



## SOUTH AMERICAN SILVER CORP.

**FOR IMMEDIATE RELEASE: 09-10**

### **South American Silver Provides a Metallurgical Update at Malku Khota Showing Improved Metal Recoveries**

**Trading Symbol: SAC-TSX**

**September 11, 2009**

South American Silver Corp. (“SASC” or the “Company”) announces that it has completed a series of metallurgical tests on samples from the Malku Khota silver-indium project in Bolivia. These tests have focused on improving metal recoveries and reagent consumption in the acid-chloride leach process. Significantly, metal recoveries from the material treated at the SGS-Lakefield laboratory, are all higher than those shown in the Preliminary Economic Assessment Study (“PEA”) filed earlier this year (see SASC PR09-03, March 20, 2009) as demonstrated in the following table:

Six Metallurgical Tests	50 deg	20 deg	50 deg	20 deg
24 hour bottle roll	Ag	Ag	In	In
	%	%	%	%
Average Recovery	90.1	88.2	70.7	46.5
Recovery in PEA	80		70	
Positive Difference %	10.1		0.7	

Ag= Silver

In=Indium

Ralph Fitch, President and CEO of the Company, stated “These results are very positive for Malku Khota and an excellent step toward full optimization of potential metallurgical recovery processes. With these latest positive results, we are now starting column leach tests which more closely approximate actual field conditions. We are also moving forward with our pre-feasibility plans, as well as drilling down the trend to potentially significantly expand the Malku Khota silver-indium resource. With the current size of the silver resource, shares of South American Silver offer investors some of the best leverage to silver of any exploration or development stage company with each dollar invested in SASC reflecting over \$100 of silver resource value at current prices.”

The Malku Khota deposit is primarily a silver deposit with an indium credit. The acid-chloride leach process, however, allows for the recovery of several other by-product metals at little additional cost. In the PEA, by-product credits for gold, copper and lead were included in the analysis. The following series of test results indicate that recoveries for copper and lead by-products are higher than those used in the PEA:

Six metallurgical Tests	50 deg	20 deg	50 deg	20 deg
24 hr bottle roll	Cu	Cu	Pb	Pb
	%	%	%	%
Average Recovery	80.0	58.2	71.4	69.2
Recovery in PEA	60		25	
Positive Difference %	20.0		46.4	

Cu= Copper

Pb= Lead

Gold recoveries in the range 29-82% were achieved in these varying temperature tests but the sample gold grades were low (typically 0.05-0.1 g/t) and in a number of instances, the gold assays were below the analytical detection limits. Therefore, these individual gold test results were not reported.

These series of tests were carried out for 24 hours at two different temperatures: 50 degree C and 20 degree C. The 50 degree C temperature was used to show the likely high end of possible recovery and the 20 degree C test was used to simulate the likely temperature in a heap leach on location in Bolivia. The silver recovery is not significantly affected by temperature, whereas the indium recovery is lower at the lower temperature. However, at the end of the 24 hour test, the indium was still being leached by the acid chloride solution. Over time, the 20 degree C indium recovery is expected to approximate the 50 degree C indium recovery. The by-product metals are typically also leached more slowly at lower temperatures.

The practical implication of these tests is that the silver will leach rapidly and the indium will take longer as will the by-products.

Ongoing metallurgical test work at the SGS-Lakefield laboratory includes such items as reviewing which reagents give the best leach result. To this end, tests are being carried out using both sulphuric acid and hydrochloric acid. The latter acid is stronger and may allow more rapid leaching at lower temperature. The Company is also preparing to do a series of column leach tests lasting several months to evaluate the leach process at a larger scale with material crushed to the same size as that planned for the proposed mine. The first of this series of tests has already been commissioned at SGS Lakefield.

