

**Uruguay Mineral Exploration Inc.**  
**Consolidated Interim Financial Statements**  
**For the six month period ended**  
**November 30, 2005**  
(Unaudited - prepared by management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the un-audited financial statements for the period ended 30 November 2005.

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**Uruguay Mineral Exploration Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	As at November 30, 2005	As at May 31, 2005	As at November 30, 2004
<b>Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets			
Cash and cash equivalents (Note 9)	6,287	5,501	2,984
Accounts receivable	2,777	1,785	1,790
Inventories	7,360	7,170	4,790
Prepaid expenses and other	824	722	906
	<u>17,248</u>	<u>15,178</u>	<u>10,470</u>
Property, plant and equipment (Note 2)	24,428	19,675	19,431
Deferred exploration costs (Note 3)	6,973	5,088	4,372
Future income tax	934	1,787	-
Deferred stripping and other non current assets (Note 4)	2,335	923	375
	<u>51,918</u>	<u>42,651</u>	<u>34,648</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	4,711	4,945	3,973
Debt (Note 5)	-	-	3,000
Unrealized fair value of derivatives (Note 10)	1,592	180	1,654
Deferred payment on equipment (Note 5)	3,893	4,256	4,986
Deferred payment on acquisition (Note 5)	1,008	-	200
	<u>11,204</u>	<u>9,381</u>	<u>13,813</u>
Asset retirement obligation	1,602	1,558	1,395
Deferred payment on acquisition (Note 5)	1,780		
Deferred payment on equipment (Note 5)	-	391	-
Deferred subscriptions (Note 6c)	1,096	-	125
Total liabilities	<u>15,682</u>	<u>11,330</u>	<u>15,333</u>
Equity instruments (Note 6)	30,310	29,571	21,258
Contributed surplus (Note 7)	1,569	1,577	1,637
Cumulative translation adjustment	(19)	(19)	(19)
Retained Earnings / (Deficit)	4,376	192	(3,561)
Total Shareholders' Equity	<u>36,236</u>	<u>31,321</u>	<u>19,315</u>
Total Liabilities and Shareholders Equity	<u>51,918</u>	<u>42,651</u>	<u>34,648</u>

Commitments and contingencies (Note 12)

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)**

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30		Six months ended November 30	
	2005	2004	2005	2004
	\$	\$		\$
Sales	11,326	6,328	23,047	12,406
Net profit interest	(329)	-	(635)	-
<b>Net Sales</b>	<b>10,997</b>	6,328	<b>22,412</b>	12,406
<b>Operating expenses</b>	<b>4,970</b>	5,468	<b>10,730</b>	10,003
Amortization, depletion and accretion	2,567	694	4,316	938
<b>Other expenses</b>				
Compensation expense – stock based	158	348	158	755
Fair value adjustment for derivatives	1,215	1,440	1,412	1,650
General and administrative	655	701	1,247	1,044
Interest and financing fees	81	71	174	267
	<b>2,109</b>	2,560	<b>2,991</b>	3,716
<b>Income (loss) before other items and taxes</b>	<b>1,351</b>	(2,394)	<b>4,375</b>	(2,251)
<b>Other items</b>				
Gain on settlement of net profit interest	888	-	888	-
Interest and other income/(expense)	(130)	23	(98)	29
Foreign exchange loss	(28)	(64)	(46)	(21)
<b>Income (loss) before taxes</b>	<b>2,081</b>	(2,435)	<b>5,119</b>	(2,243)
Income taxes	137	-	935	-
<b>Net income (loss) for the period</b>	<b>1,944</b>	(2,435)	<b>4,184</b>	(2,243)
Retained earnings (deficit), beginning of period	2,432	(1,126)	192	(1,318)
Retained earnings (deficit), end of period	<b>4,376</b>	(3,561)	<b>4,376</b>	(3,561)
Basic earnings (loss) per share	<b>0.042</b>	(0.056)	<b>0.091</b>	(0.052)
Diluted earnings (loss) per share	<b>0.039</b>	(0.050)	<b>0.085</b>	(0.046)
Basic weighted average no. of shares	<b>46,263,746</b>	43,174,913	<b>46,227,580</b>	43,039,413
Diluted weighted average no. of shares	<b>49,889,413</b>	48,993,080	<b>49,507,913</b>	48,876,413

