SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Report to Shareholders
For the
First Quarter Ending
December 31, 2003

Listed on the Toronto Stock Exchange
Symbol: SAG

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development stage company)
RESTATED MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS
FIRST FISCAL QUARTER ENDED DECEMBER 31, 2003
(Expressed in United States dollars)

The following discussion should be read in conjunction with the consolidated financial statements and related notes thereto which appear in the Company's 2003 annual report.

Results of Operations

The Company is engaged in exploration and development activities and to date has had no operating income or cash flows. Acquisition costs of resource properties, together with direct exploration and development expenses incurred thereon, are deferred and capitalized in the accounts. Upon reaching commercial production, these capitalized costs will be transferred from exploration properties to producing properties and will be amortized into operations using the unit-of-production method over the estimated useful lives of the related ore reserves. Management regularly reviews the carrying value of each mineral property using estimated undiscounted cash flows from each project. When review suggests impairment, the carrying value of the project would be reduced to the extent it exceeded the estimated future net cash flows.

The Company incurred losses of $211,000 and $208,000 for the quarters ended December 31, 2003 and 2002, respectively.

For the quarter ended December 31, 2003, administrative expenses increased by $15,000 primarily due to an information program aimed at increasing investor and shareholder knowledge of the Company's activities. The foreign exchange gain is the result of strong Canadian and Chilean currencies versus the US dollar, Company's reporting currency. Interest expense increased due to the conversion of a promissory note into common shares of the Company before it was fully accreted to its face value resulting in a charge of $78,000 to interest expense. The promissory note had a maturity date of December 31, 2004 and Cdn. $557,233 was converted into common shares of the Company during the quarter ended December 31, 2003. The remaining outstanding balance of Cdn. $34,791 was converted into common shares of the Company during January 2004.

For the quarter ended December 31, 2002, administrative expenses increased by $22,000 due to increased operating costs at the Company's New York Representative Office plus attendance at and participation in a gold conference. Interest expense decreased by $57,000 primarily because a promissory note due December 31, 2001, bearing no interest, was not paid and under the terms of the note the Company was liable to pay interest at 10% per annum for the period from March 13, 2000, until the note is paid or its terms renegotiated. At December 31, 2001, interest on the note amounted to $68,000.

Liquidity and Capital Resources

The acquisition, exploration, financing and development of natural resources require the expenditure of significant funds before production commences. To date, the Company has financed these activities through the issuance of common shares, warrants, promissory notes and debentures. The Company expects to use bank or debt financing as well as the issuance of common shares, as market conditions permit, to finance future activities. At December 31, 2003 the Company believed it possessed the capital required to develop its Pimenton project and bring it into production. The Company does not possess the capital required to develop its other projects and, without such capital, the potential for impairment of its projects existed. Funding opportunities for the Company's gold exploration and development activities are affected by gold price levels.

On March 20, 2003, the Company filed a loan application with the Overseas Private Investment Corporation (“OPIC”), headquartered in Washington, DC, to finance part of the estimated $4,000,000 required to restart operations at Pimenton. Following receipt of the Pincock, Allen & Holt report and further due diligence by OPIC, the Company entered into a loan commitment agreement dated October 29, 2003 and on December 29, 2003, signed a loan agreement for $2,800,000 project financing. On January 30, 2004, the Company drew down $1,200,000 of the OPIC commitment.

Unrestricted cash was $2,288,000 at December 31, 2003.

During November 2003, the Company sold through a private placement 49,880,214 units at Cdn. $0.07 per unit, each unit comprised of one common share and one half of one common share purchase warrant to purchase a further common share at Cdn. $0.09 per share at any time within 24 months of the date of issue. The private placement closed in three tranches on November 10, 25 and 27, 2003. In connection with this private placement, the Company also issued 4,974,271 brokers warrants, each exercisable at Cdn. $0.09 per share, expiring 24 months from the date of issue. Net proceeds of the placement were $2,342,079 of which $167,663 was assigned to warrants and $33,439 assigned to the broker warrants, using the Black-Scholes valuation model.

