

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

**Report to Shareholders
For the
Second Quarter Ending
March 31, 2007**

**Listed on the Toronto Stock Exchange
Symbol: SAG**

**The financial statements for the three and six months ended March 31, 2007 have not
been reviewed by the Company's auditors.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
(Expressed in United States dollars)**

The following discussion is a review of the activities, results of operations and financial condition of South American Gold and Copper Company Limited and its consolidated subsidiaries (SAGC or the Company) for three and six months ended March 31, 2007 and 2006, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of May 11, 2007. The discussion should be read in conjunction with the audited consolidated financial statements of the Company and the notes to those statements for the year ended September 30, 2006. The Company's consolidated financial statements and financial data have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In addition, this discussion contains certain forward-looking statements regarding the Company's businesses and operations. These statements are based on assumptions and judgments of management regarding future events and results. Actual results may differ materially from these statements as a result of a number of factors, many of which are beyond the control of SAGC. For more detail on these factors, refer to the section titled "Risk factors" in this document.

All dollar amounts are expressed in United States dollars, except as otherwise indicated.

Additional information relating to the Company, including the Company's most recent Annual Information Form, is available on SEDAR at www.sedar.com.

Forward-looking statements

Certain statements contained herein are forward looking, and are based on the opinions and estimates of management, or on opinions and estimates provided and accepted by management. These opinions and estimates include those that relate to geological and mining factors, commodity prices and marketing parameters used by management.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ, possibly significantly. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "intent", "may", "potential", "should", and similar expressions are forward-looking statements. Although SAGC believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Readers are therefore cautioned not to place undue reliance on any forward-looking statements.

Outstanding share information

As of May 11, 2007, the Company has issued one class of common shares and has a total of 530,426,368 common shares outstanding. The Company has 145,287,177 common share purchase warrants outstanding, each of which is exercisable for one common share at exercise prices of Cdn\$0.04 to Cdn\$0.25 through December, 15, 2010. Share options outstanding as of May 11, 2007, total 58,895,000 of which 58,695,000 are exercisable at prices of Cdn\$0.045 to Cdn\$0.09 per common share expiring at various dates through April 2, 2013. Company also issued 2,390,000 broker units, exercisable at Cdn. \$0.04 per unit, at any time through February 23, 2009. Each broker warrant consists of one common share and one common share purchase warrant to purchase a further common share at Cdn. \$0.06 per share at any time through February 23, 2009. The principal on the Company's convertible secured debentures is convertible into 28,108,304 common shares of the Company. In addition the Company has the option to pay the first years interest in shares of the Company's common stock at a 20% premium.

Exploration and development costs

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 are transferred from exploration properties to mining properties, plant and equipment and are amortized into operations using the units 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.

This discussion addresses matters which the Company believes are important for an understanding of its financial condition and results of operations as of and for the three and six months ended March 31, 2007 and 2006 and for its future prospects.

The Company's vision, core business and strategy

The Company is a Canadian corporation, listed on the Toronto Stock Exchange (TSX) with mining and exploration activities primarily in Chile. On July 1, 2004, the Company commenced commercial production at its Pimenton gold mine. The Company is also engaged in the exploration for and acquisition of gold and other mineral properties. The Company's principal exploration activities are being focused on a potential porphyry copper deposit located within the Pimenton area on which the Company holds mining claims. In addition, the Company holds mining claims on Tordillo, a gold and copper prospect. The Company also holds interests in two limestone deposits.

Using its core mineral assets, SAGC believes it is positioned to grow into a profitable mining company as it increases production at its Pimenton gold mine and develops its gold, copper and lime prospects.

Pimenton gold mine

During 2006, the Company finalized a plan to restart operations at Pimenton gold mine if it is successful in raising \$14,000,000. Management plans to continue development work at the Pimenton mine to increase reserves. This plan includes a six month development program to convert 253,000 tonnes of resources (AIF - Inferred Mineral Resources at September 30, 2006) into proven and probable mineral reserves at which time the mine will be put into operation at 150 tonnes per day moving up to 250 tonnes per day within five months. This plan envisions upgrading the fleet of mining equipment and making improvements to the existing plant at Pimenton. It also includes a substantial upgrading of snow removal equipment. The development work will eliminate operational problems caused by the avalanches by allowing access to the mine through a new level which is located 600 meters to the southwest on a ridge not exposed to avalanches.

