanted water tailings vessel N° 2)	-	-	-
EF-06 (Decanted water tailings vessel N° 3)	327,792	69,473	189,058
EF-04 (Domestic wastewater)	55,992	28,611	59,681

The discharges from the Caylloma Mine are in line with the maximum permissible limits related to water quality established by the Ministry of the Environment. In 2018, we implemented a settling system for solids in suspension that has improved the quality of discharges, precipitating and sedimenting very fine particles.

EFFLUENT WATER DISCHARGE INDICATORS

	2018	2017	2016
Discharged effluent water (Hm ³)	0.9102	1.0505	0.968
Average annual flow of discharges (l/s)	28.86	33.22	30.65

The Santiago River is the only water body impacted by discharges from the Caylloma Mine. We maintain our discharges within the maximum permissible limits established by government regulations.

Caylloma Mine water treatment operation panel



Caylloma Mine



Mexico – San Jose

Our operation at the San Jose Mine does not discharge water to any of the nearby sources present in the surrounding environment. All the water from our operations is recycled and incorporated into the industrial process.

As a result of the metallurgical process carried out in the San Jose Mine, we generate tailings which are filtered for water and placed and compacted in a dry stack facility which we constructed to reduce our environmental footprint. The facility has perimeter ditches, safety ponds and a reservoir to capture and manage rainfall.

(306-2)

Peru – Caylloma

Mining and processing of ore into concentrates at the Caylloma Mine generates hazardous solid waste, such as plastic containers with traces of chemicals, and metal containers with traces of oil and paint, waste paper contaminated with oil, oily waste (residual oil), waste impregnated with oil and grease, plastics (sacks, polypropylene fabrics, polyurethane, and PVC tubes), cardboard contaminated with explosive residues, contaminated soil and wood, fluorescent tubes, light bulbs, tape, and ink cartridges. These hazardous wastes totalled 117 tonnes in 2018, which is an improvement

over 2017 and 2016 when they totalled 157 and 169 tonnes, respectively.

The monthly generation of non-hazardous waste averaged 32 tonnes in 2018, 36 tonnes in 2017, and 28 tonnes in 2016.

At the Caylloma Mine, the hazardous and non-hazardous waste resulting from our operations are temporarily stored and subsequently disposed of in a secure and sanitary landfill by an authorized private company (EPS-RS) contracted for this purpose. The process is documented according to the local regulation which guarantees appropriate traceability and consistency of the process, including quarterly reporting to the applicable authority.

The production of mineral concentrates also requires the consumption of materials such as oils, lubricants, metallic materials (ceiling tiles, metal parts of machinery, tools, meshes) among other small elements. In 2018, 25 tonnes of oils and lubricants waste and 156 tonnes of metallic waste were generated. In 2017 and 2016 the waste oils and lubricants generated were 30 tonnes both years, and 154 and 157 tonnes of metallic waste, respectively.

In terms of reusable materials, the Caylloma Mine donated to the adjacent community 115 tonnes of clean reusable wood in 2018, 48 tonnes in 2017, and 54 tonnes in 2017.

The Caylloma operation uses recycled materials such as wood, scrap metal, HDPE pipes, ventilation ducts, as well as recycled water in the industrial processes. We estimate that, in recent years, we have recycled 8 % of the material used in our entire production process, which is equivalent to 90 tonnes by 2018, 91 tonnes by 2017, and 76 tonnes by 2016.

Mexico – San Jose

Hazardous waste generated at the San Jose Mine in 2016 and 2017 amounted to 99 tonnes and 116 tonnes, respectively, while in 2018, the amount of hazardous waste reduced to 98 tonnes.

The volume of non-hazardous waste recycled in 2017 amounted to 1.7 tonnes, while in 2018 it amounted to 29 tonnes. In the latter period, composite non-hazardous waste was 12 tonnes.

We do not recover or burn waste, nor do we inject effluents or waste or water into deep wells. All hazardous waste is managed by a specialized company authorized by SEMARNAT, while non-hazardous waste is processed in a recycling and garbage facility at the municipality of San Jose.

Waste is managed according to its characteristics and volumes.



Temporary storage of hazardous and non-hazardous waste at the Caylloma Mine

(306-4)

Peru – Caylloma

The management of hazardous waste at the Caylloma Mine is disposal-based with the support of an authorized private company (EPS-RS), which transports it to a secure and authorized landfill. This waste is not imported, exported, or sent to other countries for treatment.

