SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

Report to Shareholders
For the
Third Quarter Ending
June 30, 2009
(These statements have not been audited)

Listed on the Toronto Stock Exchange
Symbol: SAG

These financial statements for the three and nine month periods ended June 30, 2009 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 the quarters ended June 30, 2009 and June 30, 2008 and the nine months ended June 30, 2009 and June 30, 2008, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of August 14, 2009. The discussion should be read in conjunction with the Company's unaudited consolidated financial statements for the nine months ended June 30, 2009 and 2008, the Company's audited consolidated financial statements for the years ended September 30, 2008 and 2007 and the notes to those statements. 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 Information

This management's discussion and analysis contains or refers to forward-looking information. All information, other than information regarding historical fact, that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "may", "could", "potential", "should" "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Such forward-looking information includes, without limitation, information regarding the Company's expected or planned targets with respect to its operations and projects, estimates and/or anticipated levels and grades of future gold and/or copper production, the estimated mine life of the Pimenton gold mine, expectations regarding future production levels at Pimenton, potential mineralization, exploration results and the Company's future exploration plans, development and operational plans and objectives (including delineating additional mineral resources), expectations regarding cash flows, revenue and expenses, expectations regarding the timing for the calculation of mineral reserves, the anticipated effect of production of gold dore at the Pimenton mine site and the Company's expectations regarding its dividend policy

The forward-looking information in this management's discussion and analysis reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward-looking information contained in this management's discussion and analysis, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient cash flow from operations and capital markets to meet its future obligations, the regulatory framework in Chile, with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, the ability of management to increase commercial mining operation at Pimenton, and the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in achieving planned production levels at the Pimenton gold mine caused by unavailability of equipment, labor or supplies, climatic conditions; inability to delineate additional mineral resources and other factors including, but not limited to, those listed under "Risk Factors".

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

The mineral resource figures referred to in this management's discussion and analysis are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the

Company believes that the resource estimates referred to in this management's discussion and analysis are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Outstanding Share Information

As of August 14, 2009, the Company has issued one class of common shares (each, a "Common Share") and has a total of 792,440,170 Common Shares outstanding. As of August 14, 2009, the Company has 120,630,596 Common Share purchase warrants outstanding, each of which is exercisable for one Common Share at exercise prices of CA$0.025 to CA$0.25 through December 18, 2010. Options granted under the stock option plan of the Company (each, an "Option") outstanding as of August 15, 2009, total 93,610,000 of which 73,510,000, are currently exercisable into one Common Share for each Option at prices of CA$0.04 to CA$0.09 per Common Share expiring at various dates through May 14, 2014. The principal on the Company's $1,600,000 convertible secured debenture was converted into 28,108,288 Common Shares effective June 9, 2009.

The following 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 months ended June 30, 2009 and the nine month period ended June 30, 2009 and for its future prospects. It consists of the following subsections:

- Overall Performance
- Capacity to Deliver Results
- Critical Accounting Policies and Estimated
- Future Accounting Changes
- Results of Operations
- Summary of Quarterly Results
- Related Party Transactions
- Risk Factors
- Disclosure Controls and Procedures
- Internal Control Over Financial Reporting

Overall Perfomamce

The Company faces competition from companies with far greater resources for high quality gold and copper prospects. However, it is necessary to first identify a high quality prospect through exploration. For this reason the Company does not feel disadvantaged by companies with greater resources. The Company's Pimenton gold/copper mine is a narrow high grade gold/copper mine located in the high mountain range of Chile.

Because of its location it is subject to snow and avalanches which increase operating costs and can cause temporary shut down during the Chilean winter season compared to other gold/copper mines which are located in more temperate climates. Mining costs in a narrow high grade mine such as Pimenton can also be higher on a cost per tons basis than in underground larger vein mines. However, because to date the gold/copper veins at Pimenton are of high grade the costs per ounce of gold/copper can be lower than that of a more conventional gold/copper mine. Because of the Pimenton mine's location, all electricity at the mine is self generated which increase the costs compared to a mine which is located on an electric grids. However, the grade of gold/copper ore at Pimenton to date is of such high grade that electric costs per ounce of gold can be lower than a mine operating on an electric grid but which has lower grade of gold/copper ore per ton.

In the final analysis, developing high grade gold/copper prospects is a function of willingness to prospect irrespective of a company's resources. The cash cost per ton of ore is not as important as the cash cost per ounce of gold. The Pimenton gold mine continue to advance relative to its plans to gradually expand production to 150 tons per day late in the calendar year ending December 31, 2009 and increase production to near 200 tons per day by calendar year end 2010.

Using its core mineral assets, the Company believes it is now positioned to grow into a profitable mining company as it continues production at its Pimenton gold/copper mine and continues to develop its indicated resources into proven and probable reserves.

Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, the Catedral/Rino and Cal Norte limestone deposits, and the Tordillo, and La Bella prospects are not currently reflected in the Company's market capitalization and will continue its effort to demonstrate the underlying values of the Company's assets.

Pimenton gold mine

Pimenton encompasses 3,121 hectares (7,708 acres).

The Pimenton gold mine started operations in July 2004 and was shut down on June 9, 2005, when a major snow storm moved through the region causing extreme avalanche danger at the mine site and the road leading to it. In December 2007, the Company was successful in raising funds sufficient to start-up operations at its Pimenton gold mine. In January 2008, the Company commenced work to prepare the mine for operations.

Most of the Company's efforts have been focused on restarting Pimenton. The Pimenton mine was put into production in July 2008 with commercial production being declared October 1, 2008, at a rate of production of 91 tons per day during the 21 days the plant was in operation during October 2008. The Company has plans to gradually increase production to 100 tons per day in the next twelve months with a further increase to 200 tons per day by late 2010. At the present rate of production, proven and probable reserves are sufficient for two years. The Company is currently working to convert 321,000 tons of drill indicated resources as defined in the Company's December 31, 2008 resources and reserve report which was prepared in compliance with National Instrument 43-101 - *Standard of Disclosure for Mineral Projects* ("NI 43-101") into the proven and probable reserves and continue exploration for new gold veins at Pimenton.

Pimenton - porphyry copper

The Company has conduced exploration activities on a potential porphyry copper deposit located within the Pimenton area on which the Company holds mining claims. Based on a diamond drill program completed by Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") on the potential porphyry copper deposit located within the Pimenton area Rio Tinto provided the Company with an exploration report which among other things, identified a copper gold porphyry system with potential resources of several hundred million tons and added significant value to the Pimenton porphyry copper project.

In March 2007, the Company entered into a letter of undertanding with Empresa Minera de Mantos Blancos S.A., which was subsequently renamed Anglo American Norte S.A. ("Anglo") a wholly-owned subsidiary of Anglo American, p.l.c. ("Anglo America"), pursuant to which Anglo agreed to fund and complete a 2,000 meter diamond drill program on the potential porphyry copper deposit located within the Pimenton area. Anglo completed this drill program. In October 2007, during its joint venture discussions, Anglo American informed the Company that it had decided to terminate further discussions regarding such joint venture agreement due to the uncertainty in world commodity prices. The Company will continue exploration on the Pimenton porphyry copper deposits in the 2008-2009 exploration season and expects to conduct further drilling on the project during the 2009-2010 exploration season.

Tordillo

The Company holds mining claims on Tordillo which is located 11.5 kilometers south-southwest of Pimenton and covers an area of 6,632 hectares (16,381 acres). It is in the early exploration stage and to date the Company has identified several gold vein structures similar to those at Pimenton and an area of potential porphyry copper mineralization. The preliminary data suggests Tordillo contains the upper part of a deep-seated copper/gold and possibly copper molybdenum porphyry system associated with narrow high grade gold and copper veins which may be widespread and represent a separate exploration target. Tordillo is located in an area of intense exploration activity.

Bandurrias

An interest in Bandurrias, a copper prospect, was acquired by the Company in August 2007 by way of an option agreement. Under the terms of this option agreement, $30,000 was paid on signing; $70,000 was due nine months after signing, followed by four payments of $100,000 every nine months, with a final payment at 36 months of $600,000. The balance of the $6,500,000 price, being $5,400,000, was to be paid in the form of a 5% net smelter royalty. In April 2008, the Company did not renew its option agreement on Bandurrias which was comprised of claims covering approximately 1,982 hectares (4,897 acres) in the Fifth Region of Chile and wrote off $214,000 relating to this option agreement, but had acquired approximately 13,400 hectares (33,098 acres) surrounding the Bandurrias Prospect area. In June, 2009 the Company elected not to renew the claims on the Bandurria prospect and elected to write off the balance of claims costs totaling $73,915.

La Bella

The Company has signed an option agreement (the “La Bella Option Agreement”) to earn a 100% interest on claims covering approximately 4,000 hectares (9,880 acres) (the inner circle) and has put down additional claims covering an outer circle which encompasses an additional area of approximately 24,900 hectares (61,503 acres) of claims located 75 kilometers southwest of Santiago, Chile. See “Liquidity and Capital Resources – La Bella Option Agreement” for a discussion of the option payments required under the La Bella Option Agreement.

A small field crew is prospecting for gold veins on the 28,900 hectares (71,383 acres) of total claims held by the Company.

Limestone deposits

The Company holds interest in two limestone deposits.

Lime is used by the Chilean mining industry in processing sulfide copper ores and in heap leaching of gold ores.

The Chilean lime market was adversely affected by the devaluation of the Argentinean peso in 2003 resulting in a flow of cheap lime from Argentina into the Chilean lime market for the last four years. This situation and financial constraints on the Company have limited the ability of the Company capitalize on its lime position. With the recovery of the Argentinean economy in the past three years the domestic demand for lime is improving thereby allowing for increased pricing by the Argentinean lime producers. Trucking costs of Argentinean lime imported into Chile have also increased the costs of Argentinean lime to the Chilean mining industry which is a large consumer of lime.

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.

