

Uruguay Mineral Exploration Inc.
Consolidated Interim Financial Statements
For the three month period ended August 31, 2009
(Unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended August 31 2009.

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Uruguay Mineral Exploration Inc.
Consolidated Balance Sheets
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at	
	August 31,	May 31,
	2009	2009
	\$	\$
Assets		
Current assets		
Cash	8,158	9,496
Accounts receivable (Note 2)	3,286	2,899
Inventories (Note 3)	16,236	17,642
Prepaid expenses	819	915
Total current assets	28,499	30,952
Property plant and equipment and mineral properties (Note 4)	17,019	16,953
Deferred exploration (Note 5)	13,965	12,437
Future income tax assets	3,009	3,001
Restricted cash	173	173
Total non current assets	34,166	32,564
Total Assets	62,665	63,516
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	9,118	7,354
Fair value of derivatives	0	464
Restructure plan (Note 8)	152	250
Debt	16	37
Total current liabilities	9,286	8,105
Asset retirement obligation	2,894	2,862
Total non current liabilities	2,894	2,862
Total liabilities	12,180	10,967
Capital stock	34,642	34,642
Contributed surplus	4,333	4,239
Accumulated other comprehensive income	(19)	(19)
Retained earnings	11,529	13,687
Total shareholders' equity	50,485	52,549
Total liabilities and shareholders' equity	62,665	63,516

Approved by the Board of Directors

"Ignacio Salazar" Director

"David Fowler" Director

The accompanying notes are an integral part of these consolidated financial statements.

Uruguay Mineral Exploration Inc.
Consolidated Statements of Income, other comprehensive income and Retained Earnings
(Unaudited)

(Thousands of United States Dollars, except for earnings per share and weighted average number of shares outstanding)

	Three months ended	
	August 31 2009	August 31 2008
	\$	\$
Net Sales	12,498	17,721
Operating expenses	(11,861)	(14,803)
Amortization and depreciation	(2,593)	(3,000)
Operating expenses	(14,454)	(17,803)
Sub-total	(1,956)	(82)
Other income (expenses)		
Stock based compensation expense	(94)	(37)
Non-hedged derivative gain (loss)	464	(1,528)
General and administrative expense	(744)	(1,197)
Net interest loss and debt accretion	(71)	(5)
Foreign exchange	(17)	(152)
Other income	252	122
	(210)	(2,797)
Loss before taxes	(2,166)	(2,879)
Recovery for income taxes	8	25
Net and comprehensive loss for the period	(2,158)	(2,854)
Retained earnings, beginning of period	13,687	28,042
Retained earnings, end of period	11,529	25,188
Earnings (loss) per common share		
Basic and diluted (Note 11)	(0.04)	(0.06)
Weighted average shares outstanding		
Basic and diluted	48,667,068	48,684,535

The accompanying notes are an integral part of these consolidated financial statements.

Uruguay Mineral Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	Three months ended	
	August 31	August 31
	2009	2008
	\$	\$
Operating activities		
Net loss for the period	(2,158)	(2,854)
Adjustments for:		
Amortization and depletion	2,593	3,000
Fair value of derivatives	(464)	1,528
Accretion of debt	32	47
Future Income taxes	(8)	(25)
Stock based compensation	94	37
Others	(59)	(4)
	30	1,729
Net change in non-cash working capital balances (Note 9)	2,629	(577)
	2,659	1,152
Financing activities		
Share repurchase	0	(401)
Payments of finance lease net of draw downs	(21)	(47)
	(21)	(448)
Investing activities		
Purchase of property, plant and equipment and development costs	(2,560)	(3,873)
Exploration expenditure	(1,680)	(3,081)
Assets sales	264	0
	(3,976)	(6,954)
Decrease in cash	(1,338)	(6,250)
Cash at the beginning of period	9,496	18,601
Cash at the end of period	8,158	12,351

The accompanying notes are an integral part of these consolidated financial statements.

Uruguay Mineral Exploration Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at August 31, 2009		As at May 31, 2009	
	Number (000's)	Amount (\$)	Number (000's)	Amount (\$)
Common shares				
Balance at beginning of period	48,667	34,642	48,811	35,043
Share repurchases	0	0	(144)	(401)
Balance at end of period	48,667	34,642	48,667	34,642
Contributed surplus				
Balance at beginning of period		4,239		3,882
Employee stock based compensation recognized		94		345
Transfer from warrants and convertible notes		0		12
Balance at end of period		4,333		4,239
Accumulated other comprehensive income				
Balance at beginning of period		(19)		(19)
Movement for the period		0		0
Balance at end of period		(19)		(19)
Retained earnings				
Balance at beginning of period		13,687		28,042
Net loss for the period		(2,158)		(14,355)
Balance at end of period		11,529		13,687
Shareholders' equity at end of period		50,485		52,549

The accompanying notes are an integral part of these consolidated financial statements.