In 2018, there was a 6 % reduction in the generation of hazardous waste.

HAZARDOUS SOLID WASTE (TONNES)

Destination	2018	2017	2016
Relima - Innova Ambiental secure landfill	148	157	174
PTARD SEDAPAR - Water and Sewer Service of Arequipa sludge	214	293	353
Corporación Medio Ambiental del Perú S.A.	43	51	30
Total	405	501	557

Mexico – San Jose

At the San Jose Mine, the collection and transportation of hazardous waste is undertaken by companies authorized by the Ministry of Communications and Transportation (SCT) and Ministry of Environment and Natural Resources office (SEMARNAT).

In 2018, there was a 16 % reduction in the generation of hazardous waste.

HAZARDOUS SOLID WASTE (TONNES)

Destination	2018	2017	2016
U.S technologies S.A DE C.V.	47	57	47
Procesos Ambientales Alfa	1	-	-
Tecnología Ambiental Especializada S.A De C.V.	12	12	12
Cooperativa la cruz azul, S. C. L.	38	47	38
Sociedad Ecológica Mexicana Del Norte S.A. de C.V.	0.26	0.06	0.02
Sociedad Ecológica Mexicana Del Norte S.A De C.V.	0.03	0.07	0.01
Cooperativa la cruz azul, S. C. L.	0.1	-	-
Total	98.39	116.13	97.03

SPILLS

(306-3)

Peru – Caylloma

In 2018 and 2016, there were no significant spills, only minor spills which occurred within the mining operations as a result of the handling or transfer of oil.

However, in 2017, an encapsulated truck transporting lead-silver concentrate en route from the mine to the city of Arequipa was involved in an accident which resulted in the spill of approximately 2.4 tonnes of concentrate over an area of 30 square meters. All the concentrate was completely recovered by a specialized remediation contractor and then returned to the mine for reprocessing.

In order to reduce the risk of such accidents happening again, in 2018 we improved our transportation safety protocols to include:

- all vehicles of contractors that transport our concentrate must have an on board speed control device;
- each truck is subject to a safety and maintenance inspection before it leaves the mine site, and
- each driver must, on an annual basis, complete a safety and defensive driving training course.

Mexico – San Jose

The San Jose Mine did not record any significant spills in 2016 and 2017. However, we identified minor leaks in fixed and mobile equipment hoses, as well as minor accidents in the handling of hydrocarbons in the maintenance and workshop areas. The volume of these leaks was not significant. Neither the rate of occurrence of these events nor the volume spilled has been recorded.

On October 8, 2018, abnormally high rainfall caused a contingency pond to overflow at the dry stack tailings facility at the San Jose Mine. The contingency pond collects water from a ditch system at the dry stack tailing facility designed to capture and manage rain water. No industrial process water was discharged in this incident. The San Jose Mine uses a cyanide-free process to produce concentrate. Officials at the Procuraduría Federal de Protección al Ambiente (“PROFEPA”) were notified of the overflow on the day of the incident. The Company, along with federal, state and local authorities conducted inspections of the facilities at San Jose and the Coyote Creek. The Company has received PROFEPA’s report on the incident which confirms that the overflow did not contaminate soil, and therefore, no remediation is necessary. The Company has also received a final resolution from the Mexican National Water Commission (“CONAGUA”) which confirms that no remediation of the nearby Coyote Creek is required. However, the Company received a fine of approximately \$42,000 related to the incident. The Company has since installed additional pumping equipment, increased its monitoring system and reinforced the pipes and drainage channels from the dry stack facility to the contingency pond in order to mitigate the risk of an overflow in the event of abnormally high rainfall at the San Jose Mine in the future.

Environmental Compliance

(307-1, 103-1, 103-2, 103-3)

The Caylloma Mine manages water consumption, emissions, effluents, and waste in accordance with applicable laws and regulatory requirements and its commitment to operate in a sustainable manner. Our environmental management, in addition to complying with industry sector regulations, enables us to be more responsible in respect of the health and safety of our workers and the environment surrounding us. The same applies to the San Jose Mine, where management prioritizes sustainability as a means of complying with the environmental regulations imposed by the Federal Government, as well as the guidelines to which we commit to with government authorities, such as the National Waters General Act, the Ecological Balance and Environmental Protection General Act, their respective regulations, and other applicable Official Mexican Rules.

