



FORTUNA
SILVER MINES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2020 AND 2019

(Presented in thousands of United States dollars, unless otherwise stated)

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

(Unaudited - Presented in thousands of US dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Sales (note 23)	\$ 44,484	\$ 67,908	\$ 92,025	\$ 126,899
Cost of sales (note 24)	30,707	44,930	70,784	82,434
Mine operating income	13,777	22,978	21,241	44,465
General and administration (note 25)	10,379	6,963	13,998	13,484
Exploration and evaluation	126	329	503	515
Share of loss from associates (note 11)	23	58	67	129
Foreign exchange loss (gain)	2,604	(199)	3,892	3,463
Other expenses (note 26)	1,935	116	2,232	250
	15,067	7,267	20,692	17,841
Operating income (loss)	(1,290)	15,711	549	26,624
Investment gains (note 12)	2,188	-	3,306	-
Interest and finance (costs) income, net (note 27)	(349)	(107)	(706)	36
Gain (loss) on derivatives	-	338	-	(1,223)
	1,839	231	2,600	(1,187)
Income before income taxes	549	15,942	3,149	25,437
Income taxes				
Current income tax expense	4,025	9,912	9,964	18,513
Deferred income tax expense (recovery)	2,179	(4,249)	3,338	(5,598)
	6,204	5,663	13,302	12,915
Net income (loss) for the period	\$ (5,655)	\$ 10,279	\$ (10,153)	\$ 12,522
Earnings (loss) per share (note 22)				
Basic	\$ (0.03)	\$ 0.07	\$ (0.06)	\$ 0.08
Diluted	\$ (0.03)	\$ 0.07	\$ (0.06)	\$ 0.08
Weighted average number of common shares outstanding (000's)				
Basic	171,219	160,215	165,783	160,093
Diluted	171,219	162,656	165,783	161,933

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

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

(Unaudited - Presented in thousands of US dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income (loss) for the period	\$ (5,655)	\$ 10,279	\$ (10,153)	\$ 12,522
Items that may in the future be reclassified to profit or loss:				
Changes in fair value of hedging instruments, net of \$nil tax	129	(531)	(689)	(792)
Total other comprehensive income (loss) for the period	129	(531)	(689)	(792)
Comprehensive income (loss) for the period	\$ (5,526)	\$ 9,748	\$ (10,842)	\$ 11,730

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

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

(Unaudited - Presented in thousands of US dollars)

	June 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 76,685	\$ 83,404
Trade and other receivables (note 5)	33,945	47,707
Inventories (note 6)	13,317	14,471
Other current assets (note 7)	7,480	5,495
Assets held for sale (note 8)	1,069	1,069
	132,496	152,146
NON-CURRENT ASSETS		
Mineral properties and exploration and evaluation assets (note 9)	375,949	353,519
Plant and equipment (note 10)	400,989	378,509
Investment in associates (note 11)	938	1,331
Long-term receivables and other (note 12)	41,052	38,389
Deposits and advances to contractors (note 13)	7,963	12,171
Total assets	\$ 959,387	\$ 936,065
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (note 14)	47,235	65,286
Income taxes payable	6,776	12,400
Current portion of lease obligations (note 16)	8,088	8,831
Current portion of closure and reclamation provisions (note 19)	5,129	3,257
	67,228	89,774
NON-CURRENT LIABILITIES		
Debt (note 17)	132,608	146,535
Deferred tax liabilities	24,253	20,915
Closure and reclamation provisions (note 19)	29,843	27,868
Lease obligations (note 16)	12,706	15,048
Other liabilities (note 18)	737	499
Total liabilities	267,375	300,639
SHAREHOLDERS' EQUITY		
Share capital (note 21)	491,103	422,145
Reserves	23,875	26,094
Retained earnings	177,034	187,187
Total shareholders' equity	692,012	635,426
Total liabilities and shareholders' equity	\$ 959,387	\$ 936,065

*/s/ Jorge Ganoza Durant*Jorge Ganoza Durant
Director*/s/ Kylie Dickson*Kylie Dickson
Director

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

Fortuna Silver Mines Inc.
Condensed Interim Consolidated Statements of Cashflows

(Unaudited - Presented in thousands of US dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (5,655)	\$ 10,279	\$ (10,153)	\$ 12,522
Items not involving cash				
Depletion and depreciation	9,009	12,219	20,582	22,039
Accretion expense	172	247	402	512
Income taxes	6,204	5,663	13,301	12,915
Interest expense	218	318	556	673
Interest income	(33)	578	(252)	-
Share based payments expense, net of cash settlements	5,699	671	4,167	607
Share of loss from associates	23	58	67	129
Unrealized foreign exchange loss	92	477	261	590
Unrealized foreign exchange loss, Lindero construction (note 12)	2,715	(711)	5,987	2,176
Investments gains, Lindero construction	(2,188)	-	(3,306)	-
Unrealized loss on derivatives	-	309	-	2,646
Write-downs and other	78	(196)	269	41
	16,334	29,912	31,881	54,850
Trade and other receivables	(3,454)	2,101	12,546	(3,702)
Prepaid expenses	471	1,306	(856)	1,695
Inventories	908	673	850	(1,125)
Trade and other payables	(6,035)	(4,105)	(11,083)	(4,802)
Closure and rehabilitation payments	(76)	(65)	(99)	(191)
Cash provided by operating activities	8,148	29,822	33,239	46,725
Income taxes paid	(4,509)	(6,006)	(16,530)	(20,005)
Interest paid	(236)	(293)	(305)	(602)
Interest received	33	475	252	1,816
Net cash provided by operating activities	3,436	23,998	16,656	27,934
INVESTING ACTIVITIES				
Proceeds from (purchases of) short-term investments	-	(475)	-	71,008
Additions to mineral properties, plant and equipment	(951)	(4,133)	(6,434)	(13,349)
Expenditures on Lindero construction	(19,614)	(51,285)	(56,430)	(74,752)
Capitalized interest on Lindero construction	(2,819)	(1,320)	(5,069)	(2,235)
Contractor advances on Lindero construction and other expenditures	(1,304)	(6,353)	(3,972)	(18,062)
Advances applied to Lindero construction and other expenditures	1,998	15,440	7,664	17,348
Purchases of marketable securities - Lindero construction	(3,284)	-	(7,269)	-
Proceeds from sale of marketable securities - Lindero construction	5,472	-	10,575	-
Proceeds from sale of assets	44	4	44	229
Additions to long-term receivables	(3,267)	(9,241)	(9,081)	(17,170)
Cash used in investing activities	(23,725)	(57,363)	(69,972)	(36,983)
FINANCING ACTIVITIES				
Proceeds from credit facility (note 17(a))	-	-	40,000	-
Repayment of credit facility (note 17(a))	(55,000)	-	(55,000)	-
Proceeds from issuance of common shares	69,000	-	69,000	-
Share issuance costs	(3,123)	-	(3,123)	-
Payments of lease obligations	(2,396)	(1,867)	(4,132)	(3,796)
Cash (used in) provided by financing activities	8,481	(1,867)	46,745	(3,796)
Effect of exchange rate changes on cash and cash equivalents	(49)	(489)	(148)	(438)
Decrease in cash and cash equivalents during the period	(11,857)	(35,721)	(6,719)	(13,283)
Cash and cash equivalents, beginning of the period	88,542	112,941	83,404	90,503
Cash and cash equivalents, end of the period	\$ 76,685	\$ 77,220	\$ 76,685	\$ 77,220
Cash and cash equivalents consist of:				
Cash	\$ 57,612	\$ 25,160	\$ 57,612	\$ 25,160
Cash equivalents	19,073	52,060	19,073	52,060
Cash and cash equivalents, end of the period	\$ 76,685	\$ 77,220	\$ 76,685	\$ 77,220

