

**Uruguay Mineral Exploration Inc.**  
**Consolidated Interim Financial Statements**  
**For the six month period ended November 30, 2007**  
(Unaudited)

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 November 30 2007.

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

	As at	
	November 30, 2007	May 31, 2007
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	14,741	13,978
Accounts receivable	1,382	2,275
Inventories	12,335	8,484
Prepaid expenses and other	796	647
	29,254	25,384
Property plant and equipment (Note 2)	30,651	30,714
Deferred exploration (Note 3)	19,074	16,316
Future income tax assets	3,291	2,387
Other non current assets	148	140
<b>Total assets</b>	<b>82,418</b>	<b>74,941</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	9,696	6,238
Current portion of long term debt (Note 4)	2,202	1,231
	11,898	7,469
Long term tax payable	2,414	2,414
Long term debt (Note 4)	118	2,154
Asset retirement obligation	2,205	2,036
<b>Total liabilities</b>	<b>16,635</b>	<b>14,073</b>
Share capital (Note 5)	35,372	34,592
Warrants (Note 5)	12	12
Contributed surplus (Note 6)	3,615	3,297
Accumulated comprehensive income	(19)	(19)
Retained earnings	26,803	22,986
<b>Total shareholders' equity</b>	<b>65,783</b>	<b>60,868</b>
<b>Total liabilities and shareholders' equity</b>	<b>82,418</b>	<b>74,941</b>

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

	Three months ended November 30		Six months ended November 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	21,180	12,433	34,433	24,610
Operating expenses	10,582	7,676	18,905	14,425
Amortization, depletion and accretion	3,615	1,909	6,027	3,924
Total operating expenses	14,197	9,585	24,932	18,349
Sub - Total	6,983	2,848	9,501	6,261
<b>Other expenses / (gains)</b>				
Stock based compensation expense	314	229	506	480
General and administrative expense	1,155	1,053	2,166	1,989
Fair value adjustment for derivatives	-	(1,070)	-	(2,317)
Foreign exchange losses / (gains)	(92)	95	(50)	158
Interest and financing fees / (income)	(68)	23	(189)	83
Other expense / (income)	(43)	(87)	(56)	(150)
	1,266	243	2,377	243
<b>Income before taxes</b>	5,717	2,605	7,124	6,018
Current income taxes provision	2,002	628	2,436	1,814
Future income taxes provision / (recovery)	(654)	226	(905)	(114)
<b>Net and comprehensive income for the period</b>	4,369	1,751	5,593	4,318
<b>Retained earnings, beginning of period</b>	24,210	13,342	22,986	10,775
Dividends	(1,776)	(1,495)	(1,776)	(1,495)
<b>Retained earnings, end of period</b>	26,803	13,598	26,803	13,598
<b>Comprehensive Income</b>				
Balance - beginning of period	-	-	-	-
Unrealized gain and losses on translating financial statements of self-sustaining foreign operations (Note 1b)	-	-	(19)	-
Balance - end of period	-	-	(19)	-
<b>Earnings per common share</b>				
Basic (Note 5(f))	\$ 0.089	\$ 0.036	\$ 0.114	\$ 0.090
Diluted (Note 5(f))	\$ 0.087	\$ 0.036	\$ 0.112	\$ 0.089
<b>Weighted average shares outstanding</b>				
Basic	48,926,268	48,081,935	48,926,268	48,026,766
Diluted	49,947,268	48,689,645	49,920,268	48,634,766

**Uruguay Mineral Exploration Inc.**  
**Consolidated Statements of Cashflows**  
**(Prepared by management)**

(Thousands of United States Dollars, except where indicated)

