



## **SOUTH AMERICAN SILVER CORP.**

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### **South American Silver Corp.'s First Quarter President's Message and Project Update**

**Trading Symbols: TSX: SAC, US OTC: SOHAF**

**May 20, 2010**

#### **President's Message**

It is an exciting time at South American Silver Corp. at this point of rapid growth for the Company. Since the announcement of our new higher grade discovery at our Malku Khota Silver-Indium project in late February, and with my appointment as President and CEO, the Company has significantly outperformed both the silver and gold price and the key silver and gold equity indexes.

Part of our focus going forward will be to continue to broaden the market awareness of the exceptional value opportunity in the Company, with what is already one of the world's largest undeveloped silver and indium deposits, and the potential value at our Escalones Copper and Gold project in Chile. At over 5 ounces of silver per share and the current market valuation, South American Silver offers some of the best leverage to rising metal prices of any company in the sector.

Prior to joining South American Silver, I had closely tracked the progress of the Company as an initial investor in the 2007 IPO. I joined the Board of Directors of South American Silver in May of 2009 where I was able to gain greater familiarity with both the management team and the Company's two key exploration assets. What I saw in the Company was a dedicated team of professional explorationists with a track record of discoveries, and two major assets in their portfolio that were poised at the early stages of the development value curve. Assets at this early stage of the development cycle from initial resource definition through to feasibility stage have the potential to increase significantly in value with successful development. As one of the co-founders of NovaGold, where I was part of the team that grew NovaGold from a \$10-million market capitalization to a nearly \$2-billion company over a period of 12 years, I have had firsthand experience with the kind of systematic growth in shareholder value that can result from the right team, combined with the right assets, and a proactive campaign of communicating with the market.

Since joining South American Silver in late March, we have seen our trading volumes significantly increase along with increased interest in the Company. We have a number of important milestones for the projects this year which we believe will increase shareholder value, and we will continue our investor outreach activities to broaden market awareness.

#### **Approach to Business**

South American Silver's growth strategy has been to identify mineral properties that have significant scale potential to develop large resources in well established mining districts of Bolivia and Chile. We will look to leverage our exploration and development expertise to bring additional resources and value to shareholders and to reduce development risk and expense through our focus on community relations and corporate social responsibility. The Company will also continue to look for opportunities in new projects that can bring value to our shareholders through our

approach to business. Responsible mining and community collaboration are a key part of our business strategy on our 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 we believe that long-lasting social and economic benefits can flow to the communities in which South American Silver operates. In Bolivia, we have two full-time Community Relations personnel for the Malku Khota project, who 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 these communities and we will look for ways to facilitate economic development through the various stages of development for the project. As part of this approach, we engaged The BSR Group (Business for Social Responsibility) to help develop a pro-active Community Relations program that outlines a plan for engagement with all stake-holders during the transition from exploration through development and eventual production.

### **Current Market and Economic Conditions**

In addition to the milestones ahead for the projects, we believe that the backdrop for higher metal prices remains very positive. 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 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 last 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 under the Morales administration. 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.

## **Projects Update**

### **Malku Khota Silver-Indium Project, Bolivia**

South American Silver's most advanced project is the Malku Khota Silver-Indium project located in the world class silver mining district of central Bolivia. Malku Khota is one of the world's largest undeveloped 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. 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. 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 leach recovery characteristics for silver and indium and by-product 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, the discovery of a potentially significant new zone of high-grade silver-gold-indium veining was announced 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.

As part of the Company's ongoing community relations approach to Malku Khota, we have 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.

Work to date has focused on drilling, metallurgical testing, environmental baseline data collection, community meetings and various engineering optimization studies.

### **Escalones Copper-Gold Project, Chile**

The Escalones copper-gold project is located in the well established mining district of central Chile, approximately 100 km south-east of Santiago. The property is road accessible and occurs 35 kilometres east of El Teniente, the world's largest underground copper mine. Exploration has focused on a large, 4 square kilometer area of alteration where high grades occur at surface with over 1% copper grades and significant gold, silver and molybdenum credits. 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 on the project and to develop and refine priority drill targets.

## **Looking Forward**

One of the Company's strategic objectives for 2010 is to focus on the completion of an updated resource estimate 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 later in 2010. The Company intends to advance the property to the resource definition stage either through further exploration on its own or with a partner.

This is an exciting time at South American Silver, and in the months ahead we look forward to reporting on a number of project milestones that we believe will create value for shareholders in the near term and for the longer term. I would like to thank all of our shareholders for their continued support, and also to thank our dedicated employees and management team for their work that has positioned the Company to become a leading growth focused precious metals company.

Greg S Johnson  
President and CEO

## **About South American Silver Corp.**

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. 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 at [www.soamsilver.com](http://www.soamsilver.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

Certain statements contained herein constitute "forward-looking statements". These forward-looking statements include, but are not limited to, statements regarding estimated mineral resources, milestones for 2010 and the company's and its properties' growth potential including shareholder value. Forward-looking statements express, as at the date of this press release, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements are based on certain assumptions, including the key assumptions and parameters on which such estimates are based, involve risks and uncertainties and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. 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; 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; political, regulatory, environmental and other risks of the mining industry; sustained favourable commodities prices; increased market awareness of the company; continued project development and other risks more fully described in the Company's Annual Information Form filed and publicly available on SEDAR at [www.sedar.com](http://www.sedar.com). There can be no assurance that the Company's properties will be commercialized. Readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. 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.

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