Uruguay Mineral Exploration Inc.
Consolidated Interim Financial Statements
For the three and nine month periods ended February 28, 2007

(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 periods ended February 28 2007.

Contents

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

	As at February 28 2007	As at May 31 2006	As at February 28 2006
	$	$	$
Assets			
Current			
Cash and cash equivalents	7,796	8,931	3,590
Accounts receivable	2,723	1,699	2,814
Inventories	9,716	8,108	7,792
Prepaid expenses and other	623	612	647
	20,858	19,350	14,843
Property, plant and equipment (Note 2)	22,470	22,896	24,788
Deferred exploration costs (Note 3)	16,379	11,184	8,308
Future income tax	578	1,855	959
Deferred stripping and other non current assets (Note 4)	5,892	4,723	3,065
Total assets	66,177	60,008	51,963
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	4,592	5,076	3,754
Dividend provision	840	-	-
Current portion of long term debt (Note 5)	1,188	2,058	2,190
Unrealized fair value of derivatives (Note 10)	-	2,317	2,529
	6,620	9,451	8,473
Future income tax liabilities	2,349	1,486	
Long term debt (Note 5)	1,237	2,167	1,818
Asset retirement obligation	1,665	1,665	1,624
Total liabilities	11,871	14,769	11,915
Equity instruments (Note 6)	34,587	32,858	31,675
Contributed surplus (Note 7)	3,081	1,625	1,694
Cumulative translation adjustment	(19)	(19)	(19)
Retained Earnings	16,657	10,775	6,698
Total Shareholders' Equity	54,306	45,239	40,048
Total Liabilities and Shareholders Equity	66,177	60,008	51,963

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

	Three months ended February 28		Nine months ended February 28	
	2007	**2006**	**2007**	**2006**
	$	$	**$**	$
Sales	**16,606**	12,167	**41,216**	35,214
Net profit interest		-	**-**	(635)
Net Sales	**16,606**	12,167	**41,216**	34,579
Operating expenses	**7,374**	5,289	**21,799**	16,019
Amortization, depletion and accretion	**2,331**	2,181	**6,255**	6,497
Other expenses				
Compensation expense – stock based	**278**	176	**758**	334
Fair value adjustment for derivatives	**-**	937	**(2,317)**	2,349
General and administrative	**1,229**	705	**3,218**	1,952
Interest and financing fees	**79**	137	**249**	311
	1,586	1,955	**1,908**	4,946
Income before other items and taxes	**5,315**	2,742	**11,254**	7,117
Other items				
Gain on settlement of net profit interest	**-**	-	**-**	888
Interest and other income	**119**	138	**356**	40
Foreign exchange gain / (loss)	**(44)**	(133)	**(202)**	(179)
Income before taxes	**5,390**	2,747	**11,408**	7,866
Income taxes	**1,491**	425	**3,191**	1,360
Net income for the period	**3,899**	2,322	**8,217**	6,506
Retained earnings, beginning of period	**13.598**	4,376	**10,775**	192
Dividend distribution/provision for dividends	**(840)**	**-**	**(2,335)**	**-**
Retained earnings, end of period	**16,657**	6,698	**16,657**	6,698
Basic earnings per share (note 6e)	**0.08**	0.05	**0.17**	0.14
Diluted earnings per share (note 6e)	**0.08**	0.05	**0.17**	0.13
Basic weighted average no. of shares	**48,451,768**	46,708,080	**48,168,433**	46,387,746

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

	Three months ended February 28		Nine months ended February 28	
	2007	**2006**	**2007**	**2006**
	$	$	**$**	$
Operating activities				
Net income for the period	3,899	2,322	8,217	6,506
Adjustments for:				
Amortization, depletion and accretion	2,331	2,181	6,255	6,497
Future income taxes	(537)	(319)	1,277	86
Deferred stripping	(341)	(803)	(1,354)	(2,244)
Fair value adjustment of derivatives	-	937	(2,317)	2,349
Compensation expense – stock based	278	176	758	334
Other	11	1	(15)	174
	5,641	4,495	12,821	13,702
Net change in non-cash working capital balances (Note 9)	(801)	(896)	(1,084)	(2,789)
	4,840	3,599	11,737	10,913
Financing activities				
Proceeds from the issue of share capital, net of costs	344	224	1,512	428
Finance lease drawdown	105	-	105	-
Payments of finance lease	(84)	-	(170)	-
Dividend payment	-	-	(1,495)	-
	365	224	(48)	428
Investing activities				
Refundable deposits	-	3	-	-
Purchase of property, plant and equipment	(1,252)	(5,176)	(7,673)	(11,428)
Payments for exploration	(1,959)	(1,347)	(5,196)	(2,474)
Proceeds on sale of assets	-	-	45	650
	(3,211)	(6,520)	(12,824)	(13,252)
Increase (decrease) in cash	1,994	(2,697)	(1,135)	(1,911)
Cash and cash equivalents, beginning of period	5,802	6,287	8,931	5,501
Cash and cash equivalents, end of period	7,796	3,590	7,796	3,590

(Thousands of United States Dollars, except where indicated)

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.