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

**Uruguay Mineral Exploration Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30		Six months ended November 30	
	2005	2004	2005	2004
	\$		\$	
<b>Operating activities</b>				
Net income/(loss) for the period	2,106	(2,435)	4,346	(2,243)
Adjustments for:				
Amortization, depletion and accretion	2,567	694	4,316	938
Future income taxes	(393)	-	405	-
Deferred stripping	(646)	(137)	(1,441)	(137)
Fair value adjustment of derivatives	1,215	1,440	1,412	1,650
Compensation expense – stock based	158	348	158	755
Loss on sale of assets	114	-	114	-
Finance fees – stock based	-	-	-	188
	<u>5,121</u>	<u>(90)</u>	<u>9,310</u>	<u>1,151</u>
Net change in non-cash working capital balances (Note 9(a))	<u>(2,327)</u>	<u>(31)</u>	<u>(1,996)</u>	<u>(885)</u>
	<u>2,794</u>	<u>(121)</u>	<u>7,314</u>	<u>266</u>
<b>Financing activities</b>				
Proceeds from the issue of share capital, net of costs	36	204	204	254
Deferred subscriptions	-	125	-	125
Proceeds from bank debt, net of costs	-	1,929	-	2,928
	<u>36</u>	<u>2,258</u>	<u>204</u>	<u>3,307</u>
<b>Investing activities</b>				
Refundable deposits	(3)	(5)	(3)	(42)
Purchase of property, plant and equipment	(3,585)	(2,236)	(6,252)	(3,761)
Payments for exploration	(687)	(613)	(1,127)	(1,257)
Proceeds on sale of assets	350	-	650	-
Payments on subsidiaries acquired, net of cash acquired	-	(500)	-	(500)
	<u>(3,925)</u>	<u>(3,354)</u>	<u>(6,732)</u>	<u>(5,560)</u>
<b>Increase (decrease) in cash</b>	<b>(1,095)</b>	<b>(1,217)</b>	<b>786</b>	<b>(1,987)</b>
Cash and cash equivalents, beginning of period	<u>7,382</u>	<u>4,201</u>	<u>5,501</u>	<u>4,971</u>
<b>Cash and cash equivalents, end of period (Note 9(b))</b>	<b>6,287</b>	<b>2,984</b>	<b>6,287</b>	<b>2,984</b>

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

**November 30, 2005**

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## **1. Significant Accounting Policies**

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The unaudited interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The reporting currency used is 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 for the year ended May 31, 2005 for detailed note disclosures. The significant accounting policies follow that of the most recently reported annual consolidated financial statements except for the following:

(a) Property, plant and equipment

Plant 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.

*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. Mineral property costs are capitalized and charged to operations using the units of production method based on the estimated life of mine on commencement of commercial production. 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 fair values of mineral properties 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 fair value, 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 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 extends beyond three years, unless there is persuasive evidence to the contrary.

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim financial Statements**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**1. Significant Accounting Policies – continued**

The amount recorded as capitalized indirect overhead under deferred exploration is based on estimates and allocated between exploration and 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**

	November 30, 2005		
	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	\$ 671	\$ -	\$ 671
Plant and equipment	18,487	5,122	13,365
Mineral properties	13,767	3,375	10,392
	\$ 32,925	\$ 8,497	\$ 24,428

**Uruguay Mineral Exploration Inc.**  
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**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**2. Property, Plant and Equipment - cont'd**

	May 31 2005		
	Cost	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

  

	November 30 2004		
	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	\$ 671	\$ -	\$ 671
Plant and equipment	12,880	1,349	11,531
Mineral properties	7,423	194	7,229
	\$ 20,974	\$ 1,543	\$ 19,431

- a) On November 30, 2005 a subsidiary of the Company acquired the 10% net profits interest over key tenements within the Minas de Corrales Project including the tenements on which the Arenal deposit is located. The total cost of the acquisition was \$ 4,246 with \$ 3,500 allocated to mineral properties and \$ 746 allocated to deferred exploration and development costs. The consideration for the acquisition was 290,000 common shares and \$ 3,150 payable in 3 equal annual installments of \$ 1,050. Terms of the notes are detailed at Note 5(d). An additional \$ 1,050 is payable to the vendor if the average daily gold price for the 36 months to 30 June 2008 exceeds \$400 per ounce.
- b) 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 are being amortized on units of production basis.
- c) 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 \$ 254 (2005 - \$ 288) of spare parts that are amortized over 5 years. Included in mineral properties is \$ 2,225 (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 Costs**

