

Uruguay Mineral Exploration Inc.
Consolidated Interim Financial Statements
For the three month period ended August 31, 2005
(Unaudited - prepared by management)

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Uruguay Mineral Exploration Inc.
Consolidated Balance Sheets
(Unaudited, prepared by management)
(Thousands of United States Dollars, except where indicated)

	As at	
	August 31, 2005	May 31, 2005 (Audited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 9)	7,382	5,501
Accounts receivable	2,053	1,785
Inventories	6,840	7,170
Prepaid expenses and other	778	722
	17,053	15,178
Property plant and equipment (Note 2)	21,381	19,675
Deferred exploration and development costs (Note 3)	5,528	5,088
Deferred income tax assets	989	1,787
Other non current assets and deferred costs (Note 4)	1,684	923
Total assets	46,635	42,651
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	5,598	4,945
Deferred payment on equipment (Note 5)	4,730	4,256
Unrealized fair value of derivative instruments (Note 10)	377	180
	10,705	9,381
Deferred payment on equipment (Note 5)	623	391
Asset retirement obligation	1,579	1,558
Total liabilities	12,907	11,330
Equity instruments (Note 6)	29,904	29,571
Contributed surplus (Note 7)	1,411	1,577
Cumulative translation adjustment	(19)	(19)
Retained earnings	2,432	192
Total shareholder's equity	33,728	31,321
Total liabilities and shareholder's equity	46,635	42,651

Commitments and contingencies (Note 11)

Approved by the Board of Directors

"Chris Clark" Director

"Tony Shearer" Director

The accompanying notes are an integral part of these consolidated interim financial statements

Uruguay Mineral Exploration Inc.
Consolidated Statements of Income and Retained Earnings (Deficit)
(Unaudited, prepared by management)
(Thousands of United States Dollars, except where indicated)

	Three months ended	
	August 31 2005	August 31 2004
	\$	\$
Sales	11,721	6,078
Net profit interest (Note 11 (a))	(306)	-
Net sales	11,415	6,078
Operating expenses	5,760	4,535
Contribution margin	5,655	1,543
Other expenses		
Amortization, depletion and accretion	1,749	243
Compensation expense – stock based	-	408
General and administrative	592	342
Fair value adjustment for derivatives	197	210
Interest and financing fees	93	196
	2,631	1,399
Income before other items and taxes	3,024	144
Other items		
Interest and other income	32	6
Foreign exchange gain	(18)	42
Income before taxes	3,038	192
Income taxes	798	-
Net income for the period	2,240	192
Retained earnings (deficit), beginning of period	192	(1,318)
Retained earnings (deficit), end of period	2,432	(1,126)
Basic earnings per share	0.048	0,004
Diluted earnings per share	0.046	0,004
Basic weighted average no. of shares	46,191,413	42,887,246
Diluted weighted average no. of shares	49,126,413	48,759,746

The accompanying notes are an integral part of these consolidated interim financial statements

Uruguay Mineral Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited, prepared by management)
(Thousands of United States Dollars, except where indicated)

	Three months ended	
	August 31	August 31
	2005	2004
	\$	\$
Operating activities		
Net income for the period	2,240	192
Adjustments for:		
Amortization, depletion and accretion	1,749	243
Deferred Stripping	(795)	-
Future Income taxes	798	-
Fair value adjustment of derivatives	197	210
Compensation expense – stock based	-	408
Finance fees – stock based	-	188
	4,189	1,241
Net change in non-cash working capital balances (Note 9)	359	(853)
	4,548	388
Financing activities		
Proceeds from the issue of share capital, net of issue costs	168	49
Proceeds from bank debt	-	1,000
	168	1,049
Investing activities		
Refundable deposits	-	(37)
Net proceeds from sale of assets	300	
Purchase of property, plant and equipment	(2,695)	(1,551)
Payments for exploration	(440)	(618)
	(2,835)	(2,206)
Increase (decrease) in cash	1,881	(769)
Cash and cash equivalents, beginning of period	5,501	4,971
Cash and cash equivalents, end of period (Note 9(b))	7,382	4,202