Potential porphyry copper

The Company has entered into a Letter of Understanding ("LOU") with Empresa Minera de Mantos Blancos S.A., a Chilean subsidiary of Anglo American, which will serve as a basis for entering into a formal joint venture agreement for the exploration and development of the porphyry copper system at Pimenton. The first exploration drill hole has been completed and assay results are pending.

Results

Results of operations

During fiscal 2005, the Pimenton mine operated from October 1, 2004 through June 19, 2005 when it was closed as a result of a major snow storm. The mine has been shut down since that time.

Three months ended March 31, 2007 and 2006

The Company incurred losses of \$1,172,000 and \$568,000 for the quarters ended March 31, 2007 and 2006.

Amortization expense was \$179,000 in the second quarter of fiscal 2007 versus nil in the second quarter of fiscal 2006. In the quarter ended September 30, 2006 management recorded an amortization adjustment of \$900,000 to reflect deterioration and damage caused during the shutdown period. Management has decided to continue to record amortization to reflect normal wear and tear on the equipment during the shutdown.

Temporary mine shutdown expenses were down by \$228,000. The mine is currently on a care and maintenance basis compared to the extra expenses incurred following the major snow storm.

General and administrative expenses increased by \$306,000 due to management and financial advisory agreements of \$183,000, legal fees in Santiago of \$86,000, higher shareholder expenses of \$17,000 and other expenses of \$20,000.

On October 21, 2006 the TSX approved the extension of the expiration date of 40,000,000 common share purchase warrants and 3,585,588 brokers warrants from December 10, 2006 to January 19, 2007 and a reduction of the exercise price from Cdn. \$0.105 to Cdn. \$0.04 per common share. The warrant expiration date was extended again to March 16, 2007 and further extended to November 1, 2007. The fair value of these extended warrants of \$357,780 in excess of the fair value of previously extended warrants immediately prior to the new extension dates of \$50,721 was charged to expense. The fair value of the warrants were assigned using the Black-Scholes valuation model assuming risk free interest rates of 2.0% to 4.09%, no dividend and a volatility factor of 50%..

The above warrant revaluations resulted in an expense of \$307,059.

Interest expense increased by \$26,000 due to interest on the liability component of convertible subordinated debentures issued in March 2006. In addition, \$16,000 of interest applicable to equity component of these debentures was charged to retained earnings.

Six months ended March 31, 2007 and 2006

The Company incurred losses of \$2,129,000 and \$1,452,000 for the six months ended March 31, 2007 and 2006.

Amortization expense was \$357,000 in the first half of fiscal 2007 versus nil in fiscal 2006. In the quarter ended September 30, 2006 management recorded an amortization adjustment of \$900,000 to reflect deterioration and damage caused during the shutdown period. Management has decided to continue to record amortization to reflect normal wear and tear on the equipment during the shutdown.

Temporary mine shutdown expenses were down by \$678,000. The mine is currently on a care and maintenance basis compared to the extra expenses incurred following the major snow storm.

General and administrative expenses increased by \$306,000 due to management and financial advisory agreements of \$183,000, legal fees in Santiago of \$86,000, higher shareholder expenses of \$17,000 and other expenses of \$19,000.

Warrant revaluation expenses represent the fair value of the extended warrants in excess of the fair value of the warrants being extended at the extension dates and is charged to expense. In the first half of fiscal 2007 warrants expiring on October 21, 2006 were extended to October 22, 2007 and warrants expiring on December 10, 2006 were extended three times to January 19, 2007, to March 19, 2007 and November 1, 2007. These warrant revaluations resulted in an expense of \$732,874 The fair value of the warrants were

assigned using the Black-Scholes valuation model assuming risk free interest rates of 2.0% to 4.09%, no dividend and a volatility factor of 50%..

On November 7, 2006, the Company issued 2,000,000 common shares in settlement of an employee termination liability of \$121,452. The shares were valued at \$70,834 using the TSX closing price on November 6, 2006 resulting in a gain of \$50,618 credited to other income.

Three months ended March 31, 2006 and 2005.

The Company incurred losses of \$568,000 and \$1,794,000 for the quarters ended March 31, 2006 and 2005, respectively.

There were no revenues, operating or amortization expenses because of the mine shutdown.

Temporary mine shutdown expenses of \$275,000, consisting of salaries, lease obligations, payments to suppliers, were incurred at the mine site and access road to the mine site caused by the shutdown of the mine.

General and administrative expenses decreased by \$534,000 due to lower overhead in Santiago of \$372,000 due to the start up of operations in fiscal 2005, lower professional fees of \$114,000 and lower other expenses of \$48,000.

