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Fortuna Provides Corporate Update & Reviews Progress at Caylloma & San Jose

November 5, 2008: Fortuna Silver Mines Inc. (TSX.V: FVI / Lima Exchange: FVI) is pleased to provide a corporate update and review of recent production achievements at the Caylloma Silver-Lead-Zinc Mine in Peru, and development progress at the San Jose Silver-Gold Project in Mexico.

As of September 30th, Fortuna's consolidated cash position was CAD \$41.2 million. Despite recent depressed metal prices, the Caylloma Mine is operating well and has the capacity to generate sufficient operating cash-flows to fund its minimum investment requirements for 2009.

Bearing in mind that the current financial turmoil and commodity price decline may be sustained well into 2009, Management has implemented cost cutting measures and is prioritizing investments to preserve the strong cash position and balance sheet of the Company.

Corporate Highlights

- As of September 30th, the Company's cash position was CAD \$41.2 million with no debt
- Management is prioritizing investments and implementing cost reduction measures
- The acquisition of Continuum Resources Ltd. for 7-million shares is expected to be concluded by year end

Caylloma Mine, Peru

- Operating at an average of 1,009 tonnes per day
- Silver production of 243,280 ounces for Q3, projected to be 820,000 ounces for 2008
- Production of high grade silver ore from the Soledad vein is expected to result in increased Ag output, with a production forecast of 1.4-million oz Ag for 2009
- A new flotation circuit to recover by product Cu scheduled for production in March 2009
- Approximately 600,000 tonnes of ore developed for production, sufficient to sustain the mine well into 2010 without further underground development

San Jose Project, Mexico

- 36,000m in-fill drill program underway and on schedule to be concluded at the end of January 2009
- Main underground ramp reached level 5 (120m below surface) and concluded for the year
- Environmental Impact Study underway and is expected to be submitted by 1Q 2009
- Treatment of "grey water" for processing plant use is in the engineering and permitting phase
- Signed land agreements covering 40 hectares over main mineralized body and future infrastructure site locations

Caylloma Silver-Lead-Zinc Mine

Caylloma's silver production and silver head grades have been increasing steadily every quarter as a result of the successful discovery and development of "Bonanza" grade silver veins. Mineralized material from pre-production work on these veins has been blended at a rate of about 40 tonnes per day with polymetallic ore going to the mill. Production from stopes mining high grade veins is expected to have a significant positive impact on Caylloma's silver production by the end of the year and into 2009.

Silver production is projected to be approximately 820,000 ounces for 2008, rising to 1.4-million oz Ag in 2009, compared to 486,465 ounces produced in 2007. Silver will represent approximately 40 percent of revenue next year. Caylloma's production statistics are summarized below.

Mr. Jorge Ganoza, President and CEO of the Company, commented: "We continue to show pleasing improvements in grade, tonnage and recoveries at Caylloma. Most importantly, our planning and investment program over the past two years has positioned Caylloma on a solid footing to weather the current financial crisis and low metal price environment."

2008 Production Figures:

	Q3	Q2	Q1
Process ore (tonnes)	89,827	80,121	70,408
Average processed ore/day (t/day)	1,009	910	800
Head grade Ag (g/t)	97.73	85.49	74.73
Head grade Zn (%)	3.64	3.75	3.42
Head grade Pb (%)	2.58	2.29	1.93
Recovery Ag ¹ (%)	80.07	78.12	76.42
Recovery Zn (%)	88.11	87.58	86.45
Recovery Pb (%)	92.19	88.94	87.26
Produced Ag (oz)	243,280	186,276	140,239
Produced Zn (t)	2,877	2,629	2,079
Produced Pb (t)	2,139	1,633	1,189

¹Silver recovery in lead concentrate

Sustained increases in throughput and metal recoveries for all metals have been achieved throughout the year through continuous process optimization and aggressive mine development. The mine currently has approximately 600,000 tonnes of ore developed and ready to enter production. This will sustain the mine well into 2010 without any further requirements for underground development.

