South American Silver Corp.

First Quarter 2010

Management's Discussion & Analysis

May 13th, 2010

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General

The following information, prepared as of May 13, 2010, should be read in conjunction with the unaudited interim consolidated financial statements of South American Silver Corp. (the “Company” or “SASC”) for the three months ended March 31, 2010, as well as the audited consolidated financial statements for the year ended December 31, 2009 and the related management’s discussion and analysis (the “Annual MD&A”) contained in the 2009 Annual Report.

The Company’s critical accounting estimates, significant accounting policies and risk factors as disclosed in the 2009 Annual Report have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see the “Cautionary notes” and “Risks and uncertainties” sections below. All amounts are expressed in U.S. dollars unless otherwise indicated and prepared in accordance with Canadian generally accepted accounting principles.

The Company’s shares are listed on the Toronto Stock Exchange under the symbol “SAC” and on the US OTC market as “SOHAF”. Additional information related to South American Silver Corp. is available on SEDAR at www.sedar.com.

Description of business

South American Silver Corp. is a growth focused mineral exploration company creating value through the exploration and development of the 100% owned Malku Khota Silver-Indium project in Bolivia, one of the world’s largest undeveloped silver and indium deposits, and the 100% owned large-scale Escalones Copper-Gold project in Chile. The Company’s approach to business combines the team’s track record of world-class discoveries and successful project development and integrates strong community relations and corporate social responsibility. Management has over 100 years of combined experience in the global exploration and mining industry with much of that focused in Bolivia, Chile, Peru and Argentina.

Approach to business

South American Silver Corp.’s growth strategy has been to indentify mineral properties that have significant scale potential to develop large resources in well established mining districts of Bolivia and Chile. Management looks to leverage its exploration and development expertise to bring additional resources and value to shareholders and to reduce development risk and expense through its focus on community relations and corporate social responsibility. The Company will continue to look for opportunities in new projects that can bring value to SASC’s shareholders through its approach to business. Responsible mining and community collaboration are a key part of SASC’s business strategy in all of its projects. The Company is committed to upholding high environmental and social standards while focusing on delivering the financial growth its shareholders expect.

Community relations are an important part of doing business in any country and management believes that long-lasting social and economic benefits can flow to the communities in which South American Silver Corp. operates. In Bolivia, the Company has two full-time Community Relations personnel for the Malku Khota project, who speak the local languages and maintain regular contact with each of the surrounding local communities to maintain open and transparent communication. The Company has signed agreements of cooperation with each of the communities and will look for ways to facilitate economic development through the various stages of development for the project. As part of this approach, the company engaged The BSR Group (Business for Social Responsibility) to help develop a pro-active Community Relations program that represents all stake-holders for the transition from exploration to development and production.

Current market and economic conditions

During the past 12 months the price of silver and gold has continued to rise from its lows of 2008 with both metals up approximately 30% on a 12 month basis as of early May and moving toward their highs of late 2009 of over $19/oz and $1,200/oz respectively. Since 2005 the price of silver has had a 95% correlation to the gold price but with larger percentage swings both to the upside and during corrective periods. Prior to the 2008 markets the silver to gold ratio was an average of approximately 55:1 for many years suggesting that silver may be undervalued relative to gold at the current level of 65:1, based on gold at $1,200/oz and silver at $18.50/oz. The fundamentals for both silver and gold appear supportive for higher prices based on global monetary factors, and especially in terms of investment demand both metals have seen over the past several years in all forms including Exchange Traded Funds (ETF’s), bars and coins. For silver specifically the increased use in industrial applications ranging from biomedical to high technology is notable as it has become an increasingly larger percentage of the total annual demand.

Indium prices have ranged between $450/kg and $1,000/kg over the past 5 years with current prices around $650/kg. Given the dramatic increases in global indium consumption over the last two decades from 115 tonnes in 1990 to 600 tonnes in 2008 to an estimated 1,400 tonnes in 2010, a continued escalation in global indium consumption is anticipated with its use in LCD panels, solar technology and LED lighting.

Copper and zinc have also rebounded significantly from their lows of 2008 at less than $1.50/lb and $0.50/lb respectively to trade recently as high as $3.50/lb for copper and at over $1.00/lb for zinc. Demand for copper and zinc is being driven largely by growth in Asia and particularly China and India where industrialization remains a long-term supporting factor for basic materials.

