



SOUTH AMERICAN SILVER CORP.

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South American Silver Corp. Completes Purchase of Malku Khota Silver Property and Signs Drilling Contract

Trading Symbol: SAC-TSX

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South American Silver Corp. (“SASC” or the “Company”) is pleased to announce that it has completed the purchase of the Malku Khota property by exercising its option on the 1,175 ha Cobra and Daniel claims. The Company’s only remaining obligation is to pay a 1% NSR on production from these claims, which NSR can be purchased for US\$500,000 at any time. The Company now holds title to the entire Malku Khota property. The Company also signed an option contract on the Norma property (250 ha), located towards the southern end of the Malku Khota land position, and has filed for a new concession, Viento (175 ha). The entire land position at Malku Khota, including the Norma and Viento concessions, now totals 5,475 ha.

Additionally, the Company has entered into a diamond drilling contract to conduct an approximate 30 hole initial drill program. Drilling at the Malku Khota property is expected to begin in late April initially with one rig, and with a second rig starting in May. Drilling will start in the Limosna anomaly to infill and extend mineralization defined in the prior drilling program and to test for near-surface enrichment. Concurrently with the drilling program, work will begin on constructing a road to the top of the Malku Khota ridge line to build the drill pads for the holes to test the near surface enrichment. Community relations are an important part of doing business in Bolivia and therefore prior to actually starting the drilling program the Company will complete a series of meetings with each of the local communities in the Malku Khota area to ensure that all parties are aware of the program and that the Company has answered all of their questions.

In addition to the drilling and road-building programs, an aggressive program of metallurgical work is being set up with Lakefield Laboratories of Canada to look at metallurgical recoveries of silver and associated metals, using both leaching and flotation methods. A series of tests will also be carried out to explore potential routes for the recovery of indium from the property. Material for this test-work will come from drill-core obtained from the Company’s prior drilling program.

A program of tunneling is also planned to start in May. The purpose of this program is to confirm the silver grades found in the drilling. Samples derived from the tunnels, as against drill core, are much larger and more representative of bulk grades and are not subject to loss of silver through dissolution or disaggregation by drilling fluids.

The Malku Khota silver-gold property is located in the Department of Potosi, southwest Bolivia, approximately 85 km southeast of Oruro. The historic gold and silver workings, some of which date back to Colonial Spanish times, are located within sandstone. Exploration by SASC has developed a disseminated silver target extending for approximately 3.5 km over a width of 100-228 m within a steeply dipping sandstone unit. This area has been tested by thirteen drill holes which have delineated three mineralized zones: Limosna, Wara Wara and Malku Khota. These zones cover a large surface area of 450,000 sq. m, giving the property very substantial size potential.

At Limosna, a tunnel and three drill holes (Pique Pobre tunnel, LmD003, LmD004 and LmD005) in the centre of the zone, within a strike length of 340 m, reported grades of 130 m @ 395 grams per tonne ("gpt") silver ("Ag"), 115.5 m @ 78.9 gpt Ag, 70 m @ 44.7 gpt Ag and 176 m @ 46 gpt Ag, respectively. In the Wara Wara anomaly, there are two holes (WwD001 and WwD002) 200 m apart which include intervals of 102.7 m @ 51.6 gpt Ag and 96 m @ 30.8 gpt Ag, respectively. At the Malku Khota anomaly, drill hole MkD001 included 82 m @ 58 gpt Ag. All zones include narrower intervals of higher grade silver. Mineralization starts at surface with little or no overburden and dips at approximately 75 degrees. Importantly, the higher grade tunnel results are due to near-surface enrichment which may be more extensive than results presently indicate. The drill holes and tunnel extend the mineralization up to 260 m vertically below the surface. Initial metallurgical tests have yielded encouraging results, including recoveries of 77% of the silver and 78% of the gold by leaching and up to 78% of the silver and 87% of the gold by flotation.

In addition to the silver and gold, several drill holes have included strong intercepts of the metal indium which is used in the manufacture of flat screen televisions. The metal sells for U.S.\$0.75-\$1.00 a gram.

Two holes included the following intervals:

LmD001:	65.4m @ 17.9 gpt indium
MkD001:	81.9m @ 23.9 gpt indium

A program of surface trenching is planned to start at the Company's Laurani gold-silver prospect, 90 km south of La Paz, Bolivia, in April with drilling to follow in May.

At the Escalones porphyry copper-gold prospect in Chile, Minera Aurex (Chile) Limitada ("Aurex") is currently drilling the fifth hole on the property. Aurex is a subsidiary of our joint venture partner, Phelps Dodge Corp., which recently was acquired by Freeport-McMoRan Copper & Gold Inc.

Certain statements contained herein constitute “forward-looking statements”. These forward-looking statements are based on current expectations. The nature, timing and extent of the exploration programs may materially change from current intentions for a number of reasons. Additionally, “forward looking statements” look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as “plans,” “may,” “estimates,” “expects,” “indicates,” “targeting,” “potential” and similar expressions. These forward-looking statements, including statements regarding the Company’s beliefs in the potential mineralization, are based on current expectations and entail various risks and uncertainties. Actual results may materially differ from expectations as more information regarding the property is gathered or if known and unknown risks or uncertainties affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The Company is a mineral exploration company that acquires, explores and develops mineral properties, primarily silver, gold and copper in South America. The Company presently holds interests in three properties: the flagship Malku Khota silver-gold and the Laurani gold-silver properties in Bolivia and the Escalones copper-gold-molybdenum property in Chile which is under option to Aurex.

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