uruguay mineral exploration inc.

Management Discussion & Analysis
for the period ended November 30,2006

Prepared as at: January 11, 2007

Management's discussion and analysis ("MD&A") provides a discussion of the Company's financial and operating results for the quarter ended November 30, 2006 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the un-audited interim financial statements of Uruguay Minerals Exploration Inc ("UME" or "Company") for the three and six month periods ended November 30, 2006. All amounts are expressed in thousands of US$, unless otherwise indicated. The reader should also refer to the audited financial statements for the two years ended May 31 2006 and the related Management's Discussion and Analysis ("MD&D") both of which are available on the Company's website at www.uruguayminerals.com and on SEDAR at www.sedar.com. The Company's financial statements and the financial data presented in this document have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This management discussion and analysis is effective as of January 11, 2007.

SUMMARY OF RESULTS AND SIGNIFICANT EVENTS

Highlights for the three months ended November 30, 2006 include.

- Gold production of 20,059 ounces at an average cash cost of $US 345 per ounce compared to 25,323 ounces at an average cash cost of $US 182 per ounce in the prior financial year.
- Net profit after tax of $ 1,751 or $ .036 basic earnings per share compared to $ 1,944 or $ .042 basic earnings per share in the corresponding period of the prior financial year.
- Cash flow from operations was $ 3,677 before non-cash working capital movements. This compares to $ 5,121 in the same period last year.
- Sales were $ 12,433 with an average price of gold sold was $ 565 per ounce compared to $ 11,326 at an average price of $ 456 in the corresponding period of the prior financial year.

Highlights for the six months ended November 30, 2006 include.

- Gold production of 39,234 ounces at an average cash cost of $US 340 per ounce compared to 50,486 ounces at an average cash cost of $US 197 per ounce in the prior financial year.
- Net profit after tax of $ 4,318 or $ 0.09 basic earnings per share compared to $ 4,184 or $ .091 basic earnings per share in the corresponding period of the prior financial year.
- Cash flow from operations was $ 7,180 before non-cash working capital movements. This compares to $ 9,310 in the same period last year.
- Sales were $ 24,610 and the average price of gold sold was $ 566 per ounce compared to $ 23,047 at an average price of $ 443 in the corresponding period of the prior financial year.

FINANCIAL PERFORMANCE

Sales

Sales for the quarter were $ 12,433 resulting from the sale of 20,416 ounces of gold at an average price of $US 565 per ounce. Sales for the corresponding quarter of 2005 were $11,326, which resulted from the sale of 23,832 ounces of gold at an average price of $ 456 per ounce. Silver sales for the quarter were $ 528 compared to $ 167 in the corresponding quarter of the prior financial year. During the quarter 7,500 ounces were delivered into gold derivatives contracts at an average price of $ 486.5 per ounce and 12,916 ounces were sold at spot prices. No derivatives contracts remain outstanding at November 30 2006.

(Thousands of United States Dollars, except where indicated)

Sales for the half year were $ 24,610 resulting from the sale of 41,225 ounces of gold at an average price of $US 567 per ounce. This compares to $ 23,047 in the corresponding period of the prior year, which resulted from the sale of 49,881 ounces of gold at an average price of $ 443 per ounce.

Operating Earnings

Net profit after tax for the quarter was $ 1,751 or basic earnings per share of $ 0.036. This compared to a profit of $ 1,944 or basic earnings per share of $ 0.042 for the second quarter of 2006. For the six months to November 30, 2006 net profit after tax was $ 4,318 or basic earnings per share of 0.090, compared to a profit of $ 4,184 or basic earnings per share of $ 0.091 for the second quarter of 2006. In comparing the two quarters/halves increased profitability from a higher realized gold sales price was offset by reduced sales volume. Operating costs for the current quarter and half were higher than the corresponding quarter of the prior financial year due to a higher strip ratio, a reduction in inventories, higher unit operating costs and increased royalty expenses.

Metal Production

During the quarter 322,214 tonnes of ore at an average grade of 2.09 g/t were processed at San Gregorio to produce 20,059 ounces of gold. Gold production for the half year was 39,234 ounces. Gold produced in the corresponding quarter and half of the prior year was 25,323 and 50,486 ounces respectively. The decrease in production relates to mine design changes at Arenal for geomechanical (pit stability) risk mitigation. The subsequent reduction in ore grade excavated in the quarter and half represents a deferral of high grade feed. With continued good ore control reconciliation at Arenal, the deferred high grade will become available in the second half of the year.

Recovery increased during the current quarter as the silver content of ore was reduced consistently below 9 g/t and due to improvements in elution circuit management. The high work index of Arenal ore limits throughput and causes high wear. Efforts are therefore being made to blend feed from the Vetas to improve plant production.

During the quarter 260,000 tonnes of ore and 1,889,000 tonnes of waste were mined from Arenal, bringing the total production for the six months to November 30, 2006 to 542,000 tonnes of ore and 3,722,000 tonnes of waste. A further 36,000 tonnes of ore and 1,116,000 tonnes of waste were removed from the San Gregorio East, Veta Sur and Veta A pits. The development in San Gregorio East is associated with rehandling of waste dumped inside a pit designed and excavated on a gold price of $320 per ounce. Development of Veta Sur includes substantial rehandling of the old San Gregorio waste dump which covers an estimated Inferred Resource of 90,000 tonnes at 2.7 g/t.

.
Production statistics summarized below.

Quarterly production statistics

	Q3 Feb 2005	**Q4 May 2005**	**Q1 Aug 2005**	**Q2 Nov 2005**	**Q3 Feb 2006**	**Q4 May 2006**	**Q1 Aug 2006**	**Q2 Nov 2006**
Ore processed (tonnes)	275,849	306,238	312,016	312,881	313,967	327,665	315,310	322,214
Head Grade (g/t Au)	2.24	2.67	2.63	2.71	2.68	2.51	2.09	2.09
Recovery	95.2%	95.2%	95.3%	93.2%	93.9%	92.46%	90.5%	92.6%
Gold produced (ounces)	18,896	24,844	25,163	25,323	25,451	25,350	19,175	20,059

(Thousands of United States Dollars, except where indicated)

Expenses

Operating expenses were $ 7,676 for the quarter after deferring $ 659 in deferred stripping costs. Cash cost per ounce for the quarter were $ 348 per ounce. For the corresponding quarter of the prior financial year they were $ 4,970 after deferring $ 646 in deferred stripping costs. Cash cost per ounce for the corresponding quarter of the prior financial year were $ 182 per ounce.