Gold and silver related equities have rebounded as a result of the higher metals prices, particularly the larger producers, however the equity prices of many exploration and development-stage companies have remained volatile and generally low relative to historical levels. Recent catalysts for South American Silver Corp. have seen the Company significantly outperform the gold and silver equity indexes such as the broad Toronto Gold Index and the U.S. Amex Gold Miners Index on a 12 month basis.

Resource based economies have benefited from the rebound in metal prices over the past year, particularly those in emerging markets. The pronounced economic transformation that has been underway in Bolivia was recently highlighted in a report by Bloomberg on a presentation by Bolivian Finance Minister Luis Arce in New York in April 2010. In that report, economic figures show that Bolivia has had one of the fastest growing GDP's in all of the Americas since 2006. On many measures, from dramatically reduced inflation rates to double digit trade surpluses and robust internal growth, Bolivia's economy is one of the best it has seen in over 30 years. Reflecting these improvements, the country's credit rating was recently raised by Moody's Investors Service from B3 to B2 and Fitch Ratings from B- to B, now in line with Argentina, citing an easing of political tensions and accumulation of foreign-exchange reserves.

In the report by Bloomberg, Finance Minister Arce indicated that Bolivia may tap the international markets, and use a combination of debt, private investment and bonds, to help finance a $32 billion investment plan over the next seven years. That plan includes an ambitious infrastructure build out including new rail and road corridors and hydro-electric power generation to facilitate economic development.

Recent developments

In late March, the Company announced the appointment of Greg Johnson as President and Chief Executive Officer. Ralph Fitch, who has served as Chairman, President and CEO since the Company's IPO in 2007, has been appointed as Executive Chairman. Mr. Johnson, who has acted as a director of the Company since May 2009, brings considerable corporate finance, project development and exploration experience to the South American Silver Corp. Mr. Johnson most recently served at NovaGold Resources as Vice-President, Strategic Development, where over the past 12 years he was part of the team that grew NovaGold from a $10-million market capitalization to a nearly $2-billion company. While at NovaGold, Mr. Johnson was prominently involved with the acquisition and advancement of three world-class deposits, transitioning projects from initial resource definition through to feasibility stage.

On the Malku Khota silver-indium project in Bolivia, a 4,000-metre drill program is underway focused on expansion drilling down dip and along the trend at the Limosna and Wara Wara deposits especially in areas of higher grade. Additionally, the Company has continued metallurgical test work to further refine the recovery characteristics for silver and indium and byproduct gold, copper, lead and zinc, and plans to release a new resource estimate and updated economic assessment study for the project in 2010.

In late February, SASC announced the discovery of a potentially significant new zone of high-grade silver-gold-indium veining at Malku Khota that may join the highly mineralized, sediment hosted Wara Wara and Sucre Zones. The area between these two zones had been previously classified as unmineralized material due to a lack of drilling in the area. It is now shown to include a zone of higher grade silver-gold-indium mineralization consisting of many sub-parallel veins and structural zones that cross the main zone of sediment hosted mineralization that forms the bulk of the resources on the project.

Property review

Malku Khota

South American Silver's most advanced project is the Malku Khota Silver-Indium project located in Bolivia. Malku Khota is one of the world's largest underdeveloped silver and indium resources with an NI 43-101-qualified indicated resource of 144.6 million ozs silver and 845,000 kgs indium (151 million tonnes grading 29.7 g/t silver and 5.6 g/t indium) and an inferred resource of 177.8 million ozs silver and 968,000 kgs indium (230 million tonnes grading 24.0 g/t silver and 4.2 g/t indium). A Preliminary Economic Assessment Study ("PEA") was prepared by Pincock Allen & Holt Inc. ("PAH") in March 2009 which showed robust economics for a bulk mineable heap leach operation. The project is road accessible and commercial power is within 15 kilometres of site.

Silver and indium mineralization at Malku Khota begins at surface and remains open to further expansion laterally and at depth. Recent drilling has identified a new higher-grade zone which may result in an expanded near-surface resource. In late February, the Company announced the discovery of a potentially significant new high-grade silver-gold-indium vein system at Malku Khota that may join the highly mineralized, sediment hosted Wara Wara and Sucre Zones. This new discovery is in an area that was previously classified as unmineralized due to a lack of drilling in the area. The new zone of higher grade mineralization falls between the two previously identified zones at Wara Wara and Limosna and includes a well-mineralized silver-gold-indium vein system. The vein system consists of a number of sub-parallel veins and structures up that can exceed 100 metres in width. The most recent drill hole, WWD040, includes a significant 26 metre wide interval of high-grade silver mineralization in the Sucre Vein which has averaged 125.2 grams per tone (g/t) silver and 14.8 g/t indium. The vein intercept starts at 218 metres down-hole and is approximately true width. This vein extends to the surface where it can be seen in outcrop.