	Three months ended		Six months ended	
	November 30		November 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income for the period	4,369	1,751	5,593	4,318
Adjustments for:				
Amortization, depletion and accretion	3,615	1,909	6,027	3,924
Deferred stripping	782	(659)	1,235	(1,013)
Future income taxes	(654)	1,588	(905)	1,814
Fair value adjustment of derivatives	-	(1,070)	-	(2,317)
Stock based compensation expense	314	229	506	480
Other	56	(71)	136	(26)
	<b>8,482</b>	<b>3,677</b>	<b>12,592</b>	<b>7,180</b>
Net change in non-cash working capital balances (Note 8))	<b>300</b>	<b>(5)</b>	<b>351</b>	<b>(283)</b>
	<b>8,782</b>	<b>3,672</b>	<b>12,943</b>	<b>6,897</b>
<b>Financing activities</b>				
Proceeds from the issue of share capital	-	17	593	1,168
Payments of finance lease	(49)	(54)	(95)	(86)
Dividend payment	(1,776)	(1,495)	(1,776)	(1,495)
	<b>(1,825)</b>	<b>(1,532)</b>	<b>(1,278)</b>	<b>(413)</b>
<b>Investing activities</b>				
Net proceeds from sale of assets	-	-	-	45
Purchase of property, plant and equipment and development costs	(1,354)	(3,022)	(6,101)	(6,421)
Exploration expenditure	(2,493)	(1,861)	(4,801)	(3,237)
	<b>(3,847)</b>	<b>(4,883)</b>	<b>(10,902)</b>	<b>(9,613)</b>
<b>Increase/ (decrease) in cash and cash equivalents</b>	<b>3,110</b>	<b>(2,743)</b>	<b>763</b>	<b>(3,129)</b>
Cash and cash equivalents, beginning of period	11,631	8,545	13,978	8,931
<b>Cash and cash equivalents, end of period</b>	<b>14,741</b>	<b>5,802</b>	<b>14,741</b>	<b>5,802</b>

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**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Prepared by management)**  
(Thousands of United States Dollars, except where indicated)

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**1. Significant Accounting policies**

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The unaudited interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The reporting currency used is the United States dollars which is also the Company's functional currency. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been 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, 2007 for detailed note disclosures. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

(a) Deferred Stripping Costs

The Company is engaged in open pit mining and incurs costs in removing overburden and waste rock (stripping costs) during mine development and production phase.

Up to and including the financial statements for the year ended May 31, 2007, when stripping costs in the production phase were higher with respect to those arising from applying the expected average stripping ratio (the ratio of waste material to ore extracted) for the mine life, a portion of the waste removal costs has been attributed to future production and deferred, as it was considered a development cost incurred to gain access to the orebody. The amount deferred was subsequently amortized to the income statement when the actual stripping ratio falls below the expected average stripping ratio. These costs include the cost of drilling, blasting, loading and haulage of waste rock from the open pit to the waste pile.

Effective June 1, 2007, the Company adopted the new recommendations issued by the Canadian Institute of Chartered Accountants (CICA) (EIC 160 "Stripping costs incurred in the production phase of a mining operation"), which require the costs associated with the removal of overburden and another mine waste materials that are incurred in the production phase of mining operations to be charged to income in the period in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity.

The new policy has been applied on a prospective basis to stripping costs incurred since June 1, 2007, and the accumulated deferred costs at the beginning of the financial year are being amortized over the remaining reserves accessed by the stripping activity using the units of production method. The accumulated deferred cost are shown under Property, Plant & Equipment while in the past have been shown as Other Deferred costs. The depreciation of the asset is charged to the operating expenses consistently with the treatment given in the past.

The adoption of this standard had no material financial impact on the financial statements of the Company.

## 1. Significant Accounting policies - continued

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### (b) Comprehensive income and other comprehensive income

Effective June 1, 2007, the Company has applied the CICA Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges".

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets should be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities should be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method;
- All derivative financial instruments should be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. :

The Company has not accrued any other comprehensive income during the quarter but actually carries a historical accumulated currency translation adjustment for self-sustaining foreign operations that is reclassified to accumulated other comprehensive income upon transition to the new standard.

Other than this transition adjustment, the adoption of these standards had no financial impact on the financial statements of the Company.

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**Uruguay Mineral Exploration Inc.**  
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**1. Significant Accounting policies - continued**

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(c) Future accounting changes and changes in accounting policies

In July 2006, the Accounting Standards Board issued a replacement of CICA Handbook Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

In December 2006, Section 3862, Financial Instruments -Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures were issued. All three Sections will be applicable for interim and annual financial statements relating to fiscal years beginning after June 1, 2008. Section 3862 on financial instrument disclosures places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new Section removes duplicative disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

In June 2007, a replacement section for inventories, Section 3031 "Inventories" was issued and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and eliminates the use of the "last-in, first-out" method of accounting and is effective for the fiscal years beginning on or after June 1, 2008.

