



**FORTUNA**  
SILVER MINES INC.

Suite 840-355 Burrard Street  
Vancouver, BC Canada V6C 2G8  
T 604 484 4085 F 604 484 4029  
[info@fortunasilver.com](mailto:info@fortunasilver.com)  
[www.fortunasilver.com](http://www.fortunasilver.com)

TSX-V: FVI

## **Fortuna Reports Operating Cash Flow of \$13.24 million on Revenue of \$31.67 million**

**April 17, 2008 - Fortuna Silver Mines Inc. (TSX-V: FVI)** has filed its audited financial statements and MD&A for 2007. The full documents are available on SEDAR and have also been posted on the Company's website at [www.fortunasilver.com](http://www.fortunasilver.com).

### Full Year 2007 Highlights:

- Sales of \$31.67 million, compared to \$3.37 million in 2006.
- Net cash from operating activities of \$13.24 million, compared to an outflow of \$0.76 million in 2006.
- Net loss of \$2.79 million, compared to \$4.35 million in 2006.
- The Company's cash position and working capital as at year end were \$47.24 million and \$51.16 million respectively.
- Operating income of \$7.08 million before stock-based compensation charges, compared to a loss of \$0.87 million in 2006.
- Production of 486,466 oz of silver, 3,771 tonnes of lead and 6,300 tonnes of zinc.
- 2007 Cash production cost per tonne of ore was US\$48 and the corresponding unit net smelter return (NSR) was US\$118.

### Fourth Quarter 2007 Highlights:

- Sales of \$7.93 million (\$3.37 million in the fourth quarter of 2006.)
- Operating cash flow of \$5.86 million (\$2.66 million in 2006.)
- Net gain of \$1.41 million (net loss of \$0.60 million in 2006.)
- Increases in the production of silver, lead, and zinc of 46.1%, 53.2%, and 74% respectively over the first quarter of 2007 which was the first full quarter of production for Caylloma.

Jorge Ganoza, the President of Fortuna, commented: "We are very pleased with Caylloma's first year operating and financial results. In the first full year of production, Caylloma self-funded its capital expenditure needs and delivered free cash flow for the Company. The cash flow is being reinvested to expand our current production rate of 830 tonnes per day to the planned target of 1,200 tonnes per day. Our solid cash position is also allowing us to fund the engineering and the initial development at San Jose internally."

## **Financial Results**

During 2007 the Company generated \$31.67 million of sales compared to \$3.37 million in 2006 which included only two months of commercial production. Mine operating income in 2007 was \$13.11 million, and operating activities generated a net cash amount of \$13.24 million.

Operating income for 2007 was \$0.11 million after deducting \$6.97 million of stock based compensation charges, where operating income solely for the Caylloma mine was \$8.97 million.

For the last quarter of 2007 the Company recorded record net income of \$1.41 million compared to \$0.02 million in the corresponding quarter of 2006. This increase was achieved, in spite of lower base metal prices, through increased concentrate sales.

The Company's cash position and working capital as at year end were \$47.24 million and \$51.16 million respectively.

## **Operating Results**

The 100% owned Caylloma mine had its first full year of production in 2007 with total ore milled of 250,914 tonnes. The mill started the year at a 500 tpd throughput rate and closed the year at an average monthly rate of 750 tpd. Overall, the budgeted design parameters such as metal recovery and concentrate grades were achieved in a shorter period than originally planned and production ramp up to design capacity was achieved faster than expected.

Metal production amounted to 486,465 ounces of silver, 6,300 tonnes of zinc, and 3,771 tonnes of lead. In the fourth quarter of 2007, metal production increased by 46.1%, 53.2%, and 74% respectively for silver, lead, and zinc with respect to the first quarter of 2007.

Cash production cost per tonne for the year was US\$48 and the corresponding unit net smelter return (NSR) was US\$118.

## **San Jose Project**

The engineering phase started at San Jose project in late 2007. The Company expects to conclude its permitting process and a pre-feasibility study in 2008. Based on existing information, management plans to go directly into detailed engineering and construction upon conclusion of the pre-feasibility. The excavation of an underground ramp commenced at the end of the second quarter of 2007 and 284 meters of decline had been completed by mid March 2008.

During 2007, the Company executed a 26,605 meter drilling campaign: 17,694 meters were drilled in the San Jose area and 8,910 meters were drilled on San Ignacio, the southern extension of the mineralized structure. Based on this work a new resource estimate is expected to be produced in the second quarter of 2008.

On the greater 40,000 hectare land package a generative exploration program is being conducted. Already over 17,000 geochemical soil and stream sediment samples have been collected. To date this exploration work has delineated 4 areas of interest that are receiving detailed follow up exploration.

***Fortuna Silver***

Fortuna Silver is a growth oriented, silver and base metal producer focused on mining opportunities in Latin America. Our primary assets are the Caylloma Silver Mine in southern Peru and the San Jose Silver-Gold Project in Mexico. The Company is aggressively pursuing additional acquisition opportunities. For more information, please visit our website at [www.fortunasilver.com](http://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**

Jorge Ganoza Durant, President & CEO  
Fortuna Silver Mines Inc.

*Investor Relations: Ralph Rushton*  
Tel: 604-484-4085  
Symbol: TSX-V:FVI