For the half year operating expenses were $ 14,425 after deferring $ 1,013 in deferred stripping costs. Cash cost per ounce for the half were $ 340. In the first half of the prior year operating expenses were $ 10,730 with a cash cost per ounce of $ 197.

Cash cost 1st half 2006	$ 197
Reduced production H1 2007	76
Other cost increases	47
Change in deferred cost ratio	20
Cash cost 1st half 2007	$ 340

The table opposite reconciles the difference in costs between the current half and the corresponding half for the prior financial year. The reduction of grade in the current half and the subsequent drop in production to 39,234 ounces contributes $ 76 to the increase in costs. A higher strip ratio of 5.59 (compared to 4.34) that was effective from 1 July 2006 and other cost increases detailed below bring total cash costs per ounce for the half to $ 340.

Other cost increases of $49 per ounce include the following

Description of cost change	Cost impact per ounce
• Progressive increase in the work index for Arenal ore from a historical rate of 20 KWh/t to 24 KWh/t. This cost increase has not been planned for as no meaningful testing for abrasiveness and hardness was done on the Arenal orebody before mining commenced. This increases mill consumable and mine equipment maintenance costs.	$ 7
• Increase in electricity charges and fuel prices.	$ 4
• Increase in equipment hours as the pit deepens/increase in maintenance costs as the fleet ages	$ 17
• Increase in cyanide and other consumables costs	$ 5
• Higher cost pits	$ 7

To address these cost pressures the company has changed shift rosters and increased work days in the Arenal pit to 7 days and is also evaluating the use of different mill lining configurations and alternative suppliers and products.

Amortization and depreciation expense was $ 1,909 for the quarter compared to $ 2,567 in the prior year. The corresponding quarter of the prior financial year included a charge of $ 810 for accumulated depreciation relating to the capitalization and amortization of the net profit interest acquired, of which $ 614 related to prior periods.

Other Revenues and Expenses

Corporate expenses were $ 1,053 for the quarter compared to $ 655 for the corresponding quarter of the prior financial year. The half year corporate expense was $ 1,989 compared to the prior year of $ 1,247. Capital and loan taxes included in corporate costs were $ 246 and $ 364 for the quarter and half compared to $ 20 and $ 117 in the corresponding periods of the prior financial year. The first quarter of the current year also included corporate costs of $ 200 in termination payments.

The current quarter’s earnings include a gain of $ 1,070 for the fair valuation gold financial derivatives. The corresponding quarter of the prior year included a loss of $ 1,215. The gain in the current quarter reflects the winding down of the company’s hedge book.

(Thousands of United States Dollars, except where indicated)

The Company issued 1,201,000 stock options during the half at an average price of $CAD 4.53. Details of these issues are shown below.

Number	Who Issued To	Price	Vesting
Quarter 1			
421,000	Chris Clark, former Director and President as part of termination benefits	$CAD 5.29	Immediate
190,000	Employees	$CAD 4.77	Three equal annual portions after one, two and three years.
20,000	Contractor	$CAD 4.10	Immediate.
Quarter 2			
570,000	Executive Management and new Director	$CAD 3.90	Three equal annual portions after one, two and three years.

The stock option expense for the quarter and half were $ 229 and $480 respectively against $ 158 and $ 158 for the corresponding periods of the prior year.

FINANCIAL POSITION

Cash and other liquid resources

At November 30, 2006 UME had cash and cash equivalents of $ 5,802 compared to $ 8,931 at 31 May 2006. Cash flow from operations for the quarter was $ 3,672 after using $ 5 -in non-cash working capital items. This compared to $ 2,794, after using $ 2,327 in non-cash working capital items in the corresponding quarter of the prior year.

Cash generated from operations during the half was $ 6,897, after using $ 283 in no cash working capital items. In the corresponding half of the prior year cash flow from operations was $ 7,314 with $ 1,996 consumed by non cash working capital movements.

Capital Expenditure

Expenditure on property plant and equipment for the quarter was $ 2,482 with a further. $ 508 paid for deferred equipment acquisition. Payments for property plant and equipment include the refurbishment of a second DM45 drill rig and $ 779 of pre-strip of San Gregorio East and the South Vein where mining will commence in the coming half.

Exploration expenditure was $ 1,861 for the quarter. Approximately $ 1,500 of this was invested in near mine exploration activities and regional exploration within the Isla Cristalina, including work performed at Argentinita, Arenal, Laureles, Ombu and Sobresaliente. The remaining exploration expenditure for the quarter was mainly incurred on base metals projects Paso del Lugo and Mal Abrigo and on gold projects Casupa and Crucera.

Financing

During the quarter 41,000 employee options were converted into shares to provide proceeds of $ 17. During the fist quarter 280,000 employee options and 250,000 warrants were exercised to provide proceeds of $ 1,151.

At January 11, 2007 UME had outstanding 500,000 options on convertible notes, exercisable at $ 4.20. There were also, 3,247,000 outstanding stock options (1,851,000 of which are exercisable) and 48,295,435 common shares outstanding.

(Thousands of United States Dollars, except where indicated)

EXPLORATION AND DEVELOPMENT

Reserves and Resources

Uruguay Mineral Exploration Inc. (UME) discloses the following update of its Mineral Resources and Mineral Reserves as at 1 November 2006. These Mineral Resources and Mineral Reserves as well as the terms used in this disclosure are fully compliant with NI 43-101 requirements and CIM Definition Standards.