The accompanying notes are an integral part of these consolidated interim financial statements

Uruguay Mineral Exploration Inc.
Schedule of Deferred Costs
(Unaudited, prepared by management)

(Thousands of United States Dollars, except where indicated)

August 31, 2005

1. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The reporting currency used in the United States dollars which is also the Company's functional currency. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements except for the following:

(a) Property, plant and equipment

Pant and equipment are recorded at cost less accumulated amortization. Plant and other equipment are amortized on a straight line method over the estimated productive life of the related asset ranging from 2 to 5 years. Productive lives for mobile and other equipment range from 2 to 5 years, but do not exceed the related estimated useful life of the asset.

Mineral properties

Mineral properties include development costs incurred to bring a mining property into production, develop new ore bodies or develop mining areas in advance of production are capitalized and charged to operations using the units of production method based on the estimated life of mine. Amounts shown as development costs are net of metal recoveries prior to production.

Property evaluations

The Company reviews and evaluates the carrying value of its producing mineral properties on a periodic basis. Estimated future discounted net cash flows are calculated for each property using estimated recoverable reserves and/or resources, estimated current commodity price and after deducting estimated production related expenses, capital abandonment and reclamation costs. If the carrying value of the property exceeds the undiscounted cash flows, an impairment loss will be determined. The impairment loss is measured as the amount by which the carrying amount of the assets capitalized in a cost center exceeds the fair value.

(b) Deferred exploration and development costs

The Company is engaged in the acquisition, exploration and development of exploration properties. All acquisition, exploration such as topographical, geochemical and geophysical studies and related direct and indirect overhead expenditures, as appropriate, are deferred and carried at cost until the properties to which they relate are placed into commercial operations, sold or where management has determined there to be a permanent impairment in value. Mineral properties and development costs including acquisition costs, direct mineral exploration costs and capitalized indirect overheads. These costs are capitalized and deferred until the property is in commercial production, when these costs will be depleted as detailed in Note 1(a) above. The costs relating to a property abandoned are written off when the decision to abandon is made, or when there has been a delay in development activities that extend beyond three years, unless there is persuasive evidence to the contrary.

August 31, 2005

1. Significant Accounting Policies – continued

The amount recorded as capitalized indirect overheads under deferred exploration and development costs is based on estimates and breakdown between exploration and development costs versus general and administrative activities. By their nature, these estimates are based on management's judgment and planned course of action. These estimates are subject to measurement uncertainty and the effect on the consolidated financial statements for changes in estimates in future periods could be significant.

The recoverability of amounts shown for deferred exploration and development costs is dependent upon the discovery of economically recoverable reserves, continued confirmation of the Company's interest in the underlying concessions, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from disposition or farm-out of existing mining interests. The total amount recorded for deferred exploration and development costs represents expenditures incurred to date and does not reflect nor is it an indicator of present or future values.

(c) Measurement uncertainty

The value assigned to ore stockpiles, in process inventories and finished metal inventories are based on estimated volumes and grades. These inventories are costed at average costs of mining, processing and production. Volume and grade estimates are made relying on assays and other sampling tests. Costing is based on standard costing principles. By their nature, such estimation methodologies are subject to measurement uncertainties and the effect on consolidated financial statements of changes in estimates in future periods could be significant.

The amounts recorded for amortization and depletion, deferred stripping, and accretion of mineral properties and equipment, the liability for asset retirement obligations and the amount recorded for future income taxes are based on estimates. The impairment test is based on estimates of proved reserves, production rates, mineral prices, future costs and other relevant assumptions. The deferred stripping calculation is based on the stripping ratio of waste to ore mined over the life of mine and the estimated future waste mining costs. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in estimates in future periods could be significant

2. Property, Plant and Equipment

	August 31, 2005 (Audited)		
	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	\$ 671	\$ -	\$ 671
Plant and equipment	16,740	3,899	12,841
Mineral properties	9,889	2,020	7,869
	\$ 27,300	\$ 5,919	\$ 21,381

