



**Press Release**

January 9, 2008

Symbols: TSXV:UME; AIM:UGY

**Uruguay Mineral Exploration Inc. ("UME") Announces Results for  
the Second Quarter Ended November 30, 2007**

**Highlights**

- Initial near mine deep drilling at San Gregorio and Arenal is positive with gold mineralization intercepted in three holes to date. The two best intercepts are 2.65m @ 3.23 g/t and 3.65m @ 4.19 g/t.
- Significant mineralization has been intercepted during first pass drilling at Nueva Helvecia on the Florida Belt in the south of Uruguay. Eight drill holes have been completed with most reporting anomalous gold mineralization. Two drill holes, NH-07-006 and 007, report intercepts of 1.79 and 2.45 g/t respectively over drill widths of 4 meters.
- Ore grade mineralization close to the surface has been intercepted at Zapucay including 6 meters at 4.25 g/t.
- 3D modelling of the Lascano geophysical anomalies completed during the quarter has helped define the next set of drill targets. Drilling has been deferred due to the lack of an appropriate contract drill rig and is now expected to commence in March 2008.
- **Gold production** of 26,317 ounces for the second quarter and half year production of 44,805 ounces is consistent with UME's full year production target of 95,000 ounces.
- **Net profit after tax** for the second quarter was \$US 4,369,000 or \$US 0.089 basic earnings per share with half year net profit of \$US 5,593,000 or \$US 0.114 basic earnings per share.
- An **interim dividend** of 2.0 Canadian cents per share will be paid in April 2008.

<b>Summary of Results</b>		<b>Q2 2007/08</b>	<b>Q2 2006/07</b>	<b>H1 2007/08</b>	<b>H1 2006/07</b>
<b>Operating Results</b>					
Gold produced	Ounces	26,317	20,059	44,805	39,234
Average cash cost	US\$/oz	374	345	395	340
Average price received	US\$/oz	761	565	719	566
<b>Financial Results</b>					
Revenue	\$US '000s	21,180	12,433	34,433	24,610
Net income for the period	\$US '000s	4,369	1,751	5,593	4,318
Cash flow from operations	\$US '000s	8,482	3,677	12,592	7,180
Basic earnings per share	\$US	0.089	0.036	0.114	0.090
Cash at the end of the period	\$US '000s	14,741	5,802	14,741	5,802
Total debt at the end of the period	\$US '000s	2,320	2,319	2,320	2,319



David Fowler, Chief Executive Officer commented: “We are very pleased with the progress achieved this quarter, both in meeting production objectives and in advancing exploration projects.

“We are particularly excited by the exploration results from our near mine deep drilling program at San Gregorio and Arenal. The results of this program indicate that the structures hosting the San Gregorio and Arenal deposits continue at depth with mineralization at target grades. Outside of the mine district significant mineralization has been encountered at the Nueva Helvecia project in the south Florida Belt. We are continuing to work on these areas as well as the other exploration opportunities that exist and look forward with anticipation to a year of intensive drilling to define new resources.

“Whilst drilling on the Lascano anomaly has been delayed, we have used the time to further define the anomalies, and to refine the drill targets for the next round of drilling, which we hope will help confirm the potential for a large iron ore copper gold or porphyry copper discovery.

“Mine planning continues to evaluate the potential to convert additional resources to reserves through underground mining, other processing alternatives or additional drilling and as a consequence of higher gold prices. Almost a quarter of the resource required to justify an underground operation at Arenal exists in the south east lens outside of the current open pit reserves. Testing for extensions to this south east lens is of high priority, with additional drilling and mine planning work to commence on this resource in the second half of 2008.

“Second quarter production recovered as expected with 26,317 ounces produced and we are on track to meet our 95,000 ounce target for the 2008 fiscal year.”

## **REVIEW FOR THE QUARTER AND HALF ENDED 30 NOVEMBER 2007**

### **Production and Costs**

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Production for the quarter of 26,317 ounces resulted in production of 44,805 ounces for the half year. Plant feed for the quarter at 293,657 tonnes was 10 percent lower than the previous quarter with the majority of the ore sourced from Arenal. Additional Veta A material is expected to be mined over the remainder of the year to blend with Arenal ore to increase throughput. Ore grades improved with an average grade of 3 g/t for the quarter. The increase in grade reflects the expansion of the Arenal pit below the Arroyo Corrales where ore reconciliation has returned to its normal high levels.

To increase flexibility in meeting production targets over the next 18 months, the mine plan was changed during the quarter with mining production accelerated. This required the use of contract mining at higher unit costs but now allows the Arenal pit to be developed in one phase to maximize productivity. As a result of accelerated mining, inventories of 181,000 tonnes of ore at 1.49 g/t were built during the quarter.

A reconciliation of the cash cost per ounce for the current half of \$US 393 per ounce and the forecast at the beginning of the financial year of \$US 345 per ounce is shown below.



