

INFORMATION MEMORANDUM SUMMARY

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED

(TSX : SAG)



NOVEMBER 6, 2002

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Chart courtesy BigCharts.com

SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED – OVERVIEW

Exchange	Toronto	Shares out. (6.30.02)	(millions)	233.768
Symbol	SAG	Float	(%)	71%
Price (11.5.02)	(C\$) 0.045	Options & warrants	(millions)	38.956
52 week: high (3.19.02)	(C\$) 0.180	Average exercise price	(C\$)	0.083
low (11.23.01)	(C\$) 0.030	Cash (6.30.02)	(US\$ mm)	0.587
Average daily trading volume	840,500	Cash on option/warrant exercise	(US\$ mm)	2.052

South American Gold and Copper Company Limited (“SAG” or the “Company”) is a Canadian mining company operating in Chile. The Company has two divisions: gold, comprising the Pimenton mine and other exploration projects under evaluation; and limestone, comprising the Cal Norte and Catedral projects.

- Pimenton is a high grade underground gold mine, with an average diluted grade of 18.7 grams per tonne (0.55 ounces per short ton), that was discovered by a predecessor company to SAG and mined intermittently in the early to mid-1990s. The project is centered on a large area of intensive alteration that is believed to be the surface expression of a deep porphyry system.
- The Company has developed initial reserves and inferred mineral resources sufficient for five years of operation based on two high grade quartz vein systems. These systems, which have been the focus of exploration to date, correlate with magnetic alignments and geochemical anomalies. SAG has identified seventeen other magnetic alignments with associated geochemical anomalies, each of which represents a target with the potential to contain 100,000 ounces or more of minable gold.
- Much of the equipment needed to recommence operations is already in place. The Company has budgeted US\$3 million to upgrade the facilities and open up a new mining level to access the existing reserves. The development plan then calls for underground exploration and development to prove-up additional reserves and extend the resource base.
- Mining will be highly-selective cut-and-fill to minimize dilution and maintain good ore control. The Company plans to start mining at 70 tonnes per day, slowly ramping up to 150 – 200 tonnes per day over three years, at which rate it will produce 30,000 – 40,000 ounces of gold a year, as it develops additional ore. The company will sell doré and ship copper concentrate to the ENAMI smelter at Ventanas.
- The Company plans to finance reopening the mine by issuing a convertible debenture for US\$3.75 million. The debenture will be convertible into common stock at C\$0.15 per share, or may be redeemed for gold on a quarterly basis equivalent to buying gold at \$281 per ounce.

Gold Price	310	Note	I	II	III
Net payable gold produced		(oz)	36,294	65,976	150,760
Mining rate		(t/d)	67	70	150
Annual production		(oz)	13,092	13,195	28,556
Operating life		(yrs)	3.4	5.0	6.2
Direct operating cost (excluding royalty)	1	(\$/oz)	155	156	124
Total operating cost (including royalty)	2	(\$/oz)	196	195	153
Total cost (including capital)		(\$/oz)	281	268	193
Cash-on-cash return		(%)	137%	250%	782%
Internal rate of return		(%)	22%	33%	108%