Uruguay Mineral Exploration Inc.
Notes to Consolidated Interim Financial Statements
(Unaudited)

(Thousands of United States Dollars, except where indicated)

August 31, 2008

1. Significant Accounting policies

These consolidated unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended May 31, 2009, since they do not contain all disclosures required by GAAP annual financial statements. The unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. Actual results could differ from those estimates. The reference to "the Company" in these consolidated financial statements includes the parents and all of its subsidiaries. All inter-company transactions and balances have been eliminated.

2. Accounts Receivable

	August 31, 2009 (\$)	May 31, 2009 (\$)
Tax receivables	<u>3,213</u>	<u>2,826</u>
Other receivables	<u>73</u>	<u>73</u>
	<u>3,286</u>	<u>2,899</u>

Tax receivables consist of refunds for Canadian GST, Uruguayan Value Added Tax (VAT) refunds and Uruguayan export tax refunds (based on a percentage of FOB value of the export value of Dore).

3. Inventories

	August 31, 2009 (\$)	May 31, 2009 (\$)
Finished metals	<u>1,268</u>	<u>802</u>
Ore in stockpiles	<u>4,825</u>	<u>6,121</u>
Gold in circuit	<u>703</u>	<u>862</u>
Materials and supplies	<u>9,440</u>	<u>9,857</u>
	<u>16,236</u>	<u>17,642</u>

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4. Property, Plant and Equipment and Mineral Properties

August 31, 2009 (\$)

	Cost	Accumulated amortization and Depletion	Net Book Value
Land and lease rights	2,108	0	2,108
Plant and equipment	32,162	23,155	9,007
Mineral properties	32,368	26,464	5,904
	<u>66,638</u>	<u>49,619</u>	<u>17,019</u>

May 31, 2009 (\$)

	Cost	Accumulated amortization and Depletion	Net Book Value
Land and lease rights	2,088	0	2,088
Plant and equipment	31,035	22,091	8,944
Mineral properties	31,075	25,154	5,921
	<u>64,198</u>	<u>47,245</u>	<u>16,953</u>

- (a) The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.
- (b) Included in plant and equipment is \$ 1,337 (May 2009 - \$ 1,262) of major spare parts that are amortized over a period of between two to four years. These major spare parts are maintained to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure.
- (c) Included under Mineral Properties costs are \$ 1,202 (May 2009 - \$2,041) of pre-production stripping costs related to San Gregorio East Pit and \$ 1,082 of pre-production stripping on vein "Veta Sur".. These costs are being amortized using the units of production method based on the estimated life of the pit.
- (d) Included under Property, Plant and Equipment are leased vehicles which are depreciated on a straight line method over four years. At August 31, 2009, the leased vehicles had a net book value of \$ 114 (May 2009 – \$ 143).

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5. Deferred Exploration

	August 31,	May 31,
	2009 (\$)	2009 (\$)
Balance at beginning of the period	12,437	8,948
Payments for exploration expenditure during the period	1,680	10,106
Reclassification to mineral properties	(152)	(3,923)
Exploration expenses written off	0	(2,694)
Balance at end of the period	13,965	12,437

(a) Farm-in agreements and acquisitions:

Farm-in agreements and acquisitions rights and obligations are disclosed in the notes to the Company's audited annual Financial Statements for the year ended May 31, 2009. No new agreements or acquisition have been made during the period.

(b) Exploration performance bonds:

The Uruguay Mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration activities. The Company has facility agreements with Uruguayan local insurance companies and banks to support the required guarantees. The total guarantees provided at August 31, 2009 to support exploration activities on tenements granted were \$ 3,658 (May 2009 - \$ 3,445).