In both operations, we perform operational controls, internal and external audits to guarantee that we comply with the standards and conditions associated with each environmental operating authorization or permit obtained. In December 2018 we initiated an independent audit of geohazards related to the infrastructure at our operations. A risk map and a plan of action have been developed and will be assessed by the Sustainability Committee.

Peru – Caylloma

In 2017, we paid a \$58,350 fine for a 2009 environmental infraction at Caylloma in which the level of lead in one sample at an effluent discharge point in the operation exceeded the maximum permissible limits of 0.400 mg/l by 0.03 mg/l. This effluent discharge point has since been closed.

In 2017, we also paid a fine of \$150,994 for an infraction dating back to 2006 at Caylloma. In this case, the total suspended sediments from mine drainage at two monitoring stations exceeded the maximum permissible limits of 50 mg/l by 4.54 and 118.46 mg/l. Both of these measurements were taken in a sector of Caylloma where activity had recently been reinitiated and where the necessary infrastructure and controls for discharges had not yet been fully implemented.

Mexico – San Jose

In 2014, we received and paid a fine with respect to reforestation activities. In 2017, we were inspected by the Federal Environmental Agency (PROFEPA) to verify compliance with the environmental impact requirements.

Upon our request in 2017, PROFEPA inspected certain expanded and/or new facilities that had been constructed at the San Jose Mine, in order to verify compliance with the environmental impact statement - Manifiesto de Impacto Ambiental - (“MIA”) issued in 2009. As a result of this inspection, PROFEPA identified changes related to the original location of certain infrastructure within the perimeter of the MIA. In December 2018, PROFEPA issued a resolution which requires the Company to file an updated MIA by mid-May 2019 to incorporate the changes made to the infrastructure and imposed a fine on the Company in the amount of \$134,827 in respect of the slight changes in the location of certain infrastructure within the perimeter of the MIA.



Our Communities

We aim to contribute to the social and economic development of communities associated with our operations by establishing sustainable community development projects.

IN THIS SECTION

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Relationship with Local Communities

We Engage in Dialogue and We Understand Each Other to Facilitate Living Together

(413-1, 103-1, 103-2, 103-3)

Fortuna maintains operations near communities in Peru and Mexico. Recognizing their unique culture and needs, we are actively engaged as a strategic partner in these communities. We collaborate with local stakeholders to identify opportunities where we can establish and participate in sustainable community development projects.

Across the Company, our community engagement process starts with a social and environmental baseline, where potential impacts on the community are assessed and stakeholders are identified. A community engagement plan is then developed assigning priorities to the various stakeholder groups, which can include the formation of joint collaborative community-company workgroups.

The aim is to establish programs based on respect for ethnic-cultural diversity, open communication that leads to an effective interaction with local stakeholders. The principal areas for collaboration that are generally identified are in local employment, local sustainable development projects, health, education and infrastructure.

Since 2006, Fortuna has funded various community projects to improve the living conditions of the communities where we operate. These range from genetic improvement of local alpaca herds near our Caylloma Mine in Peru, to road construction and education scholarships near our San Jose Mine in Mexico.

Fortuna has an open-door communications policy under which we receive complaints and grievances from local communities with respect to our operations. To this end we maintain offices and a permanent presence in our host municipalities.

We Support the Development of the Places Where We Operate

(203-1, 103-1, 103-2, 103-3)

Our mining operations contribute positively to the economic and social growth of the surrounding communities, which generates an atmosphere of trust.

Since 2006, Fortuna has been investing intensively in infrastructure in the communities near our operations in Peru and Mexico. The extent of our investment in local community infrastructure goes beyond the scope of our operations. Through our community engagement process in Peru and Mexico we have identified infrastructure projects that we have funded, which include, among other projects, a community centre and sports arena in Caylloma, and a church and marketplace in San Jose.

All these activities, regardless of how they are financed and their objective, achieve positive impacts in local communities, such as the generation of employment and economic stability, an improvement in the quality of public education and health, the development and/or improvement of local infrastructure, and supply of production services to the mine site by local suppliers, such as canteens, transport companies, civil works construction companies, industrial clothing suppliers, among other services.

