



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 Reports Net Income of US\$4.78 Million on Revenue of US\$21.67 Million in the First Quarter of 2011

May 13, 2011: 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 March 31, 2011. The full documents are available on SEDAR and have also been posted on the Company's website at www.fortunasilver.com.

First quarter 2011 highlights:

- Net income of US\$4.78 million, compared to US\$5.72 million in Q1 2010
- Revenue of US\$21.67 million, compared to US\$17.38 million in Q1 2010
- Operating income of US\$8.00 million, compared to US\$9.04 million in Q1 2010
- Cash flow from operations before changes in non-cash working capital of US\$7.72 million, compared to US\$5.49 million in Q1 2010
- Cash position and working capital as at March 31, 2011 were US\$82.57 million (including short term investments) and US\$89.25 million respectively
- Silver production of 437,123 oz, down 9% over Q1 2010
- Silver accounted for 58% of revenue
- Cash cost per silver oz, net of by-product credits, was negative US\$5.36

Jorge Ganoza, President, CEO and Director, commented, "Caylloma has delivered another strong quarter in terms of net income and cash flow from operations. With the commissioning of the San Jose Mine in the third quarter of 2011, we will see a material impact on Fortuna's silver and gold production as well as cash flow generation. The Company continues on track to deliver on its strong organic production growth profile."

Financial Results

Effective January 1, 2010, the Company has prepared its condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS"). The effects of the transition to IFRS on shareholders' equity, financial position, income, total comprehensive income and cash flows are presented in Note 19 of the Company's Condensed Consolidated Interim Financial Statements for March 31, 2011.

	Expressed in US\$ millions	
	Three months ended March 31	
	2011	2010
Sales	21.67	17.38
Mine operating income	13.05	9.46
Operating income	8.00	9.04
Net income	4.78	5.72
Cash flow from operations before changes in working capital	7.72	5.49
Silver produced (oz million)	0.44	0.48
Cash cost per ag oz net of by-product credits (US\$/oz)	(5.36)	(9.84)

During the three months ended March 31, 2011 the Company generated net income of US\$4.78 million (2010: US\$5.72 million) on operating income of US\$8.00 million (2010: US\$9.04 million). The decrease in net and operating income compared to the previous year, in spite of higher sales of US\$21.67 million (2010: US\$17.38 million), is mainly explained by a loss on commodity contracts of US\$1.01 million (2010: gain US\$1.75 million), higher selling, general and administrative expenses of US\$1.72 million compared to 2010 and higher cash cost per tonne of US\$63.73 (2010: US\$55.56). The results were also affected by an inventory build-up of 6% of production valued approximately at US\$1.6 million at average selling prices for the period.

Operating Results

During the first quarter ended March 31, 2011, the Company achieved a silver production of 437,123 ounces (Q1 2010: 479,821) with a cash cost per ounce of payable silver of negative US\$5.36, net of by-product credits. In the first quarter of 2011, 104,937 tonnes of ore were treated (Q1 2010: 101,503) and the cash cost per tonne of treated ore was US\$63.73 (cash cost is a non-GAAP measure).

The drop in silver production for the quarter compared to the same period last year is mainly explained by lower head grades and lower metallurgical recoveries. The latter is the result of higher than expected oxidized material coming from level 6 in Animas vein.

San Jose Mine, Mexico

The Company anticipates that the San Jose Mine, currently under construction, will begin to contribute both silver and gold ounces starting in the third quarter of 2011 allowing the Company to maintain its organic silver production growth.

Construction Highlights to April 30, 2011

- Processing plant construction is 50% complete. Foundation work for crushers, milling, flotation, thickening and filtering areas is complete. Mounting and installation of major plant equipment will be concluded by the end of May with concentrate filters being the only pending equipment. Piping, electrical, and minor equipment installation is in process.
- Tailings dam construction was concluded in January 2011.
- The 8MW power substation construction and commissioning has been concluded and is currently providing power to the project.
- The mine access ramp is already below the 1,400 meter elevation and continues towards level 1300.
- Three stopes are being developed and prepared for the start of production in the third quarter at the initial rate of 1,000 tpd; Stope K is being developed on the Trinidad, Fortuna and Bonanza veins on sub-level 1430. Stopes L and M are being developed on level 1400. Currently stope preparation is being finalized through service infrastructure. Stopping is scheduled to begin in July.
- To March 31, 2011 the mine had built an ore stock pile of 33,000 tonnes grading 142 g/t Ag and 1.2 g/t Au. The Company anticipates an inventory of approximately 30,000 tonnes before the start of commercial operations in the third quarter of 2011.
- Water pipeline installation to the mine site is 87% advanced.

Conference Call to Review 2011 First Quarter Financial Results

The Company will hold a conference call to discuss the financial results on Tuesday, May 17, 2011 at 9:00 a.m. (PDT) / 11:00 a.m. (Lima time) / 12:00 p.m. (EDT). Hosting the call will be Jorge Ganoza, President and CEO and Luis 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=164555> or over the phone by dialing just prior to the starting time.

Conference call details:

Date: Tuesday, May 17, 2011

Time: 9:00 a.m. (PDT) / 11:00 a.m. (Lima time) / 12:00 p.m. (EDT)

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): +1.201.678.7415

Replay Passcodes (both are required for playback):

Account #: 286

Conference ID #: 372838

Playback of the webcast will be available until August 18, 2011. Playback of the conference call will be available until 11:59 p.m. (EDT) on May 31, 2011. 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 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: Ralph Rushton - 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 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.