Uruguay Mineral Exploration Inc.
Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Thousands of United States Dollars, except where indicated)

August 31, 2005

2. Property, Plant and Equipment – continued

	Cost	May 31 2005	
		Accumulated Amortization	Net Book Value
Land and lease rights	\$ 671	\$ -	\$ 671
Plant and equipment	14,234	2,780	11,454
Mineral properties	8,995	1,445	7,550
	\$ 23,900	\$ 4,225	\$ 19,675

The Arenal project reached commercial production on October 1, 2004. Accumulated deferred exploration and development costs of \$ 6,551 relating to the Minas de Corrales project were capitalized and amortized on units of production basis.

The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease. Included in plant and equipment is \$ 271 (2005 - \$ 288) of spare parts that are amortized over 5 years. Included in mineral properties is \$ 1,418 (2005 - \$ 982) of mine development costs that have not yet been amortized as these are pre-stripping and development costs for deposits from which production has not commenced.

3. Deferred Exploration and Development Costs

	August 31, 2005	May 31, 2005 (audited)
Acquisition costs and option payments	\$ 775	\$ 775
Exploration, development and other property costs	3,377	2,972
Capitalized indirect overheads, net of exchange gains	1,376	1,341
	\$ 5,528	\$ 5,088

(a) The Uruguay Mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration or mining activities. These guarantees are required to be posted by non-title holders. As a result, certain of the Company's employees, officers and directors have provided personal assets as guarantees. The Company intends to compensate these individuals in the event that the guarantee is called. The Company has also agreed to pay a guarantee fee to the individuals at rates advantageous to the Company. This fee is based on the amount of the guarantee and is negotiated on a case-by-case basis. The total guarantees provided at August 31, 2005 were approximately \$ 1,005 (2005 - \$ 974). These relate to potential site restoration responsibilities associated with exploration activities. In addition, as a consequence of the acquisition of the San Gregorio mine, the Company has assumed full responsibility for the rehabilitation of the mining site. This obligation is supported by a rehabilitation guarantee of US\$1,500. During the period the sum of US\$1,500 held in escrow to support this guarantee was released and replaced by a letter of credit provided by Macquarie Bank.

The Company's current site restoration liability in respect of its exploration activities is not material.

Uruguay Mineral Exploration Inc.
Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Thousands of United States Dollars, except where indicated)

August 31, 2005

4. Other Non Current Assets and Deferred Costs

	August 31, 2005	May 31 2005 (audited)
Refundable deposits	\$ 140	\$ 140
Capitalized debt issue costs	181	215
Deferred stripping (Note 3(b))	1,363	568
	\$ 1,684	\$ 923

Costs and fees relating to the working capital facility have been capitalized and will be amortized over the life of the facilities, commencing December 1, 2004. Warrants with a value of \$ 188 given as compensation for the interim working capital facility have been expensed.

5. Debt and Deferred Payment of Equipment.

	August 31, 2005	May 31,2005 (audited)
Drawn debt facilities		
Working capital facility (a)	\$ -	\$ -
Vendor equipment finance (b)(c)	5,353	4,647
	5,353	4,647
Less non current portion	4,730	4,256
	\$ 623	\$ 391
Available debt facilities		
Working capital facility (a)	\$ 2,150	\$ 1,000
Vendor equipment finance (b)(c)	5,353	4,762
	\$ 7,503	\$ 5,762

(a) On August 8, 2004, the Company entered into a secured \$2,000 interim working capital facility with Macquarie Bank Limited. On October 26, 2004 this interim facility was increased to \$3,000. On December 8, 2004 the Company signed documentation for a secured financing facility of \$6,500 replacing the interim working capital facility with Macquarie Bank Limited. This facility will provide \$1,500 for environmental bonds and \$5,000 for working capital needs. The facility will bear interest at a rate of Libor plus 2%, and is secured by a general floating charge over all of the Company's assets. The working capital facility is due to expire in February 2006 and the environmental bond facility in December 2006.

