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South American Silver Year End Financial Results and Project Update

21 March 2011, Vancouver, British Columbia—South American Silver Corp. (TSX:SAC, US OTC: SOHAF) reports the release of its audited financial statements for the year ended December 31, 2010 and the related management's discussion and analysis and results of operations. The Company is also pleased to provide an update on the Malku Khota silver-indium project in Bolivia and the Escalones copper-gold project in Chile. The Company began 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. Further details including the full financial statements and information on each of the Company's projects, including the resource estimate at Malku Khota, are available on the Company's website at www.soamsilver.com and on SEDAR at www.sedar.com

Presidents Message

The year 2010 proved to be a remarkable year of transition for South American Silver. Since joining the Company as President and CEO in April of 2010 and raising project funding, substantial progress has been made on the Malku Khota silver-indium project in Bolivia. In addition, we are preparing to launch a new exploration program at our promising Escalones copper-gold project in Chile. A key focus for 2010 was also to broaden market awareness of the exceptional investment value opportunity in South American Silver. I am pleased to report that the focused efforts of the Company resulted in South American Silver being one of the top performing silver equities in 2010. Even with this growth last year, South American Silver offers some of the best value and leverage to silver of any development stage silver company in the industry, with nearly 5 ounces of silver per share. The year ahead should be an exciting one as well, with the Malku Khota silver indium project beginning Pre-Feasibility work in Q2 and exploration activities commencing at the Escalones copper-gold project to complete a first resource on that property. In addition, we have a number of important milestones for the projects this year which we believe will increase shareholder value, and we will continue investor outreach activities to further broaden market awareness.

Description and approach to 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% controlled 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".

South American Silver Corp.'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. 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 additional opportunities that can bring value to South American Silver's shareholders through its approach to business. Responsible mining and community collaboration are a key part of South American Silver's business strategy on its projects, where the Company is committed to upholding high environmental and social standards while focusing on delivering the financial growth its shareholders expect.

As part of the Company's ongoing community relations approach to Malku Khota, community relations personnel are working closely with the surrounding local communities. The Company will look to facilitate local and regional economic development through the various stages of development of the project.

Current market and economic conditions

As of March 2011, the prices of silver and gold have continued to show tremendous strength, having recovered from a brief correction starting in early December. Silver recently reached over \$35.00/oz, its highest price in more than two decades and gold has been as high as \$1,440/oz, surpassing its December 2010 high of \$1425/oz and well above its 1980 high of \$850/oz. Strong demand for commodities and the weakening of the US dollar remain contributing factors to continuing strength in metals prices. Since March 2010, silver has more than doubled in value, outperforming gold which has increased by about 26% over the same period. The current gold to silver price ratio of 40:1 remains well above its historic lows of 15-20:1 but is now well off of its highs last year in the 60-80:1 level.

The fundamentals for both silver and gold appear strongly supportive for continued higher prices. Governments continue to combat economic concerns with stimulus strategies to encourage economic growth and increase their sovereign debt. Increasingly, investors are returning to hard assets as a store of value, and a hedge against inflation and currency devaluation resulting in increased investment demand being seen for both silver and gold in all forms, including Exchange Traded Funds (ETF's), new physical metal investment trusts, 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. Up until the recent global economic crisis, industrial demand for silver had risen consistently on an annual basis over the 6 year period starting from 2002. That trend appears to have resumed with increased industrial demand in 2010. Total global silver supply peaked in 2005 and has been flat to falling since. With an anticipated rebound in industrial demand, coupled with continued strong investment demand, the fundamentals remain positive for higher silver prices. Compellingly, silver is one of the only major metals to have not yet reached its previous all time highs from the early 1980's when it traded in the mid-\$30/oz level and to \$50/oz in 1980. With one of the largest development stage silver resources, strong fundamentals and attractive valuation level relative to peers, South American Silver substantially outperformed both the metals and the silver and gold equity indexes for the greater part of 2010, continuing into 2011.

Recent developments in the indium market also continue to present compelling supply/demand dynamics for the high technology metal. Over the past 5 years indium prices have ranged between \$400/kg to over \$1,000/kg, with two of the past 5 years at over \$1,000/kg. November 2010 indium prices have continued to rise from the lows of 2008-2009 and are currently around \$550-600/kg reflecting the recent improving global economic conditions.

Because of the unique optical and electrical properties of indium and its rapidly growing use in flat panel displays, touch screens, smart phones, high efficiency solar panels and high-efficiency, long life LED lighting, global indium consumption is anticipated to continue to grow significantly. Over the past 5 years, the largest segment of the indium market for LCD panels has grown four times, solar panel growth utilizing either high silver or high indium technology has increased ten times, and the high efficiency, long life LED lighting market has seen compound annual growth rates of over 32%. According to a recent Roskill report on the global industry markets and outlook for indium, consumption of indium for flat panel display (FPD) applications is expected to grow at a rate of 17%/year, from 395 tonnes/year in 2009 to 752 tonnes/year in 2013, while solar applications could increase at nearly 40%/year. In total, global indium use has grown approximately ten times since 1990.