2. Property, Plant and Equipment

February 28 2007

	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	$ 1,895	$ -	$ 1,895
Plant and equipment	23,506	10,986	12,520
Mineral properties	15,570	7,515	8,055
	$ 40,971	$ 18,501	$ 22,470

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
	$ 35,475	$ 12,579	$ 22,896

February 28 2006

	Cost	Accumulated Amortization	Net Book Value
Land and lease rights	$ 671	$ -	$ 671
Plant and equipment	20,605	6,368	14,237
Mineral properties	14,066	4,186	9,880
	$ 35,342	$ 10,554	$ 24,788

2. Property, Plant and Equipment – cont'd

(Thousands of United States Dollars, except where indicated)

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(b). 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 plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.

c) Mineral properties includes development costs incurred to bring a mining property into production, develop new ore bodies or develop mining areas in advance of production, and are capitalized and charge to operations using the units of production method based on the estimated life of mine. As of 1st of November 2006, the Company reassessed its reserves and resources in a fully compliance with NI 43-101 requirements and CIM definitions, determining a lowered reserve. The change in estimation affected the quarter determining an increase in amortization of mineral properties, and will be accounted for prospectively resulting in a higher amortization per ounce of production over the life of the mine.

3. Deferred Exploration and Development Costs

	February 28, 2007	May 31, 2006	February 28, 2006
Acquisition costs and option payments	$ 775	$ 775	$ 1,521
Exploration, development and other property costs	13,712	8,853	5,311
Capitalized indirect overheads, net of exchange gains	1,892	1,556	1,476
	$ 16,379	$ 11,184	$ 8,308

a) Prior to October 2006, the Uruguay Mining legislation requested all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration or mining activities. These guarantees were required to be posted by non-title holders. As a result, certain of the Company's employees, officers and directors had 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.

As of October 2006, regulations for guarantees were changed. This change requires future guarantees to be provided by a recognized financial institution or be supported by Uruguayan public bonds or cash deposits in a Uruguayan State Bank.

3. Deferred Exploration and Development Costs – cont'd

(Thousands of United States Dollars, except where indicated)

The total guarantees provided at February 28, 2007 were approximately $ 1,890 (May 31, 2006 $ 1,390).These relate to potential site restoration responsibilities associated with exploration activities. The Company has also provided the Uruguayan state with a rehabilitation performance bond for the San Gregorio mine and operations. This obligation is in the amount of $1,500 (May 31, 2006, $ 1,500).

4. Deferred Stripping and Other Non Current Assets

	February 28, 2007		May 31, 2006		February 28, 2006	
Refundable deposits	**$**	**140**	$	140	$	140
Capitalized debt issue costs		**-**		145		113
Deferred Stripping (a)		**5,752**		4,438		2,812
	$	**5,892**	$	4,723	$	3,065

(a) Deferred Stripping costs

Using the deferred stripping accounting method, mining costs associated with waste rock removed inexcess of the life of the 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. Reevaluation of the strip ratio was then made determining a new ratio of 5.59:1. At November 30, 2006 strip ratio applied was 5.75:1 as a result of a marginal increase in ore. As of February 07 same strip ratio estimation was assumed.

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

5. Long Term Debt

	February 28, 2007		May 31, 2006		February 28, 2006	
Drawn debt facilities						
Deferred payment on acquisition of Net profit interest (b)	**$**	**1,980**	$	2,905	$	2,847
Finance lease (a)		**445**		457		-
Deferred payment on equipment (c)		**-**	$	863		1,161
		2,425		4,225		4,008
Less current portion		**(1,188)**		(2,058)		(2,190)
	$	**1,237**	$	2,167	$	1,818

5. Long Term Debt – cont'd

(Thousands of United States Dollars, except where indicated)

	February 28, 2007		May 31, 2006		February 28, 2006	
Available debt facilities						
Finance lease (a)	**$**	**55**	$	43	$	-
Deferred payment on equipment (c)		**-**				1,161
Working capital facility (d)		**-**		2,000		2,000
	$	**55**	$	2,043	$	3,161

(a) 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 of February 28, 2007, $ 445 of the facility has been drawn.

