SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Report to Shareholders
For the
Third Quarter Ended
June 30, 2005

Listed on the Toronto Stock Exchange
Symbol: SAG

The financial statements for the quarter ended June 30, 2005 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 provides information which management believes is relevant to an assessment and understanding of the financial condition and results of operation of South American Gold and Copper Company Limited and its consolidated subsidiaries (SAGC or the Company) and should be read in conjunction with the consolidated financial statements and related notes thereto and the management's discussion and analysis of financial conditions and results of operations for the two years ended September 30,2004, which appear in the Company's 2004 annual report. All amounts stated herein are in US dollars, unless otherwise noted.

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 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.

This discussion addresses matters which the Company believes are important for an understanding of its financial condition and result of operation as of and for the periods ending June 30, 2005 and 2004 and for its future prospects.
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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. The Company also holds interests in two limestone deposits.

Results of Operations

Three months ended June 30, 2005 and 2004

The Company incurred losses of $2,142,000 and 428,000 for the quarters ended June 30, 2005 and 2004, respectively.

Revenue from gold was $565,000 and from silver and copper was $149,000 with related operating expenses of $1,328,000. For the three months ended June 30, 2005 the mine operated at a loss which was not expected because of modifications to the plant at Pimenton to increase its operating capacity from 140 tonnes to 220 tonnes per day and a change in the mining method to increase the head grade of ore into the plant. In early June, 2005 revenues increased 38% compared to the same period in May, 2005. However, at that time a major snow storm passed through the Central Andes causing extensive avalanche activity resulting in the closure or significant reductions in operations at several mines in the area. These weather conditions led to closure of the Pimenton mine and the road to the mine. The road to the mine was reopened on June 25, 2005 and all personnel were removed due to additional heavy snow storm forecasts. Approximately $450,000 has been charged to operating expenses during this closure period to June 30, 2005.

Avalanche experts were successful in controlling most avalanches thereby protecting the camp and buildings at the mine but there was avalanche damage to the electrical and air compressor equipment at the mine portal entrance. The Company has completed plans for restarting operations and they will be implemented once a full assessment of the condition of the mine has been finalized and insurance claims, including claims for the operating expenses and loss of operating income incurred during closure, have been filed.

The entire mine's production is sold to ENAMI, a subsidiary of CODELCO, the state owned mining company. ENAMI was created to promote the growth of small and medium size mining companies and is mandated to accept the production of these companies.

Amortization expense increased by $549,000 due to the start of commercial production at Pimenton. Prior to commercial production amortization expense, except for amortization on office furniture and equipment, was capitalized as development costs. Upon reaching commercial production, these capitalized costs were transferred from exploration properties to mining properties, plant and equipment and are amortized into operations using the unit-of-production method (UOP) over the estimated useful lives of the related ore reserves. As new reserves are developed amortization expense should decrease.

General and administrative expenses increase by $44,000 primarily due to higher professional fees.

Stock based compensation represents the fair value of 15,440,000 stock options issued to officers and employees of the Company. The stock options were assigned a fair value of $541,000 using the Black-Scholes valuation model assuming a risk free rate of 3.80% and a volatility factor of 50%. In addition, 400,000 bonus shares were issued to a consultant as compensation for services. These shares were assigned a value of $27,000 based on TSX share prices.

Interest expense decreased $17,000 due to reduction of the OPIC loan balance.

Nine months ended June 30, 2005 and 2004

The Company incurred losses of $5,004,000 and $778,000 for the nine months ended June 30, 2005 and 2004, respectively.

Revenue from gold was $1,835,000 and from silver and copper was $430,000 with related operating expenses of $3,602,000. For the nine months ended June 30, 2005 the mine operated at a loss which was not expected because of modifications to the plant at Pimenton to increase its operating capacity from 140 tonnes to 220 tonnes per day and a change in the mining method to increase the head grade of ore into the plant. In early June, 2005 revenues increased 38% compared to the same period in May, 2005. However, at that time a major snow storm passed through the Central Andes causing extensive avalanche activity resulting in the closure or significant reductions in operations at several mines in the area. These weather conditions led to closure of the Pimenton mine and the road to the mine. The road to the mine was reopened on June 25, 2005 and all personnel were removed due to additional heavy snow storm forecasts. Approximately $450,000 has been charged to operating expense during this closure period to June 30, 2005.