**\$US per  
ounce  
produced**

Forecast Cash costs for the six months ended November 2007	345
Difference due to lower production for the half (assuming 95,000 for the full year)	21
Cost changes	18
Change in accounting treatment for deferred stripping	11
<b>Actual Cash costs for the six month ended November 2007</b>	<b>395</b>

The use of additional contractor mining resources and a termination payment for contract maintenance on mobile equipment increased cash operating costs for the quarter to \$US 374 per ounce. Costs were also higher due to an increase in royalties as a result of higher gold prices, higher fuel prices and an appreciation of the Uruguayan Peso against the \$US. While contract mining costs will fall in the second half, the remaining factors are expected to bring operating cost per ounce for the full year to the \$US 360 to \$US 380 per ounce range.

Expected production for the full year continues to be 95,000 ounces with consistent production for each of the two remaining quarters of fiscal 2008.

## Financial Performance

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Our half year net profit after tax of \$US 5.6 million rose 30 percent from the comparative period of the prior financial year due to higher average sales prices and higher production. As UME's sales are unhedged, we receive the full benefit of higher prices, and with minimal debt to repay, our cash position increased by \$US 3.1 million during the quarter to \$US 14.7 million at the end of the quarter.

This cash position was achieved after investing \$US 4.8 million in exploration and \$US 6.1 million in capital expenditure for the half, and paying a dividend of \$US 1.8 million. With continued strong gold prices and lower capital expenditure expected for the second half, UME will pay an interim dividend of \$CAD 2 cents per share on 11 April 2008 to shareholders on the register on 21 March 2008.

On 11 December 2007 the company announced its intention to make a Normal Course Issuer Bid to buy back up to \$C 2,000,000 of its common shares over a 12 month period. The bid will be funded from existing cash resources.

The objective of the buyback is to increase shareholder value by acquiring shares at a price that the Directors believe is significantly lower than the Company's fair value. The purchase of shares represents an attractive opportunity and a sensible use of a portion of available funds for the benefit of all shareholders.

## Exploration and Development

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Our strategy is to build the resources and reserves in order to maintain and then increase gold production over the medium term. To achieve this, we have set a short term objective to develop a minimum of 50,000 ounces of high grade material above 3 g/t so that production can be maintained at current levels to the end of the 2010 financial year. In-house modelling of the first quarter Veta Sur drilling has upgraded the indicated resource to 645,000 tonnes at 2.2 g/t using a 0.5 g/t cut (an increase of approximately 20,000 ounces in indicated resources). High grade shallow results at Zapucay during the quarter are also expected to add to resources. With Castrillon and other near mine targets still to be drilled before the end of the year, we are well on the way to achieving our short term objective.



For the medium term, our objective is to develop 2.5 million ounces of resources to build a longer term reserve profile for San Gregorio and to start an additional operation away from the existing mine.

Near the mine, we are excited by the initial results from our deep drilling program at San Gregorio and Arenal. These significant results at San Gregorio indicate that the structure continues at depth with mineralization at target grades. The first, recently completed down dip hole to the south east of the Arenal deposit has intercepted the structure and mineralization, and indicates that the structure is open and has the potential of hosting a large mineralized zone at depth.

In the Zapucay district, we have made good progress with drilling commencing on three of the six promising gold drill targets. We have confirmed that mineralization continues along the structure corridor between Argentinita and Zapucay at similar grades to the Argentinita deposit. Additional mineralization has been found around the Zapucay deposit with shallow intercepts of good grade. Whilst the initial drilling of a northeast structure at Papagayo has reported disappointing results, trench sampling of a northwest trending structure has provided better results. Drilling is continuing on all the targets with the aim of defining significant resources.

On the Don Feliciano mobile belt, 12 drill holes were completed at Bragado with anomalous copper mineralization identified in most holes. The project will be evaluated in the third quarter to determine if additional exploration effort is justified. The first exploration permit at Presidente Terra was granted in January 2008 and trenching and drilling is expected to start in the near future.

The focus during the second quarter on the Florida belt was Nueva Helvecia and the Crucera/Casupa district. At Nueva Helvecia, eight drill holes have been completed with most reporting anomalous gold mineralization. Two holes have intercepted significant mineralization. An additional six holes are planned to be completed in this first pass campaign during the third quarter. Promising strike extensions to the Crucera structure were identified during the quarter and are expected to be drilled in the fourth quarter.

Whilst drilling on the Lascano anomaly has been delayed, we have used the time to further develop our 3D model of the central geophysical feature. This has helped to further define the anomalies, and has been used to refine the drill targets for the next round of drilling, which we hope will help confirm the potential for a large IOCG or porphyry copper discovery.

