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## **Fortuna Reports Operating Cash Flow of \$8.85 million on Revenue of \$26.34 million**

**April 1, 2009: Fortuna Silver Mines Inc. (TSX.V: FVI / Lima Exchange: FVI)** has filed its audited financial statements and MD&A for 2008. The full documents are available on SEDAR and have also been posted on the Company's website at [www.fortunasilver.com](http://www.fortunasilver.com).

### 2008 Financial Statements and MD&A Highlights:

- Sales of \$26.34 million and a gain on commodity contracts of \$4.52 million
- 75% increase in concentrate tonnage sales compared to 2007
- Record metal production: 861,176 oz of silver, 7,485 MT of lead and 10,561 MT of zinc - up 77%, 98.5% and 67.7% respectively over 2007
- Net loss of \$0.96 million, compared to \$2.79 million in 2007
- Net cash from operating activities of \$8.85 million, compared to \$13.24 million in 2007
- The company's cash position and working capital as at year end were \$36.02 million and \$41.64 million respectively
- 2008 cash production cost per tonne of ore was US \$46 and the corresponding unit net smelter return (NSR) was US \$83
- Silver production and cash cost guidance for 2009 of 1.6 million oz and US \$1.86/oz (net of by-product credits) respectively

Jorge Ganoza, the President of Fortuna, commented: "During its second full year of production, Management at Caylloma has been successful in executing its expansion plan and improving overall performance. We have had increments in head grades, metal recoveries, concentrate grades and throughput. We are scheduled to achieve 1,200 tonnes per day of throughput capacity in May of 2009. The start of production of high grade silver veins and the addition of a copper circuit will add to Caylloma's operating margins further strengthening its financial performance in 2009."

### **Financial Results**

During 2008, the Company generated \$26.34 million of sales compared to \$31.67 million in 2007. The decrease in sales, in spite of an increase in concentrates sales tonnage of 75% over the previous year, is explained by a lower metal price environment and in particular, the sharp fall in all commodity prices experienced in the last quarter of 2008. Another limiting factor on sales in 2008 was the significant increase in the treatment charges for metal concentrates experienced by the industry as a whole.

The Company recorded an operating loss of \$5.93 million for 2008 after deducting \$1.43 million of stock based compensation charges. The effect of this operating loss on net income was partially offset by a gain on the Company's commodity hedging contracts of \$4.52 million. Net loss for 2008 was \$0.96 million.

For the last quarter of 2008, the Company recorded a net loss of \$2.53 million compared to a gain of \$1.41 million in the corresponding quarter of 2007. This loss is due to the decrease in prices of all commodities in the last quarter of 2008.

The Company's cash position and working capital as of year end were \$36.02 million and \$41.64 million respectively.

## **Operating Results**

<b>Caylloma Mine</b>	<b>Quarters ended</b>							
	<b>31-Dec-08</b>	<b>30-Sep-08</b>	<b>30-Jun-08</b>	<b>31-Mar-08</b>	<b>31-Dec-07</b>	<b>30-Sep-07</b>	<b>30-Jun-07</b>	<b>31-Mar-07</b>
<b>Tonnes milled</b>	91,025	89,827	80,121	70,408	68,615	65,806	63,806	52,687
<b>Average tons milled per day</b>	1,023	1,009	910	800	754	715	701	579
<b>Grade per tonne</b>								
Silver (oz)	3.69	3.14	2.75	2.64	2.43	2.45	2.29	2.23
Lead (%)	2.97	2.58	2.29	1.94	1.87	1.80	1.67	1.39
Zinc (%)	3.75	3.64	3.75	3.42	3.09	3.01	2.92	2.65
<b>Recoveries</b>								
Silver (%)*	82.43	80.07	78.12	76.42	77.74	75.75	73.28	71.39
Lead (%)	93.41	92.19	88.94	87.26	87.51	88.50	89.22	88.59
Zinc (%)	87.25	88.11	87.58	86.45	85.09	86.51	86.22	84.16
<b>Production (metal contained)</b>								
Silver (oz)	291,381	243,280	186,276	140,239	139,433	132,450	119,110	95,473
Lead (tonnes)	2,524	2,139	1,633	1,189	1,124	1,049	952	646
Zinc (tonnes)	2,976	2,877	2,629	2,079	1,805	1,712	1,605	1,178
Unit cash production cost (US\$/tonne)	44.60	44.43	46.92	49.97	52.41	49.15	46.65	42.62
Unit Net Smelter Return (US\$/tonne)	60.00	80.40	97.79	97.70	118.41	133.70	123.65	90.26

\* Silver recovery in lead concentrate

In 2008, the Caylloma mine increased throughput by 32% compared to 2007 by processing 319,380 tonnes of ore. Silver production increased 77% with respect to 2007 reaching 861,176 oz in 2008. Lead and zinc metal production increased 98.5% and 67.7% respectively. The mill started the year at a 750 tpd throughput rate and closed the year at an average monthly rate of 1,027 tpd. Metallurgical parameters and overall plant performance improved steadily throughout 2008, especially silver recovery in the lead concentrate which reached highs of 83% in November. Our recoveries for lead and zinc, as well as concentrate grade in the lead concentrate, experienced steady increases throughout the year and significant improvements compared to 2007 as shown in the table above.

Cash production cost per tonne for the year was US\$46 and the corresponding unit net smelter return (NSR) was US\$83.

## **San Jose Project**

Fortuna recently completed a 33,000 meter drill program designed to convert inferred mineral resources to the measured and indicated categories. The revised resource estimate is expected for June 2009.

The Company is also advancing with engineering studies for the development of the San Jose deposit including mine and processing plant design, tailings dam engineering as well as evaluating power and water supply alternatives. Fortuna has already secured all the land required for the project and is in the advanced stages of negotiation of a collaborative agreement with the community.

*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](http://www.fortunasilver.com).

*Neither the TSX Venture Exchange nor the Investment Industry Regulatory Organization of Canada accepts responsibility for the adequacy or accuracy of this release.*

ON BEHALF OF THE BOARD

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