URUGUAY MINERAL EXPLORATION INC.
EXPLORATION REPORT
FIRST FISCAL 2010 QUARTER ENDED AUGUST 31, 2009

This report provides details of exploration activities during the first fiscal 2010 quarter ending August 31, 2009.

1. HIGHLIGHTS

- Exploration for the quarter was concentrated on near mine targets only and drilling focused on those targets that can deliver resource to the mine site in the short term.

- Definition drilling continued in the Arenal Deeps deposit. The program to date has confirmed or increased the thickness and grade as compared to the April 2009 resource model. The most significant result was reported from hole ALDD108 with 26.2 meters at 13.76 g/t Au. The drilling campaign is planned to be completed in January 2010 and an updated 43-101 resource estimate is expected to be published in March 2010.

- Exploration follow up and definition drilling took place on the Peru South vein prospect. The program has further defined the vein mineralization and results will be used to develop an in-house resource. The vein is expected to deliver exploitable resources in the range of 3,000 to 5,000 ounces of Au averaging above 2.0 g/t. The most significant drill intercepts include 5m @ 10.6 g/t, and 8m @ 9.01g/t Au, from holes PRRC051 and PRRC059, respectively. Work continues in the area to further define the discovery and convert it into an exploitable resource.

- Work continues on the Picaflor vein deposit to develop the drill indicated mineralization into a resource for exploitation. Preliminary work indicates the resource may deliver over 5,000 ounces of resource greater than 2.0 g/t Au. Additional drilling is planned for the second quarter to further define the extent of mineralization to the NW along strike.

- The Veta Sur 2 and 3 deposits were both drilled during the quarter to further define the limits to mineralization and the ultimate pit shell for exploitation. The program has been completed and the most significant result reported is 8 meters at 2.59 g/t from hole VSRC167.

- Exploration drill targets to test during the second fiscal quarter for vein-like mineralization and possible bulk resources to add to the near term mine plan have been defined in Nueva Australia, Zapucay and Sobresaliente.

- Exploration targets that have the potential to deliver longer term bulk mineable underground resources include deep drilling along the San Gregorio trend, the “Rooster Tail” east of Arenal and deep drilling along the Nueva Australia trend. All these areas have indication that higher grade mineralization exists from previous drill programs. These projects are planned to be drill tested in the second half of the fiscal year.

- Projects outside the immediate mine area that are drill ready and are planned to be drill tested in the second half of the fiscal year include: Texas, Rocha, Mahoma, and Crucera. Two of these projects, Mahoma and Crucera, have historic drilling which indicate the existence of thin but high-grade mineralization. Drilling on these projects will be used to further define the resources for possible exploitation with ore being transported to the San Gregorio plant for processing. The Texas and Rocha properties have not yet been drilled and could host significant mineralization which could lead to stand alone operations or ore which might be transported to the present mill site at San Gregorio.

- The Lascano prospect is currently under review by a number of major mining companies for possible joint venture participation. An economic geology Master thesis is underway in the United States to further develop the understanding of this giant system and to help focus future exploration.

2. GOLD PROJECTS - ISLA CRISTALINA BELT

A location map of the major prospects described below can be found at www.uruguayminerals.com

During the quarter drilling activity was only concentrated in and around the mine site. The majority of drilling occurred in the Arenal deeps program. A total of two core drill rigs and one reverse circulation drill rig were operating on the property during the month.

Minas De Corrales District (Arenal and San Gregorio)

Exploration during the quarter focused on:

- Drilling of Arenal Deeps
- Other targets included Zapucay, Peru South and Veta Sur
- Surface mapping and sampling was undertaken in the areas of Nueva Australia, and western Isla Cristalina Belt

Arenal Deeps

- An infill drill program continued in Arenal Deeps with two dedicated core drill rigs and one part time RC rig. Drilling concentrated on further defining the underground resource and collecting geotechnical information for an ultimate feasibility study to be completed by the end of fiscal 2010. Mine Development Associates from Reno, Nevada have been contracted to complete the resource estimation once the drill program is completed in January of 2010. An updated 43-101 resource estimate is expected to be published in March 2010.
- A total of 14 core holes and 5,527 meters have been drilled during the quarter. All core holes have utilized pre-collar RC drill holes which total 2,074 meters. Results from this program have been very good, with a majority of holes intercepting thicker and higher grades as compared with the resource model. Only a few holes have reported less than expected grades or thickness.
- Selected results of the 2009 definition program are presented below.

