SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Report to Shareholders
For the
Second Quarter Ended
March 31, 2003

Listed on the Toronto Stock Exchange
Symbol: SAG

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development stage company)
FINANCIAL REVIEW
SECOND QUARTER ENDED MARCH 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 2002 annual report.

Results of Operations

During the quarter ended March 31, 2003, the Company had a loss of $362,000 compared to a loss of $218,000 (excluding the gain on extinguishment of debt of $146,000) for the corresponding quarter in 2002. Administrative expenses increased by $140,000. The Board of Directors issued 2,250,000 common shares to an officer of the Company as compensation for services. The shares were assigned a value of Cdn $0.09 per share, the closing price on the Toronto Stock Exchange on February 4, 2003, resulting in a charge to income of $133,000. The balance of the increase of $7,000 is primarily related to increased operating costs of the Company's New York Representative Office.

For the quarter ended March 31,2002, the Company had a loss of $72,000 compared to a loss of $1,232,000. Excluding the charge in 2001 of $1,087,000 for shares issued to officers and directors, administrative expenses were up $92,000 in 2002 due the higher professional fees and general and administrative expenses in our Santiago office. For the quarter these increases were offset by lower interest expense of $20,000 and a gain on the extinguishment of debt $146,000 due to refinancing.

During the fiscal quarter ended September 30, 2002, the fair values initially assigned to the new note and new debenture issued in the quarter ended March 31, 2002, to refinance an existing note and debenture were increased by $169,00 resulting in increases in note payable of $47,000, debenture payable of $31,000 and contributed capital of $91,000 with a corresponding reduction of $169,000 in reacquired debt. Loss per share for the quarter ended March 31, 2002, remained unchanged at $0.00.

For the six months ended March 31, 2003, the Company had a net loss of $570,000 compared to a net loss of $439,000 (excluding the gain on extinguishment of debt of $146,000) for the corresponding period in fiscal 2002. Administrative expenses increased by $162,000. The Board of Directors issued 2,250,000 common shares to an officer of the Company as compensation for services. The shares were assigned a value of Cdn $0.09 per share, the closing price on the Toronto Stock Exchange on February 4, 2003, resulting in a charge to income of $133,000. Increased operating costs of the Company's New York Representative Office of $26,000 and various other expenses of $3,000 account for the balance of the increase.

Interest expense was down $52,000. 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 was paid or its terms renegotiated. Accrued and unpaid interest amounted to $73,912 as at February 28, 2002 and on March 1, 2002, the Company issued a new promissory note. This was offset by higher interest on the Pimenton note due to the gold price exceeding $300 per ounce during the period ending March 31, 2003.

For the six months ended March 31,2002, the Company had a loss of $293,000 compared to a loss of $1,371,000 in the first half of 2001 which included a charge of$1,087,000 for the issuance of shares in lieu of salaries to certain officers and directors. Excluding this charge administrative expenses were up by $136,000 due to higher professional fees and general and administrative expenses. Interest expense was up for the period due to retroactive interest payable because a Cdn $600,000 note was not paid when due on December 31,2001.This note and a debenture were refinanced during the second quarter resulting in a non-cash gain on the extinguishment of debt of $146,000.

During the fiscal quarter ended September 30, 2002, the fair values initially assigned to the new note and new debenture issued in the quarter ended March 31, 2002, to refinance an existing note and debenture were increased by $169,00 resulting in increases in note payable of $47,000, debenture payable of $31,000 and contributed capital of $91,000 with a corresponding reduction of $169,000 in reacquired debt. Loss per share for the period ended March 31, 2002, remained unchanged at $0.00.

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 its common shares and debentures, bank debt and extended terms from creditors. The Company expects to use bank or debt financing, joint venture and/or sales of its interest in some of its mineral prospects as well as the issuance of common shares, as market conditions permit, to finance future activities. The Company does not currently possess the capital required to develop its projects and without such capital the potential for impairment of its projects exists. Under the Promissory Note, the Company's ability to borrow is limited to its current debt, obligations under leases or as specifically permitted under the Agreement. Subsidiaries controlled by the Company are permitted to enter into project financing arrangements on a non-recourse basis to the Company.

Cash and cash equivalents were $4,000 at March 31, 2003.

At December 31, 2002, the Company did not meet all the financial covenants of its promissory note and the lender has granted a waiver with respect to such covenants including the maintenance of a minimum working capital requirement of $100,000 and the payment of interest on the Pimenton note until April 30, 2004. In addition, any interest due through February 28, 2003, under this promissory note will become part of the note's principal and the conversion price of Cdn $0.115 per common share will be renegotiated subject to Toronto Stock Exchange approval.

