SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Report to Shareholders
For the
First Quarter Ending
December 31, 2007

Listed on the Toronto Stock Exchange
Symbol: SAG

The financial statements for the quarter ended December 31, 2007 have not been reviewed by the Company's auditors.

South American Gold and Copper Company Limited

Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	December 31, 2007 (Unaudited)	September 30, 2007
	$	$
Assets		
Current assets		
Cash and cash equivalents	3,467	344
Restricted cash	22	22
Receivables		
Sundry	46	73
Material and supplies, at cost	81	78
	3,616	517
Note receivable from an officer and director	309	329
Mining properties, plant and equipment	11,852	11,874
Exploration properties	5,959	5,814
Recoverable taxes	2,589	2,456
Total assets	24,325	20,990
Liabilities		
Current liabilities		
Short term borrowings	5	10
Current portion of long-term debt	1,556	1,244
Accounts payable and accrued liabilities	1,100	1,027
Taxes payable (IVA)	497	466
Amounts due to related parties	671	951
	3,829	3,698
Long-term debt	2,361	2,574
Reclamation and remediation	884	884
Non-controlling interest in consolidated subsidiary	139	139
Total liabilities	7,213	7,295
Shareholders' equity		
Share capital	67,021	63,628
Contributed surplus	708	708
Convertible subordinated debentures	907	907
Options	1,019	1,019
Warrants	3,103	2,688
Deficit	(55,646)	(55,255)
Total shareholders' equity	17,112	13,695
Total liabilities and shareholders' equity	24,325	20,990

Going concern and nature of operations (note 1)

Commitments

Approved by the Board of Directors

"Paul J. DesLauriers"	**"Stephen W. Houghton"**
Paul J. DesLauriers	**Stephen W. Houghton**
Chairman	Director

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

South American Gold and Copper Company Limited
Consolidated Statements of Operations, Deficit and Other Comprehensive Income

(expressed in thousands of U.S. dollars, except per share amounts)

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006
	$	$
Revenue		
Gold	-	-
Copper and silver	-	-
Other	-	4
	-	4
Expenses		
Amortization	148	178
Temporary mine shutdown	54	9
General and administrative	327	217
Warrant revaluation	11	426
Foreign exchange	(345)	5
Interest	207	194
	402	1,029
Other income	11	51
(Loss) for period	(391)	(974)
Deficit- beginning of period	(55,255)	(51,527)
Deficit- end of period	(55,646)	(52,501)
Basic and diluted loss per share	-	-

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

South American Gold and Copper Company Limited
Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Three months ended December 31, 2007 $	2006 $
Cash provided by and (used in)		
Operating activities		
(Loss) for the period	(391)	(957)
Non cash items		
Amortization of equipment	148	178
Accretion of interest on long-term debt	90	100
Foreign exchange	(345)	5
Non-cash employee options	-	-
Non cash warrant revaluation	11	426
	(487)	(248)
Change in non-cash working capital relating to operations	(38)	224
	-	
	(525)	(24)
Investing activities		
Mining equipment	(126)	-
Exploration properties	(145)	(51)
Recoverable taxes	(133)	(35)
Restricted cash	-	-
	(404)	(86)
Financing activities		
Shares issued	3,430	88
Warrants excercised	390	-
	3,820	88
Effect of foreign exchange on cash held in foreign currency	232	2
Increase (decrease) in cash and cash equivalents during the period	3,123	(20)
Cash and cash equivalents - Beginning of period	344	72
Cash and cash equivalents - End of period	3,467	52

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

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1 Going concern and nature of operations

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 the carrying amounts of the assets or liabilities, the reported revenues and expenses or the balance sheet classifications used in these consolidated financial statements should the Company not be able to continue normal business operations.

On June 9, 2005, a major snowstorm caused damage to the electrical and air compressor equipment at the Pimenton mine's main portal entrance, resulting in a shutdown of the mine, and it has remained closed since that time. Pimenton declared "force majeure" under Chilean law with respect to salary payments and other benefits payable under its labour contracts with the workers and certain staff personnel at its mine. Pimenton has also notified its creditors in writing that it has ceased payment of all trade payables and amounts due under lease purchase or other contracted services. The mine is expected to resume operations in early 2008.

