

URUGUAY MINERAL EXPLORATION



**Management Discussion & Analysis
for the period ended November 30, 2007**

Prepared as at: January 9, 2008

Management's discussion and analysis ("MD&A") provides a discussion of the Company's financial and operating results for the quarter ended November 30, 2007 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the un-audited interim financial statements of Uruguay Mineral Exploration Inc ("UME" or "Company") for the three month period ended November 30, 2007. 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 2007 and 2006 and the related Management Discussion and Analysis ("MD&A") 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 9, 2008.

1. DESCRIPTION OF BUSINESS

Uruguay Mineral Exploration Inc is a gold producer and exploration company incorporated in Canada and operating in Uruguay. The Company's common shares are listed on the Toronto Venture Stock Exchange (symbol UME) and the London Alternative Investment Market (symbol UGY).

The Company operates the only producing gold mine in Uruguay, in the northern Department of Rivera. It has been exploring in Uruguay since 1996 having assembled an exploration portfolio based on gold, base metals and diamonds prospects. In the first half of 2003, the Company discovered the Arenal deposit, currently the largest known gold resource in Uruguay. The Company believes that Uruguay has great, and so far largely unexplored, potential for the discovery and economic production of a variety of mineral resources.

Production for the 2006/07 financial year was 96,420 ounces of gold from the San Gregorio operation. The Company strategic objectives are to increase gold production through exploration, development and acquisition. The group has significant land holdings throughout Uruguay and has active near mine and regional exploration programmes focused on increasing gold reserves.

2. HIGHLIGHTS

Financial highlights for the three months ended November 30, 2007 include:

- Gold production of 26,317 ounces at an average cash cost of \$US 374 per ounce compared to 20,059 ounces at an average cash cost of \$US 345 in the corresponding quarter of the prior financial year.
- Net profit after tax was \$ 4,369 or \$.089 basic earnings per share compared to \$ 1,751 or \$.036 basic earnings per share in the corresponding period of the prior financial year.
- Cash flow from operations was \$ 8,482 before non-cash working capital movements. This compares to \$ 3,677 in the same period of the prior financial year.
- Sales were \$ 21,180 and the average price of gold sold was \$ 761 per ounce compared to \$ 12,433 at an average price of \$ 565 in the corresponding period of the prior financial year

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- On October 26, 2007 the Company paid a dividend of CAD\$ 0.035 per share. An interim dividend of CAD\$ 2.0 will be paid in April 2008.

Financial highlights for the six months ended November 30, 2007 include:

- Gold production of 44,805 ounces at an average cash cost of \$US 395 per ounce compared to 39,234 ounces at an average cash cost of \$US 340 per ounce in the prior financial year.
- Net profit after tax of \$ 5,593 or \$.11 basic earnings per share compared to \$ 4,318 or \$.09 basic earnings per share in the corresponding period of the prior financial year.
- Cash flow from operations was \$ 12,592 before non-cash working capital movements. This compares to \$ 7,180 in the same period last year.
- Sales were \$ 34,433 and the average price of gold sold was \$ 719 per ounce compared to \$ 24,610 at an average price of \$ 566 in the corresponding period of the prior financial year.

Summary of significant exploration and development events for the 6 months ended November 30, 2007

- Drill programs have commenced to test the down dip extensions of the San Gregorio and Arenal deposits. Four holes have been completed to date with holes five and six in progress. Results have been encouraging with mineralization being encountered in 3 of the 4 holes. An additional 12 holes program is planned to further test the down dip extensions of Arenal, San Gregorio and Santa Teresa.
- In fill drilling on Veta Sur has been completed and mine planning has commenced. In house resource estimate indicates a moderate increase in grade and tonnes.
- First pass drill programs have been completed along the structure between Zapucay and Argentinita, around Zapucay and at Papagayo. Best results are the identification of additional shallow high grade mineralization at Zapucay. Tito Lopez and Lavadero have drill programs planned and will be drilled in the coming months. Exploration permits are pending for the Tito Lopez area and should be received next quarter.
- At Nueva Helvecia a drill program has commenced and results are encouraging. Eight drill holes have been completed with most reporting anomalous gold mineralization. Two drill holes, NH-07-006 and 007, have intercepted significant mineralization of 1.79 and 2.45 g/t respectively over drill holes widths of 4 meters. An additional 6 holes are planned to be completed in this first pass campaign.
- Lascano exploration program concentrated on detail logging of all drill holes. Selective sampling was completed on core for geochemical, geophysical and petrographic studies. 3D modeling of the geophysics has produced a model which has been used to refine the drill holes locations for the second program. The drilling program of 7 to 10 thousand meters has been rescheduled to commence in the fourth quarter of 2008. Exploration permits and drill rig availability will control the exact startup date.