While the changing economic situation, as noted above, will enable the Company to continue its efforts to become a supplier of lime to the Chilean copper industry, it also strengthens the Company’s position as it reviews alternative strategies for the sale, joint venture or spin-off of the Catedral/Rino and Cal Norte limestone properties.

As a result of management’s decision to focus on Pimenton the Company wrote down its Catedral/Rino project in accordance with Section 3063 – impairment of long-lived assets.

Irrespective of Section 3063 the directors and management of the Company believe these properties will have longer term value to the Company and its shareholders.

Additionally, the Company has written off its exploration costs, until it deems the project to have a definitive resource potential as defined by NI 43-101. The total amount of these write offs as of September 30, 2008 was $6,056,000. In addition the Company wrote down $163,485 for the nine month period ended June 30, 2009, which consists of $149,788 for exploration and leasehold costs and $13,697 related to recoverable taxes.

Capability to Deliver Results

Pimenton gold mine

On December 29, 2003, Compania Minera Pimenton ("CMP") entered into a loan agreement with the Overseas Private Investment Corporation ("OPIC") for $2,800,000 of project financing.

The loan agreement contained financial and operational covenants, including, among other things, a minimum working capital ratio, as defined, limitations on trade debt and short term credit facilities, achievement of minimum exploration drilling, minimum reserve development and minimum production levels.

Due to events at the mine, CMP advised OPIC that it believed it would not be in compliance with financial and operating covenants of its loan agreement for the calendar quarters through and until October 1, 2006. On September 30, 2006 and September 30, 2007 the Company notified OPIC that it was not in compliance with the financial and operating covenants of the loan agreement and OPIC granted CMP an additional waiver until June 30, 2009. Effective June 14, 2009 the Company has renegotiated the terms of the OPIC wavier agreement. Under the new agreement, the Company has signed a "Standstill Agreement" with OPIC and has agreed to make quarterly principal payments at the rate of $311,111 beginning on June 15, 2009 versus semi-annual payments of the same amounts called for in the original loan agreement.

Potential porphyry copper

The Company has incurred sufficient explorations expenditures to maintain the Pimenton porphyry in good standing.

Tordillo

The presence of strong extensive explosive breccias is reminiscent of the porphyry copper systems at large existing copper mines in Chile. Subsequent exploration should bring into perspective the vein potential and establish if the porphyry system is large enough to host possible economic copper mineralization. The Company is deferring exploration activities while it is bringing Pimenton on line.

La Bella

As of June 30, 2009, the Company wrote off a total of $25,216 relating to exploration costs on the La Bella in line with its policy of writing off explorations expenditures until a resource potential in accordance with NI 43-101 has been established.

Limestone deposits

As at June 30, 2009, the Company had contributed $3,535,000 (2008 - $3,439,000) to finance a drilling program on Catedral/Rino and completed a preliminary feasibility study for construction of a 1,320 ton per day capacity cement manufactory facility on the project as well as a preliminary feasibility study for constructions of a 600 ton per day lime kiln on the Catedral property. The Company wrote off the balance of $3,492,000 in mining properties and exploration costs relating to Catedral/Rino as the properties had been on care and maintenance for more than three years in accordance with section 3063 – impairment of long – lived assets, as it focuses its efforts on its Pimenton gold mine. For the nine month period ended June 30, 2009, the Company wrote off an additional $43,417 relating to leasehold costs on the Catedral/Rino.

As at June 30, 2009, the Company had contributed $1,541,000 (2008 - $1,490,000) to finance a bankable feasibility study on the project and for environmental permitting and further mine development on Cal Norte. Although the Company has incurred sufficient explorations expenditures to maintain the Cal Norte property in good standing, the Company wrote off the balance of $1,534,013 in mining properties and exploration costs as the properties had been on care and maintenance for more than three years in accordance with section 3063 – impairment of long – lived assets, as it focuses its efforts on its Pimenton gold mine. For the nine month period ended June 30, 2009, the Company wrote off an additional $7,239 relating to leasehold costs on the Cal Norte project.

Critical Accounting Policies and Estimates

To discharge its responsibilities for financial reporting and for safeguarding of assets, managements believes that it has established appropriate systems of internal control which provide reasonable assurance, at appropriate cost, that the assets are maintained and accounted for in accordance with its policies and that the transactions are recorded accurately on the Company's books and records.

Asset Impairment

The carrying values of producing mineral properties, including properties placed on a care and maintenance basis and related deferred expenditures, are reviewed when events or changes in circumstances arise that may result in impairments in the carrying value of those assets. Estimated future net cash flows, on an undiscounted basis, are calculated for each property using: estimated recoverable reserves; estimated future metal price realization (considering historical and current prices, price trends and related factors); and estimated operating, capital and other cash flow. Estimates of future cash flows are subject to risks and uncertainties. It is possible that changes could occur which may affect the recoverability of the carrying value of mineral properties.

Reserves

Mineral reserves will be calculated in accordance with NI 43-101, a rule adopted by Canadian securities administrators as the standard of disclosure for mineral projects. This estimate is used to determine mine viability, mine life and amortization rates. The estimation of Reserves is based on drill hole information, historical mining results, historical metallurgical results, estimated future operating costs and estimated future metal prices. A "Qualified Person", as defined by NI 43-101, performs the reserves and resources estimates.

Amortization

The Company uses the units-of-production method for amortization of mineral properties and some of its fixed assets based on the Reserves. Any significant changes in the reserves could impact the amount of annual amortization.

Inventory

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 values its concentrate inventories at the lower of cost or realizable value at the end of the reporting period. Realizable value includes metal prices, net of treatment charges and freight. Metal prices can be subject to significant change from period to period.

Consolidations of Financial Statements

The Company's consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with Canadian GAAP which are described in note 2 to such statements. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts and expenses during the reporting period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available; however, actual amounts could materially differ from those based on estimates and assumptions. Management's critical accounting estimates, which apply to the assessment for the impairment of exploration and mining properties were written-off during the year ended on September 30, 2008 totaling $6,056,000. In addition write downs down $163,485 for the nine month period ended June 30, 2009, which consist of $149,788 for explorations and leasehold cost and $13,697 related to recoverable taxes.

Foreign currency translation and transactions

The Company's functional currency is the U.S. dollar. The Company's foreign currency transactions, balances and integrated operations denominated in foreign currencies are translated into the Company's reporting currency, U.S. dollars, as follows:

Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, with the exception of amortization, which is translated at the historic rate of the related asset. Translation gains and losses are reflected on the consolidated statements of operations, deficit and comprehensive loss. The Company's operations expose it to significant fluctuations in foreign exchange rates.

Mineral Reserve and Mineral Resources Estimates

The Company has compiled, with an independent qualified person under NI 43-101, a Mineral Reserve and Mineral Resources estimate of the Pimenton mine on December 31, 2008, as required by Canadian securities regulatory authorities. It should be noted that mineral reserve estimates are imprecise and depend partly on statistical inferences drawn from geological data, which may prove to be unreliable. Future production could differ significantly from estimated mineral reserves because of differences between actual and estimated mineralization.

Options

The fair value of Options used to calculate compensation expense has been estimated using the Black-Scholes valuation model.

Financial Instruments

Effective October 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' new Handbook Section 1530, "Comprehensive Income", Section 3855, "Financial Instruments", and Section 3861, "Financial Instruments" – Disclosure and Presentation". These standards were adopted on a prospective basis but calculated retrospectively; accordingly, the comparative financial statements for the prior year have not been restated.

Comprehensive income

Section 1530 introduces new requirements for situations when certain gains and losses ("other comprehensive income" or "OCI") must be temporarily presented outside of net, loss. Comprehensive income includes both net loss and OCI. OCI is the change in shareholders' equity from non-owner sources which are not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the year ended September 30, 2008, and no opening nor closing balances for AOCI.

Financial instruments recognition, measurement, disclosure and presentation

Under section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognised or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Upon adoption of these new standards, the Company has designated its cash as held-for-trading, which is measured at fair value. Receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other liabilities, which are measured at amortized cost. At June 30, 2009, the Company had neither available-for-sale nor held-to-maturity financial instruments.

The Company evaluated the impact of Section 3855 on its 2007 financial statements and recorded a transition adjustment to opening deficit in the 2007 year in the amount of $22,000 to reflect the impact of adopting the effective interest rate method.

Section 3861 identifies and details information to be disclosed in the financial statements.

Hedging

This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

Accounting Changes

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards.

Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, “Goodwill and Intangible Assets”, which replaced Section 3062, “Goodwill and Other Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management assessed the impact of these new accounting standards on its consolidated financial statements. The Company has determined that deferred charges meet the criteria for deferral with the adoption of CICA Handbook Section 3064 for the fiscal year beginning October 1, 2008.

Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

For interim and annual financial statements relating to its fiscal year commencing October 1, 2011, the Company will be required to adopt new CICA Accounting Handbook Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602

"Non-Controlling Interest". Handbook Section 1582 replaces existing Handbook Section 1581 "Business Combinations", and Handbook Sections 1601 and 1602 together replace Handbook Section 1600 "Consolidated Financial Statements". The adoption of Handbook Sections 1582, and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The Company has not yet determined the effect, if any, that the adoption of these standards will have on its financial statements.

Results of Operations

Below are the estimated costs to restart operations at the Pimenton mine. Included are the Common Stock issued in dollars versus the estimated cost to restart operations and the additional cost incurred.

	Actual Six month to June, 30 2009	Budget December 31, 2008	Budget December 30, 2007
Revenues from gold and copper sales	6,746,000	1,824,000	-
Beginning cash	438,000	3,467,000	344,000
Common Stock issued	-	1,872,000	3,025,000
Warrants excised	-	57,000	390,000
	7,184,000	7,220,000	3,759,000
Operating cost and general administrative cost before royalties	(3,914,000)	(1,331,000)	-
Net liabilities and asset paid	(1,335,000)	-	-
Estimated cost to restart Pimenton Mine operations	-	(3,579,000)	(292,000)
Additional costs	-	(1,872,000)	-
Cash at end of the period	**1,935,000**	**438,000**	**(3,467,000)**

Included in the estimated costs to restart Pimenton mine operations was $1,500,000 of working capital for each period ended September 30, 2007 and 2008. The additional costs of $1,872,000 included:

1. Building of an entire new snow load roof over the Pimenton plant versus a partial roof at an estimated additional cost of $700,000.

