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South American Silver Files Third Quarter 2011 Financial Statements and MD&A and Project Update

10 November 2011, Vancouver, British Columbia—South American Silver Corp. (TSX:SAC, US OTC: SOHAF) reports the release of its unaudited interim consolidated financial statements for the three and nine months ended September 30, 2011 and the related management's discussion and analysis of financial position and results of operations ("MD&A").

The Company is also pleased to provide an update on the Malku Khota silver-indium-gallium project in Bolivia and the Escalones copper-silver-gold project in Chile. As at September 30, 2011, the Company had working capital of U.S.\$28.6 million, including cash and cash equivalents of U.S.\$28.6 million. With these funds in place, the Company is in a very strong financial position to accelerate the advancement of its Malku Khota project toward feasibility, and its Escalones 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.

President's Message

This past quarter has been a period of increased volatility in the global markets with concerns about the European debt crisis and the US economy. Trading volumes have been seasonally low contributing to this volatility in the North American markets. However, South American Silver has continued to move forward with our project development plan at both our Malku Khota silver-indium-gallium project and the Escalones copper-silver-gold project in Bolivia and Chile, respectively.

At the Malku Khota silver-indium-gallium project, engineering activities are in progress to refine the metallurgical characteristics of the deposit to a pre-feasibility level, and optimization studies are underway to further increase estimated production levels. Camp construction plans to support expanded project development activities at Malku Khota are currently in progress to support a significant drill campaign of in-fill and expansion work.

Earlier in 2011, the Company announced results from an updated Preliminary Economic Assessment ("PEA") for the Malku Khota silver-indium-gallium project. Results of the PEA more than doubled estimated mine production levels from the 2009 PEA to 13.2 million ounces of silver per year for the first 5 years of production, at a cash cost of U.S.\$2.94 per ounce net of by-product credits at "base case" 3 year average metal prices, putting it in the lower quartile of producer costs. Additionally it more than doubled indium production to 80 tonnes of indium per year and reported the first projected production figures for gallium at 15 tonnes per year. With further resource optimization there remains excellent potential to extend the mine life beyond 15 years.

The report showed robust economic results with Pre-tax NPV of U.S.\$704 million and IRR of 37.7% at conservative "base case" metal prices of U.S.\$18.00/oz silver, and U.S.\$500/kg indium at a 5% discount rate. At the "middle price case" of U.S.\$25.00/oz silver the NPV at 5% increases to U.S.\$1.536 billion with an IRR of 64.3%, and at current prices of U.S.\$35/oz silver, the NPV at 5% increases to U.S.\$2.571 billion. On a cash flow basis, the first 5 years increased to average U.S.\$185 million per year at the base case, to U.S.\$287 million per year at the middle case and to U.S.\$430 million per year for the recent price case.

In addition to the updated PEA, the Company announced an updated resource estimate for the Malku Khota project expanding Measured and Indicated resources by 60% to 230 million ounces of silver with an additional Inferred resource of 140 million ounces of silver. In addition to the increased silver content, the updated resource estimate also included a Measured and Indicated resource of 1,481 tonnes of indium and 1,082 tonnes of gallium, plus 935 tonnes of indium and 1,001 tonnes of gallium in the Inferred category.

Also during the third quarter the Company commenced work on an initial resource estimate at the Escalones copper-silver-gold project based on the exploration program undertaken earlier in the year and all historic work to date on the project. In addition a program of re-logging and re-sampling of previously drilled holes along with re-interpretation of IP and SP geophysics was completed for the development of additional drill targets in the next phase of work. Preparations are also underway to complete a deep penetrating ZTEM geophysical survey in November on the project designed to assist in mapping and targeting of the porphyry related mineralization. Final preparations are being made for a drill program to expand resource on the project in Q4-2011.

Approach to business

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.

