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

January 18, 2011: 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 activities to date are on budget and commissioning of the mine is scheduled for the third quarter of 2011.

Construction Highlights

- To the end of December 2010, US\$ 23.5 million invested in construction or 42% of CAPEX
- Foundation work for crushers, milling and flotation areas is complete. Mounting and installation of major plant equipment has been initiated this month, starting with the 13' x 19.5' ball mill.
- Tailings dam construction is 91% advanced and scheduled for completion in January
- The 8MW power substation has been completed; commissioning is in process
- The main access ramp has reached the 1400 meter level, where the first production level will be developed
- Production stope K is being developed on the Trinidad, Fortuna and Bonanza veins on sub-level 1430. On production stope L, a cross-cut from the main access ramp intersected the Trinidad and Bonanza veins on level 1400.
- Water pipeline installation to the mine site is 87% advanced

Jorge Ganoza, President and CEO, commented, "We are extremely pleased with the advancement of construction at San Jose where our engineering team continues to deliver an on-time and on-budget project. With Caylloma and the San Jose project in operation, the Company will be in a position to grow annual silver production organically from its existing reserves to seven million ounces of silver equivalent by 2013*. In addition, this month we will be starting an ambitious 30,000 meter drill program around our two key assets, Caylloma and San Jose, to continue exploring the resource expansion potential of each operation."

**All equivalency estimates in this release are based on Ag = US\$ 23.60/oz, Au = US\$ 1,350/oz and metallurgical recoveries of 88% and 90% for silver and gold respectively.*

Once San Jose is in operation in the third quarter of 2011, Management anticipates that Fortuna's operations at Caylloma and San Jose should produce a total of 2.4 million ounces of silver and 7,530 ounces of gold or 2.8 million silver equivalent ounces plus base metal credits in 2011. San Jose's contribution will be 500,000 ounces of silver and 4,580 ounces of gold. The Company is executing plans to reach 7 million ounces of silver equivalent annual production from existing reserves by 2013.

In 2012, its first full year of production, the San Jose Mine is scheduled to produce 1.77 million ounces of silver and 16,120 ounces of gold or 2.75 million silver equivalent ounces. At full design capacity, planned for 24 months from the start of operations, the San Jose Mine's annual production forecast is 3.2 million ounces of silver, 24,220 ounces of gold or 4.6 million silver equivalent ounces. 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 Update

Processing Plant and Ancillary Facilities

Site preparation and foundation work for the 1,500 tpd processing plant have been completed for major equipment. Mounting and installation work for the ball mill is currently taking place, to be followed over the coming three months by installation of other major equipment including the flotation cells and crushing plant.

The processing plant has no long lead items on critical path. Purchase orders for all plant equipment have been placed with on-site equipment arriving according to schedule.

Tailings Dam

Construction of the tailings dam is 91% advanced and scheduled to be completed during January. The tailings dam is currently prepared to store water for the commissioning of the processing plant.

Underground Mine Development

In December, the main access ramp reached the 1400 meter elevation -the first production level- allowing for the development of production stopes K, L and M for start-up of production at an initial mining rate of 1,000 tpd in the third quarter of 2011.

Vein widths and grades for the Trinidad, Fortuna and Bonanza veins cut on level 1400 and sublevel 1430 are in line with the geologic resource model.

With the onsite arrival of new underground equipment during late 2010, mine development is advancing according to plan.

Water Sourcing

The Ocotlan grey water treatment plant is fully operational and the quality of the water obtained is within design parameters.

The pipeline to carry water from the grey water treatment plant to the Project site is 87% complete. Negotiations with the community are taking place to install the remaining two kilometers of the pipeline.

Power Substation

Construction of the transformer and switching stations has been completed. Commissioning is currently taking place and connection to the national power grid is scheduled for mid-February.

Qualified Person

Mr. Thomas Kelly, Fellow AusIMM, is the Company's Qualified Person as defined by the NI 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.