On January 22, 2003, the promissory note holder converted Cdn $36,168 of the note into 314,500 common shares at a price of Cdn $0.115 per share, resulting in a reduction of the principal amount of the promissory note of $24,904.

During January 2003 participants in the February 2002 private placement exercised 2,206,061 warrants at an exercise price of Cdn 0.055 per share resulting in a net proceeds of $72,128.

Also during January 2003 participants in the March 2002 private placement exercised 340,000 warrants at an exercise price of Cdn 0.08 per share resulting in a net proceeds of $17,835.

Cash was $1,240,000 at March 31,2002. In February 2002, the Company sold 24,000,000 units at a price of Cdn $0.04125 per unit, each unit comprised of one common share and one half on one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of Cdn $0.055 per common share for 24 months from the date of issuance. Net proceeds were $527,098 of which $80,009 was assigned to the warrants and $16,002 was assigned to the brokers warrant. In addition, certain officers and directors purchased 11,661,368 common shares without warrants at Cdn $0.04125 per share. The issuance of these shares was subject to the approval by the shareholders of the Company of a proposal to increase the Company's authorized share capital at its annual and special meeting be held on March 27,2002. The shareholders approved such increase. Proceeds, net of issuance cost, were $278,000.

On March 28,2002, the Company sold through a private placement 24,000,000 units at Cdn $0.06 per unit, each unit comprised of one common share and one half on one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of Cdn $0.08 per common share for 24 months from the date of issuance. In addition the Company sold 2,200,000 common shares without warrants at Cdn $0.06 per common share. Net proceeds were $858,730 of which $122,661 was assigned to the warrants and $20,955 was assigned to a brokers warrant.

Also during the quarter ended March 31,2002, participants in the April 6,2201 and June 20,2001 private placements exercised 1,625,833 warrants at a price of Cdn $0.085 per share for a net proceeds of $87,214.

Outlook

The Company's future profitability is dependent upon its success in identifying economically recoverable resources and its ability to sell, joint venture or finance the construction and operations to extract such resources.

- SAGC has received conditional approval from the Toronto Stock Exchange for a reduction of the exercise price from Cdn $0.08 to Cdn $0.06 per common share for 11,660,000 common share purchase warrants and 2,050,000 broker warrants which remain outstanding pursuant to the Company's private placement that closed March 28, 2002. The reduction in the exercise price will be effective as of May 30, 2003, until 11:59 pm on June 10, 2003, following which date the exercise price of such warrants and broker warrants will return to Cdn $0.08 per common share.

- From the period April 1, 2003, to May 15, 2003, 9,421,064 common share purchase warrants including 2,400,000 broker warrants, exercisable at Cdn $0.055 per share, were exercised resulting in a gross proceeds of Cdn $518,159. The warrants and the broker warrants were issued pursuant to a private placement that closed on February 2002.

- SAGC has announced that detailed operating plans for restarting operations at its Pimenton gold mine have been completed and financing discussions are in progress.

- SAGC has appointed a Manager of Operations for its Pimenton gold mine.

- SAGC's recently completed exploration program had identified additional gold-bearing veins at its Pimenton gold mine which extend the potential of the existing high-grade gold reserves and inferred gold mineral resources at Pimenton.

- SAGC has also discovered a large and geologically significant tourmaline breccia pipe at its Pimenton property.

- The Company has completed a favorable feasibility study on its Cal Norte Lime Project and in October 2000 received all the requisite environmental permits. SAGC is pursuing project financing for this project with an estimated capital cost of $7,370,000.

- SAGC is in discussions for obtaining production financing for the Cal Norte lime project.

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

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

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

	March 31, 2003 (Unaudited)	September 30, 2002
Assets		
Current assets		
Cash and cash equivalents	$ 4	$ 445
Other current assets	145	98
	149	543
Equipment	34	39
Exploration Properties	15,497	15,265
Other assets	10	11
Total Assets	$ 15,690	$ 15,858
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 298	$ 324
Other liabilities	50	3
	348	327
Notes payable	1,647	1,515
Non-controlling subsidiary shareholders' interest	143	143
Total Liabilities	2,138	1,985
Shareholders' Equity		
Share capital	50,343	50,073
Contributed surplus	316	300
Warrants	448	485
Deficit	(37,555)	(36,985)
	13,552	13,873
Total liabilities and shareholders' equity	$ 15,690	$ 15,858

Nature of operations and going concern (Note 1)