2. Additional working capital of approximately $500,000 caused by delays in arrival of overseas equipment for the plant. This caused a two month delay in getting the plant into commercial production.

3. Additional snow handing equipment not originally budgeted for including two refurbished Piston Bully snow cats at a cost of $500,000 plus freight and taxes.

4. In addition, general improvements were made in the plant at Pimenton, the

rebuilding of additional mining equipment and improvements to the camp at a total cost of approximately $172,000.

The additional cost of $1,872,000 was covered by a non-broker private placement of 38,275,822 units which closed on September 9, 2008. Three directors, two of whom are also officers of the Company purchased, 22,000,000 units. Each unit was priced at $0.05. Each unit consists of one common share and one-half Common Share purchase warrant. Each whole warrant is exercisable at an exercise price of $0.07 for a period of two years from closing. Net proceeds from the placement were $1,872,421.

The Company believes that its Pimenton mine will continue to generate sufficient cash flow to cover its future operating costs and future capital expenditures and to cover the current operating costs of the Company.

The Company plans to gradually increase production to 150 tons per day after the current Chilean winter season has passed. The Company's ability to maintain its current level of cash flow per quarter is dependent on maintaining mine production and plant production of at least 100 tons per day, on maintaining the level of grade of ore into the plant and maintaining the recovery rate of Knelson gold concentrates and copper concentrates. The future price of gold will also have a positive or negative impact on the ability of Pimenton to maintain the current level of quarterly profitability.

The Company's analysis of inflation, price changes on sales and total revenues and incomes and on income or loss before discounted operations are shown under "Mineral resources and mineral reserves estimate" below.

Quarter ended June 30, 2009 Compared to the Quarter Ended June 30, 2008

The Company recorded net income of $651,000 for the three months ended June 30, 2009 and losses of $1,671,000 for the three months ended June 30, 2008.

For the three months ended June 30, 2009 revenue from gold was $2,455,000 and from copper and silver was $435,000 with related operating expenses of $1,925,522. There was no revenue from gold, copper or silver and no related operating expenses for the three months ended June 30, 2008. The increase in revenue was due to the commencement of commercial production at the Pimenton mine on October 1, 2008.

Operating cost were $1,925,522 in the three months ended June 30, 2009 compared to $nil for the same period in 2008. This increase was due to start-up operations at the Pimenton Gold mine in October 1, 2008. The increase during the three month period ended June 30, 2009 consists of: mine expenses $633,334; plant operations $364,864; maintenance and road operations $276,322 royalties $163,967; smelting, refining and metallurgical charges $124,963; management $27,248; camp expenses of $205,442; transportation of concentrate $32,835; health clinic and safety and other of $96,547.

Amortization expense was $169,293 for the three months ended June 30, 2009 due to the start of commercial production at Pimenton on October 1, 2008. Amortization expenses are amortized into operations using the unit-of production method (UOP) over the estimated useful lives of the related ore reserves. Depreciation expenses in the three months ended June 30, 2009 were $175,299 compared to $163,000 for the same period in 2008. The increase of $12,299 was due to mining equipment purchases.

General and administrative costs in the three months ended June 30, 2009 were $330,000 compared to $799,000 for the same period in 2008. This $469,000 decrease was due to a decrease in salaries of $141,945, decrease in material, transport and fuels of $115,420, decrease in miscellaneous and other expenses of $119,472, decrease in overhead of $36,965, decrease in rent of $56,331; decrease in professional fees and services of $17,033. This was offset by a increase in: (i) taxes and penalties of $2,882 and (ii) shareholders expenses $15,284.

Stock based compensation was $90,327 during the three month period ended June 30, 2009 compared to $58,000 for the same period in 2008. The Company has expensed $48,617 for the vesting period of the Common Stock Options during three months ended June 30, 2009, for 2,339,538 Options granted on April 30, 2008 whose vesting period is three years and for the 25,000,000 Options granted on March 13, 2008, whose vesting period is four years. In addition, on May 12, 2009, 3,000,000 Options were granted to the Chief Financial Officer of the Company at an exercise price of CA $0.04 per share, exercisable for a period of five years, 1,000,000 to vest immediately, 1,000,000 to vest one year from the date of grant, and the balance of 1,000,000 to vest on the second anniversary of the date of grant. The Options were value at $33,400, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%. In additions, on May 12, 2009, 660,462 Options were granted to director of the Company at an exercise price of CA $0.04 per Share, exercisable until April 30, 2013 to vest of a period of three years. The Options were value at $8,310, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%. Stock based compensation was $58,000 during the nine month period ended June 30, 2008. On April 30, 2008, 2,339,538 Options were granted to a new director of the Company at an exercise price of CA$0.05 per share, exercisable for a period of four years from issuance. The Options were valued at $13,686, using the Black –Scholes valuation model, assuming a risk- free rate of 3.04%. On April 29, 2008 an officer and director received 1,000,000 bonus shares valued at $44,474 using the TXS closing price of CA.$0.045 per share.

Warrant revaluation expense was $nil in the three months ended June 30, 2009 compared to $3,000 for the same period in 2008. The $3,000 increase related to the issuance of New Broker Units on the exercise of the original 700,000 warrants.

The foreign exchange gain was $265,000 in the three months ended June 30, 2009 compared to a foreign exchange loss of $459,000 in the same period of 2008. This increase of $724,000 was due to the increase of the US dollar versus the Chilean peso which resulted in a gain of $610,411 related to the recoverable taxes which are denominated in Chilean pesos. Other balance sheet items were positively affected by amounts of approximately $113,915.

The estimated cash flow in reclamation and remediation of $3,825,000 is expected to be incurred over a period extending to ten years calculated at the present value on June 30, 2009. This estimated cash flow is discounted using a credit –adjusted risk-free rate of 7.5%. Reclamation and remediation discounted at 7.5% for the three month period ended June 31, 2009 was $35,106.

Exploration costs written-off during the three months ended June 30, 2009 totaled $102,000, $nil for the same period of 2008.

Other income was $549,000 in the three months ended June 30, 2009 compared to $4,000 in the same period of 2008. On June 9, 2009 the holders, Mr. David R.S. Thomson and Mr. Mario Hernández both Executive Vice Presidents and directors of the Company elected to convert the $1,600,000 convertible secured debenture which were issued to them in 2006 and were due to mature on March 31, 2013 into 28,108,288 Shares at a conversion price $0.0569 per shares. These shares were value at $903,662 using the TSX closing price of CA$0.035 on June 9, 2009 resulting in a gain of $1,024,658, of which $392,276 were recorded as other income for the three months ended June 30, 2009 and $632,382 was recorded as deficit. Also on June 9, 2009, Mr. David R.S. Thomson and Mr. Mario Hernández converted $504,022 of leases secured by certain mining equipment into 12,261,795 Common Shares of the Company. The shares were value at $0.035 using the TSX closing price per share on March 9, 2009 and resulted in a gain of $156,926, which was recorded as other income for the three months ended June 30, 2009.

Other expenses was $17,000 in the three months period ended June 30, 2008 compared to $nil in the same period of 2008. The Company compensated the Executive Vice-President and Director of Explorations, who is also director of the Company for guaranteeing the payment of a lease agreement with a local Chilean bank with the conversion of the lease debenture totaling $59,543. This was offset by anticipated lease payments with the convertible debenture generating a gain of $42,151.

Results of operations for the nine months ended June 31, 2009, compared to the nine months ended June 30, 2008.

The Company reported net income of $1,389,000 for the nine month ended June 30, 2009 compared to loss of $3,378,000 for the nine months ended June 30, 2008.

Revenue from gold sales were $7,589,000 and from copper and silver sales were $938,000 with related operating expenses of $4,851,000 for the nine months ended June 30, 2009. There was no revenue from gold, copper or silver and no related operating expenses for the nine months ended June 30, 2008. The mine was declared to be in commercial production effective October 1, 2008.

Operating expenses were $4,851,000 in the nine months ended June 30, 2009 compared to $nil for the same period in 2008. The increase during the nine month period ended June 30, 2009 consisted of: mine expenses $1,517,305; plant operations $954,920; maintenance and road operations $697,688; royalties $496,748; smelting, refining and metallurgical charges $368,771; management $72,802; camp expenses of $500,637; transportation of concentrate $84,209; health clinic and safety and other of $157,823.

Amortization expense was $571,081 for the nine months ended June 30, 2009 compared to $nil for the same period in 2008 due to the commencement of commercial production at Pimenton on October 1, 2008. Amortization expenses are amortized into operations using the unit-of production method (UOP) over the estimated useful lives of the related ore reserves. Depreciation expenses for the nine months ended June 30, 2009 were $530,691 compared to $464,000 for the same period in 2008. The increase of $66,691 was due to mining equipment purchases.

Temporary closure expenses were $nil in the nine moths ended June 30, 2009 compared to $51,000 for the same period in 2008. The reduction of $51,000 was due to the mine start up activities which were recommenced during the nine months ended June 30, 2009.

General and administrative costs decreased by $489,454 for the nine months ended June 30, 2009 as compared to the same period in 2008. Salaries decrease by $115,231, material, transport and fuels decreased by $ 185,890, shareholders expenses decreased by $13,824, professional and consultants fees decreased by $73,931, financial and advisory fees decreased by $73,216, miscellaneous and other expenses, including overhead, decreased by $27,362.

