

09/01/05 - TraderMike:

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New Buy Recommendations:

Fortuna Silver Mines(Vancouver: FVI)



Fortuna Silver Mines is a new exploration company that recently closed a private placement to fund exploration of its 100% owned Caylooma Silver Mine in Southern Peru. The drill program will focus initially on the silver-lead-zinc Animas vein, which is known to be 3800m long and up to 20m wide. At least 70 holes will be drilled from existing underground workings to test the extent of a wider mineralized envelope, indicated by previous work, which surrounds a higher grade core.

Previous resource modeling focused solely on a 1.2m wide high grade silver band, within a wider silver-lead-zinc envelope which was not considered in the existing NI 43-101 compliant resource estimate (7 million ounces silver in reserves plus 14 million ounces silver in resources). Historical data indicates that this wider mineralized envelope could be 3-7m wide, with values in the range of 2-7 opt silver, 3-8% lead and 7-12% zinc.

Fortuna President Peter Thiersch says that "the plan is to drill holes of no more than 20-25m, from the center of the vein outward, to test the extent of mineralization across the entire vein width. We are very excited about the potential of the Animas vein, and this style of short hole underground drilling will be a highly effective and relatively low cost method of building ounces on the project."

The infill drilling program is designed to increase economic tonnage on the Animas vein and determine optimum production rates. Exploration drilling from surface is also planned to test other high priority targets on the property. A budget of up to US\$2 million has been approved for 2005-2006.

Fortuna management is convinced that significant additional silver-lead-zinc resources exist across much greater widths on the Animas vein than previously considered, and that this could allow for mechanization of underground operations which would lead to both increased production rates and reduced costs.

The Caylooma Mine was temporarily closed in 2003 due to low metal prices, but can produce 2.6 million ounces of silver a year. The company can put the mine into production in six months, but is going to carry out more exploration for one or two years in order to increase reserves and shareholder value before it does that. This is a similar corporate strategy that Desert Sun Mining did with its Jacobina property.

Since the company just began trading it has a low valuation of only \$8.9 million Canadian. Companies with comparable properties such as Endeavor Silver Corp (Vancouver: EDR) and First Majestic Resources (Vancouver: FR) have market caps of \$44 and \$46 million Canadian. I own shares of Fortuna, which I bought yesterday.

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