

SEDAR PROFILE # 00004014



ANNUAL INFORMATION FORM

AUGUST 29, 2006

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Caution Regarding Forward-Looking Statements

Certain of the statements that are not historical facts contained in this Annual Information Form (“AIF”) (and the other disclosure documentation of Uruguay Mineral Exploration Inc. (“UME”) such as its annual and quarterly reporting to shareholders) are forward- looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Such forward-looking statements include, among other things, statements regarding targets, budgets, forecast, estimates and/or assumptions in respect of gold production and/or gold prices, cash operating costs and expenditures on property, plant and equipment, increases and decreases in production, reserves and/or resources and in anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to under “Risk Factors” herein and include unanticipated and/or unusual events. Most of such factors are beyond UME’s ability to control or predict.

Actual results may differ materially from those anticipated. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. UME disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

National Instrument 43-101 – Standards of Disclosure for Mineral Projects

National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) issued by the Canadian Securities Administrators (the “CSA”) requires, among other things, that issuers ensure that all written disclosure of a scientific or technical nature, other than a news release, concerning a mineral project on a property material to the issuer identifies and discloses the relationship to the issuer of the qualified person who prepared or supervised the preparation of the technical report or other information that forms the basis for the written disclosure. A “qualified person” for purposes of NI 43-101 means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a specified professional association.

CORPORATE STRUCTURE

Name and Incorporation

Uruguay Mineral Exploration Inc. ("UME" or the "Corporation") was incorporated on October 16, 1996 as 713257 Alberta Ltd. pursuant to the *Business Corporations Act* (Alberta). On January 31, 1997, the Corporation changed its name to Uruguay Goldfields Inc. The Corporation amalgamated pursuant to a Certificate of Amalgamation dated February 13, 1998 (the "Amalgamation Date") under the laws of the Province of Alberta; the amalgamating corporations were Canadian Black River Petroleum Ltd. ("CBR") and Uruguay Goldfields Inc. This amalgamation enabled the Corporation to commence trading on The Canadian Dealing Network Inc. in Toronto, Ontario.

The Corporation first became a "reporting issuer" in Alberta on February 13, 1998 pursuant to the Corporation's amalgamation with CBR, which had been a "reporting issuer" in Alberta, British Columbia, Ontario and Quebec. The Corporation is a "reporting issuer" in Alberta, British Columbia, Ontario and Quebec.

On March 29, 2000, the common shares of UME were admitted for listing on The Canadian Venture Exchange Inc. ("CDNX").

On February 8, 2002, the Corporation changed its name to Uruguay Mineral Exploration Inc. and continued from the Province of Alberta to the Yukon Territory to be governed by the corporate laws of the Yukon Territory.

During June 2002, the CDNX was acquired by The Toronto Stock Exchange as a wholly owned subsidiary. Accordingly the name of the CDNX was changed to the TSX Venture Exchange, where the Corporation's common shares continue to trade under the symbol UME. On December 15 2004, common shares of UME were admitted for listing on the London Alternative Investment Market.

The head office of Uruguay Mineral Exploration Inc. is located at Puntas de Santiago 1604, Montevideo, Uruguay 11500, and the registered office is located at Anton, Campion, Macdonald, Phillips, Oyler & Buchan, Barristers and Solicitors, 200, 204 Lambert Street, Whitehorse, Yukon Territory Y1A 3T2, Canada.

Intercorporate Relationships

All of the Corporation's activities are conducted in Uruguay, and all the Corporation's interests are all held in Uruguayan subsidiaries, which are detailed in the table below.

All the subsidiaries or other companies controlled by the Corporation are owned by the Corporation's wholly owned Barbadian intermediary, International Mining Holdings Limited, which is the holding company for all other companies noted in the table. The other companies are all operating companies, through which UME carries on its business in Uruguay.

Name and Place of Incorporation	Authorized and Issued Share Capital	Percentage of Shares Beneficially Controlled by the Corporation
International Mining Holdings Limited (Barbados)	Unlimited number of common shares of which 10 are issued	100% of the 10 shares are held by Uruguay Mineral Exploration Inc.
Triselco S.A. (Uruguay)	\$U 50,000,000 Class A and \$U 450,000,000 Class B shares of which \$U 960,000 of Class A is issued and \$U 129,908,000 Class B are issued	100% is held by International Mining Holdings Ltd.
Nafypel S.A. (Uruguay)	\$U 1,500,000 in shares of which \$U 375,000 is issued	100% is held by International Mining Holdings Ltd.
Cinco Rios S.A. (Uruguay)	\$U 1,000,000 in shares of which \$U 250,000 is issued	100% is held by International Mining Holdings Ltd.
Loryser S.A. (Uruguay)	\$U 1,000,000 in shares of which \$U 300,000 is issued	100% is held by International Mining Holdings Ltd.
Glendora S.A. (Uruguay)	\$U 17,000,000 in shares of which \$U 16,119,771.42 is issued	100% is held by International Mining Holdings Ltd.
Brimol S.A. (Uruguay)	\$U 641,044 in shares of which \$U 569,309.92 is issued	100% is held by International Mining Holdings Ltd.

Name and Place of Incorporation	Authorized and Issued Share Capital	Percentage of Shares Beneficially Controlled by the Corporation
Montemura S.A (Uruguay)	\$U 641,044 in shares of which \$U 196,174.98 is issued	100% is held by International Mining Holdings Ltd.
Dalvan S.A. (Uruguay)	\$U 5,100,000 in shares of which \$U 5,053,202.93 are issued	100% is held by International Mining Holdings Ltd.
Bolir S.A. (Uruguay)	\$U 954,500 shares of which \$U 954,354.77 are issued	100% is held by International Mining Holdings Ltd.
Minera San Gregorio S.A. (Uruguay)	\$U 302,900,000 shares of which \$U 302,834,847.43 are issued	100% is held by International Mining Holdings Ltd.