Source: Company reports and Proteus Capital Corp. estimates

Note 1 Mine costs including mining, milling, smelting and refining charges

2 Direct operating cost plus royalties and off-site general and administrative costs

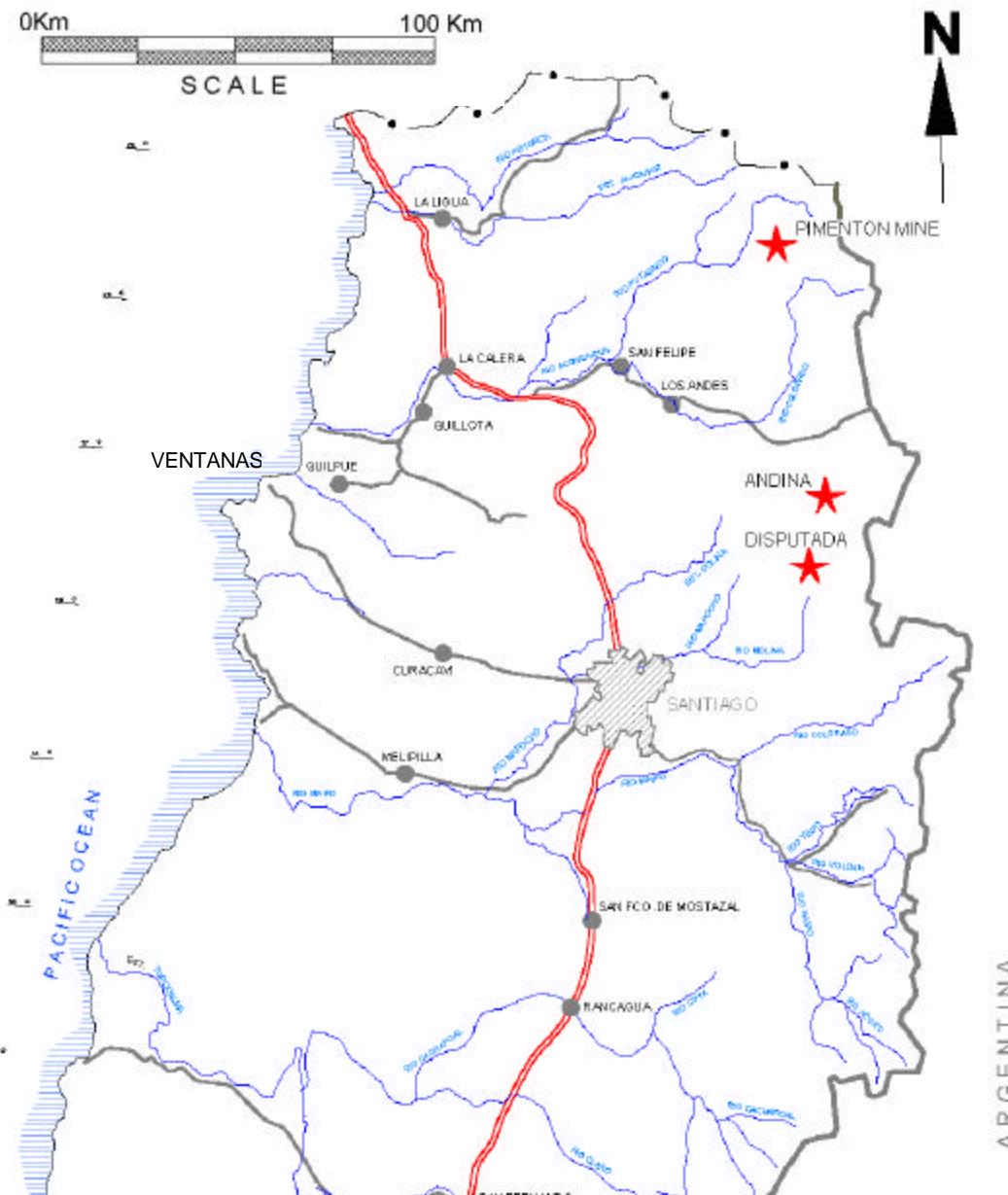
Case I Proven and probable reserves under NI 43-101

II Prefeasibility study

III Proven and probable reserves plus inferred mineral resources

GOLD

Pimenton Location



The Pimenton gold mine, 100% owned, is located about 125 kilometers (75 miles) north of Santiago – 175 kilometers (105 miles) by road – close to the border with Argentina. Access is from the main north-south highway that runs the length of Chile, through Santiago to the south and Mendoza to the north, by surfaced road to the Maitenes hydroelectric plant and then by 84 km (50 miles) of gravel road to the Pimenton mine site. The property is approximately 150 km (90 miles) from the ENAMI smelter at Ventanas which custom or toll processes copper-gold ores for many of the mines in the central Chile. The mine site is in rugged terrain, ranging in altitude from 3,000 meters at the Rio Colorado to the camp at 3,400 meters and local peaks at 4,000 meters.

History

Pimenton was identified by Bernstein & Thomson Ltda. (“BTX”) in 1981 under a joint exploration program for Anglo American and Cominco. That program was discontinued in 1984 and BTX optioned the property to Newmont, which was looking for bulk-minable targets. Newmont dropped the option when, as the subject of a hostile take-over attempt in the late 1980s, it focused its efforts on Nevada. BTX started small-scale underground mining of very high grade, multi-ounce per ton direct-smelting ore from veins discovered during exploration. In 1993, BTX optioned the property to Mount Isa Mines, which was interested in the porphyry copper potential. MIM drilled four shallow holes from which it concluded that the porphyry would be too deep to be of interest. In 1995, Pimenton was vended into SAG, which built and operated a pilot-scale plant in 1996/97, producing about 3,600 ounces of gold.