3. FINANCIAL RESULTS

Operating Revenues

Operating revenues include gold sales, silver sales and export cost refunds granted by the Government of Uruguay for the export of doré bars.

Sales of gold for the quarter were \$ 20,125 resulting from the sale of 26,461 ounces of gold at an average price of \$US 761 per ounce. Sales for the corresponding quarter of 2006 were \$ 11,535 which resulted from the sale of 20,416 ounces of gold at an average price of \$ 565 per ounce.

Sales of gold for the half year were \$ 32,673 resulting from the sale of 45,448 ounces of gold at an average price of \$US 719 per ounce. This compares to \$ 24,610 in the corresponding period of the prior year, which resulted from the sale of 41,225 ounces of gold at an average price of \$ 567 per ounce.

Silver sales for the quarter were \$ 596 compared to \$ 528 in the corresponding quarter of the prior financial year. Silver sales for the half year were \$ 970 compared to \$ 843 in the corresponding period of the prior financial year.

Export cost refunds received during the quarter were \$ 459 compared to \$ 275 in the corresponding quarter of the prior financial year. Export cost refunds received for the half year were \$ 790 compared to \$ 552 in the corresponding half of the prior financial year.

Operating Earnings

Net profit after tax for the quarter was \$ 4,369 or basic earnings per share of \$.089. This compared to a profit of \$ 1,751 or basic earnings per share of \$.036 for the second quarter of 2007.

For the six months to November 30, 2007 net profit after tax was \$ 5,593 or basic earnings per share of .114, compared to a profit of \$ 4,318 or basic earnings per share of \$.09 for the corresponding period of the prior year.

Quarterly and half year net profit was higher than the corresponding quarter and half of the prior financial year due to higher production levels and increased sales prices. The corresponding quarter and half of the prior financial year included a benefit of \$ 1,070 and \$ 2,317 respectively from fair value adjustments for derivatives.

Production

During the quarter 293,657 tonnes of ore at an average grade of 3.00 g/t were processed at San Gregorio to produce 26,317 ounces of gold. The increase in head grade was attributable to establishing uniform mining production at Arenal below the initial benches under the original Arroyo Corrales stream. Ore reconciliation has returned to its normal high level following the temporary variation suffered in the previous quarter.

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Recovery for the quarter increased to 93.0% as a consequence of the higher head grade and the relative reduction in the Ag/Au ratio. Total throughput decreased by 10% from the previous quarter due to the lack of available Veta feed stock; the Arenal ore is relatively hard and abrasive, reducing throughput and increasing the unit cost of processing.

Civil works on the river diversion channel are complete except for final formation of the upper level of the southern flood protection dyke and minor revegetation works. The structural integrity of the existing flood protection dykes was tested by significant rainfall events in October 2007, but no infiltration was experienced.

The high-grading production strategy employed at MSG continues to increase the stockpile of lower grade ores for later processing. At the end of the quarter, 181,000 tonnes of ore at 1.49 g/t were stockpiled close to the process plant. During the quarter 401,000 tonnes of ore and 3,130,000 tonnes of waste were mined from Arenal, the Vetas, San Gregorio and Santa Teresa.

Mining production from the Vetas was reduced in the quarter due to contractor focus at Arenal and high-wall stability excavation at San Gregorio East Extension. An addition of Veta A high grade ore has been defined (as shown in the recent Reserve statement) and will provide supplemental feed during the second half.

During the quarter, construction commenced on Phase 7 of the Tailings Storage Facility and will form the bulk of contractor activities for Quarter 3. This work is currently in line with the required schedule, to be operational in Quarter 4 of this year.