(b) On August 5, 2004, a subsidiary of the Company signed a sale and purchase agreement for the purchase of \$6,349 in mine equipment from Komatsu Latin America Corporation. The equipment is being purchased on deferred payment terms with an initial payment of 25%, twelve monthly installments equal to 15% and a final balloon payment of 60% 12 months from the date that equipment is assembled and ready to work. Interest on all balances outstanding accrues at the 90 day Libor rates plus 4% and is secured by a pledge over the assets financed. The net book value of the equipment under the agreement at May 31, 2005 is \$ 5,491.

August 31, 2005

5. Debt and Deferred Payment of Equipment - continued

- (c) On 15 June 2005 a subsidiary of the Company signed an amendment to the August 5, 2004 sale and purchase agreement to purchase an additional \$1,352 in mine equipment from Komatsu Latin America Corporation. This equipment is being purchased on deferred payment terms with an initial payment of 25%, twelve monthly installments equal to 15% and a final balloon payment of 60% 12 months from the date that equipment is assembled and ready to work. Interest on all balances outstanding accrues at the 90 day Libor rates plus 4%. Additional amounts relating to assembly and freight included in deferred payments on equipment will be paid following the final commissioning of the equipment.

6. Equity Instruments

(a) Authorized

Unlimited number of Common Shares

(b) Issued

Common shares	August 31, 2005		May 31, 2005	
	Number (000s)	Amount	Number (000s)	Amount
Issued and outstanding, beginning of period	46,107	\$ 30,308	42,865	\$ 21,194
Issued for stock options exercised	84	342	612	600
Issued for exercise of warrants for cash	-	-	2,630	8,514
Issued and Outstanding	46,191	30,650	46,107	30,308
Less: cumulative share issue costs ⁽¹⁾		(925)		(925)
Less: subscriptions receivable		(9)		-
Balance, end of period	46,191	\$ 29,716	46,107	\$ 29,383
Weighted average number of shares	46,191		43,844	
Warrants	August 31, 2005		May 31, 2005	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of period	250	\$ 188	2,630	\$ 548
Issued as fee for financing facilities (note 4a)	-	-	250	188
Exercised	-	-	(2,630)	(548)
Issued and outstanding, end of period	250	\$ 188	250	\$ 188
Total equity instruments		\$ 29,904		\$ 29,571

(1) These costs have been recorded gross of any related tax effect, as the ultimate utilization of any related tax benefit is currently uncertain.

August 31, 2005

6. Equity Instruments – continued

(c) Warrants Issued

During August 2004, the Company issued 250,000 warrants at a exercise price of \$3.75 per share in satisfaction of a financing fee on the facilities detailed at Note 5(a). The fair value of these options were estimated using the Black and Scholes option pricing model with the following assumptions: Dividend yield (nil), Expected volatility (.4), risk free rate (3%) and a weighed average life of 2 years. As such a value of \$US 188,146 was attributed to these warrants.

At August 31, 2005, the Company has 250,000 (May 31, 2005 – 250,000) warrants outstanding. During the period, the Company issued nil (2005 - 250,000) warrants. The outstanding warrants are exercisable as follows:

Number of Warrants	Option Price CDN \$	Expiry Date
250,000	3.75	August 8, 2006

(d) Options

Effective June 1, 2004 the Company adopted the recommendations of the CICA Handbook with respect to stock-based compensation and commenced to expense stock options granted from June 1, 2004 using the fair value method. Previously, no value was assigned to stock options or warrants issued in exchange for employee, directors and officers services.

The Company has an option Plan for its officers, directors and employees of the Company. Options under the plan are typically granted in such numbers as reflects the responsibility of the particular optionee and his or her contribution to the business and activities of the Company. The Company can issue a maximum of 6,000,000 stock options under this plan. Options granted under the plan have a term of up to 5 years. Except in specified circumstances, options are not assignable and terminate on the optionee ceasing to be employed by or associated with the Company. The terms of the plan further provide that the price at which shares may be issued under the Plan cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted.