As at December 31, 2007, the Company reported a deficit and comprehensive loss of approximately $55.6 million and a working capital deficiency of approximately $0.2 million, and continues to incur significant cash outflows. These conditions, together with the mine shutdown, cast significant doubt as to the ability of the Company to continue as a going concern.

The Company's continuance as a going concern is dependent on obtaining adequate funding, reaching profitable operations at the mine, pursuing joint venture partners, sale or other disposition of all or part of its assets, or additional external funding. There is no assurance that the steps management is taking will be successful and, in the event that such resources are not available, the Company's assets may not be realized or its liabilities discharged at their carrying amounts, and these differences could be material.

Nature of operations

The Company is a Canadian corporation listed on the Toronto Stock Exchange (TSX). On July 1, 2004, the Company commenced commercial production at its Pimenton gold mine in Chile. The Company's principal exploration activities are being focused on a potential porphyry copper deposit located within the Pimenton area in which the Company holds mining claims. The Company also holds interests in limestone deposits.

Prior to placing Pimenton into commercial production, all exploration and development costs relating to Pimenton had been capitalized. Upon commencing commercial production, those capitalized costs were transferred to producing properties, as described under exploration and development costs.

The recoverability of the amounts shown for exploration and development costs is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and on future profitable production or proceeds from the disposition thereof.

Future Accounting Changes

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1506, Accounting Changes. The new standard allows for voluntary

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changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

In December 2006, Section 3862, Financial Instruments -Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures were issued. All three Sections will be applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures, places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new Section removes duplicative disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

In June 2007, a replacement section for inventories, Section 3031 "Inventories" was issued and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and eliminates the use of the "last-in, first-out" method of accounting and is effective for the fiscal years beginning on or after January 1, 2008.

The Company is evaluating the impact of adopting the above accounting standards.

2 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, 2007. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual financial statements for the fiscal year ended September 30, 2007.

3. Recoverable Taxes

Recoverable taxes in the amount of $372,000 as at December 31, 2007 (September 30, 2007 - $372,000) represent IVA taxes paid on the fixed assets, which can be recovered upon request to the Chilean tax authorities. The Company filed such request, which has been denied by the Chilean tax authorities on technical grounds. The Company is appealing this decision and has reclassified IVA taxes on the fixed assets as a long-term asset. IVA relating to other expenditures is recoverable either by means of a credit against tax due upon domestic sales of the Company or by requesting reimbursement of IVA borne when exporting or export

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commitments are proven. Therefore, the recoverability of these amounts is dependent upon the ability of the Company to develop and derive future production from its Pimenton gold mine.

4. Share capital

	Number of shares	Amount $
September 30, 2007	570,842,909	63,628
Warrants exercised (i)	9,936,090	680
Private placement (ii)	92,375,000	2,713
December 31, 2007	673,153,999	67,021

i) On October 31, 2007 participants in the December 10, 2003 private placement exercised 9,936,090 warrants at a price of CA$0.04 per share for net proceeds of $390,446. The fair value of $288,703 assigned to these warrants was transferred to share capital.

ii) On December 17, 2007, the Company sold through a private placement 92,375,000 units at CA$0.0416 per unit, each unit consisting of one common share and one half of one common share purchase warrant to purchase a further common share at CA$0.06 per share at any time within two years of the date of issue. In connection with this private placement, the Company also issued 5,616,937 broker warrants, each exercisable at CA$0.06 per share, expiring within two years of the date of issue. Net proceeds of the placement were $3,430,209, of which $634,578 was assigned to the warrants and $58,982 was assigned to the broker warrants using the Black-Scholes valuation model, assuming a risk-free interest rate of 4.75%, no dividend and a volatility factor of 50%.

5. Long-term debt

Due to events at the mine Pimenton advised OPIC that it believes Pimenton will not be in compliance with the financial and operating covenants for the calendar quarters through and until June 30, 2009.

As of September 30, 2007, OPIC has granted Pimenton waivers with respect to the financial and operating events of default discussed above until June 30, 2009.