Stock based compensation was $191,756 during the nine month period ended June 30, 2009 compared to $233,000 for the same period in 2008. The Company has expensed $150,046 for the vesting period of the Common Stock Options during the nine months ended June 30, 2009, for 2,339,538 Options granted on April 30, 2008 whose vesting period is a three years and for the 25,000,000 Options granted on March 13, 2008, whose vesting period is between three and four years. In additions, on May 12, 2009, 3,000,000 Options were granted to the Chief Financial Officer of the Company at an exercise price of CA $0.04 per share, exercisable for a period of five year, 1,000,000 to vest immediately, 1,000,000 to vest one year from the date of grant, and the balance of 1,000,000 to vest on the second anniversary of the date of grant. The Options were value at $33,400, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%. In additions, on May 12, 2009, 660,462 Options were granted to director of the Company an exercise price of CA $0.04 per Share, exercisable until April 30, 2013 to vest of a period of three years. The Options were value at $8,310, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%. Stock based compensation was $ 233,000 during the nine month period ended June 30, 2008. On April 30, 2008, 2,339,538 Common Stock Options were granted to a new director of the Company at an exercise price of CA$0.05 per share, exercisable for a period of four years from the date issuance. The Options were valued at a fair value at $13,686, using the Black –Scholes valuation model, assuming a risk- free rate of 3.04%. On April 29, 2008 an officer and director received 1,000,000 bonus shares valued at $44,474 using the TXS closing price of CA$0.045. Also, the Company issued on March 13, 2008 25,000,000 Common Stock Options exercisable at CA.$0.045 per share for a period of four years from the date of issuance, which were issued to the President of the Company (10,000,000 options) and three new Directors and two serving Directors who are not officers of the Company (15,000,000 options). These Options were fair valued at $133,750, using the Black – Scholes valuation model, assuming a risks-free rate of 3.6%, In addition, seven employees who are not officers of the Company were awarded a total of $1,950,000 common stock options having a five years life with immediate vesting at a price of CA.$0.045 per share. These Options were fair valued at $41,730 using the Black – Scholes valuation model, assuming a risks-free rate of 3.6%.

Warrant revaluation expense was $nil in the nine months ended June 30, 2009 compared to $19,000 for the same period in 2008. 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 nine months ended June 30, 2008, 16,635,628 warrants expiring on January 31, 2008, were extended to June 30, 2008 and then they expired. 20,000,000 warrants expiring on October 21, 2006, were extended two times; first to October 22, 2007 and then to April 22, 2008 when they expired. These warrant revaluations resulted in an expense of $16,000. The fair value of the warrants were assigned using the Black-Scholes valuation model assuming risk free interest rates of 1.75% to 4.21%, no dividend and a volatility factor of 50%. In addition $3,000 was for the issuance of new broker units on the exercise of the original 700,000 warrants.

The foreign exchange gain was $217,000 for the nine months ended June 30, 2009 compared to a gain of $368,000 for the same period in 2008. The change of $151,000 was due to the decrease in value of the US dollar versus the Chilean peso. This resulted in a decrease of $30,390 related to recoverable taxes which are denominated in Chilean pesos. In addition to this, participants in the December 17, 2007 private placement locked in a US dollar to Canadian dollar exchange rate with the Company prior to the actual private placement. When the Common Shares were issued it resulted in a foreign exchange gain of $233,000. Other exchange amounted was an increase of $112,390.

The estimated cash flow of reclamation and remediation of $3,825,000 is expected to be incurred over a period extending to ten years calculated at the present value on June 30, 2009. This estimated cash flow is discounted using a credit –adjusted risk-free rate of 7.5%. Reclamation and remediation discounted at 7.5% for the nine month period ended June 30, 2009 was $103,443.

Exploration costs written-off during the nine months ended June 30, 2009 totaled $163,000. Exploration and mining properties written-off during the nine months ended June 30, 2008 totaled $1,016,000.

Other income was $602,000 in the nine months ended June 30, 2009 compared to $18,000 in the same period of 2008. On June 9, 2009 the holders, Mr. David R.S. Thomson and Mr. Mario Hernández both Executive Vice President and directors of the

Company elected to convert the $1,600,000 convertible secured debenture which was issued to them in 2006 and was due to mature on March 31, 2013 into 28,108,288 Common Shares at a conversion price $0.0569 per shares. These shares were value at $903,662 using the TSX closing price of CA$0.035 on June 9, 2009 resulting in a gain of $1,024,658, of which $392,276 was recorded as other income for the three months ended June 30, 2009 and $632,382 was recorded as deficit. Also on June 9, 2009, Mr. David R.S. Thomson and Mr. Mario Hernández converted $504,022 of leases secured by certain mining equipment into 12,261,795 Common Shares of the Company. The shares were value at $0.035 using the TSX closing price as of March 9, 2009 and resulted in a gain of $156,926, which was recorded as other income for the three months ended June 30, 2009. Other income was $46,802 for mining claims recovered in November 2008. This was offset by a reduction of $6,143.

Other expenses were $37,000 in the nine months period ended June 30, 2008 compared to $nil in the same period of 2008. The Company compensated to the Executive Vice-President and Director of explorations, who is also director of the Company for guaranteeing the payment of a lease agreement with a local Chilean bank with the conversion of the lease debenture totaling $59,543. This was offset by anticipated lease payments with the convertible debenture generating a gain of $42,151. Other expense of $20,332 was due for interest and readjustment of taxes payable (IVA).

Summary of Quarterly Results

	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Sales	2,890	3,813	1,824	Nil
Net income (loss) before extraordinary items	204	1,191	(392)	(291)
Per share	0.0003	0.0016	(0.0005)	(0.0004)
Per share diluted	0.0002	0.0012	(0.0004)	(0.0003)
Net income (loss) after extraordinary items	651	1,139	(401)	(5,192)
Per share	0.0008	0.0015	(0.0005)	(0.0071)
Per share diluted	0.0006	0.0011	(0.0004)	(0.0051)

	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Sales	Nil	Nil	Nil	Nil
Net income (loss) before extraordinary items	(1,671)	(300)	(391)	(640)
Per share	(0.0024)	(0.0004)	(0.0006)	(0.0014)
Per share diluted	(0.0017)	(0.0003)	(0.0004)	(0.0009)
Net income (loss) after extraordinary items	(1,671)	(1,316)	(391)	(640)
Per share	(0.0024)	(0.0019)	(0.0006)	(0.0014)
Per share diluted	(0.0017)	(0.0013)	(0.0004)	(0.0009)

Liquidity and capital resources

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years
	$	$	$	$
Purchase obligations	1,641,692	1,626,929	14,763	-
OPIC loan and interest	1,479,593	1,479,593	-	-
Long-term amount due to related parties	1,165,888	-	1,165,888	-
Long-term debt	1,841,124	-	1,841,124	-
Capital leases	58,999	28,580	30,419	-
La Bella option payments (1)	8,750,000	550,000	5,600,000	2,600,000
Conditional loan agreement (2)	2,500,000	-	-	2,500,000
Catedral prospect	150,000	-	150,000	-
Total Contractual Obligations	**17,587,296**	**3,685,929**	**8,802,194**	**5,100,000**

Note (1). The Company is only obligated to make the option payments on either the inner circle or the outer circle as long as it desires to keep the underlying claims. The Company may drop either or both the inner or outer circle at any time and no further option payments are due to be paid.

Note (2). 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 totalling $500,000, which was paid during 1997.

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, the issuance of promissory notes and debentures, bank debt and extended terms from creditors.

The Company raised an aggregate of $3,974,997 in a private placement which closed on December 17, 2007. In addition, two directors and officers of the Company financed lease purchase agreements to purchase mining equipment for the Pimenton mine totaling $530,162. On September 9, 2008, a further $1,872,427 was raised through a non-brokered private placement in which three directors, two of whom are also officers of the Company, participated in the aggregate amount of $1,100,000. These funds and the equipment lease financing have enabled the Company to put its Pimenton mine into production in July 2008 with commercial production being declared effective October 1, 2008.

On December 12, 2008, the Company sold through a private placement 19,408,620 units at CA$0.025 per unit, consisting of one Common Share and one half Common Share purchase warrant with each whole warrant entitling the holder thereof to purchase a one Common Share at CA$0.045 per Common Share at any time within 24 months of the date of issue, of which 4,285,020 Common Shares were issued to a director who is also an officer of the Company in payment of cash advance of $85,000 at November 2008, plus purchase warrants to purchase up to 2,145,510 Common Shares. In addition, the placement agent received 1,209,888 Common Share purchase warrants exercisable for 24 months from the date of issuance at CA$0.025 per Common Share.

At June 30, 2009, cash was $1,935,000 and $22,000 in current and restricted cash, respectively.

To preserve its cash position the Company has been and plans to continue concentrating its efforts on Pimenton and substantially defer expenditures on other projects.

The positive working capital of $1,891,000 at June 30, 2009 is expected to be further increased by revenues and operating profit from the Company's Pimenton gold mine. The Company plans to gradually increase production to 150 tons per day in the next twelve months with a further increase to 200 tons per day by late 2010.

Revenues for gold, silver and copper sales from the mine are expected to cover operating costs of the mine plus generate sufficient funds to cover capital expenditure required to sustain operations in the future. The Company intents to install a gold table which is expected to substantially increase the gold ounces per ton of knelson concentrate at an estimated cost of $150,000. This purchase would facilitate operations in the future. The ability of the Pimenton mine operations to cover its operating costs and generate sufficient funds to cover capital expenditure budget is dependant on the prices of gold, silver and copper; dependant on the gold veins in the mine retaining their width, continuity and grade of ore; dependant on snow conditions in the Chilean winter which runs from May 2009 to December 2009; dependant on the future price of diesel fuel; dependant on the price of the Chilean peso relative to the US Dollar and dependant on the ability of the Company to retain its current work force.

The Company sells its gold, silver and copper concentrate directly to the Enami smelter which is owed by the State of Chile through its ownership of CODELCO. Enami pays for approximately 60% of the value of shipment the week following delivery and the balance of the payment is made one to two months following the date of receipt of the initial payment. As the Company increases the production to 200 tons per day in late 2010 this one to two months delay in receipt of the balance of the 40% payment could cause a short term cash flow shortfall for the Company. In addition, during the winter months of operation the 80 kilometer road into the mine site can be closed for extended periods of time, thereby not allowing shipment of copper concentrate to Enami. The Company's knelson Concentrate, however, which contains 60% of the gold value produced by the mine can be either helicoptered, or taken out of the mine by the snow cats.