San Jose schoolchildren



BY EXPANDING OUR INFRASTRUCTURE, WE PROMOTE THE LOCAL ECONOMY

Peru – Caylloma

Since 2006, the Cayollma Mine has invested annually in infrastructure projects at the mine site that typically include underground development, camp facilities, tailings ponds, power network infrastructure, process plant infrastructure. These investments have a significant impact on the local economy through our purchase of goods, and services and our hiring of local employees.

The following are some of the most significant investments that we made in the infrastructure of our operations during 2016, 2017 and 2018:

- **Tailings Dam 3.** Investment of \$5.3 million. Benefits include indirect employment of local labour, and heavy equipment rentals from local suppliers.
- **Underground pumping station.** Investment of \$65,000 as part of a larger on-going project. Benefits include indirect employment of local labour and services.
- **Bateas Sports Field.** Investment of \$112,000 in 2017. Benefits include indirect employment of local labour and services.
- **Level 12 explosives magazine.** Investment of \$183,460 in 2017. Benefits include indirect employment of local labour and services.
- **Milling and Flotation plant optimization.** Investment of \$2.3 million in 2016. Benefits include indirect employment of local labour and services.

Mexico – San Jose

Since 2011, the San Jose Mine has invested in infrastructure and projects at the mine site that typically include underground development, tailings ponds, power network infrastructure, process plant infrastructure. These investments have a significant impact in the local economy through our purchase of goods as well as services and hiring of local employees.

The following are some of the most significant investments that we made in the infrastructure of our operations during 2016, 2017 and 2018:

- **Tailings filter plant expansion.** Investment of \$7.2 million. Benefits include indirect employment of local labour, and heavy equipment rentals from local suppliers.
- **1st and 2nd expansion of dry tailings deposit.** Investment of \$3.5 million. Benefits include indirect employment of local labour, and heavy equipment rentals from local suppliers
- **Underground 13,800 KVA Main electrical system.** Investment of \$0.32 million. Benefits include indirect employment of local labour and services.
- **Underground 250,000 cfm fan facility.** Investment of \$0.55 million. Benefits include indirect employment of local labour and services.
- **Two underground pumping station.** Investment of \$0.70 million. Benefits include indirect employment of local labour and services.

San Jose tailings pond



(203-1, 413-1, 103-2, 103-2, 103-3)

WE INVEST IN THE INFRASTRUCTURE OF OUR NEIGHBOURS, AND WE ALSO SUPPORT THEM WITH SOCIAL PROGRAMS

The following are examples of the main investments that we have made in the infrastructure of our neighbouring communities:

Peru – Caylloma

- **Agreement signed with the community for several infrastructure projects.** Investment of \$1.5 million, to be disbursed in periodic instalments, during two and a half years, ending in 2021.
- **Road improvement (Vizcachani - Sibayo - Caylloma - Orcopampa).** Investment of \$90,700. Carried out together with other mining companies. 86,000 people approximately benefited directly and indirectly.
- **Community centre and sports arena, district of Caylloma.** Donated in 2014. Investment of \$2.5 million. Directly benefited 3,650 people.

Sport and activities court in Caylloma Mine



- **Maintenance of the community centre and sports arena in the district of Caylloma.** Investment of \$8,700, financed entirely and voluntarily by the company.
- **Pavement of 1 km, district of Sibayo.** Investment of \$77,600. Agreement with local governments and directly benefiting approximately 750 people.
- **Chillayaque Bridge, district of Caylloma.** Investment of \$2,400. Collaborative agreement with the Municipality of the district of Caylloma. Directly benefited 3,650 people.

Mexico – San Jose

- **Rehabilitation and expansion of drinking water systems in the towns of San Jose La Garzona and San Jose del Progreso.** Investment of \$39,000 in 2016. Directly benefited 5,000 people.
- **Maintenance of secondary roads, expansion of the electric power distribution grid, among other minor works.** Investment of \$76,000 in 2016. Directly benefited 6,500 people.
- **Improvement of community housing.** Investment of \$90,000 in 2018. Directly benefited 1,000 people.
- **Maintenance of municipal roads.** Investment of \$0.37 million during 2016, 2017 and 2018. Directly benefited 6,500 people.
- **Church.** San Jose del Progreso. Investment of \$0.26 million in 2018. Directly benefited 6,000 people.
- **Construction of a craft market at San Jose del Progreso.** Investment of \$104,000 in 2018. Directly benefited 3,000 people.

