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Fortuna Reports Net Income of US\$6.20 Million on Revenue of US\$24.27 Million in the Second Quarter of 2011

August 11, 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 June 30, 2011. The full documents are available on SEDAR and have also been posted on the Company's website at www.fortunasilver.com.

Second quarter 2011 highlights:

- Net income of US\$6.20 million, compared to US\$6.72 million in Q2 2010
- Revenue of US\$24.27 million, compared to US\$14.42 million in Q2 2010
- Cash flow from operations before changes in working capital, income taxes, and interest of US\$12.22 million, compared to US\$6.97 million in Q2 2010
- Operating income of US\$10.67 million, compared to US\$ 9.63 million in Q2 2010
- Cash position (including short term investments) and working capital as at June 30, 2011 were US\$74.54 million and US\$76.56 million respectively
- Silver production of 474,979 ounces, up 1% over Q2 2010
- Silver accounted for 63% of revenue
- Cash cost per silver ounce, net of by-product credits, was negative US\$4.42

Jorge Ganoza, President and CEO, commented, “The Company continues to benefit from high metal prices as shown by our strong cash flow generation for the period. Now, Fortuna looks with anticipation to the start of commercial production at our new San Jose Mine in Mexico. The San Jose mine will contribute materially to our silver and gold production with the first full impact on our financial statements expected in the fourth quarter of 2011.”

Financial Results

During the second quarter ended June 30, 2011 the Company generated net income of US\$6.20 million (2010: US\$6.72 million) on operating income of US\$10.67 million (2010: US\$9.63 million). The decrease in net income compared to the previous year, in spite of higher sales of US\$24.27 million (2010: US\$14.42 million), is mainly explained by selling, general and administrative expenses of US\$5.33 million (2010: US\$ nil), cost of sales of US\$9.42 million (2010: US\$7.51 million), a gain on commodity contracts of US\$1.44 million (2010: gain US\$2.90 million) and income taxes of US\$4.56 million (2010: US\$2.95 million).

The increase in selling, general and administrative expenses is primarily attributable to share-based payments of US\$1.93 million in 2011 compared to a recovery of US\$2.44 million in 2010. The nil amount recorded in 2010 for selling, general and administrative expenses is due to the US\$2.44 million share based payment recovery.

Financial results highlights:

<i>Expressed in US\$000's</i>	Three months ended June 30, 2011	Three months ended June 30, 2010
Sales	24,267	14,421
Operating income	10,665	9,629
Net Income (loss)	6,197	6,719
Cash flow from operations before changes in working capital, income taxes, and interest	12,218	6,968
Cash cost per Ag oz net of by-product credits (US\$/oz)	(4.42)	(3.83)

Operating Results

During the second quarter ended June 30, 2011, the Company achieved silver production of 474,979 ounces (Q2 2010: 470,310 ounces) with a cash cost per ounce of payable silver of negative US\$4.42, net of by-product credits. In the second quarter of 2011, 111,992 tonnes of ore were treated compared to 108,010 tonnes in the prior year and the cash cost per tonne of treated ore was US\$63.29* (cash cost is a non-GAAP measure).

The increase in silver production for the quarter compared to the same period last year is mainly explained by higher silver head grades offset by lower metallurgical recovery rates. The latter is the result oxidized material coming from level 6 in Animas vein.

(*) Please refer to page 9 of the MD&A for reconciliation of cash cost to the cost of sales in the consolidated statement of operations.

San Jose Mine, Mexico

- The Company plans to declare the start of commercial operations on September 1, 2011.
- Processing plant construction for start up at 1,000 tpd is 100% complete and commissioning is underway.
- Three stage crushing circuit has been commissioned and a stockpile of crushed ore of 6,500 tonnes has been accumulated up to the third week of July, 2011.
- Tailings dam has been commissioned and is currently storing water for the industrial process.
- New 8MW power substation is in operation and sourcing power to the project.

- Mining of stopes K, L and M commenced in late July 2011. The production plan is in line to source 520,613 ounces Ag and 4,584 ounces Au or 782,851 ounces Ag Eq* in 2011 and 1.7 million ounces Ag and 15,326 ounces Au or 2.6 million ounces Ag Eq* in 2012.
- As at the end of June 2011, the mine had built a development ore stockpile of 44,989 tonnes grading 126 g/t Ag and 1.17 g/t Au.

(*) 2011 Ag Eq based on US\$23.60/oz Ag and US\$1,350/oz Au. 2012 Ag Eq based on US\$23.10/oz Ag and US\$1,340/oz Au.

Conference Call to Review Second Quarter 2011 Financial Results

The Company will hold a conference call to discuss the financial results on Monday, August 15, 2011 at 9:00 a.m. (PST) / 11:00 a.m. (Lima time) / 12:00 p.m. (EST). 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=165559> or over the phone by dialing just prior to the starting time.

Conference call details

Date: Monday, August 15, 2011

Time: 9:00 a.m. (PST) / 11:00 a.m. (Lima time) / 12:00 p.m. (EST)

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 #: 377314

Playback of the webcast will be available until November 16, 2011. Playback of the conference call will be available until 11:59 p.m. (EST) on August 29, 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 mine 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 BOARD

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

Symbol: TSX: FVI / Lima Stock Exchange: FVI

Investor Relations:

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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 estimation 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.