Historically indium has been supplied primarily as a by-product of zinc metal refining, with few primary producers. At current growth rates, it is estimated that by-product indium production may soon fall short of demand based on zinc production growth rates of only 1-3% per year and indium growth rates estimated at 15-20% per year. Recent studies by both the UN and the U.S. Department of Energy have highlighted indium, along with a number of rare earth metals, as a key specialty high-technology metal potentially at risk of shortages due to rapidly increasing growth, low recycling rates and low primary production. A recent study published in New Scientist Magazine by Yale University researchers, supports this conclusion showing that based on total reserves vs. current consumption indium is one of the most scarce of the strategic metals at just 5-10 years total supply without factoring in continued rapid consumption growth.

China is the largest producer and consumer of indium and has imposed export quotas and restrictive tariffs on indium exports. As a response, both Japan and Korea, as the second and third largest users of the metal, have begun creating strategic stockpiles of indium to ensure security of their supply needs. In late 2010, Chinese interests announced taking a 50% stake in a development stage primary indium project outside of China, committing the funding to bring the project to production.

Investor interest in indium has also been increasing, with SMG Indium announcing the creation of a new IPO for an indium market tracker in 2010. This future US listed investment has been designed to stockpile raw indium metal and track the price of indium, much like the recently introduced silver and gold ETF's, which have significantly expanded investor exposure and demand for both metals in recent years. With one of the largest NI 43-101 qualified resources of primary indium, South American Silver is attracting additional investor interest due to its large exposure to this rapidly growing market for indium.

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 above \$4.50/lb for copper and \$1.15/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. With South American Silver anticipating a first resource estimate on its Chilean based copper-gold project in 2011, investors are well positioned to benefit from this long term metal cycle in base metals.

Precious metals equities have responded well to the move up in precious metals with many showing greater percentage gains than the underlying metals. Particularly, many of the exploration and development-stage companies have shown stronger relative performance compared with the larger producers demonstrating increased demand by investors for growth potential. On a year to date basis, South American Silver Corp. has significantly outperformed the key gold and silver equity indexes such as the broad Toronto Gold Index and the U.S. Amex Gold Miners Index. South American Silver remains at a very attractive investment valuation level compared to its silver exploration and development stage peers.

Resource based economies have continued to benefit from the rebound in metal prices over the past year, particularly those in emerging markets like South America. With mining representing one of the largest elements of the Bolivian economy, Bolivia has continued to have one of the fastest growing GDP's in all of the Americas. Bolivia has seen 3 major new silver mines come into production in the past 4 years, including Pan America Silver, Coeur D'Alene, and Sumitomo Mines. This has helped push Bolivia to the 5th largest global silver producing country in the past couple of years. The large amount of trade activity with Brazil has been particularly positive as well. These improving economic and business conditions have resulted in bond upgrades for Bolivia by Moody's and Fitch rating services in 2010.

Recent developments

Late last year, the Company announced exploration drilling results for the Malku Khota project (PR 10-13). Results were reported on thirteen additional drill holes out of an approximate 11,500 metre on-going drill campaign. The primary objective of the 2010 drill program had been confirmatory drilling to demonstrate the predictability of the geologic model especially within the modeled pit boundaries in preparation for the updated Preliminary Economic Assessment at the end of Q1-2011. The drill campaign primarily focused on in-fill drilling within the pit model with some deeper holes designed to increase the amount of drill information lower in the pit models. These deeper holes have confirmed the broadly mineralized horizon remains open to depth. An additional drill rig was added to the project for a total of 3 drills to maximize the number of holes for the resource.

To date, only about 30% of the known prospective mineralized host stratigraphy at Malku Khota has been drill tested. In 2011, the Company will look to undertake a significant resource expansion program in addition to infill work designed to convert inferred resources to measured and indicated resources and eventually into reserves. That future program will include drilling to test several additional high-priority, near surface targets based on surface sampling and geophysics, along with greater step out drilling laterally and to depth from the known mineralization.

Highlights of the recent drilling in the central portion of the Limosna deposit at Malku Khota have shown that the higher grade mineralization seen at surface continues deeper and broadens out. This new mineralization is toward the lowest levels modeled for the 2009 Preliminary Economic Assessment ("PEA") completed by Pincock, Allan and Holt. The results from holes LMD048 and LMD050 demonstrate two of the best intercepts to date on the project in terms of width and grade with respective down-hole grade-thickness values of over 21,500 gram-meters (g-m) silver equivalent and >13,500 g-m silver. LMD048 intercepted 286 meters at 62.4 g/t silver with 2.7 g/t indium and 3.2 g/t gallium, with a high-grade zone of 31 meters grading 260 g/t silver. LMD050 intercepted 243 meters grading 43.1 g/t silver with 1.4 g/t indium and 3.6 g/t gallium, with high grade zone of 19 meters grading 258.5 g/t silver.