Mine planning continues to evaluate the potential to convert additional resources to reserves through underground mining, other processing alternatives or additional drilling and as a consequence of higher gold prices. Almost one quarter of the resource required to justify an underground operation at Arenal exists in the south east lens outside of the current open pit reserves. Testing for extensions to this south east lens is of high priority and is expected to be completed in the second half with mine planning work also anticipated to commence on this resource in the second half of fiscal 2008.

A new resource and reserve position will be published in August 2008 concurrent with the publication of the Annual Report. At that time we also intend to consider the impact on our Reserves of using current higher gold prices to calculate the Reserves previously announced as at June 1, 2007.

### **Isla Cristalina Belt: San Gregorio Near Mine Exploration Program**

The San Gregorio system including Arenal, San Gregorio and Santa Teresa has produced more than 800,000 ounces to date from open pit mining with limited drilling below 200 meters vertical depth. A scoping study completed during the quarter has demonstrated the viability of mining deposits similar to San Gregorio and Arenal at depth. That study determined the size and grade of resource required to ensure economic success, and drilling has been initiated to explore for such resources.



An initial program of 12 diamond holes, designed to test for depth extensions commenced during the quarter with the first four holes completed. Mineralization was intercepted in two holes at San Gregorio and the hole at Arenal.

At San Gregorio, three holes have been completed with significant mineralization encountered in two holes including drill hole intercepts of 2.65 meters at 3.23 g/t from 434 meters and 3.65 meters at 4.19 g/t from 656 meters (using a .5 g/t cut). These significant results indicate that the structure continues at depth with mineralization at target grades. Drilling will continue to explore down dip and along strike in search for zones where the structure may flatten and open up to greater mineralized widths.

The first, recently completed hole on the down dip extension of the Arenal orebody to the south east, has intercepted a structural zone of greater than 90 meters in thickness with variable mineralization throughout. Assay results report mineralization with individual one meter intercepts reporting greater than 2.5 g/t. The intercept indicates that the structure is open and has the potential of hosting a large mineralized zone at depth. This first hole tested the down dip extension of the mineralized body with similar results to the nearest historical drill hole, 100 meters up dip. The second hole will test the interpreted down plunge extension to the higher grade core of the mineralized body, where we believe there is an improved opportunity for consistent mineralization.

We are excited by the initial results of this program and both diamond drill rigs will focus on testing the down plunge extension of the Arenal mineralization in the third quarter. An ongoing program over the next 12 months will also test for orebodies at depth along the 7 km structural corridor between Arenal and Santa Teresa.

Following the completion of first pass drilling during the first quarter at Veta Sur an in-house resource update was estimated. An increase in grade and tonnes was calculated to give a revised indicated resource of 645,000 tonnes at 2.2 g/t (an increase of approximately 20,000 ounces in indicated resources) and an inferred resource of 57,000 tonnes at 1.6 g/t using a 0.5 g/t cutoff. Mine planning work will now commence on this resource.

Additional drilling on the southern extension of Veta Sur some 2 kilometers away will be completed later in the financial year and drill plans have been developed for Castrillon, Polvorin and other targets on existing mining leases to define high grade resources before August 2008.

Scoping studies to analyze the alternatives for increasing throughput at San Gregorio and to test alternative processing options commenced during 2007 to complement exploration activities. The second phase of this program to complete metallurgical testing for gravity, heap leach and establish work indices on different deposits began during the quarter. Gravity test work will be performed by the Knelson Research and Technology Centre in Canada. Testing of work indices and heap leach potential will be performed by Amdel in Australia. Results from this test work will be received over the next four months.

Additional near mine exploration targets have been and continue to be developed and will be tested as work on other targets is completed.

### **Isla Cristalina Belt: Zapucay District Exploration Program**

The Zapucay district is located 20 kilometers to the southeast of the San Gregorio Operation and so far is the second most important district in the Isla Cristalina Belt. To date, gold resources have been defined at two main deposits; Argentinita and Zapucay, and our objective is to develop additional satellite deposits that can be processed through the San Gregorio plant. During calendar 2007 the Company developed six prospects within the Zapucay district to test during the 2008 financial year. These include the structural corridor between Zapucay and Argentinita, areas around the Zapucay deposit, Papagayo, Tito Lopez, Lavadero, and the Laureles prospects. First pass drilling commenced on three of these targets during the quarter with the following results:



- a) Initial drill results have confirmed that mineralization continues along the structural corridor between Argentinita and Zapucay. To date intercepts have been thin and of similar grades to the Argentinita deposit, predominantly less than 2.0 g/t.
- b) Additional mineralization exists around the Zapucay deposit with shallow intercepts of good grade reported including 7 meters at 3.58 g/t and 6 meters of 4.25 g/t from drill hole depths of 9 and 19 meters, respectively. Intercepts are drill hole widths and not true thickness and use a .5 g/t cut. This program is expected to be expanded during the third quarter.
- c) Initial drilling of a northeast structure at Papagayo has reported disappointing results. However, trench sampling of a northwest trending structure has provided better results including 12.7 meters at 3.16 g/t in CPTR021. This and other targets at Papagayo are expected to be tested in the third quarter.