The seven holes drilled within the vein system demonstrate the continuity of the vein system between the Wara Wara and the Sucre Zones. The location of the Sucre Vein relative to the Wara Wara and Sucre strata-bound mineralization can be seen on the map (visit http://www.soamsilver.com/MK Map Showing Sucre Vein.pdf) on the Company Website (www.soamsilver.com).

The most recent drill hole, WWD040, is an excellent example of the newly discovered mineralization. The following table shows the high-grade silver, gold, indium and gallium in the Sucre Vein system:

Drill Intercepts				Average Grade			
	From	To	Length	Silver	Gold	Indium	Gallium
	m	M	m	g/t	g/t	g/t	g/t
Sucre vein							
WWD040	218	244	26	125.2	0.02	14.8	5.7
Other parallel veins							
WWD040	7.8	8.25	0.45	43.3	7.75	34.8	15.6
WWD040	7.8	13.4	5.6	18.8	0.64	7.4	8.2
WWD040	145	149	4	93.6	0.02	15.1	4.2
The veins are hosted within a broad zone of typical Malku Khota grade mineralization:							
WWD040	139	338	199	34.6	0.02	7.5	5.1

Drill Hole WWD040 was drilled to the SSE at 40 degrees approximately at right angles to the veins, so that the widths reported are approximately true widths.

The Company also completed 6 widely spaced step-out drill holes in 2009 to the south of the Limosna Zone extending the known mineralization by 6 kilometres. This very broad spaced drilling indicates that the mineral system continues well to the south, but in general was slightly lower-grade than the currently defined resource. Management believes that potential remains through future exploration to find similar grade material as that in the current resource in this very large area. The down-trend drill results include broad intercepts of 15-23 g/t silver with a few higher grade samples, often associated with elevated base metal mineralization.

Metallurgical work is in ongoing to refine the leach characteristics and physical properties of the currently defined mineralized zones. Test work is focused on the leach recovery responses at various grades and crush sizes to determine optimal approaches to processing for the deposit. Based on the size of the current resource and the presence of higher grade mineralized zones, additional engineering is looking at a range of optimal mining and processing rates. These studies, along with an updated resource, will be incorporated into an updated economic assessment by the end of 2010.

As part of the Company's ongoing community relations approach to Malku Khota, SASC's two full-time Community Relations personnel maintain regular contact with each of the surrounding local communities. Signed agreements of cooperation with each of the communities are in place and the Company will look for ways to facilitate economic development through the various stages of development for the project.

During the three months ended March 31, 2010, expenditures at the Malku Khota project totaled approximately $706,441. Work focused on drilling, metallurgical testing, environmental baseline data collection, community meetings and various engineering optimization studies.

Escalones

The Escalones copper-gold-molybdenum porphyry and skarn prospect in central Chile is located approximately 100 km south-east of Santiago by road. The property is 35 kilometres east of El Teniente, the world's largest underground copper mine, and shows high grades at surface at over >1% copper with significant gold, silver and molybdenum credits. Exploration has focused on a large, 4 square kilometre area of alteration, and shallow drilling has intersected zones of 75 to 100 metres grading over 1% and a single deeper hole intercepted 176 metres of porphyry mineralization grading 0.6% copper. These grades and significant widths of mineralization indicate the presence of a strong mineralizing system at Escalones.

At Escalones, the Company is presently completing geological modeling to incorporate all available information and is considering initiating a new exploration program at this high potential copper-gold porphyry project. The Company intends to advance the property to the resource definition stage either through further exploration on its own or with a partner. A total of $44,222 was incurred at the Escalones project during the quarter.

Results of operations

During the three months ended March 31, 2010, the Company reported a net loss of $572,930 ($0.01 per share) compared to a loss of $547,662 ($0.01 per share) reported in the first quarter of 2009. The 2010 loss includes stock-based compensation expense of $90,482 (2009 - $183,359) representing non-cash charges incurred in connection with the granting of stock options and restricted share awards. The fair value of all stock options and restricted share awards is recorded as a charge to operations or to deferred property costs over the vesting period, with a corresponding credit to contributed surplus.