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Current market and economic conditions

Though the precious metals markets have experienced noteworthy volatility through late summer and into the fall along with the general markets, recent prices have shown good relative strength and support for silver in the U.S.\$35/oz range. Silver saw highs to the mid-U.S.\$40/oz level in August and September with a correction to below U.S.\$30/oz just one month later but has traded back into the mid-U.S.\$30/oz range entering November (more than 70% higher compared to October 2010). Gold has seen its own swings in price surging to record highs of nearly U.S.\$1900/oz in September (a nearly 125% increase from its 1980 nominal high of U.S.\$850/oz) then briefly correcting to just below U.S.\$1600/oz, before recovering to an average price of nearly U.S.\$1750/oz in October. On an inflation-adjusted basis, silver still remains well below its highs of U.S.\$140/oz in real terms as does gold with its high from 1980 estimated at U.S.\$2350/oz in 2011 dollars.

Since mid 2010, silver has nearly doubled in value, outperforming gold, which has increased by about 40% over the same period. The current gold to silver price ratio of 50:1 remains well below its historic highs of 15-20:1 but is now well off of its 2010 lows in the 60-80:1 range.

The fundamentals for both silver and gold appear strongly supportive for continued higher prices as 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 hedge against inflation and currency devaluation resulting in increased investment demand is 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, its hybrid nature as both a precious and industrial metal shows in the significant increases last year in both investment and industrial demand growth up 40% and 21% respectively. Industrial demand for silver is closely tied to global economic growth particularly in developing countries with applications ranging from biomedical to high technology. Silver appears to have resumed the multi-year trend prior to the recent global economic crisis of increasing overall industrial demand and has been accompanied by strong increases in investor demand.

With total demand rising 18% in 2010 and total supply growth including mining, secondary silver sources and government sales only up 8%, demand growth considerably outstripped supply. Mining production only rose a total of 2.5% with by-product silver production from both gold and copper mining falling in 2010 even with rising silver prices. Total by-product production of silver from base metal mining is anticipated to decline in coming years demonstrating that by-product silver production is largely price inelastic. With anticipated continued growth in industrial use coupled with strong investment demand, the fundamentals appear to remain positive for higher silver prices going forward. 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 over the past 18 months.

The indium and gallium market has shown tremendous strength in 2011 as well, surging from trough pricing during the global economic slowdown of around U.S.\$500/kg to the U.S.\$750-U.S.\$1000/kg over the past several months. Recent developments in the indium and gallium markets continue to present compelling supply/demand dynamics for these high technology metals.

The main usages for indium and gallium are in flat panel displays and touch screens, high efficiency solar panels and high-efficiency, long life LED lighting. Global indium and gallium consumption is anticipated to continue to grow significantly in these rapidly expanding market sectors. In total, global indium use has grown approximately ten times since 1990.

With one of the largest NI 43-101 qualified resources of primary indium and gallium, South American Silver is attracting additional investor interest due to its large exposure to this rapidly growing high technology driven market.

Base metals have also seen significant volatility in their prices over the past several months with copper falling from its highs of nearly U.S.\$4.50/lb in July and August toward the U.S.\$3.00/lb level in October with a recent rebound back to U.S.\$3.50/lb in early November. Similarly zinc has fallen from U.S.\$1.00/lb toward U.S.\$0.80/lb and has rebounded in early November back toward U.S.\$0.90/lb. Recent price fluctuations in base metals appear to have been driven largely by short term economic concerns and general market volatility. Long term growth in demand for copper and zinc is likely to continue to be driven largely by growth in developing economies particularly in Asia where per capita consumption levels remain well below that of more developed nations.

With the volatility in the general markets and in commodities, equities in the sector have also seen significant swings in valuation over the past 6 months. Silver equities have been particularly so with the move of the silver price toward its highs of U.S.\$50/oz last spring, the correction toward U.S.\$30/oz and recent rebound toward U.S.\$35/oz today. Most silver equities saw consolidation from their spring highs and many small cap and growth stage companies are below their 200-day moving averages, a level that has often acted as a significant support level in the on-going bull market. The larger cap producers have seen a significant rebound from their lows on the back of strong earnings and the most of the indices with these larger companies are now back above their 200 day moving averages suggesting that investment capital is beginning to

flow back into the sector. Traditionally late fall and winter are the strongest seasonalities for the precious metals sector and it appears that we may be moving into stronger markets toward the end of the year. South American Silver remains at a very attractive investment valuation levels compared to many of its silver exploration and development stage peers and appears to have established a solid base of support at current levels.