Drilling will continue on all six targets during the third quarter with an aim of defining significant resources. Mine planning work is ongoing as new results are obtained.

### **Isla Cristalina Belt: Regional Exploration Program**

A regional exploration program for the Isla Cristalina Belt commenced a year ago with the objective of testing known prospects in the eastern end of the Isla Cristalina Belt and to develop new prospects from generative work away from the traditional San Gregorio and Zapuchay districts.

As a result of this program, a pipeline of new targets has been developed to test in the 2008 calendar year including Veta Rodrigo, Curtume, Vaca Muerta and Vichadero. Drilling on these projects is expected to commence as access is negotiated and preliminary work completed. Regional work is also generating new, early stage targets that are expected to be developed during calendar 2008.

### **Southern Uruguay Exploration Program**

Over the past year UME's exploration programs in southern Uruguay have been focused on the Don Feliciano and Florida belts. Key projects developed include Presidente Terra, the Crucera/Casupa district, Nueva Helvecia and the Isla Patrulla area. Our objective is to develop resources of at least 500,000 ounces to justify the initial capital investment of a stand alone operation. Drilling commenced at Nueva Helvecia in the Florida Belt and Bragado in the Isla Patrulla area of the Don Feliciano Belt during the quarter. Field work on Presidente Terra and Crucera/Casupa during the quarter continues to improve the quality of the projects and we expect to drill these targets in the second half of fiscal 2008.

At Nueva Helvecia, eight drill holes have been completed with most reporting anomalous gold mineralization. Two holes; NH-07-006 and 007, have intercepted significant mineralization of 1.79 g/t and 2.45 g/t respectively over drill hole widths of 4 meters. An additional six holes are planned to be completed in this first pass campaign during the third quarter.

Twelve drill holes were completed at Bragado with anomalous copper mineralization identified in most holes. The best result included 10m @ 1.034 %. The project will be evaluated in the third quarter to determine if additional exploration effort is justified.

A ground magnetic survey at Crucera in 2007 identified a structure up to 5,000 meters long. Drilling has confirmed that 800 meters of that structure are mineralized. Soil sampling work was completed along this structure during the quarter and has defined anomalous mineralization along strike for 1,000



meters to the northwest and 700 meters to the southeast. As land access negotiations are concluded, drilling is proposed to test this structure and targets in the Casupa district in the fourth quarter.

At Presidente Terra an IP geophysical survey was performed during the quarter to understand the potential for mineralization between anomalous zones in the south, where little outcrop occurs. The survey indicates that sulfide mineralization continues under cover for individual veins for an additional 500 metres to a kilometre. The productive corridor is now defined by surface geochemistry and is 10 km long. Additional IP lines and soil sampling is being performed with trenching expected to commence in January and drilling in February/March as exploration permits are received.

Regional exploration programs continue in the Florida and Don Feliciano belts and are identifying new prospects that are being advanced. These regional programs are expected to be expanded to the Arroyo Grande Belt and other areas during the 2008 calendar year.

### **Exploration Permits and Drilling**

Seven exploration permits were granted during the quarter, allowing exploration drilling and trenching to progress on a number of the aforementioned projects. By the end of the quarter, 15 additional applications for exploration permits had been submitted but had not been granted. UME continues to work with the Uruguayan Mines Department to prioritise projects and obtain permits as rapidly as possible. It is expected that additional staff will be employed by the Mines Department early in 2008 and that this should assist in the timely grant of permits.

During the quarter, Patagonia Drilling was appointed to manage UME's fleet of five exploration drill rigs. Initial results have been positive and the focus over the remainder of the financial year will be to improve safety, and significantly increase the utilization and productivity of the drill fleet.

### **Lascano Project Exploration Program**

During 2007 our understanding of the Lascano project advanced significantly, with mineralization and alteration encountered in initial drilling identifying the potential for a large IOCG or porphyry copper discovery. Following the completion of the initial five hole drill program in the first quarter, exploration work has concentrated on detailed logging of all drill holes, three dimensional interpretation of the geophysical features and selective sampling of drill core for geochemical, petrographic and geophysical properties.

3D modeling of the central geophysical feature down to 7 km depth has helped to further define the anomalies and has been used to refine drill targets for the next round of drilling. This program will consist of four to five drill holes in and around hole two where anomalous copper mineralization was encountered and an additional four to five drill holes in similar geophysical settings within the central anomaly. The objective of the drill program is to discover an IOCG or porphyry system. Drilling is expected to commence in March 2008 pending drill availability.

For more information on UME's exploration activities for the quarter, please refer to the Exploration Report for the Quarter ended 30 November 2007.



## **URUGUAY MINERAL EXPLORATION INC. EXPLORATION REPORT SECOND QUARTER ENDED OF FISCAL 2008**

This report provides details of exploration activities during the quarter ending 30 November 2007.