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

Signed on behalf of the Board of Directors

John C. Duncan (signed)
Chairman

Stephen W. Houghton (signed)
Director

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development state company

Consolidated Statements of Income (Loss) and Deficit (Unaudited)
(Expressed in thousands of US dollars (except per share amounts)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002	Six Months Ended March 31, 2003	Six Months Ended March 31, 2002	Cumulative from Inception on May 6, 1991
Income					
Revenues from mining operations	$ -	$ -	$ -	$ -	$ -
Expenses					
Administrative	277	137	384	222	10,291
Write-down of exploration properties	-	-	-	-	28,808
Foreign exchange	-	1	1	(20)	(229)
Interest	85	80	185	237	2,914
	362	218	570	439	41,784
Less:					
Gain(loss) on extinguishment of debt	-	146	-	146	3,683
Interest income		-	-	-	546
Net loss	$ (362)	$ (72)	$ (570)	$ (293)	$ 37,555
Net income (loss) per share					
Basic	$ -	$ -	$ -	$ -	
Diluted	$ -	$ -	$ -	$ -	
Deficit-beginning of period	$ 37,193	$ 32,148	$ 36,985	$ 31,927	
Net loss for the period	(362)	(72)	(570)	(293)	
Deficit - end of period	$ 37,555	$ 32,220	$ 37,555	$ 32,220	

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

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
(A development state company

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

	Three months ended March 31, 2003	Three months ended March 31, 2002	Six months ended March 31, 2003	Six months ended March 31, 2002	Cumulative from inception on May 6, 1991
Operating Activities					
Net loss	$ (362)	$ (72)	$ (570)	$ (293)	$ (37,555)
Non-cash items					
Gain on extinguishment of debt	-	(146)	-	(146)	(6,368)
Write-downs of exploration properties	-	-	-	-	28,808
Accretion of interest in debentures and notes payable and amortization of deferred debt expense	61	80	136	171	181
Foreign exchange	-	1	1	(20)	(39)
Non-controlling subsidiary shareholder interest in consolidated loss	-	-	-	-	107
Amortization of capital assets	2	1	5	4	82
Non-cash employee share compensation	133	-	133	-	122
Non-cash non-employee share compensation	-	-		-	145
	(166)	(136)	(295)	(284)	(14,517)
Change in non-cash working capital relating to operations	41	(350)	(3)	(58)	155
	(125)	(486)	(298)	(342)	(7,832)
Investing Activities					
Exploration properties	(85)	(113)	(232)	(251)	(31,952)
Fixed asset acquisitions	-	-	-	-	(128)
Other assets	-	-	-	-	(1,437)
	(85)	(113)	(232)	(251)	(33,517)
Financing activities					
Shares issued	-	1,424	-	1,424	36,076
Warrants issued	-	314	-	314	314
Warrants exercised	89	87	89	87	176
Options exercised	-	-	-	-	16
Notes payable	-	-	-	-	2,012
Notes repaid	-	-	-	-	(56)
Debentures	-	-	-	-	2,733
Deferred debt expense	-	-	-	-	(34)
Non-controlling subsidiary shareholer interest	-	-	-	-	(181)
Other share equity	-	-	-	-	297
	89	1,825	89	1,825	41,353
Effect of foreign exchange on cash held in foreign currency	-	-	-	-	-
Increase in cash and cash equivalents during the period	(121)	1,226	(441)	1,232	4
Net cash and cash equivalents-beginning of period	125	14	445	8	-
Net cash and cash equivalents-end of period	$ 4	$ 1,240	$ 4	$ 1,240	$ 4

Supplemental cash flow information (Note 7)

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

Notes to Unaudited Consolidated Financial Statements
(Expressed in United States Dollars. All tabular amounts are expressed in thousands except number of shares.)

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 2002 annual report.

1. Nature of operations; going concern

(a) Nature of Operations

The Company is a Canadian corporation, listed on the Toronto Stock Exchange (TSX), engaged in the acquisition, exploration and development or 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 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.

(b) 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 March 31, 2003, the Company reported a deficit of approximately $37.6 million and a working capital deficiency of approximately $0.2 million. These conditions cast significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due. Management is considering various alternatives, including a private placement to raise capital in 2003. Nevertheless, it is not possible to determine with certainty the success or adequacy of these initiatives.

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 amount, and these differences could be material.

2. Share Capital

	Shares Issued	Amount
September 30, 2002	237,238,373	$50,073
Warrants exercised (a)	2,206,061	88
Warrants exercised (b)	340,000	21
Note converted(c)	314,500	28
Compensation	2,250,000	133
March 31,2003	242,348,934	$50,343

(a) On January 20, 21 and 28, 2003, participants in the February 2002 private placement exercised 2,206,061 warrants at a price of Cdn $0.055 per share for a net proceeds of $73,128. A value of $14,709 was transferred from the initial value assigned to these warrants to share capital.

(b) On January 28, 2003, a participant in the March 2002 private placement exercised 340,000 warrants at a price of Cdn $0.08 per share, for a net proceeds of $17,835. A value of $3,475 was transferred from the initial value assigned to these warrants to share capital.

