



TSX Symbol: SAC
US OTC: SOHAF

NEWS RELEASE: 11-06

South American Silver files Economic Assessment and Resource Estimate report and announces appointment of VP Operations

May 16, 2011, Vancouver, British Columbia—South American Silver Corp. (TSX:SAC, US OTC: SOHAF) is pleased to report that it has filed the detailed NI-43-101 technical report for the Preliminary Economic Assessment on its 100% owned Malku Khota silver-indium project. The full report is available on the Company's website at www.soamsilver.com and SEDAR at www.sedar.com.

Economic Assessment Highlights

- Updated Malku Khota economic assessment study more than doubles mine production over previous studies for the first 5 years to 13.2 million ounces at a cash cost of \$2.94 per ounce net of by-product credits at “base case” metal prices putting it in the lower quartile of producer costs.
- Annual production also doubled for indium to 80 tonnes per year with first production estimates for gallium at 15 tonnes per year.
- Pre-tax NPV at a 5% discount rate of \$704 million and IRR of 37.7% at “base case” metal prices of \$18.00/oz silver, and \$500/kg indium, increasing to a NPV_{5%} of \$1.536 billion and IRR to 64.3% at “middle price case” of \$25.00/oz silver, and to a NPV_{5%} of \$2.571 billion at the “recent price case” of \$35/oz silver
- Cash flows for the first 5 years increase to average \$185 million per year at the base case, to \$287 million per year at the middle case and to \$430 million per year for the recent price case.
- Updated resource estimate expands Measured and Indicated resources 60% to 230 million ounces of silver with an additional Inferred resource of 140 million ounces of silver.
- 2010 drill program successfully confirms the geologic model with over 80% of the life-of-mine silver resources classified as the Measured and Indicated category in the pit model.
- During the construction phase approximately 1,000 new jobs would be created in the region with over 400 employees likely during operations.
- Budget of \$16 million approved for 2011 with Pre-Feasibility activities beginning in Q2.

The Company is also pleased to announce the appointment of James Mallory as Vice President of Operations and Social Responsibility. Mr. Mallory brings over 33 years of mining industry experience in large-scale mine management, operations and construction in North and South America. Most recently, Mr. Mallory was Vice President at Silver Standard Resources working with its start-up Pirquitas silver mine in Argentina, as well as at its advanced development projects in Peru and Mexico. Prior to that Mr. Mallory held management positions in operations and sustainable development with Barrick Gold (Placer Dome) and NovaGold.

“We welcome Mr. Mallory to the South American Silver senior management team and believe his experience in mine operations, construction and implementation of community relations programs, particularly in Latin America, will contribute greatly to the successful growth of the Company,” stated Greg Johnson, President and CEO. “With the completion of this positive economic assessment on the Malku Khota project, the Company is moving into Pre-Feasibility study activities for the remainder of 2011 and into Feasibility in 2012. The economic assessment shows the project has the potential to become one of the largest new primary silver producing mines in the world at over 13.2 million ounces of silver per year and would also be one of the largest producers of the high-technology metals, indium and gallium. At conservative base-case metal price assumptions of \$18/oz silver, the project shows robust economics with cash flows, project valuations and rates of returns all considerably higher than previous studies, highlighting the value of this long life asset.”

Qualified Persons

This press release was prepared under the supervision of South American Silver's 43-101 Qualified Persons Ralph Fitch, Executive Chairman, and Felipe Malbran, P.Ge, VP Exploration. Qualified Persons for the 43-101 Technical Report for the updated PEA and resource estimate include: Ralph Fitch – South American Silver, Felipe Malbran, P.Ge – South American Silver; Allan Armitage, Ph.D, P.Ge - GeoVector Management Inc.; Pierre Desautels, P.Ge - AGP Mining Consultants Inc.; Gordon Zurowski, P.Eng - AGP Mining Consultants Inc.; and William Pennstrom - Pennstrom Consulting Inc.

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 extensive 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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Cautionary Note and Forward-looking statements

The PEA was prepared to broadly quantify the Malku Khota Project's capital and operating cost parameters and to provide guidance on the type and scale of future Project engineering and development work that will be needed to ultimately define the Project's likelihood of a positive feasibility determination and optimal production rate. It was not prepared to be used as a valuation of the Project nor should it be considered to be a final feasibility study on which a commercial production decision could be made. The capital and operating cost estimates which were used have been developed only to an approximate order of magnitude based on generally understood capital cost to production level relationships, and although they are based on engineering studies, these are preliminary so the ultimate costs may vary widely from the amounts set out in the PEA. This could materially adversely impact the projected economics of the Project. As is normal at this stage of a project, data in some areas was incomplete and estimates were developed based solely on the expertise of the Company's employees and consultants. At this level of engineering, the criteria, methods and estimates are preliminary and result in a high level of subjective judgment being employed. There can be no assurance that the potential results contained in the PEA will be realized.

*Certain statements in this press release constitute "forward-looking statements". These forward looking statements 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, and statements regarding the Company's Project development plan. **Forward-looking statements may include words such as "plans," "intends," "anticipates," "should," "estimates," "expects," "believes," "indicates," "targeting," "suggests," "potential," 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, 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 or other unanticipated difficulties or interruptions; political, community relations, regulatory, environmental 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. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward looking statements, there may be other factors that cause results to be materially different from those planned, estimated, forecasted, projected or expected. 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 'measured resources', '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), however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the United States Securities and Exchange Commission. 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 preliminary economic 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.