The Company has not yet determined the impact of adopting the above accounting standards.

**Uruguay Mineral Exploration Inc.**  
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**2. Property, Plant and Equipment**

**November 30, 2007**

	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights (a)	\$ 2,082	\$ -	\$ 2,082
Plant and equipment (b)	25,893	13,631	12,262
Asset retirement obligation	2,044	1,556	488
Deferred stripping (Note 2a)	4,829	1,235	3,594
Development costs and mine properties (c)	22,131	9,906	12,225
	<b>\$ 56,979</b>	<b>\$ 26,328</b>	<b>\$ 30,651</b>

May 31, 2007

	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights	\$ 2,077	\$ -	\$ 2,077
Plant and equipment	25,411	12,391	13,020
Asset retirement obligation	2,044	1,385	659
Deferred stripping costs	4,829	-	4,829
Development costs and mine properties	17,210	7,081	10,129
	<b>\$ 51,571</b>	<b>\$ 20,857</b>	<b>\$ 30,714</b>

- (a) The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.
- (b) Included in plant and equipment is \$ 1,059 (May 2007 - \$ 1,114) of major spare parts for the plant and heavy equipment that are amortized over 2 to 5 years depending on the nature of the main equipment they are related. These major spare parts are maintained to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure.
- (c) Included in development costs are \$ 2,971 (May 2007 - \$ 2,830) of pre-production stripping costs that have not yet begun to be amortized as are costs related to deposit from which production has not commenced.

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**3. Deferred Exploration**

Movements on deferred exploration and evaluation expenditure are shown hereinafter:

	<b>November 30, 2007</b>	<b>May 31, 2007</b>
Balance at beginning of period	\$ 16,316	\$ 11,184
Payments for exploration during the period	4,801	7,076
(Transfer to) / reclassification from property, plant and equipment	(2,043)	185
Write off	-	(2,129)
Balance at end of period	<u>\$ 19,074</u>	<u>\$ 16,316</u>

	<b>November 30, 2007</b>	<b>May 31, 2007</b>
Acquisition costs and option payments	\$ 967	\$ 917
Exploration, development and other property costs	16,214	13,729
Capitalized indirect overheads	1,893	1,670
	<u>\$ 19,074</u>	<u>\$ 16,316</u>

**Farm-in agreements:**

- a) The Company has signed in previous years a farm-in agreement giving it the option to acquire a 100% interest in exploration permits along the Florida Greenstone Belt of southern Uruguay owned by a Uruguayan-based mineral exploration company, Delcosur S.A. ("Delcosur")

The Company is required to spend \$ 1,050 on exploration over three years to exercise its option to acquire 100% of Delcosur tenements. Upon exercising this option, the Company is required to grant Delcosur a 1% Net Smelter Return on metal sales resulting from production sourced from the Delcosur tenements. Additionally, in the event that the Company develops a mining operation on the tenements, it will issue Delcosur or its nominees a further 350,000 non-transferable warrants to purchase common shares of the Company at a price calculated at a 20% premium over the five day average trading price prior to the issuance and will be exercisable for a period of two years from the date of issuance.

- b) The Company has the right to purchase shares of a Uruguayan company, Davinco S.A ("Davinco") that owns the Presidente Terra project pursuant to an agreement dated May 14, 1997. Under this agreement the Company has an option to purchase 80% of the issued share capital of Davinco for the amount of \$ 750 payable in installments, and the remaining 20% once a decision has been made to develop a mining operation, at a variable price.

\$ 475 of the \$ 750 in initial installments for the purchase of the 80% of Davinco shares has been settled in the past, with the remaining installment of \$ 275 due within five days after completing a feasibility study on the Presidente Terra Project.

