

**Uruguay Mineral Exploration Inc.**  
**Consolidated Interim Financial Statements**  
**For the six month period ended**  
**November 30, 2006**  
(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 unaudited financial statements for the period ended 30 November 2006.

---

**Contents**

Consolidated Balance Sheets	2
Consolidated Statements of Income and Retained Earnings (Deficit)	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5 – 15

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

(Thousands of United States Dollars, except where indicated)

	As at November 30, 2006	As at May 31, 2006	As at November 30, 2005
<b>Assets</b>		\$	\$
Current assets			
Cash and cash equivalents	5,802	8,931	6,287
Accounts receivable	3,446	1,699	2,777
Inventories	9,037	8,108	7,360
Prepaid expenses and other	725	612	824
	<u>19,010</u>	19,350	17,248
Property, plant and equipment (Note 2)	23,473	22,896	24,428
Deferred exploration costs (Note 3)	14,603	11,184	6,973
Future income tax	42	1,855	934
Deferred stripping and other non current assets (Note 4)	5,597	4,723	2,335
	<u>62,725</u>	60,008	51,918
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6,628	5,076	4,711
Current portion of long term debt (Note 5)	1,239	2,058	4,901
Unrealized fair value of derivatives (Note 10)	-	2,317	1,592
	<u>7,867</u>	9,451	11,204
Future income tax liabilities	1,486	1,486	-
Long term debt (Note 5)	1,080	2,167	2,876
Asset retirement obligation	1,665	1,665	1,602
Total liabilities	<u>12,098</u>	14,769	15,682
Equity instruments (Note 6)	34,152	32,858	30,310
Contributed surplus (Note 7)	2,896	1,625	1,569
Cumulative translation adjustment	(19)	(19)	(19)
Retained Earnings / (Deficit)	13,598	10,775	4,376
Total Shareholders' Equity	<u>50,627</u>	45,239	36,236
Total Liabilities and Shareholders Equity	<u><u>62,725</u></u>	60,008	51,918

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

**Uruguay Mineral Exploration Inc.**  
**Consolidated Statements of Income and Retained Earnings**  
**(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30		Six months ended November 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	12,433	11,326	24,610	23,047
Net profit interest	-	(329)	-	(635)
<b>Net Sales</b>	<b>12,433</b>	<b>10,997</b>	<b>24,610</b>	<b>22,412</b>
<b>Operating expenses</b>	<b>7,676</b>	<b>4,970</b>	<b>14,425</b>	<b>10,730</b>
Amortization, depletion and accretion	1,909	2,567	3,924	4,316
<b>Other expenses</b>				
Compensation expense – stock based	229	158	480	158
Fair value adjustment for derivatives	(1,070)	1,215	(2,317)	1,412
General and administrative	1,053	655	1,989	1,247
Interest and financing fees	82	81	170	174
	294	2,109	322	2,991
<b>Income before other items and taxes</b>	<b>2,554</b>	<b>1,351</b>	<b>5,939</b>	<b>4,375</b>
<b>Other items</b>				
Gain on settlement of net profit interest	-	888	-	888
Interest and other income/(expense)	146	(130)	237	(98)
Foreign exchange loss	(95)	(28)	(158)	(46)
<b>Income before taxes</b>	<b>2,605</b>	<b>2,081</b>	<b>6,018</b>	<b>5,119</b>
Income taxes	854	137	1,700	935
<b>Net income for the period</b>	<b>1,751</b>	<b>1,944</b>	<b>4,318</b>	<b>4,184</b>
Retained earnings, beginning of period	13,342	2,432	10,775	192
Dividend distribution	(1,495)	-	(1,495)	-
Retained earnings, end of period	13,598	4,376	13,598	4,376
Basic earnings per share (Note 6(e))	0.036	0.042	0.090	0.091
Diluted earnings per share (Note 6(e))	0.036	0.039	0.089	0.085
Basic weighted average no. of shares	48,081,935	46,263,746	48,026,766	46,227,580
Diluted weighted average no. of shares	48,689,642	49,889,413	48,634,766	49,507,913