Foreign exchange expense decreased. \$178,000 due to less volatility in the currencies coupled with less spending in fiscal 2006.

Interest income is down \$13,000 due to the reduction of escrow funds.

Six months ended March 31, 2006 and 2005

The Company incurred losses of \$1,452,000 and \$2,862,000 for the six months ended March 31, 2006 and 2005, respectively.

Revenue from gold was \$2,000 and from silver and copper was \$2,000 in 2006 from the finalization of some sales to Enami. There were no operating or amortization expenses because of the mine shutdown.

Temporary mine shutdown expenses of \$730,000, consisting of salaries, lease obligations, payments to suppliers, were incurred at the mine site and access road to the mine site caused by the shutdown of the mine.

Under Chilean labor law and under Pimenton's labor contract, employees are entitled to severance and accrued vacation pay upon termination. The demand for such payments was not made when the mine shutdown in June 2005 under the assumption that the mine would resume operations. The mine had been shutdown for over six months and in February 2006 the union demanded such payments. Accordingly, the Company accrued \$428,000 for accrued severance and vacation pay and such amount is included in temporary mine shutdown expenses of \$730,000.

General and administrative expenses decreased by \$574,000 due to lower overhead in Santiago of \$458,000 due to the start up of operations in fiscal 2005, lower professional fees of \$30,000, insurance of \$40,000, communications of \$23,000 and lower other expenses of \$23,000.

Warrant revaluation expense of \$79,000 represents the fair value of the November, 2003 warrants that were modified on October 31, 2005. The fair values of the warrants were assigned using the Black-Scholes valuation model assuming a risk free interest rate of 2.55%, no dividend and a volatility factor of 50%

Stock based compensation of \$7,000 represents the fair value of 249,990 share options vesting during the period. Share options were assigned fair values using the Black-Scholes valuation model assuming a risk free interest rate of 3.67%, no dividend and a volatility factor of 50%.

Foreign exchange expense was down \$31,000 due to less volatility of the peso against the US dollar during the period ended March 31, 2006 and less spending in fiscal 2006.

Liquidity and capital resources

The acquisition, exploration, financing, and development of natural resources require the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of common shares, the exercise of options and common share purchase warrants, promissory notes and debentures, bank debt and extended terms from creditors.

During 2006, the Company finalized a plan to restart operations at Pimenton gold mine if it is successful in raising \$14,000,000. Restarting operations is dependent upon management's success in raising sufficient capital to fund required capital improvements to restart operations, existing financial commitments and working capital requirements. The ability to raise the necessary capital is not presently determinable

Damage to equipment at the mine by the storm is covered by insurance. Management submitted an initial claim of approximately \$3,000,000 for business interruption coverage under its insurance policy and was awarded \$826,767. The Company's claim for business interruption was upheld but the award was less than anticipated.

During the quarter ended March 31, 2007, Pimenton's debts to its suppliers were paid.

At March 31, 2007, cash and cash equivalents were \$862,000 and \$22,000 in current restricted cash.

During the six months ended March 31, 2007, the Company raised \$1,227,000 from the issuance of common shares in private placements. Amounts due related parties include cash advanced by two officers and directors of the Company. On March 6, 2007, these officers and directors converted \$594,000 of such advances into common shares in a private placement.

Related party transactions

The note receivable of \$286,233 from an officer and director is a non-interest bearing note due on or before September 30, 2007, collateralized by 6,532,000 common shares of the Company owned by this officer and director. At March 31, 2007 non-interest bearing advances to this officer and director amounted to \$60,972 (September 30, 2006- \$21,964) and are included in sundry receivables.

Outlook

Management is currently exploring various alternatives to raise the capital needed for the Pimenton mine to fund capital expenditures and perform the necessary exploration and development work needed to restart operations.

The Company has entered into a LOU with Anglo American to develop the porphyry copper system at Pimenton. Anglo American has completed the first drill hole as scheduled and assay results are pending.

The Company's limestone deposits at Catedral and Cal Norte contain high grade limestone which when calcined can produce lime that the Company's management believes will qualify for use by the Chilean mining industry.

Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, the Catedral and Cal Norte limestone deposits and the Tordillo prospect are not currently reflected in the

Company's market capitalization and will continue its efforts to demonstrate the underlying values of the Company's assets.

