



TSX Symbol: SAC
US OTC: SOHAF

NEWS RELEASE: 11-01

South American Silver Provides Project Update

12 January 2011, Vancouver, British Columbia—South American Silver Corp. (TSX:SAC, US OTC: SOHAF) is pleased to provide an update on the Malku Khota silver-indium project in Bolivia and the Escalones copper-gold project in Chile. The Company moves into 2011 in a very strong financial position with 18-24 months of funding in place to advance the Malku Khota silver-indium project into feasibility and to advance the Escalones copper-gold project to the resource definition stage.

Malku Khota Silver Indium Project

South American Silver's most advanced project is the 100% owned Malku Khota Silver-Indium project located in the world-class silver mining district of central Bolivia, approximately 200 kilometres north of Potosi. Malku Khota is one of the world's large silver and indium resources with an NI 43-101-qualified indicated resource of 144.6 million ozs of silver and 845 tonnes of indium and an additional inferred resource of 177.8 million ozs of silver and 968 tonnes of indium. The Preliminary Economic Assessment (PEA) prepared by Pincock Allen & Holt Inc. in 2009 showed the potential for robust economics from a bulk-mineable heap leach operation with the potential to become one of the largest new silver and indium producing mines in development. The project is road-accessible, with power available within 15 kilometres of site.

Drilling and field activities on the Malku Khota project were completed in late December in preparation for an updated project resource and economic assessment. Resource modeling is currently underway and is now anticipated to be completed as part of the updated Preliminary Economic Assessment targeted for the end of Q1-2011. Engineering activities are in progress on a number of optimization studies looking at a range of operating scenarios that combine different production rates and leaching approaches to be incorporated in the updated Preliminary Economic Assessment.

With the advancement of the Malku Khota project and the increased level of the Company's activities, discussions have commenced with community leaders representing the local indigenous people regarding the involvement of those communities in the development process. During the scheduled project break period indigenous leaders requested that the Company not restart field activities until discussions could take place on community engagement. The government is assisting in these discussions and the Company is working closely with local community leaders. On January 11th, 2011 a meeting was held at Malku Khota with the Company and local community members, indigenous community leaders, representatives of regional government including mayors from the larger communities and a delegate of the Governor of Potosi, and a representative from the Minister of Mines. Based on that meeting the Company anticipates additional future meetings with representatives from the various stakeholder groups to further define the process of community engagement for the ongoing project work and to define ways to facilitate economic development in the region. The Company anticipates completion of the updated PEA and Pre-Feasibility study in 2011 to remain on schedule. Current work is focused on the completion of the engineering studies for the updated PEA study for the end of Q1-2011.

South American Silver has a history of good relations with the surrounding local communities at Malku Khota which have seen notable economic activity as exploration has been carried out on the project over the past 3 years. As part of the Company's ongoing community relations approach at Malku Khota, two full-time Community Relations personnel have worked closely with each of the surrounding local communities to facilitate economic benefit and involvement through the various stages of project implementation while respecting the values and way of life of the local people. The Company plans to continue to build on its community relations programs as part of the advancement of the project toward feasibility.

The Company's 2010 field programs primarily focused on confirmation and in-fill drilling within the Limosna, Wara Wara and Sucre zones at Malku Khota, to increase the density of drilling and predictability of the geologic model in the areas that will be part of the updated pit models. Several deeper holes designed to increase drill definition lower in the pit models have confirmed the broadly mineralized horizon remains open to further expansion. Additional results are still pending and will be released as the results are compiled and quality checked.

To date, only about 30% of the known prospective mineralized host stratigraphy on the 50 square kilometer property at Malku Khota has been drill tested. Field activities and drilling to support the Pre-Feasibility study in late 2011 will focus on further infill work designed to convert in pit resources into reserves, and to undertake a resource expansion program to include drilling to test several additional near surface targets based on surface sampling and geophysics, along with greater step out drilling laterally and to depth from the known mineralization. The Company anticipates work to start with 3 to 4 drills with the possibility to increase that number as necessary based on the timing for the project.

Since completion of the PEA in March 2009, South American Silver has continued to refine the metallurgical characteristics of the deposit through ongoing process-related test work to refine the leach recovery characteristics of the silver, indium and associated lead, zinc, copper and gallium mineralization in both heap leach and milling options. The test work to date indicates the amenability of heap leaching and/or milling of the mineralized material at Malku Khota applying the same type of process as used in copper oxide SX-EW heap leach mining or by the indium refineries that process by-product indium from zinc smelting. These studies for project implementation will look to utilize local suppliers and contractors as much as possible.

Escalones Copper Gold Project

The Escalones copper-gold porphyry project is located approximately 100 kilometres south-east of Santiago by road in central Chile. The 100% controlled 69 square kilometre property is 35 kilometres east of El Teniente, one of the world's largest underground copper mines, and shows high grades at surface at over 1% copper with significant gold and silver 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% copper with a single deeper hole that intercepted 176 metres of porphyry mineralization grading 0.6% copper. These grades and significant widths of mineralization indicate the presence of a strong mineralizing copper porphyry system at Escalones that the Company believes has the potential to host a significant copper, gold and silver resource.

The Company has completed its initial geological modeling and target definition and is developing an exploration plan to include additional surface sampling, mapping, deep sensing geophysics and diamond drilling to test the strength and scale of the mineralized system. Based on drill rig availability, the Company is targeting drilling to begin field work on the project in Q1-2011. With the completion of a drill program an initial copper-gold-silver resource at this large scale, high potential porphyry project would be targeted for completion in the second half of 2011.

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 discovery and advancement of large projects, key operational and process expertise and effective community relations to increase shareholder value. 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 and on SEDAR at www.sedar.com

South American Silver Corp. Contacts:

Greg Johnson
President & CEO

Kristina Knopp
Investor Relations

Phone: 604.681.6926
Toll Free: 1.855.681.6926 www.soamsilver.com

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. These forward-looking statements also include statements regarding the proposed financing including the timing and terms thereof.

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; ongoing positive community support; 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 release describe the Company's expectations as of January 12, 2011.