GENERAL DEVELOPMENT OF BUSINESS

Overview

Uruguay Mineral Exploration Inc is a gold producer and exploration company incorporated in Canada and operating in Uruguay. The Company commenced operations as an exploration company in Uruguay during 1996. Over an 8 year period until October 2004 the Company obtained mineral properties and performed exploration on these properties for gold, diamonds and base metals. During 2003 the Company acquired the San Gregorio operation, located in the Department of Rivera, from Crystallex International Corporation and discovered the Arenal deposit less than 4 km from the San Gregorio process plant.

The Company produced 100,000 ounces of gold at its San Gregorio operation during the 2006 financial year. Proven and Probable Reserves at May 31 2005 were 5,400,000 tonnes equivalent to 417,000 ounces. Significant scope exists to expand these reserves with extensions at depth and within the San Gregorio/Arenal shear zone that extends over 7 km and from which approximately 500,000 ounces have been mined historically to a depth of 200 meters.

Uruguay, whilst relatively unexplored, has significant potential for further gold, nickel, copper and diamond discoveries. The Company plans to use the cashflow from the San Gregorio operation to accelerate evaluation of the projects it has developed over the past 8 years. The Company's objective is to achieve profitable growth by realizing the exploration potential of these projects.

Three Year History

The following is a summary of the general development of the Company's business over the last three financial years and includes all the key material contracts and arrangements the Company has entered into.

2004

- On October 17,2003, the Corporation completed a private placement of 2,400,000 units at a price of \$2.85 per unit for aggregate proceeds of \$ 6,840,000. Each unit comprised of one common share and one warrant, with each warrant entitling the holder to one additional common share at an exercise price of \$ 3.75, exercisable on or before April 7, 2005. An additional 240,000 warrants were issued as commission for this private placement. This financing was completed in conjunction with the acquisition of the San Gregorio gold mining operation.

2005

- On June 10, 2004, the Corporation entered into an US\$ 2,000,000 interim loan and hedging facility ("interim Facility") to assist the development of Minas de Corrales gold project with Macquarie Bank Limited ("MBL"). The Corporation issued MBL a commitment fee of warrants to acquire up to 250,000 common shares at an exercise price of C\$ 3.75 for a period of two years from the date of issuance.
- On August 5, 2004, Loryser S.A. signed a sale and purchase agreement for the purchase of \$ 6,349,000 in mine equipment from Komatsu Latin American Corporation. The equipment is being 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%. Additional amounts relating to assembly and freight included in deferred payments on equipment will be paid following the final commissioning of the equipment.

- On December 8, 2004, the Corporation and MBL replaced the interim Facility with a USD \$5.0 million working capital facility, a US\$ 1.5 million bank guarantee facility and a gold hedging facility (the New Facilities). The New Facilities encompass standard commercial terms and conditions. The working capital facility expires in September, 2006.
- On 15 June 2005 Loryser S.A. signed an amendment to the August 5, 2004 sale and purchase agreement to provide an additional \$ 1,352,000 in mine equipment. This equipment is being 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%. Additional amounts relating to assembly and freight included in deferred payments on equipment will be paid following the final commissioning of the equipment.

2006

- During October 2005, the Company acquired a 10% net profit interest over key tenements within the Minas de Corrales project, including the tenement on which the Arenal deposit is located. This acquisition terminated UME's obligation to pay the NPI holder 10% of the net profits derived from gold produced from the NPI area as part of the acquisition of the tenements. The value of the net profit interest acquired was \$ 3,883,000. This amount was settled by the issue of 290,000 shares equivalent to \$ 1,096,000 and the issue of three unsecured convertible notes each with a face value of \$ 1,050,000. 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. The convertible notes have been recorded at their net present value using an 8.5% discount rate. An additional US\$ 1,050,000 is also payable after the third anniversary date, if the average monthly price of gold for the previous 36 months exceeds US\$ 400 per ounce.

Significant Acquisitions

On October 9, 2003 the Corporation entered in to an arms-length agreement (the "Crystallex Agreement") with Crystallex International Corporation ("CIC") to acquire the San Gregorio gold mine and processing facilities through the purchase of all the shares of Minera San Gregorio S.A., Glendora S.A., Brimol S.A., Bolir S.A., Montemura S.A., Dalvan S.A., for a cash consideration (the "Purchase Price") of US\$2,000,000, less the amount ("Reduction") of any undisclosed liabilities revealed in the 12 month period subsequent to October 1, 2003 and which were the results of events which occurred prior to closing. The Purchase Price was to be paid in two six-monthly tranches of US\$1 million each. To secure the Purchase Price, the Corporation issued a pledge agreement and a convertible debenture. The Corporation also closed out a hedge liability of Minera San Gregorio S.A. with the Standard bank of London in the amount of US\$2,759,321.

The first tranche of the Purchase Price (US\$1,000,000) was paid in April 2004, with the second tranche (US\$1,000,000) due in October 2004. On October 15, 2004 the Corporation issued a reduction notice pursuant to the Crystallex Agreement, whereby the second tranche of the Purchase Price was reduced by US\$500,000 in lieu of certain undisclosed tax liabilities. The balance of the second tranche (\$500,000) was paid to Crystallex on October 27, 2004. On November 1, 2004, Crystallex issued a notice disputing the Reduction, and the Corporation subsequently paid Crystallex an additional US\$150,000, thereby reducing the Reduction to US\$350,000 and on December 3, 2004 the parties signed a mutual release.

