



FORTUNA
SILVER MINES INC.

CORPORATE OFFICE:
Suite 840 - 355 Burrard St.
Vancouver, BC Canada, V6C 2G8

Tel: 604.484.4085
Fax: 604.484.4029

MANAGEMENT HEAD OFFICE:
Piso 17, Av. Pardo y Aliaga # 640
San Isidro, Lima 27 - Peru

Tel: +51.1.616.6060, ext. 2

TRADING SYMBOL:
TSX: FVI
Lima Stock Exchange: FVI

info@fortunasilver.com
WWW.FORTUNASILVER.COM

Fortuna Provides Update on Construction at the San Jose Project, Mexico

July 20, 2010: Fortuna Silver Mines Inc. (TSX: FVI / Lima Stock Exchange: FVI) is pleased to provide an update on construction at its 100% owned San Jose silver-gold project in Oaxaca, Mexico.

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 June, the upgrading of the water treatment plant, the source of 20 percent of make-up water for the operation, is 77 percent concluded; the 15 kilometre water pipeline installation to the mine site is 30 percent complete; the contractor for the construction of the tailings dam has mobilized equipment on site and is scheduled to break ground this week; construction of the 5MW electric power substation is 16 per cent 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.

Jorge Ganoza, President, CEO and Director, commented, "Management is focused on the construction of our second mine and working to capitalize on the main areas of opportunity for the project which include migrating a significant portion of the inferred resource into the mine plan for the first five years of operations. With US\$ 74 million in the treasury, the Company is fully funded to build the mine at San Jose and continue exploring to grow existing resources and reserves both in Peru and Mexico."

Water Sourcing

On January 1st, 2010, a fifteen year renewable agreement was signed with the Municipality of Ocotlan de Morelos, located eleven kilometers north of the mine site, to upgrade and manage the local sewage treatment plant in exchange for the use of residual water. Overhauling and maintenance activities started on April 5th and 77 per cent of the refurbishing has been completed. Residual water will source 20 per cent of the make-up water for the 1,500 tpd processing plant. The Company plans to conclude this project in August 2010.

An 8” high density polyethylene pipeline is being built to carry the residual water from the sewage plant to the mine site. The pipes are being thermo fused, pressure tested and buried in a 1.5 meter trench on the margin of the Federal Highway that connects the sewage plant to the project site. This project started in May, is 30 per cent advanced and scheduled to be completed in November 2010.

Tailings Dam

The removal and relocation of the vegetation located at the tailings dam area as per the environmental impact study has been completed. Detailed engineering for this project is 95 percent concluded and the contractor has mobilized heavy equipment to initiate site work. The Company plans to finish the construction of the tailings dam in December 2010.

5MW Electric Power Substation

On April 28th, 2009, the “Comisión Federal de Electricidad” (Mexican Federal Energy Commission) granted authorization to the project to connect to the national power grid for five megawatts; enough power to operate a 1,500 tpd operation. Ground leveling has been completed for construction of the foundations for transformer and switching stations. Purchase orders have been placed for transformers and main switches; delivery is scheduled for November 2010. The construction is 16% advanced and it is scheduled to conclude in February 2011.

Processing Plant and Ancillary Facilities

On April 2010, the Engineering Procurement Construction Management (EPCM) contract for the construction of the plant and ancillary facilities was awarded to M3, an international engineering and construction company out of Tucson, Arizona with ample experience in Mexico. M3 has been working on site since early July.

The Company is proceeding with the acquisition of equipment prioritizing long lead items. A refurbished 13’ x 19.5’ ball mill with capacity to treat ore for up to 1,500 tpd has been purchased and is scheduled to arrive on site in September 2010. To date, purchase orders for other major equipment include thickeners and flotation cells. The Company plans to commission the processing plant in the third quarter of 2011.

Mine Development

In June 2007, the Company carried out 1,000 meters of underground development on the main access decline. The face of the decline stopped at the upper portion of the ore body, gaining a year’s worth of mine development time.

In May 2010, ground support and conditioning work was conducted prior to the restart of development on the face of the decline in early July. Mine development and preparation for a 1,500 tpd mining rate will be an ongoing activity for the remainder of the year.

Qualified Person

Mr. Miroslav Kalinaj, P. Geo., is the Company's Qualified Person as defined by the National Instrument 43 – 101 and has verified that the technical information in this news release accurately reflects the technical information in the Pre-Feasibility Study.

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 Silver Mine in southern Peru and the San Jose Silver-Gold Project in Mexico. The Company is selectively pursuing additional acquisition opportunities. For more information, please visit our website at www.fortunasilver.com.

ON BEHALF OF THE COMPANY

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

Symbol: TSX: FVI / Lima Stock Exchange: FVI

Investor Relations:

Management Head Office: Carlos Baca - Tel: +51.1.616.6060, ext. 2

Corporate Office: Erin Ostrom - Tel: +1.604.484.4085

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.