(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.

(c) On August 5, 2004, a subsidiary of the Company signed a sale and purchase agreement for the purchase of $6,349 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.

(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 an interim working capital facility with Macquarie Bank Limited foro $ 2,000, at a rate of Libor plus 2%, and secured by a general floating charge over all of the Company’s assets. As of February 28, 2007, the facility has expired.

6. Equity Instruments

(a) Authorized
Unlimited number of Common Shares

(b) Issued

Common shares	**February 28, 2007**		May 31, 2006	
	Number	**Amount**	Number (000's)	Amount
Issued and outstanding, beginning of year	**47,525**	**$ 33,595**	46,107	$ 30,308
Issued for stock options exercised	**755**	**904**	1,077	1,951
Issued for acquisition of Net Profit Interest	**-**	**-**	290	1,096
Issued for mine properties acquisition	**-**	**-**	51	240
Issued for exercise of warrants for cash	**250**	**1,013**	-	
Issued and Outstanding	**48,530**	**$ 35,512**	47,525	$ 33,595
Less: cumulative share issue costs (1)		**(925)**		(925)
Issued and outstanding, end of year	**48,530**	**$ 34,587**	47,525	$ 32,670

Warrants and convertible notes	**February 28, 2007**		May 31, 2006	
	Number	**Amount**	Number	Amount
Issued and outstanding, beginning of year	**1,000**	**$ 188**	250	$ 188
Issued for acquisition of Net Profit Interest	**-**	**-**	750	-
Expired	**(250)**	**-**	-	-
Exercised	**(250)**	**(188)**	-	-
Issued and outstanding, end of year	**500**	**$ -**	1,000	$ 188
Total equity instruments		**$ 34,587**		$ 32,858

(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) 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.

(Thousands of United States Dollars, except where indicated)

6. Equity Instruments – cont'd

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, 2007
250,000	4.20	July 30, 2008

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

At February 28, 2007, 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.

The following table summarizes information regarding the Company's outstanding options as at February 28, 2007:

	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	1,316	$3.90 - $5.29	$4.47
Options – exercised or cancelled	(755)	$0.4 - $3.0	$1.03
Options outstanding, February 28, 2007	**3,128**	**$0.75 - $5.50**	**$4.12**

For the purposes of stock based compensation, the fair value of each option was determined on the date of granting using the Black-Scholes option pricing model with the following assumptions for the nine month period: Dividend yield (range – Nil to Canadian $3.5 cents per share) (2006 - Nil), expected volatility (range – 40% to 60%) (2006 – 60%), risk-free interest rate (range 4% to 4.8%) (2006 – 4.3%), and weighted average life of (range – 2.0 to 4.0 years) (2006 – 3.0 years). At February 28, 2007, the aggregate unamortized fair value of unvested stock options granted amounted $ 1,202 (May 2006 – $ 722).

(Thousands of United States Dollars, except where indicated)

6. Equity Instruments – cont'd

The following table summarizes information about the stock options outstanding to the officers, directors and staff at February 28, 2007:

Outstanding				Vested options	
Options (000,s)	Option price CDN $	Weighted Average Exercise Price CDN $	Remaining Life Years	Options (000,s)	Weighted Average Exercise Price CDN $
15	$ 0.75	$ 0.75	1.06	15	$ 0.75
344	$ 1.50	$ 1.50	1.52	344	$ 1.50
103	$ 3.00	$ 3.00	2.27	103	$ 3.00
60	$ 3.40	$ 3.40	2.30	60	$ 3.40
570	$ 3.90	$ 3.90	4.63	-	-
115	$ 3.90	$ 3.90	4.95	-	-
200	$ 4.00	$ 4.00	2.16	200	$ 4.00
20	$ 4.10	$ 4.10	4.42	20	$ 4.10
763	$ 4.50	$ 4.50	3.55	254	$ 4.50
68	$ 4.62	$ 4.62	3.77	23	$ 4.62
190	$ 4.77	$ 4.77	4.27	-	-
421	$ 5.29	$ 5.29	4.29	421	$ 5.29
200	$ 5.40	$ 5.40	2.74	200	$ 5.40
59	$ 5.50	$ 5.50	4.10	-	-
3,128				1,640	