The accompanying notes are an integral part of these financial statements

Fortuna Silver Mines Inc.
Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited - Presented in thousands of US dollars, except for number of shares)

	Share capital		Reserves						
	Number of common shares	Amount	Equity reserve	Hedging reserve	Fair value reserve	Equity component of convertible debenture	Foreign Currency reserve	Retained earnings	Total equity
Balance at January 1, 2020	160,291,553	\$ 422,145	\$ 20,870	\$ (674)	\$ (42)	\$ 4,825	\$ 1,115	\$ 187,187	\$ 635,426
Total comprehensive loss for the period									
Net loss for the period	-	-	-	-	-	-	-	(10,153)	(10,153)
Other comprehensive loss for the period	-	-	-	(689)	-	-	-	-	(689)
Total comprehensive loss for the period	-	-	-	(689)	-	-	-	(10,153)	(10,842)
Transactions with owners of the Company									
Issuance of common shares	23,000,000	69,000	-	-	-	-	-	-	69,000
Share issuance costs	-	(3,123)	-	-	-	-	-	-	(3,123)
Shares issued on vesting of share units	692,548	3,081	(3,081)	-	-	-	-	-	-
Share-based payments (note 20)	-	-	1,551	-	-	-	-	-	1,551
	23,692,548	68,958	(1,530)	-	-	-	-	-	67,428
Balance at June 30, 2020	183,984,101	\$ 491,103	\$ 19,340	\$ (1,363)	\$ (42)	\$ 4,825	\$ 1,115	\$ 177,034	\$ 692,012
Balance at January 1, 2019	159,939,595	\$ 420,467	\$ 17,882	\$ (9)	\$ (42)	\$ -	\$ 1,115	\$ 163,391	\$ 602,804
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	-	-	12,522	12,522
Other comprehensive loss for the period	-	-	-	(792)	-	-	-	-	(792)
Total comprehensive income for the period	-	-	-	(792)	-	-	-	12,522	11,730
Transactions with owners of the Company									
Shares issued on vesting of share units	351,958	1,678	(1,678)	-	-	-	-	-	-
Share-based payments (note 20)	-	-	2,355	-	-	-	-	-	2,355
	351,958	1,678	677	-	-	-	-	-	2,355
Balance at June 30, 2019	160,291,553	\$ 422,145	\$ 18,559	\$ (801)	\$ (42)	\$ -	\$ 1,115	\$ 175,913	\$ 616,889

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

Fortuna Silver Mines Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Presented in thousands of US dollars – unless otherwise noted)

1. Nature of Operations

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

The Company is engaged in precious and base metal mining and related activities in Latin America, including exploration, extraction, and processing. The Company operates the Caylloma silver, lead, and zinc mine (“Caylloma”) in southern Peru, the San Jose silver and gold mine (“San Jose”) in southern Mexico, and is constructing an open pit gold heap leach mine at its Lindero property (the “Lindero Project”) in northern Argentina.

Its common shares are listed on the New York Stock Exchange under the trading symbol FSM, on the Toronto Stock Exchange under the trading symbol FVI, and on the Frankfurt Stock Exchange under the trading symbol F4S.F.

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

2. COVID-19 Uncertainties and Liquidity Risk

COVID-19 Uncertainties

On March 11, 2020, the World Health Organisation declared COVID-19 as a pandemic. In response to the pandemic, the Governments of Mexico, Peru and Argentina implemented measures to curb the spread of COVID-19, which included among others, the closure of international borders, temporary suspension of all non-essential business, including mining, and the declaration of mandatory quarantine periods. To comply with these measures, the Company temporarily suspended mining operations at the San Jose and Caylloma mines and halted construction activities at the Lindero Project. The San Jose Mine was placed on care and maintenance for a total of 54 days, while processing activities continued to operate at the Caylloma Mine with a reduced task force drawing from its ore stockpile and mining subsequently restarted with a reduced taskforce. Construction activities at the Lindero Project were halted for much of the quarter ended June 30, 2020.

The Company has not experienced any significant disruption to product shipments since the onset of the COVID-19 pandemic. The Company also increased its supply of consumables inventory to avoid any supply chain disruption and is working to manage the logistical challenges presented by the closure of trade borders. Border restrictions, if ongoing, could result in supply chain delays and the movement of our mine workforce and disrupt production of our saleable products.

On June 4, 2020, the Company completed an amendment to the financial covenants under the Amended Credit Facility in response to uncertainty related to COVID-19. The Total Debt to EBITDA ratio has been removed and replaced with Total Net Debt to EBITDA, Net Senior Secured Debt to EBITDA, and EBITDA to Interest Expense ratios. The Company was in compliance with the financial covenants as at June 30, 2020 (note 17 a)).

On July 6, 2020, the Company voluntarily suspended operations at the Caylloma Mine to sanitize and disinfect the mine. Mining and ore processing operations at the mine resumed on July 27, 2020.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by the preparation of internally generated cash flow forecasts. These short-term cash flow forecasts consider estimation of future operating costs, financing costs, development capital and cash receipts from sales revenue. Sensitivity analyses are also performed, including the impact of volatility in estimated commodity prices.

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

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Presented in thousands of US dollars – unless otherwise noted)

As at June 30, 2020, the Company had \$131,685 of liquidity comprised of cash and cash equivalents and amounts available for drawdown from the revolving credit facility. The Company expects to incur between \$55,000 to \$60,000 to complete the construction of the Lindero Project, inclusive of preproduction expenditures, working capital and recoverable value added taxes.

The Company believes that its cash and cash equivalents and credit facility will provide sufficient liquidity to meet the Company's minimum obligations for the next 12 months from June 30, 2020.

3. Basis of Presentation

Statement of Compliance

These unaudited condensed interim consolidated financial statements ("interim financial statements") were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019, which includes information necessary for understanding the Company's business and financial presentation.

The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements. None of the new standards, and amendments to standards and interpretations effective as of January 1, 2020, applied in preparing these interim financial statements had a significant effect.

The following accounting standard, interpretation or amendment that has been issued and is effective on January 1, 2020:

In September 2019, the IASB issued first phase amendments IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Hedging and IFRS 7 Financial Instrument Disclosures to address the financial reporting impact of the reform on interest rate benchmarks, such as the discontinuance of the interbank offered rates. The first phase amendment is focused on the impact to hedge accounting requirements. The Company adopted the first phase amendment and there was no material impact on its consolidated financial statements. The Company will continue to assess the effect of amendments related to the interest rate benchmark reform on its consolidated financial statements.

The following standard, interpretation or amendment that has been issued but is not yet effective:

On May 14, 2020, the IASB published a narrow scope amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of the narrow scope amendment on its consolidated financial statements and the possibility of early adoption.

On August 12, 2020, the Company's Board of Directors approved these interim financial statements for issuance.

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

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Presented in thousands of US dollars – unless otherwise noted)

Presentation and Functional Currency

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

Basis of Measurement

These interim financial statements have been prepared on a historical cost basis, except for those assets and liabilities that are measured at fair value (Note 29) at the end of each reporting period.

4. Use of Estimates, Assumptions and Judgements**(a) Critical Accounting Estimates and Assumptions**

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

The impact of such estimates, assumptions and judgements are pervasive throughout the interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these interim financial statements for the three and six months ended June 30, 2020, the Company applied the critical estimates, assumptions and judgements as disclosed in note 4 of its audited consolidated financial statements for the year ended December 31, 2019, in addition to the noted below.