	<b>November 30, 2005</b>	May 31, 2005	November 30, 2004
Acquisition costs and option payments	\$ 1,521	\$ 775	\$ 650
Exploration, development and other property costs	4,027	2,972	2,173
Capitalized indirect overheads, net of exchange gains	1,425	1,341	1,549
	\$ 6,973	\$ 5,088	\$ 4,372

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(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**3. Deferred Exploration Costs - cont**

- 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 November 30, 2005 were approximately \$ 1,010. 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 \$1,500.

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

**4. Deferred Stripping and Other Non Current Assets**

	<b>November 30, 2005</b>	May 31, 2005	November 30, 2004
Refundable deposits	\$ 143	\$ 140	\$ 167
Capitalized debt issue costs	\$ 183	215	71
Deferred Stripping	\$ 2,009	568	137
	<b>\$ 2,335</b>	<b>\$ 923</b>	<b>\$ 375</b>

Costs and fees relating to the secured financing facility have been capitalized and will be amortised over the life of the facilities, commencing December 1, 2004.

**5. Debt**

	<b>November 30 2005</b>	May 31, 2005	November 30 2004
<b>Drawn debt facilities</b>			
Working capital facility (a)	\$ -	\$ -	\$ 3,000
Deferred payment on equipment (b)(c)	3,893	4,647	4,986
Deferred payment on acquisition (d)	2,788	-	200
	<b>6,681</b>	4,647	8,186
Less current position	4,901	4,256	-
	<b>\$ 1,780</b>	<b>\$ 391</b>	<b>\$ 8,186</b>

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim financial Statements**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**5. Debt - cont**

	<b>November 30, 2005</b>	May 31, 2005	November 30, 2004
<b>Available debt Facilities</b>			
Working capital facility (a)	<b>\$ 2,000</b>	\$ 1,000	\$ 3,000
Deferred payment on equipment (b)(c)	<b>3,893</b>	4,762	4,986
	<b>\$ 5,893</b>	5,762	\$ 7,986

- (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. On 30 November 2005 the Company amended the secured financing facility to extend the working capital facility in the amount of \$2,000 until 30 September 2006. The facility is not drawn at November 30, 2005.
- (b) On August 5, 2004, Loryser S.A. signed a sale and purchase agreement for the purchase of \$6,349,247 in mine equipment. 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%. Additional amounts relating to assembly and freight included in deferred payments on equipment will be paid following the final commissioning of the equipment.
- (c) On June 15, 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.
- (d) On November 30, 2005 a subsidiary of the Company issued three unsecured convertible notes with a face value of \$ 1,050 pursuant to the acquisition detailed at note 2(a). The three convertible notes are payable on or before July 30, 2006, July 30, 2007 and July 30, 2008 respectively. Each convertible note can be converted into 250,000 ordinary shares during a 30 day period prior to the final payment date for each installment. No interest accrues on the notes. The convertible have been recognized at their fair value using a 8% discount rate to give a liability of \$2,788 at November 30, 2005.

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim financial Statements**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**6. Equity Instruments**

(a) Authorized

Unlimited number of Common Shares

(b) Issued

	November 30, 2005		May 31, 2005	
	Number	Amount	Number	Amount
<b>Common shares</b>				
Issued and outstanding, beginning of year	46,107	\$ 30,308	42,865	\$ 21,194
Issued for stock options exercised	190	377	612	600
Issued for exercise of warrants for cash	-	-	2,630	8,514
Issued and Outstanding	46,297	30,685	46,107	30,308
Less: cumulative share issue costs <sup>(1)</sup>	-	(925)	-	(925)
Balance, end of year	46,297	\$ 29,760	46,107	\$ 29,383
<b>Warrants and convertible notes</b>				
Issued and outstanding, beginning of year	250	188	2,630	548
Issued for finance fee	-	-	250	188
Issued for acquisition of NPI (note 6d)	750	362	-	-
Exercised	-	-	(2,630)	(548)
Issued and outstanding, end of year	1,000	550	250	188
<b>Total equity instruments</b>		<b>\$ 30,310</b>		<b>\$ 29,571</b>

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

(c) Deferred Subscriptions

During the period the company completed the acquisition of the 10% net profits interest described at Note 2(a) and agreed to issue 290,000 common shares fair valued at \$ 1,096. The shares were issued in December 2004. During the November 2005 quarter the company received \$ 125 (\$CDN 150,000) relating to the exercise of 100,000 options at \$CDN 1.50 per option. The shares were issued in December 2005.

