

News Release

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

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PINCOCK, ALLEN & HOLT DUE DILIGENCE REPORT CONFIRMS ECONOMIC VIABILITY OF RESTARTING OPERATIONS AT PIMENTON GOLD MINE

- **Mine to Produce 22,210 Gold Equivalent Ounces in First 12 months of operation starting in March 2004, increasing progressively to 46,500 Gold Equivalent Ounces per year.**
- **Average Annual Gold Equivalent Ounces produced estimated at 41,200 ounces 2004 through 2010.**
- **Project Cash Cost per ounce (before depreciation and amortization) over 7-year project life estimated at US \$166.**
- **Capital Cost to restart operations estimated at US \$4.0 million.**
- **Recovered gold equivalent ounces estimated at 288,260 over 7 year mine life.**
- **Preliminary Assessment by PAH on Inferred Mineral Resources indicates good potential for additional gold resources on the property.**
- **Project After Tax Internal Rate of Return estimated at 117% at a gold price of US \$320 per ounce.**

Toronto, Ontario, Canada – South American Gold and Copper Company Limited (“SAGC” or the “Company”) (TSX: SAG) is pleased to announce the results of the due diligence study of the Company’s plan to restart operations at its Pimenton gold mine located in the V Region, Chile. The study, entitled *Due Diligence of the Restart of the Pimenton Gold Mine, Central Chile*, dated August 18, 2003, was conducted by Pincock, Allen & Holt (“PAH”), Lakewood, Colorado. Mr. Raul Borrastero, Senior Geologist, PAH, was Project Manager and Mr. Jack Haponstall was the Principal Mine Engineer on the project review and site visits. At PAH’s offices in Denver, Messrs. Nelson King,

Mark Madden and Mr. Tom McNamara, Principal Mining Engineer and Manager of Mining and Geology, assessed the metallurgical and milling, environmental and economic aspects of the project, respectively. Ms. Susan Poos, P.E., Senior Mining Engineer, and an independent “Qualified Person,” completed a technical review of the project report.

Pimenton is a high grade narrow vein gold mine with associated copper, located in Region V of Chile approximately 180 road kilometers southeast of Santiago, Chile, and is owned by Compañía Minera Pimenton (“CMP”), a wholly owned subsidiary of the Company. The PAH report reviewed the Company’s plan to restart operations at Pimenton in March 2004 (at a capital cost of US \$4,000,000) with an average of 100 metric tonnes of mill throughput per day, increasing to 200 tonnes per day over a two year period at an average estimated head grade of over 20 grams per tonne (0.643 ounces per tonne). Gold production is estimated at approximately 19,600 ounces (or 22,210 gold equivalent ounces, including copper and silver credits) in the first year of production and increasing to approximately 41,100 ounces (or 46,500 gold equivalent ounces including copper and silver credits) in the third year of operations through 2010. (The calculations by SAGC of the “gold equivalent ounces” are contained in the Appendix to the Summary of the PAH report which can be seen at SAGC’s website, www.sagc.com, discussed below.)

The PAH report includes a detailed review of CMP’s Geology Resources and Reserves, Mining Plan, Surface Facilities, Metallurgy and Processing, Environmental Management and Permitting, Capital Costs, Operating Costs and Financial and Economic Analysis.

The summary of Financial Analysis and Economic Analysis contained in the Pincock, Allen & Holt report is shown below:

Summary of Financial Analysis at Gold Price of US \$320

Activity	Estimated Project Totals
Ore milled (tonnes)	466,538
Equivalent recovered gold (oz)	288,264
Revenues (US\$)	83,856,156
Capital expenditures (US\$)	4,268,100
Mine closure costs (US\$)	779,101
Total Operating Cash Costs (US\$)	45,316,242
EBITDA (US\$)	36,139,144
Net income after taxes (US\$)	31,876,200
Project IRR	117.3
Project NPV @ 10% (US\$) after taxes	15,891,280

Project Economic Analysis

PAH performed several sensitivities to reflect possible alternative project outcomes shown in the table below:

