

Fortuna loses \$1.06-million (U.S.) in Q1 2009

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Mr. Jorge Ganoza reports

FORTUNA REPORTS RECORD REVENUE OF US\$8.98 MILLION AND A PRODUCTION CASH COST OF US\$0.10 /OZ OF SILVER IN Q1 2009

Fortuna Silver Mines Inc. has filed its financial statements and management's discussion and analysis for the three months ended March 31, 2009. The full documents are available on SEDAR and have also been posted on the company's website.

Change in reporting currency

Effective Jan. 1, 2009, the company changed its reporting currency to the U.S. dollar. The change in reporting currency is to better reflect the company's business activities and to improve investors' ability to compare the company's financial results with other publicly traded businesses in the mining industry.

First-quarter 2009 highlights

- Historic record sales of \$8.98-million compared with \$6.81-million in the first quarter of 2008;
- Operating cash flow before changes in non-cash working capital items of \$4.23-million compared with \$2.61-million in the first quarter of 2008;
- Net loss of \$1.06-million compared with net loss of \$640,000 in the first quarter of 2008;
- Cash position and working capital as at March 31, 2009, were \$27.02-million and \$32.59-million, respectively.

Jorge Ganoza, president, chief executive officer and director, commented: "The Fortuna team has delivered another quarter of continued achievement with record sales and record silver production. Silver now represents 49 per cent of revenue at a cash cost per ounce of 10 cents net of byproduct credits. We remain on target to achieve our forecast production of 1.6 million pure silver ounces for 2009. Through continued increments in efficiency, throughput and head grades Fortuna now clearly ranks amongst the lowest cost silver producing companies."

Financial results

During the first quarter of 2009, the company generated record quarterly revenue of \$8.98-million compared with \$6.81-million over the same period in 2008. The volume of concentrate sales during the first quarter of 2009 was 77 per cent more than the same period in 2008. The significant increase in sales is the result of the company's investment

plan over the last two years in mine development, processing plant expansion and infrastructure.

Mine operating income in the first quarter of 2009 was \$3.41-million compared with \$2.30-million over the same period in 2008. This improvement, in spite of significantly lower metal prices, is a consequence of an increase in throughput, head grades, recoveries, and lower operating costs.

Operating income for the first quarter of 2009 was \$80,000 after deducting \$350,000 of stock-based compensation charges and \$1.08-million of a write-off of deferred exploration costs. The operating income for the company's Peruvian subsidiary, operator of the Caylloma mine, was \$2.42-million.

Operating results

In the first quarter of 2009, the Caylloma mine achieved significant increments in metal output with respect to both, the previous quarter and the corresponding quarter in 2008. Silver production was 384,339 ounces; 32-per-cent increase over fourth-quarter 2008 and 174-per-cent increase over the first quarter of 2008. Lead production was 2,645 tonnes; 5-per-cent increase over the fourth-quarter 2008 and 123-per-cent increase over the first quarter of 2008. Zinc production was 3,152 tonnes; 6-per-cent increase over the fourth quarter of 2008 and 52-per-cent increase over the first quarter of 2008.

The company is for the first time reporting cash cost per ounce of payable silver at Caylloma since the impact of silver in the revenue stream is 49 per cent. The cash cost for the first quarter was 10 cents, net of byproducts lead and zinc.

Cash cost per tonne of treated ore for the first quarter of 2009 was \$44.37 compared with \$49.97 for the corresponding quarter of 2008. The corresponding unit net smelter return (NSR) was \$91 per tonne.

The average throughput rate for the first quarter of 2009 was 1,050 tonnes per day. The expansion project for the processing plant was concluded 15 days ahead of its scheduled start-up and since mid-April, the plant is processing ore at a rate of 1,200 tonnes per day.

The newly-added copper circuit went into production in the last week of April and it is currently undergoing a normal tuning and balancing period.

San Jose project

The company has concluded metallurgical tests for the project with Metcon Research of Tucson, Ariz., and is advancing with feasibility level engineering studies for the development of the San Jose deposit. Engineering contracts were awarded in February for mine design, process plant design, tailings dam, water and power.

On April 16, the Mexican federal regulatory agency for electricity accepted the feasibility study for the energy project and granted permission to connect to the national power grid for up to five megawatts of power. The company also submitted the "Manifiesto de Impacto Ambiental" to the Mexican environmental authorities on April 3.