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Fortuna Silver Mines Inc.

FVI / FSM (TSX; NYSE): C\$6.31; US\$4.58

Stock Rating: Sector Perform

Target: C\$7.50

Yessi Posts Elevated Grades, Could Provide Lifeline for San Jose

Event: After market close, FVI released assays from its exploration program at Yessi vein, San Jose Mine, Mexico.

Impact: We're encouraged by the high-grade intercepts at Yessi, maintaining potential for an extension to San Jose operations beyond Q4/24, with higher metal prices adding support. Overall, we ascribe a neutral bias.

Overview. Yessi vein mineralization now extends over a 350m strike and a 450m vertical profile where it remains open up and down-dip as well as along strike to the southeast. The current phase of the program consisted of 10 additional holes for a total of 6.6 km.

Highlight intercepts

- 12.60 g/t AuEq (1,036 g/t AgEq) over 8.1 m estimated true width (gxi = 102 g/t AuEq*m) in hole SJO-1460;
- 16.14 g/t AuEq (1,327 g/t AgEq) over 3.0 m estimated true width (gxi = 48 g/t AuEq*m) in hole SJO-1444; and
- 2.18 g/t AuEq (179 g/t AgEq) over 17.5 m estimated true width (gxi = 38 g/t AuEq*m) in hole SJO-1455A.

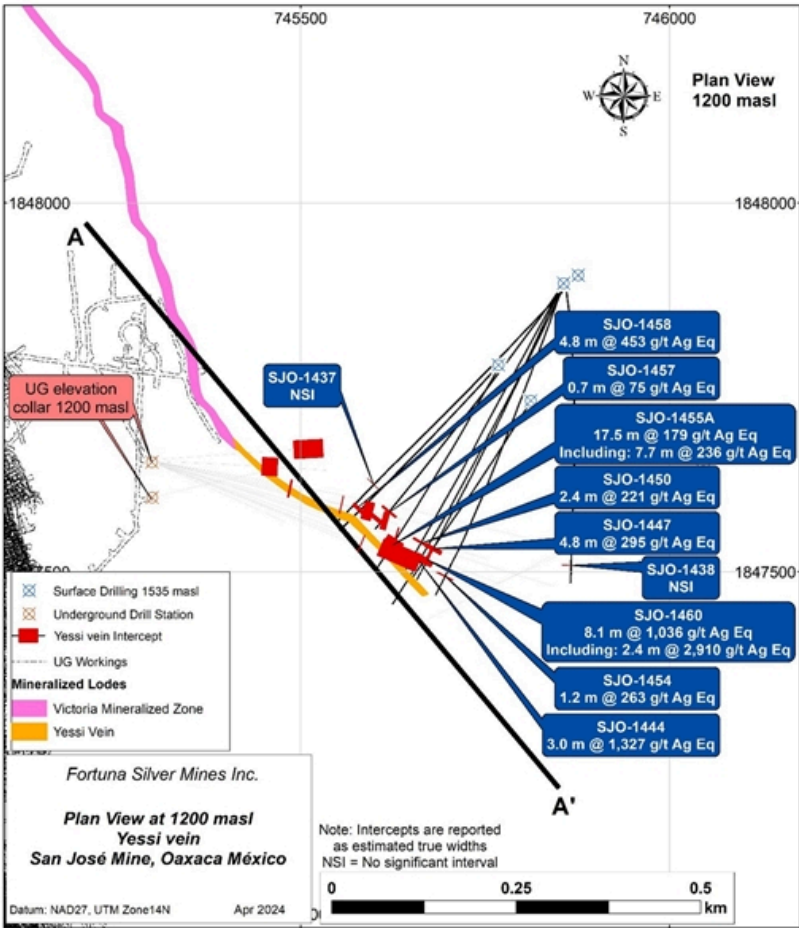
Averages. From 12 intercepts/10 holes, we compute an average of 3.8 g/t AuEq over 2.0 m estimated true width.

- Geological and structural logging of the drill core has confirmed the vein geometry as trending north-northwest, intersecting and merging with the north-south orientated Victoria Mineralized Zone ("VMZ") towards the west.
- Evidence is also emerging of higher-grade shoots within the structure demonstrating a moderate south-easterly plunge and often associated with high gold grades.

Next steps. Additional drilling with three drill rigs will continue to test the depth, strike and infill of the current Yessi vein extent.