Project Economics (before SAGC overhead costs) at US \$320 Gold Price

Case	IRR%	NPV at 10%, US \$ millions
Base PAH	117	15.9
Base CMP	113	15.0
Grade-20%	60	7.3
Grade-30%	30	2.0
Capital Cost+20%	104	15.2
Capital Cost+30%	96	14.9
Sales Price-10%	88	11.5
Ores Tonnes-10%	90	11.8
Operating Cost +10%	97	11.8
Historic Recovery Rates	102	13.6
CMP Case 2	102	14.5
CMP Case 3	93	13.5

A summary of PAH's comments on the projects economics is shown below:

- The Pimenton economic model appears well constructed and fairly represents the project cash flow as discussed in CMP's Preliminary Technical Report (dated April 2003). The project economics are favorable and relatively robust to potential changes (sensitivities). The project's proposed cash flow (before SAGC costs) yields an internal rate of return (IRR) of 117 percent, a discounted (at 10%) net present value of \$15.9 million, and a payback of about 18 months. The CMP base case IRR (113%) and NPV (\$15.0) are slightly lower than the PAH base case due to an assumed 4% annual cost escalation (i.e., inflation rate).
- CMP Case 2 includes \$543,900 higher capital expenditures and the accrual of closure costs over the mine life versus when incurred after mine closure. The SAGC Case 2 IRR is 102% and NPV of \$14.5 million. This should be compared to CMP's Base Case economics of IRR at 113% and NPV of \$15.0 million. As indicated this is a relatively modest reduction in project economics.
- The project economics are most sensitive to ore grade reductions. A 20 percent grade reduction results in an IRR of 60 percent. A 30 percent grade reduction drops the IRR to 30 percent, still a higher return than many similar mining projects PAH has reviewed. While a 20 to 30 percent grade reduction appears large, selective mining of high-grade narrow vein gold deposits like Pimenton can commonly incur more ore dilution both from stopes and development production and therefore lower ore grade than predicted. CMP developed a case to address the mine ore dilution, CMP's Case 3, that assumes mine and mill throughput are increased proportional (20%) to increased ore dilution. The CMP Case 3 economics are much less sensitive (IRR 93%).
- In PAH's opinion, another risk area is the estimated capital cost. The economics are far less sensitive to capital increases, with a 30 percent increase dropping the project IRR to 96 percent and the NPV to \$14.9 million.
- Overall, the project economics appear favorable and robust, unless a combination of negative events occurs.

PAH has reviewed and given its approval for the publication of the information relating to its report as provided above in this news release. A more complete summary of the PAH due diligence study entitled *Due Diligence of the Restart of the Pimenton Gold Mine, Central Chile*, dated August 18, 2003, and also approved by PAH, can be seen on SAGC's website: www.sagc.com.

The following comments are the sole expressions of SAGC management and approved by its Board of Directors:

Stephen W. Houghton, President and CEO, stated, "The PAH report was detailed, thorough and complete. In addition to the report's review of the Company's operations and exploration/development plans for the mine, it also reviewed the Company's plan to operate Pimenton in accordance with the World Bank's environmental and safety standards for mining operations as well as in accordance with Chilean mining standards.

"The PAH report has reconfirmed our long-held confidence in Pimenton and its future potential, at current gold prices, to provide SAGC with a steady stream of income to support additional exploration activities at Pimenton over and above the exploration/development funding provided for in the Company's mine development plan reviewed by PAH. In addition, Pimenton is expected to provide SAGC with income to support further development of its Cal Norte and Catedral lime projects and other gold prospects currently being reviewed by the Company.

"Detailed engineering plans for reinstallation of the Pimenton plant equipment and for refurbishment of the plant and camp facilities are in the final stages of completion. The road into the mine site has been opened and mobilization of the plant equipment and mining equipment is in progress. Reconstruction of the plant and mine preparation operations are scheduled to begin by the end of the month.

"We are confident that our plans to have Pimenton in operation by the end of March 2004 will be achieved. This will be a significant event for the Company, its shareholders and for the communities which will provide goods and services to Pimenton."

South American Gold and Copper Company is a mineral exploration and development company with properties and activities currently focused in Chile. Its common shares are listed on the Toronto Stock Exchange under the symbol "SAG."