**Uruguay Mineral Exploration Inc.**  
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**3. Deferred Exploration - continued**

**Acquisitions**

- c) The Company previously purchased a Uruguayan diamond database from Southern Era Diamonds Inc. that has subsequently been taken over by Mwana Africa PLC. Under the terms of the agreement Southern Era Diamonds Inc was paid \$ 20 and is entitled to an additional 0.8% royalty on any net diamond sales from any diamond deposit discovered by the Company in Uruguay. A further 0.2% royalty will be paid to a third party, who has an interest in the database.
- d) For the Texas and Mal Abrigo projects the Company has committed to pay a 2% net profits interest and a 2% net smelter return respectively, payable to the vendor. The Company may repurchase the net smelter return of the Mal Abrigo project at any time by paying a lump sum of \$ 650.

**Exploration Performance Bonds**

- e) Uruguay Mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration activities. The Company has facility agreements with Uruguayan local insurance companies and banks to support the required guarantees. The total guarantees provided at November 30, 2007 to support exploration activities on tenements granted were approximately \$ 2,086 (May 2007 - \$ 1,618).

**4. Long Term Debt**

	<b>November 30, 2007</b>	<b>May 31, 2007</b>
<b>Drawn debt facilities</b>		
Deferred payment on net profit interest acquisition (a)	<b>2,014</b>	2,985
Finance lease (b)	<b>306</b>	400
	<b>2,320</b>	3,385
Less current portion	<b>(2,202)</b>	(1,231)
	<b>\$ 118</b>	2,154

- (a) 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 of the 10% net profit interest over key tenements within the Minas de Corrales project. 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. As a part of the agreement, an additional \$ 1,050 is also payable after the third anniversary date if the average monthly price of gold for the previous 36 months exceeds \$ 400 per ounce. Management believes this condition will be met and the additional contingent payment has been recognized as a liability.

The two unsecured convertible notes expiring July 30, 2006 and 2007 were paid in cash and not converted into shares. The remaining convertible note plus the additional contingent payment (for a total nominal value of \$ 2,100) are recorded at their net present value using an 8.5% discount rate.

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim Financial Statements**  
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**4. Long Term Debt - continued**

(b) 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 November 30, 2007, \$ 306 has been drawn under this facility. The vehicles purchased are included under Property, Plant & Equipment as expressed in note 5.

(c) Long term debt repayments are as follow:

Financial year ending	Net profit interest debt Nominal Value	Lease installments Nominal value
2008	\$ -	\$ 95
2009	2,100	187
2010	-	24
2011 and beyond	-	-
<b>Total Nominal debt</b>	<b>\$ 2,100</b>	<b>\$ 306</b>

**5. Equity Instruments**

(a) Authorized

Unlimited number of Common Shares

(b) Issued

Common shares	November 30, 2007		May 31, 2007	
	Number (000s)	Amount	Number (000s)	Amount
Balance at beginning of period	48,531	\$ 35,517	47,525	\$ 33,595
Issued for stock options exercised	395	780	756	910
Issued for exercise of warrants for cash	-	-	250	1,012
Issued and Outstanding	48,926	\$ 36,297	48,531	\$ 35,517
Less: cumulative share issue costs <sup>(1)</sup>	-	(925)	-	(925)
Balance at end of period	48,926	\$ 35,372	48,531	\$ 34,592

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

**Uruguay Mineral Exploration Inc.**  
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**5. Equity Instruments - continued**

(b) Issued - continued

Warrants & convertible notes	November 30, 2007		May 31, 2007	
	Number	Amount	Number	Amount
Balance at beginning of period	520	\$ 12	1,000	\$ 188
Issued for farm-in agreements			20	12
Expired	(250)	-	(250)	-
Exercised		-	(250)	(188)
Balance at end of period	270	\$ 12	520	\$ 12
<b>Total equity instruments</b>	<b>49,196</b>	<b>\$ 35,384</b>	<b>49,051</b>	<b>\$ 34,604</b>

(c) Net profit interest acquisition convertible notes

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, 2008

The first two convertible notes expired in July 30, 2006 and 2007 and were not exercised.

(d) Warrants issued for farm-in agreements

On March 23, 2007, in accordance with an agreement with Delcosur the Company issued 20,000 non-transferable warrants to purchase common shares of the Company at an exercise price of CDN\$ 4.56, and exercisable for a period of two years from the date of issuance. The fair value of these warrants was estimated using the Black Scholes option pricing model with the following assumptions: Dividend yield (CAD\$ 0.035), Expected volatility (41%), risk free rate (3.97%) and a weighed average life of two years. As such, a fair value of \$ 12 was attributed to these warrants.