Value-added tax (“VAT”) receivable

Timing of collection of VAT receivables is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company assesses the recoverability of the amounts receivable at each reporting date which is impacted by several factors, including the status of discussions with the tax authorities, and current interpretation of relevant tax legislation. Changes in these estimates can materially affect the amount recognized as VAT receivable and could result in an increase in other expenses recognized in the Condensed Interim Consolidated Income Statements and Comprehensive Income. Significant judgment is required to determine the presentation of current and non-current VAT receivable.

5. Trade and Other Receivables

	June 30, 2020	December 31, 2019
Trade receivables from concentrate sales	\$ 20,168	\$ 33,642
Advances and other receivables	2,471	2,419
Value added taxes recoverable	11,306	11,646
Accounts and other receivables	\$ 33,945	\$ 47,707

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

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Presented in thousands of US dollars – unless otherwise noted)

The Company's trade receivables from concentrate sales are expected to be collected in accordance with the terms of the existing concentrate sales contracts with its customers. No amounts were past due as at June 30, 2020 and December 31, 2019.

6. Inventories

	June 30, 2020	December 31, 2019
Concentrate stockpiles	\$ 2,993	\$ 2,640
Ore stockpiles	1,609	3,730
Materials and supplies	8,715	8,101
Inventories	\$ 13,317	\$ 14,471

During the three and six months ended June 30, 2020 the Company expensed \$26,109 and \$63,026 (three and six months ended June 30, 2019 – \$44,279 and \$81,065) of inventories to cost of sales.

7. Other Current Assets

	June 30, 2020	December 31, 2019
Income tax recoverable	\$ 3,574	\$ 2,553
Prepaid expenses	3,906	2,942
Other current assets	\$ 7,480	\$ 5,495

8. Assets Held for Sale

As at June 30, 2020, changes to assets held for sale are as follow:

Balance at December 31, 2018	\$ 1,097
Disposals	(28)
Balance at December 31, 2019	1,069
Balance at June 30, 2020	\$ 1,069

9. Mineral Properties and Exploration and Evaluation Assets

	Depletable		Not depletable		Total
	Caylloma	San Jose	Lindero	Other	
COST					
Balance at December 31, 2019	\$ 128,244	\$ 184,333	\$ 203,866	\$ 7,933	\$ 524,376
Additions	1,879	3,041	22,230	575	27,725
Changes in closure and reclamation provision	56	211	4,104	-	4,371
Balance at June 30, 2020	\$ 130,179	\$ 187,585	\$ 230,200	\$ 8,508	\$ 556,472
ACCUMULATED DEPLETION					
Balance at December 31, 2019	\$ 74,435	\$ 96,422	\$ -	\$ -	\$ 170,857
Depletion	3,622	6,044	-	-	9,666
Balance at June 30, 2020	\$ 78,057	\$ 102,466	\$ -	\$ -	\$ 180,523
Net Book Value at June 30, 2020	\$ 52,122	\$ 85,119	\$ 230,200	\$ 8,508	\$ 375,949

Fortuna Silver Mines Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Presented in thousands of US dollars – unless otherwise noted)

	Depletable		Not depletable		
	Caylloma	San Jose	Lindero	Other	Total
COST					
Balance at December 31, 2018	\$ 121,625	\$ 175,609	\$ 155,854	\$ 7,797	\$ 460,885
Additions	6,396	7,838	34,485	2,652	51,371
Changes in closure and reclamation provision	223	886	13,527	-	14,636
Disposals	-	-	-	(2,516)	(2,516)
Balance at December 31, 2019	\$ 128,244	\$ 184,333	\$ 203,866	\$ 7,933	\$ 524,376
ACCUMULATED DEPLETION					
Balance at December 31, 2018	\$ 68,207	\$ 79,878	\$ -	\$ -	\$ 148,085
Depletion	6,228	16,544	-	-	22,772
Balance at December 31, 2019	\$ 74,435	\$ 96,422	\$ -	\$ -	\$ 170,857
Net Book Value at December 31, 2019	\$ 53,809	\$ 87,911	\$ 203,866	\$ 7,933	\$ 353,519

During the three and six months ended June 30, 2020 the Company capitalized \$2,819 and \$5,069 (three and six months ended June 30, 2019 - \$1,119 and \$1,842) of interest related to the construction of the Lindero Project. The assets of the Caylloma Mine and the San Jose Mine and their holding companies, are pledged as security under the Company's credit facility.

Other consists of the following exploration and evaluation assets:

	Mexico		Argentina			Serbia	Others	
	Tlacolula	Pachuca	Arizaro	Esperanza	Incachule	Barje		Total
Balance at December 31, 2018	\$ 3,298	\$ -	\$ 934	\$ 788	\$ 766	\$ 1,938	\$ 73	\$ 7,797
Additions	218	962	2	-	-	1,318	152	2,652
Write-off	-	(962)	-	(788)	(766)	-	-	(2,516)
Balance at December 31, 2019	3,516	-	936	-	-	3,256	225	7,933
Additions	114	-	-	-	-	122	339	575
Balance at June 30, 2020	\$ 3,630	\$ -	\$ 936	\$ -	\$ -	\$ 3,378	\$ 564	\$ 8,508

10. Plant and Equipment

	Machinery and equipment	Land, Buildings and leasehold improvements	Furniture, other equipment and Transport units	Assets under lease	Capital work in progress - Lindero	Capital work in progress - Other	Total
COST							
Balance at December 31, 2019	\$ 75,246	\$ 159,732	\$ 16,083	\$ 35,671	\$ 219,335	\$ 6,424	\$ 512,491
Additions	408	62	700	165	33,026	2,017	36,378
Changes in closure and reclamation	43	-	-	-	-	-	43
Disposals	(86)	-	(24)	-	-	-	(110)
Reclassifications	579	4,772	868	-	(428)	(5,791)	-
Balance at June 30, 2020	\$ 76,190	\$ 164,566	\$ 17,627	\$ 35,836	\$ 251,933	\$ 2,650	\$ 548,802
ACCUMULATED DEPRECIATION							
Balance at December 31, 2019	\$ 42,214	\$ 78,360	\$ 7,402	\$ 6,006	\$ -	\$ -	\$ 133,982
Disposals	(23)	-	(21)	-	-	-	(44)
Depreciation	3,130	6,085	1,347	3,313	-	-	13,875
Balance at June 30, 2020	\$ 45,321	\$ 84,445	\$ 8,728	\$ 9,319	\$ -	\$ -	\$ 147,813
Net Book Value at June 30, 2020	\$ 30,869	\$ 80,121	\$ 8,899	\$ 26,517	\$ 251,933	\$ 2,650	\$ 400,989

Fortuna Silver Mines Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Unaudited - Presented in thousands of US dollars – unless otherwise noted)

	Machinery and equipment	Land, Buildings and leasehold improvements	Furniture, other equipment and transport units	Assets under lease ¹	Capital work in progress - Lindero	Capital work in progress - Other	Total
COST							
Balance at December 31, 2018	\$ 74,188	\$ 141,318	\$ 11,066	\$ 13,411	\$ 52,964	\$ 6,140	\$ 299,087
Initial adoption IFRS 16	-	-	-	7,316	-	-	7,316
Balance at January 1, 2019	74,188	141,318	11,066	20,727	52,964	6,140	306,403
Additions	1,185	714	3,464	14,944	177,017	9,718	207,042
Changes in closure and reclamation	171	-	-	-	-	-	171
Disposals	(1,038)	-	(87)	-	-	-	(1,125)
Reclassifications	740	17,700	1,640	-	(10,646)	(9,434)	-
Balance at December 31, 2019	\$ 75,246	\$ 159,732	\$ 16,083	\$ 35,671	\$ 219,335	\$ 6,424	\$ 512,491
ACCUMULATED DEPRECIATION							
Balance at December 31, 2018	\$ 35,843	\$ 65,547	\$ 5,390	\$ 107	\$ -	\$ -	\$ 106,887
Disposals	(746)	-	(79)	-	-	-	(825)
Depreciation	7,117	12,813	2,091	5,899	-	-	27,920
Balance at December 31, 2019	\$ 42,214	\$ 78,360	\$ 7,402	\$ 6,006	\$ -	\$ -	\$ 133,982
Net Book Value at December 31, 2019	\$ 33,032	\$ 81,372	\$ 8,681	\$ 29,665	\$ 219,335	\$ 6,424	\$ 378,509

(1) The Company leases equipment that was previously classified as a finance lease under IAS 17. On January 1, 2019, these leases were classified as right-of-use assets under IFRS 16 and the carrying amount of \$13,411 and the lease liability of \$8,767 were determined based on the carrying amount of these assets and their related lease liability immediately before this date.