Risk factors

The Company operates in an international environment, and as such, is subject to political and currency risk. The Company's business is very dependent on the price of gold which is subject to fluctuation by factors the Company cannot control. A drop in the price of gold could adversely affect the Company's financial condition, results of operations and cash flows. Lower gold prices may result in: a) asset impairment and a writedown of the asset carrying value, b) production cutbacks and c) cessation of operations.

The Company does not use financial instruments to mitigate the risks of changes in the price of gold or currency fluctuations.

Gold reserves are reduced by production and therefore must be replaced by expanding existing gold deposits or finding new ones. There can be no assurance that the Company's development and exploration programs will result in new gold reserves.

The Company's mine is located in an area that can experience severe winter weather conditions which could adversely affect mining operations. Such conditions occurred during 2005, resulting in the shut down of the mine. In addition, the Company is subject to environmental laws and regulations that are constantly changing and may require expenditures that are significantly different from our current estimates.

The Company's continuance as a going concern is dependent upon obtaining adequate funding, to recommence operations at the Pimenton gold mine, 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.

Comprehensive income

Effective October 1, 2006, the Company adopted Section 1530 of the CICA Handbook- "Comprehensive Income". Comprehensive income is a new requirement to temporarily present certain gains and losses in fair value outside net income.

Disclosure controls and procedures

There were no changes in the Company's internal control over financial reporting during the six months ended March 31, 2007.

South American Gold and Copper Company Limited
Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	March 31, 2007 (Unaudited)	September 30, 2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	862	72
Restricted cash	22	22
Note receivable from an officer and director	286	286
Receivables		
Sundry	133	136
Material and supplies, at cost	74	75
	<u>1,377</u>	<u>591</u>
Equipment	-	4
Mining properties, plant and equipment	11,934	12,230
Exploration properties	5,570	5,385
Recoverable taxes	2,211	2,186
Deferred debt expense	195	248
	<u>21,287</u>	<u>20,644</u>
Liabilities		
Current liabilities		
Short term borrowings	140	141
Current portion of long-term debt	1,265	973
Accounts payable and accrued liabilities	1,280	1,674
Taxes payable (IVA)	408	398
Amounts due to related parties	1,192	879
	<u>4,285</u>	<u>4,065</u>
Long-term debt	2,944	3,110
Reclamation and remediation	635	635
Non-controlling interest in consolidated subsidiary	139	139
	<u>8,003</u>	<u>7,949</u>
Shareholders' equity		
Share capital	62,048	60,321
Contributed surplus	708	708
Convertible subordinated debentures	907	907
Options	842	842
Warrants	2,468	1,444
Deficit	-53,689	-51,527
	<u>13,284</u>	<u>12,695</u>
Total liabilities and shareholders' equity	<u>21,287</u>	<u>20,644</u>

Going concern and nature of operations (note 1)

Commitments

Approved by the Board of Directors

"Paul J. DesLauriers"
Paul J. DesLauriers
Chairman

"Stephen W. Houghton"
Stephen W. Houghton
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 (Unaudited)**