On December 10, 2003, the Company sold through a private placement 40,000,000 units at Cdn. $0.07875 per unit, each unit comprised of one common share and one common share purchase warrant to purchase a further common share at Cdn. $0.105 per share at any time within 36 months of the date of issue. In connection with this private placement, the Company also issued 3,585,588 brokers warrants, each exercisable at Cdn. $0.105 per share, expiring 36 months from the date of issue. Net proceeds of the placement were $2,137,052, of which $391,286 was assigned to warrants and $35,075 assigned to the broker warrants, using the Black-Scholes valuation model. (Note 7)

Restricted cash was $1,177,000 at December 31,2003.

Under the terms of the loan agreement with OPIC, the Company is required, among other things, to establish an equity reserve account in lieu of a construction and completion bond and a debt service reserve account. Accordingly, cash in the amount of $1,177,000 has been designated as restricted on the accompanying balance sheet

Cash was $112,000 as at September 30, 2003. During the fiscal 2003 warrants issued in connection with prior year private placements were converted into 24,142,569 common shares and resulted in net proceeds to the Company of $901,000. In addition 100,000 options were exercised for a net proceeds of $3,000 and the promissory note holder converted $24,904 of such note into 314,500 common shares.

Outlook

The Company’s primary focus in 2004 is to place the Pimenton mine into production. To that end the Company had its technical report on restarting the mine reviewed by Pincock, Allen & Holt (PAH), an internationally recognized engineering consulting firm. Capital costs to restart the mine are budgeted at $4,000,000 and the estimated cash cost per ounce of gold over the seven year projected project life is $166.

Funding for restarting the Pimenton will come from the $2,800,000 OPIC loan and $4,479,000 of private placements completed in the first quarter of fiscal 2004.

The Company will also continue its efforts to bring the Catedral and Cal Norte projects to the production stage.

Risks and Uncertainties

The Company's future profitability will be affected by metal prices, production levels, operating costs, currency fluctuations, interest rates and taxes. The Company updates mineral reserve estimates on which future production plans are based and these estimates are based on the interpretation of geological data which may affect production costs. The Company operates in an international environment, which introduces political risks.

Future profitability will also be affected by government and regulatory authorities in the countries in which the Company operates. The Company is not aware of any current or pending regulations in these countries that would have a material impact on its operations.

Certain information included in this report may be "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the outlook, the actual results or performance of the Company to be materially different from any future results or performance implied by such statements.

Restatement

The Company's Management Discussion and Analysis of Financial Position and Results of Operations and Consolidated Financial Statements for the quarter ended December 31, 2003, have been restated to correct the description contained herein of the Company's December 10, 2003, private placement. In addition, the Company's consolidated financial statements for the quarter ended December 31, 2003, have been restated to correct certain Shareholders' Equity line items on the Company's consolidated balance sheet to reflect an increase in the fair market value assigned to the warrants issued by the Company in connection with the December 10, 2003, private placement by US $195,643 to US $391,286. The restatement had no impact on the Company's consolidated statements of operations and deficit or the consolidated statements of cash flows. See Note 10 to the consolidated financial statements for more information.

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development stage company)

Restated Consolidated Balance Sheets
(Expressed in thousands of United States dollars)

	December 31, 2003 (Unaudited)	September 30, 2003
	$	$
Assets		
Current assets		
Cash and cash equivalents	2,288	112
Other current assets	452	213
	2,740	325
Equipment	25	29
Exploration properties	16,584	15,855
Restricted cash	1,177	-
Other assets	95	80
Total assets	20,621	16,289
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	305	355
Other liabilities	306	323
	611	678
Notes payable	1,546	1,842
Non-controlling subsidiary shareholders' interest	136	136
Total liabilities	2,293	2,656
Shareholders' Equity		
Share capital	55,571	51,292
Contributed surplus	326	315
Warrants	852	236
Deficit	(38,421)	(38,210)
	18,328	13,633
Total liabilities and shareholders' equity	20,621	16,289

Nature of operations and going concern (Notes 2 and 3)

The accompanying notes form an integral part of these consolidated financial statements.