Excluding the impact of stock-based compensation expense, general and administrative expense increased from $344,723 to $497,917. The Company undertook a number of corporate initiatives during the quarter, including an expanded investor relations program. Shareholder information expense increased from $39,284 to $132,736 as the Company has increased its marketing efforts, including additional conferences and investor meetings. Included in these costs is a non-cash amount of $36,282 representing the cost of warrants granted to investor relations consultants. Professional fees increased from $66,204 to $103,463, reflecting legal costs incurred in respect of corporate governance and other matters. These variances were offset by a decrease in exploration expenses at the Laurani project in Bolivia from $35,171 to $11,829.

Expenses were offset by a foreign currency gain of $14,336 (2009 – loss of $22,119) due to a slight strengthening (2009 – weakening) of the Canadian dollar during the period. The majority of the Company's funds are being held in U.S. dollars through a major Canadian chartered bank. However, to meet ongoing corporate head office requirements, a portion of the Company's cash and cash equivalents is being held in Canadian dollars. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

Capital expenditures

Total exploration spending for the quarter ended March 31, 2010 increased to $750,663 from $418,069 incurred in the first quarter of 2009. The majority of the 2010 deferred expenditures were incurred at Malku Khota where costs totalled $706,441, including $161,474 in drilling costs and $147,015 in laboratory costs associated with the metallurgical testing program. A total of $44,222 was incurred at Escalones in Chile.

During the comparative quarter in 2009, costs incurred at Malku Khota totalled $382,287, including costs associated with the preliminary economic assessment. A total of $35,782 was incurred at Escalones in Chile.

Financing activities

During each of the quarters ended March 31, 2010 and 2009, the Company completed no financings.

Summary of quarterly results (unaudited)

Three months ended	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
Total revenues	$nil	$nil	$nil	$nil	$nil	$nil	$nil	$nil
Deferred exploration costs	$750,663	$756,057	$453,258	$592,877	$418,069	$738,032	$1,119,931	$1,252,978
Net and comprehensive loss	($572,930)	($526,143)	($314,656)	($396,370)	($547,662)	($1,654,370)	($450,177)	($406,234)
Net loss per share (Basic and diluted)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.03)	($0.01)	($0.01)

The net loss for the quarter ended December 31, 2008 included a write-down of the carrying value of the Company's mineral properties amounting to $1,023,677, in respect of the Laurani property in Bolivia.

Liquidity and capital resources

The Company's aggregate operating, investing and financing activities during the quarter resulted in a net cash outflow in the amount of $1,199,477. As at March 31, 2010, the Company had working capital of $5.4 million, including cash and cash equivalents of $5.8 million. Cash equivalents comprise bankers' acceptances.

During the fourth quarter of 2009, the Company successfully raised net proceeds of $2.9 million pursuant to a private placement financing. With these funds in place, the Company is advancing its drilling and engineering studies at Malku Khota, however, the Company remains dependent on raising significant funds to take Malku Khota to full feasibility. The Company intends to pursue further financing during 2010.

Outlook

As at March 31st, 2010, the Company had approximately $5.8 million in cash. One of the Company's strategic objectives for 2010 is to focus on the completion of an updated resource and Preliminary Economic Assessment at the Malku Khota silver-indium project. This will include more detailed metallurgical and engineering studies, as well as drilling at the Limosna and Wara Wara Sucre Zones to better define the higher grade areas and to expand on the resource. Drilling will also focus on the new "Sucre Vein System" where higher grade mineralization was recently reported.

At the Escalones copper-gold project, the Company will complete geological modeling and priority target definition and is considering initiating a new exploration program at this high potential copper-gold porphyry project. The Company intends to advance the property to the resource definition stage either through further exploration on its own or with a partner.

Related party transactions

The Company entered into the following transactions with related parties during the three months ended March 31, 2010:

- Aggregate legal fees of $79,695 (March 31, 2009 - $41,658) were charged by a legal firm in which a director is a partner
- Consulting fees of $22,030 (March 31, 2009 - $19,872) were charged by firms with directors or officers in common
- Consulting fees of $21,970 (March 31, 2009 - $7,728) were charged by officers and included in deferred property costs

Included in accounts payable at March 31, 2010 is an amount of $184,709 (December 31, 2009 - $172,028) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. Cash equivalents consist of bankers' acceptances. The Company has no asset backed commercial paper. The majority of the Company's cash and cash equivalents is held through a major Canadian chartered bank. The Company also maintains deposits for ongoing working capital at major banks in the jurisdictions in which its foreign subsidiaries operate.