The following table summarizes information regarding the Company's outstanding options as at August 31, 2005:

	Number of Shares (000s)	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Options outstanding, May 31, 2004	2,705	\$0.30 - \$4.00	0.75
Options – granted	676	\$3.00- \$5.40	3.74
Options – exercised	(612)	\$0.30-\$3.00	1.02
Options outstanding, May 31, 2005	2,769	\$0.40-\$5.40	2.02
Options – exercised	(84)	\$0.40-\$3.00	2.61
Options outstanding, August 31, 2005	2,685	\$0.40-\$5.40	1.94

Uruguay Mineral Exploration Inc.
Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Thousands of United States Dollars, except where indicated)

August 31, 2005

6. Equity Instruments – continued

The following table summarizes information about the stock options outstanding to the officers, directors and staff at August 31, 2005:

Options Outstanding (000,s)	Option price CDN \$	Weighted Average Exercise Price CDN \$	Remaining Contractual Life
550	\$ 0.40	\$ 0.40	1.4 years
235	\$ 0.75	\$ 0.75	2.5 years
150	\$ 1.00	\$ 1.00	2.0 years
915	\$ 1.50	\$ 1.50	3.0 years
275	\$ 3.00	\$ 3.00	3.7 years
60	\$ 3.40	\$ 3.40	3.8 years
300	\$ 4.00	\$ 4.00	3.6 years
200	\$ 5.40	\$ 5.40	4.2 years
<u>2,685</u>			

All of the options detailed above are fully exercisable.

For the purposes of stock based compensation, the fair value of each option was determined on the date of granting using the Black-Sholes option pricing model with the following assumptions: Dividend yield (Nil) (2005 - Nil), expected volatility (0.40) (2005 - range of 0.40 to 0.50), risk-free interest rate (3.0%) (2005 – 3%), and weighted average life of 4.0 years (2005 – 4.0 years).

7. Contributed Surplus

The following table summarises the movements in contributed surplus for the period ended August 31, 2005 and May 31 2005.

	August 31, 2005	May 31,2005 (audited)
Balance, beginning of period	\$ 1,577	\$ 881
Expense for the period	-	756
Transfer on exercise of options	166	60
	<u>\$ 1,411</u>	<u>\$ 1,577</u>

Uruguay Mineral Exploration Inc.
Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Thousands of United States Dollars, except where indicated)

August 31, 2005

8. Segment Information

The Company has three reportable segments: Gold, exploration and corporate. The corporate segment is responsible for corporate financing and other business development activities for the Company. The Gold segment operates the San Gregorio gold mine and the exploration segment is devoted to the acquisition and exploration of mineral properties. The gold and exploration segments operate solely in Uruguay. Precious metals are refined and sold in the United Kingdom.

	2005			
	Gold	Exploration	Corporate	Total
For the three months ending				
Sales, net of net profit interest	\$ 11,415	\$ -	\$ -	\$ 11,415
Net income (loss)	\$ 2,464	\$ (31)	\$ (193)	\$ 2,240
As at August 31, 2005				
Property, plant and equipment	\$ 21,222	\$ 149	\$ 10	\$ 21,381
Deferred exploration and development	\$ 514	\$ 5,014	\$ -	\$ 5,528
	2004			
	Gold	Exploration	Corporate	Total
For the three months ending				
Sales, net of net profit interest	\$ 6,078	\$ -	\$ -	\$ 6,078
Net income (loss)	\$ 627	\$ (5)	\$ (430)	\$ 192
As at August 31, 2004				
Property, plant and equipment	\$ 5,401	\$ 1,182	\$ 10	\$ 6,593
Deferred exploration and development	\$ -	\$ 10,310	\$ -	\$ 10,310

9. Supplementary Cash Flow Information

(a) The net change in working capital items is as follows:

	Three months ended	
	August 31 2005	August 31 2004
Prepaid expenses and other	(55)	(231)
Accounts receivable	(265)	(224)
Accounts payable and accrued liabilities	652	330
Inventory	27	(729)
Net change in non-cash working capital balances	359	854

(b) Included in cash and cash equivalents is nil (2004- \$ 1,500,000) of cash held in escrow to support environmental bonds.

