MATERIAL CHANGE REPORT

FORM 51-102F3

National Instrument 51-102

This is a Material Change Report Under Section 7.1 of National Instrument 51-102.

ITEM 1: NAME AND ADDRESS OF COMPANY

Fortuna Silver Mines Inc.
200 Burrard Street, Suite 650
Vancouver, BC V6C 3L6

ITEM 2: DATE OF MATERIAL CHANGE

May 9, 2012

ITEM 3: NEWS RELEASE

May 9, 2012, via CNW.

ITEM 4: SUMMARY OF MATERIAL CHANGE

The Company announced its 2012 first quarter financial results.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

First quarter 2012 highlights:

- Net income of US$11.11 million, up 132% over the prior year period (Q1 2011: US$4.78 million)
- Cash generated by operating activities before changes in working capital of US$14.69 million, up 144% over the prior year period (Q1 2011: US$6.03 million)
- Revenue of US$40.60 million, up 86% over the prior year period (Q1 2011: US$21.89 million)
- Operating income of US$16.53 million, up 105% over the prior year period (Q1 2011: US$8.08 million)
- Cash position (including short term investments) and working capital as at March 31, 2012 were US$53.85 million and US$77.06 million respectively
- Record silver and gold production of 953,091 ounces and 5,137 ounces respectively
- Cash cost per silver ounce, net of by-product credits, was US$3.18

Financial Results

During the first quarter ended March 31, 2012, the company generated net income of US$11.11 million (Q1 2011: US$4.78 million) on operating income of US$16.53 million (Q1 2011: US$8.08 million). The increase in net income of 132% compared to the same period in 2011 is mainly attributable to higher mine operating income of US$21.08 million (Q1 2011: US$13.05 million) and lower net loss on commodity contracts of US$0.34 million (Q1 2011: US$1.01 million), offset by higher income taxes of US$5.43 million (Q1 2011: US$3.41 million).

Our selling, general and administrative expenses remained almost flat over the prior year period, in spite of the expenses associated with the San Jose mine in Mexico, due to a US$0.70 million credit related to the mark-to-market of restricted and deferred share units in the face of the reduction in share price during the quarter. Shared-based payments related to vesting of granted instruments, outside of the mark-to-market effect, amount on average to US$0.35 million per quarter.

The increase in mine operating income is explained by the contribution of the San Jose mine. Mine operating margin was 52% compared to 60% in Q1 2011, result of a decreased margin at Caylloma to 45% (Q1 2011: 60%) which was impacted by an increase of 31% in unit production cash cost.

Cash generated by operating activities before changes in working capital totaled US$14.69 million, up 144% over the prior year period (Q1 2011: US$6.03 million). The corresponding operating cash flow per share was US$0.12 (2011: US$0.05). Operating cash flow, which is net of tax payments of US$5.77 million, includes US$4.03 million related to the final 2011 income tax payments. After adjusting for these 2011 taxes paid in the first quarter, operating cash flow per share was US$0.15, up 81% over the prior year period.

Summary of financial results:

Expressed in US$000's	**Three months ended March 30, 2012**	**Three months ended March 31, 2011**
Sales	**40,601**	21,886
Operating income	**16,533**	8,076
Net Income (loss)	**11,111**	4,781
Cash generated by operating activities before changes in working capital	**14,692**	6,033
Cash cost per Ag oz net of by-product credits (US$/oz)	**3.18**	(5.67)

Operating Results

The company's silver production in Q1 2012 was 118% higher than Q1 2011 as a result of higher silver production from Caylloma of 11% and the contribution from San Jose of 468,865 ounces. The company's gold production in Q1 2012 was 754% higher than Q1 2011 as a result of the contribution from San Jose of 4,497 ounces.

The company is on track to deliver 3.7 million ounces of silver and 17,400 ounces of gold or 4.6 million ounces of silver equivalent plus significant base metal by-product in 2012.

Consolidated cash cost per ounce of payable silver, for the first quarter, net of by-product credits, was US$3.18 compared to negative US$5.67 for the same period in 2011. The increase over last year is mainly explained by the increase in cash cost per ounce at the Caylloma mine which experienced a sharp raise from negative US$5.67 in Q1 2011 to US$7.21 in the current period. This sharp increment over the last year at Caylloma is explained by a decrease in by-product credits of US$7.10 per ounce, a 31% unit cash cost per tonne of processed ore increase and higher refining charges of US$1.46 per ounce.

San Jose Mine, Mexico

In the first quarter of 2012, the mill processed 87,056 tonnes of ore and the mine extracted 76,000 tonnes. Out of this total, 56% was sourced from the working areas above level 1400 (reserve blocks K, L, and M) and the balance (44%) was contributed by mine preparation on reserve blocks A and B on level 1350. Actual mining on level 1350 started in the month of April 2012.

As of the third week of April 2012, the main access ramp had reached mining level 1300 where development of reserve blocks C and D will take place throughout the rest of 2012 and which will be key for the mine's production ramp up in 2013. Overall, the mine development plan that will support the ramp up to 1,500 tonnes per day is approximately three months ahead of schedule.

During the quarter the processing plant continued to perform according to plan with average metallurgical recoveries for silver and gold at 84.64% and 83.51% respectively, or 97% and 93% of design parameters.

Cash cost per payable ounce of silver, for the quarter ended March 31, 2012, was negative $1.02 net of by-product credits. Cash cost per tonne of processed ore for the period was $65.46. Cash cost per tonne of processed ore in Q4 of 2011 was $47.16 as there was a large effect from the pre-commercial production ore stock pile. The second quarter of 2012 operations at San Jose will be more representative in terms of costs moving forward. The company estimates a stable average cash cost per tonne of processed ore in the range of $70 per tonne for 2012.

Caylloma Mine, Peru

The company noted that it has received notification on April 3, 2012 from the Peruvian Ministry of Energy and Mines ("Ministerio de Energía y Minas") outlining its observations on the construction permit of the new tailings facility and granting thirty days for a response. The principal observations were to surface title documentation for various parcels and minor technical observations. The Company will file responses to all the observations, which are not deemed to be material, before May 18th. In parallel, a positive feasibility study and engineering have been concluded to expand the holding capacity of the current tailings facility for an additional five months of operation. The project has a budget of US$0.5 million and will be concluded within three months. This expansion will provide for stand-by holding capacity for any contingency.

Cash cost per payable ounce of silver, for the quarter ended March 31, 2012, was US$7.21 net of by-product credits compared to negative US$5.67 in Q1 2011. The increment over last year is explained by a decrease in by-product credits of US$7.10 per ounce, a 31% unit cash cost per tonne of processed ore increment and higher refining charges of US$1.46 per silver ounce. The decrease in by-product credits was primarily due to lower base metal prices (lead 20%, zinc 15%) and production (lead 12%, zinc 7%). The increase in unit cost reflects cost increases in qualified labor and industry related services that have been mounting in the Peruvian underground mining industry since late 2010 with emphasis at the end of 2011. The increase in refining charges reflects deteriorated commercial terms for lead-silver concentrate sold to Chinese smelters.

For 2012, the company anticipates no material increases in our direct costs, and estimates a cash cost per tonne of processed ore in the range of US$85 per tonne.

ITEM 6: RELIANCE OF SUBSECTION 7.1(2) of NATIONAL INSTRUMENT 51-102

Not applicable.

ITEM 7: OMITTED INFORMATION

Not applicable.

ITEM 8: EXECUTIVE OFFICER

Jorge Ganoza, President & CEO
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ITEM 9: DATE OF REPORT

May 9, 2012