Hole ID	Intercept (>1g/t)	from (m)
ALDD102	2.05m @ 1.42g/t	352,25
ALDD102	1.2m @ 1.16g/t	425,2
ALDD103	16.1m @ 10.30g/t	341,8
includes	9.85m @ 15.49g/t	344,3
ALDD103	9.7m @ 2.54g/t	362,3
includes	6m @ 3.58g/t	362,3
ALDD103	2.25m @ 4.68g/t	433,5
ALDD104	3.1m @ 2.57g/t	241,9

Hole ID	Intercept (>1g/t)	from (m)
ALDD108	18.45m @ 3.62g/t	357,9
ALDD109	3.2m @ 2.24g/t	295,6
ALDD109	23.65m @ 2.67g/t	308,9
includes	5.65m @3.95g/t	318,9
ALDD109	1.4m @ 3.08g/t	368,6
ALDD109	1.9m @ 1.99g/t	399,1
ALDD109	1.85m @ 1.87g/t	414,4
ALDD110	14.0m @ 5.21g/t	289,7

ALDD104	4.95m @ 2.31g/t	246,9
ALDD104	3.0m @ 2.82g/t	322,1
ALDD105	15.15m @ 2.62g/t	269,4
includes	5.55m @ 4.70g/t	269,4
ALDD106	5.09m @ 2.74g/t	250,2
ALDD107	40.2m @ 3.43g/t	321,8
includes	6.25m @ 5.67g/t	321,8
And	5.45m @ 3.59g/t	334,0
And	11.35m @ 4.27g/t	341,5
And	5.5m @ 4.57g/t	356,5
ALDD107	10.95m @ 1.77g/t	367,7
includes	4.1m @ 2.94g/t	369,9
ALDD108	2.85m @ 1.58g/t	295,8
ALDD108	26.2m @ 13.76g/t	300,7
includes	7.1m @ 20.4g/t	313,8
ALDD108	1.2m @ 4.00g/t	342,0

includes	3.45m @ 8.99g/t	295,1
ALDD110	2.0m @ 3.60g/t	325,8
ALDD111	20.55m @ 2.55g/t	317,9
ALDD112	13.9m @ 2.85g/t	243,2
includes	3m @ 6.63g/t	247,6
ALDD112	18.9m @ 4.08g/t	265,6
includes	8.75m @ 6.12g/t	272,6
ALDD112	5.3m @ 3.00g/t	294,3
ALDD112	10.9m @ 2.62g/t	314,6
ALDD113	29.0m @ 3.50g/t	336,7
includes	1.8m @ 7.06g/t	340,0
And	7.0m @ 5.36g/t	352,2
ALDD114	2.2m @ 3.18g/t	316,3
ALDD114	1.8m @ 2.61g/t	342,5
ALDD115	3.7m @ 2.69g/t	294,8
ALDD117	6.6m @ 3.20g/t	239,9

Drill hole intercepts are composites using 1.0 g/t and may contain up to 2 meters of mineralization below 1 g/t Au. (*Drill hole thickness reported, approximate true thickness)*

Additional reverse circulation (RC) drilling took place just below the final pit at Arenal to further define the resource for potential underground exploitation. The most significant results for the quarter from this program are reported below. RC drilling will continue in Arenal to help complete the definition program.

Hole ID	Intercept (>1g/t)	from (m)
ALRC361	1m @ 3.28g/t	3
ALRC370	3m @ 2.27g/t	100
ALRC372	4m @ 2.37g/t	183
ALRC372	6m @ 1.11g/t	194

Drill hole intercepts are composites using 1.0 g/t. (*Drill hole thickness reported, approximate true thickness)*

Veta Sur 2 and 3

Additional drilling in the Veta Sur deposit was completed this quarter to better define the resource and the ultimate limits for exploitation. The measured and indicated resource, as defined in the annual report, is 537,000 tonnes at 1.92 g/t Au. The resource will continue to be exploited this fiscal year. Significant results from this program are presented below.

Hole ID	Intercept (>1g/t)	From (m)
VSRC166	7m @ 1.83g/t	47
VSRC167	3m @ 2.97g/t	45
VSRC168	2m @ 2.23g/t	70
VSRC169	6m @ 1.23g/t	73
VSRC170	8m @ 2.59g/t	87

Drill hole intercepts are composites using 0.5 g/t (*Drill hole thickness reported, approximate true thickness.)*

Peru, Esperanza and Areicua

Exploration drilling was concentrated in the Peru South Vein. The vein lies eight kilometers from the plant site at San Gregorio. The vein which is part of the greater Peru-Esperanza vein system was discovered in last fiscal year's exploration campaign. Offset drilling was completed this quarter and defines mineralized vein material over a strike length of greater than 200 meters. Additional drilling will need to be completed to define a resource. The most significant results are reported below.