The warrants are exercisable as follows:

Number of Warrants	Warrant Price CDN\$	Expiry Date
20,000	4.56	March 23, 2009

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**5. Equity Instruments - continued**

(e) 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 quarter ended November 30, 2007, 824,000 options were granted and \$ 314 of compensation expense was recorded (November 30, 2006 \$ 251).

The weighted average fair values of all stock options granted for the six months ended November 2007 were CDN \$ 4.26, estimated as of the date of grant using the Black-Scholes option pricing model with the following average assumptions:

	Six months ended November 30, 2007	Six months ended November 30, 2006
Expected option life (years)	3.1	3.0
Volatility	42%	60%
Risk-free interest rate	Range of 4.22% to 4.28%	Range of 4.00% to 4.30%
Dividend yield	CDN 0.055	Nil

At November 30, 2007 the aggregate unamortized fair value of unvested stock options granted amounted to \$ 1,394 (May 31 2007 - \$ 1,181).

The following table summarizes information regarding the Company's outstanding options as at November 30, 2007:

	Number of Shares (000's)	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Balance at beginning of period	3,304	\$ 0.75 - \$ 5.50	\$ 4.06
Options – granted	824	\$ 3.15 - \$ 3.30	\$ 3.28
Options – exercised and forfeited	<u>(1,236)</u>	\$ 1.50 - \$ 5.29	\$ 3.74
Balance at end of period	<u>2,892</u>	\$ 0.75 - \$ 5.50	\$ 3.97

At November 30, 2007 there were 2,892,000 options outstanding, of which 1,125,667 are exercisable. The weighted average exercise price of the options outstanding at November 30, 2007 is CDN\$ 3.97 (May 31, 2007 \$ 4.06).

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**5. Equity Instruments - continued**

The following table summarizes information about the stock options outstanding at November 30, 2007:

<b>Outstanding</b>				<b>Exercisable</b>	
Options 000s	Range of option price CDN \$	Weighted average Exercise Price CDN \$	Weighted average remaining life in years	Options 000s	Weighted average Exercise Price CDN \$
90	0.75 – 3.00	2.63	1.31	90	2.63
1,835	3.01 – 4.00	3.60	4.09	420	3.92
708	4.01 – 5.00	4.57	2.98	396	4.54
259	5.01 – 5.50	5.42	2.3	220	5.40
<u>2,892</u>				<u>1,126</u>	

(f) Earnings per share

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>November 30,</b>		<b>November 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Basic earnings per share</b>				
Numerator				
Net earnings available to shareholders	\$ 4,369	\$ 1,751	\$ 5,593	\$ 4,318
Denominator				
Weighted average earnings per share	48,926,268	48,081,935	48,926,268	48,026,766
Basic earnings per share (USD per share)	0.089	0.036	0.114	0.090
<b>Diluted earnings per share</b>				
Numerator				
Net earnings available to shareholders	\$ 4,369	\$ 1,751	\$ 5,593	\$ 4,318
Denominator				
Weighted average shares outstanding	48,926,268	48,081,935	48,926,268	48,026,766
Potential net incremental issue of shares from stock options	1,021,000	107,710	994,000	108,000
Potential net incremental issue of shares from convertible notes	-	500,000	-	500,000
Shares outstanding plus assumed conversions	49,947,268	48,689,645	49,920,268	48,634,766
Diluted earnings per share (USD per share)	0.087	0.036	0.112	0.089

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim Financial Statements**  
**(Prepared by management)**  
(Thousands of United States Dollars, except where indicated)

**6. Contributed Surplus**

The following table summarizes the movements in contributed surplus for the period ended November 30, 2007.