A portion of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in Canada, Bolivia, and Chile. The Company's currency risk is presently limited to approximately $330,000 of financial assets and liabilities denominated in Canadian dollars, in Bolivian Bolivianos or in Chilean pesos. Based on this exposure as at March 31, 2010, a 5% change in exchange rates would give rise to a change in net loss and comprehensive loss of approximately $16,500. The Company does not use derivative financial instruments to reduce its foreign exchange exposure, however, the Company maintains a significant portion of its cash and cash equivalents in U.S. dollars.

Off-balance sheet arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Disclosure controls and procedures and internal controls over financial reporting

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, engaged external consultants to evaluate the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as at December 31, 2009. Based on this evaluation, management concluded that these disclosure and internal controls and procedures over financial reporting were effective.

As of the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Critical accounting estimates

The accounting estimates considered to be significant to the Company include the carrying values of mining claims and deferred exploration costs and the computation of stock-based compensation expense and warrants.

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs in respect of the Company's mining claims amounted to $9,425,714 as at March 31, 2010. These costs may not be recoverable and there is a risk that these costs may be written down in future quarters.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options, compensation warrants and restricted share awards granted, modified or settled. Under this method, compensation cost attributable to options and awards granted is measured at fair value at the grant date and expensed over the vesting period. Stock options granted to consultants are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated risk-free interest rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During the three months ended March 31, 2010, the Company granted stock options, the estimated fair values of which amounted to $368,384. During the three months ended March 31, 2010, the Company recorded stock-based compensation costs of $101,274 (March 31, 2009 - $188,785) in accordance with the vesting provisions of stock options and restricted share awards.

Outstanding share data

Authorized Capital:

An unlimited number of common shares and an unlimited number of preferred shares issuable in series

Issued and outstanding as at May 13, 2010: 61,016,250 common shares

Outstanding options and warrants as at May 13, 2010:

Type of Security	Number	Exercise Price	Expiry date
Stock options	2,900,000	Cdn.$0.50	February 15, 2012
Stock options	710,000	Cdn.$0.68	May 16, 2012
Stock options	520,000	Cdn.$0.53	May 30, 2013
Stock options	990,000	Cdn.$0.35	May 25, 2014
Stock options	650,000	Cdn.$0.37	March 26, 2015
Stock options ***(1)***	800,000	Cdn.$0.37	March 29, 2015
Warrants ***(2)***	330,000	Cdn.$0.40	May 27, 2011
Warrants ***(3)***	18,300	Cdn.$0.40	June 7, 2011
Warrants	3,473,125	Cdn.$0.60	November 27, 2011

Type of Security	Number	Exercise Price	Expiry date
Warrants	590,000	Cdn.$0.60	December 7, 2011
Warrants	200,000	Cdn.$0.50	February 15, 2012
Warrants	200,000	$0.80	February 17, 2012

(1) Subject to shareholder approval.

(2) Each broker warrant is convertible until May 27, 2011 into one unit comprising one common share and one half of one share purchase warrant. Each whole share purchase warrant is exercisable to acquire one common share at a price of Cdn.$0.60 per share until November 27, 2011.

(3) Each broker warrant is convertible until June 7, 2011 into one unit comprising one common share and one half of one share purchase warrant. Each whole share purchase warrant is exercisable to acquire one common share at a price of Cdn.$0.60 per share until December 7, 2011.

Changes in accounting policies including initial adoption

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These standards replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new standard for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008). The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption of these standards is permitted as of the beginning of a fiscal year. All three standards must be adopted concurrently. The Company adopted the new standards for its fiscal year beginning January 1, 2010. The adoption of these standards did not have a material impact on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first consolidated financial statements presented in accordance with IFRS to be for the three-month period ended March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS. In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan comprised of three phases:

PHASE	DESCRIPTION AND STATUS
PRELIMINARY PLANNING AND SCOPING	This phase involved development of an internal diagnostic review designed to understand, identify and assess the overall effort required to produce financial information under IFRS. The IFRS diagnostic review has been completed. This review included high level consideration of the impacts of IFRS on the Company's consolidated financial statements, internal control over financial reporting and information systems. Based on management's review of IFRS and current Company processes, minimal impact is expected on information systems. The IFRS diagnostic review included a high level impact assessment of IFRS effective in 2009, as relevant to the Company. This initial assessment identified standards of high or medium priority to the Company, including standards on foreign currency translation, exploration and evaluation assets, income tax, stock-based compensation and first time adoption of IFRS. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company's adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate.
DETAILED IMPACT ASSESSMENT	This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's consolidated financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS. The Company is in the process of its detailed review of IFRS relevant to the Company and identification of key differences. The Company expects to complete this phase in mid-2010.
IMPLEMENTATION	This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant consolidated financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS consolidated financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective January 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

