

Form 62-103F1

Required Disclosure under the Early Warning Requirements

Item 1 – Security and Reporting Issuer

- 1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.**

Common shares and warrants of Prospero Silver Corp. (the “Issuer”), 510 West Georgia Street, Suite 1800, Vancouver, BC V6B 0M3.

- 1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.**

The common shares and warrants were newly issued securities acquired pursuant to a private placement.

Item 2 – Identity of the Acquiror

- 2.1 State the name and address of the acquiror.**

Fortuna Silver Mines Inc. (“Fortuna”), a company incorporated under the laws of British Columbia. Fortuna is a mid-tier precious metal producer and its corporate head office is located at 200 Burrard Street, Suite 650, Vancouver, BC V6C 3L6.

- 2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.**

May 10, 2017

- 2.3 State the names of any joint actors.**

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

- 3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.**

Fortuna has acquired direct ownership of 5,357,142 units (the “Units”) at a price of \$0.28 per Unit. Each Unit consists of one common share (“Common Share”) of the Issuer and one warrant (“Warrant”) to purchase an additional Common Share exercisable at a price of \$0.35 for three years. The acquisition of Common Shares represents an increase in Fortuna’s holdings from 0% to 14.91% of the issued and outstanding Common Shares. The acquisition of Warrants represents an increase from 0% to 26.17% of the issued and outstanding Warrants.

- 3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.**

Fortuna acquired ownership of an aggregate of 5,357,142 Common Shares and 5,357,142 Warrants.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Immediately before the transaction that triggered the requirement to file this report, Fortuna owned no Common Shares and no Warrants.

Immediately after the transaction that triggered the requirement to file this report, Fortuna owned 5,357,142 Common Shares (representing 14.91% of the issued and outstanding Common Shares of the Issuer) and 5,357,142 Warrants. Assuming the exercise of the Warrants in full, Fortuna would own 10,714,284 Common Shares, which would represent 25.95% of the then issued and outstanding Common Shares of the Issuer. However, the Warrants have a restriction on exercise such that Fortuna may only exercise at any given time the number of Warrants that will not result in Fortuna owning 20% or more of the Issuer's outstanding common shares, unless and until a resolution approving such exercise of the Warrants has been passed by the shareholders of the Issuer in accordance with the applicable rules and policies of the TSX Venture Exchange.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

Fortuna has ownership and control over all the securities referred to in item 3.4 above.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The 5,357,142 Units were acquired at a price of \$0.28 per Unit, for total consideration to the Issuer of \$1.5 million.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

The Common Shares and Warrants were acquired by Fortuna at a cost of \$1.5 million pursuant to a private placement transaction conducted by the Issuer.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**

- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

Fortuna acquired the Common Shares and Warrants for investment purposes, and depending on market and other conditions, it may from time to time in the future increase or decrease its ownership, control or direction over securities of the Issuer through market transactions, private agreements, or otherwise. Fortuna currently has no future intentions relating to the matters listed in clauses (a) to (k) above.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

The acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his or her authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated this 10th day of May, 2017.

FORTUNA SILVER MINES INC.

Per: (signed) Jorge Ganoza Durant

Name: Jorge Ganoza Durant

Title: President and Chief Executive Officer