Additionally, the Company has continued metallurgical and process-related test work to further refine the leach recovery characteristics for silver and indium and associated gold, copper, lead, zinc and gallium mineralization. The test work to date indicates the amenability of heap leaching and/or milling of the mineralized material at Malku Khota.

Engineering studies are being completed in Q1-2011 using an updated 3D geologic model, metallurgical and process studies, and refined plans for mine facilities, operations infrastructure, and project implementation utilizing local resources as much as possible. This information will be the basis for a substantive update of the 2009 PEA and will look at a number of optimization approaches to be incorporated in an updated economic assessment study planned for the end of the first quarter of 2011.

On November 30, 2010, the Company announced the sale of 27.5 million common shares of the Company, by way of private placement at a price of Cdn. \$1.16 per share, for gross proceeds of approximately Cdn. \$31.9 million. The largest component of the offering was a strategic investment by Zamin Precious Minerals Limited, which purchased 18.9 million common shares under this offering representing approximately 19.7% of the Company's issued shares following the closing of the financing. The Zamin mining group is a key regional player in the South American resource industry with major projects in Brazil, Uruguay, Bolivia, and Chile. South American Silver looks forward to working with this key strategic investor to continue to advance the Company's Malku Khota and Escalones assets.

Property review

Malku Khota

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, approximately 200 kilometers 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 PEA prepared by Pincock Allen & Holt Inc. in 2009 showed robust economics for a bulk-mineable heap leach operation with the potential to be one of the largest new silver and indium producing mines in development. The project is road-accessible, with power available within 15 kilometers of site.

The Company has a history of engagement with the communities surrounding the Malku Khota project. The Company has recently added a new coordinator of Community Relations in addition to three full-time Community Relations personnel on the project. In addition the Company anticipates continuing to build on its community relations team to support bringing the project to feasibility and permitting in 2012. With the acceleration of activities at the project, the community relations activities have also increased and discussions are underway with the surrounding communities to look at ways to facilitate local economic and business development through the various stages of project implementation. Field work to support the Pre-Feasibility studies on the project is anticipated to start in Q2 with the conclusion of these community discussions.

Disseminated silver and indium mineralization at Malku Khota begins at the surface and remains open to further expansion laterally and at depth in a regionally extensive sandstone unit which continues for over 15 kilometers on the property. Drilling in 2010 was primarily focused on confirmation and in-fill drilling, with a focus to increase the density of drilling in the areas that fall within the pit model. This drilling, which concluded at the end of December 2010, will be integrated into an updated resource estimate by the end of Q1, 2011.

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. This updated information will be integrated into an updated Preliminary Economic Assessment at the end of Q1-2011.

During the year ended December 31, 2010, expenditures at the Malku Khota project totaled approximately \$3.6 million. Work focused on drilling, metallurgical testing, environmental baseline data collection, community meetings and various engineering optimization studies.

Escalones

The Escalones copper-gold-silver porphyry related project is located approximately 100 kilometers south-east of Santiago by road in central Chile. The property (35 kilometers east of El Teniente, one of the world's largest underground copper mines) 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 meters grading over 1% and a single deeper hole intercepted 176 meters 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 the Escalones copper-gold project, the Company has completed initial geological modeling and will commence an exploration program by the end of Q1-2011 that would include follow-up geochemical sampling, and geophysics in connection with the planned issuance of an initial copper-gold-silver resource at this large scale, high potential porphyry project in 2011. A substantial drill program designed to extend zones of known mineralization and test additional geologic and geophysical targets is planned for later in the year based on drill rig availability. A total of \$237,794 was incurred at the Escalones project during 2010 for geologic modeling work and a \$150,000 option payment.

Looking Forward

The Company is continuing to focus on the work necessary for the completion of an updated resource and Preliminary Economic Assessment at the Malku Khota silver-indium project by the end of Q1-2011. This program included more detailed metallurgical and engineering studies, as well as in-fill confirmatory drilling at the Limosna, Wara Wara and Sucre Zones to confirm the predictability of the geologic model. Beginning in 2011 the Company will look to undertake a significant level of infill drill work designed to convert inferred resources to measured and indicated resources and eventually into reserves along with additional resource expansion drilling. Field work to support Pre-Feasibility level studies on the project is anticipated to start in Q2-2011. The Company has budgeted approximately \$16.7 million toward exploration and development work at Malku Khota in 2011.

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In the months ahead, we are committed to reporting on a number of important project milestones which we believe will broaden shareholder value as we advance each of our South American projects through the next stages of development. I would like to thank all of our shareholders for their continued support, and to also thank our dedicated employees and management team for their hard work, which has helped position South American Silver as a leading development stage precious metals company.

Greg S. Johnson
President & 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% controlled 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

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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.

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 successful completion of stakeholder discussions; 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 release or referenced in this release 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; 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.