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	
	2006	2005	2006	2005
		\$		
<b>Operating activities</b>				
Net income for the period	1,751	2,106	4,318	4,346
Adjustments for:				
Amortization, depletion and accretion	1,909	2,567	3,924	4,316
Future income taxes	1,588	(393)	1,814	405
Deferred stripping	(659)	(646)	(1,013)	(1,441)
Fair value adjustment of derivatives	(1,070)	1,215	(2,317)	1,412
Compensation expense – stock based	229	158	480	158
Other	(71)	114	(26)	114
	<u>3,677</u>	<u>5,121</u>	<u>7,180</u>	<u>9,310</u>
Net change in non-cash working capital balances (Note 9)	(5)	(2,327)	(283)	(1,996)
	<u>3,672</u>	<u>2,794</u>	<u>6,897</u>	<u>7,314</u>
<b>Financing activities</b>				
Proceeds from the issue of share capital, net of costs	17	36	1,168	204
Payments of finance lease	(54)	-	(86)	-
Dividend payment	(1,495)	-	(1,495)	-
	<u>(1,532)</u>	<u>36</u>	<u>(413)</u>	<u>204</u>
<b>Investing activities</b>				
Refundable deposits	-	(3)	-	(3)
Purchase of property, plant and equipment	(3,022)	(3,585)	(6,421)	(6,252)
Payments for deferred exploration	(1,861)	(687)	(3,237)	(1,127)
Proceeds on sale of assets	-	350	45	650
	<u>(4,883)</u>	<u>(3,925)</u>	<u>(9,613)</u>	<u>(6,732)</u>
<b>Increase (decrease) in cash</b>	<b>(2,743)</b>	<b>(1,095)</b>	<b>(3,129)</b>	<b>786</b>
Cash and cash equivalents, beginning of period	<u>8,545</u>	<u>7,382</u>	<u>8,931</u>	<u>5,501</u>
<b>Cash and cash equivalents, end of period</b>	<b>5,802</b>	<b>6,287</b>	<b>5,802</b>	<b>6,287</b>

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

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

**1. Significant Accounting Policies**

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 adjusted to reflect all adjustments required to reflect a fair presentation of these statements in accordance with the accounting policies of the company. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements for the year ended May 31, 2006 for detailed note disclosures. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

(a) Deferred Stripping Costs

Using the deferred stripping accounting method mining costs associated with waste rock removed in excess of the life of mine average are deferred and charged to operations on the basis of the average strip ratio for the life of the mine. When the cumulative strip ratio is less than the life of mine average, a provision for future stripping is made.

The average strip ratio for the mine life was estimated to May 31 2006 to be 4.34:1. During the period the strip ratio was revised to 5.59:1. The waste to ore ratio and the remaining life of the mine are both regularly assessed by management to ensure the carrying value and rates of depletion are appropriate.

The amount charged to operating costs is therefore subject to management's ability to estimate the stripping ratio over the life of mine. Any changes to this estimate could have a material affect on the financial statements.

**2. Property, Plant and Equipment**

	November 30,2006		
	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	\$ 2,030	-	\$ 2,030
Plant and equipment	22,885	9,721	13,164
Mineral properties	14,778	6,499	8,279
	<u>\$ 39,693</u>	<u>16,220</u>	<u>\$ 23,473</u>
	May 31 2006		
	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	\$ 1,895	\$	\$ 1,895
Plant and equipment	20,362	7,474	12,888
Mineral properties	13,218	5,105	8,113
	<u>\$ 35,475</u>	<u>12,579</u>	<u>22,896</u>

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

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

	November 30 2005		
	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
	<u>\$ 20,974</u>	<u>1,543</u>	<u>\$ 19,431</u>

- (a) During October 2005, the Company acquired the 10% net profit interest over key tenements within the Minas de Corrales project, including the tenement on which Arenal deposit is located. This agreement terminates UME's obligation to pay the NPI holder 10% of the net profits derived from gold produced from the NPI area as part of the acquisition of the tenements. An amount of \$ 3,500 is shown under mineral properties and is amortized using the unit of production method based on the estimated life of mine. Another \$ 383 is included under Deferred Exploration and is not being amortized as they are related to key tenements in exploration areas with no determined resources.
- (b) 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 \$ 835 (May 2006 - \$782) of spare parts that are amortized over 5 years. Included in mineral properties is \$ 2,773 (May 2006 - \$1,355) 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

	November 30, 2006	May 31, 2006	November, 30 2005
Acquisition costs and option payments	\$ 775	\$ 775	\$ 1,521
Exploration, development and other property costs	12,022	8,853	\$ 4,027
Capitalized indirect overheads, net of exchange gains	1,806	1,556	\$ 1,425
	<u>\$ 14,603</u>	<u>\$ 11,184</u>	<u>\$ 6,973</u>

- 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, 2006 were approximately \$ 1,125 (May 31, 2006 \$ 1,390). 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