	<b>November 30, 2007</b>	<b>May 31, 2007</b>
Balance at beginning of period	\$ 3,297	\$ 1,625
Stock based compensation	506	975
Commitment to issue stock options	-	917
Transfer on exercise of options	<b>(188)</b>	<b>(220)</b>
Balance at end of period	<b>\$ 3,615</b>	<b>\$ 3,297</b>

**7. Segment Information**

The Company has three reportable segments: Gold, exploration and corporate. The corporate segment is responsible for corporate financing and other business development activities for the Company. The Gold segment operates the San Gregorio gold mine and the exploration segment is devoted to the acquisition and exploration of mineral properties

	<b>Gold</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
<b>For three months ended November 30, 2007</b>				
Net Sales	\$ 21,180	\$ -	\$ -	\$ 21,180
Amortization and depletion	\$ (3,449)	\$ (166)	\$ -	\$ (3,615)
Net interest gain / (loss)	\$ 68	\$ -	\$ -	\$ 68
Income tax expense	\$ 1,348	\$ -	\$ -	\$ 1,348
Net income / (loss)	\$ 5,454	\$ (542)	\$ (543)	\$ 4,369
Capital Expenditure	\$ 1,354	\$ 2,493	\$ -	\$ 3,847
<b>For the six months ended November 30, 2007</b>				
Net Sales	\$ 34,433	\$ -	\$ -	\$ 34,433
Amortization and depletion	\$ (5,713)	\$ (314)	\$ -	\$ (6,027)
Net interest gain / (loss)	\$ 189	\$ -	\$ -	\$ 189
Income tax expense	\$ 1,531	\$ -	\$ -	\$ 1,531
Net income / (loss)	\$ 7,774	\$ (1,308)	\$ (873)	\$ 5,593
Capital Expenditure	\$ 6,101	\$ 4,801	\$ -	\$ 10,902
<b>As at November 30, 2007</b>				
Property, plant and equipment	\$ 27,549	\$ 1,867	\$ 1,235	\$ 30,651
Deferred exploration	\$ -	\$ 19,074	\$ -	\$ 19,074

**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim Financial Statements**  
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(Thousands of United States Dollars, except where indicated)

**7. Segment Information – continued**

	<b>Gold</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
<b>For three months ended November 2006</b>				
Net Sales	\$ 12,433	\$ -	\$ -	\$ 12,433
Amortization and depletion	\$ (1,909)	\$ -	\$ -	\$ (1,909)
Net interest gain / (loss)	\$ (23)	\$ -	\$ -	\$ (23)
Income tax expense	\$ 854	\$ -	\$ -	\$ 854
Net income / (loss)	\$ 2,558	\$ (463)	\$ (344)	\$ 1,751
Capital Expenditure	\$ 3,022	\$ 1,861	\$ -	\$ 4,883
<b>For the six months ended November 30, 2006</b>				
Net Sales	\$ 24,610	\$ -	\$ -	\$ 24,610
Amortization and depletion	\$ (3,924)	\$ -	\$ -	\$ (3,924)
Net interest gain / (loss)	\$ (83)	\$ -	\$ -	\$ (83)
Income tax expense	\$ 1,700	\$ -	\$ -	\$ 1,700
Net income / (loss)	\$ 5,943	\$ (972)	\$ (653)	\$ 4,318
Capital Expenditure	\$ 6,421	\$ 3,237	\$ -	\$ 9,613
<b>As at May 31, 2007</b>				
Property, plant and equipment	\$ 27,507	\$ 1,972	\$ 1,235	\$ 30,714
Deferred exploration	\$ -	\$ 16,316	\$ -	\$ 16,316

**8. Supplementary Cash Flow Information**

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

	<b>Three months ended November 30</b>		<b>Six months ended November 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Prepaid expenses and other	\$ (297)	\$ (93)	\$ (149)	\$ (209)
Accounts receivable	\$ 629	\$ (1,323)	\$ 893	\$ (1,811)
Accounts payable and accrued liabilities	\$ 2,485	\$ 1,393	\$ 3,458	\$ 2,652
Inventory	\$ (2,517)	\$ 18	\$ (3,851)	\$ (915)
Net change in non-cash working capital balances	\$ 300	\$ (5)	\$ 351	\$ (283)

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**Uruguay Mineral Exploration Inc.**  
**Notes to Consolidated Interim Financial Statements**  
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**8. Supplementary Cash Flow Information - continued**

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(b) Other information

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>November 30</b>		<b>November 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Cash interest paid	\$ 12	\$ 18	\$ 53	\$ 41
Cash taxes paid	\$ -	\$ -	\$ -	\$ -