WE PROMOTE EDUCATION, HEALTH AND CULTURE

The following are examples of the most significant investments that we have made to promote education, health and culture in our neighbouring communities:

Peru – Caylloma

- **One year scholarships.** Investment of \$43,700. Directly benefiting 23 students.
- **School supplies.** District of Caylloma. Investment of \$3,200. Directly benefiting 600 students
- **Schoolchildren’s course program “Grow and Be a Go-Getter”, District of Caylloma,** benefiting 430 students. Investment of \$31,500. Directly benefiting 7 schools.
- **Medical campaigns and health education programs.** Investment of \$24,300. Directly benefited 1,205 people including children, pregnant women and senior citizens in the district of Caylloma.
- **Assistance to vulnerable groups during winter.** Donation of blankets and winter clothes Investment of \$13,000. Directly benefited approximately 8,000 people.
- **UV sun rays protection program.** Donation of 1,500 hats to children and senior citizens in the district of Caylloma. Investment of \$5,000 in 2017,
- **Donation of books to the elementary and primary schools of Taltahuarahuarco, Pusapusa and Coraza.** Investment of \$4,400. Directly benefiting 27 students in 2017.
- **Solar power system and perimeter fence for the Taltahuarahuarco School.** Investment of \$ 2,700 in 2017.
- **Water Supply System construction at the Michihuasi village.** Investment of \$18,500. Directly benefiting 5 families.

- **Expansion of public lighting in the district of Caylloma.** Investment of \$7,400 in 2017.
- **Construction of an armory for the police station, district of Caylloma.** Investment of \$4,200 in 2017.
- **Construction of toilet facilities in the parish of San Francisco de Asis, district of Caylloma.** Investment of \$17,400 in 2017.

Health education campaign for the community of Caylloma



Mexico – San Jose

- **Scholarships for high school students.** Investment of \$22,000 in 2018. Directly benefited 70 students.
- **In-kind scholarships for primary and secondary students.** Investment of \$122,000 in 2018. Directly benefited 800 students.
- **Occupational training program for adults** in collaboration with the Occupational Training and Productivity Institute of the state of Oaxaca (ICAPETH). Investment of \$6,200 in 2018. Directly benefited 350 people.
- **Donation of medicines to the municipality of San Jose del Progreso.** Investment of \$21,000 in 2018. Directly benefited 6,500 people.
- **Housing improvement program for vulnerable families.** Investment of \$84,000 in 2018. Directly benefited 350 people.
- **Donation of food for a community children’s care centre.** Investment of \$27,000 in 2018. Directly benefited 100 people daily.

San Jose community dam



- **Medical care services provided by the company.** Investment of \$13,000 in 2018. Directly benefiting people with 1,500 medical consultations.
- **Donation for funeral services for families with limited resources.** Investment of \$1,200 in 2018. Directly benefited 15 families.
- **Investment in solid waste management at the municipal landfill.** Investment of \$13,000 in 2018. Directly benefited 7,100 people.
- **Construction of creek locks and cleaning of the community dam.** Investment of \$59,000 in 2018. Directly benefited 3,000 people.
- **Construction of water channel, rehabilitation of the “El Potrero” dam, and construction of a perimeter fence for the community dining room.** Investment of \$0.46 million during 2016 and 2017. Directly benefited 4,000 people daily.

Caylloma community alpaca production systems



WE PROMOTE ENTREPRENEURSHIP AND LOCAL CUSTOMS

The following are examples of how we try to promote entrepreneurship and local customs in our neighbouring communities:

Peru – Caylloma

- **Development of alpaca production systems:**
 - Technical assistance, shearing equipment and veterinary checks. Investment of \$172,700. Directly benefiting 512 families.
 - Improvement of fodder pastures and donation of fodder. Investment of \$0.28 million. Benefiting 467 farms. This project was part of a \$1.5 million investment commitment agreed with the Caylloma community.
- **Sponsorship of livestock fairs in Taltahuarahuarco, Santa Rosa, Coraza and Caylloma.** Investment of \$5,900. Benefiting 86 farms and 180 families.