(Expressed in thousands of US dollars ,except per share amounts)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Income				
Gold	-	-	-	2
Copper and silver	-	-	-	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Expenses				
Operating costs	-	-	-	-
Amortization	179	-	357	-
Temporary mine shutdown	47	275	52	730
General and administrative	441	135	658	353
Warrant revaluation	307	-	733	79
Stock based compensation	-	-	-	7
Foreign exchange	8	(6)	13	-9
Interest	190	164	367	300
	<u>1,172</u>	<u>568</u>	<u>2,180</u>	<u>1,460</u>
Interest income	-	-	-	4
Other income	-	-	51	-
	<u>-</u>	<u>-</u>	<u>51</u>	<u>-</u>
Loss for the period	<u>1,172</u>	<u>568</u>	<u>2,129</u>	<u>1,452</u>
Deficit-beginning of period	52,501	48,973	51,527	48,089
Other comprehensive income	-	-	-	-
Interest on equity portion of convertible subordinated debentures	16	-	33	-
Deficit - end of period	<u><u>53,689</u></u>	<u><u>49,541</u></u>	<u><u>53,689</u></u>	<u><u>49,541</u></u>
Basic and diluted loss per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Consolidated Statements of Cash Flows (Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended		Six months ended	
	March 31,		March 31,	
	2007	2006	2007	2006
Operating Activities	\$	\$	\$	\$
Net loss	(1,172)	(568)	(2,129)	(1,452)
Non-cash items				
Amortization	-	-	-	-
Accretion of interest on notes payable and amortization of deferred debt expense	179	-	357	249
Foreign exchange	99	183	199	249
Foreign exchange	8	(6)	13	(9)
Non-cash non-employee share compensation	148	-	148	7
Warrant revaluation	307	-	733	79
	<u>(431)</u>	<u>(391)</u>	<u>(679)</u>	<u>(1,126)</u>
Change in non-cash working capital relating to operations	<u>(64)</u>	<u>(769)</u>	<u>148</u>	<u>(570)</u>
	<u>(495)</u>	<u>(1,160)</u>	<u>(531)</u>	<u>(1,696)</u>
Investing Activities				
Exploration properties	(150)	-	(185)	(64)
Mineral properties, plant and equipment	(57)	-	(57)	(26)
Recoverable taxes	10	119	(25)	-
Restricted cash	-	15	-	418
Other assets	-	(48)	-	(38)
	<u>(197)</u>	<u>86</u>	<u>(267)</u>	<u>290</u>
Financing activities				
Shares issued	1,139	-	1,227	700
Options exercised	-	105	-	105
Capital leases	-	20	-	-
Deferred debt expense	-	-	-	(4)
Advances from directors and officers	373	882	373	882
Repayment of debt	-	-	-	(311)
	<u>1,512</u>	<u>1,007</u>	<u>1,600</u>	<u>1,372</u>
Effect of foreign exchange on cash held in foreign currency	<u>(10)</u>	<u>(4)</u>	<u>(12)</u>	<u>2</u>
Increase (Decrease) in cash and cash equivalents during the period	810	(71)	790	(32)
Net cash and cash equivalents-beginning of period	52	89	72	50
Net cash and cash equivalents-end of period	<u>862</u>	<u>18</u>	<u>862</u>	<u>18</u>

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

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Notes to the Consolidated Financial Statements March 31, 2007 and 2006 (Expressed in United States dollars) (All tabular amounts are expressed in thousands except number of shares.)

1. 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 the carrying value 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 storm system moved through the Central Andes causing extensive avalanche activity throughout the region. During a period of 10 days, the storm dropped almost four meters of snow, causing extreme avalanche danger at the Company's Pimenton mine (Pimenton) and along the road leading to it. Avalanche experts at the mine site were successful in controlling most avalanches protecting the camp and plant buildings at the mine. However, electrical and air compressor equipment at the mine main portal entrance was damaged causing 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 labor contracts with the workers and certain staff personnel at its mine. Pimenton had 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.

As at March 31, 2007, the Company reported a deficit of approximately \$53.7 million and a working capital deficiency of \$2.9 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 upon obtaining adequate funding, to recommence operations at the Pimenton gold mine, 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 two 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.

The recoverability of the amounts shown for exploration and development costs 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.

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, 2006. 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, 2006.

3. Accounting policy

Effective October 1, 2006, the Company adopted Section 1530 of the CICA Handbook-“Comprehensive Income”. Comprehensive income is a new requirement to temporarily present certain gains and losses in fair value outside net income.

4. Related party transactions

The note receivable of \$286,233 from an officer and director is a non-interest bearing note due on or before September 30, 2007, collateralized by 6,532,000 common shares of the Company owned by this officer and director. At March 31, 2007 non-interest bearing advances to this officer and director amounted to \$60,972 (September 30, 2006- \$21,964) and are included in sundry receivables.

During the quarter an officer and director of the Company purchased a Pimenton note and an interest in the Pimenton net smelter royalty from an unrelated third party. The Company had no prior right of first refusal to purchase these interests. Notwithstanding this, the Company was aware of this opportunity to purchase these interests but did not have the financial resources to do so.

5. Share Capital

	<u>Shares Issued</u>	<u>Amount</u>
		<u>\$</u>
September 30, 2006	465,297,133	60,321
Share issuance(a)	2,000,000	71
Private placement(b)	2,000,000	87
Share issuance(c)	240,000	9
Warrants exercised (d)	2,190,039	138
Private placement (e)	34,156,000	740
Private placement (f)	20,000,000	564
Share issuance (g)	3,266,588	118
March 31, 2007	469,297,133	62,048

(a) On November 7, 2006, the Company issued 2,000,000 common shares in settlement of an employee termination liability of \$121,452. The shares were valued at \$70,834 using the TSX closing price on November 6, 2006, resulting in a gain of \$50,618 credited to other income.