UME Mineral Resources as at 1 November 2006 †

Deposit	Cut-Off (g/t Au)	Tonnes	Grade (g/t Au)	Contained Ounces	Note
Measured Resources					
Arenal	0.5	1,204,000	2.58	100,000	2
San Gregorio	0.5	278,000	0.94	8,300	2
Santa Teresa	0.5	497,000	1.14	18,200	2
Total Measured Resources		**1,979,000**	**1.99**	**126,500**	
Indicated Resources					
Arenal	0.5	5,741,000	1.51	279,100	2
San Gregorio	0.5	1,850,000	1.50	89,000	2
Santa Teresa	0.5	1,434,000	1.09	50,200	2
Ombú	0.5	687,000	1.33	29,400	1
Argentinita	0.5	1,446,000	1.45	67,400	1
Sobresaliente	0.7	431,000	1.16	16,100	1
Stockpiles	0.5	23,000	2.11	1,600	3
Total Indicated Resources		**11,612,000**	**1.43**	**532,800**	
Total Measured & Indicated		**13,591,000**	**1.51**	**659,300**	
Inferred Resources					
Arenal	0.5	2,983,000	1.1	107,000	2
San Gregorio	0.5	115,000	1.9	6,900	2
Rieles/East Extension	0.5	1,545,000	1.6	78,200	3
Santa Teresa	0.5	7,000	0.8	200	2
Ombú	0.5	38,000	0.90	1,100	1
Argentinita	0.5	588,000	1.42	26,800	1
Sobresaliente	0.7	61,000	0.92	1,800	1
Vetas	0.5	282,000	3.2	28,700	3
Total Inferred Resources		**5,619,000**	**1.4**	**250,700**	

(Thousands of United States Dollars, except where indicated)

UME Mineral Reserves as at 1 November 2006 †‡					
Deposit	**Cut-Off (g/t Au)**	**Tonnes**	**Grade (g/t Au)**	**Contained Ounces**	**Note**
Proven Reserves					
Arenal	0.5	1,128,000	2.57	93,200	4
San Gregorio	0.5	156,000	0.94	4,700	4
Santa Teresa	0.5	269,000	1.24	10,700	4
Total Proven Reserves		**1,553,000**	**2.18**	**108,600**	
Probable Reserves					
Arenal	0.5	2,249,000	1.8	128,800	4
San Gregorio	0.5	1,059,000	1.6	53,800	4
Santa Teresa	0.5	787,000	1.2	29,200	4
Stockpiles	0.5	23,000	2.1	1,600	4
Total Probable Reserves		**4,118,000**	**1.6**	**213,400**	
Total Mineral Reserves		**5,671,000**	**1.77**	**322,000**	5

Notes:

† - Totals may not be exact due to rounding

‡ - Mineral Reserves are completely within the stated Mineral Resources with mining factors applied.

1 - Qualified Persons Steven Ristorcelli (C.P.Geo) of Mine Development Associates (MDA) and Peter Ronning (P.Eng) an associate of MDA

2 - Qualified Person for Mineral Resources Dr William John Shaw of Golder Associates

3 - Qualified Person for Mineral Resources George Schroer of UME Inc.

4 - Qualified Person for Mineral Reserves John Sadek of UME Inc.

5 - Mineral Reserves include 2.6Mt @ 1.9gpt that are contingent upon governmental permission to divert the Corrales Stream.

UME will publish a Technical Report and supporting reference documents within 45 days in accordance with NI 43-101 requirements.

Highlights of the updated Mineral Resources and Mineral Reserves:

- UME has engaged new independent consultants to estimate all significant Mineral Resources.
- The current update represents an increase in combined Measured and Indicated Resources of 1,965,000 tonnes since the previous, corrected position.
- The independent consultants have applied more conservative classifications in comparison to those previously applied by UME. Although mineralization exists at Castrillón, it has been removed since it is not material to the Company’s position. Zapucay Inferred Resource has been removed pending addition exploration. The Sobresaliente Inferred Resource has undergone significant reduction following additional exploration that invalidated the previous geological conceptual model.
- Since the last disclosure (June 2005), 98,700 tonnes at 2.60 gpt have been mined and processed from Vetas in the San Gregorio operations. Ore from these supplemental sources will continue into the near future and their current estimate is listed as an Inferred Resource. It is anticipated that these sources will never receive sufficient geoscientific evaluation to convert them to higher categories of Resources or to Reserves prior to excavation.
- Since the last disclosure total Mineral Reserves have increased by an equivalent 271,000 tonnes despite actual production of 1,795,000 tonnes. The replaced grade, however is lower than previous averages.
- As shown in Note 5 of the Mineral Reserves tabled above, approximately 2.6Mt of ore at Arenal are only available with the diversion of a small section of Arroyo Corrales. All ministerial submissions were finalised

during 2006 and the public review process has completed without formal objections. Government ministries and the local community are strongly supportive of this expansion. Permission to commence this diversion is anticipated within the next two months.
- A gold price of US$450 per ounce has been used in the estimation of Mineral Reserves.

In accordance with NI 43-101 requirements, Consents and Certificates of the Qualified Persons will be filed with the technical report before the end of February 2007.

Studies of Expansion Potential

During the November quarter, Ausenco International Pty Limited (Ausenco) progressed a Scoping Study on a process plant expansion and heap leaching at the San Gregorio operations to draft report status. The underlying objective of the studies is to evaluate how production can be maintaining and ultimately grown. The deliverables of these studies include:

- assessment of technical feasibility of plant expansion and heap leach processing;
- evaluation of capital and operating costs to an accuracy of ±40%;
- identification of technical/metallurgical risk; and,
- development of an action plan to advance studies to feasibility status if warranted.

As a consequence of these studies, the potential impact of reduced unit operating costs upon economic cut-off grades and Mineral Reserves will be assessed.

The specific objective of the plant expansion study is to evaluate the viability of a 50% increase in plant throughput. Conceptually, this is to maintain gold production at 100,000 ounces per year with a head grade more closely aligned with regional low grade ore sources. However, future exploration success in the discovery of high grade sources would present opportunities to surpass the current 100,000 ounce per year target.

The objective of the heap leaching study is to assess the viability of alternative processing technology to currently uneconomic mineralisation and to provide gold production growth not restricted to the capacity of existing facilities. Opportunities may also exist to conduct mixed processing with higher grade material processed using conventional methods and heap leach used to process low grade material.

The definition of an Underground Mining Scoping Study was developed and a consultant (Golder Associates) engaged to perform this work. Whilst the deliverables of this study are identical to those of process expansion, the viability of underground mining at Minera San Gregorio will be an important component in the planning of near term strategic exploration. This study is expected to be completed by May 2007.