Mexico – San Jose

- **Support program for the agricultural sector, technical and in-kind advice.** Investment of \$41,000 in 2018. Directly benefited 56 families (280 people).
- **Local garments production.** Purchases for \$50,000 in 2018. Directly benefiting 18 mothers of the community and 90 workers in garment workshops.

Supporting local garment production at San Jose



Land Use

(MM6)

Peru – Caylloma

Our operations at the Caylloma Mine have not reported any significant conflicts and/or complaints from local communities related to our use of the land. We have not received any complaints with respect to indigenous rights violations.

Mexico – San Jose

We hold adjoining mineral concessions that cover approximately 64,000 hectares located in the Ocotlan valley, Oaxaca. Our mining operations and ancillary activities are conducted on an area of 107 hectares under an approved environmental impact statement which was issued by SEMARNAT in 2009. Additional MIAs were issued by SEMARNAT in 2015, 2017 and 2019 with respect to expansions and modifications of our operations. The 107 hectares on which the San Jose Mine operates are located in the municipality of San Jose del Progreso and ejido (common land cooperative) of the same name. We have all the necessary surface rights and community approvals to conduct our

Aerial view of San Jose Mine



operations under the approved environmental impact statement and in compliance with applicable Mexican laws and local traditional customs. The Company is not subject to any disputes in respect of its lands on the 107 hectares on which it currently operates.

If we wish to conduct mineral exploration on lands outside of our current mining operations, and within the land on which we hold concessions, we engage with the applicable local communities in order to obtain access to use the land. We do not have surface rights access to a significant amount of the 64,000 hectares under mineral concessions, due to the rejection of various communities to mining on their lands. If the communities reject our requests, we are respectful of their decision.

Anti-mining activism led by NGOs has been intensifying in the Ocotlan valley in recent years, some of which has been directed at the Company and has resulted in negative publicity. Rather than respond in a like manner, we choose to continue to operate in an ethical and transparent manner and reinforce and maintain our good standing in the communities in which we operate by open social dialogue to sustain a positive relationship with those communities.



San Jose Mine
reclamation

Closure Planning

(MM10)

The local communities in which we operate have a vested interest in how we plan for the closure of our mines and reclamation. Every mine has a finite life, and therefore managing the effective closure of our mines is an integral part of our business responsibility. Our aim is to leave local lands in a state similar to or better than when we started mining. This is essential to our reputation and long-term viability as a sustainability focused company.

Peru – Caylloma

The entire infrastructure installed in the Caylloma Mine is contemplated in a closure plan, which describes the activities and budget necessary to complete the mine closure.

In 2016, seventy components of the original closure plan for the Caylloma Mine were modified, which resulted in a budget for the mine closure of approximately \$7.770 million. In 2017, a second amendment was made, which incorporated seven components approved through environmental studies, related to pre-closure, final closure and post-closure, which resulted in an increased budget for the mine closure of approximately \$9.239 million.

At the end of 2018, a third change of the closure plan was approved, which amended the closure schedule, updated the closure activities and resulted in an increased budget for the mine closure of \$11.413 million. The Company has established a bank letter of guarantee in the amount of \$7.237 million (2017 – \$4.99 million) in favour of the Peruvian mining regulatory agency, in compliance with local regulations and to collateralize the Caylloma Mine closure plan.

As of the end of 2018, the Company is in compliance with the requirements of Peruvian law for financial provisions for mine closure.

Mexico – San Jose

The 2017 update to the reclamation and closure plan considers all installed infrastructure in the San Jose Mine. The total reference area covers 107 hectares, and includes evaluations based on the industrial, mine, complementary and auxiliary works, tailings and old mining zones. It contemplates a useful life of the mine of six years, with a high potential of expansion of its operation based on continuous exploration to increase mineral reserves.

Currently, progressive closure activities are being carried out at the San Jose Mine mainly focused on the restitution and environmental reclamation of affected areas. As part of the on-going work the reforestation footprint will continue to grow during the operation of the mine.

The plan states that the landscape after the closure of mining will be safe and stable from a physical, geochemical and ecological point of view.

The execution of the plan activities, in compliance with legislation and international standards, will minimize the risk of creating long-term environmental liabilities and will rehabilitate the land as a safe and stable land.



