Fortuna Reports Net Income of US$ 5.98 Million on Revenue of US$ 14.57 Million in Q2 of 2010

August 13, 2010: Fortuna Silver Mines Inc. (TSX: FVI / Lima Stock Exchange: FVI) – is pleased to announce that it has filed its financial statements and MD&A for the three months ended June 30, 2010. The full documents are available on SEDAR and have also been posted on the Company's website at www.fortunasilver.com.

Second quarter 2010 highlights:

- Net income of US$ 5.98 million, compared to a net loss of US$ 1.2 million in Q2 2009
- Revenue of US$ 14.57 million, compared to US$ 12.86 million in Q2 2009
- Operating income of US$ 6.97 million, compared to US$ 4.36 million in Q2 2009
- Cash flow from operations before changes in non-cash working capital of US$ 4.58 million, compared to US$ 4.02 million in Q2 2009
- Silver production of 470,310 ounces; 5% increase over Q2 2009
- Cash cost per silver ounce, net off by product credits, of negative US$ 5.23
- Cash position, including short term investments and working capital, as at June 30, 2010 were US$ 64.94 million and US$ 71.73 million respectively

Jorge Ganoza, President, CEO and Director, commented, “Fortuna had its third consecutive quarter of net earnings, reporting US$ 11.28 million for the first half of the year. Mine operating income for the same period was US$ 18.76 million. With the commissioning of our second mine on schedule and on budget for the third quarter of 2011, Fortuna will be in a position to produce seven million silver equivalent ounces annually plus base metals credits.”

Financial Results

During the second quarter of 2010 the Company generated net income of US$ 5.98 million compared to a net loss of US$ 1.20 million in the second quarter of 2009. This increase was driven by strong operating income of US$ 6.97 million (Q2 2009: US$ 4.36 million), a commodity contract gain of US$ 2.90 million (Q1 2010: $1.75 million). Included in the operating income is a stock-based compensation recovery of US$ 2.44 million (Q2 2009: charge US$ 11.00 million). Outside of the stock-based compensation charges, there is a marginal increase in operating income for the second quarter of 2010. This is a result of significantly higher metal prices as well as the added copper production offset by lower zinc and lead production.

**Summary of financial results:**

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<thead>
<tr>
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<th>Three months ended June 30, 2010</th>
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<tbody>
<tr>
<td><strong>US$ 000s</strong></td>
<td></td>
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<tr>
<td>Revenue</td>
<td>14,565</td>
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<tr>
<td>Operating Income</td>
<td>6,972</td>
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<tr>
<td>Net Income</td>
<td>5,980</td>
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<tr>
<td>Cash Flow from Operations before changes in non-cash working capital items</td>
<td>4,583</td>
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<tr>
<td>Cash Cost per Ag oz net of by-product credits (US$/oz)</td>
<td>(5.23)</td>
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**Operating Results**

During the second quarter ended June 30, 2010, the Company achieved silver production of 470,310 (Q2 2009: 450,019) ounces with a negative cash cost per ounce of payable silver of US$ 5.23, net of by-product credits. In the second quarter of 2010, 108,010 tonnes of ore were treated compared to 100,881 tonnes in the prior year and the cash cost per tonne of treated ore was US$ 50.05.*

The 5% increase in silver production over the corresponding period of 2009 is attributable to an increase in throughput of 7% and an increase in silver recoveries of 0.2%, offset by a 3% reduction in silver head grade.

(*) Cash cost is a non-GAAP measure. Please refer to page 9 of the MD&A for reconciliation of cash cost to the cost of sales in the consolidated statement of operations.

**San Jose Project**

Construction activities are on schedule and within budget for completion and commissioning of the mine in the third quarter of 2011. Once in operation at a rate of 1,500 tpd, the San Jose Mine will produce 5 million silver equivalent ounces annually at a cash cost of US$ 6.20 per ounce (see Fortuna’s news release dated April 26, 2010). At that point, Fortuna’s consolidated annual silver equivalent production will be 7 million ounces plus base metal credits from the Caylloma Mine. Management is planning to achieve full production capacity within 24 months from the start of operations. The technical report of the San Jose Project is available on the Company’s website at www.fortunasilver.com.
As of the end of July, the upgrading of the water treatment plant, the source of 20% of make-up water for the operation, is 95% concluded; the 15 kilometre water pipeline installation to the mine site is 67% complete; earth movement for the construction of the tailings dam has an advancement of 5% after starting in mid July; construction of the 5MW electric power substation is 35% complete; the EPCM contractor for the construction of the 1,500 tpd processing plant and ancillary facilities is on site and underground development of the main decline was reinitiated in early July.

The Company anticipates commissioning the San Jose mine in the third quarter of 2011.

Conference Call to Review Second Quarter 2010 Financial Results

The Company will hold a conference call to discuss the financial results on Friday, August 13, 2010 at 12:00 p.m. (Eastern time) / 9:00 a.m. (Pacific time) / 11:00 a.m. (Lima time). Hosting the call will be Jorge A. Ganoza, President, CEO and Director and Luis D. Ganoza, Chief Financial Officer.

Shareholders, analysts, media and interested investors are invited to listen to the live conference call by logging onto the webcast at http://www.investorcalendar.com/IC/CEPage.asp?ID=161005 or over the phone by dialling just prior to the starting time.

Conference call details:

**Date:** Friday, August 13, 2010  
**Time:** 12:00 p.m. (Eastern Time) / 9:00 a.m. (Pacific Time) / 11:00 a.m. (Lima Time)  
**Dial in number (Toll Free):** +1.877.407.8035  
**Dial in number (International):** +1.201.689.8035

**Replay number (Toll Free):** +1.877.660.6853  
**Replay number (International):** +1.201.612.7415  
**Replay Passcodes (both are required for playback):**  
  - **Account #:** 286  
  - **Conference ID #:** 355270

Playback of the webcast will be available until November 6, 2010. Playback of the conference call will be available until 11:59 p.m. (Eastern Time) on August 27, 2010. In addition, the call will be archived in the Company’s website.
Fortuna Silver Mines Inc.

Fortuna is a growth oriented, silver and base metal producer focused on mining opportunities in Latin America. Our primary assets are the Caylloma Ag-Pb-Zn-Cu Mine in Arequipa, Peru and the San Jose Ag-Au Project in Oaxaca, Mexico. The Company is selectively pursuing additional acquisition opportunities. For more information, please visit our website at www.fortunasilver.com.

ON BEHALF OF THE BOARD

Jorge Ganoza
President, CEO and Director
Fortuna Silver Mines Inc.

Symbol: TSX: FVI / Lima Stock Exchange: FVI

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Forward-Looking Statements
Certain statements in this press release constitute forward-looking statements and as such are based on an assumed set of economic conditions and courses of action. These include estimates of future production levels, expectations regarding mine production costs, expected trends in mineral prices and statements that describe Fortuna’s future plans, objectives or goals. There is a significant risk that actual results will vary, perhaps materially, from results projected depending on such factors as changes in general economic conditions and financial markets, changes in prices for silver and other metals, technological and operational hazards in Fortuna’s mining and mine development activities, risks inherent in mineral exploration, uncertainties inherent in the calculation of mineral reserves, mineral resources, and metal recoveries, the timing and availability of financing, governmental and other approvals, political unrest or instability in countries where Fortuna is active, labor relations and other risk factors.