Impact of the Significant Acquisition on the operating results and financial position.

The acquisition of the San Gregorio gold mine and treatment facility, which was completed on October 24th, 2003, significantly changed the nature and risk profile of the Corporation. UME instantaneously became a gold producer, and obtained facilities which permitted the accelerated development and exploitation of the new Arenal discovery, for minimal capital outlay.

In addition to taking over the existing mine and its infrastructure, the Corporation also took on the responsibility for the workforce's unfunded service liabilities and the environmental rehabilitation liabilities for the mine. Since the Corporation had already identified sufficient reserves to extend the mine life and had sufficiently robust indications that substantial additional resources would be discovered in the near future, these liabilities effectively became contingent liabilities, since they will not be realised until the mine closes.

The acquisition of the mine gave the Corporation immediate access to a cash flow sufficient to sustain or underpin all the Corporation's foreseeable needs for capital re-investment in the plant, mine development, as well as the Corporation's ongoing exploration program. Cash generated from the identified mineable reserves which existed at the time of the takeover, was sufficient to clear the outstanding current liabilities associated with the mine.

The Corporation was therefore transformed from an exploration company, dependent on external sources of funds (principally equity), to a mid-tier gold producer, generating sufficient cash flow to not only sustain the producing mine, but also sufficient to underpin for the foreseeable future, the planned exploration and development activities of the Corporation.

Shareholder's Funds have grown from US\$ 9,710,503 before the Significant Acquisition to US\$ 45,239,000 at May 31 2006 and assets have grown from US\$ 9,772,862 to US\$ 60,008,000 over the same period.

Significant Dispositions

The Corporation has made no significant dispositions during the past three years.

DESCRIPTION OF THE BUSINESS OPERATIONS

General

The Corporation's principal business activity is the operation and development of the Minas de Corrales Gold Project ("MCGP"), located in the Department of Rivera, Uruguay, approximately 450 Km north of the capital city of Montevideo. The Corporation also explores for gold, base metals and diamonds at other projects located throughout Uruguay. The product from the MCGP is gold doré, which is sold to a commercial refinery in Switzerland on arms-length commercial terms.

Uruguay is situated on the east coast of Southern South America, bordered by Brazil and Argentina. The government has been a constitutional democracy since 1985. The population is approximately 3.4 million half of which lives in Montevideo, the capital city.

The Uruguayan economy is predominantly agriculture and services-based, and has been an open economy for the last 25 years. There are currently no restrictions on capital inflow and outflow or on foreign ownership of equity in Uruguay, which is also a member of Mercosur, the free trade zone encompassing Uruguay, Argentina, Brazil and Paraguay.

The Corporation recorded sales revenues of US\$ 30,563,000 and US\$ 51,206,000 for the financial years ended May 31, 2005 and May 31, 2006 respectively.

Competitive Conditions

Gold is freely sold into the international marketplace through the Corporation's major financier Macquarie Bank Limited with virtually no restrictions. The price of gold is derived largely from a complex interaction of market forces – not simple supply and demand. It is not possible to meaningfully forecast future gold prices.

The primary competitive element in the gold production industry relates to access to prospective ground upon which replacement gold resources might be discovered. Since the Corporation is the only significant gold producer/explorer operating in Uruguay, there is no meaningful competition for resources at this point in time.

Impact of Environmental Protection Regulations

All mining activities and the operation of the tailings storage facility are performed under specific environmental licenses issued by the Uruguayan State.

The Corporation manages its environmental responsibilities under a comprehensive management plan for the operation. This plan involves the monitoring of key exposures using external laboratories. No non-compliances with licenses were reported during the year. Uruguayan law requires mining title applications to be supported by guarantees for any potential environmental rehabilitation work resulting from mining and exploration activities. The guarantees are to be posted by non-title holders. For exploration and mining activities total guarantees provided by the Corporation are \$ 1,390,000.

A comprehensive closure plan has been developed for the operation. A rehabilitation guarantee for the site closure plan of \$ 1,500,000 is provided to the Uruguayan state. Additionally the Corporation is obliged to carry \$ 5,000,000 public liability insurance against any damage that may result from the tailings storage facility.

Employees

UME has 323 direct employees at 31 May 2006 all of whom, including the Executive Directors, are based in Uruguay. More than 95% of the Corporation's employees are Uruguayan. Employees are involved in the following activities:

	2006	2005
General management	5	17
Mining and plant operation at the San Gregorio plan	256	215
Exploration activities	62	43
	323	275

14 corporate employees have been reclassified from corporate to exploration and operations during the year.

Principal Property - Minas de Corrales Gold Project

Overview

The Minas de Corrales Gold Project ("MCGP") controls a number of mining leases that cover the plant, San Gregorio open pit, Arenal open pit, Zapucay open pit, Santa Teresa open pit and the tailings facility. These leases permit mining operation for up to 15 years and have been issued at different times between 1996 and 2006.

Gold was first mined at Minas de Corrales area in the late 19th and early 20th centuries. Total production during this period is estimated to be 90,000 ounces of gold. The field lay dormant until 1996, when the largest historic mine in the district, San Gregorio, was re-developed as an open pit by the Canadian company Rea Gold. Crystallex International Corporation Inc acquired the MCGP in 1998 and operated the project until it was sold to the Corporation in October 2003. It is estimated that 420,000 ounces of gold were produced from the MCGP prior to the acquisition by the Corporation.