August 31, 2005

10. Financial Derivatives

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price risk, currency risk, credit risk, and fair value risk.

The Company uses financial derivatives to mitigate the effect of certain risks that are inherent in its business. As at August 31, 2005 the Company had entered into a number of financial derivatives to reduce its exposure to fluctuations in the gold price. These instruments consist of gold option contracts. The company intends to deliver into these contracts.

For these contracts the fair value was calculated using the spot price at period end, expected future prices and volatilities. The nature and level of these contracts are such that they offer a degree of downside protection while allowing the company to participate in price appreciation. The fair value of these contracts is noted below. The net value of these contracts have been recorded as a liability.

Asset/(liability)	August 31, 2005	May 31, 2004 Audited
Gold put options	\$ 48	\$ 165
Gold call options	(425)	(345)
	\$ (377)	\$ (180)

The Company has entered into put option contracts on 25,000 ounces at a forward price of \$US 400 per ounce. To cover the cost of the put option contracts the company has sold 25,000 call options at a forward price of \$US 436 per ounce. The put and call options are matched in timing and will be delivered into on a monthly basis at a rate of 2,500 ounces per month.

11. Commitments and Contingencies

In addition, to the commitments detailed in Note 3 on exploration of mineral properties, the Company has the following commitments:

- (a) Minas De Corrales Project – the Company finalized the acquisition of 100% of the issued capital of Loryser, and in return granted a 10% net profits interest from gold obtained from Loryser's areas. The Company had previously managed Loryser as part of the Minas de Corrales Joint Venture. The Company's Arenal gold deposit is situated on the Loryser ground.
 - (b) The Texas and Mal Abrigo interests acquired by the Company are subject to a 2% net profits interest and a 1% net smelter return respectively, payable to the vendor.
-

August 31, 2005

12. Subsequent Events

- (a) Subsequent to period end, the Company entered into an additional 10,000 ounces of gold option contracts. The Company has purchased 10,000 put options at a strike price of \$ 430 per ounce and 10,000 call options at a strike price of \$ 486.5 per ounce. Put and call options are equally matched with deliveries of 2,500 ounces per month commencing July 2006.
 - (b) Subsequent to period end, the Company accepted an offer from Macquarie Bank Limited to extend its working capital facility of \$2,000 until September 30, 2006. The facility availability is subject to finalising documentation and satisfaction of conditions precedents.
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Uruguay Mineral Exploration Inc.
Schedule of Deferred Costs
(Unaudited, prepared by management)

(Thousands of United States Dollars, except where indicated)

August 31, 2005

	May 31, 05	Expenditures	Abandonments/ Transfers	August 31, 05
Minas de Corrales Gold Project (1)				
Acquisition	\$ 125	-	-	\$ 125
Exploration	252	94	-	346
Deferred administration	34	9	-	43
	<u>411</u>	<u>103</u>	<u>-</u>	<u>514</u>
Base Metals Projects (2)				
Acquisition	105	-	-	105
Exploration	1,806	306	-	2,112
Deferred administration	923	26	-	949
	<u>2,834</u>	<u>332</u>	<u>-</u>	<u>3,166</u>
Other Gold Projects (3)				
Acquisition	480	-	-	480
Exploration	531	2	-	533
Deferred administration	356	-	-	356
	<u>1,367</u>	<u>2</u>	<u>-</u>	<u>1,369</u>
Diamonds Projects (4)				
Acquisition	65	-	-	65
Exploration	96	3	-	99
Deferred administration	28	-	-	28
	<u>189</u>	<u>3</u>	<u>-</u>	<u>192</u>
Regional Exploration (5)				
Acquisition	-	-	-	-
Exploration and overhead	287	-	-	287
	<u>287</u>	<u>-</u>	<u>-</u>	<u>287</u>
	<u>\$ 5,088</u>	<u>440</u>	<u>- \$</u>	<u>5,528</u>

No amounts directly related to these projects were expensed. During the period ended August 31, 2005, total expenditures for deferred exploration and mineral properties were \$ 440 (2005 – \$645).