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development stage company)

Consolidated Statements of Operations and Deficit (Unaudited)
(Expressed in thousands of United States dollars, except per share amounts)

	Three months ended December 31, 2003	Three months ended December 31, 2002	Cumulative from inception on May 6, 1991
	$	$	$
Income			
Revenues from mining operations	-	-	-
Expenses			
Write-down of exploration properties	-	-	28,944
Administrative	122	107	10,856
Foreign exchange	(74)	1	(327)
Interest	163	100	3,300
	211	208	42,773
Less:			
Gain (loss) on extinguishment of debt	-	-	3,683
Interest income	-	-	546
Loss before non-controlling shareholders'	-	-	7
interest in consolidated susidiary's loss	211	208	(38,544)
Non-controlling shareholders' interest in consolidated susidiary's loss			7
Loss for the period	211	208	(38,537)
Deficit-beginning of period	(38,210)	(36,985)	-
Gain on warrant revaluation	-	0	116
Deficit-end of period	(38,421)	(37,193)	(38,421)
Basic and diluted loss per share	0.00	0.00	

The accompanying notes form an integral part of these consolidated financial statements.

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development stage company)

Consolidated Statements of Cash Flows (Unaudited)
(Expressed in thousands of United States dollars)

	Three months ended December 31, 2003 $	Three months ended December 31, 2002 $	Cumulative from inception on May 6, 1991 $
Operating activities			
Net loss	(211)	(208)	(38,537)
Non-cash items			
Write-down of exploration properties	-	-	28,944
Amortization of equipment	4	3	91
(Gain) loss on extinguishment of debt	-	-	(3,683)
Accretion of interest on debentures and notes payable and amortization of deferred debt expense included in other assets	134	75	2,294
Foreign exchange	(50)	-	(469)
Non-controlling subsidiary shareholder interest in consolidated loss	-	-	100
Non-cash employee share compensation	-	-	1,260
Non-cash non-employee share compensation	-	-	142
	(123)	(130)	(9,858)
Change in non-cash working capital relating to operations	(331)	(42)	1,361
	(454)	(172)	(8,497)
Investing activities			
Exploration properties	(679)	(147)	(33,125)
Equipment			(128)
Other assets	(17)	-	(1,454)
Restricted cash	(1,177)	-	(1,177)
	(1,873)	(147)	(35,884)
Financing activities			
Shares issued	4,479	-	41,456
Options exercised	-	-	19
Notes payable	-	-	2,012
Notes repaid	-	-	(56)
Debentures	-	-	2,733
Deferred debt expense	-	-	(34)
Non-controlling subsidiary shareholders' interest	-	-	(181)
Warrants	-	-	705
	4,479	-	46,654
Effect of foreign exchange on cash held in foreign currency	24	(1)	15
Increase in cash and cash equivalents during the period	2,176	(320)	2,288
Net cash and cash equivalents-beginning of period	112	445	
Net cash and cash equivalents-end of period	2,288	125	2,288

Supplemental cash flow information (see note)

The accompanying notes form an integral part of these consolidated financial statements

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development stage company)

Notes to the Consolidated Financial Statements
December 31, 2003 and 2002.
(Expressed in United States dollars)
(All tabular amounts are expressed in thousands except number of shares.)

1. Basis of Presentation

The interim consolidated financial statements of South American Gold and Copper Company Limited (the "Company" or "SAGC") have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) following the same accounting policies and methods as the consolidated financial statements for the fiscal year ended September 30, 2003. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 2003 annual report.

2. Nature of operations

The Company is a Canadian corporation, listed on the Toronto Stock Exchange (TSX), engaged in the acquisition, exploration and development of properties principally in Chile for the production of gold, copper and limestone. The Company is in the process of determining whether these properties contain ore reserves that are economically recoverable. All costs relating to the exploration and development of these properties are deferred. The recoverability of the amounts shown for exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or proceeds from the disposition thereof.

3. Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of obligations in the normal course of business as they come due. No adjustments have been made to assets or liabilities in these consolidated financial statements should the Company not be able to continue normal business operations.

As at December 31, 2003, the Company reported a deficit of approximately $38.2 million. This condition casts significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due. Management continues to use various alternatives, including private placements and debt issuance to raise capital to finance operations.

The Company's continuance as a going concern is dependent on obtaining adequate resources through external funding or profitable operations. In the event that such resources are not secured, the assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

4. Related party transactions

A company owned by an officer, director and shareholder of the Company was paid approximately $24,500 and $20,000 for the quarters ending December 31, 2003 and 2002, respectively, for the provision of office space and services to the Company.

A law firm, of which an officer is a member, was paid approximately $77,000 and $17,000 during the quarters ending December 31, 2003 and 2002, respectively, for the provision of legal services. These services were provided at rates similar to those charged to non-related parties.

Other current assets include advances to an officer and director of the Company of $206,000 and $171,871, as at December 31, 2003 and September 30, 2003, respectively.

Accounts payable and accrued liabilities include $82,700 and $70,591 at December 31, 2003 and September 30, 2003, respectively, for interest due to an officer and director of the Company who holds one of the Pimenton notes in the amount of $757,000. Two officers and directors of the Company hold the minority interest in CM Catedral

5. Promissory Note

During fiscal 2003, Company did not meet all the covenants of its promissory note and the lender granted the Company a waiver with respect to such covenants, including the maintenance of a minimum working capital requirement and the payment of interest on the Pimenton notes until April 30, 2004. In addition, any interest due under this promissory note through February 28, 2003, became part of this note's principal and the conversion price of Cdn $0.115 per common share was to be renegotiated subject to Toronto Stock Exchange approval. Discussions to renegotiate the conversion price of the promissory were not successful and on October 21, 2003, the note was amended to add the interest due through February 28,2003 to the principal and expressly confirmed that all other provisions of the note shall continue in full force and effect.

On December 9, 11 and 16, 2003, the promissory note holder converted $427,526 (Cdn. $557,232) of the note into 4,845,500 common shares resulting in a loss on conversion of $78,068 which was charged to interest expense during the quarter ended December 31, 2003.

6. New Financing

On March 20, 2003, the Company filed a loan application with the Overseas Private Investment Corporation ("OPIC"), headquartered in Washington, DC, to finance part of the estimated $4,000,000 required to restart operations at Pimenton. Following receipt of the Pincock, Allen & Holt report and further due diligence by OPIC, the Company entered into a loan commitment agreement dated October 29, 2003 and on December 29, 2003, signed a loan agreement for $2,800,000 project financing.

Under the terms of the loan agreement, the Company is required, among other things, to establish an equity reserve account in lieu of a construction and completion bond and a debt service reserve account. Accordingly, cash in the amount of $1,177,000 has been designated as restricted on the accompanying balance sheet.

In connection with the OPIC financing the Pimenton note holders have agreed to defer the repayment of their note until one year subsequent to the final repayment of the OPIC note. On January 30, 2004, the Company drew down $1,200,000 of the OPIC commitment.

7. Share Capital

	Shares Issued	Amount
September 30, 2003	265,304,162	$51,292
Share issuance(a)	49,880,214	2,141
Share issuance (b)	40,000,000	1,711
Note Converted(c)	4,845,500	427
December 31, 2003	360,029,876	$55,571

(a) During November 2003, the Company sold through a private placement 49,880,214 units at Cdn. $0.07 per unit, each unit comprised of one common share and one half of one common share purchase warrant to purchase a further common share at Cdn. $0.09 per share at any time within 24 months of the date of issue. The private placement closed in three tranches on November 10, 25 and 27, 2003. In connection with this private placement, the Company also issued 4,974,271 brokers warrants, each exercisable at Cdn. $0.09 per share, expiring 24 months from the date of issue. Net proceeds of the placement were $2,342,079 of which $167,663 was assigned to warrants and $33,439 assigned to the broker warrants, using the Black-Scholes valuation model.

