



## **SOUTH AMERICAN SILVER CORP.**

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### **South American Silver Initiates Strategic Discussions with Asian Indium Producers and Consumers Regarding Its Malku Khota Silver-Indium Deposit**

**Trading Symbol: SAC-TSX**

**July 14, 2009**

South American Silver Corp. (“SASC” or the “Company”) announces that it has initiated discussions on the Malku Khota silver-indium project with various interested parties in China, Japan and South Korea. The purpose of these discussions has been to explore the possibility of securing a strategic alliance in the form of a marketing, off take or investment agreement. Several groups have expressed interest in learning more about the Malku Khota project and discussions are ongoing but there can be no assurance that a strategic alliance will result from these efforts.

As demonstrated in the recently released Preliminary Economic Assessment (Scoping ) Study (“PEA”)- see SASC PR09-03, March 20, 2009- Malku Khota has the potential of becoming one of the world’s largest future sources of indium. The PEA was prepared by Pincock, Allen & Holt and showed that at a production rate of 20,000 tpd, Malku Khota could produce 27,000 kg. of indium per year for 36 years and if the project were expanded to 40,000 tpd, could represent approximately 10% of the world’s current production. Indium is a key ingredient metal in a number of consumer electronic applications and its current primary application is being used as a coating for the flat panel displays. It is also increasingly being used in the solar energy industry where Copper, Indium, Gallium Selenides (CIGS) are becoming a key semiconductor material in the high efficiency photovoltaic cells. In recent years the price of indium has ranged from US\$250 to US\$1,000 per kg. The current price is approximately US\$350/kg.

Ralph Fitch, President and CEO of the Company, noted that “This is a positive development for the Company and shows that Malku Khota is becoming a recognized project in the minds of consumers and other producers. The presence of gallium, in addition to indium, has added interest to Malku Khota. Gallium is also a strategic metal with similar applications to indium in the electronics and solar photovoltaic fields that we think will attract the interest of consumers and producers and further the development of a strategic alliance. We will be estimating the gallium resource when we complete the next resource update for Malku Khota.”

With respect to the program in Asia, the Company has retained the consulting services of Mr. Michael Mason, Managing Partner of Mineral Services LLC, based in Garden City, New York. Mr. Mason has been working with the Company in developing these Asian contacts and he has a wide range of professional experience in Asia, particularly in the field of mineral product marketing and sales contract negotiations. In that capacity he has been associated with such projects as the Escondida Copper Project in Chile and the Olympic Dam Project in Australia. He was involved in the development of the strategic marketing plan for placing the complex lead, zinc and bulk concentrates produced at the San Cristobal Project in Bolivia.

Malku Khota is a large, disseminated silver-indium deposit in west central Bolivia with associated gold, copper and lead credits. The present 43-101 resource includes an indicated resource of 144.6 million oz. of silver and 845 thousand kgs. of indium and an inferred resource of 177.8 million oz. of silver and 968 thousand kgs. of indium. The PEA demonstrated a net cash flow of US\$1.23 billion, cash costs (net of credits) of US\$3.74/oz silver, a pre-tax IRR of 50.7%, capital cost of US\$104 million and a 1.4 years payback. SASC management believes that there is significant upside potential to expand the resource and to optimize the project economics. The metallurgical testing continues to indicate that the deposit is leachable with an acid-chloride solution and will not require the conventional, higher capital cost milling method normally associated with other silver deposits.

Certain statements in this press release constitute “forward-looking statements”. Forward-looking statements may include words such as “plans,” “intends,” “anticipates,” “should,” “estimates,” “expects,” “believes,” “indicates,” “targeting,” “suggests,” “potential,” “interpretation” and similar expressions. 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; changes in project parameters as plans continue to be refined; failure of equipment or processes to operate as anticipated; political, regulatory and other risks of the mining industry; 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). 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.

SASC is a mineral exploration company that acquires, explores and develops mineral properties, primarily silver, gold and copper in South America. The Company presently holds interests in two material properties: the flagship Malku Khota silver-indium-gold property in Bolivia and the Escalones copper-gold-molybdenum property in Chile.

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