### **1. Highlights**

#### **Isla Cristalina Belt**

- Near mine drill programs have been designed to test whether mineralization extends at a depth below 200 metres at the San Gregorio and Arenal deposits. Four holes have been completed with holes five and six in progress. Results have been encouraging as they could indicate that the deposit continues at depth at San Gregorio and to the south east of the existing Arenal pit. Mineralization has been encountered in three of the four holes with San Gregorio drill hole intercepts including 2.65m @ 3.23 g/t from 434 meters and 3.65m @ 4.19 g/t from 656 meters. An additional 12 hole program is planned to further test the down dip extensions of Arenal, San Gregoria and Santa Teresa.
- Infill drilling on Veta Sur has been completed and mine planning has commenced. An in-house resource estimate indicates a moderate increase in grade and tonnes. Follow up drilling is planned for March 2008 to chase the anomalies defined by the broad first pass program. Drilling commenced on the San Antonio prospect and intercepted an isolated but high grade intercept. Initial offset drilling failed to define a resource.
- In the Zapuchay district first pass drill programs have been completed along the structure between Zapachay and Argentinita, around Zapuchay and at Papagayo. Best results are the identification of additional shallow high grade mineralization at Zapuchay. Drill programs are planned at Tito Lopez and Lavadero for the coming months. Exploration permits are pending for the Tito Lopez area and should be received by May 2008.
- At Vichadero on the far eastern end of the Isla Cristalina belt a 14 square kilometre soil sampling program has been started in the anomalous basins defined by stream sediment results. The program will be accompanied by a detailed ground geophysical program.

#### **Southern Gold Exploration**

- At Nueva Helvecia on the Florida Belt a drill program has commenced and results are encouraging. Eight drill holes have been completed with most reporting anomalous gold mineralization. Two holes, NH-07-006 and 007, have intercepted significant mineralization of 1.79 and 2.45 g/t respectively over drill hole widths of 4 meters. An additional six holes are planned to be completed in this first pass campaign.
- A first pass drill program has been completed at the Bragado prospect in the Don Feliciano Belt. Results are similar to those described from trench sampling with weak to no gold mineralization. Anomalous copper mineralization has been defined with individual intercepts reporting greater than 6%. A review of the data is underway and a decision on the property will be made within the next quarter.
- The Cruzera/Casupa district located at the eastern end of the Florida Belt continues to develop as more of the individual vein systems are explored mapped and defined. Additional ground geophysics and soil sampling is planned to cover the more prospective areas before a drill campaign scheduled for the fourth quarter. Exploration permits and land access agreements are pending.
- Soil sampling results at the Crucera project have returned anomalous Au results in soil along strike of the main mineralized vein. This soil survey has defined an additional 1 km of mineralization to the NW and 700 mts to the SE along the same structural trend. Rock chip samples of veins in the SE have confirmed anomalous gold mineralization in that sector.



### Lascano

- The Lascano exploration program concentrated on detail logging of all drill holes. Selective sampling was completed on core for geochemical, geophysical and petrographic studies. 3D modeling of the geophysics has produced a model which has been used to refine the drill hole locations for the second program. The drilling program of seven to ten thousand meters has been rescheduled to commence in the fourth quarter of 2008 subject to grant of exploration permits and drill rig availability.

### Permits and Drilling

- A number of exploration tenement applications were granted this quarter. With a concerted effort by UME staff and the Uruguayan Department of Mining, progress is being made. Only two drill ready projects are delayed due to permit grants. The application for exploration permits is a continual process as new projects are advanced from prospecting to drilling and trenching.
- Patagonia Drill has been hired to manage and train the drill crews to increase drill rig productivity while improving safety. A changeover in management occurred in November 2007 with no adverse change to productivity. UME expects increases in drill rig productivity and utilization to occur in the coming quarters.

## 2. Gold Projects - Isla Cristalina Belt

### Minas Del Corrales District (Arenal and San Gregorio)

Exploration during the quarter focused on:

- Targets in the San Gregorio footwall to add incremental resource.
- Depth extension to the San Gregorio and Arenal deposits looking for similar sized ore bodies.
- Vein targets at Veta Sur and San Antonio.

An additional round of 2,848 meters of RC drilling was completed targeting untested areas around the San Gregorio deposit. These targets included parallel structures to the San Gregorio mineralization in the San Gregorio footwall and the potential northwest extension of the San Gregorio deposit. Only weak (<1.0 g/t) mineralization was encountered over short intercept intervals. No additional drilling is planned for these targets.

A continuation of mineralization down dip and along strike is typical of these Precambrian shear hosted gold systems. A drilling program to test the down dip potential of the system commenced in September. Three holes have been completed in San Gregorio and one in Arenal. Results are encouraging with all four holes intercepting the structure. Significant results from two of the holes in San Gregorio are reported below.