(b) On December 10, 2003, the Company sold through a private placement 40,000,000 units at Cdn. $0.07875 per unit, each unit comprised of one common share and one common share purchase warrant to purchase a further common share at Cdn. $0.105 per share at any time within 36 months of the date of issue. In connection with this private placement, the Company also issued 3,585,588 brokers warrants, each exercisable at Cdn. $0.105 per share, expiring 36 months from the date of issue. Net proceeds of the placement were $2,137,052, of which $391,286 was assigned to warrants and $35,075 assigned to the broker warrants, using the Black-Scholes valuation model.

(c) On December 9, 11, and 16, 2003, the promissory note holder converted $427,526 (Cdn. $557,232) of the note into 4,845,500 common shares.

8. Cancellation of Warrants

On December 9, 2003, David Thomson, and officer and director of the Company, and Merwin Bernstein cancelled 6,000,000 common share purchase warrants without any monetary compensation which were issued in 2000 at an exercise price of Cdn $0.51 per common share. Subject to TSX approval, the Company will issue replacement common share purchase warrants having an exercise price of Cdn. $0.25 per common share and an expiry date of 24 months following the date on which the loan from OPIC is repaid in full by Pimenton.

9. Supplemental cash flow information

		Three months ended 31-Dec	
		2003	2002
		$	$
(a)	Significant non-cash financing and investing activities		
	Promissory note converted to share capital	428	-
	Warrants issued in settlement of debentures	-	-
	Warrants	-	-
	Share capital	(428)	-
	Shares issued in payment of exploration properties	-	-
	Warrants converted to share capital	-	-
	Contributed surplus	-	-
	Retained earnings	-	-
	Exploration properties	-	-
	Non-controlling subsidiary shareholders interest	-	-
(b)	Other information		
	Taxes paid	-	-
	Interest paid	13	24

10. Restatement

The Company's consolidated financial statements for the quarter ended December 31, 2003, have been restated to correct the description of the Company's December 10, 2003, private placement in Note 7 and to correct certain Shareholders' Equity line items on the Company's consolidated balance sheet to reflect in increase in the fair value assigned to the warrants issued by the Company in connection with the private placement by US $195,643 to US $391,286.

The following table summarizes the impact of the restatement on the December 31, 2003, unaudited consolidated balance sheet of the Company.

	Before Restatement	Restatement	Restated Balance
	$	$	$
Share Capital	55,767	(196}	55,571
Warrants	656	196	852

The restatement had no impact on the consolidated statements of operations and deficit or the consolidated statements of cash flows.

Directors* and Officers

Paul J. DesLauriers*(1),(2)
Toronto, Canada
Executive Vice President and Director
Corporate Finance
Loewen, Ondaatje, McCutcheon & Company
Limited, Toronto, Canada

John C. Duncan*(1),(2)
New York, New York
Chairman of the Board
Former Chairman, Cyprus Minerals Company;
Former Chairman, President and CEO,
St. Joe Minerals Company

Mario Hernandez A.*
Santiago, Chile
Executive Vice President and Director, Claims and Land Management

Stephen W. Houghton*
New York, New York
President and Chief Executive Officer
Founder of South American Gold and Copper
Company Limited

Jay C. Kellerman
Toronto, Ontario, Canada
Secretary
Stikeman Elliott

William C. O'Donnell
New York, New York
Executive Vice President and Chief Financial Officer
Former Vice President and CFO,
St. Joe Minerals Company

Frederick D. Seeley*(1),(2)
New York, New York
Chairman, Givens Hall Bank and Trust Limited,
Cayman Islands, BWI

David R. S. Thomson*
Santiago, Chile
Executive Vice President and Director of Exploration

(1) Member, Audit Committee
(2) Member, Compensation Committee

Corporate Information

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