Regional Setting and Geology

The copper-gold belt that broadly parallels the Andes is well established, extending from southern Peru to south-central Chile. Until recently, the belt has been known primarily for its numerous large porphyry copper mines – Cuajone, Quellaveco and Toquepala in Peru; Chiquicamata and Escondida in northern Chile; and Andina, Disputada and El Teniente in central Chile.

There have also been many high-grade underground gold mines, often owned and operated by local mining companies as opposed to major international groups. More recently, the combination of economic and political stability combined with improved exploration techniques has led to the discovery and development of large gold mines in both Peru – Yanacocha (Newmont) and Pierina (Barrick) – and Chile – Pascua (Barrick), El Peñon (Meridian), and Fachinal (Coeur d’Alene) in southern Chile. The area to the north of Santiago hosts several underground gold mines such as Petorca (Coeur d’Alene) and Pimenton.

Regional geology is dominated by the Upper Cretaceous to Lower Tertiary Abanico Formation comprised of primarily andesitic volcanics intruded by younger plutons. This Formation is overlain by the mid-Tertiary Farellon Formation, comprised of welded tuffs and thick flows of andesitic lavas. Monzonitic granite and quartz-diorite intrusives range in size up to 50 km².

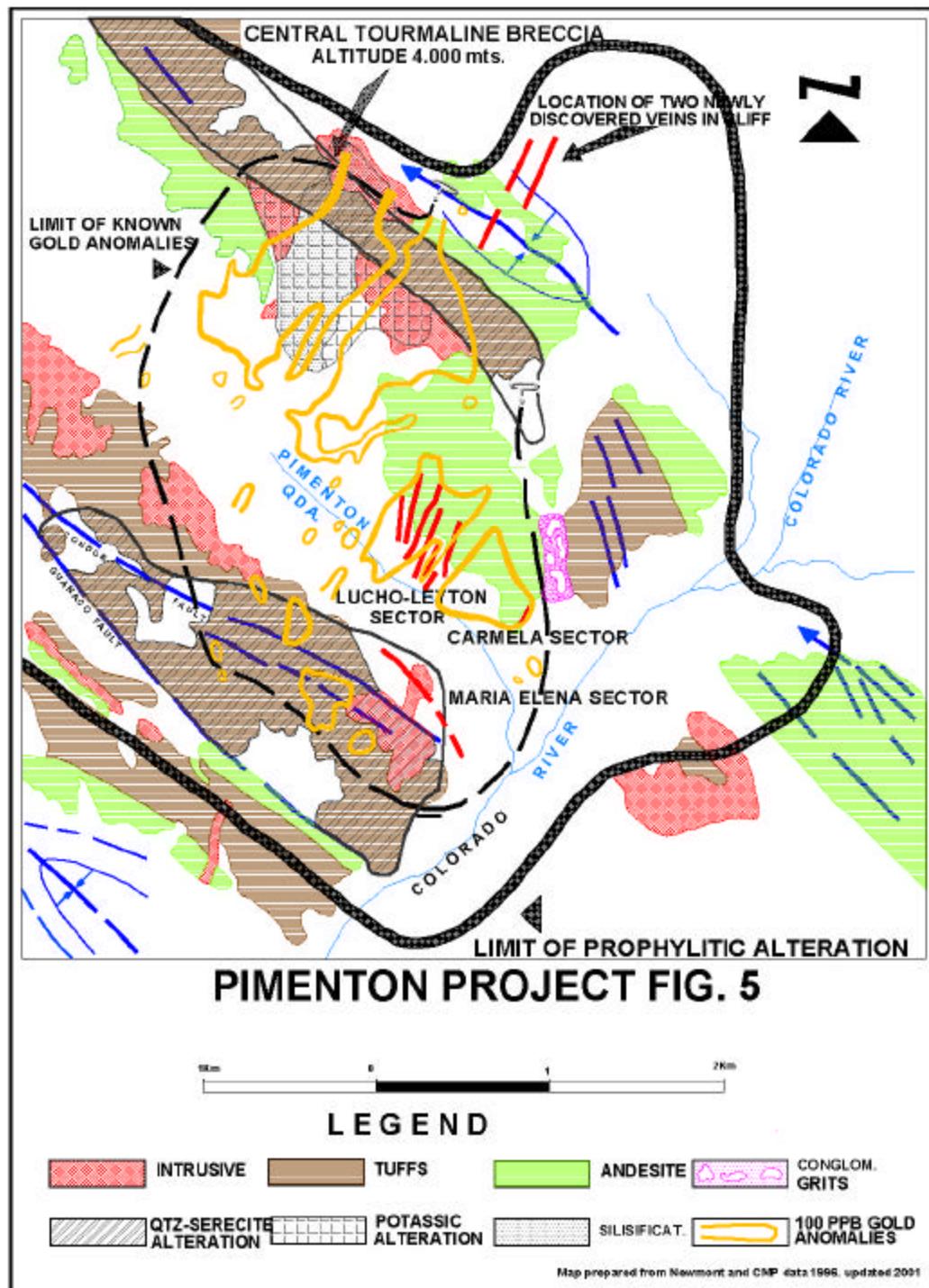
Pimenton is in a similar geologic setting to El Indio, located some 500 kilometers to the north, which was originally discovered by the same team that found Pimenton. The ratio of gold to copper is higher at Pimenton than the average at El Indio, El Indio suffered from high concentrations of arsenic that required expensive processing, and that mine probably never lived up to its potential owing to a sequence of corporate ownership that resulted in a lack of consistent planning and vision. Nonetheless, it was a major mine.