11. Investment in Associates

As at June 30, 2020, investments in associates were comprised of:

Name	Proportion of ownership held		Market Value (C\$)	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Medgold Resources Corp. ("Medgold")	22%	22%	\$ 1,022	\$ 1,265
Prospero Silver Corp. ("Prospero")	27%	27%	\$ 309	\$ 464

Medgold and Prospero are Canadian public companies which both trade on the TSX Venture Exchange under the ticker symbols MED and PSL, respectively, and are quoted in Canadian dollars ("C\$"). Medgold's principal business activity is the acquisition and exploration of resource properties in Serbia, and Prospero's principal business activity is the acquisition and exploration of resource properties in Mexico.

	Medgold	Prospero	Total
Balance at December 31, 2018	\$ 3,075	\$ 1,202	\$ 4,277
Write down of investment	(1,937)	(784)	(2,721)
Share of net income (loss)	(164)	(61)	(225)
Balance at December 31, 2019	974	357	1,331
Write down of investment	(207)	(119)	(326)
Share of net loss	(47)	(20)	(67)
Balance at June 30, 2020	\$ 720	\$ 218	\$ 938

During the six months ended June 30, 2020, the Company wrote-down its investments in Prospero and Medgold in the amount of \$119 and \$207 (December 31, 2019: Prospero - \$784; Medgold - \$1,937), respectively.

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Subsequent to June 30, 2020, Medgold completed a 40 million unit financing at C\$0.05 cents per unit. This financing diluted our equity interest in Medgold to 15.6% and will result in a change to the accounting for our investment in Medgold in the third quarter of 2020. The investment will be classified as fair value through other comprehensive income, and changes in the fair value of the shares will be recorded in Other Comprehensive Income.

12. Long-Term Receivables and Other

	June 30, 2020	December 31, 2019
Value added tax recoverable - Lindero ⁽¹⁾	\$ 36,453	\$ 34,176
Value added tax recoverable - San Jose ⁽²⁾	2,241	2,036
Income tax recoverable (note 31(d))	1,167	1,310
Other assets	1,191	867
Long-term receivables and other	\$ 41,052	\$ 38,389

(1) The Company expects to start recovering the value added tax amount after the commencement of commercial production at the Lindero Project.

(2) The Company expects to start recovering the value added tax amount during the third quarter of 2021.

During the three and six months ended June 30, 2020 the Company recognized an unrealized foreign exchange loss of \$3,308 and \$5,998 (three and six months ended June 30, 2019 - \$763 gain and \$2,089 loss) related to the value added tax recoverable on the construction at the Lindero Project.

The Company implemented an investment strategy in the fourth quarter of 2019 to meet its local currency requirements in Argentina. During the three and six months ended June 30, 2020, the Company recognized \$2,188 and \$3,306, respectively, of gains from Argentine Peso denominated cross-border securities trades.

13. Deposits and Advances to Contractors

As at June 30, 2020, the Company has advanced \$7,547 (December 31, 2019 – \$12,164) to contractors related to the construction of the Lindero Project and \$416 related to other projects at the San Jose and Caylloma mines (December 31, 2019 – \$7) .

During the three and six months ended June 30, 2020 the Company paid \$1,304 and \$3,972, respectively, (December 31, 2019 - \$19,175) as deposits for advances to contractors and \$1,998 and \$7,664, respectively, of deposits (December 31, 2019 - \$49,950) were applied against equipment delivered or services rendered on the Lindero Project, and \$422 was transferred to accounts receivables.

14. Trade and Other Payables

	June 30, 2020	December 31, 2019
Trade accounts payable	\$ 11,907	\$ 15,975
Lindero construction payables	16,871	24,998
Refundable deposits to contractors	1,321	1,496
Payroll payable	6,245	13,627
Mining royalty payable	304	1,237
Value added taxes payable	-	224
Interest payable	1,819	1,457
Due to related parties (note 15)	5	14
Other payables	179	535
Derivative liability	1,592	894
Deferred share units payable (note 20(a))	5,694	3,918
Restricted share units payable (note 20(b))	1,298	911
Total trade and other payables	\$ 47,235	\$ 65,286

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15. Related Party Transactions

In addition to the related party transactions and balances disclosed elsewhere in these interim financial statements, the Company entered into the following related party transactions during the three and six months ended June 30, 2020 and 2019:

a) Purchase of Goods and Services

During the three and six months ended June 30, 2020 and 2019, the Company was charged for general and administrative services pursuant to a shared services agreement with Gold Group Management Inc., a company of which Simon Ridgway, the Company's Chairman, is a director.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Personnel costs	\$ 5	\$ 2	\$ 10	\$ 5
General and administrative expenses	24	28	116	113
	\$ 29	\$ 30	\$ 126	\$ 118

As at June 30, 2020, the Company had outstanding balances payable to Gold Group Management Inc. of \$5 (December 31, 2019 - \$14). Amounts due to related parties are due on demand and are unsecured.

b) Key Management Personnel

During the three and six months ended June 30, 2020 and 2019, the Company was charged for consulting services by Mario Szotlender, a director of the Company, and by Mill Street Services Ltd., a company of which Simon Ridgway, the Company's Chairman, is a director. Such amounts, along with other key management personnel compensation expense were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries and benefits	\$ 1,108	\$ 1,719	\$ 1,582	\$ 3,086
Directors fees	202	186	373	362
Consulting fees	27	22	66	56
Share-based payments	5,178	132	3,912	1,478
	\$ 6,515	\$ 2,059	\$ 5,933	\$ 4,982

16. Lease Obligations

	Minimum lease payments	
	June 30, 2020	December 31, 2019
Less than one year	\$ 8,588	\$ 9,313
Between one and five years	10,808	13,521
More than five years	14,958	14,958
	34,354	37,792
Less: future finance charges	(13,560)	(13,913)
Present value of minimum lease payments	20,794	23,879
Less: current portion	(8,088)	(8,831)
Non-current portion	\$ 12,706	\$ 15,048

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17. Debt

The following table summarizes the changes in debt:

	Credit Facility	Debentures	Total
Balance at December 31, 2018	\$ 69,302	\$ -	\$ 69,302
Proceeds from debentures	-	46,000	46,000
Transaction costs paid	-	(2,490)	(2,490)
Portion allocated to equity	-	(7,141)	(7,141)
Transaction costs allocated to equity	-	389	389
Amortization of discount	128	347	475
Drawdowns	40,000	-	40,000
Balance at December 31, 2019	109,430	37,105	146,535
Amortization of discount	185	888	1,073
Drawdowns	40,000	-	40,000
Payments	(55,000)	-	(55,000)
Balance at June 30, 2020	\$ 94,615	\$ 37,993	\$ 132,608

a) Credit Facility

The Company has a two credit facilities (collectively, the “Credit Facilities”) comprising of a \$40,000 non-revolving credit facility which matures on January 26, 2022 and a \$110,000 revolving credit facility, of which any amount drawn in excess of \$80,000 million matures on December 31, 2020 and the remaining \$80,000 matures on January 26, 2022.