Production statistics summarized below.

Quarterly production statistics

	Q3 Feb-06	Q4 May-06	Q1 Aug-06	Q2 Nov-06	Q3 Feb-07	Q4 May-07	Q1 Aug-07	Q2 Nov-07
Ore processed (tonnes)	313,967	327,665	315,309	322,214	331,058	344,417	326,974	293,657
Head Grade (g/t Au)	2.68	2.51	2.09	2.09	2.79	2.81	1.92	3.00
Recovery	93.9%	92.4%	90.6%	92.6%	94.1%	94.2%	91.5%	93%
Gold produced (ounces)	25,451	25,350	19,175	20,059	27,921	29,265	18,488	26,317

Expenses

Operating expenses were \$ 10,582 for the quarter, of which \$ 782 correspond to expenses previously deferred as stripping costs. Cash cost per ounce for the quarter were \$US 374 per ounce. For the corresponding quarter of the prior financial year operating expenses were \$ 7,676 after deferring \$ 659 in stripping costs. Cash cost per ounce for the corresponding quarter of the prior financial year were \$ US 345 per ounce.

For the half year operating expenses were \$ 18,905, of which \$ 1,235 correspond to expenses previously deferred as stripping costs. Cash cost per ounce for the half year were \$US 395. In the first half of the prior financial year operating expenses were \$ 14,425 after deferring \$ 1,013 in deferred stripping costs with a cash cost per ounce of \$US 340 per ounce.

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As mentioned in section 10 of this MD&A, under the subtitle "Deferred stripping", the Company adopted EIC 160 "Deferred Stripping Costs Incurred in the Production Phase of a Mining Operation". This standard requires that the costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of operations ("stripping costs") be charged to income in the period in which they are incurred, except when the costs represent a betterment to the mineral property. The new policy was adopted effective June 1 2007 and applied on a prospective basis. Previously, the Company deferred the portion of the waste removal costs incurred to gain access to an ore body when those costs were higher with respect to those arising from applying the expected average stripping ratio. The amount deferred was subsequently amortized to operating expenses when the actual stripping ratio fell below the expected average stripping ratio.

The previously accumulated deferred costs as at June 1 2007 of \$ 4,829 are being depreciated over the remaining reserves accessed by the stripping activities using the units of production method. Depreciation continues to be charged to operating expenses consistently with previous practice.

As a result of applying EIC 160 operation expenses have increased by \$ 430 for the half and \$ 621 for the quarter. The comparison of operating costs and cash cost per ounce under the different accounting policies is shown in the table below.

	Three month period ended November 30,2007		Six month period ended November 30,2007	
	Result applying EIC160 for deferred stripping	Result using previous accounting policy	Result applying EIC160 for deferred stripping	Result using previous accounting policy
Operating expenses for the period	9,799	9,799	17,670	17,670
Deferred costs	783	162	1,235	805
Adjustments to obtain cash costs	(742)	(742)	(1,217)	(1,217)
Total cash costs	9,840	9,219	17,688	17,258
Production (ounces)	26,317	26,317	44,805	44,805
Cash cost (\$US per ounce)	374	348	395	384

Cash costs per ounce for the half at \$US 392 were higher than the forecast cash cost for the year of \$US 345. The difference of \$US 48 is reconciled in the table below.

	\$US per ounce produced
Forecast cash costs for the six month ended November 2007	345
Difference due to lower production for the half (assuming 95,000 for the full year)	21
Cost changes	18
Change in accounting treatment for deferred stripping	11
Actual cash costs for the six month ended November 2007	395

The increase in costs of \$18 per ounce is attributed to the following items

- Acceleration of Arenal mining using contractors at higher unit costs to allow development of the Arenal pit in one phase. This will increase productivity and flexibility in achieving production targets over the next 18 months. It has now been completed.
- One off settlement for termination of mobile equipment maintenance contract.. This step has been taken to contain costs and equipment productivity.
- Increased cost of electricity, salaries and other local costs due to a 10% appreciation of the Uruguayan peso against the \$US together with inflation in Uruguayan pesos (approximately 8% per annum).
- Increase in royalty expense as a result of higher gold prices and the requirement to pay landowner royalties on the expanded Arenal pit, instead of purchasing the land.
- Increases in \$US per litre fuel costs of 34 % over the half with respect to the average price for the last financial year.