Exploration General

George Schroer, as Vice President of Exploration and the additional geologists recruited, have been in place for less than 6 months. This initial period has been one of consolidation where a number of changes have been initiated and exploration efforts refocused. These changes include;

- Independent review and analysis of the companies gold resources, focusing the company on gold exploration.
- The construction of relational databases of each exploration project,
- Implementing an internationally acceptable QA/QC program with the help of external consultants,
- Initiating a more detailed geologic based exploration program in the Minas de Corrales district with the assistance of an external structural consultant and other experienced consulting geologists.
- Establishing clear objectives for senior geologists and their exploration teams, oriented at delivering resources.

(Thousands of United States Dollars, except where indicated)

- Recruited additional experienced geologists to focus on the eastern Isla Cristalina Belt , the Dom Feliciano Mobile Belt and the Florida Belt.
- Data packages were compiled to farm out of nickel and base metals projects and external consultant were appointed to assist in the farm out process.

Minas de Corrales district (Arenal and San Gregorio)

Mapping, geochemical surveys and ground geophysics continued over the entire district. Dr. Rod Holcombe, worked in the district for three weeks on the structural geology setting. Drilling concentrated on further defining the Mineral Resources and exploring additional targets in the district.

A large ground magnetic survey was started in the western third of the Isla Cristalina covering West of Minas Del Corrales to east of Zapucay/Argentinita. Two thirds of the program was completed by the end of November. The project is expected to be completed in mid January 2007. The survey is further defining the lineaments associated with mineralized structures in the entire western sector of the district.

<u>Arenal</u>

Drilling at Arenal this quarter was designed to further define resources under the Arroyo Corrales and to condemn the area where the diversion of the Arroyo Corrales is to be constructed. Results from the condemnation program have confirmed that the area is basically sterile. Drilling under the river has confirmed the model and the resource has been tightened. Results form this drill program were used in the recently completed resource estimate update. The resource was estimated by Golder Associates. The revised Measured and Indicated Resources contain 6,945,000 tonnes averaging 1.7 g/t Au.

Significant results from this quarters dill campaign are presented below.

Reverse Circulation Drilling

River Infill

Hole id	Easting	Northing	RL	Azi	Dip	Depth	To	From	Width / Au
ALWRC-33	530218.70	6505498.90	117.50	5	-45	117	28	62	***34 m @ 2.37 g/t***
ALWRC-35	530220.94	6505509.35	117.61	5	-45	102.00	28	66	***38m @ 3.06g/t***
ALWRC-36	530216.55	6505488.83	116.95	55	-45	118.00	55	67	***12m @ 1.35g/t***
							73	87	***14m @ 2.10g/t***

Diamond Drilling

River Infill

Hole id	Easting	Northing	RL	Azi	Dip	Depth	From	To	Width / Au
ALDDH-69	530317.85	6505450.33	112.76	340	-45	112.45	62.4	84.3	***21,9m @ 2.05g/t***
ALDDH-70	530300.682	6505476.25	123.018	6	-44	120.1	37	66.5	***29,5m @ 2.49g/t***
ALDDH-71	530300.161	6505477.34	122.984	330	-45	112.45	30.8	34.8	***4m @ 1,14g/t***
							40.8	79.95	***39,15m @ 3,03g/t***
ALDDH-72	530235.04	6505524.17	117.10	0	-45	74.70	9	38.6	***29,6m @ 1,87g/t***
ALDDH-73	530235.04	6505524.17	117.10	30	-45	73.70	8.5	38.75	***30,25m @ 5,12g/t***
ALDDH-74	530216.55	6505478.83	117.10	50	-60	121.70	59.5	75.1	***15,6m @ 1,01g/t***

(Thousands of United States Dollars, except where indicated)

Reverse Circulation Drilling

Condemnation

Hole ID	Easting	Northing	RL	Azi	Dip	Depth	To	From	Width / Au
ALWRC-32	530264.78	6505591.38	120.90	30	-55	120	103	107	***4 m @ 0.86 g/t***
ALWRC-37	530009.04	6505648.37	116.47	30	-50	102.00	40	42	***2 m @ 0.55 g/t***
ALWRC-39	530094.75	6505612.11	115.90	30	-55	80.00	18	20	***2 m @ 1.72 g/t***
ALWRC-44	530147.43	6505577.86	114.92	30	-45	81.00	33	35	***2 m @ 0.55 g/t***
							39	41	***2 m @ 0.75 g/t***

<u>Veta A and Veta Sur</u>

Drilling continues in the district on small near surface veins. These veins have added an additional 282,000 tonnes at 3.2 g/t Au to Inferred Resources. The size and nature of these resources do not justify the investment to upgrade the resources to reserves before mining, however the company is confident based on past experience that this material can be mined. A total of 98,700 tonnes at 2.6 g/t has been mined from these veins since June 2005.

Exploration efforts are underway to define the significance of these veins sets and their association with the larger deposits. Dr. Rod Holcombe is currently working on the structural association. It is theorized at this time that the veins could be the primary arteries feeding the San Gregorio Shear system.

Veta A

RAB Drilling

Hole ID	Easting	Northing	RL	Azimuth	Dip	Depth	From	To	Width/Au g/t
VARB011	526776.761	6506534.876	164.209	290	-55	20.4	8.5	20.4	11.9 @ 1.95
VARB014	526784.661	6506543.197	165.492	290	-55	30.6	13.6	18.7	5.1m @ 1.4
VARB015	526779.761	6506545.075	165.255	290	-55	30.6	11.9	15.3	3.4 @ 2.07
VARB016	526775.617	6506547.466	165.761	290	-55	25.5	8.5	10.2	1.7m @ 1.4
VARB026	526757.43	6506563.83	167.8	290	-55	10.2	5.1	8.5	3.4m @ 0.72
VARB027	526762.87	6506561.523	167.552	290	-55	11.9	8.5	11.9	3.4m @ 11.3
VARB030	526776.613	6506555.838	166.636	290	-55	15.3	5.1	6.8	1.7m @ 3.77
VARB034	526780.282	6506523.76	163.681	290	-52	17	10.2	17	6.8m @ 3.58