Risks and uncertainties

Ability to continue its exploration activities and any future development activities, and to continue as a going concern, will depend in part on its ability to commence production and generate material revenues or to obtain suitable financing

The Company is not in commercial production on any of its mineral properties and, accordingly, it does not generate cash from operations. The Company's planned exploration and development expenditures on existing properties require significant financial resources. The Company remains dependent on raising additional financing through the issuance of equity securities to fund exploration and development requirements on existing properties, to fund property acquisitions and for general corporate costs.

Exploration and development

The Company is in the business of exploring for minerals which by its nature involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. SASC attempts to mitigate some of its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of favourable geologic environments. The recoverability of the carrying value of the mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

The Company is subject to various option agreements in connection with the acquisition of mineral interests. These agreements generally require the Company to make periodic payments over a varying number of years to maintain its interests. The Company can cancel these agreements at any time without completing the remaining payments and without penalty.

Political risk

Exploration is presently carried out in Bolivia and Chile. Each of these countries exposes the Company to risks that may not otherwise be experienced if all operations were all in Canada. Political risks may adversely affect the Company's existing assets and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and future mine development opportunities.

Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Company's operations.

Bolivia is undergoing a period of significant transformation. The government has announced potential changes to taxes and royalties and the way in which mining licenses are issued and maintained. Any changes with respect to restrictions on land use or ownership, foreign investment, maintenance of concessions, taxes or royalties may have negative repercussions in the Company's operations and investments. The Bolivian constitution was rewritten and a national referendum held on January 25, 2009 ratified the new Constitution, which may lead to changes in land ownership and investment rules. A new mining code is being written by Congress to reflect the new Constitution. As new laws and regulations required by the new Constitution are still being written by Congress, there is a potential for loss of profit or resources for the Company if the new laws and regulations change the rates applicable to taxes and royalties or the terms of current concessions on mining properties. In accordance with the new Constitution, new elections for President and Congress were held on December 6, 2009, at which time Morales was re-elected President for another 5 year term.

The Company's mineral exploration and mining operations may be adversely affected by political instability and legal and economic uncertainty that might exist. The risks associated with the Company's foreign operations may include political unrest, labour disputes, invalidation of governmental orders, permits, agreements or property rights, war, civil disturbances, criminal and terrorist actions, arbitrary changes in laws, regulations and policies, taxation, price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other non- governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects or operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation.

Environmental laws and regulations

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations.

In addition, certain types of operations require the submission of environmental impact statements and approval by government authorities. Environmental legislation is evolving towards stricter standards, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted.

Beyond exploration, environmental and political risk, the Company is faced with a number of other risk factors as detailed in the Annual MD&A.

Cautionary notes

Forward-looking statements

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", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions. This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered as a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, grade or recovery rates, silver or indium prices, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; changes in project parameters as plans continue to be refined; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.

The material assumptions that were applied in making the forward looking statements in this MD&A or referenced in this MD&A include, but are not limited to: statements regarding estimated mineral resources and the potential for delineation of additional resources through further exploration at the Malku Khota project, as well as statements regarding estimated net present value, internal rate of return, total and annual production, costs, mineral grades, recovery rates, prices and by-product value; the accuracy of current interpretation of drill and other exploration results; and execution of the Company's existing plans or exploration programs for each of its properties, either of which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.

Subject to applicable laws, 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. Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of May 13, 2010.

Cautionary note regarding reserve and resource estimates

The material in this MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource and reserve estimates included in this press release have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. The estimation of quantities of resources and reserves is complex, based on significant subjective assumptions and forward-looking information, including assumptions that arise from the evaluation of geological, geophysical, engineering and economic data for a given ore body. This data could change over time as a result of numerous factors, including new information gained from development activities, evolving production history and a reassessment of the viability of production under different economic conditions. Changes in data and/or assumptions could cause reserve estimates to substantially change from period to period. No assurance can be given that the indicated level of mineral will be produced. Actual production could differ from expected production and an adverse change in mineral prices could make a reserve uneconomic to mine. Variations could also occur in actual ore grades and recovery rates from estimates.

Other information

Additional information related to the Company, including the Company's Annual Information Form, is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.soamsilver.com.