



July 19, 2005

Fortuna to Build Ounces at Caylloma

Fortuna Silver Mines Inc. ("Fortuna") is pleased to provide an update on its activities surrounding the recent acquisition of the Caylloma Silver Mine in southern Peru.

Caylloma contains a 43-101 compliant estimate of 7 million ounces of silver in reserves, plus 14 million ounces of silver in resources, and management believes excellent potential exists to significantly increase the silver, lead and zinc inventory with additional exploration, particularly on the polymetallic Animas vein system.

Fortuna plans to resume full production within 12 months of completing a significant financing. The company will also start a comprehensive drilling program in August, focused on evaluating the apparent bulk tonnage potential of the Animas vein, which was not taken into account in previous resource estimates.

Background

Previous production at Caylloma was completely restricted to several narrow high grade silver-only veins, with strike lengths of 1-2km, widths of 1-2m, and grades averaging 15 oz/t silver.

An important polymetallic (silver-lead-zinc) structure, called the Animas vein, was evaluated for its silver potential but never put into production. Significantly, this vein attains widths up to 20m, and has been traced over 4km of strike length.

Animas was explored in great detail (5000m of drilling and 2700m of underground development was completed in 2003-2004), but this work was also restricted to a narrow silver-only band within the greater vein width.

This work indicated that the silver band has average grades of 5-10 oz/t silver over 1-2m, but in some cases, drilling indicated greater widths of mineralization, from 3m to 7m of 2-7 oz/t silver, 3-8% lead and 7-10% zinc, with local zinc values up to 16% over 1m. Underground cross cuts also exposed a parallel silver band grading up to 13 oz/t silver over 4m.

Significantly, none of these wider mineralized intervals were included in the existing resource estimate, and Fortuna believes that these zones may represent an important opportunity to significantly increase the resource on Animas.

Work Plan

Fortuna took control of the mine on July 1, 2005, and now has technical staff on site conducting a detailed analysis of existing geological and drill data to determine the true potential of the polymetallic Animas vein.

This vein contains roughly half of the existing resource base at Caylloma, with indications from historic data (discussed above) that suggest both the silver inventory and base metal credits could be significantly increased with additional exploration.

The company will therefore embark on a comprehensive exploration program to define the continuity of polymetallic ore shoots within the Animas vein, as well as the potential for mechanized underground mining on the vein. Mechanization would offer the opportunity of both reduced costs and increased production rates. An initial 3000m core drilling program is due to commence in mid August.

The current mine plan calls for production to resume within 12 months, with first year production coming from reserves on several high grade silver-only veins, allowing time to develop stopes on the Animas vein and complete upgrades to the plant to handle polymetallic ore. Polymetallic ore would then be blended with high grade silver ore starting in the second year of production.

Capital Expenditures

Detailed financial and production models were prepared as part of the company's due diligence, based on the existing resource estimate. These models indicate required capital expenditures of approximately US\$7.5 million over 2.5 years, including roughly US\$1.8 million in the plant.

The plant expenditures include allowances for the addition of a zinc recovery circuit to process polymetallic ore from the Animas vein, and to allow an increase in production rates to 1000 tpd.

Production was modeled at 210,000 tonnes of ore per year, resulting in annual sales approaching 2 million ounces of silver per year. Net smelter returns were estimated at roughly \$14 million per year.

The Company will update these production and financial models as appropriate, to reflect any changes in production scenarios on the Animas vein.

Purchase Agreement

The Caylloma purchase agreement calls for staged cash payments totaling US\$7.55 million, plus shares and warrants totaling 10.8% of the Company capital on a fully diluted basis. The first payment of US\$2.95 million is due in November 2005.

The Company is now working to arrange a significant financing of up to C\$10 million to cover this payment and a direct investment of approximately US\$3.5 million in the mine over the first year.

Corporate Update

Fortuna is also pleased to announce the appointment of Tomas Guerrero as a Director of the Company. Mr. Guerrero is a geological engineer with over 30 years experience in mining and mineral exploration throughout South and Central America, and was previously Director of Explorations for the Hochschild Group. He is currently a principal partner of BO Consulting, a Peruvian engineering consultancy serving the mining sector.

Qualified Person

Mr. Peter Thiersch, M.Sc. P.Geo., President of Fortuna, is the Qualified Person for the Company, as defined by National Instrument 43-101, and is responsible for the accuracy of this press release.

Fortuna

Fortuna Silver Mines is an emerging silver-gold producer focused on Latin America. Our key assets are the Caylloma Silver Mine in Peru, and the Tambor Gold Project in Guatemala.

Management has extensive experience in exploration, mining and business development in Latin America, and is committed to aggressive growth through acquisition and development of advanced projects.

For further information on Fortuna, please call Karen Robb at 604-484-4085 or 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,

“signed”

Peter Thiersch, President
Fortuna Silver Mines Inc.
TSX-V: FVI