On June 4, 2020, the Company amended the financial covenants contained in Credit Facilities as follows:

- Total Net Debt to EBITDA ratio, as defined in the Credit Facilities, of not greater than 4.50:1.00 for the remaining three quarters of 2020 and the first quarter of 2021, reducing to 4.00:1.00 in the second quarter of 2021 and for the remainder of the term of the Credit Facility;
- Net Senior Secured Debt to EBITDA ratio, as defined in the Credit Facilities, of not greater than 3.00:1.00 in the remaining three quarters of 2020 and the first quarter of 2021, reducing to 2.00:1.00 in the second quarter of 2021 and for the remainder of the term of the Credit Facilities; and
- EBITDA to Interest Expense ratio, as defined in the Credit Facilities, of a minimum of 4.00:1.00 beginning in the second quarter of 2020 and for the remainder of the term of the Credit Facilities.

The interest rate on the Credit Facilities will continue to be based on a sliding scale at one-month LIBOR plus an applicable margin ranging from 2.5% to 3.5%, based on the Net Senior Secured Debt to EBITDA ratio, as defined in the Credit Facilities. The Credit Facilities are secured by a first ranking lien on the assets of Minera Bateas S.A.C. and Compania Minera Cuzcatlan S.A. de C.V. and their holding companies. The Company must comply with the terms in the Credit Facilities relating to, among other matters, reporting requirements, conduct of business, insurance, notices, and must comply with the new financial covenants as outlined above. As at June 30, 2020, the Company was in compliance with all of the covenants under the Credit Facilities.

During the six months ended June 30, 2020, the Company drew \$40,000 and subsequently paid \$55,000 from the revolving credit facility. As at June 30, 2020, the Company has fully drawn the non-revolving credit facility and has drawn \$55,000 under the revolving credit facility.

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b) Convertible Debenture

On October 2 and 6, 2019, the Company completed a bought deal public offering of senior subordinated unsecured convertible debentures with an aggregate principal amount of \$46,000 (the “Debentures”).

The Debentures mature on October 31, 2024 and bear interest at a rate of 4.65% per annum, payable semi-annually in arrears on the last business day of April and October, commencing on April 30, 2020. The Debentures are convertible at the holder’s option into common shares in the capital of the Company at a conversion price of \$5.00 per share (the “Conversion Price”), representing a conversion rate of 200 Common Shares per \$1 principal amount of Debentures, subject to adjustment in certain circumstances.

On or after October 31, 2022 and prior to October 31, 2023, the Debentures may be redeemed in whole or in part from time to time at the Company’s option at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the NYSE for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is at least 125% of the Conversion Price. On and after October 31, 2023, the Debentures may be redeemed in whole or in part from time to time at the Company’s option at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the Common Shares.

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

18. Other Liabilities

	June 30, 2020	December 31, 2019
Restricted share units (note 20(b))	\$ 501	\$ 246
Other non-current liabilities	236	253
	\$ 737	\$ 499

19. Closure and Reclamation Provisions

The following table summarizes the changes in closure and reclamation provision as follows:

	Closure and Reclamation Provisions			
	Caylloma Mine	San Jose Mine	Lindero Project	Total
Balance at December 31, 2019	\$ 11,324	\$ 4,848	\$ 14,953	\$ 31,125
Changes in estimate	99	211	3,968	4,278
Reclamation expenditures	(38)	(61)	-	(99)
Accretion	141	138	136	415
Effect of changes in foreign exchange rates	-	(747)	-	(747)
Balance at June 30, 2020	11,526	4,389	19,057	34,972
Less: Current portion	4,918	211	-	5,129
Non-current portion	\$ 6,608	\$ 4,178	\$ 19,057	\$ 29,843

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

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	Closure and Reclamation Provisions			
	Caylloma Mine	San Jose Mine	Lindero Project	Total
Balance at December 31, 2018	\$ 10,800	\$ 3,716	\$ 1,427	\$ 15,943
Changes in estimate	394	886	13,390	14,670
Reclamation expenditures	(201)	(150)	-	(351)
Accretion	331	259	136	726
Effect of changes in foreign exchange rates	-	137	-	137
Balance at December 31, 2019	11,324	4,848	14,953	31,125
Less: Current portion	3,048	209	-	3,257
Non-current portion	\$ \$8,276	\$ \$4,639	\$ \$14,953	\$ \$27,868

Closure and reclamation provisions represent the present value of reclamation costs related to mine and development sites. There have been no significant changes in requirements, laws, regulations, operating assumptions, estimated timing and amount of reclamation and closure obligations during the three and six months ended June 30, 2020 except for the Lindero Project, where the Company estimates reclamation and closure cost based on the progress of the mine construction.

	Closure and Reclamation Provisions			
	Caylloma Mine	San Jose Mine	Lindero Project	Total
Anticipated settlement date	2021 - 2027	2025 - 2037	2029 - 2042	
Undiscounted uninflated estimated cash flow	\$ 11,719	\$ 5,155	\$ 17,420	\$ 34,294
Estimated life of mine (years)	10	6	14	
Discount rate	2.48%	5.70%	1.18%	
Inflation rate	2.00%	3.58%	2.00%	

The Company is expecting to incur annual reclamation expenses throughout the life of its mines.

20. Share Based Payments

During the three and six months ended June 30, 2020, the Company recognized share-based payment expenses of \$5,615 and \$4,128 (three and six months ended June 30, 2019 - \$568 and \$1,649, respectively) related to the outstanding deferred, restricted and performance share units. For the three and six months ended June 30, 2020, the Company recognized share-based payment expenses of \$1 and \$56, related to stock options (three and six months ended June 30, 2019 - \$108 and \$376, respectively).

(a) Deferred Share Units (DSUs)

	Cash Settled	
	Number of DSUs	Fair Value
Outstanding, December 31, 2018	850,067	\$ 3,116
Granted	111,804	455
Changes in fair value	-	347
Outstanding, December 31, 2019	961,871	3,918
Granted	162,648	383
Changes in fair value	-	1,393
Outstanding, June 30, 2020	1,124,519	\$ 5,694

On April 20, 2020, the Company granted 162,648 deferred share units to its non-executive directors with a fair value of \$2.36 (C\$3.32) for each DSU (year ended December 31, 2019 - 111,804 DSUs with a fair value of \$4.83 (C\$3.62) per DSU).

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(b) Restricted Share Units (RSUs)

	Cash Settled		Equity Settled
	Number of RSUs	Fair Value	Number of RSUs
Outstanding, December 31, 2018	659,385	\$ 2,057	734,631
Granted	139,661	506	633,914
Units paid out in cash	(406,611)	(1,466)	-
Vested	-	-	(201,633)
Changes in fair value and vesting	-	60	-
Outstanding, December 31, 2019	392,435	1,157	1,166,912
Grants	1,056,207	2,489	815,220
Units paid out in cash	(76,139)	(225)	-
Vested	-	-	(448,766)
Changes in fair value and vesting	-	(1,622)	-
Outstanding, June 30, 2020	1,372,503	1,799	1,533,366
Less: current portion		(1,298)	
Non-current portion		\$ 501	

On April 20, 2020, the Company granted to its employees and officers a total of 1,056,207 cash-settled and 815,220 equity-settled RSUs, which vest 20% on the first anniversary, 30% on the second anniversary and 50% on the third anniversary of the date of grant. The fair value on the grant date of the 815,220 equity settled RSUs per share unit was \$2.36 (C\$3.32) per unit (year ended December 31, 2019- 633,914 with a fair value of \$3.62 (C\$4.83) per unit).