Pimenton

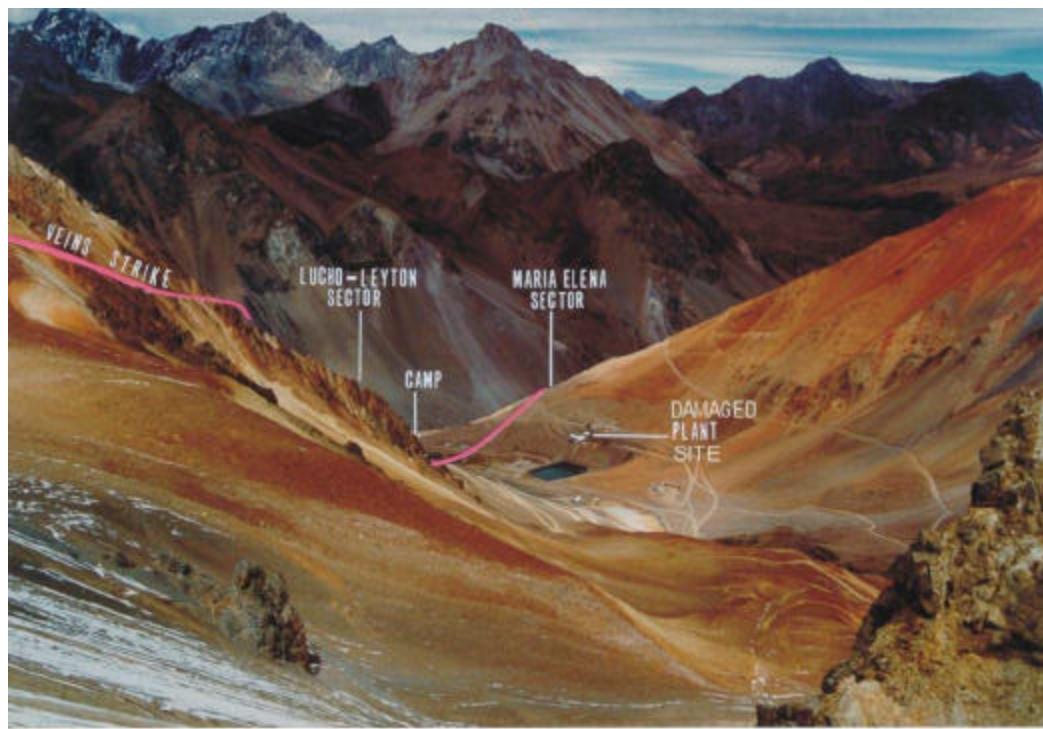
Pimenton is centered on a large area, some four-to-five kilometers across, of pervasive hydrothermal alteration. The property is characterized by a northwest trending quartz sericite ridge, peaking at an elevation of about 4,000 meters, that separates the Pimenton valley and the upper Rio Colorado river.