(d) Warrants and Convertible Notes

On November 30, 2005, the Company acquired the net profit interest in tenements at the Minas de Corrales Gold Project as described at Note 2(a). Pursuant to this agreement the Company issued three convertible notes that provide the holder with the option to convert the note, with a face value of \$ 1,050, into 250,000 ordinary shares. The note may only be converted during a 30 day period prior to the expiry date. The fair value of the option to convert the notes into ordinary shares was calculated as the difference between the nominal and fair value of the notes.

**November 30, 2005**

**6. Equity Instruments – cont'd**

(d) Warrants and Convertible Notes - cont

The convertible notes expire as follows:

Ordinary shares to be issued on conversion of promissory note	Option Price US \$	Expiry Date
250,000	4.20	July 30, 2006
250,000	4.20	July 30, 2007
250,000	4.20	July 30, 2008

During August 2004, the Company issued 250,000 warrants at an 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 40%, risk free rate (3%) and a weighed average life of 2 years. As such a value of \$US188,146 was attributed to these warrants.

At November 30, 2005, the Company has 250,000 (May 31, 2005 – 250,000) warrants outstanding. During the period, the Company issued nill (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

(e) Employee Stock 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 a director and employee stock option plan under which it may grant options to its directors, officers, employees and consultants of the Company and its subsidiaries. The employee option Plan is for 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. 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.

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 (50%) (2005 - range of 40% to 50%), risk-free interest rate (3.5%) (2005 – 3%), and weighted average life of 4.0 years (2005 – 4.0 years).

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim financial Statements**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**6. Equity Instruments – cont'd**

The following table summarizes information regarding the Company's outstanding options as at November 30, 2005:

	Number of Shares	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 - \$5.4	3.74
Options – exercised	(612)	\$0.30- \$3.00	1.02
Options outstanding, May 31, 2005	2,769	\$0.40 – \$5,4	2.02
<b>Options – granted</b>	<b>763</b>	<b>\$ 4.50</b>	<b>4.50</b>
<b>Options – exercised</b>	<b>(190)</b>	<b>\$0.40- \$3.00</b>	<b>1.38</b>
<b>Options – expired/forfeited</b>	<b>(16)</b>	<b>\$ 3.00</b>	<b>3.00</b>
<b>Options outstanding, November 30, 2005</b>	<b>3,326</b>	<b>\$0.40 – \$5,4</b>	<b>2.58</b>

The following table summarizes information about the stock options outstanding to the officers, directors and staff at November 30, 2005:

Options Outstanding (000,s)	Option price CDN \$	Weighted Average Exercise Price CDN \$	Remaining Contractual Life
444	\$ 0.40	\$ 0.40	1.2 years
235	\$ 0.75	\$ 0.75	2.3 years
150	\$ 1.00	\$ 1.00	1.8 years
915	\$ 1.50	\$ 1.50	2.8 years
259	\$ 3.00	\$ 3.00	3.5 years
60	\$ 3.40	\$ 3.40	3.6 years
300	\$ 4.00	\$ 4.00	3.4 years
763	\$ 4.50	\$ 4.50	4.8 years
200	\$ 5.40	\$ 5.40	4.0 years
<b>3,326</b>			

**7. Contributed Surplus**

The following table summarizes the movements in contributed surplus.

	November 30, 2005	May 31, 2005	November 30 2004
Balance, beginning of period	\$ 1,577	\$ 881	\$ 881
Expense for the period	158	756	756
Transfer on exercise of options	(166)	(60)	-
	<b>\$ 1,569</b>	<b>\$ 1,577</b>	<b>\$ 1,637</b>

**Uruguay Mineral Exploration Inc.**  
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(Thousands of United States Dollars, except where indicated)

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**8. Segmented 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 Project 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 Europe.