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

	<b>November 30, 2006</b>	May 31, 2006	November 30, 2005
Refundable deposits	\$ 139	\$ 140	\$ 143
Capitalized debt issue costs	7	145	183
Deferred Stripping	<b>5,451</b>	4,438	2,009
	<b>\$ 5,597</b>	\$ 4,723	\$ 2,335

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

**5. Debt**

	<b>November 30 2006</b>	May 31, 2006	November 30 2005
<b>Drawn debt facilities</b>			
Deferred payment on equipment (a)	-	\$ 863	\$ 3,893
Deferred payment on acquisition of Net profit (b)	<b>1,938</b>	2,905	3,884
Finance lease (c)	<b>381</b>	457	-
	<b>2,319</b>	4,225	7,777
Less non current portion	<b>(1,080)</b>	(2,167)	(2,876)
	<b>1,239</b>	2,058	\$ 4,901
<b>Available debt Facilities</b>			
Working capital facility (d)	\$	2,000	\$ 2,000
Deferred payment on equipment	-	-	3,893
Finance Lease (c)	<b>43</b>	43	-
	<b>\$ 43</b>	2,043	\$ 5,893

(a) On August 5, 2004, a subsidiary of the Company signed a sale and purchase agreement with Komatsu Latin America Corporation for the purchase of \$ 6,349,247 in mine equipment, amended on June 15, 2005 to purchase an additional \$1,352. The equipment was 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%. As of this date, payments obligations have been duly fulfilled and no balances remain outstanding.

(b) 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. First convertible note expired in July 2006 was paid in cash and was not converted into shares. The two remaining convertible notes are shown recorded at their net present value using an 8.5% discount rate.

**5. Debt - cont**

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

- (c) On May 31, 2006 a subsidiary of the Company signed a financial lease facility agreement of \$500 with ABN AMRO N.V. Sucursal Montevideo for the purchase of light vehicles. The facility is payable in equal monthly installments over a three year period at 180 days LIBOR plus 2.5% rate of interest. As at 31 May 2006, \$ 457 has been drawn under this facility.
- (d) 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 expired in September 2006 and the environmental bond facility in December 2006.

**6. Equity Instruments**

(a) Authorized

Unlimited number of Common Shares

(b) Issued

Common shares	November 30, 2006		May 31, 2006	
	Number (000's)	Amount	Number (000's)	Amount
Issued and outstanding, beginning of year	47,525	\$ 33,595	46,107	\$ 30,308
Issued for Net profit interest acquisition (Note 6(c))	-	-	290	1,096
Issued for exercise of warrants for cash	250	1,013	-	-
Issued for mine properties acquisition	-	-	51	240
Issued for stock options exercised	321	469	1,077	1,951
Issued and Outstanding	48,096	\$ 35,077	47,525	\$ 33,595
Less: cumulative share issue costs <sup>(1)</sup>		(925)		(925)
Balance, end of year	48,096	\$ 34,152	47,525	\$ 32,670
<b>Warrants and convertible notes</b>	<b>November 30, 2006</b>		<b>May 31, 2006</b>	
	<b>Number (000's)</b>	<b>Amount</b>	<b>Number (000's)</b>	<b>Amount</b>
Issued and outstanding, beginning of year	1,000	\$ 188	250	\$ 188
Expired	(250)	-	750	-
Exercised	(250)	(188)	-	-
Issued and outstanding, end of year	500	\$ -	1,000	\$ 188
<b>Total equity instruments</b>		<b>\$ 34,152</b>		<b>\$ 32,858</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.

**6. Equity Instruments – cont'd**

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

(c) 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 provided the holder with the option to convert the note, with a face value of \$ 1,050 into 250,000 ordinary shares. The note may 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.

The convertible notes expire as follows:

Ordinary shares to be issued on conversion of promissory note	Option price \$	Expiry date
250,000	4,20	July 30, 2007
250,000	4,20	July 30, 2008

The first convertible note expired in July 30, 2006 and was not exercised.

At November 30, 2006, the Company has nil (May 31, 2006-250,000) warrants outstanding.

(d) Employee Stock Options

The Company has an option Plan for its officers, directors, employees and consultants of the Company and its subsidiaries. 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 (60%) (2006 – 60%), risk-free interest rate range of 4 to 4.3% (2006 – 3%), and weighted average life of 3.0 years (2006 – 3.0 years). During the six month period \$ 480 (November 30, 2005 \$ 158) of compensation expense was recorded. At November 30, 2006 the aggregate unamortized fair value of unvested stock options granted amounted to \$1,418 (2006 - \$ 722)".