There are abundant intrusives with strong stockworking and multi-directional quartz veining in the ridge. A hydrothermal breccia, approximately 100 meters across, forms the highest point on the ridge, consisting of a matrix of tourmaline, anhydrite and pyrite enclosing fragments of monzonite porphyry with strong sericitic alteration.

Pimenton Geology



Pimenton valley looking southeast



There is strong northwest trending faulting, including the Condor and Guanaco faults zones to the west of the Pimenton valley, that define an area of highly altered monzonite with extensive stockwork near the faults.

Near the center of the alteration zone, primarily on the eastern side of the Pimenton valley, there are surface gold anomalies that are closely associated with nineteen identified north-northeast trending magnetic alignments. These alignments are typically about 150 meters apart – both alignments that the company has tested are associated with steeply dipping quartz-sulfide veins and vein systems.

Initial ore development has focused on two of these nineteen identified magnetic alignments – Lucho-Leyton and Michelle. The Carmela vein, some 800 meters to the southeast, was found recently, as were veins on the ridge to the east of the valley, some 1,600 meters to the north-northeast of Lucho-Leyton, which may be the northeastern extension of the Lucho-Leyton vein system.

The veins are typically near vertical, with ore-shoots at least 200 meters in length and about 0.5 meters wide on average. Mineral systems such as these typically have good vertical continuity – El Indio was mined over 1,000 meters down dip – with multiple ore-shoots along the strike length of the vein.

In addition to these bonanza grade veins, there are moderate grade north-northwest trending veins typically flanked by clay or sericite alteration, as well as lower grade pyrite magnetite veins in the margins of siliceous masses. Thus, it appears that there were multiple mineralizing events within a structurally complex setting – indicating significant reserve potential.

Potential

The potential at Pimenton is to develop multiple ore-shoots on several veins over a vertical interval of perhaps 1,000 meters or more. Drill intercepts indicate that the gold grade continues at depth to at least 210 meters below the 3390 level. In its November 1996 qualifying report, which does not comply with NI 43-101, Behre Dolbear & Company states that “*estimates which indicate total gold content in the order of 1 million ounces or more are considered valid for Pimenton.*”

Reserves & resources

During the past twenty years or so, the mining community has been focused on bulk-minable, open pit deposits where the reserves can be well defined before commencing operations. High grade vein systems such as Pimenton do not fit this model. Reserves, defined as ore-blocks with drilling or sampling on each side, are proved-up from underground workings as mining progresses. The overall scale of the system can be identified by relatively wide-spaced drilling that demonstrates continuity of structure and mineralization down dip and along strike. However, it would be prohibitively expensive to prove-up reserves from surface or from underground development.

There are many well documented cases of vein mines that have operated for many years which have never had more than a few years of reserves blocked up at any time – the Homestake mine at Lead, South Dakota is a good example.

The following table summarizes various reserve and mineral resource estimates during the past several years.

Reserve and Inferred Mineral Resource Estimates

	Metric units			U.S. units			Contained		
	Tonnage (t)	Gold (g/t)	Copper (%)	Tonnage (st)	Gold (oz/st)	Copper (%)	(kg)	Gold (oz)	Copper (t)
Reserves									
Proven mineral reserve	17,800	18.70	1.57%	19,621	0.55	1.57%	333	10,702	279
Probable mineral reserve	50,000	18.70	1.56%	55,116	0.55	1.56%	935	30,061	780
NI 43-101	67,800	18.70	1.56%	74,737	0.55	1.56%	1,268	40,763	1,059
Inferred Mineral Resources									
To 3390 level	37,000	18.40	1.45%	40,785	0.54	1.45%	681	21,888	537
Total	104,800	18.59	1.52%	115,522	0.54	1.52%	1,949	62,651	1,596
To 3180 level	171,000	19.40	1.60%	188,495	0.57	1.60%	3,317	106,657	2,736
Total	275,800	19.09	1.57%	304,017	0.56	1.57%	5,266	169,308	4,332
Pre-feasibility Study	124,900	18.71	1.53%	137,679	0.53	1.53%	2,267	72,899	1,878
September 1997 report									
Proven	22,944	13.91	n/a	25,291	0.41	n/a	319	10,261	n/a
Probable	64,562	14.17	n/a	71,167	0.41	n/a	915	29,413	n/a
Total	87,506	14.10	n/a	96,459	0.41	n/a	1,234	39,674	n/a
Possible	32,598	13.80	n/a	35,933	0.40	n/a	450	14,463	n/a
Total	120,104	14.02	n/a	132,392	0.41	n/a	1,684	54,137	n/a
Drill inferred	120,313	14.62	n/a	132,622	0.43	n/a	1,759	56,552	n/a
Total	240,417	14.32	n/a	265,014	0.42	n/a	3,443	110,689	n/a
Inferred	300,781	14.62	n/a	331,554	0.43	n/a	4,397	141,380	n/a
Total	541,198	14.49	n/a	596,568	0.42	n/a	7,840	252,069	n/a