Reverse Circulation Drilling

Hole ID	Easting	Northing	RL	Azimuth	Dip	Depth	From	To	Width/Au g/t
VARC001	526798.295	6506579.156	167.343	290	-55	20	13	20	7m @ 3.79
VARC001A	526806.796	6506575.737	167.004	290	-55	48	20	23	3m @ 9.57
VARC012	526794.087	6506603.444	168.664	290	-55	21	8	10	2m @ 9.38
VARC018	526787.938	6506582.959	167.447	290	-55	20	10	13	3m @ 0.83
VARC019	526779.114	6506586.217	167.739	290	-55	18	5	7	2m @ 2.9
VARC025	526835.214	6506608.415	169.805	290	-55	40	20	23	3m @ 1.21
							28	31	3m @ 2.88
VARC031	526830.438	6506548.333	163.676	290	-55	60	37	39	2m @ 0.7
VARC039	526782.044	6506527.202	164	290	-45	30	12	19	7m @ 4.43
VARC040	526899.857	6506636.295	174.262	300	-55	60	1	2	1m @ 1.74
							57	60	3m @ 1.24

(Thousands of United States Dollars, except where indicated)

Veta Sur

Reverse Circulation Drilling

Hole ID	Easting	Northing	RL	Azimuth	Dip	Depth	From	To	Width/Au g/t
VSRC-27	529274.00	6506143.00	127.70	320	-60	69.00	43	44	1m @ 34.2
VSRC-28	529287.00	6506155.00	128.00	320	-60	60.00	33	34	1m @ 2.3

Sobresaliente and the Ombu

Sobresaliente and the Ombu deposits have been drilled to better define the Resources that they contain. The Ombu deposit contains an Indicated Resource of 687,000 tonnes averaging 1.33 g/t and an Inferred Resource of 38,000 tonnes averaging 0.9 g/t at a 0.5 g/t cut. Following drilling during the half the Sobresaliente deposit contains an Indicated Resource of 431,000 tonnes averaging 1.16 g/t and an Inferred Resource of 61,000 tonnes averaging 0.9 g/t at a 0.7 g/t cut off.

Mine Development Associates were contracted to estimate the Resources for these deposits as well as the Argentinita deposit.

Argentinita/Zapucay District

At the Argentinita project a drill program was completed to better define mineralization. The independent Resources for this deposit were estimated by Mine Development Associates. An Indicated Resource using a 0.5 g/t cut off was estimated to be 1,446,000 tonnes at 1.45 g/t (68,000 ounces) with an additional 588,000 tonnes at 1.42 g/t (27,000 ounces) of Inferred Resource. The estimate is preliminary with additional exploration in the deposit area to be completed in the coming months. Drilling will continue down dip and both to the NW and SE along strike of the low angle shear zone. Mineralization within the shear zone becomes more consistent in the centre of the mineralized body and at depth. Mineralization is open along strike at depth and down dip.

Significant intercepts from this quarter of drilling are presented below.

Diamond Infill Drilling

Hole ID	Easting	Northing	RL	Azimuth	Dip	Depth	From	To	Width/Au g/t
DDHARG-06	546265.47	6496110.54	227.56	240	-60	140.35	103.4	107.85	4.45m @ 4.45
							110.85	116.85	6m @ 6.00
DDHARG-07	546539.32	6496171.14	235.38	243.46	-80	212.4	121.95	131.3	9.35m @ 9.35
							182	183.5	1.5m @ 1.50
DDHARG-08	546495.16	6496085.02	224.43	245	-75	187.5	110.75	119.5	8.75m @ 8.75
DDHARG-10	546635.71	6496053.15	230.00	242.46	-80	197	127.15	131.1	3.95m @ 3.95
							118.3	124.9	6.6m @ 6.60

(Thousands of United States Dollars, except where indicated)

Rerverse Circulation Infill Drilling

Hole ID	Easting	Northing	RL	Azimuth	Dip	Depth	From	To	Width/Au g/t
RCARG-176	546224.64	6496218.51	219.99	0	-90	130	32	36	4m @ 4.00
							85	88	3m @ 3.00
RCARG-177	546195.96	6496145.89	223.76	241.46	-70	124	15	20	5m @ 5.00
RCARG-178	546424.91	6496130.59	234.49	241.46	-70	174	128	136	8m @ 8.00
RCARG-179	546441.02	6496139.81	234.38	241.46	-80	180	120	136	16m @ 16.00
RCARG-184	546446.09	6496117.63	231.86	241.46	-70	162	104	110	6m @ 6.00
RCARG-185	546472.65	6496133.13	229.92	241.46	-70	174	110	118	8m @ 8.00
							130	134	4m @ 4.00
RCARG-186	546515.83	6496157.88	234.88	241.46	-70	204	128	132	4m @ 4.00
							157	165	8m @ 8.00
							144	153	9m @ 9.00
RCARG-187	546496.05	6496114.18	227.57	241.46	-75	180	118	128	10m @ 10.00
RCARG-188	546597.30	6496167.99	231.31	241.46	-70	198	139	141	2m @ 2.00
RCARG-189	546599.41	6496169.12	231.48	241.46	-85	190	141	147	6m @ 6.00
RCARG-194	546539.44	6496113.33	226.88	241.46	-80	220	114	116	2m @ 2.00
RCARG-195	546354.98	6496149.44	234.35	241.46	-70	180	117	120	3m @ 3.00
RCARG-200	546422.86	6496161.86	238.30	241.46	-70	187	151	154	3m @ 3.00
RCARG-217	546543.61	6496008.18	230.31	241.46	-75	166	120	122	2m @ 2.00
RCARG-221	546587.13	6496031.22	228.50	241.46	-70	166	112	119	7m @ 7.00

Surface exploration in the Argentinita/Zapuchay district continued in the quarter with the acquisition of ground magnetic survey, soil samples and field mapping. Dr. Rod Holcombe also worked with the staff in the district to further the understanding of the structural controls of the mineralization.

Other Exploration Targets

Exploration has continued throughout the Isla Cristalina belt. Targets tested around the mine include, Cerro Blanco, Nueva Australia, and Los Ombues. Drill results from these targets have not identified significant results although weak mineralization has been found associated with the prevalent structures. Surface exploration continues through out the district and includes mapping and sampling programs in Americo Cal, Cerro Blanco, and Laureles.

