

# FORTUNE SMILES

## FOR SILVER MINING COMPANY

By Melanie Franner



It's not every company that can grow from nothing to approximately \$160 million\* in sales, with an operating income in the range of \$50 million. Of course, these figures are extrapolated from the numbers reported for the first half of 2012. But one can't help but believe that they will be accurate. Not least because, to date, Fortuna Silver Mines Inc. (NYSE: FSM/TSX: FVI) has made all of its deliverables.

### Starting with a Vision

According to Jorge A. Ganoza, president, CEO and co-founder of Fortuna Silver, the company owes its remarkable success to two factors in particular.

"One, we have a clear vision. Two, we have pulled together a team of talented people who have been able to organize and work as a team to realize our vision," Ganoza explains.

The organization is dedicated to the company's two existing mining operations – the San Jose Mine in Mexico and the Caylloma Mine in Peru. Both have been showing year-after-year growth. In 2012, the two mines are scheduled to produce, on a consolidated basis, 3.7 million ounces of silver and 17,000 ounces of gold plus base metals. A major expansion is currently underway at the San Jose

Mine to increase plant throughput from 1,000 to 1,500 t/day by mid-2013. This will increase the amount of silver and gold produced by the two mines to five million ounces of silver and 27,000 ounces of gold. The Caylloma Mine currently processing ore at a rate of 1,300 t/day.

"We also have \$25 million in sales from our by-product metals of lead and zinc," explains Ganoza. "Eighty-five percent of our total sales are attributed to silver and gold."

Backing the current metal production, Fortuna Silver Mines has approximately 60 million ounces of silver in reserves and an additional 60 million ounces Inferred resources.

"On top of that, we have commanding land positions in Peru and Mexico," adds Ganoza. "We have over 80,000 hectares spread over the two mines, with very prospective ground for additional discoveries of silver and gold mineralization."

The company's exploration budget in 2011 was \$12 million. That rose to \$15 million in 2012. Some \$5.8 million of that budget will be spent on three drill rigs in Mexico, with another \$7.2 million allocated to four drill rigs in Peru.

"We are very committed to brownfield exploration," states Ganoza. "And our

properties are located in world-class, robust and well-developed vein systems."

### Growth from Beyond

In addition to focusing on organic growth, Fortuna Silver Mines is also looking at mergers and acquisitions. For this reason, it has recently hired Robert Brown to the newly developed position of vice president, corporate development. Brown brings with him some 20 years of experience in exploration, project development and finance. He was the former CEO of Calibre Mining Corporation and a senior manager at Barrick Gold in exploration and business development.

"We have a target of becoming a 14-million-silver-ounce annual producer by 2016, half of which will come from our existing operations and mine plans," states Ganoza. "The balance will need to come from discovery and acquisition."

### Working in Harmony

Not only does Fortuna Silver Mines pride itself on having pulled together the right team of people to help realize its potential, it also prides itself on working collaboratively with local communities toward self development of economically sustainable activities aimed at improving quality of life.



*Caylloma mine ore control.*



*Caylloma pasture improvement program.*



*San Jose greenhouse.*

"We have values ingrained in our organization that speak of respect for our neighbors, our communities and for the diversity of the different people and their cultures," explains Ganoza. "We do not believe that you can be sustainable in today's world in this industry if you think of social community as a compromise. We try to establish ourselves as a strategic partner in those communities in which we work."

To that end, Fortuna Silver Mines has been involved in several different partnerships with local municipalities, NGOs and interest groups. The company is working with the Municipality of San Jose del Progreso, for example, to construct a health post, sports court and daycare center. It is also involved in other programs, in collaboration with the community, aimed at improving education, health and nutrition. In Caylloma, sample initiatives include genetic enhancements

of local alpaca herds, as well as support of community activities to develop a more self-sustaining economy.

### The Promise of Future Growth

Ganoza was one of five people who founded Fortuna Silver Mines back in 2005. The company celebrated its first full year of operation in 2007. In the five years since, Fortuna Silver Mines has grown from those initial five people to a team of 1,500 employees and contractors in Mexico, Peru and Canada. More important, however, it has proven itself a leader in its own right and as a potential global leader ready, willing and able to eventually vie for a position on the world stage.

"I have never seen Fortuna in such a strong position in terms of looking at the quality of the talent and the amount of resources that we have in hand," concludes Ganoza.

\* All figures U.S.\$ ▮

## SILVER: a metal of sunken treasure and champions By Eric McWhinnie

Early in July 2012, Odyssey Marine Exploration, a world leader in deep-ocean shipwreck exploration, announced it successfully recovered approximately 48 tons of silver bullion from the *SS Gairsoppa*. The British ship was torpedoed by a German U-boat and sank in three miles of water off the coast of Ireland during World War II. Despite the silver being submerged for 71 years, it is still a highly prized discovery as the precious metal has appreciated in value.

In a press release, the company explained the initial recovery of the sunken treasure totaled 1,203 silver bars or approximately 1.4 million troy ounces of silver. The total operation, which also includes the *SS Mantola*, could bring to the surface about 240 tons of silver, a record-breaking amount. The recovery is the heaviest and deepest haul of precious metals to date.

"With the shipwreck lying approximately three miles below the surface of the North Atlantic, this was a complex operation," commented Greg Stemm, chief executive officer. "Our capacity to conduct

precision cuts and successfully complete the surgical removal of bullion from secure areas on the ship demonstrates our capabilities to undertake complicated tasks in the very deep ocean."

Companies such as Odyssey are willing to go to such great lengths to recover precious metals, because hard assets such as silver and gold tend to hold their value exceptionally well over the long-term. The *SS Gairsoppa* sank in 1941, a year in which the average silver price was 35 cents per ounce. However, in 2011 the average price of silver was \$35 per ounce. Currently, the price of silver is about \$27 per ounce, but Odyssey's haul of 1.4 million ounces is still valued at roughly \$38 million.

Silver is an amazing metal. Not only is it known for historic monetary characteristics, but also for its industrial usage. Almost all electronics are configured with silver. The precious metal is used in everything from automobiles to alternative energy needs. According to The Silver Institute, over 36 million ounces of silver are used annually in automobiles. Meanwhile, silver paste is used in 90 percent of all crys-

talline silicon photovoltaic cells, which are the most common type of solar cell. Over 100 million ounces of silver are projected to be used on these solar cells by 2015. The white metal has also been used in medicinal and preservative purposes around the world for generations.

Gold is often called the money of kings, but silver will be known as the money of champions. When athletes received gold medals at the 2012 Summer Olympics in London, only 1.34 percent contained actual gold. The rest was comprised of 93 percent silver and six percent copper, according to *CNNMoney*. In fact, solid gold medals have not been issued since the 1912 Olympic Games in Sweden.

Considering silver's unique industrial qualities and ability to endure years of abuse and still come out a winner, it seems only appropriate to have the precious metal at the top of the podium.

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