Source: Company reports and Proteus Capital Corp. estimates

Reserves: Proven and probable reserves as defined under Canadian National Instrument 43-101

Pre-feasibility Study: Reserves under NI 43-101 plus part of inferred mineral resource to 3180 level at Lucho-Leyton

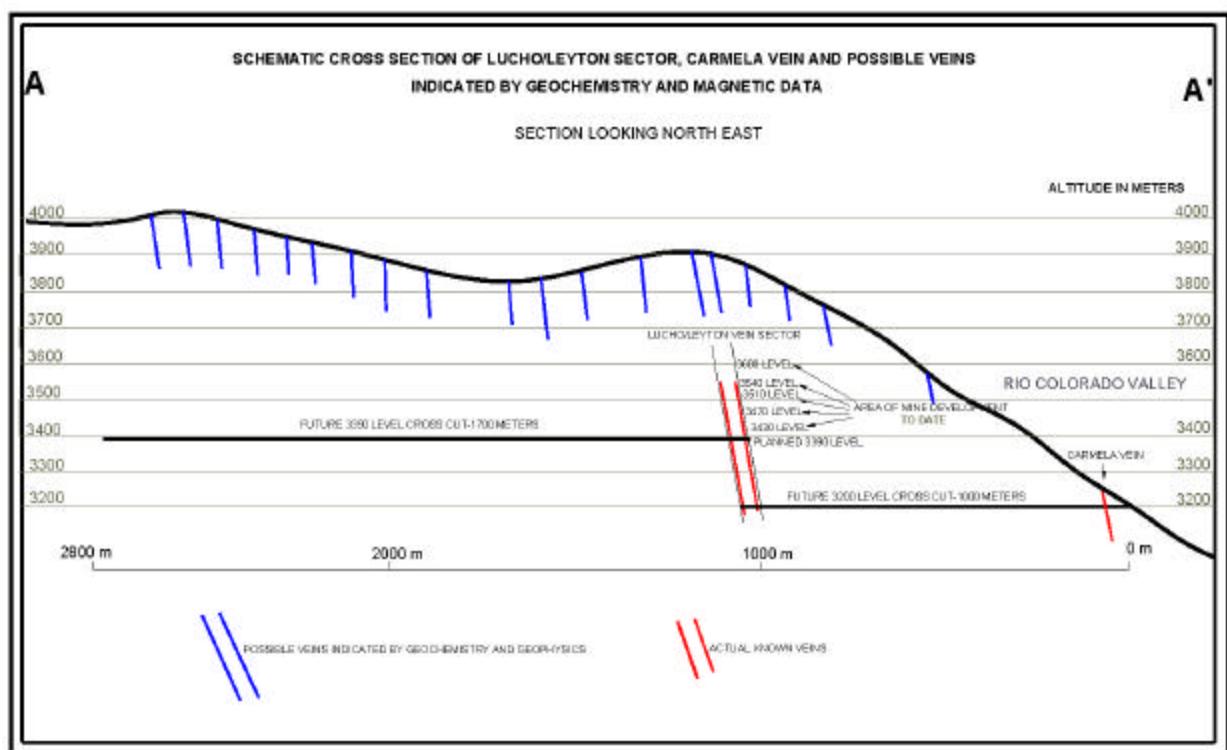
1997 Report: Detailed scoping study September 1997

The pre-feasibility study includes reserves that qualify under Canadian National Instrument 43-101, based on 90 reserve blocks on the Lucho-Leyton and Michelle veins, between 3420 and 3560 levels (140 meters) and one-third of the inferred mineral resources. The milling rate is planned at 70 t/d.