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6. Warrants

	Number of warrants	**$**
September 30, 2007	175,583,372	2,688
Exercised (note 9(b)(i))	(9,936,090)	(289)
Issued (note 9(b)(ii))	51,804,437	693
Modified (a)	-	6
Modified (b)	-	5
December 31, 2007	217,451,719	3,103

a) On October 21, 2004, the Company sold through a private placement 40,000,000 units at CA$0.07 per unit, each unit consisting of one common share and one half of one common share purchase warrant to purchase a further common share at CA$0.09 per share at any time within 24 months of the date of issue. These warrants were assigned a value of $276,806. On October 16, 2006, the TSX agreed to extend the expiration date on the 20,000,000 warrants from October 21, 2006 to October 22, 2007. The fair value of these modified warrants of $14,037, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, will be charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 4.07%, no dividend and a volatility factor of 50%.

On October 3, 2007, the TSX agreed to further extend the expiration date on the 20,000,000 warrants from October 22, 2007 to April 22, 2008. The fair value of these modified warrants of $6,028, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, will be charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 4.21%, no dividend and a volatility factor of 50%.

b) On November 8, November 16 and November 30, 2005, 16,635,628 warrants were exercised at a price of CA$0.055 per common share resulting in the issuance of 16,635,628 common shares and 16,635,628 common share purchase warrants to purchase a further common share at CA$0.07 per share at any time within 24 months of the date of issue. Net proceeds of the exercise of warrants were $699,830, of which $152,622 was assigned to the warrants using the Black-Scholes valuation model, assuming risk-free interest rates of 3.68% to 3.73%, no dividend and a volatility factor of 50%. The $226,910 fair value originally assigned to these warrants and $40,050 of the fair value assigned to modified warrants was transferred to share capital.

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On October 25, 2007, the TSX agreed to extend the expiration date on the 16,635,628 warrants from November 8, November 16 and November 30, 2007 to January 31, 2008. The fair value of these modified warrants of $5,155, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, will be charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 3.97%, no dividend and a volatility factor of 50% see subsequent events note 11 for further details..

7. Commitments

On March 13, 2007, the Company entered into a LOU with a subsidiary of Anglo American (Anglo), which gives Anglo the option to enter into a joint venture agreement for the exploration and development of the porphyry copper system at Pimenton and will serve as a basis for such joint venture agreement. The LOU states, "In this LOU, Hernandez and Thomson are collectively referred to as the Owners. Under the terms of this ownership royalty, the owners are entitled to receive a sliding scale of 5% to 6% Net Smelter Return Royalty on any future production from the Property. SAGC Pimenton Limited has renegotiated in good faith the Net Smelter Return Royalty paid to the owners who have agreed to be compensated by SAGC Pimenton Limited for a reduction from a sliding scale of 5% to 6% Net Smelter Return Royalty, down to a 3% Net Smelter Return Royalty." The Owners are directors and officers of the Company. The Company will engage a qualified independent third party to determine the fair value of the royalty reduction and the two officers and directors have agreed to accept 40% of the fair value to be paid by the Company to reduce the Net Smelter Royalty to 3% and if required to receive their compensation in common shares of the Company at the then existing market value.

8. Related party transactions

A company owned by chief executive officer, who is also a director, billed the Company $20,417 in the period ended December 31, 2007 for the provision of office space and services by the Company.

The note receivable of $286,233 as at December 31, 2007 and September 30, 2007 is from chief executive officer who is also a director of the Company. It is a non-interest-bearing note due on or before an extended due date of June 30, 2009, collateralized by 6,532,000 common shares of the Company owned by this officer and director. As at December 31, 2007, non-interest-bearing advances to this officer and director amounted to $23,222 (September 30, 2007 - $43,025) and are included in long-term receivables.

The Chief Financial Officer billed $61,830 for accounting services rendered to the Company in December 31, 2007 (December 31, 2006 - $53,595). Amounts due to related parties include payables to this officer of $207,260 for such services at December 31, 2007.

During fiscal 2007, the executive-vice-president-director, claims and land management, who is also a director of the Company, purchased from a non-related party its interest in the Pimenton notes and royalty. The fair value of this note was $815,000 at December 31, 2007 and interest expense was $48,746 in 2007. Amounts due to related parties include $158,645 for interest and $91,802 for royalties as December 31, 2007.