The ability of the Company to produce its own gold doré at the mine site in the future would further increase its flexibility both in delivery to Enami during winter months or by allowing the Company to ship the gold doré bars directly to a gold smelter in Europe or Canada which would eliminate the one to two months delay in receipt of payment from Enami. The Company has preliminary plans to install a system which would convert its knelson concentrated in gold doré bars. This system would cost an estimated $400,000.

The Company has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on the Common Shares will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time.

The Executive Vice President - Director, Claims and Land Management and the Executive Vice President-Director of Exploration, both directors of the Company hold the non-controlling interest in the Catedral prospect and the Company has agreed to lend such officers and directors up to an additional $2,250,000 for development costs.

La Bella Option Agreement

Under the terms of the La Bella Option Agreement (inner circle) the Company has paid a cumulative of $100,000 which was due in December 2008, and will pay $200,000 in December 2009, $800,000 in December 2010, $900,000 in December 2011 and $1,000,000 in December 2012. The Company will pay a 2½% net smelter royalty from production thereafter.

On the outer circle the Company has paid $100,000 in December 2008, and will pay $100,000 in December 2009, $500,000 in December 2010, $700,000 in December 2011, $1,000,000 in December 2012, $ 2,600,000 in December 2013. The Company will pay a 2½% net smelter royalty from production thereafter. In addition, on the inner and outer circle the Company has a combined minimum exploration obligation of $50,000 in year one, $250,000 in year two and $700,000 in year three.

Cal Norte

The Company must make an additional capital contribution of $394,000 to Cal Norte to earn its 60% equity interest.

Related Party Transactions

A company owned by the Chief Executive Officer of the Company, who is also a director of the Company (the "CEO") billed the Company $54,450 for the nine month period ended June 30, 2009 compared to $58,777 for nine months period ended June 30, 2008 for the provision of office space and services used by the Company.

Receivable from an officer and director of the Company of $212,860 for the nine months ended June 30, 2009 is the net amount of non-interest-bearing note receivable compensations and advances to the CEO. The note is due on June 30, 2010 and is collateralized by 6,532,000 Common Shares owned by this officer and director. As at June 30, 2008 the note receivable amounted to $286,233, non-interest-bearing advances to this officer and director amounted to $71,281 and was included in long-term receivables.

The former Chief Financial Officer of the Company retired on February 6, 2008 at which time he was owed $207,260. The Company entered into a retirement agreement with the former Chief Financial Officer under which he received 2,000,000 Bonus Shares and was paid $17,648 for the difference between the net sales price of the 2,000,000 Bonus Shares and $100,000. In addition he has been paid $5,000 per month beginning February, 2008 and continued to be paid at the rate of $5,000 per month until February 28, 2009. Beginning in March, 2009 he was paid $12,500 per month until the net balance has been paid. Effective June, 2009 the former chief financial officer was paid in full ($77,260 as of June 30, 2008) The former Chief Financial Officer billed $nil for accounting services rendered to the Company for the nine month period ended June 30, 2009 (June 30, 2008 - $10,618).

A company controlled by the current Chief Financial Officer of the Company (the “CFO”) billed the Company $25,569 for accounting and administration services rendered in the nine month period ended June 30, 2009 (June 30, 2008 - $11,685). Amounts due to related parties include payables to the CFO of $3,796 for such services at June 30, 2009 (June 30, 2008 - $6,586).

On June 9, 2009 the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice Presidents and a directors of the Company elected to convert the $1,600,000 convertible secured debenture which was issued to them in 2006 and was due to mature on March 31, 2013 into 28,108,288 Common Shares at a conversion price $0.0569 per share. These shares were valued at $903,662 using the TSX closing price of CA$0.035 on June 9, 2009 resulting in a gain of $1,024,658, of which $392,276 was recorded as other income and $632,382 was recorded as a reduction in the deficit – “Covertible Secured Debenture”. Also on June 9, 2009, Mr. David R.S. Thomson and Mr. Mario Hernandez converted $504,022 of leases secured by certain mining equipment into 12,261,795 Common Shares of the Company. The shares were value at $0.035 using the TSX closing price of the date and resulted in a gain of $156,926, was recorded as other income.

On June 9, 2009, 2,469,571 Common Shares valued at CA$0.035 were issued to two officers (Executive-Vice President, Claims and Land Management and Executive-Vice-President and Director of the Company Exploration) who are also Directors and were issued in lieu of interest payments, due for the period of March 31, 2008 to March 31, 2009 on the US$1,600,000 Convertible Debenture issued to it in 2006. Interest expense was $47,055 and $74,673 for the periods ended June 30, 2009 and June 30, 2008, respectively. Amounts due to related parties include payables to these officers of $9,095 and $116,999 as at June 30, 2009 and June 30, 2008, respectively, for interest on such debentures.

On May 12, 2009, 3,000,000 Options were granted to the Chief Financial Officer of the Company at an exercise price of CA$0.04 per share, exercisable for a period of five year, 1,000,000 to vest immediately, 1,000,000 to vest one year from the date of grant, and the balance of 1,000,000 to vest on the second anniversary of the date of grant. The Options were valued at $33,400, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%. Also, on May 12, 2009, 660,462 Options were granted to a director of the Company at an exercise price of CA $0.04 per Share, exercisable until April 30, 2013 to vest over a period of three years. The Options were value at $8,310, using the Black – Scholes valuation model, assuming a risk- free rate of 2.1%.

On December 12, 2008, the Company sold through a private placement 19,408,620 units at CA$0.025 per unit, consisting of one Common Share and one half Common Share purchase warrant with each whole warrant entitling the holder thereof to purchase a one Common Share at CA$0.045 per Common Share at any time within 24 months of the date of issue, of which 4,285,020 Common Shares were issued to a director who is also an officer of the Company in payment of cash advance of $85,000 at November 2008, plus purchase warrants to purchase up to 2,145,510 Common Shares. In addition, the placement agent received 1,209,888 Common Share purchase warrants exercisable for 24 months from the date of issuance at CA$0.025 per Common Share.

During 2007, the Executive Vice-President Director, Claims and Land Management, who is also a director of the Company, purchased an interest in the Pimenton notes and royalty from a non-related party. The fair value of this note was $937,439 at June 30, 2009 (June 30, 2008 - $856,023) and interest expense was $36,224 for the nine month period ended June 30, 2009 (June 30, 2008 - $36,357). Amounts due to related parties include $230,151 (June 30, 2008- $181,719) for interest and $350,020 for royalties as at June 30, 2009 (June 30, 2008 - $91,802).

Amounts due to related parties include $231,697 and $181,719 as at June 30, 2009 and 2008, respectively, 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 $931,459 and $850,539 as at June 30, 2009 and 2008, respectively. In addition, amounts due to related parties include $350,020 and $91,802 as at June 30, 2009 and 2008, respectively, for royalties due to this officer and director who is the owner of a net smelter royalty on the Pimenton gold mine and include a cash advance of $8,909 which was provided to the Company in July 2008.

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 Common 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 of Claims and Land Management, who is also a 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%.

In June 2008, the Executive Vice-President and Director of Exploration, who is also a director of the Company agreed to guarantee the payment of a 37-month lease purchase agreement entered into by the Company on February 23, 2008 with a local Chilean bank for the purchase of a 4x4 Land Rover and a 4x4 Mahindra truck for a total purchase price of $71,624 plus VAT at 19% for a total of $85,232. This director and officer of the Company has also guaranteed the payment of a 37-month lease/purchase agreement with a local Chilean bank for the purchase of an ambulance for purchase price of $54,992 plus VAT at 19% or a total of $65,440.

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 totalling $500,000, which was paid during 1997.

On July 11, 2008, the Executive Vice President and Director of Land and Administration, who is also a director of the Company bought from CMP, a Ford Ranger truck. The sale price of the truck was $13,575 inclusive of VAT tax at 19%. The transaction generated a $5,326 loss to the Company. Amounts receivable from related parties include $12,884 for this transaction.

The CEO, the Executive Vice President and Director of Exploration and the Executive Vice President and Director of Administration who are also directors of the Company hold a total of 3.2% net smelter royalty interest on Tordillo, a 2.5% net smelter royalty interest on both the inner circle and out circle of claims on La Bella. These net smelter royalty interests were approved by the Board of Directors and Compensation Committee of the Company in 2001. These individuals have not received compensation and benefits comparable to mining industry standards since 2001.

Mineral Reserves and Mineral Resources Estimates

The Company has compiled, with an independent qualified person under Canadian Instrument 43-101, a Mineral Reserve and Mineral Resource estimate of the Pimenton mine on December 31, 2008. This report is filed on SEDAR at www.sedar.com.

The Company declared the Pimenton mine to be in commercial production effective October 1, 2008 at the rate of 91 tons per day of production. This production rate will be gradually increased to 200 tons per day in mid 2010. The following is a sensitivity analysis:

PRODUCTION VARIABLES AND SENSITIVITIES FOR 100 to 200 TPD.

VARIABLES

Head grade gold	14.44	g/t
Head grade copper	1.26	%
Tons per day year 1	100	Tpd
Starting tones per day 100 to 200 by September, 2009	200	Tpd
Price per Ounce Gold	$750	
Price per pound Copper	$1.50	
Exchange rate US$	650	CH$
Plant combined recovery	90%	
Price per Ounce Gold	$750	
Price per pound Copper	$1.50	
Exchange rate US$	650	CH$
Loan Interest rate	8.50%	
Price per liter Diesel	650	CH$
Price per liter Gasoline	650	CH$

ALL IRR% ARE FOR ENTIRE INVESTMENT
100 TPD to 200tpd USING PRICES OF $750 gold and $1.50 Copper

Grade Sensitivity. Projects from a low of 10g/t to 16 g/t Au head grade through plant.