The Corporation commenced exploration in the Minas de Corrales area in 1997 under farm-in arrangements whereby the Corporation progressively agreed to earn an interest in exploration licenses surrounding the San Gregorio mine. During 2003 these arrangements were ultimately replaced by a net profits interest agreement whereby the vendors agreed to accept a 10% net profits interest from gold production from the exploration licenses covered in the original agreement. The net profits interest was purchased in 2006 as detailed under the three year history earlier in this document..

The Corporation discovered the Arenal, Sobresaliente and Castrillón gold deposits and in October 2003 it acquired the MCGP from Crystallex. In October 2004 UME commenced mining of the Arenal deposit.

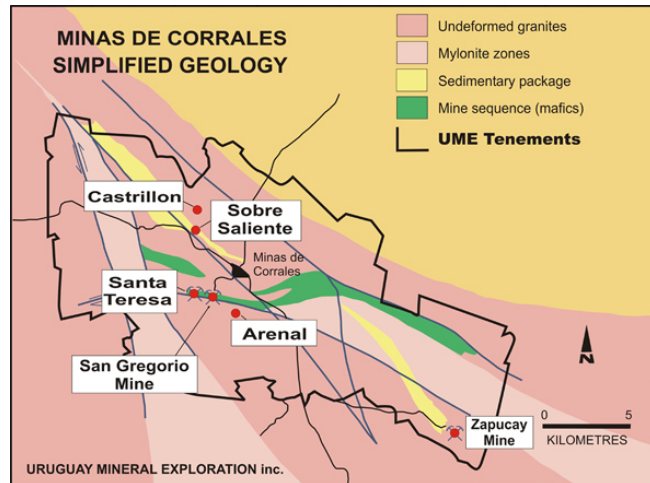
Location and Geographical Area

The MCGP is located near the small town of Minas de Corrales in the Department of Rivera, approximately 450 kilometres north of Montevideo.

The San Gregorio mine system (which comprises the San Gregorio and Santa Teresa deposits), has now produced over 500,000 ounces and was the largest known gold resource in Uruguay prior to the discovery by the Corporation of the Arenal deposit in 2003. This discovery provided the motive for the Corporation's acquisition of the San Gregorio facilities in October 2003. The San Gregorio mill, which is the only gold processing facility in Uruguay, has given the Corporation control of all the development opportunities in the area.

The Corporation now controls over 40,000 hectares in the vicinity of the mine, around which it is continuing to explore aggressively. The Minas de Corrales Project includes all the historic mines in the district.

Geologically, the area is characterised by widespread gold mineralisation hosted in a package of sheared mafic and granitic rocks contained within a regional-scale, low-angle, thrust system. Three different gold hosting mechanisms have been identified to-date, each reflecting different geological settings. These are:



- 1) Auriferous pyrite hosted in sheared mafic and granitic rocks contained within the main shear package. The largest deposits discovered in the MCGP so far belong to this category, including San Gregorio, Santa Teresa and Arenal. This type of mineralisation is characterised by chlorite/epidote/carbonate alteration, with associated silicification. Quartz veining is generally minor. Mineralisation control is structural within a brittle-ductile deformation regime.
- 2) Auriferous pyrite +/- free gold hosted in quartz-stock-working in granitic rocks that have been subjected to brittle deformation. Characteristic alteration is epidote/silica/carbonate with minor chlorite. Quartz veining is prominent. Santa Ernestina and Sobresaliente are the best known deposits of this type discovered to date in the MCGP.
- 3) Free gold +/- auriferous pyrite hosted in quartz veins. This type of mineralisation is represented by the majority of historic mines in the district, but represents only a small percentage of gold produced from the historic mines. Deposits are frequently small and depth limited, but of a higher grade than is normal for the area. The best known deposits of this type in the MCGP are Zapucay and Castrillón.

Exploration History

There is no record of any systematic modern exploration of this large area by previous workers prior to the Corporation commencing its programs in 1997.

Since 1997, the Corporation has conducted numerous geochemical and geophysical surveys in the area in several campaigns. These studies have been followed up by RAB, RC and diamond drilling programs which have so far resulted in the discovery of the Arenal, Sobresaliente and Castrillón gold resources.

At Arenal, which is located approximately 3 kilometres east of the plant, gold mineralisation is associated with a fractured zone of silicification and hydrothermal alteration generally located near the contact between a relatively unaltered diorite (in the hanging-wall) and a sequence of deformed mafic and felsic igneous rocks in the footwall. The mineralised zone dips at approximately 30° to the south. Mineralisation at Arenal has now been traced for approximately 1,250 m along strike to the east of the

Arroyo Corrales and approximately 400 m down dip. The strength of the mineralisation still requires investigation at depth and along strike.

The central mineralised zone at Arenal has been modelled as at 1 June 2005 – refer Resources and Reserves below. The mineralised thicknesses of the deposit averages approximately 25m. Higher grade gold mineralisation has a south-southeast plunge at Arenal, which is consistent with the intersection of northwest trending faults with the main San Gregorio Shear Zone, which controls the mineralisation.

At Sobresaliente, which is located northwest of the San Gregorio mine, mineralisation is intimately associated with extension zones within a series of north-trending structures, and is characterised by steeply-dipping, pyritic, quartz veins within highly chloritised granitic host rocks. A resource estimate of 6,783,000 tonnes grading 1.02 g/t Au for 222,500 ounces has been calculated for this deposit.

The Castrillón Project is located within the same structural corridor as Sobresaliente and lies approximately two kilometres further to the north. This prospect comprises a granite hosted quartz vein with a halo of variably mineralised, mylonitised and altered granite. Following encouraging results obtained from trenching, a program of RAB drilling was undertaken to define the limits of the mineralisation over the known 300 metre strike length of the vein system. In this program a total of 57 holes for 776 metres were completed. To further test the zone to a depth of approximately 50 metres 34 reverse circulation drill holes for 1316 metres were completed. The results of these drill programs were presented in the Corporation's 2003 Annual Report.