Amortization and depreciation expense were \$ 3,615 for the quarter and \$ 6,027 for the half compared to \$ 1,909 and \$ 3,924 in the corresponding quarter and half of the prior year. The increase in amortization and depreciation expense in the current half is due to:

- Additional mine properties depreciation related to Arenal. In May 2007, the Company transferred exploration expenditure of \$ 2,034 to mine properties. This resulted in an additional \$ 520 of depreciation in the six month period ended November 30, 2007 in comparison to the same period in the previous year;
- Additional depreciation for the river diversion and the recognition of the contingent payment of \$1,050 relating to the acquisition of the new profit interest described at note 4(a) to the November 30 2007 Financial Statements.

Other Revenues and Expenses

Corporate expenses were \$ 1,155 for the quarter compared to \$ 1,053 for the corresponding quarter of the prior financial year. The half year corporate expense was \$ 2,166 compared to the prior year of \$ 1,989.

The current quarter and half year does not include any results for the fair value adjustment on gold financial derivatives, as all financial derivatives have been delivered into. The corresponding quarter and half of the prior year included a gain of \$ 1,070 and \$ 2,317 respectively.

The stock option expense for the quarter and half were \$ 314 and \$ 506 respectively against \$ 229 and \$ 480 for the corresponding periods of the prior year.

The Company issued 824,000 stock options during the half at a weighted average price of \$CAD 3.28. Details of these issues are shown below.

Number	Who Issued To	Weighted average price	Vesting
Quarter 2			
520,000	Directors and executive management	3.29	Three equal annual portions after one, two and three years
304,000	Other employees	3.27	Three equal annual portions after one, two and three years

4. FINANCIAL POSITION

Cash and other liquid resources

At November 30, 2007 UME had cash and cash equivalents of \$ 14,741 compared to \$ 13,978 at 31 May, 2007. Cash flow from operations for the quarter was \$ 8,782 after a contribution of \$ 300 for non-cash working capital items. This compared to \$ 3,672 after using \$ 5 from non-cash working capital items in the corresponding quarter of the prior year. Inventories increased by \$ 2,517 during the quarter as 18,586 tonnes of high and medium ore stocks were built and additional stores stocks were added for critical consumables. Accounts payable increased due to an increase in royalty provision and additional accruals for contractor mining.

Cash generated from operations during the half was \$ 12,943, after a contribution of \$ 351 for non-cash working capital items. In the corresponding half of the prior year cash flow from operations was \$ 6,897 with \$ 283 used in non cash working capital movements.

Capital Expenditure

Expenditure on property plant and equipment for the quarter was \$ 6,101 to November 2007. Payments for the half year included:

- \$ 2,474 for the Corrales river diversion.
- \$ 1,050 for the settlement of the 2nd stallment of the Net profit interest acquisition over key tenements within the Minas de Corrales project.
- \$ 700 for the purchase of two additional used Komatsu HD 465-7 off-highway trucks.
- \$ 530 for the purchase of a Pantera 1500 hydraulic drill rig.
- \$ 342 in pre-stripping of San Gregorio East pit.
- \$ 150 for the extension of the tailings dam facilities. Work in the extension commenced in November 2007 and is expected to be completed by March 2008.

Exploration expenditure was \$ 2,493 for the quarter with \$ 1,759 invested in near mine and regional exploration activities within the Isla Cristalina and \$ 544 invested on other gold projects in the Florida and Don Feliciano Belts. The remaining expenditure was incurred in the Lascano project and the diamonds project.

Financing

During the quarter no employee options were converted into shares. For the half 395,333 employee options were converted into shares to provide proceeds of \$ 593. The company has 2,892,000 outstanding employee options at a weighted average price of \$CDN 3.97 of which 1,126,000 have vested and only 90,000 employee options have strike prices above the stock price of \$CDN 3.03 recorded at the end of the quarter.