## PREVIOUSLY REPORTED PROJECT ECONOMIC PARAMETERS

The NI 43-101 compliant PEA previously referenced included a Base Case with a pre-tax net cash flow of US\$1,233 Million and IRR 50.7%. The PEA was prepared by Pincock Allen & Holt ("PAH"). Several of the key economic parameters in the PEA are summarized in the following table:

- Total indicated silver resource 144,597,000 oz
- Total indicated indium resource 845 tonnes
- Total inferred silver resource 177,783,000 oz
- Total inferred indium resource 968 tonnes
- First ten year's average silver grade 38.6 g/t
- First ten year's average annual silver production 6.4 Million oz
- First ten year's average indium grade 8.1 g/t

- First ten year's average indium production 37.2 tonnes
- Pre-Tax Net Cash Flow US\$1,233 million
- Pre-Tax NPV (at 5% discount rate) US\$577 million
- Pre-Tax NPV (at 10% discount rate) US\$325 million
- Initial CAPEX US\$104.7 million
- Cash Cost (net of credits) US\$3.75/oz silver
- Pre-Tax IRR 50.7%
- Years to payback from start of production 1.4 years

NPV= pre-tax net present value  
CAPEX= capital expenditure

The PEA considered a base case mining rate of 20,000 tonnes per day (“tpd”) mining 247 million tonnes of leach material over a life of mine of 36 years averaging 25.3 g/t silver and 5.92 g/t indium, using the three year trailing average silver price of US\$13.30/oz and US\$530 per kg for indium. The Base Case consisted of conventional open pit mining and processing by crushing, agglomeration and placement of mineralized material on heap-leach pads. Leaching involves a sulphuric acid plus chloride leach which recovers the silver and the indium.

#### ADDITIONAL METALLURGICAL INFORMATION

The following tables list the results from all of the metallurgical tests summarized in this press release:

Drill hole	Test ID	Test ID	Sample	50 deg	20 deg	50 deg	20 deg
				Ag	Ag	In	In
	50 deg	20 deg		%	%	%	%
LMD 17	ACL17	ACL31	8-1	85.8	84.2	69.8	58.5
WW 20	ACL18	ACL32	8-2	91.9	91.1	32.3	14.8
LMD 35	ACL19	ACL33	8-3	96.9	95.4	60.2	38.4
LMD13	ACL20	ACL29	8-4	81.9	80.9	88.8	54.1
LMD16	ACL21	ACL30	8-5	95.9	86.2	94.2	81
LMD 29	ACL22	ACL34	8-6	88.3	91.4	78.9	32
	Average Recovery			90.1	88.2	70.7	46.5
	Recovery in PEA			80		70	
	Positive Difference %			10.1		0.7	

  

				Ag=Silver		In=Indium	
Drill hole	Test ID	Test ID	Sample	50 deg	20 deg	50 deg	20 deg
				Cu	Cu	Pb	Pb
	50 deg	20 deg		%	%	%	%
LMD 17	ACL17	ACL31	8-1	94.7	88.3	85.4	80
WW 20	ACL18	ACL32	8-2	46.7	35.7	17	20.7
LMD 35	ACL19	ACL33	8-3	90.3	65.2	83.3	77.8
lmd13	ACL20	ACL29	8-4	70	23.8	58.7	44.2
lmd16	ACL21	ACL30	8-5	87.2	63.2	95.8	96.8
lmd29	ACL22	ACL34	8-6	91	72.9	88.2	95.9
	Average Recovery			80.0	58.2	71.4	69.2

Recovery in PEA	60	25
Positive Difference %	20.0	46.4

Cu=Copper

Pb=Lead

Mr. Ralph Fitch, SASC President and CEO, is the Qualified Person for this press release. He has reviewed and approved the content of this press release.

Certain statements in this press release constitute “forward-looking statements”. These forward-looking statements include, but are not limited to, statements regarding estimated metal recoveries and the potential for improved recoveries through additional testing, as well as estimated mineral resources and the potential for delineation of additional resources through further exploration at the Malku Khota Project. 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.

This press release uses the terms 'indicated resources' and 'inferred resources' which are terms recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects). Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will be converted into reserves. In addition, 'inferred resources' have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that an Inferred Resource will be upgraded to a higher category. Under Canadian rules, estimates of Inferred Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for a Preliminary Assessment as defined under NI 43-101. Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

The Company's PEA report includes inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Furthermore, there is no certainty that the results projected in the PEA report will be realized and actual results may vary substantially.

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

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