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TSX-V: FVI

Fortuna increases silver resource by fifty percent at Caylloma

August 21, 2006: Fortuna Silver Mines Inc. (TSX-V:FVI), Mr. Jorge Ganoza Durant, President of the Company, is pleased to report a significant increase in resources at the 100% owned Caylloma silver mine in southern Peru. Measured and indicated pure silver resources, inclusive of reserves, have increased by 50 per cent to 10.5 million ounces.

The increment in the size of the resource is from the new block model for the Animas Vein, constructed using DataMine modeling software, and has been independently verified by consulting firm Chlumsky, Armbrust and Meyer (CAM). An updated technical report entitled “Mineral Reserves and Resource Estimate, Caylloma Mine, Peru” authored by Robert Sandefur of CAM is being prepared in compliance with NI 43-101 and will be finalized and filed on SEDAR on or before September 30th, 2006.

The new technical report does not encompass economic analysis as only the size of measured and indicated resources has increased from the technical report of April 2005. Reserves and resources for other veins have not increased materially but have been updated to reflect metal price changes and minimum mining width parameters. The April 2005 technical report is available on SEDAR and on the Company’s web site at www.fortunasilver.com.

Table 1. Silver Veins Proven & Probable Reserves

Vein	Tonnes	Ag gpt	Au gpt	Pb %	Zn %	Contained Ag oz
PROVEN						
San Cristóbal	145,851	422	0.3	0.0	0.0	1,980,562
San Pedro	52,102	407	1.0	0.0	0.0	682,646
San Carlos	5,392	622	0.2	0.3	0.7	107,751
La Plata	8,537	478	2.1	0.2	0.1	131,184
Cimoide (La Plata)	30,269	575	3.4	0.0	0.1	560,075
Paralela	11,200	592	0.1	0.0	0.0	213,294
Proven Reserves	253,351	451	0.9	0.0	0.0	3,675,513
PROBABLE						
San Cristóbal	35,989	507	0.4	0.2	0.3	586,410
San Pedro	33,650	340	0.9	0.0	0.1	368,157
San Carlos	7,921	656	0.1	0.3	0.7	167,020
La Plata	1,954	720	4.1	0.1	0.1	45,213
Cimoide (La Plata)	5,691	414	3.0	0.0	0.1	75,814
Paralela	4,491	688	0.0	0.1	0.2	99,339
Probable Reserves	89,695	465	0.8	0.1	0.2	1,341,953
Proven + Probable	343,046	454	0.8	0.1	0.1	5,017,466

Table 2. Animas Vein Measured and Indicated Resources

Vein	Tonnes	Ag gpt	Au gpt	Pb %	Zn %	Contained Ag oz
Measured	484,540	152	0.8	2.3	4.2	2,388,782
Indicated	688,786	137	0.5	2.3	4.2	3,037,544
Measured+Ind.	1,173,326	143	0.7	2.3	4.2	5,426,326

Table 3. Inferred Resources

Vein	Tonnes	Ag gpt	Au gpt	Pb %	Zn %	Contained Ag oz
San Cristóbal	135,513	407	0.2	0.3	0.4	1,771,635
San Pedro	92,896	369	0.2	0.7	1.4	1,100,831
San Carlos	16,626	766	0.2	0.5	1.2	409,654
La Plata	40,540	663	2.5	0.2	0.7	863,893
Cimoide (La Plata)	7,326	231	2.0	0.0	0.1	54,330
Paralela	52,473	563	0.0	0.2	0.3	950,452
Ramal paralela	90,094	362	0.1	0.3	0.7	1,049,011
Animas	980,032	243	0.5	2.7	4.2	7,626,114
Inferred	1,415,499	305	0.4	2.0	3.1	13,825,919

Tables 1 through 3 may not check exactly due to rounding.

The block model resource estimate for measured, indicated and inferred in the Animas vein is based on a cut-off of US\$36.5 per tonne, which accounts for all on-site mine cash costs. Proven and probable reserves and inferred resources for the silver veins have been diluted at zero grade by 10 percent with a minimum mining width of 1 meter. A break even cut-off of US\$48 per tonne has been applied and carries a 16 percent increment from the stated in the April 2005 technical report. The following metal prices were used in the resource and reserve estimation: US\$8/oz Ag, US\$500/oz Au, US\$800/tonne Pb, US\$1803/tonne Zn.

Exploration drilling continues on the property with two rigs on the north east extension of the Animas vein as the current measured and indicated resources are located along just 1.6 km of a 3.8 km vein.

Mr. Jorge Ganoza Durant, President of the Company, commented “We are pleased to see the results of this new resource estimate. Measured and indicated resources viewed in tonnage terms, inclusive of reserves, have increased by 100 percent to about 1.5 million tonnes. This is excellent news as we get closer to production at the end of this quarter”.

Qualified Person: Mr. Robert Sandefur, P.E of Chlumsky, Armbrust and Meyer, is the Qualified Person, as defined by National Instrument 43-101, and is the responsible person for the resources and reserves calculations in this press release.

Fortuna is a growth oriented, near term silver producer focused on Latin America. Our primary assets are the Caylloma Silver Mine in southern Peru, and the San Jose Silver-Gold Project in Mexico, and we are aggressively pursuing additional acquisitions. For more information, please visit our website at www.fortunasilver.com.

The TSX Venture Exchange has not reviewed and does not take responsibility for the adequacy or accuracy of this release.

ON BEHALF OF THE BOARD

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