At November 30, 2007 UME had outstanding 250,000 options on convertible notes, exercisable up to July 30, 2008 at \$US 4.20 and 20,000 options exercisable up to 22 March 2009 at \$CDN 4.56.

On October 26, 2007 the Company paid a dividend of \$CDN 0.035 per share equivalent to \$ 1,776.

5. OUTLOOK AND STRATEGY

The Corporation is committed to increasing shareholder value through increasing resources and reserves and growing its production profile. The Company's strategy to achieve this objective is organic growth through successful exploration in Uruguay, optimization of and the development of our San Gregorio Operations and acquisition of properties throughout Latin America that are in production or can be brought into production within a three year timeframe. Our intention is to build value in our base metals and diamonds exploration portfolio before divesting it in an orderly process.

UME's objectives for the next three years are to:

- Advance exploration to build longer mine life at San Gregorio and develop new resources for a second operation in Uruguay.
- Complete evaluation of different development options for the San Gregorio Operations and optimize the 5 year mine plan.
- Commence scoping studies for new projects as resources are developed.
- Train workforce and focus on productivity improvements to reduce and contain costs.
- Advance divestment programme for non gold assets.

The Company plans to produce 95,000 ounces of gold for the 2008 financial year. Cash cost per ounce are expected to be in the range of \$US 370 to \$US 390.

6. FINANCIAL INSTRUMENTS

UME does not enter into financial instruments for trading or speculative purposes. The levels of derivatives contracts the Company have entered into in the past had been consistent with forecast production.

No outstanding hedge commitments existed at November 30, 2007.

7. RELATED PARTY TRANSACTIONS

The Company has no related party transactions.

8. 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	2,100	2,100	-			
Finance Lease	306	188	118	-		
Asset Retirement Obligations	2,205	221	253	175	905	651
Total	4,611	2,509	371	175	905	651

On May 22, 2007 the Company executed with ABN AMRO NV Sucursal Montevideo a guarantee letter by which a line of credit of \$ 2,500 was granted to the Company to be used for trade facilities, leasing, issuance of guarantees and general purposes. As of November 30 2007, \$ 306 was drawn for vehicle leasing, \$ 1,253 was used for the issuance of guarantees for exploration permits and \$ 11 was used for letter of credit facilities.

Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$ 1,500 has been provided by Macquarie Bank for the mining operation, and guarantee letters of credit of \$ 2,086 have been provided by Uruguayan local insurance companies and banks to support environmental rehabilitation requirements resulting from exploration activities. An additional \$ 2,494 have been provided by Uruguayan local insurance companies and banks to support exploration tenements applied for but not granted.

The Company has obligations and commitments under farm-in and acquisition agreements, the details of which are disclosed in the Financial Statements for the November 30 2007 quarter at Note 3.

Other than described above there were no new obligations or commitments executed during the quarter

9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may vary from related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Economic lives of mining assets and recoverable value

The economic lives of the Company's mining operation and development assets is based upon the individual mine's mineral reserves. The Company's resources and reserves are calculated in accordance with mining standards and in compliance with NI 43-101 requirements. The Company reviews and re-evaluates the estimated future discounted net cash flows of its mines and development properties on a regular basis, 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 cost;

Inventory

The value assigned to ore stockpiles, in process inventories and finished metal inventories are based on estimated volumes and grades. Volume and grade estimates are made relying on assays and other sampling tests;

Asset retirement obligation

The fair value of the liability is determined based on the net present value of estimated future costs estimated by management based on feasibility and engineering studies on a site by site basis. The discounted value of these asset retirement obligations as at November 30 2007 was \$ 2,205 and is included in the mine closure and site restoration liability. The \$ 488 unamortized balance of asset retirement costs as at November 30, 2007 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;

Share based compensation

The Company has chosen to use the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option and the volatility of the company's share price;

Net future income tax assets and liabilities

Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the carrying amount of future income taxes;

Exploration and evaluation expenditure

The recoverability of amounts shown for capitalized exploration and evaluation expenditure is dependant upon the discovery of economically recoverable reserves.

10. CHANGES IN CANADIAN ACCOUNTING RECOMMENDATIONS

Financial Instruments and Hedges.