Exploration efforts in the eastern half of the Isla Cristalina belt re-started in November 2006 under the charge of Julio Villegas. Julio has reviewed most of the old prospects and has started a regional sampling program. Pan concentrates from the Vichedero prospect at the eastern end of the belt have discovered visible gold. One pan concentrates identified 20, 1mm sized Au particles. A follow up stream sediment sampling, mapping and rock chip sampling program are designed for this area.

Florida and Dom Feliciano Belts - Gold

A new exploration team has been formed to progress opportunities in both the Dom Feliciano and Florida mobile belts. Priorities of projects that will be advanced have changed slightly since a first pass field review has taken place. Priority projects in the Dom Feliciano belt will include Presidente Terra, Bradigo, and Retamosa. In the Florida belt project priorities include, Crucera, Casupa, Chamizo and the newly acquired Mahoma property.

(Thousands of United States Dollars, except where indicated)

During the quarter a stream sediment program on 5 map sheets covering greater than 3400 km^2 has been completed in the Dom Feliciano mobile belt. This will aid in the regional exploration efforts in the belt over the coming year.

Crucera

Follow up ground magnetic geophysical survey has been completed on the property in November. This survey was designed to map out the extension of the controlling structure that trends NW. The survey does define a NW lineament associated with the mineralized structure. The lineament defines the structure and approximately an additional 2 kilometers NW and 2km SE of the present drill pattern. A drill program will be designed to test the strike length of this structure as well as testing the structure at depth. Drilling will be initiated in the third quarter.

Mahoma

During the quarter UME obtained access to exploration permits that cover the previously operated Mahoma mine in the Florida Belt. There are four known quartz veins at this location that are up to 1 km in length and variable in width from less than a meter to four meters wide. The veins are east-west striking and sub vertical. Historical records indicate the mine had an in situ Resource of 250,000 tonnes averaging 8 g/t Au. American Resource financial filling form 10 K/A in June 1996 indicates that production stopped on the property in April 1996. Production over a three year period from the property starting in 1993 produced 68,000 tonnes at 7 g/t average with a 95 % recovery. Total production from the property was14,894 ounces.

Lascano

Drilling commenced at the Lascano anomaly during the quarter. The first hole is in progress and has been drilled to 530 meters to date. Drilling has been suspended for the Christmas/new year holidays and will re-commence on 15 January 2007. The hole is planned to test both the magnetic and density anomalies. Density anomaly was defined by the granophyric gabbro. The magnetic anomaly is to be tested at approximately 550 meters. At this time the hole will be drilled through 550 meters and hopefully through the basalts to an estimated depth of 800-900 meters.

The hole has defined the following stratigraphy;

0-47 meters	Over burden
47-100 meters	Sand and highly oxidized gabbro and granophyre
140 to 357 meters	Granophyric gabbro and gabbro (decrease in oxidation with depth)
357 to 430 meters	Quartz feldspar porphyry
430-530 meters	Vesicular basalt flows.

No significant alteration or mineralization observed. Two additional drill holes will be drilled after the completion of this hole to further test the geophysical anomalies and refine the geological model.

Base Metals

Data packages have been prepared for the lead/zinc and nickel base metals projects. Prime Corporate Finance Pty Ltd and Tanadog Management & Technical Services, Inc. have been appointed to solicit interest in the projects through a process expected to be complete by March 2007.

Mal Abrigo and Paso Del Lugo Nickel Projects

Mal Abrigo is an ultamafic layered complex of gabbro to norite in composition. The follow up work on the best max min geophysical anomaly indicates graphite could be responsible for the anomaly. Soil samples have been taken though no assay results have been reported to date.

Drilling of the Paso Del Lugo property has been completed and to date no assay results have been reported. Drilling has defined mafic and ultramafic flows with spinifex texture locally. In the first drillhole no sulfides have been identified in the flow rocks. Disseminated and vein sulfides have been described and the basal contact with the underlying mafic sediments. A second drill hole was placed into the flow sequence which has been defined as containing spinifex and disseminated sulfides locally.

Rivera Diamonds

Stream sediment sampling continued in areas defined for follow-up sampling during 2005. The program is designed to identify more specific areas for surface sampling, geophysical surveys, and drilling. During the quarter eighty-two samples were collected. Best results from this programme include:

- Samples from two areas in the southern part of the project area that have returned kimberlitic chrome spinels and pyrope garnet. G10 pyrope garnet has previously been reported from one of these areas. Further sampling at both of these locations is planned for 2007.
- One sample in the northern part of the project area has reported 25 pyrope garnets including one G10 garnet, and more than 100 chrome spinels including 5 with diamond stability field chemistry, from a location which has previously produced a micro-diamond, and abundant pyrope garnets. Follow-up sampling will begin in this area during December 2006.

An air photograph study concentrating on structural as well as geomorphic features associated with kimberlite pipes has commenced in the most prospective areas in northern Uruguay.

OUTLOOK

The Company plans to maintain plant throughput at an average of 100,000 tonnes per month and to produce 95,000 ounces of gold for the 2007 financial year.

FINANCIAL INSTRUMENTS

UME does not enter into financial instruments for trading or speculative purposes. The levels of derivatives contracts entered into will be consistent with forecast production and must ultimately be capable of satisfaction through by delivery.

In December 2004 the Company entered into a matched collar for 50,000 ounces with a strike price for the put of $US 400/oz and a strike price for the call of $US 436/oz. This contract required deliveries of 2,500 ounces per month and at November 30 2006 all ounces had been delivered.

In October 2005 the Company entered into a matched collar for 10,000 ounces with a strike price for the put of $ 436 per ounce and a strike price of the call of $ 486,50 per ounce. This contract requires deliveries of 2,500 ounces per month with deliveries commencing in July 2006. At November 30 2006 all ounces have been delivered.

The Company has established a policy that permits a maximum of 25% of planned monthly production to be hedged for a period of 18 months. Given current production levels this equates to 37,500 ounces over an 18 month period.