(c) Performance Share Units

	Equity Settled Number of PSUs
Outstanding, December 31, 2018	1,002,166
Granted	422,609
Vested	(150,325)
Outstanding, December 31, 2019	1,274,450
Forfeited or cancelled	(191,498)
Vested	(243,782)
Outstanding, June 30, 2020	839,170

During the three and six months ended June 30, the Company did not grant any PSUs (year ended December 31, 2019 – 422,609 with a fair value of \$3.62 (C\$4.83) per share unit) to its employees and officers.

The PSUs granted during the year ended December 31, 2019 vest 20% on the first anniversary, 30% on the second anniversary and 50% on the third anniversary of the date of grant based on prescribed performance metrics, and are subject to a multiplier ranging from 50% to 200% depending on the achievement level of certain performance targets.

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d) Stock Options

The Company's Stock Option Plan, as amended and approved from time to time, permits the Company to issue up to 12,200,000 stock options. As at June 30, 2020, a total of 1,574,403 stock options were available for issuance under the plan.

	Number of stock options	Weighted average exercise price
		Canadian dollars
Outstanding, December 31, 2018	1,784,029	\$ 5.85
Outstanding, December 31, 2019	1,784,029	5.85
Expired unexercised	(517,833)	4.79
Outstanding, June 30, 2020	1,266,196	\$ 6.28
Vested and exercisable, December 31, 2019	1,459,779	\$ 5.77
Vested and exercisable, June 30, 2020	1,266,196	\$ 6.28

21. Share Capital**a) Authorized Share Capital**

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

b) Financing

On May 11, 2020, the Company closed the bought deal equity financing for a total of 23,000,000 Shares at a price of \$3.00 per share for gross proceeds of \$69,000, which includes the exercise, in full, of the over-allotment option. The Company incurred transaction cost of \$3,123 related to this financing.

22. Earnings (Loss) per Share

	Three months ended June 30,		Six months ended June 30,	
Basic	2020	2019	2020	2019
Net income (loss) for the period	\$ (5,655)	\$ 10,279	\$ (10,153)	\$ 12,522
Weighted average number of shares (000's)	171,219	160,215	165,783	160,093
Earnings (loss) per share - basic	\$ (0.03)	\$ 0.07	\$ (0.06)	\$ 0.08

	Three months ended June 30,		Six months ended June 30,	
Diluted	2020	2019	2020	2019
Net income (loss) for the period	\$ (5,655)	\$ 10,279	\$ (10,153)	\$ 12,522
Weighted average number of shares (000's)	171,219	160,215	165,783	160,093
Incremental shares from share units	-	2,441	-	1,840
Weighted average diluted number of shares (000's)	171,219	162,656	165,783	161,933
Earnings (loss) per share - diluted	\$ (0.03)	\$ 0.07	\$ (0.06)	\$ 0.08

For the three and six months ended June 30 2020 – 1,266,196 out of the money options were excluded from the diluted earnings per share calculation as their effect would have been anti-dilutive (three and six months ended June 30, 2019 – 1,784,029). In addition, there were 1,754,160 anti-dilutive share units and 9,200,000 debentures excluded from the above calculation, respectively (three and six months ended June 30, 2019 – 1,266,196 anti-dilutive share units and nil debentures, respectively).

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23. Sales

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

By-product and Geographical Area

	Three months ended June 30, 2020		
	Peru	Mexico	Total
Silver-gold concentrates	\$ -	\$ 27,359	\$ 27,359
Silver-lead concentrates	8,652	-	8,652
Zinc concentrates	4,917	-	4,917
Provisional pricing adjustments	391	3,165	3,556
Sales to external customers	\$ 13,960	\$ 30,524	\$ 44,484

	Three months ended June 30, 2019		
	Peru	Mexico	Total
Silver-gold concentrates	\$ -	\$ 51,608	\$ 51,608
Silver-lead concentrates	7,964	-	7,964
Zinc concentrates	8,527	-	8,527
Provisional pricing adjustments	535	(726)	(191)
Sales to external customers	\$ 17,026	\$ 50,882	\$ 67,908

	Six months ended June 30, 2020		
	Peru	Mexico	Total
Silver-gold concentrates	\$ -	\$ 66,020	\$ 66,020
Silver-lead concentrates	16,709	-	16,709
Zinc concentrates	10,137	-	10,137
Provisional pricing adjustments	(675)	(166)	(841)
Sales to external customers	\$ 26,171	\$ 65,854	\$ 92,025

	Six months ended June 30, 2019		
	Peru	Mexico	Total
Silver-gold concentrates	\$ -	\$ 91,015	\$ 91,015
Silver-lead concentrates	19,377	-	19,377
Zinc concentrates	17,768	-	17,768
Provisional pricing adjustments	(535)	(726)	(1,261)
Sales to external customers	\$ 36,610	\$ 90,289	\$ 126,899

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Customer 1	\$ 30,524	\$ 50,882	\$ 65,854	\$ 90,289
Customer 2	13,960	17,081	26,171	36,665
Customer 3	-	(55)	-	(55)
	\$ 44,484	\$ 67,908	\$ 92,025	\$ 126,899

We are exposed to metal price risk with respect to our sales of silver, gold, zinc, and lead concentrates. A 10% change in metal prices from the prices used at June 30, 2020 would result in the following change to sales and accounts receivable for sales which are still based on provisional prices As at June 30, 2020.

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Metal	Change	Effect on Sales
Silver	+/- 10%	\$ 1,748
Gold	+/- 10%	\$ 1,516
Lead	+/- 10%	\$ 140
Zinc	+/- 10%	\$ 164

During the three and six months ended June 30, 2020 the Company recognized a positive sales adjustment of \$3,556 and a negative sales adjustment of \$841, respectively (three and six months ended June 30, 2019 – negative \$343 and \$1,261, respectively) as a result of changes in metal prices on final settlement prices or during the quotational period.

24. Cost of Sales

	Three months ended June 30, 2020			Six months ended June 30, 2020		
	Caylloma	San Jose	Total	Caylloma	San Jose	Total
Direct mining costs	\$ 8,333	\$ 9,311	\$ 17,644	\$ 15,338	\$ 25,212	\$ 40,550
Salaries and benefits	1,892	1,075	2,967	3,675	2,958	6,633
Workers' participation	-	803	803	20	2,089	2,109
Depletion and depreciation	3,902	4,371	8,273	7,718	11,818	19,536
Royalties	153	749	902	319	1,639	1,958
Impairment (reversal) of inventories	-	118	118	-	(2)	(2)
	\$ 14,280	\$ 16,427	\$ 30,707	\$ 27,070	\$ 43,714	\$ 70,784

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	Caylloma	San Jose	Total	Caylloma	San Jose	Total
Direct mining costs	\$ 8,875	\$ 17,697	\$ 26,572	\$ 16,954	\$ 32,248	\$ 49,202
Salaries and benefits	1,980	1,906	3,886	3,719	3,667	7,386
Workers' participation	185	1,603	1,788	463	2,259	2,722
Depletion and depreciation	3,283	8,419	11,702	6,347	15,007	21,354
Royalties	42	940	982	89	1,681	1,770
	\$ 14,365	\$ 30,565	\$ 44,930	\$ 27,572	\$ 54,862	\$ 82,434

For the three and six months ended June 30, 2020 depletion and depreciation includes \$529 and \$1,069 (three and six months ended June 30, 2019 - \$441 and \$1,097) depreciation of right-of-use assets.