Hole ID	Intercept (>1g/t)	from (m)
PRRC050	1m @ 1.66g/t	75
PRRC051	5m @ 10.6g/t	67
PRRC052	6m @ 2.05g/t	99
PRRC054	2m @ 1.38g/t	61
PRRC059	2m @ 2.83g/t	17
PRRC059	8m @ 9.01g/t	22
PRRC059	2m @ 3.38g/t	40

Drill result composites of >0.5g/t, includes intervals of 1.0mt <0.5 g/t (Drill hole thickness reported, approximate true thickness)

The vein structure strikes N70^{o}E and dips approximately 80 degrees to the southeast, and gold mineralization is associated with quartz vein material and associated sheared wall rocks.

Nueva Australia

Mapping and sampling in the Nueva Australia sector of the property have defined three drill target areas to be tested during the second quarter of the fiscal year. Two of the targets are vein-like targets which cross cut iron stone deposits. Previous exploration sampling in the area defined strongly anomalous mineralization. Surface samples up to 132 g/t have been reported from this zone. Historic RAB drilling in the area reported near surface intercepts up to 5.1 meters of 11.48 g/t. The third target is an area 100 by 50 meters of surface mineralization associated with meta-sediments in the footwall of the main Nueva Australia fault. Anomalous mineralization up to 26.6 g/t Au has been taken from historic prospect pits.

Significant surface samples collected this quarter are reported below.

Prospect	Sample ID	Au g/t
Nueva Australia	206321	9.50
Nueva Australia	204580	8.30
Nueva Australia	204583	7.43
Nueva Australia	204581	4.46

Samples are generally taken over alterated outcrop and cover areas of 2 square meters.

Underground Exploration Targets

There are three underground exploration targets that are expected to be tested in the second half of the 2010 fiscal year: the down dip extension of the San Gregorio mine, the Nueva Australia structure and the "Rooster Tail" east of the Arenal pit.

A limited deep drill program along the down dip portion of the San Gregorio deposit has defined underground thicknesses and grade. A total of six deep holes were drilled in 2008 across the down dip extension of the San Gregorio pit which covers 1.4 kilometers of strike. Three of these

holes reported thicknesses and grades which indicate the potential for an underground resource below San Gregorio. Results include 2.65m at 3.23 g/t, 3.65m at 4.19 g/t and 5.9m at 2.39 g/t in holes SGDD002, 003, and 005 respectively. In addition to these drill holes, mineralization has been defined below the western and eastern pit boundaries of San Gregorio which was not accessible by open pit mining.

Significant mineralization was also cut by deep drilling along the Nueva Australia trend in 2008. Drill hole NADD003 with 4.65m at 8.57 g/t Au indicates that the grade and thickness might be exploitable by underground mining.

In the "Rooster Tail", erratic mineralization has been defined within the main Arenal structure in widths up to 30 meters. High grade intercepts of 1 meter over 20 g/t Au have been reported from this sector. The area has been systematically drill tested to 150 meters deep and remains open below that depth. A second Arenal Deeps-like mineralized body could lie within the Rooster Tail.

Eastern Half Isla Cristalina Belt
Drilling permits were received for Vaca Muerta, Curtume, Cerro Chato/Cerrillada and Vichadero. These projects are expected to be drilled during the 2010 fiscal year starting with those which are closer to the plant site.

3. GOLD PROJECTS

Casupa/Crucera-District
The Crucera project is located 124 kilometers northeast of Montevideo and 285 kilometers south east of the San Gregorio plant site in east central Uruguay.

Crucera is a known mineralized vein system that was drilled in 2007. Permits for drilling the eastern anomaly have been received, and the target will be drill-tested in the second half of the fiscal year.

Several anomalous vein targets have been identified in the district and drilling of the best of these targets is planned for the second half of fiscal 2010 in conjunction with Crucera.

Texas
The Texas prospect is located 168 kilometers east-southeast of the San Gregorio mine site and lies within the Dom Feliciano Mobile belt of Precambrian rocks.

The project is planned for drill testing in the second half of the fiscal year. Surface mapping and sampling have defined a number of veins and vein sets hosted in granitic intrusive. Mineralization is associated with clots of sulfides carrying pyrite chalcopyrite and galena. These coarse-grained sulfides have oxidized at surface and have created a box work texture. The veins range from 0.3 to over 2 meters in thickness. Sampling of the veins has reported values up to 70 g/t Au. Four different vein clusters on the property have been identified and collectively define an area of over 4.7 kilometers by 1.5 kilometers wide. The veins are hosted in granite which has intruded the local Cambrian sediments. Contact alteration has been described, though little to no Au mineralization has been reported in this alteration to date. The envisaged targets are both high grade individual veins and possible bulk mineable sheeted and stockwork vein systems.

Rocha
The Rocha prospect is located approximately 60 kilometers south of Lascano and 178 kilometers from the Capital city of Montevideo. Preliminary soil sampling programs as well as surface

geophysical programs have been completed over four kilometers of the NNE-trending 10 kilometer long anomalous structural corridor which defines the central and, to date, the most anomalous sector of the property.