The Minas de Corrales gold field is a very promising area, with numerous untested targets within a 10-kilometre radius of the Corporation's San Gregorio Mill.

Security of Samples

All samples are taken subject to a rigorous protocol designed to prevent contamination or sample mix-ups. All samples are transported to the laboratory by company personnel, and delivered to an on-site laboratory at Minas de Corrales, Uruguay, which is operated by American Assays Limited (AAL). Sample preparation and analysis are undertaken using conventional and appropriate methods. Gold analyses are undertaken by conventional fire assay methods using a 30g charge.

Appropriate use is made of Standards, Blanks and Duplicates (both field and laboratory), and inter-laboratory cross-checks are done from time to time. Reliability and repeatability from all checks done to date are high.

Reverse circulation drilling is generally undertaken using a sampling interval of 2m. Each sample is weighed in the field and then split using a riffle splitter to a nominal weight of 10kg, which is sent to the laboratory for assay. Bags are clearly marked, recorded and tagged. If the RC sample is wet, the material is coned and quartered on site to produce a sub-sample of 10kg for assay.

Diamond core is orientated using a conventional spear during drilling, and is drilled at a diameter of NQ. The core is usually sampled at 2m intervals or less, depending on geology. Half core is sent for assay following cutting of the core lengthways using a diamond saw.

Mineral Resource and Mineral Reserve Estimates

The Corporation's Mineral Resources and Mineral Reserves have been estimated by in-house Qualified Persons in accordance with the current JORC Code. Mr Mike Schwabe assumes Qualified Person responsibility for the Mineral Resources and Mr John Sadek assumes Qualified Person responsibility for the Mineral Reserves. The consulting company RSG Global Pty Ltd has reviewed these Mineral Resources and Mineral Reserves in its NI 43-101 compliant "Minas de Corrales Project Independent Technical Review" dated August 2005 (the Technical Report), which has been lodged with the securities commission and is available from the Sedar website (www.sedar.com). The assessment expressed by the independent reviewer is that UME's estimation of Mineral Resources and Mineral Reserves is "adequate" despite reservations with respect to the appropriateness of some of UME's classifications. The Technical Report should be consulted for detailed independent assessment.

Mineral Resources and Reserves as at 1 June 2005 are as follows:

Table 1				
UME Mineral Resources as at 1 June 2005				
Deposit	Tonnes	Grade (g/t Au)	Contained Ounces	Note
Measured Resources				
Arenal	6,744,000	2.40	520,400	2
San Gregorio	925,000	2.30	68,400	1
Castrillón	82,000	2.19	5,800	1
Sobresaliente	283,000	1.48	13,500	1
Stockpiles	269,000	1.25	10,800	2
Total Measured Resources	8,303,000	2.32	618,900	
Indicated Resources				
Arenal	2,197,000	1.29	91,100	2
Santa Teresa	2,000,000	1.09	70,300	2
Total Indicated Resources	4,197,000	1.19	161,400	
Inferred Resources				
Arenal	75,000	1.6	4,000	2
San Gregorio	1,700,000	1.6	87,000	1
Rieles	1,000,000	1.6	50,000	1
Ombú	1,200,000	1.3	47,000	1
Zapucay	2,500,000	1.4	110,000	1
Sobresaliente	6,500,000	1.0	215,000	1
Total Inferred Resources	12,975,000	1.23	513,000	

Table 2				
UME Mineral Reserves as at 1 June 2005 †‡				
Deposit	Tonnes	Grade (g/t Au)	Contained Ounces	Note
Proven Reserves				
Arenal	4,300,000	2.72	373,300	2
Total Proven Reserves	4,300,000	2.72	373,300	
Probable Reserves				
Arenal	100,000	1.9	6,200	2
Santa Teresa	750,000	1.1	27,500	2
Stockpiles	250,000	1.2	10,000	2
Total Probable Reserves	1,100,000	1.2	43,700	
Total Mineral Reserves	5,400,000	2.41	417,000	3

Notes to Table 1 and Table 2:

† - Totals may not be exact due to rounding

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

1 - Independent Technical Report; Qualified Person William F Lindqvist; Sedar filing 25 May 2004.

2 - Qualified Person for Mineral Resources Michael Schwabe; Qualified Person for Mineral Reserves John Sadek; reviewed in Independent Technical Report by RSG Global - Sedar filing 30 August 2005.

3 - Mineral Reserves include 2.4Mt @ 2.3gpt that are contingent upon governmental permission to divert the Corrales River.

Included within the Arenal Proven and Probable Reserves are 2.4 Mtonnes of ore with a gold grade of 2.3g/t that are contingent upon the diversion of a small section of the Corrales Stream. During the year ending 31 May 2006, 1.1Mtonnes of ore at 3.34g/t was excavated from the Arenal open pit.

An updated Mineral Resource and Mineral Reserve statement will be published in the mid-year announcement of January 2007. That statement will incorporate revisions to existing deposits due to additional geological information and realized excavation. The updated Resources and Reserves statement shall be accompanied with an Independent Technical Review produced by Qualified Persons in accordance with NI43-101 guidelines.

Operations Review

Mining is by conventional open pit methods, using drill and blast techniques to break the rock, and then loaded by excavator on to 50 tonne trucks for transport to corresponding destinations. A heavy vehicle crossing of the Corrales River was constructed in January 2006 to allow mine dump trucks to directly deliver ore to the processing plant, which is approximately 4 kilometres from the Arenal open pit.