Au g/t	Cu%	Op.Cost/Oz	IRR%
10	0.5	$425	70%
12	1.0	$359	97%
14	1.2	$323	118%
16	1.4	$296	138%

Cost/Oz is cash cost per ounce at the mine

100 TPD
Recovery Sensibility. Projects from 5% to 10% less plant Recovery for gold.

% diff. Recovery	Op.Cost/Oz	IRR%
-10%	$343	106%
-5%	$329	114%
2%	$311	126%

Operating cost/Oz is cash cost per ounce at the mine

Tonnage Sensitivity at 100 to 200 tpd.

Tons per day	Op.Cost/Oz	IRR%
100	$557	43%
125	$459	61%
150	$407	77%
175	$370	90%
200	$316	106%

200 TPD
Price of Gold Sensitivity

Price per Ounce	IRR%
$500	68%
$600	87%
$700	105%
$800	123%
$900	140%
$1,000	158%

Price per liter of Diesel fuel

	Cost per Ounce of Au produced	IRR%
CH$ 400	$301	126%
CH$ 500	$307	125%
CH$ 600	$313	124%
CH$ 700	$319	122%
CH$ 800	$325	121%
CH$ 900	$331	119%

Outlook

Risk Factors

The Company is a minerals producing, exploration and development company with properties currently focused in Chile. Its mining activities involve numerous inherent risks. The Company is subject to various financial, operational and political risks that could significantly affect its profitability and operating cash flow. The Company minimizes these risks by careful management and planning. These risks include changes in local laws affecting the mining industry, a decline in the price of gold or copper, uncertainties inherent in estimating mineral reserves and mineral resources and fluctuations in the Chilean peso against the US dollar. The Company does not use financial instruments to mitigate the risks of changes in the price of gold or currency fluctuations.

The mining industry is intensely competitive in all of its phases. The Company competes with many companies possessing greater technical facilities and financial resources than are available to it.

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

The Company is subject to exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency. A strengthening of the Canadian dollar and the Chilean peso could adversely affect the Company's costs denominated in US dollars. Recently the US dollar has strengthened significantly against both of these currencies. The value of the Chilean pesos to US dollar has a great effect on the Company's operations. The Chilean pesos is at a near all time high of CH 640. The Company is paid for its gold, copper and silver sales in equivalent US dollar while most of its costs of operations are in Chilean pesos.

The Company's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns. A drop in the price of gold, copper, limestone and lime could adversely affect the Company's financial condition, results of operations and cash flows. Lower gold, copper, limestone and lime prices may result in: a) asset impairment and a write-down of the asset carrying value, b) production cutbacks and c) cessation of operations.

The Company's Pimenton mine is highly dependent on generating its own electrical needs at the mine, plant and camp sites. Fuel costs have risen substantially and are expected to further increase. Higher fuel costs will have an adverse impact on profitability of the mine.

Mine labour costs in Chile are increasing which could adversely impact operating profits at the Pimenton mine.

The Company operates primarily in Chile and is exposed to the laws governing the mining industry in Chile. The Chilean government is currently supportive of the mining industry but changes in government regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property and shifts in political stability of the country and labor unrest could adversely affect the Company's exploration efforts and production plans.

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. Mineral reserves and resources are estimates which may differ significantly from actual mining results.

Due to financial constraints the Company manages its operations with a limited number of key personnel. The need to replace any of these individuals could adversely affect the Company's operations until a qualified replacement is found.

The Company is currently pursuing insurance for business interruptions and insurance on its camp, plant, assay laboratory, fuel storage and garage facilities at Pimenton. The Company currently does not have these insurance policies.

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 shutdown of the Pimenton 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.

Readers should read the risk factors which are described in more detail in the Company's annual information form dated December 18, 2008. Such factors could materially affect future operating results of the Company and cause actual results to differ materially from those described in forward –looking information relating to the Company.

The Company's continuance as a going concern is dependent upon its ability to operate the Pimenton mine on a profitable basis. In addition to the "risk factors" described herein, see "risk factors" in the Company's annual information form dated December 18, 2008 which can be found on www.SEDAR.com.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, the effective functioning of its audit committee and procedures in place to systematically identify matters warranting consideration of disclosure by the audit committee.

As at the end of the period covered by this management's discussion and analysis, management of the Company, with the participation of the CEO and the CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by applicable Canadian securities laws. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under applicable Canadian securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the Company's GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the issuer; and are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

As at the end of the period covered by this management's discussion and analysis, management of the Company, under the supervision of the CEO and the CFO, evaluated the effectiveness of the Company's internal control over financial reporting as required by applicable Canadian securities laws. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the internal control over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

During the most recent year end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

South American Gold and Copper Company Limited

Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	June 30, 2009 (Unaudited)	September 30, 2008
	$	$
Assets		
Current assets		
Cash and cash equivalents	1,935	153
Restricted cash	22	22
Receivable fron an officer and director	14	14
Receivables from Enami	476	96
Receivables	340	14
Recoverable taxes	1,839	2,131
Product and supplies, inventory	414	396
	5,040	2,826
Receivable from an officer and director	212	153
Mining properties, plant and equipment	17,104	16,603
Exploration properties	578	335
Recoverable taxes	360	814
Total assets	23,294	20,731
Liabilities		
Current liabilities		
Short term lease	29	25
Current portion of long-term debt	1,257	1,560
Accounts payable and accrued liabilities	1,327	1,052
Taxes payable (IVA)	536	490
Amounts due to related parties	-	801
	3,149	3,928
Long-term debt	1,841	2,610
Long-term lease	30	50
Long-term amount due to related parties	1,180	236
Reclamation and remediation	1,959	1,856
Non-controlling interest in consolidated subsidiary	-	-
Total liabilities	8,159	8,680
Shareholders' equity		
Share capital	70,923	69,255
Contributed surplus	2,953	2,580
Convertible subordinated debentures	-	907
Options	1,609	1,418
Warrants	1,454	1,716
Deficit and comprehensive loss	(61,804)	(63,825)
Total shareholders' equity	15,135	12,051
Total liabilities and shareholders' equity	23,294	20,731

Going concern and nature of operations (note 1)

Commitments (note 11)

Approved by the Board of Directors

Paul J. DesLauriers ___________________ **Stephen W. Houghton** ___________________________

Chairman Chief Executive Officer

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 June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
	$	$	$	$
Revenues				
Gold	2,455	-	7,589	-
Copper and silver	435	-	938	-
	2,890	-	8,527	-
Expenses				
Operating cost	1,925	-	4,851	-
Amortization and depreciation	350	163	1,102	464
Temporary mine shutdown	-	-	-	51
General,sales and administrative	330	799	891	1,379
Stock based compensation	90	58	192	233
Warrant revaluation	-	3	-	19
Foreign exchange	(265)	459	(217)	(368)
Interest	204	193	618	602
	2,634	1,675	7,437	2,380
Other income	(549)	(4)	(602)	(18)
Other expenses	17	-	37	-
Reclamation and remediation	35	-	103	-
Write off of exploration properties	102	-	163	1,016
Net income and comprehensiven income (loss and comprehensiven loss) for period	651	(1,671)	1,389	(3,378)
Deficit-beginning of period	(63,087)	(56,962)	(63,825)	(55,255)
Gain on conversion of convertible secured debentures	632	-	632	-
Deficit - end of period	(61,804)	(58,633)	(61,804)	(58,633)
Basic income (loss) per share	0.001	(0.002)	0.002	(0.005)
Diluted income (loss) per share	0.001	(0.002)	0.001	(0.003)

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,	
	2009	2008	2009	2008
Operating Activities	$	$	$	$
Net Income (loss)	651	(1,671)	1,389	(3,378)
Non-cash items				
Amortization	350	163	1,102	464
Accretion of interest on long-term debt	226	90	467	270
Write off of exploration properties	102	-	163	1,016
Mine clousere	35		103	
Foreign exchange	(265)	459	(217)	(368)
Royalties	164	-	497	-
Non-cash employee share compensation	-	-	13	42
Stock based compensation	90	57	179	191
Warrant revaluation	-	3	-	19
Other expenses		-	87	-
Other Income	(549)	-	(602)	-
	804	(899)	3,181	(1,744)
Change in non-cash working capital relating to operations	580	23	279	588
	1,384	(876)	3,460	(1,156)
Investing Activities				
Exploration properties	(110)	(102)	(128)	(499)
Mineral properties, plant and equipment	(1,199)	(1,673)	(1,767)	(2,791)
Receivable from an officer and director	(26)		(115)	
Recoverable taxes	-	228	-	(456)
	(1,335)	(1,547)	(2,010)	(3,746)
Financing activities				
Shares issued	-	28	361	3,487
Payment of capital lease	(8)	-	(24)	-
Advances from directors and officers	-	438	-	438
Payment of long-term debt	(311)	-	(311)	-
Warrants excercised	-	42	-	476
	(319)	508	26	4,401
Effect of foreign exchange on cash held in foreign currency	319	29	306	228
Increase (Decrease) in cash and cash equivalents during the period	49	(1,886)	1,782	(273)
Net cash and cash equivalents-beginning of period	1,886	1,957	153	344
Net cash and cash equivalents-end of period	1,935	71	1,935	71

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

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

1. Going Concern and Nature of Operations

The management of South American Gold and Copper Company Limited (the "Company" or "SAGC") have prepared these unaudited consolidated financial statements for the nine months ended June 30, 2009 in accordance with Canadian generally accepted accounting principles (GAAP).

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, which remained closed until July 2008.

As at June 30, 2009, the Company reported a deficit of approximately $62 million, a positive working capital of approximately $1,891,000 and sales of approximately $8,527,000 for the nine month period ended June 30, 2009. The Company's continuance as a going concern is highly dependent on continuing profitable operations of the Pimenton gold mine. There is no assurance that the steps management is taking will be successful and, in the event that such resources are not available adjustments to the carrying values of the assets and liabilities, the reported expenses and the balance sheet classifications, which could be material, may be necessary.