Avalanche experts were successful in controlling most avalanches thereby protecting the camp and buildings at the mine but there was avalanche damage to the electrical and air compressor equipment at the mine portal entrance. The Company has completed plans for restarting operations and they will be implemented once a full assessment of the condition of the mine has been finalized and insurance claims, including claims for the operating expenses and loss of operating income incurred during closure, have been filed.

Amortization expense increased by $1,801,000 due to the start of commercial production at Pimenton. Prior to commercial production amortization expense, except for amortization on office furniture and equipment, was capitalized as development costs. Upon reaching commercial production, these capitalized costs were transferred from exploration properties to mining properties, plant and equipment and are amortized into operations using the unit-of-production method (UOP) over the estimated useful lives of the related ore reserves. As new reserves are developed amortization expense should decrease.

General and administrative expenses increase by $97,000 primarily due to higher professional fees.

Stock based compensation represents the fair value of 17,440,000 stock options issued to officers and employees of the Company. The stock options were assigned a fair value of $591,000 using the Black-Scholes valuation model assuming a risk free rate of 3.80% and a volatility factor of 50%. In addition, 400,000 bonus shares were issued to a consultant as compensation for services. These shares were assigned a value of $27,000 based on TSX share prices.

Interest income represents interest earned on restricted cash.

On December 29, 2003, as a result the issuance of the OPIC loan agreement, the Pimenton note holders agreed to an additional extension of the due date of the Pimenton notes until one year after the OPIC notes are repaid. The notes were revalued and recorded at their fair values of $976,000. The fair value of the notes was determined using a quarterly risk rate of return of 5%. This refinancing resulted in a gain of $543,000. This gain was not recorded until the fourth quarter of fiscal 2004 but has been restated in the first quarter of fiscal 2004 in the accompanying financial statements.

Liquidity and Capital Resources

Unrestricted cash was $199,000 at June 30, 2005.

On October 21, 2004 the Company sold through a private placement 40,000,000 units at Can. $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 Can. $0.09 per share at any time within 24 months of the date of issue. In addition, 3,000,000 common shares were sold at Can. $0.07 per share of which 1,847,000 shares was purchased by an officer and director. In connection with this private placement, the Company also issued 4,300,000 brokers warrants, each exercisable at Can. $0.07 per share, expiring 48 months from the date of issue. Net proceeds of the placement were $2,158,541 of which $276,806 was assigned to warrants and $123,131 assigned to the broker warrants, using the Black-Scholes valuation model assuming risk-free rates of 2.96% and 3.62%, respectively, and a volatility factor of 30%.

Restricted cash was $436,000 at June 30, 2005.

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. During the quarter ended June 30, 2005 OPIC released $764,000 from the equity reserve account. Cash in the amount of $436,000 is held in the debt service account and has been designated as restricted on the accompanying balance sheet

At March 31, 2005 the Company was in default under certain operating and financial covenants of its loan agreement with OPIC. The Company presented OPIC with a forecast of expected compliance with such covenants and OPIC has granted the Company waivers until the dates indicated in the forecast.

During June, 2005 a major storm led to closure of the mine and the road to the mine on June 9, 2005. Plans to reopen the mine have been completed and the mine will be reopened once a full assessment of the conditions of the mine facilities has been completed and insurance claims have been filed. Due to the mine closure it is unlikely that the Company will be in compliance with the financial and operational covenants as contemplated in the March, 2005 forecast, accordingly, the balance due on the OPIC loan has been classified as current.

Certain officers and directors have granted the Company advances totaling $575,000 at June 30, 2005. In addition, the Company has entered into a short term financing arrangement of $186,000 with a local supplier to Pimenton.

Outlook

The Company has entered in a letter of understanding with Rio Tinto Mining and Exploration Ltd., a subsidiary of Rio Tinto plc which will serve as a basis for a formal joint venture agreement for the exploration and development of the porphyry copper deposit at Pimenton. The second drill at the Pimenton porphyry copper deposit was drilled from an alternative but less attractive drill site due to avalanche conditions was stopped at 626 meters. A third hole was drilled to 240 meters where drilling was suspended due to heavy snow conditions.

Results from the first drill hole show there was a steady increase in copper values from the surface to 763 meters. The potential known target area at Pimenton measures 1.5 by 3 kilometers not including the Hondo target area. Due to heavy and unusual snow conditions which have resulted in avalanche conditions in certain areas at Pimenton, it was decided to terminate further drilling until the spring season in Chile.