Property review

Malku Khota

South American Silver's most advanced project is the Malku Khota silver-indium-gallium 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, indium and gallium resources. The updated PEA in early 2011 showed robust economics for a bulk-mineable heap leach operation with the potential to be one of the largest new silver, indium and gallium producing mines in development. The project is road-accessible, with power available within 15 kilometres of site.

The Company has recently expanded the community relations team under the direction of the Vice President of Operations and Social Responsibility. The Company anticipates continuing to build on its community relations team to support bringing the project into feasibility and permitting stages 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. The recent update to the PEA estimated that the construction phase would facilitate the creation of approximately 1,000 new jobs in the region with over 400 employees needed during operations. For the remainder of 2011 Pre-feasibility activities will be the focus of work on the project.

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 kilometres on the property. To date, only about 30% of the known prospective mineralized host stratigraphy at Malku Khota has been drill tested. As part of the pre-feasibility activities, 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.

South American Silver continues to refine the metallurgical characteristics of the deposit through ongoing process-related test work for the pre-feasibility study to optimize the leach recovery of the silver, indium, gallium and associated lead, zinc and copper mineralization in both heap leach and milling options.

Due to the large scale, near surface, bulk mineable nature of the deposit there remains excellent potential to continue to expand production levels beyond the 13 million ounces of silver per year level through further optimization of the resource and increases in overall mine throughput. Optimization studies to look at further production level increases will be included as part of the Pre-Feasibility level studies.

During the 3rd quarter ended September 30, 2011, expenditures at the Malku Khota project totaled approximately U.S.\$0.9 million. Work focused on metallurgical testing, environmental baseline data collection, community meetings and various engineering optimization studies.

Escalones

The Escalones copper-silver-gold porphyry related project is located approximately 100 kilometres south-east of Santiago by road in central Chile. The 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 silver, gold 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 metres grading over 1% copper and a single deeper hole intercepted 176 metres 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 project, the Company completed an initial exploration program in early 2011 including follow-up geochemical sampling, geophysical interpretation, and re-logging and re-sampling of previously drilled core holes in connection with the planned issuance of an initial copper-gold-silver resource at this large scale, high potential porphyry project in Q4-2011. Also in Q4, a ZTEM deep penetrating geophysical survey is being carried out to assist in mapping and targeting of the porphyry related mineralization. A substantial drill program designed to extend zones of known mineralization and test additional geologic and geophysical targets is planned to start late in the year based on drill rig availability. A total of U.S.\$88,000 was incurred at the Escalones project in the third quarter on the exploration program.

Looking Forward

With the completion of the updated resource and Preliminary Economic Assessment at the Malku Khota project in Q1-2011, the Company has moved fully into Pre-Feasibility level work which began mid-year. The next phase of the program will include further engineering and optimization studies, in-fill confirmatory drilling to confirm the predictability of the geologic model at the Limosna, Wara Wara and Sucre Zones and to move resources into reserves with the completion of a pre-feasibility level study on the project. The Company plans to complete additional resource expansion drilling designed to test expansion along trend and down dip and potentially continue to expand the project resources which remain open in all directions. The Company has budgeted approximately U.S.\$16.7 million toward exploration and development work at Malku Khota during the pre-feasibility phase.

At the Escalones project, the Company has completed an initial exploration program that included follow-up geochemical sampling, and geophysical interpretation in connection with the planned issuance of an initial copper-gold-silver resource at this large scale, high potential porphyry project in Q4-2011. Planning is underway for 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.

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-gallium project in Bolivia, one of the world's largest undeveloped silver-indium-gallium deposits, and the large-scale 100%-controlled 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

South American Silver Corp. Contact:

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.

It is important to note that:

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; 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, as well as statements regarding estimated net present value, internal rate of return, annual production, costs, 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 November 10, 2011.