The table also sets out the total inferred mineral resources projected to the lowest levels of drill intercepts down to the 3180 level. This category includes ore previously classified as possible, one block beneath the reserves, as well as projections to depth. This would be sufficient to support ramping up the milling rate to 150 t/d.

In 1997, the Company completed a scoping study that contemplated a larger scale operation using shrinkage stoping. This study, prepared in accordance with Canadian Policy 2A, included inferred mineral resources to the 3180 level on several veins – these resources do not qualify under National Instrument 43-101. However, we have included these in the table because we believe these assumptions to be more representative of the likely outcome. The lower grade reflects additional dilution incurred with open stope mining in the scoping study – a more likely cut-and-fill operation could preserve the grade at about 19 g/t.

Cross Section



Mining and Milling

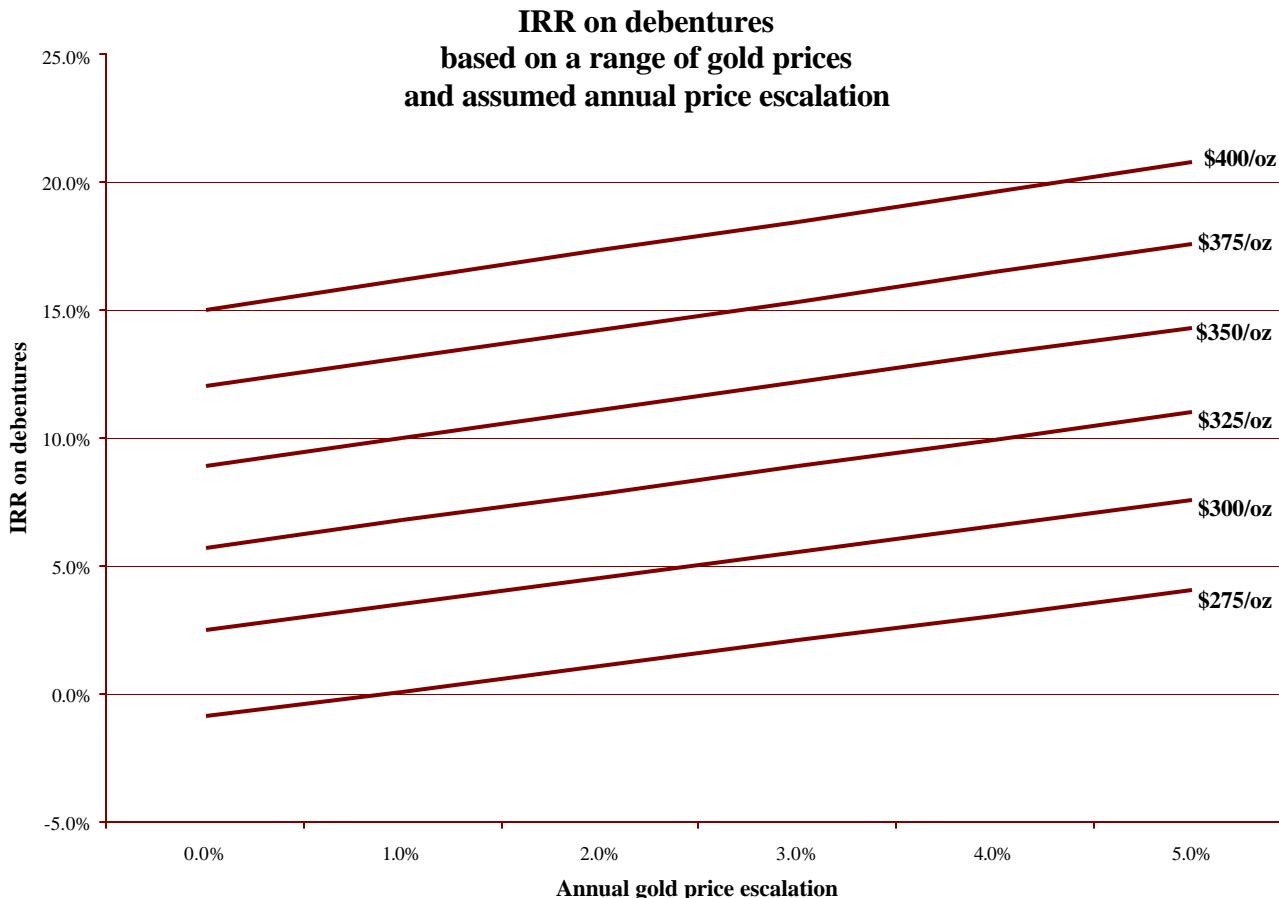
Initially, primary mine access will be at the 3390 level. An adit will be driven to the Lucho-Leyton veins and on to the Michelle vein. Highly-selective overhand cut-and-fill mining will minimize dilution. Underground development demonstrates that Pimenton produces sufficient water to supply the internal needs. The project also holds additional water rights, so it does not face the common problem of finding a water supply that plagues so many Chilean mines.