Effective June 1, 2007, the Company has applied the CICA Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 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 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 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 are measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

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 impact of applying these standards is immaterial.

Other comprehensive income

Effective June 1, 2007, the Company has applied the CICA Handbook Section 1530, “Comprehensive Income”,

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.

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.

Deferred Stripping

The new recommendations of the Canadian Institute of Chartered Accountants with respect to stripping charges, EIC 160 Stripping Costs Incurred in the Production Phase of a Mining Operation (“EIC 160”) require the costs associated with the removal of overburden and other 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 a betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity. When costs are deferred in relation to a betterment, the costs are amortized over the reserves accessed by the stripping activity using the units of production method.

The new policy has been applied on a prospective basis to stripping costs incurred since 1st June 2007. The previously accumulated capitalized costs are included in PP&E and will be amortized over the reserves not yet produced that will directly benefit from the stripping activity using the units of production method. Consistent with previous practice, the charge will be recorded as a component of operating expenses.

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.

11. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Continuous Disclosure Policy Procedure, our Code of Business Conduct and Ethics, our Insider Trading Policy and Share Trading Code and Price Sensitive Information Policy, our Whistleblower Policy, Release of Public Information Policy and the effective functioning of the Audit Committee and Board of Directors.

As at the end of the period covered by this MD&A, management of the Corporation, with the participation of the President and CEO and the CFO, does not expect that the Corporation's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud and error, if any, within the Corporation have been detected.

As at the end of the period covered by this MD&A, management of the Corporation, with the participation of the CEO and the CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and CEO and the CFO have

concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Multilateral Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined therein, for the Corporation, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the Corporation has disclosed any changes in its ICFR during its most recent interim period that has materially affected, or is reasonably likely to materially affect its financial reporting.

As discussed above, the inherent limitations in all controls systems are such that they can provide only reasonable, not absolute, assurance that all controls issues and instances of fraud or error, if any, within the Corporation have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During the period covered by this MD&A, the Corporation's senior management, including CEO and CFO, evaluated the existence and design of the Corporation's ICFR and confirm there were no changes to the ICFR that have occurred during the quarter which materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

12. RISKS AND UNCERTAINTIES

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.

Key Personnel Risks

Recruiting and retaining qualified personnel is critical to UME's success. The number of skilled mining and exploration professionals in Uruguay is limited and competition for such persons is intense in the global mining industry. As UME's business activity continues to grow, it will be required to hire additional personnel and retain the services of key personnel. Although UME believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

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 favorable terms.

UME currently has one producing asset, the San Gregorio 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 cuts in electricity supply, fuel supply shortages, industrial accidents, technical failures, labor 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 figures for reserves and resources estimates are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of UME's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced

The Arroyo (Stream) Corrales is being diverted to allow expansion of the Arenal Pit. There is a risk of water ingress into the pit as a result of this diversion. Geotechnical studies and detailed field investigation during diversion construction has identified no permeable structures that could permit significant water flow between the river diversion and the Arenal pit. Together with the 100m spacing between the river diversion and the designed ultimate pit crest of Arenal, the probability of significant water inflow into the open pit is considered to

be low. This will continue to be monitored and dealt with on an operational level via standard industry counter measures should any unforeseen inflow occur.

The flood protection dykes are built to a 1 in 1,000 year rainfall criteria and need to protect the Arenal open pit operations for 3 years. Whilst statistically this design criteria is considered to be adequate, there can be no guarantee that a 1 in 1,000 year flood event does not occur within the next three years. Obviously the operational impact of such a rainfall event is dependent upon its size, but historically large flooding events are of short duration with water levels peaking after much warning. Such events do not pose a significant risk to personnel or equipment; however contingency plans for pit recovery through pumping are to be evaluated.

The Company's business activities are also affected to varying degrees by government regulations respecting, among other things, tax, royalties, utilities service supply, 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

Political conditions in Uruguay stable. Changes may however 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.