The following table summarizes information regarding the Company's outstanding options as at November 30, 2006:

	Number of Shares	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Balance at beginning of the period	2,567	\$0.4 - \$5.50	\$3.03
Options – granted	1,201	\$3.90 - \$5.29	\$4.53
<b>Options – exercised or cancelled</b>	<b>(321)</b>	<b>\$0.4 - \$1.5</b>	<b>\$1.18</b>
<b>Options outstanding, November 30, 2006</b>	<b>3,447</b>	<b>\$0.4 - \$5.50</b>	<b>\$3.72</b>

**6. Equity Instruments – cont'd**

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

The following table summarizes information about the stock options outstanding to the officers, directors and staff at November 30, 2006:

<b>Outstanding</b>				<b>Vested options</b>	
Options 000s	Option price CDN \$	Weighted average Exercise Price CDN \$	Remaining Life Years	Options 000s	Weighted average Exercise Price CDN \$
233	\$ 0.40	\$ 0.40	0.2	233	\$ 0.40
15	\$ 0.75	\$ 0.75	1.3	15	\$ 0.75
544	\$ 1.50	\$ 1.50	1.8	544	\$ 1.50
104	\$ 3.00	\$ 3.00	2.5	104	\$ 3.00
60	\$ 3.40	\$ 3.40	2.6	60	\$ 3.40
570	\$ 3.90	\$ 3.90	4.9	-	\$ 3.90
200	\$ 4.00	\$ 4.00	2.4	200	\$ 4.00
20	\$ 4.10	\$ 4.10	4.7	20	\$ 4.10
763	\$ 4.50	\$ 4.50	3.8	254	\$ 4.50
68	\$ 4.62	\$ 4.62	4.0	-	\$ 4.62
190	\$ 4.77	\$ 4.77	4.5	-	\$ 4.77
421	\$ 5.29	\$ 5.29	4.5	421	\$ 5.29
200	\$ 5.40	\$ 5.40	3.0	200	\$ 5.40
59	\$ 5.50	\$ 5.50	4.4	-	\$ 5.50
<b>3,447</b>				<b>2,051</b>	

(e) Earnings per share

The reconciliation of basic and diluted earnings per share where relevant are as follows:

	<b>Three months ended November 30</b>		<b>Six months ended November 30</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Basic earnings per share</b>				
Numerator				
Net earnings available to shareholders	\$ 1,751	\$ 1,944	\$ 4,318	\$ 4,184
Denominator				
Weighted average shares outstanding	<b>48,081,935</b>	46,263,746	48,026,766	46,227,580
Basic earnings per share (cents per share)	<b>0.036</b>	0.042	.090	0.091

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

**6. Equity Instruments – continued**

	<b>Three months ended November 30</b>		<b>Six months ended November 30</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
<b>Basic earnings per share</b>				
Numerator				
Net earnings available to shareholders	\$ 1,751	\$ 1,944	\$ 4,318	\$ 4,184
Denominator				
Weighted average shares outstanding	<b>48,081,935</b>	46,263,746	<b>48,026,766</b>	46,227,580
Potential net incremental issue of shares from warrants	-	250,000	-	250,000
Potential net incremental issue of shares from stock options	<b>107,710</b>	862,650	<b>108,000</b>	2,280,330
Potential net incremental issue of shares from convertible notes	<b>500,000</b>	750,000	<b>500,000</b>	750,000
Shares outstanding plus assumed conversions	<b>48,689,645</b>	48,126,396	<b>48,634,766</b>	49,507,910
Basic earnings per share (cents per share)	<b>0.036</b>	0.039	<b>.089</b>	0.085

**7. Contributed Surplus**

The following table summarizes the movements in contributed surplus.

	<b>November 30, 2006</b>	May 31, 2006	November 30 2005
Balance, beginning of period	<b>1,625</b>	\$ 1,577	\$ 1,577
Commitment to issue stock options (a)	<b>917</b>	-	-
Expense for the period	<b>480</b>	536	158
Transfer to equity on exercise of options	<b>(126)</b>	(488)	(166)
	<b>2,896</b>	\$ 1,625	\$ 1,569

(a) On May 2006, the Company committed to the issue of 421,000 options to the retiring CEO. A stock compensation expense for \$ 917 was recorded on May 2006 against a liability for the commitment of the shares issue. As of this date, shares have been issued and the liability has been recorded as contributed surplus.