Current plans call for underground exploration and development to test the other vein systems and explore along the strike of the known veins. The initial plan calls for milling 70 t/d, potentially ramping up to 150-200 t/d as and if additional ore is developed. Many underground mines run into difficulty trying to expand production too quickly – we believe production ramp-up planned at Pimenton is conservative and achievable.

Ultimately, levels below 3390 may be developed either by driving a 1,000 meter adit from the 3200 level entry at the Carmela vein or from a portal constructed lower than the existing camp in the Rio Colorado valley, which descends to an elevation of about 3,000 meters. Either route would provide underground access to exploration targets and, in this geological environment, could well intersect additional vein structures.

The existing facility comprises primary jaw crusher, ball mill and flotation circuit, producing doré as well as a clean copper-gold concentrate that will be trucked to the State-owned ENAMI smelter at Ventanas on the coast.

Modifications planned before start-up include the addition of a secondary cone crusher and recovery of coarse gold from a Knelson concentrator. The ball mill has the capacity to grind about 250 t/d on a consistent basis.



LIMESTONE

The Company has two limestone projects in Chile. Lime is used in a variety of applications, primarily related to its ability to neutralize acidity, and is typically sold on multi-year contracts.

Approximately 58% of total Chilean lime consumption, or 660,000 tonnes a year is related to the copper mining industry. As demand grows as a result of the expansion of copper production and the transition into ores that require more lime as part of the processing, consumption in the mining industry is projected to grow by more than 50% over the next four years, increasing the mining industry's share of consumption to about 68% of the total.

There is a notable imbalance between lime supply and consumption in central Chile owing to a shortage of accessible, high grade deposits – regional demand is expected to increase by over 60% in the next four years, yet the area already imports nearly 100,000 tonnes per year, with an annual deficit of more than 250,000 tonnes projected by 2006.

SAG's limestone projects are in readily accessible locations and are of sufficient size to fill the supply deficit, providing the company with a strategic advantage over more distant competitors.

Cal Norte, 60% owned by SAG, is located 320 kilometers north of Santiago, about 215 kilometers north of Minera Disputada's El Soldado project and 140 kilometers west of Los Pelambres. Cal Norte is at modest elevation, near the coast and contains mineable, recoverable reserves of 1.2 million tonnes of high grade limestone, grading 90.5% CaCO₃. Feasibility and environmental impact studies, including extensive kiln tests on the limestone, have been completed with positive results. SAG and its partners are in discussion with project finance sources and contractors.

Catedral is a larger deposit, 120 kilometers southeast of Santiago, located in the Andes. Its target markets are El Teniente (215 kilometers southwest), Andina (274 kilometers north) and Los Bronces (162 kilometers northwest). Resources total six million tonnes of 90.5% CaCO₃ with the potential for at least an additional 44 million tonnes. Catedral is near one of the gas pipelines from Argentina and access to the target markets is good – the feasibility study is almost completed.

SAG intends to partner these projects with established international lime industry partners. It is worth noting that the combination of a predictable cash flow stream from industrial minerals projects with more volatile earnings from metals mining is a formula that has worked well for some of the world's largest mining companies.

Notes and references

- Pimenton Mine Preliminary Feasibility Study, October 2002
- Technical Report on the Reserves and Proposed Operating Plan for the Pimenton Mine, September 2002
- Pimenton Mine Project: Ten Year Conceptual Operating Plan, August 2002
- Corporate website: www.sagc.com

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