Prospect	Hole ID	From	Intercept Au
San Gregorio	SGDD002	434.3 mts	2.65m @ 3.23 g/t
San Gregorio	SGDD003	656.75	3.65m @ 4.19 g/t
		Including	0.45m @ 21.94 g/t

(Drill hole intercepts, not true thickness, are composites using 0.5 g/t cut)

These results are significant in that they indicate that the structure continues at depth with mineralization of good grade. Drilling will continue to explore down dip along strike for zones where the structure flattens and opens up to greater mineralized widths.

The first, recently completed hole testing the area immediately south east of the Arenal pit has intercepted the structure and mineralization. This hole intercepted a structural zone of greater than 90 meters in thickness with variable mineralization throughout. Assay results report mineralization with



individual one meter intercepts reporting >2.5 g/t Au. Significant composite intercepts are reported below.

Prospect	Trench	From	Intercept Au
Arenal	ALDD075	312.65m	7.95m @ 1.11g/t
Arenal	ALDD075	333.50m	5.25m @ 0.95g/t
Arenal	ALDD075	386.10m	3.5m @ 0.83g/t
Arenal	ALDD075	393.45m	2.4m @ 1.92g/t

(Drill hole intercepts, not true thickness, are composites using 0.5 g/t cut)

The intercept indicates that the structure is still open to the south east at depth and has the potential of hosting a large mineralized zone. This first hole tested the down dip extension of the mineralized body with similar results to the nearest historical drill hole, 100 meters up dip. The second hole will test the interpreted down plunge extension to the mineralized body where higher grade mineralization is expected.

A detailed study is planned for 2008 to better define the structural controls to mineralization in these ore bodies and throughout the district as a whole. The study will be led by a consulting geologist with international experience in these types of deposits.

An update to the recently reported resource for Veta Sur was completed in-house by UME personnel. Although not material, an increase in grade and tonnes was calculated to give a revised indicated resource of 645,000 tonnes at 2.2 g/t and an inferred resource of 57,000 tonnes at 1.6 g/t at a cut off grade of 0.5 g/t. Mine planning work will now commence on this resource..

Veta Sur mineralization is known to continue under the San Gregorio waste dumps to the southwest. Exploration drilling has taken place along the extension of the Veta Sur structure 400 meters to the southwest where it emerges from under the waste dumps. Results have identified the structure and weak mineralization. The San Antonio prospect 1.1 kilometers further to the southwest has been drilled and has returned an isolated but strongly mineralized intercept. Significant results from this drill campaign are presented below.

Prospect	Hole ID	From	Intercept Au
San Antonio	CHRC037	24 mts	1 mt @ 156.8 g/t
San Antonio	CHRC037	25 mts	5 mts @ 7.99 g/t

(Drill hole intercepts, not true thickness, are composites using 0.5 g/t cut)

Offset drilling of this intercept has been completed and has not returned significant grades. Drilling has also been completed at Cross Hill. No significant results were reported. No further exploration is planned for the San Antonio or Cross Hill prospects at this time. Exploration drilling will continue along the Veta Sur structure exploring for similar deposits as Veta Sur 1 and 2.

### Zapucay District

Exploration in the Zapuchay district during the quarter focused on:

- Testing the structure between the Argentinita and Zapuchay deposits
- Targets around the Zapuchay deposit to test the potential for additional resource
- Drilling initial targets at Papagayo.

Drill programs were also designed to test the Lavadero, Tito Lopez, and Laureles prospects in the coming quarter. All of these prospects are within six kilometers of one another.



Drill results have shown that the Argentinita mineralization does continue along the same structure to the Zapucay deposit. To date intercepts have been thin and of similar grades to the Argentinita deposit predominantly less than 2.0 g/t.

Prospect	Hole ID	From	Intercept Au
Argentinita	ARGDD020	29.9 m	1.1 m @ 3.10 g/t
Argentinita	ARGDD021	72.4 m	1.0 m @ 1,19 g/t
Argentinita	ARGDD021	75.5 m	2.1 m @ 1,22 g/t
Argentinita	ARGDD023	54.2 m	2.41 m @ 0,79 g/t
Argentinita	ARGDD024	45.0 m	2.6 m @ 2,57 g/t
Argentinita	ARGDD024	51.7 m	1.0 m @ 1,79 g/t
Argentinita	ARGDD026	97.1 m	1.6 m @ 1,19 g/t
Argentinita	ARGRC274	63.0 m	2.0 m @ 0.58 g/t
Argentinita	ARGRC276	104.0 m	1.0 m @ 1,59 g/t
Argentinita	ARGRC277	82.0 m	1.0 m @ 0,42 g/t
Argentinita	ARGRC278	18.0 m	1.0 m @ 3,29 g/t
Argentinita	ARGRC280	57.0 m	1.0 m @ 2,56 g/t

(Drill hole intercepts, not true thickness, are composites using 0.5 g/t cut)

Drilling has confirmed shallow mineralization of good grades in and around the Zapucay mine site. The most significant results are presented below.