Strong sulfide mineralization composed of arsenopyrite ± galena mineralization has been identified fairly consistently within the principal vein selvage. The highest grade gold sample, 102 g/t Au, is related to arsenopyrite and galena bearing host rock. Unlike other projects in Uruguay, high grade surface samples are associated with primary sulfide mineralization.

Results of the ground magnetic survey have defined the structural fabric of the prospect. Preliminary soil sampling results in Au, and trace elements received to date have defined a number of anomalous trends which coincide with mapped stuctures as well as geophysical lineaments. An IP geophysical survey is being planned to further define drill targets along the surface geochemical anomaly.

Work programs completed to date have increased the prospectivity and defined the main mineralized targets for drill testing in the second half of fiscal 2010.

4. OTHER METALS

Lascano Geophysical Anomaly
The Lascano exploration target is composed of a cluster of three large circular geophysical features that are each approximately 20 kilometers in diameter. The geophysical features were best defined by an airborne survey flown in 2005 by Bell Geospace and are composed of both high and low gravity gradient and magnetic circular anomalies. Drilling to date has explored the central geophysical anomaly.

The 2008 drill program in the central circular structure was designed to explore the anomalous alteration, magnetite and hematite mineralization, and weak copper mineralization intersected in hole two of the 2007 campaign. Mineralization and alteration are suggestive of an Iron Oxide-Copper-Gold (IOCG) or alkaline porphyry copper system. The objective of the drill program was to discover one of these types of systems.

Alteration assemblages in the intrusive bodies include quartz-sericite-pyrite with fine vein and disseminated pyrite as well as minor chalcopyrite and associate fluorite. Potassic alteration is also described at depth with associated pyrite and minor chalcopyrite mineralization. All intrusive types encountered show evidence of hydrothermal alteration as well as very weak copper mineralization locally. Similar alteration and mineralization also occur in the overlying volcanic assemblage as well as in the deeper intrusive suite of rocks that form the basement. Alteration minerals include quartz, sericite, pyrite, chalcopyrite, secondary biotite and minor fluorite. Analytical results have only defined weak but anomalous copper mineralization locally.

Due to its size and complexity, the project is being offered for joint venture. A summary of the project has been distributed to a number of major base metal and gold mining companies for review. Confidentiality agreements have been signed with three major mining companies and data has been and continues to be reviewed.

Nickel Properties
The Carpenteria property in the Isla Cristalina Belt has been identified by GeoDiscovery as a very prospective Ni and/or PGE prospect in part due to the presence of anomalous PGE values, up to 200ppb (Pt&Pd), in surface and core samples. Evaluation of all the old and new exploration data work is underway to identify drill targets.

Diamond Exploration
A final agreement has been reached with Olivut Resources Ltd., a Canadian junior diamond exploration company, on the Cinco Rios diamond project. The agreement will allow Olivut to earn in a 51 percent interest in the Cinco Rios diamond properties by spending $Cdn 750,000 in exploration over 2.5 year period.

Olivut Resources will be supplying a detailed work program, and field work will commence in the second quarter of the fiscal year.

5. OTHER ACTIVITIES

Permits
A number of permits have been granted in the last quarter, including permits for Texas. The Company has made a submission to the government to improve permitting regulations over the medium term and has committed additional resources to ensure that it responds rapidly to all requests.

Drilling
One lost time accident occurred on July 18, 2009 on a diamond drill rig. The accident has been fully investigated and changes to procedures and the drill equipment have been made to avoid the occurrence of this type of accident again.

Drilling was and continues to be focused on the Arenal Deeps resource. Two core drill rigs are drilling 24 hours a day, 7 days a week on the Arenal program. One RC drill rig is drilling 24 hours a day on a 9 days on and 5 days off schedule. The RC drill rig is responsible for drilling pre-collar holes up to 200 meters deep as well as exploration holes in and around the target areas near the present mine site. A total of 53 holes for 9,160.2 meters were completed. Targets drilled included:

- Near mine and IC Belt west targets including Arenal Deeps, and Veta Sur
- IC Belt including, Zapucay and Peru Esperanza trend

Results for the First Fiscal 2010 Quarter

Isla Cristalina Belt		
	Holes RC: 39	RC mts: 5,707
	Holes DDH: 14	DDH mts: 3,453
Other Projects		
	Holes RC: 0	RC mts: 0
	Holes DDH: 0	DDH mts: 0
Grand Total	**Holes: 53**	**Meters: 9,160.2**

Acquisitions
UME is presently evaluating acquisition opportunities both on the corporate and property level across Latin America. The objective is to acquire a gold asset that has the potential to produce 500,000 ounces or more and be put into production within two to three years.

A number of advanced exploration targets located in Mexico, Argentina, Brazil, Chile, and Peru are presently under review.