(e) Earnings per share

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

	Three months ended February 28,		Nine months ended February 28,	
	2007	2006	**2007**	2006
Basic earnings per share				
Numerator				
Net earnings available to shareholders	**$ 3,899**	$ 2,322	**$ 8,217**	$ 6,506
Denominator				
Weighted average number of shares outstanding	**48,451,768**	46,708,080	**48,168,433**	46,387,746
Basic earnings per share (cents per share)	**0.08**	0.05	**0.17**	0.14

(Thousands of United States Dollars, except where indicated)

6. Equity Instruments – continued

	Three months ended February 28,		Nine months ended February 28,	
	2007	2006	**2007**	2006
Diluted earnings per share				
Numerator				
Net earnings available to shareholders	**$ 3,899**	$ 2,322	**$ 8,217**	$ 6,506
Denominator				
Weighted average number of shares outstanding	**48,451,768**	46,708,080	**48,168,433**	46,387,746
Weighted potential net incremental issue of shares for warrants	**-**	250,000	**27,778**	250,000
Weighted potential net incremental issue of shares from stock options	**41,820**	2,181,333	**147,088**	2,120,170
Weighted potential net incremental issue of shares from convertible notes	**-**	750,000	**333,333**	750,000
Shares outstanding plus assumed conversions	**48,493,588**	49,889,413	**48,676,632**	49,507,916
Diluted earnings per share (cents per share)	**0.08**	0.05	**0.17**	0.13

7. Contributed Surplus

The following table summarizes the movements in contributed surplus.

	February 28, 2007	May 31, 2006	February 28, 2006
Balance, beginning of period	$ 1,625	$ 1,577	$ 1,577
Issuance of stock options (a)	917	-	-
Expense for the period	758	536	334
Transfer on exercise of options	(219)	(488)	(217)
	$ 3,081	$ 1,625	$ 1,694

(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.

(Thousands of United States Dollars, except where indicated)

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.

	February 28 2007			
	Gold	**Exploration**	**Corporate**	**Total**
For the 3 months ending				
Sales	$ 16,606	$ -	$ -	$ 16,606
Amortization and depreciation	$ (2,331)	$ -	$ -	$ (2,331)
Net income (loss)	$ 4,895	$ (611)	$ (385)	$ 3,899
For the 9 months ending				
Sales	$ 41,216	$ -	$ -	$ 41,216
Amortization and depreciation	$ (6,255)	$ -	$ -	$ (6,255)
Net income (loss)	$ 10,838	$ (1,583)	$ (1,038)	$ 8,217
As at February 28				
Property, plant and equipment	$ 19,608	$ 1,627	$ 1,235	$ 22,470
Deferred exploration	$ -	$ 16,379	$ -	$ 16,379

	February 28 2006			
	Gold	**Exploration**	**Corporate**	**Total**
For the 3 months ending				
Sales	$ 12,167	$ -	$ -	$ 12,167
Amortization and depreciation	$ (2,174)	$ (7)	$ -	$ (2,181)
Net income (loss)	$ 2,789	$ -	$ (467)	$ 2,322
For the 9 months ending				
Sales	$ 35,214	$ -	$ -	$ 35,214
Amortization and depreciation	$ (6,477)	$ (20)	$ -	$ (6,497)
Net income (loss)	$ 8,020	$ (474)	$ (1,040)	$ 6,506
As at February 28				
Property, plant and equipment	$ 24,621	$ 157	$ 10	$ 24,788
Deferred exploration	$ -	$ 8,308	$ -	$ 8,308

(Thousands of United States Dollars, except where indicated)

9. Supplementary cash flow information

Net change in non-cash working capital	Three months ended February 28 2007	Three months ended February 28 2006	Nine months ended February 28 2007	Nine months ended February 28 2006
Prepaid expenses and other	$ 109	$ 176	$ (100)	$ 75
Accounts receivable	786	316	(1,025)	(287)
Accounts payable and accrued liabilities	(1,183)	(957)	1,469	(1,191)
Inventory	(513)	(431)	(1,428)	(1,386)
	$ (801)	$ (896)	$ (1,084)	$ (2,789)
Other information				
Cash interest paid	$ 89	$ 79	$ 130	$ 253
Cash taxes paid (a)	-	-	-	-

(a) Tax were paid through the utilization of tax receivables from VAT refunds

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 February 28, 2007 the Company has already cancelled all of its gold option contracts it has entered in the past to reduce its exposure to fluctuations in the gold price.

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.

	February 28, 2007	May 31 2006	February 28 2006
Gold put options	$ -	$ -	$ 5
Gold call options	-	(2,317)	(2,219)
Gold spot deferred contract	-	-	(315)
	$ -	$ (2,317)	$ (2,529)