6. Equity Instruments

(a) Authorized: Unlimited number of Common Shares

(b) Employee Stock Options

The Company has an option Plan for its officers, directors, employees and consultants of the Company and its subsidiaries. Options under the plan are typically granted in such numbers as reflects the responsibility of the particular optionee and his or her contribution to the business and activities of the Company. Options granted under the plan have a term of up to 5 years. Except in specified circumstances, options are not assignable and terminate on the optionee ceasing to be employed by or associated with the Company. The terms of the Plan further provide that the price at which shares may be issued under the Plan cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted. Options vest lineally over a three year period starting on the first year anniversary after granted.

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For the quarter ending August 31, 2009 no options were granted and \$ 94 (August 31, 2008 \$ 37) of compensation expense was recorded for the vesting of previous issues net of reversals for options forfeited and not vested. At August 31, 2009 the aggregate unamortized fair value of unvested stock options granted amounted to \$ 187 (May 31 2009 - \$ 292).

The following table summarizes information regarding the Company's outstanding options as at August 31, 2009:

	Number of Shares (000's)	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Balance at May 31, 2009	3,172	\$0.38 - \$5.50	\$2.98
Exercised, cancelled and forfeited	<u>(133)</u>	\$0.60 - \$3.40	\$ 2.40
Balance at August 31, 2009	<u><u>3,039</u></u>		\$ 3.00

Outstanding				Exercisable	
Options 000s	Range of option price CDN \$	Weighted average Exercise Price CDN \$	Weighted average remaining contractual life Years	Options 000s	Weighted average Exercise Price CDN \$
885	0.00 - 3.00	0.59	4.15	295	0.59
1,462	3.01 – 4.00	3.58	2.69	741	3.67
433	4.01 – 5.00	4.54	1.12	433	4.54
<u>259</u>	5.01 – 5.50	5.42	0.54	<u>259</u>	5.42
<u><u>3,039</u></u>		3.00	2.71	<u><u>1,728</u></u>	3.63

At August 31, 2009 there were 3,038,750 (May 2009 – 3,172,250) options outstanding, of which 1,727,583 are exercisable. The weighted average exercise price of the options outstanding at August 31, 2009 is CDN\$ 3.00 (May 31, 2009 CDN\$ 2.98).

7. Segment Information

The Company has three reportable segments: Gold, exploration and corporate. The corporate segment is responsible for corporate financing and other business development activities for the Company. The Gold segment operates the San Gregorio gold mine and the exploration segment is devoted to the acquisition and exploration of mineral properties. The gold and exploration segments operate solely in Uruguay. Precious metals are refined and sold in Europe through one refinery.

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August 31, 2008

	Gold	Exploration	Corporate	Total
For three months ended August 31, 2009				
Net Sales	12,498	0	0	12,498
Amortization and depletion	(2,470)	(123)	0	(2,593)
Net interest loss	(71)	0	0	(71)
Income tax recovery	8	0	0	8
Net loss	(1,129)	(677)	(352)	(2,158)
Capital Expenditure	2,296	1,680	0	3,976
As at August 31, 2009				
Property, plant and equipment and mineral properties	14,893	891	1,235	17,019
Deferred exploration	0	13,965	0	13,965

	Gold	Exploration	Corporate	Total
For three months ended August 31, 2008				
Net Sales	17,721	0	0	17,721
Amortization and depletion	(2,817)	(183)	0	(3,000)
Net interest loss	(5)	0	0	(5)
Income tax recovery	25	0	0	25
Net loss	(1,579)	(584)	(691)	(2,854)
Capital Expenditure	3,873	3,081	0	6,954
As at 31 May 2009				
Property, plant and equipment and mineral properties	14,696	1,022	1,235	16,953
Deferred exploration	0	12,437	0	12,437

8. Restructure plan

The Company has implemented a cost reduction program which includes a significant reduction in the number of employees. Under the plan, Uruguayan employees are moved into a Uruguayan State Unemployment pension programme. If after six months the employees are not hired back a severance payment under Uruguayan law is owed to the worker. The severance payment could also be paid during the period of six months once the Company considers there is no possibility that an employee will be hired back.

During the period all employees initially sent to the Uruguayan State Unemployment Pension Programme were dismissed and their respective severance paid. Additionally, more employees were sent to the Uruguayan State Unemployment pension programme and the total remaining severance payments expected to be incurred has been estimated to be \$ 152 (May 2009 - \$ 250).