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 mine was closed in June 2005 due to snow damage at its main portal entrance. The Company was successful in raising funds in December 2007 to restart operations at Pimenton. The Company has declared the mine to be in commercial production effective October 1, 2008. The Company's principal exploration and development activities are being focused on its Pimenton gold mine. The Company also holds interests in Tordillo a gold / copper prospect and La Bella a gold prospect. The Company also holds interests in two limestone deposits.

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.

2. Basis of Consolidation and Presentation of Interim Financial Statements

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP following the same accounting policies and methods as the consolidated financial statements for the fiscal year ended September 30, 2008. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial

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statements. The disclosure in these interim consolidated financial statements may not conform in all respects to Canadian GAAP for annual consolidated financial statements and as such should be read in conjunction with the Company's most recent annual consolidated financial statements, being those for the year ended September 30, 2008.

3. Significant Accounting Policies

These interim consolidated financial statements follow the same accounting policies and methods of their application as the Company's most recent annual consolidated financial statements, except with respect to the following new and revised accounting standards which the Company is required to adopt under Canadian GAAP for interim and annual financial statements relating to its fiscal year commencing October 1, 2008.

Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management assessed the impact of these new accounting standards on its consolidated financial statements. The Company has determined that its deferred charges meet the criteria for deferral with the adoption of CICA Handbook Section 3064 for the fiscal year beginning October 1, 2008.

Inventory

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 values its concentrate inventories at the lower of cost or net realizable value at the end of the reporting period. Net realizable value includes metal prices, net of treatment charges and freight. Metal prices can be subject to significant change from period to period.

Financial Instruments

Effective October 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' new Handbook Section 1530, "Comprehensive Income", Section 3855, "Financial Instruments", and Section 3861, "Financial Instruments" – Disclosure and Presentation". These standards were adopted on a prospective basis but calculated retrospectively; accordingly, the comparative financial statements for the prior year have not been restated.

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Comprehensive Income and Equity

Section 1530 introduces new requirements for situations when certain gains and losses ("other comprehensive income" or "OCI") must be temporarily presented outside of net, loss. Comprehensive income includes both net loss and OCI. OCI is the change in shareholders' equity from non-owner sources which are not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the nine months ended June 30, 2009, and no opening nor closing balances for AOCI.

Financial Instruments Recognition, Measurement, Disclosure and Presentation

Under section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognised or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Upon adoption of these new standards, the Company has designated its cash as held-for-trading, which is measured at fair value. Receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other liabilities, which are measured at amortized cost. At June 30, 2009, the Company had neither available-for-sale nor held-to-maturity financial instruments.

The Company evaluated the impact of Section 3855 on its 2007 financial statements and recorded a transition adjustment to opening deficit in the 2007 year in the amount of $22,000 to reflect the impact of adopting the effective interest rate method.

Section 3861 identifies and details information to be disclosed in the financial statements.

4. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS,

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replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2012. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

For interim and annual financial statements relating to its fiscal year commencing October 1, 2011, the Company will be required to adopt new CICA Accounting Handbook Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interest". Handbook Section 1582 replaces existing Handbook Section 1581 "Business Combinations", and Handbook Sections 1601 and 1602 together replace Handbook Section 1600 "Consolidated Financial Statements". The adoption of Handbook Sections 1582, and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The Company has not yet determined the effect, if any, that the adoption of these standards will have on its financial statements.

5. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

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.

On April 16, 2007, the shareholders authorized the Company to apply for a certificate of continuance under the Canada Business Corporations Act (the "CBCA") continuing the Company as if it had been incorporated under the CBCA. The continuance was applied for and completed. As a result of the continuance the Company`s authorized capital consists of an unlimited number of common shares with no par value.

The Corporation has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on its shares will be made by the board of directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

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6. Share Capital

	Number of shares	**Amount $**
Outstanding – September 30, 2008	728,528,719	69,255
Private placement (i)	19,408,620	274
Private placement (ii)	1,663,182	23
Private placement (iii)	42,839,654	1,371
Outstanding – June 30, 2009	792,440,175	70,923

i.) On December 12, 2008, the Company sold through a private placement 19,408,620 units at CA$0.025 per unit, consisting of one Common Share and one half Common Share purchase warrant to purchase a further common share at CA$0.045 per share at any time within 24 months of the date of issue. In addition the placement agent is to receive 1,209,888 common stock purchase warrants exercisable for 24 months from the date of issuance at CA$0.025 per share. Net proceeds of the placement were $362,733, of which $88,345 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 2.8%, no dividend and a volatility factor of 100%.

ii.) On March 6, 2009, 1,663,182 Common Shares valued at CA$0.035 were issued for services rendered to the Corporations and for the purchase of a Land Rover Jeep. The share were value $45,945 using the TSX closing price on February 23, 2009. In addition the Company issued 1,414,050 common stock purchase warrants exercisable for 24 months from the date of issuance at CA$0.036 per share. The warrants were valued at $23,390. The fair value of the warrants was assigned using the Black-Scholes valuation model assuming a risk-free interest rate of 1.4%, no dividend and a volatility factor of 120%.

iii.) On June 9, 2009 the holders, Mr. David R.S. Thomson and Mr. Mario Hernández both Executive Vice Presidents and directors of the Company elected to convert the $1,600,000 convertible secured debenture which was issued to them in 2006 and was due to mature on March 31, 2013 into 28,108,288 Shares at a conversion price $0.0569 per shares. These shares were value at $903,662 using the TSX closing price of CA$0.035 on June 9, 2009 resulting in a gain of $1,024,658, of which $392,276 was recorded as other income for the three months ended June 30, 2009 and $632,382 was recorded as deficit. Also on June 9, 2009, Mr. David R.S. Thomson and Mr. Mario Hernández converted $504,022 of leases secured by certain mining equipment into 12,261,795 Common Shares of the Company. The shares were value at $0.035 using the TSX closing price per share on March 9, 2009 and resulted in a gain of $156,926, which was recorded as other income for the three months ended June 30, 2009. Also On June 9, 2009, 2,469,571 Common Shares valued at CA$0.035 were issued to Mr. David R.S. Thomson and Mr. Mario Hernández, were issued in lieu of interest

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payments, due for the period of March 31, 2008 to March 31, 2009 on the US$1,600,000 Convertible Debenture issued to it in 2006

7. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to receivables is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at June 30, 2009, the Company had a positive working capital of approximately $1,891,000 which included cash of $1,935,000. At June 30, 2009 the Company's deficit was approximately $61,804,000 and shareholders equity was approximately $15,135,000.

To preserve its cash position the Company plans to concentrate its efforts on Pimenton.

Risk Factors

The Company is a minerals producing, exploration and development company with properties currently focused in Chile. Its mining activities involve numerous inherent risks. The Company is subject to various financial, operational and political risks that could significantly affect its profitability and operating cash flow. The Company minimizes these risks by careful management and planning. These risks include changes in local laws affecting the mining industry, a decline in the price of gold or copper, uncertainties inherent in estimating mineral reserves and mineral resources and fluctuations in the Chilean peso against the US dollar. The Company does not use financial instruments to mitigate the risks of changes in the price of gold or currency fluctuations.

The mining industry is intensely competitive in all of its phases. The Company competes with many companies possessing greater technical facilities and financial resources than are available to it.

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

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The Company is subject to foreign exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency. A strengthening of the Canadian dollar and the Chilean pese could adversely affect the Company's costs denominated in US dollars. Recently the US dollar has strengthened significantly against both of these currencies. The value of the Chilean pesos to US dollar has a great effect on the Company's operations. The Chilean pesos is at a near all time high of CH 640. The Company is paid for its gold, copper and silver sales in equivalent US dollar while most of its costs of operations are in Chilean pesos.

The Company's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns. A drop in the price of gold, copper, limestone and lime could adversely affect the Company's financial condition, results of operations and cash flows. Lower gold, copper, limestone and lime prices may result in: a) asset impairment and a write-down of the asset carrying value, b) production cutbacks and c) cessation of operations.

The Company's Pimenton mine is highly dependent on generating its own electrical needs at the mine, plant and camp sites. Fuel costs have risen substantially and are expected to further increase. Higher fuel costs will have an adverse impact on profitability of the mine.

Mine labour costs in Chile are increasing which could adversely impact operating profits at the Pimenton mine.

The Company operates primarily in Chile and is exposed to the laws governing the mining industry in Chile. The Chilean government is currently supportive of the mining industry but changes in government regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property and shifts in political stability of the country and labor unrest could adversely affect the Company's exploration efforts and production plans.

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. Mineral reserves and resources are estimates which may differ significantly from actual mining results.

Due to financial constraints the Company manages its operations with a limited number of key personnel. The need to replace any of these individuals could adversely affect the Company's operations until a qualified replacement is found.

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The Company is currently pursuing insurance for business interruptions and insurance on its camp, plant, assay laboratory, fuel storage and garage facilities at Pimenton. The Company currently does not have these insurance policies.

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 shutdown of the Pimenton 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.

Readers should read the risk factors which are described in more detail in the Company's annual information form dated December 18, 2008. Such factors could materially affect future operating results of the Company and cause actual results to differ materially from those described in forward –looking information relating to the Company.

The Company's continuance as a going concern is dependent upon 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.

Sensitivity Analysis

As of June 30, 2009, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The Company believes the following movements are "reasonably possible" over a three-month period:

(i) There would be no impact on the cash held as the Company does not earn any interest on this cash.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

8. Recoverable Taxes

Recoverable taxes in the amount of $1,839,000 (2008 – 2,131,000) of the total of $2,199,000 at June 30, 2009 (September 30, 2008 – 2,945,000) have been classified as current asset in the consolidated balance sheets. Recoverable taxes in the amount of $360,000 as at June 30, 2009 (September 30, 2008 - $344,000) 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 taxes due upon sales by the Company or by requesting reimbursement of IVA when tax export commitments are proven. Therefore, the

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

9. 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.