25. General and Administration

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
General and administration	\$ 4,595	\$ 5,821	\$ 9,291	\$ 10,803
Workers' participation	208	433	534	656
	4,803	6,254	9,825	11,459
Share-based payments	5,576	709	4,173	2,025
	\$ 10,379	\$ 6,963	\$ 13,998	\$ 13,484

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26. Other Expenses

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Write-down of investment in associate	\$ -	\$ -	\$ 228	\$ -
Loss (gain) on disposal of assets	(44)	(3)	20	(6)
Other expenses	(123)	119	(118)	256
Care and maintenance costs related to COVID-19	2,102	-	2,102	-
	\$ 1,935	\$ 116	\$ 2,232	\$ 250

27. Interest and Finance (Costs) Income, Net

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest income	\$ 41	\$ 458	\$ 252	\$ 1,221
Interest expense	(129)	(193)	(404)	(425)
Bank stand-by and commitment fees	(89)	(125)	(152)	(248)
Accretion expense	(172)	(247)	(402)	(512)
	\$ (349)	\$ (107)	\$ (706)	\$ 36

28. Segmented Information

The following summary describes the operations of each reportable segment:

- Minera Bateas S.A.C. ("Bateas") – operates the Caylloma silver, lead and zinc mine
- Compania Minera Cuzcatlan S.A. de C.V. ("Cuzcatlan") – operates the San Jose silver-gold mine
- Mansfield Minera S.A. ("Mansfield") – construction of the Lindero mine
- Corporate – corporate stewardship

	Three Months Ended June 30, 2020				
	Corporate	Bateas	Cuzcatlan	Mansfield	Total
Revenues from external customers	\$ -	\$ 13,960	\$ 30,524	\$ -	\$ 44,484
Cost of sales before depreciation and depletion	-	(10,378)	(12,056)	-	(22,434)
Depreciation and depletion in cost of sales	-	(3,902)	(4,371)	-	(8,273)
General, and administration	(7,963)	(771)	(1,645)	-	(10,379)
Other expenses	(101)	(86)	(1,703)	(2,798)	(4,688)
Finance items	(197)	(99)	(53)	2,188	1,839
Segment (loss) profit before taxes	(8,261)	(1,276)	10,696	(610)	549
Income taxes	(678)	(342)	(5,184)	-	(6,204)
Segment (loss) profit after taxes	\$ (8,939)	\$ (1,618)	\$ 5,512	\$ (610)	\$ (5,655)

	Three Months Ended June 30, 2019				
	Corporate	Bateas	Cuzcatlan	Mansfield	Total
Revenues from external customers	\$ -	\$ 17,026	\$ 50,882	\$ -	\$ 67,908
Cost of sales before depreciation and depletion	-	(11,082)	(22,146)	-	(33,228)
Depreciation and depletion in cost of sales	-	(3,283)	(8,419)	-	(11,702)
General and administration	(3,969)	(983)	(2,011)	-	(6,963)
Other income (expenses)	(111)	(193)	(550)	550	(304)
Finance items	136	(24)	119	-	231
Segment (loss) profit before taxes	(3,944)	1,461	17,875	550	15,942
Income taxes	(1,627)	(484)	(6,259)	2,707	(5,663)
Segment (loss) profit after taxes	\$ (5,571)	\$ 977	\$ 11,616	\$ 3,257	\$ 10,279

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	Six months ended June 30, 2020				
	Corporate	Bateas	Cuzcatlan	Mansfield	Total
Revenues from external customers	\$ -	\$ 26,171	\$ 65,854	\$ -	\$ 92,025
Cost of sales before depreciation and depletion	-	(19,352)	(31,896)	-	(51,248)
Depreciation and depletion in cost of sales	-	(7,718)	(11,818)	-	(19,536)
General and administration	(8,793)	(1,818)	(3,387)	-	(13,998)
Other expenses	(353)	(217)	32	(6,156)	(6,694)
Finance items	(490)	(206)	(10)	3,306	2,600
Segment (loss) profit before taxes	(9,636)	(3,140)	18,775	(2,850)	3,149
Income taxes	(2,521)	(592)	(10,189)	-	(13,302)
Segment (loss) profit after taxes	\$ (12,157)	\$ (3,732)	\$ 8,586	\$ (2,850)	\$ (10,153)

	Six months ended June 30, 2019				
	Corporate	Bateas	Cuzcatlan	Mansfield	Total
Revenues from external customers	\$ -	\$ 36,610	\$ 90,289	\$ -	\$ 126,899
Cost of sales before depreciation and depletion	-	(21,225)	(39,855)	-	(61,080)
Depreciation and depletion in cost of sales	-	(6,347)	(15,007)	-	(21,354)
General and administration	(7,973)	(1,979)	(3,532)	-	(13,484)
Other income (expenses)	(300)	(544)	(1,177)	(2,336)	(4,357)
Finance items	(34)	(1,397)	244	-	(1,187)
Segment (loss) profit before taxes	(8,307)	5,118	30,962	(2,336)	25,437
Income taxes	(1,817)	(1,572)	(10,655)	1,129	(12,915)
Segment (loss) profit after taxes	\$ (10,124)	\$ 3,546	\$ 20,307	\$ (1,207)	\$ 12,522

	June 30, 2020				
	Corporate	Bateas	Cuzcatlan	Mansfield	Total
Total assets	\$ 58,185	\$ 108,633	\$ 222,283	\$ 570,286	\$ 959,387
Total liabilities	\$ 156,877	\$ 34,677	\$ 29,209	\$ 46,612	\$ 267,375
Capital expenditures	\$ 122	\$ 3,178	\$ 4,490	\$ 52,839	\$ 60,629

	December 31, 2019				
	Corporate	Bateas	Cuzcatlan	Mansfield	Total
Total assets	\$ 60,134	\$ 116,501	\$ 252,100	\$ 507,330	\$ 936,065
Total liabilities	\$ 162,210	\$ 36,747	\$ 42,264	\$ 59,418	\$ 300,639
Capital expenditures	\$ 1,333	\$ 11,845	\$ 14,046	\$ 211,413	\$ 238,637

29. Fair Value Measurements

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

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

The following sets up the methods and assumptions used to estimate the fair value of Level 2 and Level 3 financial instruments.

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

During the three and six months ended June 30, 2020 and 2019, there were no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy. The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

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	Carrying value				Fair value			Carrying value approximates Fair Value
	Fair Value (hedging)	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	
June 30, 2020								
Financial assets measured at Fair Value								
Trade receivables concentrate sales	\$ -	\$ 20,168	\$ -	\$ 20,168	\$ -	\$ 20,168	\$ -	\$ -
	\$ -	\$ 20,168	\$ -	\$ 20,168	\$ -	\$ 20,168	\$ -	\$ -
Financial assets not measured at Fair Value								
Cash and cash equivalents	\$ -	\$ -	\$ 76,685	\$ 76,685	\$ -	\$ -	\$ -	\$ 76,685
Other receivables	-	-	2,471	2,471	-	-	-	2,471
	\$ -	\$ -	\$ 79,156	\$ 79,156	\$ -	\$ -	\$ -	\$ 79,156
Financial liabilities measured at Fair Value								
Interest rate swap liability	\$ (1,592)	\$ -	\$ -	\$ (1,592)	\$ -	\$ (1,592)	\$ -	\$ -
	\$ (1,592)	\$ -	\$ -	\$ (1,592)	\$ -	\$ (1,592)	\$ -	\$ -
Financial liabilities not measured at Fair Value								
Trade payables	\$ -	\$ -	\$ (25,110)	\$ (25,110)	\$ -	\$ -	\$ -	\$ (25,110)
Payroll payable	-	-	(7,861)	(7,861)	-	-	-	(7,861)
Bank loan payable	-	-	(94,615)	(94,615)	-	(95,000)	-	-
Debentures	-	-	(37,993)	(37,993)	-	(51,203)	-	-
Other payables	-	-	(20,209)	(20,209)	-	-	-	(20,209)
	\$ -	\$ -	\$ (185,788)	\$ (185,788)	\$ -	\$ (146,203)	\$ -	\$ (53,180)