(c) On January 22, 2003, the promissory note holder converted Cdn $36,168 of such note into 314,500 common shares at a price of Cdn $0.115 per share, resulting in a reduction of $24,904 in the principal amount of the promissory note. In addition, $2,806 of the value initially assigned to the convertible feature of the note was transferred from contributed surplus to share capital upon conversion.

(d) On February 4, 2003, the Board of Directors authorized issuance of 2,250,000 common shares to an officer of the Company as compensation for services. The shares were assigned a value of Cdn $0.09 per share, the TSX closing price on February 4, 2003, and $133,487 was charged to salary expense.

3. Notes Payable

On March 1, 2002, the Company issued a new promissory note of a principal amount of Cdn $600,000 ($378,000) with a maturity date of December 31, 2004, interest payable at 5% per annum commencing on March 1, 2002, and 5,217,391 warrants in payment of the original promissory note. The new promissory note is convertible into shares of the Company at a conversion price of Cdn $0.115 per common share. The note contains covenants including a financial covenant requiring the maintenance of minimum working capital of $100,000, restrictions on the payment of interest and the borrowing capacity is limited to its current debt obligations under leases or as specifically permitted under the agreement. At December 31, 2002, the Company did not meet all of the financial covenants of this promissory note and the lender has 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, will become part of the note's principal and the conversion price of Cdn $0.115 per common share will be renegotiated subject to Toronto Stock Exchange approval.

4. Related Party Transactions

A company owned by an officer and shareholder of the Company was paid approximately $45,000 and $19,000 for the periods ending March 31, 2003 and 2002 for the provision of office space and services to the Company.

Other current assets include advances to an officer of the Company of $118,402 and $68,928 at March 31, 2003, September 30, 2002, respectively.

A law firm, of which an office is a member, was paid approximately $18,000 and $70,000 for the periods ending March 31, 2003 and 2002. These services were provided at rates similar to those charged non-related parties.

Accounts payable and accrued liabilities as at March 31, 2003, and September 30, 2002, include $46,176 and $22,027 for interest due to an officer and director of the Company who holds one of the Pimenton notes in the amount of $668,500.

Two officers and directors of the Company hold the minority interest in CM Catedral.

5. Quarterly Report - March 31, 2002

During the quarter ended September 30, 2002, the fair values initially assigned to the new note and new debenture issued in the second quarter to refinance an existing note and debenture were increased by $169,000 resulting in increases in notes payable of $47,000, debenture payable of $31,000 and contributed capital of $91,000, with a corresponding reduction of $169,000 in reacquired debt.

Loss per share for the March 31, 2002, quarter remained unchanged at $0.00.

6. Contributed Surplus and Warrants

On October 25, 2002, and December 15, 2002, warrants in the amounts of $18,438 and $391, respectively, expired and were transferred to contributed surplus. On January 22, 2003, a promissory note holder converted a portion of the note to common shares and $2,806 of the value initially assigned to the convertible feature of the note was transferred from contributed surplus to share capital.

7. Supplemental cash flow information

	Three months ended March 31, 2003	Three months ended March 31, 2002	Six months ended March 31, 2003	Six months ended March 31, 2002
(a) Significant non-cash financing and investing activities				
Promissory note converted to share capital	$ 25	$ -	$ 25	$ -
Warrants issued in settlement of debentures	-	-	-	-
Warrants expired	-	-	19	-
Share Capital	(28)	-	(28)	-
Shares issued in payment of exploration properties	-	-	-	-
Warrants converted to share capital	-	-	-	-
Contributed surplus	3	-	(16)	-
(b) Other information				
Taxes paid	-	-	-	-
Interest paid	30	-	36	-

Directors* and Officers

Paul J. DesLauriers*
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

Toronto Stock Exchange
Stock Symbol: SAG

Solicitors:
Stewart McKelvey Stirling Scales
Halifax, Nova Scotia, Canada
Stikeman Elliott
Toronto, Ontario, Canada

Registered Office:
Suite 800, Purdy's Wharf
1659 Upper Water Street, Tower One
Halifax, Nova Scotia B3J 2X2, Canada
Telephone: (902) 420-3200

New York Representative Office:
420 Madison Avenue, Suite 901
New York, NY 10017-1107
Telephone: (212) 571-0083

Computershare Investor Services
Stock Registrar and Transfer Agent

Auditors:
PricewaterhouseCoopers LLP
Toronto, Ontario, Canada

Business Office
67 Yonge Street
Toronto, Ontario M5E 1J8, Canada
Telephone: (416) 359-9359
website: www.sagc.com

Exploration and Development Office:
La Concepcion 266, Of. 701
Providencia, Santiago, Chile
Telephone: 56-2-264-2295