The treatment plant is a conventional carbon in leach (CIL) plant built in 1996, and comprises primary crushing, followed by a SAG mill and a ball mill. A two-stage pebble crusher has also been installed to deal with scats produced by the SAG mill. Gold production from this plant is mostly a function of the head grade of the ore. The plant averages approximately 94% recovery, and is currently treating the equivalent of 1,200,000 tonnes per annum. Historical production from the San Gregorio Operation is shown below.

	2001/02	2002/03	2003/04	2004/05	2005/06
Tonnes of waste mined (millions)	4.90	4.73	4.62	5.71	9.06
Tonnes of ore mined(millions)	0.87	1.11	0.90	1.16	1.21
Tonnes of ore milled (millions)	1.09	1.14	0.94	1.19	1.27
Gold grade (grams per tonne)	2.07	2.03	1.71	2.06	2.65
Gold recovery (%)	91.6%	92.1%	92.9%	95.0%	93.7%
Gold produced (ounces)	66,133	68,357	48,241	75,054	101,304

Note: UME has operated the San Gregorio operations from October 1 2003. Prior to this date the operation was owned and operated by Crystallex International Corporation

RISK FACTORS

UME's net earnings in the near-term are affected primarily 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 significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. 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

The Corporation's revenues, net earnings and cash flow from operations are affected principally by changes in the price of gold. Gold has historically been subject to 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.

At 31 May 2006 the Company's price protection is limited to 3,589 ounces at a strike price of \$ 436 per ounce and a further matched collar for 10,000 ounces with a strike price for the put of \$ 436 per ounce and a strike price for the call of \$ 486.50 per ounce. These contracts will be delivered into over the first half of the 2006/07 financial year.

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

Exploration, Mining and Operational Risks

The Company's business operations are subject to risks and hazards inherent in the mining industry, including but not limited to unanticipated variations in grade and other geological problems, water conditions, metallurgical and other processing problems, mechanical equipment performance problems, the unavailability of materials and equipment, accident, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Company periodically reviews mining schedules, production levels and assets' lives in its life-of-mine planning for all of its operating and development properties. Significant changes in the life-of-mine plans can occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, precious metals price assumptions, and other factors. Based on this analysis, the company reviews its accounting estimates.

As a result of the foregoing risks, among other things, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs, just as estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such event can materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

Mine Development

The Company's ability to maintain or increase its annual production of gold will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious metals price assumptions, the configuration of the ore body, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership burdens and other factors. The Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and receipt of adequate financing.

Mineral Resource and Reserve Estimates

The Corporation's reported mineral reserves and resources are only estimates. No assurance can be given that the estimated Mineral Resources and Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Reserve estimates may require revision (either up or down) based upon increasing geological understanding and operational experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Reserves uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, changes in short-term operating factors relating to the mineral reserves and resources, such as changes to the sequential development of ore bodies and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

The Company uses the JORC Code prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy (AusIMM) to estimate its Mineral Resources and Reserves.

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. There is a risk that inferred mineral resources will not be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration. If the Company is not able to convert its inferred mineral resources into mineral reserves it will ultimately affect mine life.

Included within the Arenal Proven and Probable Reserves are 2.4 Mtonnes of ore with a gold grade of 2.3g/t that are contingent upon the diversion of a small section of the Corrales Stream. In April 2006 all environmental and engineering studies were submitted to the appropriate government ministries to facilitate approval of this expansion of the Arenal Project. The current construction plan requires ministerial approval by early 2007 to ensure continued operation in accordance with the production plan. Whilst the Company has received indications of an early, favorable response, unforeseen delays may cause delays to the Arenal production schedule from mid-2007. Such delays would necessitate the implementation of a contingency plan temporarily delivering ore from other, lower grade sources.

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.

Exploration

Since mines have limited lives based on proven and probable mineral reserves, the Company continually seeks to replace and expand its reserves. Mineral exploration, at both newly acquired properties and existing mining operations, is highly speculative in nature, involves many risks and frequently does not result in the discovery of Mineral Resources and Reserves. There can be no assurance that the Company's exploration efforts will result in the discovery of significant gold mineralization or that any mineralization discovered will result in an increase of the Company's Proven or Probable Mineral Reserves. If such reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that the Company's exploration programs will result in the replacement of current production with new reserves or that the Company's development program will be able to extend the life of its existing mines. In the event that new reserves are not developed, the Company will not be able to sustain any mine's current level of gold production beyond the life of its known reserve estimates.

Governmental and Environmental Regulation

The Company's mining operations and exploration activities are subject to extensive foreign laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historical and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Company's mines and other facilities in compliance with such laws and regulations are significant.

New laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Company's results of operations and financial condition.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key exploration, financial, mining, metallurgical personnel as well as additional trained staff on the operations side. The Company will be required to hire additional personnel in Uruguay where there is no mining

tradition or trained mining professionals. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

DIVIDENDS

In 2006 the Corporation declared its first dividend of CAD\$ 0.035 per share payable on October 27 2006 to shareholders registered on October 13 2006. Prior to this dividend the Company has not paid any dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The Authorized Capital of the Company consists of an unlimited number of common shares of which as at May 31 2006, 47,524,930 were issued and outstanding. Additionally, there are 2,567,333 stock options, 250,000 warrants to purchase common shares and 750,000 convertible notes outstanding at May 31, 2006. Each shareholder is entitled to one vote for each common share registered in his/her name on the list of shareholders, which is available for inspection at normal business hours at Computershare Trust Company of Canada and other Meetings of Shareholders.

50,850 shares issued on May 10 2006 to Bell Geospace Inc, a supplier of airborne survey services, are subject to a four month escrow period.

