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Fortuna's San Jose Project on Schedule for Production in Q3 2011

October 20, 2010: Fortuna Silver Mines Inc. (TSX: FVI / Lima Stock Exchange: FVI) is pleased to provide an update on construction activities at its 100% owned San Jose silver-gold project in Oaxaca, Mexico. Construction of the US\$ 56 million project is on schedule and 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. Operations are scheduled to start at 1,000 tpd and achieve full design capacity of 1,500 tpd 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 and on SEDAR at www.sedar.com.

Construction Highlights

- To the end of September, US\$ 11.5 million invested in construction or 21% of CAPEX.
- Rebuilding of the grey water treatment plant, source of 20% of make-up water for the operation, is completed and pipeline installation to the mine site is 84 % advanced.
- Ground preparation for the process plant is 80% advanced with concrete foundation and civil work to start shortly.
- Purchase orders for all major equipment have been placed; the 13' x 19.5' ball mill arrived on site in September.
- Tailings dam construction is 40% advanced and is scheduled for completion in December.
- Construction of the power substation is 52% advanced and is scheduled for completion in February 2011.
- The main haulage ramp has an advance of 1,200 meters and the cross-cut on level 1430 into the Bonanza, Trinidad and Fortuna veins has an advance of 50 meters.

Jorge Ganoza, President and CEO, commented, “With the planned start-up of operations at San Jose ten months away, Fortuna is on a clear path to organically grow its consolidated annual silver production from the current 2 million ounces to 7 million silver equivalent ounces within twenty four months from start-up; at a cash cost below US\$ 6 per ounce. Concurrent with construction activities, our exploration crews are advancing the exploration programs in the surrounding mineral concessions. Management is enthusiastic about the potential to increase silver and gold resources in this large and under explored 58,000ha land package. Drill recommendations for the San Ignacio and Taviche targets are currently under review and drilling is expected to commence towards year-end.”

Water Sourcing

On January 1st, 2010, a 15 year renewable agreement was signed with the Municipality of Ocotlan de Morelos, located 11 km north of the project site, to upgrade and manage their local sewage treatment plant in exchange for use of its residual water, source of 20% of the make-up water for the 1,500 tpd processing plant. The refurbished plant is now operational. Balance of the make-up water will be sourced from rain fall captured in a water reservoir.

Construction of an 8” high density polyethylene pipeline to carry the water from the sewage plant to the project site is 84% advanced and scheduled to be completed in November 2010.

Tailings Dam

Construction of the tailings dam is 40% advanced and scheduled to be completed in December. Heavy rains during August and September have resulted in a two week delay in ground preparation. Provisions have been taken to recover lost time throughout the remainder of the construction.

Power Substation

On April 28th, 2009, the Mexican Federal Energy Commission granted authorization to connect the project to the national power grid. Construction of the transformer and switching stations are 46% and 57% advanced respectively and scheduled to conclude in February 2011.

Processing Plant and Ancillary Facilities

The Company is on time and on budget for commissioning the processing plant at an initial production rate of 1,000 tpd in the third quarter of 2011. Earth work and site preparation for the 1,500 tpd processing plant is 80% advanced and scheduled to be completed in November. The contractor will begin pouring concrete for foundations for the crushing station in the upcoming days. The project has no long lead items on critical path and purchase orders for all major plant equipment have been placed. The 13' x 19.5' ball mill with a capacity to treat ore for up to 1,500 tpd arrived on site in September.

Underground Mine Development

The Company is advancing with underground development and stope preparation for start up of production at an initial mining rate of 1,000 tpd in the third quarter of 2011. At this mining rate the operation is scheduled to produce 1.88 million Ag ounces and 16,000 Au ounces or 2.8 million Ag Eq ounces in the first year of operation.

The main haulage ramp has an advance of 1,200 meters and the cross-cut on level 1430 into the Bonanza, Trinidad and Fortuna veins has an advance of 50 meters. The cross-cut intersected the Trinidad and the Fortuna veins with a width of 8 and 3 meters respectively. Assays are pending.

Two new 6 yard LHDs are scheduled to arrive on site in late October.

Qualified Person

Mr. Miroslav Kalinaj, P. Geo., is the Company's Qualified Person as defined by the National Instrument 43 – 101 and has verified 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. 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
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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 the time of commencement, commissioning and full production, 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.