RELATED PARTY TRANSACTIONS

(Thousands of United States Dollars, except where indicated)

The Company has no related party transactions.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company's contractual obligations and commitments are as follows

	Total	Less than 1 Year	1-2 Years	2-3 years	3-4 years	4-6 Years
Convertible notes (a)	2,100	1,050	1,050			
Finance Lease	381	152	152	77		
Deferred Equipment payments	510	510				
Asset Retirement obligations	1,665		245	112	116	1,192

(a) As a part of the agreement for the purchase of the net profit interest, as explained in Note 5a and 8d of the financial statements, an additional US$ 1,050 is also payable after the third anniversary date, if the average monthly price of gold for the previous 36 months exceeds US$ 400 per ounce.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make certain estimates which affect the amounts reported in the consolidated statements and related notes. The accounting estimates considered to be significant to the Company include in-process inventories, net future income and resource tax assets and liabilities, the physical and economic lives of mining assets and mine closure and site restoration costs.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law

Economic lives of mining assets and recoverable value

The economic lives of UME's mining operations and any development asset is based upon the individual mine's mineral reserves. UME's resources and reserves are estimated in accordance with the standards established under the Australasian Institute of Mining and Metallurgy Code of Mineral Resource Estimation, which is the basis of reporting used by the Australian Stock Exchange.

The Company reviews and evaluates the estimated future discounted net cash flows of its mines and development properties to ensure that they exceed the carrying value for each property. These calculations rely on estimated reserves and/or resources, estimated future commodity price and production costs. At each reporting period end, UME reviews the recoverable value of its mining assets. At May 31, 2006, no write down of the carrying value of these assets was appropriate.

Share based Compensation

UME uses the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipate life of the option and the volatility of the company's share price.

Mine closure and site restoration

UME has estimated the ultimate asset retirement obligation costs for its operations at their expected respective closure and site restoration dates. The discounted value of these asset retirement obligations as at November 30 2006 was $ 1,665 and is included in the mine closure and site restoration liability. The $ 334 unamortized balance of asset retirement costs as at November 30, 2006 is included in property, plant and equipment. While care was taken to estimate the asset retirement obligations, these amounts are estimates of expenditures that are not due until future years. In addition, UME's asset retirement obligations are reviewed and assessed periodically on an asset by asset basis. Should there be a change in the estimate, the discounted amount of that change would be included in property, plant and equipment as an asset retirement cost with an offsetting amount accrued as an asset retirement obligation. The asset retirement cost would be amortized on a units-of-production basis over the estimated life of the mine while the asset retirement obligation would be accreted through earnings to its ultimate undiscounted amount.

Deferred Stripping Costs

Effective October 1, 2004 as a result of developing a complete mine plan for the Arenal deposit the Company adopted the industry practice of deferring stripping costs. Previously the company had expensed these costs as it could not reasonably estimate the life of mine strip ratio for deposits being mined.

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 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.

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.

RISK FACTORS

UME's net earnings in the near-term are affected principally by its mining operations and, in the longer term, will be affected primarily by the success or failure of its exploration and development activities. The Board recognizes that the exploration and development of natural resources is a speculative activity that involves a large numbers of uncertainties, and a degree of financial risk. Accordingly the Board considers the risks to which the Corporation is exposed as part of its regular operations, and keeps these under review.

The principal risks are considered to be those set out below.

Sensitivity to commodity prices and foreign exchange rates

UME's revenues, net earnings and cash flow from operations are affected materially by changes in the price of gold. Gold has historically been subject to large price fluctuations, and is affected by factors which are unpredictable, including international economic and political conditions, speculative activities, the relative exchange rate of the US dollar with other currencies, inflation, global and regional levels of supply and demand and the gold inventory levels maintained by producers and others.

UME's gold sales are priced in US dollars while its operating costs are predominantly incurred in US dollars, Canadian dollars and Uruguayan pesos. UME has financial exposure to foreign exchange fluctuations in the Uruguayan peso and the Canadian dollar relative to the US dollar.

Exploration, Mining and Operational Risks

UME's longer term strategy depends to a certain extent on its ability to find commercial quantities of minerals within Uruguay, and to obtain and retain appropriate access to these minerals. The Board cannot guarantee that it will be able to identify appropriate properties, or negotiate acquisitions, on favourable terms.

UME currently has one producing asset, the Minas de Corrales gold project. As more of its projects mature, the Board expects that more projects will develop into producing assets. In common with all mining operations, there is uncertainty, and therefore risk, associated with operating parameters and costs. Whilst costs can be budgeted with a reasonable degree of confidence, operating parameters can be difficult to predict and are often affected by factors outside the Group's control. In addition, other risks, including industrial accidents, technical failures, labour disputes and environmental hazards are also beyond the Group's control.

The nature of resource and reserve quantification studies means that there can be no guarantee that estimates of quantities and grades of minerals will be available to extract. The resources and reserves stated have been quantified according to the Australasian Institute of Mining and Metallurgy Code of Mineral Resource Estimation, which is the basis of reporting used by the Australian Stock Exchange.

The Company's business activities are also affected to varying degrees by government regulations respecting, among other things, tax, royalties, mining legislation and environmental legislation changes.

Title Risks

All prospecting, exploration and mining licenses and titles in Uruguay are granted by the Government of Uruguay for finite periods of time. The Government is bound by strict rules of priority of application, and security of title once granted. However Uruguay is a sovereign state, and there can be no guarantee that the State will continue to grant or respect mining titles, and that the titles of the properties will not be challenged or negated for political or legal reasons.

Individual titles expire from time to time and UME manages the process of retaining its rights by re-application or conversion to other forms of title relevant to each stage of development. The process of re-application involves some risk however, as released titles must fall open before they can be re-applied for.

Political and Economic Risks

Although political conditions in Uruguay are relatively stable, political and economic conditions have not been stable in the countries that surround it. Changes may occur in Uruguay's political, fiscal and legal system that might affect the ownership or operation of the Group's interests, including inter alia, changes in exchange control regulations, expropriation of mining rights, changes of government and in legislative and regulatory regimes.

Arenal Pit Expansion

In order to mine approximately 75% of the reserves remaining in the Arenal pit, the pit must be expanded to the west and a river diversion completed. This diversion requires environmental approval to divert the Corrales River. Studies have been performed by the Company and external independent advisors to assess the environmental impact of diverting the river. These studies concluded that the river can be diverted without significant affect on river flows, flora and fauna. Based on these studies a submission has been made to the Uruguayan environmental authorities seeking this permission and the company is confident that this environmental approval will be granted. Should such environmental approval not be granted the reserves contained in the Arenal pit would have to be revised.