Prospect	Hole ID	From	Intercept Au
Zapucay	ZPRC007	6 m	5 m @ 3.06 g/t
Zapucay	ZPRC010	9 m	7 m @ 3.58 g/t
Zapucay	ZPRC010	19 m	6 m @ 4.25 g/t
Zapucay	ZPRC012	15 m	1 m @ 8.16 g/t
Zapucay	ZPRC016	61 m	1 m @ 1.20 g/t
Zapucay	ZPRC017	50 m	3 m @ 1.30 g/t
Zapucay	ZPRC017	54 m	1 m @ 3.58 g/t
Zapucay	ZPRC017	58 m	1 m @ 1.28 g/t
Zapucay	ZPRC017	61 m	1 m @ 5.36 g/t

(Drill hole intercepts, not true thickness, are composites using 0.5 g/t cut)

Additional drilling around the Zapucay deposit will be done to better define the resource.

The Papagayo target is composed of a number of different targets including northeast and northwest trending structures. Exploration drilling commenced during the quarter on the northeast shear structure. Ten RC holes and three diamond drill holes were completed. The structure has been intersected in all drill holes with disappointing analytical results (<1 g/t Au).

Trench sampling on the northwest trending structure during the quarter has returned significant results. The best results from this trench work are presented below.

Prospect	Trench	From	Intercept Au
Cerro Papagayo	CPTR021	6 m	12.7m @ 3.16 g/t
Cerro Papagayo	CPTR022	18 m	11m @ 2.51 g/t
Cerro Papagayo	CPTR022	35 m	3m @ 1.57 g/t
Cerro Papagayo	CPTR024	23 m	5m @ 1.00 g/t



(Trench intercepts, not true thickness, composites using 0.5 g/t cut)

Drilling is planned to test the northwest structure as well as additional anomalies to the north of the main structure. No further drilling is planned along the northeast structure at this time.

Progress was made during the quarter in obtaining exploration permits for the Zapuchay district including exploration permits for Papaguyo, Lavadero and Laurales. Exploration programs have begun with drill programs designed and initiated. Additional permits are expected to be received in the coming quarter for Tito Lopez and Lilo prospects.

### **Western Isla Cristalina Belt**

The 20 km of the Isla Cristalina Belt west of the mine has been a focus of regional exploration efforts over the last half a year. Results to date indicate that the same prospective host rocks as exist in the San Gregorio area, occur in this area. Recently received stream sediment results also indicate that anomalous gold mineralization does occur in this sector. These results will be followed up over the next two quarters.

Exploration permits have been received for Veta Rodrigo and land access permits are in the process of being negotiated. Drilling will commence once access is granted. Access is expected to be granted in the second half of the year.

The Castrillon prospect was reviewed during the quarter. Additional drilling is planned for this target over the next two quarters to further define the resource and test additional exploration targets in the area. A resource estimate will be completed by May 2008.

Harley Hernandez and Nueva Australia are currently being reviewed. It is believed that these two prospects are the structural offset of the western extension of the main San Gregorio structure. Due to this interpretation a deep exploration drill program is being developed to test for stronger mineralization at depth.

### **Eastern Half Isla Cristalina Belt**

Generative exploration work continues in the eastern half of the Isla Cristalina Belt. A soil sampling grid of 14 square kilometers has been placed over the anomalous basins in the Vichadero prospect. Sampling started in late November with results expected by March 2008. A ground magnetic survey will also be completed across this grid to help further define expected drill targets. Drilling of identified targets is expected early in the 2009 financial year.

Mapping and sampling have been completed over the Curtume prospect. No significant anomalies were identified from this work. The project area is under review and limited drilling is planned to test the historic prospect sites before May 2008.

Vaca Muerta prospect has been evaluated and an exploration drill program is being developed. Mapping and sampling of the prospect have been finished and results are pending. Historic sampling and drilling indicate that a mineralized structure trending ESE (100 degrees), carries anomalous mineralization. Drilling is planned for March 2008.

## **3. Gold Projects - Don Feliciano and Florida Belts**

### **Presidente Terra**

Additional surface exploration work was performed during the quarter to better define drill targets. A ground IP geophysical survey consisting of 15 lines of 1.5 km has been completed. Results have helped to better define the mineralized vein/structures as they dive under the pasture land between



outcrops. Additional IP surveys are planned for the project and should be completed in January 2008. A comprehensive soil sampling grid is being planned for the property and should be completed in February/March 2008. Trenching will commence once exploration permits are approved and land owner agreements are completed. This is expected to be in January 2008. The drilling program will be postponed to incorporate results from these final surface exploration programs and is expected to commence in February/ March 2008. The objective is to discover at least one resource of 0.5 to 1.0 million ounces along the 10 km mineralized trend. Significant rock chip sampling results for the quarter are presented below.