MARKET FOR SECURITIES

Trading Price and Volume

The common shares are traded on the TSX under the trading symbol "UME" and upon the Alternative Investment Market of the London Stock Exchange under the trading symbol "UGY". The following table sets out the price range for and trading volume of the Corporation's shares as reported by the TSXV for the periods indicated.

Period	High (CDN\$)	Low (CDN\$)	Volume
June 2005	4.50	3.75	1,021,069
July 2005	4.35	3.87	135,147
August 2005	4.30	3.95	198,120
September 2005	5.05	4.00	693,624
October 2005	4.95	4.10	195,002
November 2005	4.85	4.00	310,432
December 2005	4.90	4.50	1,105,412
January 2006	5.95	4.80	1,064,569
February 2006	6.25	5.35	768,071
March 2006	5.51	5.10	530,219
April 2006	5.50	5.00	452,435
May 2006	5.90	4.90	583,404

Prior Sales

Reference is made to Note 12 "Share Capital" of the Corporation's audited annual financial statements. Additional information mention herein can be found on SEDAR (www.sedar.com).

DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the current directors and executive officers of the Corporation, the positions and offices with the Corporation, their principal occupations during the last five years and their holdings of Common Shares as of August 28, 2006. Additional information on Directors and Officers will be available in the annual Management Information Circular Prepared for the Annual General Meeting to be held on October 12, 2006.

The following table sets out the names of all of the directors and officers of the Corporation and certain information concerning such directors and officers.

Name and Municipality of Resident	Position in the Corporation (Director Since)	Principal Occupation for the Last Five Years	Number of Shares Beneficially Owned	Percentage of Common Shares
Chris Clark Montevideo, Uruguay	President, Chief Executive Officer, Chief Financial Officer and Director (August 1996)	Independent geological consultant from 1989 to 1993; Operations Director of Ramsgate Resources NL (Australian Stock Exchange) from 1993 to August 1996; President of Uruguay Mineral Exploration Inc. since August 1996 to present.	1,508,083	3.04%
John Morris ⁽¹⁾ Perth, Australia	Director (April 24, 2002)	Managing Director of Chaco Resources PLC from November 2004 to present.	520,000	1.08%
Tony Shearer ⁽¹⁾ London, England	Director (February 2002)	Previously Chief Executive Officer of Singer and Frielander PLC from July 2003 to Nov 2005 and prior to that from 1998 to 2002 Chief Operating Officer and Finance Director	671,667	1.40%
David Fowler Montevideo, Uruguay	Chief Executive Officer, Chief Financial Officer, Director (October 2005)	Chief Executive Officer of UME since 1 June 2006. Chief Financial Officer of UME from March 2004 to May 2006. Chief Financial Officer of Western Metals Limited from January 2001 until November 2003.	nil	nil
William Lindqvist ⁽¹⁾ Tiburon, USA	Director (October 2005)	Independent Geological Consultant from March 2002 to present. Vice President of Exploration for Homestake Mining Company from 1990 to 1992 and again from 1995 to 2002.	nil	Nil
Julio Porteiro Montevideo, Uruguay	Director (July 2006)	Julio is the main partner of the Uruguay consulting firm Julio C Porteiro & Associates for the past 10 years. He was the President and a Director of Nuevo Banco Comercial S.A. from July 2005 to July 2006.	nil	Nil
Patricia Rodriguez Montevideo, Uruguay	Corporate Secretary	Legal Counsel and Corporate Secretary of UME from July 2006 until present. Senior lawyer of PricewaterhouseCoopers from July 1995 to July 2006	nil	Nil

Name and Municipality of Resident	Position in the Corporation (Director Since)	Principal Occupation for the Last Five Years	Number of Shares Beneficially Owned	Percentage of Common Shares
John Sadek	Vice President Operations	UME Vice President Operations since October 2004, Mine Planning and Operating Superintendent roles at Yanacocha Peru with Newmont between April 2002 and October 2004, Open Pit Manager at WMC Leinster Nickel from September 2001 to April 2002.	nil	nil
George Schroer	Vice President Exploration	UME Vice President Exploration from July 2006. Exploration Manager Bolivar Gold Corp from May 2004 to May 2006, Anglogold Exploration Peru from Jan 2003 to Jan 2004 and Homestake Mining Company from March 1996 to August 2002.	nil	nil

Notes:

(1) Members of the Audit Committee, Remuneration Committee and Corporate Governance Committee

Each director is elected to hold office until the next annual meeting of shareholders of the Company or until his successor is elected or appointed.

Committees of the Company's board of directors consist of the audit committee, the compensation committee, the corporate governance committee. Additional information with respect to such committees is contained in the Annual Management Information Circular and Annual Report of the Company.

The percentage of common shares of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Company as a group was 5.62 % as at August 28, 2006.

To the knowledge of the Company, no director or executive officer of the Company is or has been, in the last ten years, a director or executive officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days, or (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except that each of Mr. Fowler who was an officer of Western Metals Limited which has since ceased to operate as a going concern.

To the knowledge of the Company, no director or executive officer of the Company, (a) has been subject to any penalties or sanctions imposed by a court relating to securities or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

To the knowledge of the Company, in the last ten years, no director or executive officer has become

bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the knowledge of the Company, no director or executive officer of the Company has an existing or potential material conflict of interest with the Company or any of its subsidiaries

Conflicts of Interest

There may be potential conflicts of interest with some of the directors and officers of the Corporation and the Corporation itself. Some of the directors and officers are engaged and will continue to be engaged in ventures, projects, and investments on their own behalf and on the behalf of others and situations may arise where the directors and officers may be in direct competition with the Corporation.