On June 14, 2009 OPIC agreed to sign a "Standstill Agreement" waiving the financial and operational covenants of the loan agreement and in return the Company agreed to pay the balance of the loan, commencing on June 15, 2009, on a quarterly basis at the rate of $311,111 rather than on a semi-annual basis.

10. Warrants

		2008
	Number of warrants	**$**
Balance - September 30, 2008	173,423,028	1,716
Issued (note 6(i))	10,914,198	88
Issued (note 6(ii))	1,414,050	24
Expired warrants (a)	(65,120,680)	(373)
Balance – June 30, 2009	120,630,596	1,455

(a) Warrants expiring during 2009 were valued at $372,768

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11. Commitments

a) Project Commitments

Project	**Description**	**Total potential commitment $**	**Paid to date $**
Catedral and Rino	A loan for development costs	up to 2,500	250
	To the owner of another section of the property - $275,000 - issuance of 1,824,815 common shares of the Company valued at $125,000, and the balance of $150,000 due on January 25, 2010, payable at owner's option in the Company's shares issued at a 15% discount from the market value at that date, but not less than CA$0.20 per common share; the Company can prepay this amount at any time.		125
La Bella	La Bella inner was acquired in December 2007 by the Company by way of an option agreement of the property. Under the terms of the option agreement US$10,000 was paid on signing; US$20,000 was paid in ninemonths;$70,000 was paid at the end of the first year; $200,000 at the end of the second year; $800,000 at the end of the third year, $900,000 at the end of the fourth year and $1,000,000 at the end of the fifth year. The Company will pay a 2 ½% Net Smelter Royalty from production thereafter. The Company also has a minimum investment obligation of $50,000 in year one; $250,000 in year two and $700,000 in year three. On the outer circle the Company paid $100,000 in December 2008, and the Company has an obligation to pay $100,000 in December 2009, $500,000 in December 2010, $700,000 in December 2011, $1,000,000 in December 2012 and $2,600,000 in December 2013. The Company will pay a 2½ % net smelter royalty to the optionee of the inner circle from production thereafter.	9,000	200
Cal Norte	Capital contribution of $1,800,000 to earn 60% equity interest	1,800	1,406

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b) Lease commitments

The Company is committed to payments for future minimum lease payments under capital lease to Bice Bank as follows:

Year ending June 30,	Capital	Interest	Total
	$	$	$
2010	28,580	6,802	35,382
2011	30,420	2,158	32,578
Total	**59,000**	**8,960**	**67,960**

12. Related Party Transactions

A company owned by the Chief Executive Officer of the Company, who is also a director of the Company (the "CEO") billed the Company $54,450 for the nine month period ended June 30, 2009 compared to $58,777 for nine months period ended June 30, 2008 for the provision of office space and services used by the Company.

Receivable from an officer and director of the Company of $212,860 for the nine months ended June 30, 2009 is the net amount of non-interest-bearing note receivable compensations and advances to the CEO. The note is due on June 30, 2010 and is collateralized by 6,532,000 Common Shares owned by this officer and director. As at June 30, 2008 the note receivable amounted to $286,233, non-interest-bearing advances to this officer and director amounted to $71,281 and was included in long-term receivables.

The former Chief Financial Officer of the Company retired on February 6, 2008 at which time he was owed $207,260. The Company entered into a retirement agreement with the former Chief Financial Officer under which he received 2,000,000 Bonus Shares and was paid $17,648 for the difference between the net sales price of the 2,000,000 Bonus Shares and $100,000. In addition he has been paid $5,000 per month beginning February, 2008 and continued to be paid at the rate of $5,000 per month until February 28, 2009. Beginning in March, 2009 he was paid $12,500 per month until the net balance has been paid. Effective June, 2009 the former chief financial officer was paid in full ($77,260 as of June 30, 2008) The former Chief Financial Officer billed $nil for accounting services rendered to the Company for the nine month period ended June 30, 2009 (June 30, 2008 - $10,618).

A company controlled by the current Chief Financial Officer of the Company (the "CFO") billed the Company $25,569 for accounting and administration services rendered in the nine month period ended June 30, 2009 (June 30, 2008 - $11,685). Amounts due to related parties include payables to the CFO of $3,796 for such services at June 30, 2009 (June 30, 2008 - $6,586).

On June 9, 2009 the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice Presidents and directors of the Company elected to convert the $1,600,000 convertible secured debenture which was issued to them in 2006 and was due to mature on March 31, 2013 into 28,108,288 Common Shares at a

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conversion price $0.0569 per share. These shares were valued at $903,662 using the TSX closing price of CA$0.035 on June 9, 2009 resulting in a gain of $1,024,658, of which $392,276 was recorded as other income and $632,382 was recorded as a reduction in the deficit –"Covertible Secured Debenture". Also on June 9, 2009, Mr. David R.S. Thomson and Mr. Mario Hernandez converted $504,022 of leases secured by certain mining equipment into 12,261,795 Common Shares of the Company. The shares were value at $0.035 using the TSX closing price of the date and resulted in a gain of $156,926, was recorded as other income.

On June 9, 2009, 2,469,571 Common Shares valued at CA$0.035 were issued to two officers (Executive-Vice President, Claims and Land Management and Executive-Vice-President and Director of the Company Exploration) who are also Directors and were issued in lieu of interest payments, due for the period of March 31, 2008 to March 31, 2009 on the US$1,600,000 Convertible Debenture issued to it in 2006. Interest expense was $47,055 and $74,673 for the periods ended June 30, 2009 and June 30, 2008, respectively. Amounts due to related parties include payables to these officers of $9,095 and $116,999 as at June 30, 2009 and June 30, 2008, respectively, for interest on such debentures.

On May 12, 2009, 3,000,000 Options were granted to the Chief Financial Officer of the Company at an exercise price of CA$0.04 per share, exercisable for a period of five year, 1,000,000 to vest immediately, 1,000,000 to vest one year from the date of grant, and the balance of 1,000,000 to vest on the second anniversary of the date of grant. The Options were valued at $33,400, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%. Also, on May 12, 2009, 660,462 Options were granted to a director of the Company at an exercise price of CA $0.04 per Share, exercisable until April 30, 2013 to vest of a period of three years. The Options were value at $8,310, using the Black –Scholes valuation model, assuming a risk- free rate of 2.1%.

On December 12, 2008, the Company sold through a private placement 19,408,620 units at CA$0.025 per unit, consisting of one Common Share and one half Common Share purchase warrant with each whole warrant entitling the holder thereof to purchase a one Common Share at CA$0.045 per Common Share at any time within 24 months of the date of issue, of which 4,285,020 Common Shares were issued to a director who is also an officer of the Company in payment of cash advance of $85,000 at November 2008, plus purchase warrants to purchase up to 2,145,510 Common Shares. In addition, the placement agent received 1,209,888 Common Share purchase warrants exercisable for 24 months from the date of issuance at CA$0.025 per Common Share.

During 2007, the Executive Vice-President Director, Claims and Land Management, who is also a director of the Company, purchased an interest in the Pimenton notes and royalty from a non-related party. The fair value of this note was $937,439 at June 30, 2009 (June 30, 2008 - $856,023) and interest expense was $36,224 for the nine month period ended June 30, 2009 (June 30, 2008 - $36,357). Amounts due to related parties include $230,151 (June 30, 2008- $181,719) for interest and $350,020 for royalties as at June 30, 2009 (June 30, 2008 - $91,802).

Amounts due to related parties include $231,697 and $181,719 as at June 30, 2009 and 2008, respectively, 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 $931,459 and $850,539 as at June 30, 2009 and 2008, respectively. In addition, amounts due to related parties include $350,020 and $91,802 as at June 30, 2009 and 2008, respectively, for royalties due to this officer and director who is the owner of a net smelter royalty on the Pimenton gold mine and include a cash advance of $8,909 which was provided to the Company in July 2008.

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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 Common 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 of Claims and Land Management, who is also a 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%.

In June 2008, the Executive Vice-President and Director of Exploration, who is also a director of the Company agreed to guarantee the payment of a 37-month lease purchase agreement entered into by the Company on February 23, 2008 with a local Chilean bank for the purchase of a 4x4 Land Rover and a 4x4 Mahindra truck for a total purchase price of $71,624 plus VAT at 19% for a total of $85,232. This director and officer of the Company has also guaranteed the payment of a 37-month lease/purchase agreement with a local Chilean bank for the purchase of an ambulance for purchase price of $54,992 plus VAT at 19% or a total of $65,440.

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 totalling $500,000, which was paid during 1997.

On July 11, 2008, the Executive Vice President and Director of Land and Administration, who is also a director of the Company bought from CMP, a Ford Ranger truck. The sale price of the truck was $13,575 inclusive of VAT tax at 19%. The transaction generated a $5,326 loss to the Company. Amounts receivable from related parties include $12,884 for this transaction.

The CEO, the Executive Vice President and Director of Exploration and the Executive Vice President and Director of Administration who are also directors of the Company hold a total of 3.2% net smelter royalty interest on Tordillo, a 2.5% net smelter royalty interest on both the inner circle and out circle of claims on La Bella. These net smelter royalty interests were approved by the Board of Directors and Compensation Committee of the Company in 2001. These individuals have not received compensation and benefits comparable to mining industry standards since 2001.

13. Short-term Borrowings

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

14. Comparative Amounts

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

Directors* and Officers

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

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

Patrick Esnouf*
Santiago, Chile
President

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

William Hill*(1)
Rock wood, ON, Canada
Principal, William Hill Mining Consultants, Ltd.

Juan A Proaño*
Potomac, Maryland

Frederick D. Seeley*(1),(2)
New York, New York
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

Richard J. Lachcik*
Toronto, ON, Canada

Peter W. Hogg
Toronto, ON, Canada
Chief Financial Officer

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

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