	November 30 2005			
	Gold	Exploration	Corporate	Total
<b>For the 3 months ending</b>				
Sales	\$ 11,326	\$ -	\$ -	\$ 11,326
Net income (loss)	\$ 2,767	\$ (443)	\$ (380)	\$ 1,944
<b>For the 6 months ending</b>				
Sales	\$ 23,047	\$ -	\$ -	\$ 23,047
Net income (loss)	\$ 5,231	\$ (474)	\$ (573)	\$ 4,184
<b>As at 30 November</b>				
Property, plant and equipment	\$ 24,246	\$ 172	\$ 10	\$ 24,428
Deferred exploration and development	\$ -	\$ 6,973	\$ -	\$ 6,973

	November 30 2004			
	Gold	Exploration	Corporate	Total
<b>For the 3 months ending</b>				
Sales	\$ 6,328	\$ -	\$ -	\$ 6,328
Net income (loss)	\$ (1,917)	\$ (202)	\$ (316)	\$ (2,435)
<b>For the 6 months ending</b>				
Sales	\$ 12,406	\$ -	\$ -	\$ 12,406
Net income (loss)	\$ (1,290)	\$ (207)	\$ (746)	\$ (2,243)
<b>As at 30 November</b>				
Property, plant and equipment	\$ 19,221	\$ 200	\$ 10	\$ 19,431
Deferred exploration and development	\$ -	\$ 4,372	\$ -	\$ 4,372

Exploration expenditure on the Minas de Corrales gold project and associated exploration equipment included in property plant and equipment were transferred from the exploration segment to the gold segment during the quarter.

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim financial Statements**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

**November 30, 2005**

**9. Supplementary cash flow information**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>November 30</b>		<b>November 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Prepaid expenses and other	\$ (46)	\$ (6)	\$ (101)	\$ (238)
Accounts receivable	(411)	(124)	(676)	(347)
Accounts payable and accrued liabilities	(887)	72	(234)	402
Inventory	(983)	27	(955)	(702)
Net change in non-cash working capital balances	<u>\$ (2,327)</u>	<u>\$ (31)</u>	<u>\$ (1,996)</u>	<u>\$ (885)</u>

(b) Included in cash and cash equivalents is nil (2005 - \$ 1,500) of cash held in escrow to support environmental bonds.

**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 November 30, 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 as they fall due.

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 some participation in price appreciation. The fair value of these contracts is noted below. The net value of these contracts have been recorded as a liability.

	<b>November 30,</b>	May 31,	November 30,
	<b>2004</b>	2005	2004
Gold put options	<b>37</b>	165	\$ 271
Gold call options	<b>(1,573)</b>	(345)	(1,887)
Gold spot deferred contract	<b>(56)</b>	-	(38)
	<u><b>(1,592)</b></u>	<u>(180)</u>	<u>\$ (1,654)</u>

The Company has entered into put option contracts on 17,500 ounces at a forward price of \$US 400 per ounce and 10,000 ounces at a forward price of \$US 430 per ounce. To cover the cost of the put option contracts the company has sold 17,500 call options at a forward price of \$US 436 per ounce and 10,000 ounces at a forward price of \$US 486.5 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.

**Uruguay Mineral Exploration Inc.**  
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(Thousands of United States Dollars, except where indicated)

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**11. Subsequent Events**

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Subsequent to the period end, 68,000 staff stock options were granted at an exercise price of \$CAD 4.62 per share.

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**12. Commitments and Contingencies**

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

- (a) Pursuant to the acquisition of the net profit interest over tenements of the Minas De Corrales Project the Company may be required to make a contingent payment of \$1,050 to the vendor on July 30 2008. The amount will only be paid if the average daily price of gold during the 36 month period to 30 June 2008 exceeds \$US 400 per ounce. No liability for this potential payment has been recognized at November 30, 2005 as it is not certain that the contingent payment criteria is met.
  - (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.
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**13. Differences between Canadian GAAP and International Financial Reporting Standards**

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The Group prepares its financial statements in accordance with Canadian GAAP, which conforms to IFRS in all respects material to the Consolidated Financial Statements presented by the Group. No significant reconciling items between amounts reported under Canadian GAAP and IFRS were identified.

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