AUDIT COMMITTEE

Audit Committee Charter

The terms of reference of the Audit Committee of UME is disclosed at Annexure 1 of this document.

Composition of the Audit Committee

The following are the names and municipalities of residents of the current members of the Audit Committee, all whom are independent. The relevant education and experience of each Audit Committee member supporting his financial literacy is also disclosed.

Tony Shearer, Chairman of the Audit Committee, is a Chartered Accountant and was formerly a partner at Deloitte Haskins & Sells (1980-88). Mr. Shearer was the Chief Executive Officer of Singer and Friedlander Group PLC (and prior to that Chief Operating Officer and Finance Director) of a UK group (which was listed on the London Stock Exchange main board) comprising a bank, and investment management and asset finance businesses. Previous positions have included Finance Director and Chief Operating Officer of M&G Group, and Deputy Chief Executive of Old Mutual International.

William Lindqvist, member of the Audit Committee. William has a PHD in applied Geology from the Royal London School of Mines and has worked in an executive capacity for Homestake Mining Company and Newcrest Limited, both significant gold production companies. He has over 30 years experience in the evaluation and development of gold deposits and a detailed understanding of reserve and resource estimates.

John Morris, member of the Audit Committee, was educated at Wesley College, Perth, Western Australia, completing half of the chartered accountancy qualification (which included ten years employment at an accounting firm. Mr. Morris has had over thirty-four years of experience in exploration, mining and management of public companies. He was formerly a director of Gold Mines of Sardinia Limited (a gold producing company) and has been involved with the development of several other gold projects in Australia from grass roots exploration through to plant construction and production.

Pre-Approved Policies and Procedures

The Audit Committee has adopted policies and procedures whereby any engagement of non-audit services during the fiscal year ended May 31, 2006 required the approval of the Audit Committee.

External Audit Service Fees

Fiscal Year End	Audit Fees (\$)	Audit Related Fees ⁽¹⁾ (\$)	Tax Fees ⁽²⁾ (\$)	All Other Fees ⁽³⁾ (\$)
2006	73,000	57,045	95,775	15,245
2005			88,294	3,642

Notes:

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.
- (4) The above Fees include Fees billed by the Company's external auditors as well as Fees provided by the external auditors' affiliates with respect to the Company's subsidiaries.

LEGAL PROCEEDINGS

The Company is not a party to any significant legal proceedings.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

UME is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any directors, executive officers, any shareholder who beneficially owns directly or indirectly more than 10% of the issued and outstanding common shares of UME or any known associate or affiliates of such persons in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect UME, other than those mentioned in the audited annual financial statements under Note 14 "Related Party Transactions".

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., at its principal office in 600, 530 - 8th Avenue S.W. Calgary, AB T2P 3S8, is the transfer agent and registrar for UME's Common Shares.

MATERIAL CONTRACTS

During the fiscal year ended May 31, 2006, there were no material contracts entered into by UME outside the ordinary course of business.

ADDITIONAL INFORMATION

Additional information on the Corporation can be found on SEDAR at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of UME's securities, options to purchase securities and interests of insiders in material transactions, where applicable, will be contained in UME's Management Information Circular to be prepared for the Annual General Meeting of the shareholders of UME which will be held on October 12, 2006. Additional financial information is provided in UME's comparative financial statements for the year ended May 31, 2006.

ANNEXURE 1 – AUDIT COMMITTEE CHARTER

Composition

1. The Committee will be comprised of no less than three directors of the Corporation, all of whom must be independent. Unless waived, 24 hour notice must be given. Quorum of meetings shall be a majority of members. Meetings may be by telephone or in person.
2. The length of term to be served by directors on the Committee will be determined by the Board of Directors of the Corporation (the “Board”), giving consideration to the benefits of periodic rotation of committee membership.
3. One of the members will be appointed Chairman of the Committee by the Board.
4. A secretary to the Committee will be appointed by the Chairman of the Committee. The Secretary of the Committee may or may not be a member of the Committee.
5. With the approval of the Board, the Committee may retain persons having special expertise to assist the Committee in fulfilling its responsibilities.

Responsibilities

The responsibilities which the Committee is required to satisfy itself of, on behalf of the Board, are to:

1. recommend to the Board:
 - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the Corporation; and
 - (ii) the compensation of the external auditor.
2. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between the management and external auditor regarding financial reporting;
3. pre-approve all non-audit services to be provided to the Corporation or to its subsidiaries by the Corporation’s external auditor;
4. ensure that the Corporation’s annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Board whether the annual financial statements should be approved;
5. ensure that the information contained in the following financial publications is not significantly incomplete, misleading or erroneous:
 - (i) Annual Report to Shareholders
 - (ii) Management Discussion and Analysis (“MD&A”)
 - (iii) Annual Information Form (“AIF”)
 - (iv) Quarterly Financial Information
 - (v) Prospectuses
6. review the Corporation’s financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information;
7. ensure that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than the public disclosure referred to in subsection (e), and must periodically assess the adequacy of those procedures.

8. ensure that there are established procedures for:
9. the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
 - (i) review and approves the Corporation's policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
10. ensure that the Corporation has implemented appropriate systems of internal control over financial reporting, and appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements; and

Meetings

1. The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements and for meetings with the external auditors, prior to a submission of observation and recommendations to the Board. Additional meetings may be held as deemed necessary by the Chairman of the Committee or as requested by any member or the external auditors.

Reporting

1. The minutes of all meetings of the Committee, signed by the Chairman of the Committee and the Secretary to the Committee, are to be provided to the Board. Oral reports on recent matters not yet minuted are to be provided to the Board by the Chairman of the Committee.
2. Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary to the Committee.