(b) On November 17, 2006, the Company sold through a private placement 2,000,000 common shares at Cdn. \$0.05 per share for a net proceeds of \$87,596

(c) On January 2, 2007, the Company issued 240,000 common shares for consulting services. These

- shares were valued at \$9,267 using the TSX closing price on January 2, 2007.
- (d) On January 18, 2007 participants in the October 21, 2004 private placement exercised 2,190,039 warrants at a price of Cdn. \$0.04 per share for a net proceeds of \$74,561. The \$63,633 fair value assigned to these warrants was transferred to share capital.
 - (e) On February 23, 2007, the Company sold through a private placement 34,156,000 units at Cdn. \$0.04 per unit, consisting of one common share and one common share purchase warrant to purchase a further common share at Cdn. \$0.06 per share at any time within 24 months of the date of issue. In connection with the private placement the Company also issued 2,390,000 broker units, exercisable at Cdn. \$0.04 per unit, at any time within 24 months of the date of issue. Each broker warrant consists of one common share and one common share purchase warrant to purchase a further common share at Cdn. \$0.06 per share at any time within 24 months of the private placement date. Net proceeds of the placement were \$979,994 of which \$200,482 were assigned to the warrants and \$39,294 to the broker units. The fair value of the warrants were assigned using the Black-Scholes valuation model assuming a risk free interest rate of 4.12%, no dividend and a volatility factor of 50%.
 - (f) On March 6 and 27, 2007, the Company sold through a private placement 20,000,000 units at Cdn. \$0.04 per unit, consisting of one common share and one common share purchase warrant to purchase a further common share at Cdn. \$0.06 per share at any time within 24 months of the date of issue. Net proceeds of the placement were \$678,936 consisting of \$594,048 reduction of amounts due 2 officers and directors of the Company and \$84,888 cash, of which \$115,052 were assigned to the warrants. The fair value of the warrants were assigned using the Black-Scholes valuation model assuming a risk free interest rate of 3.90%, no dividend and a volatility factor of 50%.
 - (g) The Company has entered into agreements with a firm to provide financial and management consulting services. The agreements provide that the Company issue common shares on a monthly basis as compensation for such services. As of March 31, 2007, 3,266,588 common shares were due for such services and are shown as outstanding. These shares were valued at \$117,937 using the TSX monthly closing prices during the period.

6. Long-term debt

Due to shutdown of the Pimenton gold mine, Compania Minera Pimenton (“Pimenton”) advised OPIC that it believes it will not be in compliance with financial and operating covenants of its loan agreement for the calendar quarters through and until June 30, 2008. As of September 30, 2005, OPIC granted Pimenton waivers with respect to its financial and operating events of default until June 30, 2008.

7. Recoverable taxes

Recoverable taxes represent value-added tax (VAT) levied on the purchase of goods and services used in used in exploration and development of the Pimenton mine. The amount of VAT borne on property, plant and equipment can be recovered on request to the 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 fixed assets as a long term asset.

VAT relating to other expenditures is recoverable either by means of a credit against tax due on domestic sales of the Company or by requesting reimbursement of VAT borne when exporting or export commitments are proven. Due to the mine shutdown it is unlikely that there will be sufficient production to recover these taxes within one year. Accordingly, the balance has been classified as a long term receivable.

8. Contingency

On March 13, 2007, the Company entered into a Letter of Understanding (“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 that “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 has renegotiated in good faith the Net Smelter Return Royalty paid to the owners who have agreed to be compensated by SAGC 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.

Directors* and Officers

Paul J. DesLauriers*(1),(2)

Toronto, Canada
Chairman
Executive Vice President and Director
Loewen, Ondaatje, McCutcheon & Company
Limited, Toronto, Canada

Stephen W. Houghton*

New York, New York
President and Chief Executive Officer
Founder of South American Gold and Copper
Company Limited

Michael Churchill*

Toronto, Canada
Executive Vice President

Charles M. Gryba*

Toronto, Canada
Chief Operating Officer, Director,
First Metals, Inc.

Mario Hernandez A.*

Santiago, Chile
*Executive Vice President and Director, Claims and
Land Management*

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

William C. O'Donnell

New York, New York
*Executive Vice President, Chief Financial Officer
and Secretary*
Former Vice President and CFO,
St. Joe Minerals Company

Thomas K. Sills

Toronto, Canada
Chief Operating Officer

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Stock Registrar and Transfer Agent

Computershare Investor Services

Toronto, Ontario, Canada

(1) Member, Audit Committee

(2) Member, Compensation Committee