Uruguay Mineral Exploration Inc.
Management Discussion and Analysis
November 30, 2007

(Thousands of United States Dollars, except where indicated)

QUARTERLY RESULTS (Unaudited)

Quarterly Results (in thousands of US\$ except where otherwise noted)								
	Qtr 3 Feb 2006	Qtr 4 May 2006	Qtr 1 Aug 2006	Qtr 2 Nov 2006	Qtr 3 Feb 2007	Qtr 4 May 2007	Qtr 1 Aug 2007	Qtr 2 Nov 2007
Gold sold (ounces)	23,230	27,284	20,809	20,416	24,731	31,550	18,987	26,461
Average sales price (\$/oz)	510	543	568	565	638	658	661	761
Cash operating cost (\$/oz)	203	243	332	345	253	273	425	374
Operating revenues	12,167	15,992	12,177	12,433	16,606	21,840	13,253	21,180
Operating expenses	(5,289)	(5,995)	(6,749)	(7,676)	(7,374)	(9,738)	(8,323)	(10,582)
Contribution Margin	6,878	9,997	5,428	4,757	9,232	12,102	4,930	10,598
Administration expenses	(881)	(2,650)	(1,187)	(1,282)	(1,507)	(1,346)	(1,203)	(1,469)
Amortization and depletion	(2,181)	(2,245)	(2,015)	(1,909)	(2,331)	(2,497)	(2,412)	(3,615)
Interest and financing costs	(137)	(28)	(88)	(82)	(79)	(65)	79	160
Other	(932)	286	1,275	1,121	75	(1,998)	13	43
Income Tax	(425)	(1,283)	(846)	(854)	(1,491)	141	(183)	(1,348)
Net income for the period	2,322	4,077	2,567	1,751	3,899	6,337	1,224	4,369
Basic earnings per share	0.05	0.09	0.054	0.036	0.08	0.13	0.025	0.089
Cash flow from (used in) operations	3,599	7,445	3,225	3,672	4,840	13,621	4,161	8,782
Cash from (used for) financing	168	1,502	1,119	(1,532)	365	(837)	547	(1,825)
Cash invested	(6,520)	(3,606)	(4,730)	(4,883)	(3,211)	(6,602)	(7,055)	(3,847)
Cash on hand	3,590	8,931	8,545	5,802	7,796	13,978	11,631	14,741
Total Assets	51,963	60,008	62,651	62,725	66,177	74,941	76,869	82,418
Shareholders Equity	40,048	45,239	48,639	50,627	54,306	60,868	61,252	65,783

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 and amortization of deferred stripping but exclude operating Amortization and depletion. (See Changes in Canadian Accounting Recommendations – Deferred Stripping)

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, depletion and amortization, corporate costs and financing costs are not included. Cash costs are total cash costs divided by gold ounces produced. This calculation is detailed below.

Uruguay Mineral Exploration Inc.
Management Discussion and Analysis
November 30, 2007

(Thousands of United States Dollars, except where indicated)

	Quarter 3 Feb 2006	Quarter 4 May 2006	Quarter 1 Aug-06	Quarter 2 Nov-06	Quarter 3 Feb-07	Quarter 4 May-07	Quarter 1 Aug-07 (a)	Quarter 2 Nov-07
Operating expenses (000)	5,289	5,995	6,749	7,676	7,374	9,738	8,323	10,582
Other (000)	(131)	168	(383)	(756)	(303)	(1,748)	(471)	(746)
Total cash costs (000)	5,158	6,163	6,366	6,920	7,071	7,990	7,852	9,836
Gold production in ounces	25,451	25,350	19,175	20,059	27,921	29,265	18,488	26,317
Total cash costs per ounce	203	243	332	345	253	273	425	374

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.

DEFERRED EXPLORATION AND EVALUATION COSTS

The following table summaries expenditure on exploration and evaluation costs during the financial year.

Project Area	Balance 31 May 2007	Transfer to Mine Properties	(Write off)	Expenditure	Balance November 2007
Isla Cristalina Belt	\$ 8,492	(2,043)	-	3,035	9,484
Florida /Arroyo Grande Belts	1,541	-	-	672	2,213
Don Feliciano Belt	3,025	-	-	511	3,536
Lascano	2,122	-	-	213	2,335
Diamonds	1,136	-	-	270	1,406
Gold business development	-	-	-	100	100
Total	\$ 16,316	(2,043)	-	4,801	19,074

The Company spent \$ 2,493 on deferred exploration and evaluation costs during the quarter. This compares to \$ 1,861 for the corresponding quarter of 2007.

