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Fortuna Reports Q3 2010 Cash Flow from Operations of US$ 5.07 Million; Construction at San Jose Ag-Au Project on Schedule and Budget

November 12, 2010: Fortuna Silver Mines Inc. (TSX: FVI / Lima Stock Exchange: FVI) – is pleased to announce that it has filed its financial statements and MD&A for the three months ended September 30, 2010 and herein provides an update on construction activities at the San Jose silver-gold Project, Mexico. Fortuna reported cash flow from operations of US$ 5.07 million in Q3 of 2010 on revenues of US$ 18.04 million. The full documents are available on SEDAR and have also been posted on the Company's website at www.fortunasilver.com.

Third quarter 2010 highlights:

- Cash flow from operations before changes in non-cash working capital of US$ 5.07 million, compared to US$ 2.66 million in Q3 2009
- Revenue of US$ 18.04 million, compared to US$ 13.23 million in Q3 2009
- Operating income of US$ 4.68 million, compared to US$ 4.39 million in Q3 2009
- Net loss of US$ 2.54 million, compared to a net loss of US$ 0.56 million in Q3 2009
- Silver production of 474,489 oz; 14% increase over Q3 2009
- Negative cash cost per ounce of payable silver of US$ 4.97, net of by-product credits; 5% decrease over Q2 2010
- Cash position (including short term investments) and working capital as at September 30, 2010 were US$ 55.2 million and US$ 58.67 million respectively
- Construction activities at the San Jose Ag-Au Project are on schedule and on budget

Jorge Ganoza, President and CEO, commented, "Fortuna is on track to deliver 1.9 million ounces of silver at a negative cash cost of US$ 7 per Ag ounce, net of by product credits, for 2010. In spite of a net loss of US$ 2.54 million attributable to the mark-to-market effect of our derivative contracts and a foreign exchange loss, Fortuna generated strong operating cash flow of US$ 5.07 million. With the commissioning of the San Jose silver-gold Mine on schedule for the third quarter of 2011, the Company projects to take annual silver production to a rate of 4.6 million silver equivalent ounces by 2012 and 7 million silver equivalent ounces by 2013, at a projected cash cost below US$ 6 per ounce."

Financial Results

During the third quarter of 2010 the Company generated a net loss of US$ 2.54 million (Q3 2009: net loss US$ 0.56 million) on operating income of US$ 4.68 million (Q3 2009: income US$ 4.39 million). In spite of a healthy operating margin, results were negatively impacted by a commodity contract loss of US$ 3.18 million (Q3 2009: loss US$ 3.47 million) and foreign exchange loss of US$ 1.79 million (Q3 2009: loss US$ 0.31 million). The net loss also included deferred share unit grants and bonus accruals of US$ 2.15 million (Q3 2009: nil) under selling, general and administrative expenses.

Adjusting for the mark-to-market effect on the commodity contracts and a foreign exchange loss on the repatriation of funds from the Company's Peruvian subsidiary (included in the US$ 1.79 million foreign exchange loss recorded for the quarter), third quarter adjusted net income (a non GAAP measure) totalled US$ 0.82 million (Q3 2009: US$ 0.56 million).

Operating Results

During the third quarter ended September 30, 2010, the Company achieved silver production of 474,489 (Q3 2009: 417,571) ounces with a negative cash cost per ounce of payable silver of US$ 4.97, net of by-product credits. The mine treated 112,886 tonnes of ore in the third quarter 2010, compared to 105,241 tonnes in the prior year. The cash cost per tonne was US$ 54.29 in the third quarter 2010.

The 14% increase in silver production over the corresponding period of 2009 is attributable to an increase in throughput of 7%, an increase in silver recoveries of 0.5% and a 5% increase in silver head grade.

San Jose Project

Construction activities are on schedule and within budget for completion and commissioning of the mine in the third quarter of 2011. The operation is scheduled to start at a rate of 1,000 tpd, with 2012 production forecast totaling 1.7 million ounces of silver and 14,700 ounces of gold or 2.6 million Ag Eq ounces. These targets would raise Fortuna´s 2012 consolidated silver equivalent production to 4.6 million ounces. Once in operation, at design capacity of 1,500 tpd, the San Jose Mine will produce 5 million Ag Eq 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 reach 7 million Ag Eq ounces plus base metal credits from the Caylloma Mine. Management plans to achieve full production capacity at San Jose within 24 months from start-up. The San Jose Project Technical Report is available on the Company's website at www.fortunasilver.com.

As of October 20, 2010, earthmoving and site preparation for the processing plant was 84% advanced. Cement and foundations work started in late October. Purchase orders have been placed for all major equipment and the ball mill arrived on site in September. Upgrading of the water treatment plant, source of 20% of make-up water for the operation, is 100% complete. The 15 kilometer water pipeline installation to the mine site is 84% advanced, while tailings dam construction is 51% advanced and scheduled for completion in December of 2010. Construction of the 5MW electric power substation is 53% complete. Underground development continues on the main haulage ramp and the cross-cut on level 1430 into the Bonanza, Trinidad and Fortuna veins has advanced 50 meters. Assays results for the veins are still pending.

Conference Call to Review Third Quarter 2010 Financial Results

The Company will hold a conference call to discuss the financial results on Tuesday, November 16, 2010 at 12:00 p.m. EST / 9:00 a.m. PST. Hosting the call will be Jorge A. Ganoza, President, CEO and Director and Luis D. Ganoza, Chief Financial Officer.

Shareholders, analysts, media and interested investors are invited to listen to the live conference call by logging onto the webcast at http://www.investorcalendar.com/IC/CEPage.asp?ID=162594 or over the phone by dialling just prior to the starting time.

Conference call details:

Date: Tuesday, November 16, 2010
Time: 12:00 p.m. EST / 9:00 a.m. PST
Dial in number (Toll Free): +1.877.407.8035
Dial in number (International): +1.201.689.8035

Replay number (Toll Free): +1.877.660.6853
Replay number (International): +1.201.612.7415
Replay Passcodes (both are required for playback):
Account #: 286
Conference ID #: 361143

Playback of the webcast will be available until February 16, 2011. Playback of the conference call will be available until 11:59 p.m. (Eastern Time) on November 30, 2010. In addition, the call will be archived in the Company's website.

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 Ag-Pb-Zn-Cu Mine in Arequipa, Peru and the San Jose Ag-Au Project in Oaxaca, Mexico. The Company is selectively pursuing additional acquisition opportunities. For more information, please visit our website at www.fortunasilver.com.

ON BEHALF OF THE BOARD

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

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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 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.