The Company has acquired 100% owned Tordillo gold/copper prospect which covers an area of 7,000 hectares and lies 11.5 kilometers south southwest of the Company's Pimenton Gold mine and porphyry copper deposit. Initial exploration results are encouraging and further work is planned to determine if a drill program is justified next year.

Risks

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's 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 write down of the asset carrying value, b) production cutbacks and c) cessation of operations.

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. In addition, the Company is subject to environmental laws and regulations are constantly changing and may require expenditures that are significantly different than our current estimates.

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.

South American Gold and Copper Company Limited
Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	June 30 2005 (Unaudited)	September 30, 2004
	$	$
Assets		
Current assets		
Cash and cash equivalents	199	226
Restricted cash	436	429
Receivables-		
Trade	39	168
Officer and Director	330	253
Sundry	268	123
Taxes	1,884	1,718
Inventory	177	118
	3,333	3,035
Equipment	29	-
Mineral properties, plant and equipment	12,909	14,664
Exploration properties	5,105	5,019
Restricted cash	-	754
Deferred debt expense	363	389
Total assets	21,739	23,861
Liabilities		
Current liabilities		
Current portion of long term debt	2,286	691
Notes payable	257	-
Accounts payable and accrued liabilities	1,202	1,204
Other	1,066	828
	4,811	2,723
Long term debt	1,328	3,333
Future income tax liability	980	980
Reclamation and remediation provision	740	706
Non-controlling shareholders' interest in consolidated subsidiary	139	154
Total liabilities	7,998	7,896
Shareholders' Equity		
Share capital	58,695	56,907
Contributed surplus	450	316
Options	782	192
Warrants	1,712	1,444
Deficit	-47,898	-42,894
Total shareholders' equity	13,741	15,965
Total liabilities and shareholders' equity	21,739	23,861

Nature of operations and going concern (note 1)

Commitments and contingencies

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

Approved by the Board of Directors

Sgd. "Paul J. DesLauriers"
Chairman

Sgd. "Stephen W, Houghton"
Director

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
Consolidated Statements of Operations and Deficit (Unaudited)

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2005	2004	2005	2004 (Restated)
	$	$	$	$
Income				
Gold	565	-	1,835	-
Copper and silver	149	-	430	-
	714	-	2,265	-
Expenses				
Operating costs	1,328	-	3,602	-
Amortization	549	-	1,801	-
General and administrative	347	303	974	883
Stock based compensation	568	-	618	-
Foreign exchange	(33)	6	-111	31
Interest	102	119	403	407
	2,861	428	7,287	1,321
Gain on refinancing	-	-	-	(543)
Interest income	-5	-	(18)	-
Loss before non-controlling shareholder's interest in consolidated subsidiary's Loss	2,142	428	5,004	778
Non- controlling shareholder's interest in consolidated subsidiary's Loss		-	-	-
Loss for the period	2,142	428	5,004	778
Deficit-beginning of period	45,756	38,560	42,894	38,210
Gain on warrant revaluation	-	-	-	-
Deficit - end of period	47,898	38,988	47,898	38,988
Basic and diluted loss per share	(0.01)	-	(0.01)	-

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 June 30,		Nine months ended June 30,	
	2005	2004	2005	2004 (Restated)
Operating Activities	$	$	$	$
Net loss	(2,142)	(428)	(5,004)	(778)
Non-cash items				
Gain on refinancing	-	-	-	(543)
Write-downs of exploration properties	-	-	-	-
Amortization	549	-	1,801	29
Accretion of interest on notes payable and amortization of deferred debt expense	63	93	189	335
Foreign exchange	(133)	21	(111)	46
Non-controlling shareholder's interest in consolidated subsidiary's loss	(3)	-	-15	-
Non-cash employee share compensation	541	-	591	-
Non-cash non-employee share compensation	27	16	27	16
	(1,098)	(298)	(2,522)	(895)
Change in non-cash working capital relating to operations	1,431	438	1,432	97
	333	140	(1,090)	(798)
Investing Activities				
Exploration properties	(39)	(2,805)	(88)	(5,553)
Equipment	-	-	-	-
Mineral properties, plant and equipment	(64)	-	(594)	
Restricted cash	-	-	-	(1,177)
Other assets	-	-	-	-
	(103)	(2,805)	(682)	(6,730)
Financing activities				
Shares issued	-		2,159	5,342
Options exercised	-	35	-	366
Notes payable	-	1,600	275	2,800
Notes repaid	-	-	-	-
Debentures	-	-	-	-
Deferred debt expense	-	(54)	(45)	(281)
Non-controlling subsidiary shareholder interest	-	-	-	-
Repaymant notes	(311)	-	(622)	-
	(311)	1,581	1,767	8,227
Effect of foreign exchange on cash held in foreign currency	1	(68)	(22)	(77)
Increase (Decrease) in cash and cash equivalents during the period	(80)	(1,152)	(27)	622
Net cash and cash equivalents-beginning of period	279	1,886	226	112
Net cash and cash equivalents-end of period	199	734	199	734

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
June 30, 2005 and 2004
(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, 2004. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 2004 annual report.