About This Report

This Sustainability Report is the first report to be prepared by the Company and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

IN THIS SECTION

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(102-48, 102-49,102-50, 102-51, 102-52, 102-54, 102-56)

This Sustainability Report is the first report to be prepared by the Company and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It provides information relating to 2018 and has not been verified by an external auditor. It covers Fortuna Silver Mines' two main operations: the Caylloma and San Jose Mines, located in Arequipa, Peru, and Oaxaca, Mexico. The Lindero project, currently under construction, located in Salta Province, Argentina, and the corporate offices of the Company are not included in this report.

This report is the first to be prepared by the Company. Therefore, its content does not include or contemplate reformulated information or changes in the scope and coverage of its topics.

Our Stakeholders

(102-40, 102-42, 102-43, 102-44)

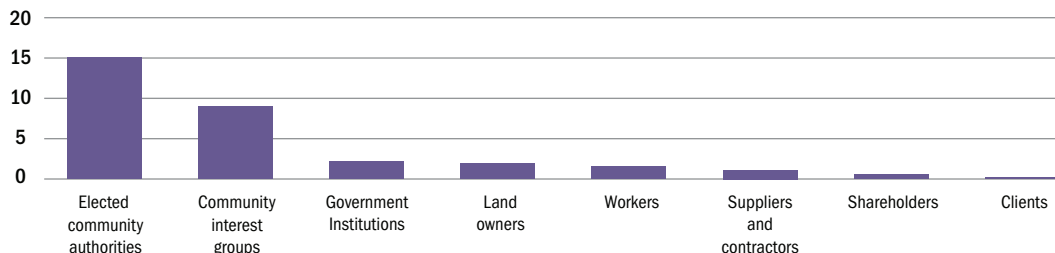
We have completed a stakeholder identification exercise in each of our operations in order to identify, classify, prioritize and analyse our stakeholders needs. We used the Mitchell, Agle & Wood methodology which uses three categories to categorize stakeholders: “power, legitimacy and urgency”.

- **Power:** Is the ability project stakeholders have to influence the outcome of an organization, deliverables, or a project.
- **Legitimacy:** Is the authority, level of involvement project stakeholders have on a project.
- **Urgency:** Is the time expected by project stakeholders for responses to their expectations.

The relevant matters for each of the stakeholders prioritized in our operations have been discussed throughout this Report.

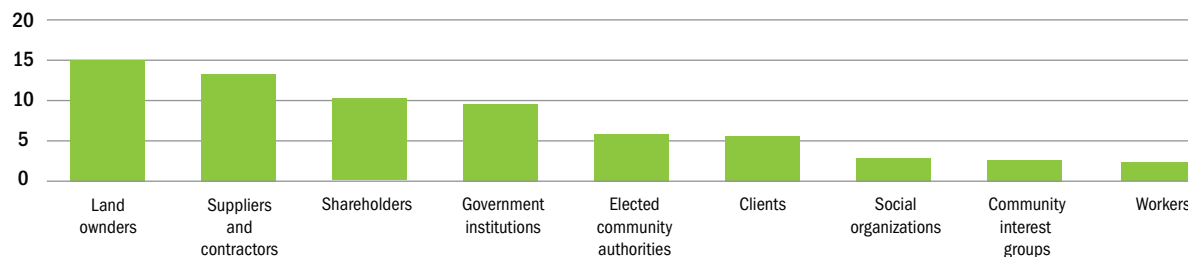
Peru – Caylloma

In the case of the Caylloma Mine, meetings were held with company personnel in order to identify, classify and prioritize the operation’s stakeholders. Each stakeholder was then ranked according to their levels of power, legitimacy and urgency. The process yielded the following results:



Mexico – San Jose

In the case of the San Jose Mine, meetings were held with representatives from each area of its operations, in order to identify, classify and prioritize each stakeholder. As for Caylloma, each stakeholder was evaluated according to its levels of power, legitimacy and urgency. The process yielded the following results:



We maintain communication with each interested stakeholder group through various media channels such as independent and collective meetings, newsletters, formal letters, reports and electronic media (emails, social networks and our website).