The Company is in the process of adding a flotation circuit at the plant to recover by-product copper. Capital investment estimates are US \$450,000 with additional annual sales in the order of US \$1.3 million using US \$2/lb copper. The operating cost of this additional circuit will be marginal as it requires only the use of additional reagents and minimal energy consumption.

San Jose Silver-Gold Project

Development of the San Jose Project is progressing well. The acquisition of Continuum Resources Ltd. for 7-million shares is expected to be concluded by year's end and will give Fortuna ownership of 100% of the Project.

Trinidad Zone In-fill Drilling and Resource Estimation

The 36,000m in-fill drill program, initiated in June following AMEC E & C Services Inc. drill spacing recommendations, is well underway with four drill rigs turning and is projected to be completed by the end of January 2009. The program has been designed to convert Inferred resources to the Indicated category in the upper 250m of the deposit, where mining is initially scheduled to take place.

Initial assay results from the in-fill drill program have been reported in [news releases dated September 25, 2008](#) and [October 28, 2008](#), available on the Fortuna website. The results to date confirm the mineralized widths and grades encountered in previous drilling. A new resource estimation, that will include the in-fill drill results, is planned to be completed in the Q2 2009.

Metallurgical Studies & Plant Flow Sheet Design

The first phase of metallurgical tests has been carried out at the UNI metallurgical lab in Lima, Peru under the supervision of Fortuna's senior metallurgical consultant. Second phase tests are currently being conducted by Metcon Research of Tucson, Arizona. A process flow sheet will be finalized by the end of the year.

The UNI test results indicate the amenability of San Jose mineralization to conventional three stage flotation with recoveries for gold and silver consistently over 90% (80% sample weight minus 52 microns). Tests to date continue to confirm high metal recoveries without cyanide leach processing.

Community Relations & Land Agreements

Over 40 hectares of land covering the Trinidad mineralized zone and future infrastructure sites have been secured with renewable 30 year land tenure agreements with parcel owners. The Company is currently negotiating a long term collaborative agreement with the San Jose del Progreso Ejido. The Community Relations department continues to engage local and surrounding communities through project presentations, site visits, and sustainable development programs.

Environmental Impact Statement (MIA)

Base line studies have been concluded and the MIA will be ready for filing once metallurgical process design and soil mechanics tests for the tailings site are completed. The Company expects to submit the document by Q1 2009. Approval of the MIA will be a milestone as it is a requisite prior to initiating project construction.

Industrial Water Supply

The Company has conducted a positive scoping study on the treatment of "grey water" from an existing plant facility in a nearby town to meet the industrial process water requirements of the project. Management is moving ahead with the detailed engineering and permitting of this water alternative.

Underground Development

The 1,000m long decline to the Trinidad mineralized zone has reached level 5 of the old mine workings, 120 meters below surface, and has been stopped for the year. Access to level 6 has been obtained through existing workings. Management has achieved the objective of gaining access to the upper portion of the Trinidad zone resource. The decline development to date will allow testing of trial mining methods, gain better geologic control of mineralization, and cut down a year's worth of mine preparation time.

Exploration of New Areas

Generative exploration work has discovered multiple mineralized zones in the greater land package at San Jose, where the Company currently controls over 50,000 hectares of exploration ground. Over 17,000 soil and stream sediment samples outlined several gold and silver anomalies over the last year ([see news release dated June 16, 2008.](#)) Results of these generative programs are available on the Company's website. Management has decided to postpone any further generative work at San Jose to prioritize the use of Company resources for development of the Trinidad zone.

Qualified Person

Mr. Miroslav Kalinaj, P. Geo., is the Company's Qualified Person as defined by National Instrument 43-101 and is responsible for the accuracy of the technical information in this news release.

Fortuna Silver Mines Inc.

Fortuna is a growth oriented, silver and base metal producer focused on mining opportunities in Latin America. Principal assets include the Caylloma Silver-Lead-Zinc 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

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 Alberto Ganoza Durant
President, CEO and Director
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