2. 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 Pimemton gold mine in Chile. 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. The Company also holds interests in two limestone deposits.

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 June 30, 2005, the Company reported a deficit of approximately $47.9 million and a working capital deficiency of approximately $1.5 million.. These conditions cast significant concern as to the ability of the Company to continue in business and meet its obligations as they come due. The Company's continuance as a going concern is dependent on profitable operations at its Pimenton gold mine. In the event the Pimenton does not generate sufficient cash, the assets may not be realized and the liabilities discharged at their carrying amounts, and these differences could be material.

4. Officer and Director receivable

Receivables include advances to an officer and director of the Company of $330,000 and $252,000, as at June 30, 2005 and September 30, 2004, respectively.

5. Share Capital

	Shares Issued	Amount
September 30, 2004	389,642,949	$56,907
Share issuance(a)	43,000,000	1,760
Share issuance (b)	400,000	28
June 30,2005	433,042,949	$58,695

(a) On October 21, the Company sold through a private placement 40,000,000 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. In addition, 3,000,000 common shares were sold at Cdn. $0.07 per share of which 1,847,000 shares were purchased by an officer and director. In connection with this private placement, the Company also issued 4,300,000 brokers warrants, each exercisable at Cdn. $0.07 per share, expiring 48 months from the date of issue. Net proceeds of the placement were $2,158,541 of which $276,806 was assigned to warrants and $123,131 assigned to the broker warrants, using the Black-Scholes valuation model assuming risk-free rates of 2.96% and 3.62%, respectively, and a volatility factor of 30%.

(b) On December 16,2004 and February 21,2005, the Board of Directors authorized the issuance of 200,000 common shares and 200,000 common shares , respectively, to an employee of the Company, pursuant to the terms of the Share Bonus Plan, as compensation for services. The shares were assigned values based on TSX prices, and $27,400 was charged to expense.

6. Long –term debt

As at June 30, 2005 the Company was not in compliance with certain operational and financial covenants of the OPIC loan agreement.

At March 31, 2005 the Company provided OPIC with a forecast of expected compliance with such financial and operational covenants and OPIC granted the Company waivers until the dates indicated in the forecast.

During June, 2005 a major storm led to closure of the mine and the road to the mine on June 9, 2005. Plans to reopen the mine have been completed and the mine will be reopened once a full assessment of the conditions of the mine facilities has been completed and insurance claims have been filed. Due to the mine closure it is unlikely that the Company will compliance with the financial and operational covenants as contemplated in the March ,2005 forecast, Accordingly, the balance due on the OPIC loan has been classified as current.

7. Taxes receivable

Taxes receivable 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 is in the process of requesting this VAT tax refund.

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. The Company is in the process of obtaining a certificate from ENAMI, the sole purchaser of Pimenton's production, that such sales qualify as export sales. Once this certificate is received, the Company will apply for a refund on this VAT tax.

8. Restatement.

A significant fourth adjustment for fiscal 2004 was the reduction in the fair value assigned to the Pimenton notes. On December 29, 2003, the note holders agreed to extend the due date of their notes to one year beyond the due date of the OPIC loan and at that date should have been revalued from $1,518,992 to $976,187 resulting in a gain on refinancing of $542,805. The adjustment has been reflected in the results of operations for the quarter ended December 31, 2003.

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

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 and Chief Financial Officer
Former Vice President and CFO,
St. Joe Minerals Company

Hector Araya
Santiago, Chile
Vice President

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

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

Corporate Information

Website: www.sagc.com

Toronto Stock Exchange
Stock Symbol: SAG

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

Business Office
67 Yonge Street
Toronto, Ontario M5E 1J8, Canada

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

Exploration and Development Office:
La Concepcion 266, Of. 704
Providencia, Santiago, Chile
Telephone: 56-2-264-2295

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

Auditors:
PricewaterhouseCoopers LLP
Toronto, Ontario, Canada

Stock Registrar and Transfer Agent
Computershare Investor Services