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9. Statements of Cash Flows

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

	Three months ended	
	August 31	August 31
	2009 (\$)	2008 (\$)
Prepaid expenses and other	96	(670)
Accounts receivable	(387)	(224)
Accounts payable and accrued liabilities	1,764	(415)
Inventory	1,406	732
Restructure plan payments	(250)	0
Net change in non-cash working capital balances	<u>2,629</u>	<u>(577)</u>

(b) Other information

	Three months ended	
	August 31	August 31
	2009 (\$)	2008 (\$)
Cash interest paid	2	6
Cash taxes paid	0	0

10. Financial Instruments

The Company's activity exposes it to a variety of financial risks, mainly to commodity price risk and currency risk. The Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company financial performance.

(a) Commodity Price Risk: The Company discretionally uses financial derivatives to mitigate the risk of gold price fluctuations.

During financial year ended May 31, 2009 the Company committed to a forward contract of 45,000 ounces at a forward price of \$ 796.25. During the period, the Company delivered into the forward contract the outstanding 2,576 ounces left to cancel the contract. As at August 31, 2009 forward obligations were fully settled.

(b) Currency risk: The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to its functional currency, the US dollar. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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Cash balances are held principally in US dollars, while its expenses are incurred in Uruguay pesos as well as US dollars and other currencies. The Company reports its results in United States dollars. There would be an adverse impact on the reported results if the following situations arise:

- (i) The Uruguay inflationary impact on the peso expenses increases at more than the depreciation of the Uruguay peso against the United States dollar. This would result in an increase of the peso-based expenses.
- (ii) The United States dollar depreciates against the Uruguay peso. This would reduce the available cash resources and increase the related expense.

A significant portion of the Company's operations are located in Uruguay, and are subject to fluctuations in exchange rates. The Company manages its currency rate risk by denominating its contracts and commitments, where possible, in US dollars

- (c) Fair value: The Company's financial instruments include cash and cash equivalents, receivables, accounts payable, accrued liabilities and debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.
- (d) Interest rate risk: The majority of the Company's debt is non interest bearing
- (e) Credit risk: The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions and/or commercial paper issuers, is mitigated by using well capitalized financial institutions. Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument may fail to perform. The Company currently transacts with highly-rated counterparties for the sale of gold.
- (f) Capital management: The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The strategy remains unchanged from 2007. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.
- (g) Insurance

The Company purchases limited discretionary insurance to cover catastrophic property damage, business interruption and liability risk.

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11. Basic & Diluted earnings (loss) per share

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

	August 31, 2009 (\$)	August 31, 2008 (\$)
Basic earnings per share		
Numerator		
Net loss available to shareholders	(2,158)	(2,854)
Denominator		
Weighted average shares outstanding	48,667,068	48,684,535
Basic loss per share (cents per share)	(0.04)	(0.06)
	August 31, 2009 (\$)	August 31, 2008 (\$)
Diluted earnings per share		
Numerator		
Net earnings (loss) available to shareholders	(2,158)	(2,854)
Denominator		
Weighted average shares outstanding	48,667,068	48,684,535
Potential net incremental issue of shares from stock options	0	0
Shares outstanding plus assumed conversions	48,667,068	48,684,535
Diluted earnings (loss) per share (cents per share)	(0.04)	(0.06)

Basic earnings per common share ("EPS") have been calculated using the weighted-average number of shares outstanding during the period. The calculation of diluted earnings per common share has been computed using the treasury stock method which assumes that options and warrants with an exercise price lower than the average quoted market price were exercised at the beginning of the period, or at time of issue. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per common share as the effect is anti-dilutive. The average quoted market price of the common shares during the quarter ended August 31, 2009 was CDN\$ 0.36 (August 31, 2008 - CDN\$ 1.98).

12. Subsequent events

Uruguay Mineral Exploration Inc.
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On October 5, 2009, the Company has announced that it has entered into a letter of intent with Fortune Valley pursuant to which UME proposes to acquire all of the issued and outstanding common shares of Fortune Valley Resources Inc, a Canadian company listed on Toronto's TSX Venture Exchange. The acquisition would be satisfied through the issue of common shares of the Company at a proposed exchange ratio of 0.456 UME share for every one Fortune Valley share, representing a purchase price of approximately \$C 0.23 per Fortune Valley share valuing Fortune Valley at approximately \$C 8.2 million.

Fortune Valley has optioned the Pantanillo property in the Maricunga Belt in Chile from a subsidiary of Anglo American Plc. The Company has provided interim financing in the form of a convertible debenture of \$C 250,000 to Fortune Valley to allow it to complete the acquisition of the option on the Pantanillo property and the completion of the proposed business combination.