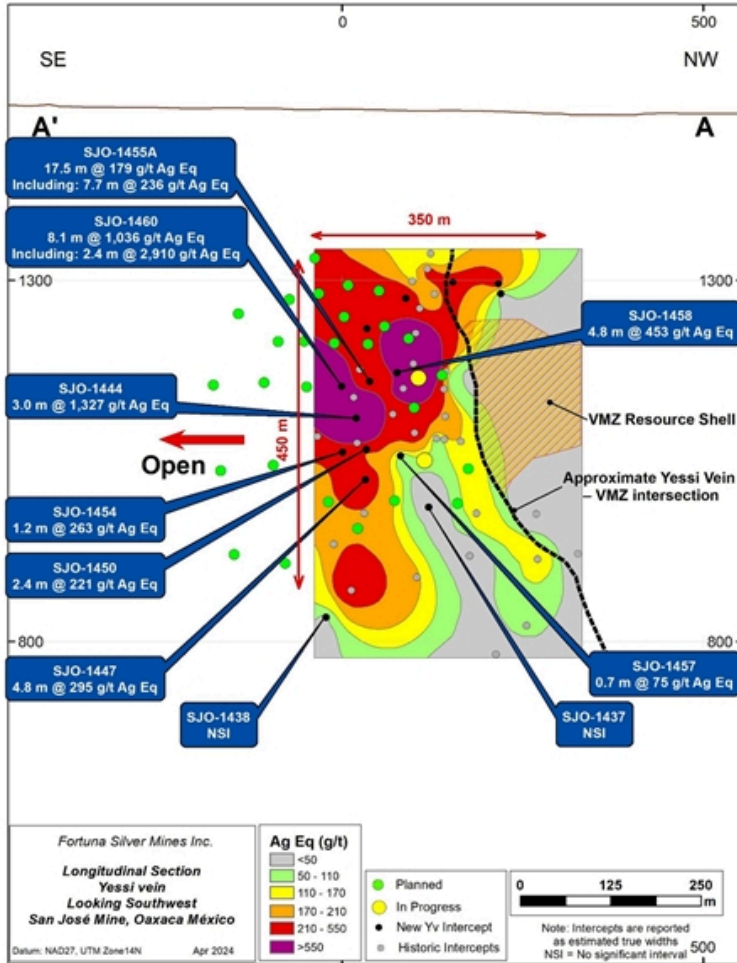
Maintaining Sector Perform and C\$7.50 target. Our thesis considers elevated FCF (NBF 2024 ~\$97 mln/~7% yield at spot), tempered by premium valuation, deleveraging, easing silver weighting (Q4/23 was ~75% Au) and jurisdiction considerations. Trading at P/NAV of 1.40x (EDV 0.79x, AAUC 0.27x) and P/CF24 of 5.3x (EDV 4.8x, AAUC 3.7x). Our target is based on 5.50x EV/EBITDA NTM.

Figure 1: Yessi Vein View Plan



Source: Company Reports

Figure 2: Yessi Vein Long Section (Looking South)



Source: Company Reports

Disclosures

PRICE, RATING AND TARGET HISTORY: I = Initiation, OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; T = Tender (Source: Factset, NBF)



RISKS:

Reserve Depletion: As with many mining companies, FVI relies on brownfield and greenfield exploration to increase reserves and sustain production levels.

Financing & Liquidity Risk: FVI is levered and the ability to pay outstanding debt is subject to repayment risk from the company's ability to generate FCF. FVI's cash flows are subject to fluctuations in silver, gold, lead and zinc prices and other relevant commodities (fuel/energy) as well as currency fluctuations for operating expenses (40-60%) with exposure to the Mexican and Argentine peso and Peruvian sol.

ADDITIONAL COMPANY RELATED DISCLOSURES

Fortuna Silver Mines Inc.
Allied Gold Corp. 243
Endeavour Mining plc

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243 The analyst attended site visits of Allied Gold's Sadiola mine in Mali and the Bonikro and Agbaou mines in Côte d'Ivoire from June 11-17, 2023. A portion of the analyst's travel expenses was paid for by the issuer.

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|--|------------|----------------|--------------|
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| Coverage Universe Ratings Distribution | 62% | 34% | 1% |
| % of Rating with Investment Banking Relationship | 61% | 62% | 60% |

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