**8. Segmented Information**

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

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 2006			
	Gold	Exploration	Corporate	Total
<b>For the 3 months ending</b>				
Sales	\$ 12,433	\$ -	\$ -	\$ 12,433
Amortisation and depreciation	\$ (1,909)	\$ -	\$ -	\$ (1,909)
Net income (loss)	\$ 2,558	\$ (463)	\$ (344)	\$ 1,751
<b>For the 6 months ending</b>				
Sales	\$ 24,610	\$ -	\$ -	\$ 24,610
Amortisation and depreciation	\$ (3,924)	\$ -	\$ -	\$ (3,924)
Net income (loss)	\$ 5,943	\$ (972)	\$ (653)	\$ 4,318
<b>As at 30 November</b>				
Property, plant and equipment	\$ 21,719	\$ 519	\$ 1,235	\$ 23,473
Deferred exploration and development	\$ 4,120	\$ 10,483	\$ -	\$ 14,603

	November 30 2005			
	Gold	Exploration	Corporate	Total
<b>For the 3 months ending</b>				
Sales	\$ 11,326	\$ -	\$ -	\$ 11,326
Amortisation and depreciation	\$ (2,567)	\$ -	\$ -	\$ (2,567)
Net income (loss)	\$ 2,767	\$ (443)	\$ (380)	\$ 1,944
<b>For the 6 months ending</b>				
Sales	\$ 23,047	\$ -	\$ -	\$ 23,047
Amortisation and depreciation	\$ (4,316)	\$ -	\$ -	\$ (4,316)
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

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.

**9. Supplementary cash flow information**

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

(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>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Prepaid expenses and other	(93)	\$ (46)	(209)	\$ (101)
Accounts receivable	(1,323)	(411)	(1,811)	(676)
Accounts payable and accrued liabilities	1,393	(887)	2,652	(234)
Inventory	18	(983)	(915)	(955)
Net change in non-cash working capital balances	(5)	\$ (2,327)	(283)	\$ (1,966)

(b) Other information

Cash interest paid	\$	18	\$	72	\$	41	\$	141
--------------------	----	----	----	----	----	----	----	-----

## 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, 2006 the Company has already cancelled all of its financial derivatives it has entered in the past to reduce its exposure to fluctuations in the gold price. These instruments consist of gold option 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 some participation in price appreciation. The fair value of these contracts is noted below. The net value of these contracts has been recorded as a liability.

	<b>November 30,</b>	<b>May 31,</b>	<b>November 30,</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>
Gold put options	-	-	<b>37</b>
Gold call options	-	(2,317)	<b>(1,573)</b>
Gold spot deferred contract	-	-	<b>(56)</b>
	-	(2,317)	<b>(1,592)</b>

The Company previously entered into put option contracts on 10,000 ounces at a forward price of \$ 436 per ounce. To cover the cost of the put option contracts the Company sold call options contracts on 10,000 ounces at a forward price of \$ 486.5 per ounce. The put and call options were matched in timing and have been delivered into on a monthly basis at a rate of 2,500 ounces per month. At the end of the period all contracts have ended and no ounces remain to be delivered.

## 10. Financial Derivatives - Cont

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

(Thousands of United States Dollars, except where indicated)

**November 30, 2006**

---

(a) Currency risk

The Company's cash balances are held principally in US dollars in a Canadian bank, while its expenses are incurred in Uruguay pesos as well as US dollars and other currencies. The Company reports its results in United States dollars. There would be an adverse impact on the reported results if the following situations arise:

- (i) The Uruguay inflationary impact on the peso expenses increases at more than the depreciation of the Uruguay peso against the United States dollar. This would result in an increase of the peso-based expenses.
- (ii) The United States dollar depreciates against the Uruguay peso. This would reduce the available cash resources and increase the related expense.

A significant portion of the Company's operations are located in Uruguay, and are subject to fluctuations in exchange rates. The Company manages its currency rate risk by denominating its contracts and commitments, where possible, in US dollars.

(b) Credit risk

The Company enters into financial agreements (financial instruments) with major international banks and other international financial institutions in order to manage underlying revenue and future cash flow exposures arising from commodity prices. Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash, accounts receivable and securities.

(d) Fair value risk

The carrying amount of cash, accounts receivable and current liabilities approximate their fair value due to the short-term maturities of these instruments. The fair value of the Company's debt is approximated by its carrying value due to its floating interest rate.