STAKEHOLDERS	COMMUNICATION CHANNELS	FREQUENCY
Employees	Meetings	Continually
	Independent and collective meetings	Frequent
	Mailing	As needed
	Work contract	As needed
Social Organizations & Communities	Independent and collective meetings	Frequent, as needed or requested
	Guided visits	
	Radio	
Shareholders	Social Networks	Frequent
	Reports	
Clients	Various meetings (telephone, mail, meetings)	As needed
	Mailing	As needed
	Phone	
Contractors	Meetings	As needed
	Independent and collective meetings	
Suppliers	Email, phone	As needed
	Independent and collective meetings	
Government Ministeries Auditing and fiscal bodies Local and Regional Government Municipal authorities Federal Government State Government	Mailing, telephone, meetings, formal letters, audits, field visits	As needed or requested

Local San Jose stakeholders participate in community upgrade



Our Material Matters

(102-46, 102-42)

Our materiality analysis helps us define and analyse the impacts of our business on our stakeholders and enables us to more effectively manage our issues as well as identify goals and priorities for our sustainability planning and strategy..

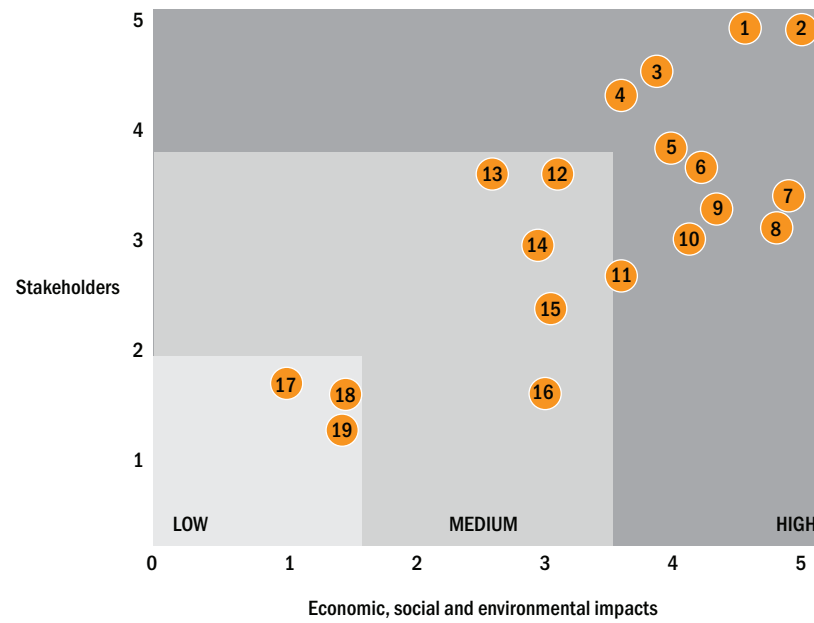
(102-47)

Our process to identify material topics complies with the GRI's Reporting Principle for defining report content.

For the materiality analysis, we identified each operation's main areas relevant to the Company's strategy (business goals and risks) in relation to each operations stakeholder. After that we asked the different areas representatives to score them.

At the same time, unstructured field interviews were conducted, identifying different stakeholder's perceptions about the above mentioned topics. Finally we matched both results.

The following graphs show the results of the materiality processes undertaken in both operations, according to the importance given by the stakeholders (vertical axis) and the interest on the Company's part (horizontal axis).



The material matters by operation are as follows:

HIGH MATERIALITY

1. Water management
2. Occupational health and safety
3. Job creation and skills development
4. Environmental protection and Pollution prevention
5. Bad practices in the sector that affect the company's reputation
6. Management of good operating practices
7. Organizational values and Governance
8. Human development and training
9. Working conditions and social protection
10. Transport contingency plan
11. Anti-corruption

MEDIUM MATERIALITY

12. Social investment and active participation of the community
13. Waste Management
14. Energy and Emissions
15. Supplier compliance in organization policies and procedures
16. Respect for land property rights

LOW MATERIALITY

17. Education and culture
18. Claim resolution
19. Economic, social and environmental rights

GRI Index

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(102-1, 102-5)	Company Name: Fortuna Silver Mines, Inc.		
(102-3)	Administrative Offices: Av. Jorge Chávez 154, Miraflores, Lima - Perú		
	Website: https://www.fortunasilver.com/		
(102-53)	Contact: hssecorp@fortunasilver.com		

Cautionary Notes

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

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

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



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