QUARTERLY RESULTS

Quarterly Results
(in thousands of US$ except where otherwise noted)

	Qtr 3 Feb 2005	Qtr 4 May 2005	Qtr 1 Aug 2005	Qtr 2 Nov 2005	Qtr 3 Feb 2006	Qtr 4 May 2006	Qtr 1 Aug 2006	Qtr 2 Nov 2006
Gold sold (ounces)	17,591	22,904	26,049	23,832	23,230	27,284	20,809	20,416
Average sales price ($/oz)	428	422	432	456	510	543	568	565
Cash operating cost ($/oz)	245	229	212	182	203	243	332	345
Operating revenues	7,874	10,284	11,721	11,326	12,167	15,992	12,177	12,433
Net profit interest	-	(253)	(306)	(329)	-	-	-	-
Operating expenses	(4,767)	(5,818)	(5,760)	(4,970)	(5,289)	(5,995)	(6,749)	(7,676)
Contribution Margin	3,107	4,213	5,655	6,027	6,878	9,997	5,428	4,757
Administration	(1,348)	(1,015)	(592)	(655)	(705)	(1,531)	(1,187)	(1,282)
Amortization	(1,293)	(1,785)	(1,749)	(2,567)	(2,181)	(2,245)	(2,015)	(1,909)
Interest and financing costs	(99)	(189)	(93)	(81)	(137)	(28)	(88)	(82)
Other	842	710	(183)	(643)	(1,108)	(833)	1,275	1,121
Income Tax	-	610	(798)	(137)	(425)	(1,283)	(846)	(854)
Net income for the period	1,209	2,544	2,240	1,944	2,322	4,077	2,567	1,751
Basic earnings per share	0.028	0.056	0.048	0.042	0.050	0.090	0.054	0.036
Cash flow from (used in) operations	(316)	2,173	4,548	2,794	3,599	7,445	3,225	3,672
Cash from (used for) financing	2,719	2,221	224	36	168	1502	1,119	(1,532)
Cash invested	(2,490)	(1,791)	(2,835)	(3,925)	(6,520)	(3,606)	(4,730)	(4,883)
Cash on hand	2,898	5,501	7,382	6,287	3,590	8,931	8,545	5,802
Total Assets	37,782	42,651	46,635	51,918	51,963	60,008	62,651	62,725
Shareholders Equity	22,513	31,321	33,728	36,236	40,048	45,239	48,639	50,627

NON GAAP MEASURES

Cash flow from operations, contribution margin and cash cost per ounce are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non GAAP measures. Therefore these measures may not be comparable to similar measures presented by other issuers. These measures have been presented in this MD&A as additional information regarding the company's financial performance and financial position.

Cash flow from operations is calculated by adding back non-cash items to earnings. Contribution margin has been calculated by deducting operating expenses from sales. Operating expenses include movements in inventories but exclude operating depreciation and amortization.

Cash cost per ounce are determined according to the Gold Institute Standard and consist of site costs for all mining, processing, administration, royalties, refining charges, silver credits and inventory adjustments relating to metal production. Capital expenditure, depreciation and amortisation and financing costs are not included. Cash costs are total cash costs divided by gold ounces produced. This calculation is detailed below.

	Quarter 1 Aug 2005	**Quarter 2 Nov 2005**	**Quarter 3 Feb 2006**	**Quarter 4 May 2006**	**Quarter 1 Aug 2006**	**Quarter 2 Nov 2006**
Operating expenses (000)	5,760	4,970	5,289	5,995	6,749	7,676
Other (000)	(424)	(362)	(131)	168	(383)	(756)
Total cash costs (000)	5,336	4,608	5,158	6,163	6,366	6,920
Gold production in ounces	25,163	25,323	25,451	25,350	19,175	20,059
Total cash costs per ounce	212	182	203	243	332	345

Forward Looking Statements

Certain information contained in this Management Discussion and Analysis constitutes “forward- looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and forward looking information under applicable Canadian Securities Legislation. Such forward-looking statements or information, included but not limited to those with respect to prices for gold, estimated future production, estimated costs of production, the Company’s hedging policy involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein, include among others, gold price, weather, exploration results, development and mining activities, geotechnical assumptions, environmental approvals and the availability of technical personnel.

Uruguay Mineral Exploration Inc.
Schedule of Deferred Exploration and Development Costs
(Unaudited)
(Thousands of United States Dollars, except where indicated)

	May 31, 06	Expenditures	Abandonments/ Transfers	November 30, 06
Minas de Corrales Gold Belt (1)				
Acquisition	$ 125	-	-	
Exploration	3,249	2,020	(182)	
Deferred administration	63	240	-	
	3,437	2,260	(182)	5,879
Base Metals Projects (2)				
Acquisition	105	-	-	
Exploration	4,162	423	-	
Deferred administration	1,059	97	-	
	5,326	520	-	5,846
Other Gold Projects (3)				
Acquisition	480	-	-	
Exploration	777	204	-	
Deferred administration	397	67	-	
	1,654	271	-	1,925
Diamonds Projects (4)				
Acquisition	65	-	-	
Exploration	378	186	-	
Deferred administration	37		-	
	480	186	-	666
Regional Exploration (5)				
Acquisition	-	-	-	-
Exploration and overhead	287	-	-	287
	$ 11,184	3,237	(182)	$ 14,603

No amounts directly related to these projects were expensed.

Each of the major project areas is described below. Details of work performed in the current financial year on each of the projects are included in the Management Discussion and Analysis for 31 May 2006 and 30 November 2006.

1. Minas de Corrales Gold Project ("MCGP"):
The MCGP is situated in an inlier of Proterozoic rocks approximately 110 km in length and 40 km in width. It is located in the north of Uruguay approximately 450 km from Montevideo. The San Gregorio processing plant and existing San Gregorio mining operations are located on the western end of the belt. 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. To November 2006 185,000 ounces have been mined from Arenal and a further 222,000 remain in reserves to be mined. Both the San Gregorio and Arenal deposits are open at depth

2. Base Metals Projects:
These include the *Dom Feliciano Mobile Belt* iron/copper/gold project where a substantial belt of copper and gold anomalism has been identified approximately 300 km north-east of Montevideo. 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. 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.

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 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. A new gold project Casupa, located 100 km north of Montevideo, has been generated and a drill program is planned for this area.

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 May 2006. 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.