Each of the major project areas is described below. Details of work performed in this quarter are included in the Company's Exploration Report for the quarter ended 30 November 2007.

Isla Cristalina Belt ("ICB"):

The Isla Cristalina Belt is located 450 km from Montevideo in Northern Uruguay and hosts the Company's one operating gold mine at San Gregorio, in the Minas de Corrales District. This belt is an erosion window into the crystalline Proterozoic basement rocks of northern Uruguay, approximately 110km in length and 40 km in width. The belt of rocks is composed of Proterozoic granites and greenstones ranging in metamorphic grade from greenschist to amphibolite facies. Anomalous gold mineralization exists across the entire 110 km strike length of the belt. Measured and Indicated resources within the belt are 825,700 ounces with inferred resources of 92,640 ounces. Life to date production from the belt is estimated to be 800,000 ounces.

Florida /Arroyo Grande greenstone belts (Piedra Alta Terrain)

The Florida and Arroyo Grande greenstone belts are composed of Proterozoic meta-volcanic and meta-sedimentary rocks which are hosted in granitic terrain of the Rio de La Plata Craton. This group of rocks is referred to as the Piedra Alta terrain in Uruguay and occupies the south western third of the country. This set of rocks is exposed for 240 kilometers from the western side of the Don Feliciano Mobile Belt to nearly the western border of the country. Exposure of these rocks can be seen locally along the coast line in Montevideo and north 175 kilometers where they are covered by younger Paleozoic and Mesozoic sediments and basaltic lava flows. UME has six gold exploration projects in the Piedra Alta Terrain including Casupa/Crucera, Paso de Lugo, and Nueva Helvecia. Projects are hosted in granitic rocks as well as green stone terrains.

Don Feliciano Belt

The southern end of the Don Feliciano mobile belt lies 95 kilometres east of Montevideo and trends north-northwest. The belt is exposed for over 250 kilometres along strike and is 40-50 kilometres in width. Younger Paleozoic sedimentary rocks cover the northern third of the belt in Uruguay. The belt of rocks is defined by a structurally deformed Proterozoic meta-sediments, schist and granitoids which are bound on the east and west by two major north trending shears. The mobile belt formed as a result of the collision between South America and Africa at the end of the Proterozoic period. Limited historic precious and base metal mining is reported from the belt. UME has a number of precious metal projects located within this belt of rocks including Presidente Terra, Bragado, and Texas. Lead, Zinc and Nickel properties such as Retamosa, Isla Patrulla and Maria Albina are also located within this belt.

Lascano

The Lascano project is located 240 kilometres northeast of Montevideo in the Laguna Marin basin. The project is defined by three large circular, 20 kilometres in diameter, geophysical anomalies. Surface out crop is limited over the anomalies. The anomalies were defined by results from an airborne geophysical survey completed by Bell Geophysical. Drilling this last year has defined lithology which underlies the central anomaly. Units encountered to date include felsic to mafic intrusive rocks that intrude a thick package of vesicular basalt.

Minor intermediate and felsic volcanic rocks are also present to a lesser extent. Rock units encountered outside the anomaly are predominately conglomerates and sandstones composed of clasts from the units with in the anomaly and overly intermediate to felsic volcanic units.

Cinco Rios Diamond Project

The Cinco Rios diamond project is located on the Rio de la Plata craton in the departments of Rivera and Tacuarembó in northern Uruguay, approximately 500 kilometres north of Montevideo. The 100% owned land package is 55,700 hectares in size. The potential for kimberlite discovery in northern Uruguay is shown by the historic recovery of alluvial micro- and macro-diamonds, and peridotitic and eclogitic garnets and chrome spinels during the period 1993 – 2004. The current exploration programme, which commenced at the beginning of 2006, has included follow up sampling, geophysical, and geomorphic studies which have further defined possible source areas. Kimberlite pipe drill targets have been identified from geophysical and geomorphic studies which have associated indicator mineral anomalies.