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	Carrying value				Fair value			Carrying value approximates Fair Value
	Fair Value (hedging)	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	
December 31, 2019								
Financial assets measured at Fair Value								
Trade receivables concentrate sales	\$ -	\$ 33,642	\$ -	\$ 33,642	\$ -	\$ 33,642	\$ -	\$ -
	\$ -	\$ 33,642	\$ -	\$ 33,642	\$ -	\$ 33,642	\$ -	\$ -
Financial assets not measured at Fair Value								
Cash and cash equivalents	\$ -	\$ -	\$ 83,404	\$ 83,404	\$ -	\$ -	\$ -	\$ 83,404
Other receivables	-	-	2,419	2,419	-	-	-	2,419
	\$ -	\$ -	\$ 85,823	\$ 85,823	\$ -	\$ -	\$ -	\$ 85,823
Financial liabilities measured at Fair Value								
Interest rate swap liability	\$ (894)	\$ -	\$ -	\$ (894)	\$ -	\$ (894)	\$ -	\$ -
	\$ (894)	\$ -	\$ -	\$ (894)	\$ -	\$ (894)	\$ -	\$ -
Financial liabilities not measured at Fair Value								
Trade payables	\$ -	\$ -	\$ (37,357)	\$ (37,357)	\$ -	\$ -	\$ -	\$ (37,357)
Payroll payable	-	-	(15,801)	(15,801)	-	-	-	(15,801)
Bank loan payable	-	-	(109,430)	(109,430)	-	(110,000)	-	-
Debentures	-	-	(37,105)	(37,105)	-	(38,858)	-	-
Other payables	-	-	(22,403)	(22,403)	-	-	-	(22,403)
	\$ -	\$ -	\$ (222,096)	\$ (222,096)	\$ -	\$ (148,858)	\$ -	\$ (75,561)

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30. Supplemental Cashflow Information

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

	Bank Loan	Debenture	Lease obligations	Interest rate swaps
As at December 31, 2018	\$ 69,302	\$ -	\$ 16,082	\$ 224
Additions	40,000	46,000	14,944	-
Interest	128	347	1,848	-
Payments	-	-	(9,048)	-
Transaction costs	-	(2,101)	-	-
Equity component	-	(7,141)	-	-
Foreign exchange	-	-	53	-
Changes in fair value	-	-	-	670
As at December 31, 2019	109,430	37,105	23,879	894
Additions	40,000	-	165	-
Interest	185	1,054	949	313
Payments	(55,000)	-	(4,132)	(304)
Transaction costs	-	(166)	-	-
Foreign exchange	-	-	(67)	-
Changes in fair value	-	-	-	689
As at June 30, 2020	\$ 94,615	\$ 37,993	\$ 20,794	\$ 1,592

31. Contingencies and Capital Commitments**(a) Caylloma Letter of Guarantee**

The Caylloma Mine closure plan was updated in December 2018, with total undiscounted closure costs of \$11,719 consisting of progressive closure activities of \$3,774, final closure activities of \$7,156, and post-closure activities of \$789. Pursuant to the closure regulations, the Company is required to provide a guarantee of \$9,704 to the Peruvian Government for 2020.

In January 2020, the Company established a security bond in the amount of \$1,310 and a bank letter of guarantee in the amount of \$8,394, in compliance with local regulation and to collateralize Bateas' mine closure plan. The security bond and the letter of guarantee expire on January 29, 2021.

(b) San Jose Letter of Guarantee

The Company has established three letters of guarantee in the aggregate amount of \$1,014 to fulfill its environmental obligations under the terms and conditions of the Environmental Impact Statements issued by the Secretaria de Medio Ambiente y Recursos Naturales ("SEMARNAT") in 2009 in respect of the construction of the San Jose mine, and in 2017 and 2019 with respect to the expansion of the dry stack tailings facility at the San Jose mine. The letters of guarantee expire on December 31, 2023, June 15, 2022, and May 13, 2021, respectively.

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(c) Other Commitments

As at June 30, 2020, the Company had capital commitments of \$1,127, \$153, and \$262 for civil work, equipment purchases and other services at the Lindero Project and the Caylloma and San Jose Mines, respectively, which are expected to be expended within one year.

(d) Tax Contingencies

Peru

The Company has been assessed \$1,167 (4,343 Peruvian Soles), including interest and penalties of \$678 (2,405 Peruvian Soles), for the tax year 2010 by SUNAT, the Peruvian tax authority, with respect to the deduction of certain losses arising from derivative instruments. The Company applied to the Peruvian tax court to appeal the assessments.

On January 22, 2019, the Peruvian tax court reaffirmed SUNAT's position and denied the deduction. The Company believes the assessment is inconsistent with Peruvian tax law and that it is probable the Company will succeed on appeal through the Peruvian legal system. The Company has paid the disputed amount in full and has initiated proceedings through the Peruvian legal system to appeal the decision of the Peruvian tax court.

As at June 30, 2020, the Company has recorded the amount paid of \$1,167 (4,343 Peruvian Soles) in long-term receivables and other, as the Company believes it is probable that the appeal will be successful (note 12).

(e) SGM Royalty

In 2017 the Mexican Geological Service ("SGM") advised the Company that a previous owner of one of the Company's mineral concessions located at the San Jose Mine in Oaxaca, Mexico had granted the SGM a royalty of 3% of the billing value of minerals obtained from the concession. The Company, supported by legal opinions from three independent law firms, has previously advised the Mexican mining authorities that it is of the view that no royalty is payable, and in 2018 initiated administrative and legal proceedings (the "Administrative Proceedings") in the Mexican Federal Administrative Court ("FAC") against the Dirección General de Minas ("DGM") to remove reference to the royalty on the title register. The proceedings are progressing in accordance with the procedures of the FAC.

In January 2020, the Company received notice from the DGM seeking to cancel the mining concession if the royalty, in the Mexican peso equivalent of \$30,000 plus VAT (being the amount of the claimed royalty from 2011 to 2019), was not paid before March 15, 2020. In February 2020, the Company initiated legal proceedings (the "Amparo Proceedings") against the DGM in the Juzgado Séptimo de Distrito en Materia Administrativa en la Ciudad de México ("District Court") to contest the cancellation procedure and also to stay the cancellation process. The District Court in Mexico City admitted the Company's legal proceedings on March 2, 2020 and granted a permanent stay of execution, which protects the Company from the cancellation of the concession until a resolution by the District Court is reached on the legality of the cancellation procedure. The timing of a decision by the court at first instance in this action against the DGM is uncertain and may take several months. In the event that the Company is unsuccessful in these proceedings, it may appeal. If ultimately the Company does not prevail, it may be required to pay the disputed royalty in order to preserve the mining concession. If the Company is required to pay the royalty, it will do so from available capital resources.

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The Company has determined that it is more likely than not that it will succeed in these proceedings; therefore, no provision has been recorded as at June 30, 2020 and December 31, 2019.

(f) Other Contingencies

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