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On June 20, 2007, the Company sold through a private placement 26,431,515 units at CA$0.05 per unit, consisting of one common share and one common share purchase warrant to purchase a further common share at CA$0.07 per share at any time within 36 months of the date of issue. Net proceeds of the placement were $1,174,978. The subscriber, the executive-vice-president-director, claims and land management, who is also a director of the Company, subscribed and paid for 31,360,000 units. The remaining 4,928,485 units can be issued on the same terms provided shareholder approval is obtained prior to October 26, 2007. The balance of $220,022 is shown in amounts due to related parties. See subsequent events note 11 for further details.

Amounts due to related parties include $158,645 as at December 31, 2007 for interest due to executive-vice president-director of exploration who is also a director of the Company who holds one of the Pimenton notes in the fair value amounts of $810,000 at December 31, 2007. In addition, amounts due to related parties include $91,802 at December 31, 2007, for royalties due to this officer and director who is the owner of a Net Smelter Royalty on the Pimenton gold mine.

Amounts due to related parties also include cash advances of $506,925 as at September 30, 2006 from the executive-vice-president-director, claims and land management and officers and executive-vice-president-director of exploration, both directors of the Company.

Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to $1,250,000 each or $2,500,000 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totaling $500,000, which was paid during 1997.

The executive-vice-president-director, claims and land management and the executive-vice president-director of exploration, both directors of the Company, hold the convertible secured debentures. Interest expense was $46,056 and $46,301 for periods ended 2007 and 2006, respectively, Amounts due related parties include payables to these officers of $88,159 and $83,832 as at December 31, 2007 and 2006, respectively, for interest on this debt.

9. Short-term borrowings

Short-term borrowings consist of non-interest-bearing notes to a supplier.

10. Comparative amounts

Certain of the prior year's amounts have been reclassified to conform to the current year's consolidated financial statement presentation.

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11. Subsequent events

On November 8, November 16 and November 30, 2005, 16,635,628 warrants were exercised at a price of CA$0.055 per common share resulting in the issuance of 16,635,628 common shares and 16,635,628 common share purchase warrants to purchase a further common share at CA$0.07 per share at any time within 24 months of the date of issue. Net proceeds of the exercise of warrants were $699,830, of which $152,622 was assigned to the warrants using the Black-Scholes valuation model, assuming risk-free interest rates of 3.68% to 3.73%, no dividend and a volatility factor of 50%. The $226,910 fair value originally assigned to these warrants and $40,050 of the fair value assigned to modified warrants was transferred to share capital.

On October 25, 2007, the TSX agreed to extend the expiration date on the 16,635,628 warrants from November 8, November 16 and November 30, 2007 to January 31, 2008. The fair value of these modified warrants of $5,155, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, will be charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 3.97%, no dividend and a volatility factor of 50%.

On January 16, 2008, the TSX agreed to further extend the expiration date on the 16,635,628 warrants from January 31, 2008 to March 31, 2008. The fair value of these modified warrants of $6,654, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, will be charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 1.75%, no dividend and a volatility factor of 50%.

On January 15, 2008, the Company issued 5,340,773 common shares in settlement of two employee wage liabilities of $267,039. The shares were valued at $267,039, using the TSX closing price on January 15, 2008, resulting in no gain or loss.

On June 20, 2007, the Company sold through a private placement 26,431,515 units at CA$0.05 per unit, consisting of one common share and one common share purchase warrant to purchase a further common share at CA$0.07 per share at any time within 36 months of the date of issue. Net proceeds of the placement were $1,174,978, of which $184,076 was assigned to the warrants. The fair value of the warrants was assigned using the Black-Scholes valuation model assuming a risk-free interest rate of 3.23%, no dividend and a volatility factor of 50%. The subscriber, an officer and director of the Company, subscribed and paid for 31,360,000 units. On January 15, 2008 the remaining 4,928,485 units were issued on the same terms as above. Net proceeds of the placement were $220,022, of which $74,420 was assigned to the warrants. The fair value of the warrants was assigned using the Black-Scholes valuation model assuming a risk-free interest rate of 2.80%, no dividend and a volatility factor of 50%.

Directors* and Officers

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Executive Vice President and Director
Loewen, Ondaatje, McCutcheon & Company
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Chief Executive Officer
Founder of South American Gold and Copper
Company Limited

Patrick Esnouf*
Santiago, Chile
President

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

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Chairman, Givens Hall Bank and Trust Limited,

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

John J. Selters*
Santiago, Chile

Peter W. Hogg
Toronto, Canada
Interim Chief Financial Officer

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

Corporate Information

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