Uruguay Mineral Exploration Inc.
Mineral Property Portfolio
(Unaudited, prepared by management)

(Thousands of United States Dollars, except where indicated)

August 31, 2005

- (1) **Minas de Corrales Gold Project (MCGP):** The MCGP is situated approximately 450 kilometers north of Montevideo and features Uruguay's only operating gold mine. The Corporation controls 100% of this historic gold field, which is characterized by widespread gold mineralization. The two largest deposits discovered to-date are the San Gregorio deposit, which has produced over 500,000 ounces since it was discovered in the mid 1880's, and the Arenal deposit, which was discovered in 2004. Arenal, which is now in production, contains an inferred resource of over 750,000 ounces, and is still open in all directions. Other known, unmined deposits in the area include Sobre Saliente and Castrillón, where indicated resources of approximately 200,000 and 20,000 ounces of gold respectively have been delineated. The company has an aggressive exploration effort underway in the area targeting further "Arenal-style" deposits within a 50 km radius of the MCGP.
- (2) **Base Metals Projects:** These include the *Isla Patrulla/Texas* copper/gold project where a substantial zone of copper and gold anomalism has been identified approximately 300 km north-east of Montevideo. A number of targets have been identified using a combination of stream geochemistry and airborne geophysics, and these targets are being progressively tested. Previous drilling at the Texas prospect intersected high-grade, but narrow width copper/gold/lead/silver mineralization, and the object of the current search is for locations where this mineralization will have accumulated in greater thicknesses. At *Mal Abrigo*, located approximately 140 km WNW of Montevideo, a large, layered mafic/ultramafic complex is the subject of study for nickel/copper/platinoids. Disseminated copper and nickel sulphides are visible at the surface in a number of places and work is underway to identify zones where massive sulphides may have accumulated. At *Lascano*, located approximately 250 kilometers north-east of Montevideo, a very strong gravity high approximately 70 kilometers long by up to 40 kilometers wide is considered to be a capable of hosting Norilsk-style nickel mineralisation. A detailed airborne airmag/gravity survey is scheduled for September/October 2005, with the expectation of generating drill targets for 2006. At *Carpinteria*, which is situated approximately 500 km north of Montevideo, an extensive sequence of komatiitic basalts and ultramafic flows with strong nickel anomalism is currently being evaluated.
- (3) **Other Gold Projects.** These include *Presidente Terra*, which is located approximately 240 kilometers north east of Montevideo, where work conducted during 2000 and 2001 identified high-grade mineralized float over a 12 km strike length of a large gold-mineralized shear system. This project has been on hold due to competing priorities. *Mirta*, which is located near Colonia in the south-west of Uruguay, is a complex, shear-hosted gold deposit and the company has been assessing the mineralisation controls in order to define further drill targets. The deposit is characterized (so far) by a series of short, plunging, high-grade ore zones contained within a broader, low-grade mineralisation envelope. At *Chamizo*, which is located approximately 120 km ENE of Montevideo, a gold-bearing metamorphosed acid tuff is being investigated.
- (4) **Diamonds including Cinco Rios Project.** This project is located in the North of Uruguay and includes the Minas de Corrales area as well as the properties obtained with the acquisitions of Cinco Rios SA. Systematic drainage sampling has identified an area where positive kimberlite indicator minerals are clustered, and a close-space airborne gravity survey is scheduled for October 2005. The company has previously recovered several macro-and micro-diamonds, together with G9 and G10 garnets from this area.
- (5) **Regional Exploration.** The company has an ongoing program of identifying and field-checking geochemical anomalies obtained from reviewing data held within the company's proprietary data-base. Where appropriate successful prospects are designated and allocated to the major project groupings shown above.