Prospect	Sample ID	Au_g/t	Ag_g/t
Presidente Terra	EX10738	21.3	1.5
Presidente Terra	EX10739	0.64	13.6
Presidente Terra	EX10783	5.4	<0.3
Presidente Terra	EX10785	2.85	0.4

### Bragado

The Bragado prospect has been drill tested and results received. Significant copper mineralization was encountered with little to no gold mineralization. Results from the 12 drill hole program are presented below.

Prospect	Hole ID	From	Intercept Cu %
Bragado	BR_07_001	60 m	6m @ .068 %
Bragado	BR_07_002	103 m	26m @ 0.074 %
Bragado	BR_07_002	94 m	9m @ 0.3 %
Bragado	BR_07_003	102 m	19m @ 0.089 %
Bragado	BR_07_003	43 m	4m @ 0.200 %
Bragado	BR_07_003	52 m	7m @ 0.104 %
Bragado	BR_07_004	118 m	5m @ 0.052 %
Bragado	BR_07_004	33 m	28m @ 0.084 %
Bragado	BR_07_004	61 m	25m @ 0.102 %
Bragado	BR_07_004	86 m	10m @ 1.034 %
Bragado	BR_07_005	56 m	2m @ 0.091 %
Bragado	BR_07_005	60 m	3m @ 0.249 %
Bragado	BR_07_007	20 m	16m @ 0.300 %
Bragado	BR_07_007	36 m	16m @ 0.076 %
Bragado	BR_07_007	70 m	4m @ 0.219 %
Bragado	BR_07_008	2 m	3m @ 0.097 %
Bragado	BR_07_008	31 m	3m @ 0.099 %
Bragado	BR_07_009	0 m	100m @ 0.080 %
Bragado	BR_07_009	109 m	4m @ 0.060 %
Bragado	BR_07_009	132 m	3m @ 0.056 %
Bragado	BR_07_010	104 m	14m @ 0.075 %
Bragado	BR_07_010	41 m	2m @ 0.130 %
Bragado	BR_07_011	50 m	3m @ 0.098 %

(Drill hole intercepts, not true thickness)

Mineralization is hosted in veins which cut the folded meta-sediments, meta-volcanic and associated granitic host rock. Most veins are parallel to the fold axis and trend NNE as does the belt.



Mineralization is also found locally concentrated in the nose of the folds. The prospect is predominately copper mineralization with minor gold. Decisions as to the future of the project are pending further review of the drill results.

### Crucera

The Crucera vein deposit is one of a number of vein deposits that are currently being explored and developed in the Crucera/Casupa district of the Florida Belt. The district lies in the eastern end of the Piedra Alta terrain and covers an area of 20 by 5 kilometres.

Resource drilling has been completed and an in-house resource has been estimated. It is clear from this work that mineralization does continue down dip and along strike though the mineralized shear pinches and swells. To date nearly 800 meters of strike length have been drill tested to a depth of 100 meters.

During the second quarter five RC drill holes tested a parallel quartz vein structure to the SSE of the main Crucera structure. No Significant mineralization was encountered.

A soil sampling program was completed 1 km to the NW and 700 meters to the SE along strike of the main mineralized vein. The survey defined extensions to the Crucera Vein in both directions. Rock chip sampling of veins SE along strike of the main Crucera vein contain sulphides and returned assay values of greater than 1 g/t. Drill testing these anomalies is planned for February 2008. Significant rock chip results are presented below.

Prospect	Sample ID	Au_g/t	Ag_g/t
Cruzera East Extension	EX13532	0.53	0.6
Cruzera East Extension	EX13531	1.49	0.6
Cruzera East Extension	EX13530	4.62	10
Cruzera East Extension	EX13518	0.79	0.6
Cruzera East Extension	EX13517	1.64	2.5
Cruzera East Extension	EX13507	0.51	0.2
Cruzera East Extension	EX11169	0.96	1.8

### Casupa

The development of drill targets in the Casupa district has concentrated around the Madre con Hijos vein. Mapping was completed on this vein and has moved outward to define another three vein systems. Soil and geophysical surveys are planned for the vein systems to better define their extent as they disappear below the pasture land. The district continues to return significant analytical results from rock chip sampling of the vein systems. Significant results are presented below.

Prospect	Sample ID	Au_g/t	Ag_g/t
Casupa	EX13621	0.75	0.1
Casupa	EX13618	6.20	2.2
Casupa	EX13617	4.69	1.1
Casupa	EX13572	4.08	3.7
Casupa	EX13560	4.61	1.3
Casupa	EX13559	20.56	1.8
Casupa	EX13554	1.70	2.4



Prospect	Sample ID	Au_g/t	Ag_g/t
Casupa	EX11116	1.41	< 0.3
Casupa	EX13663	0.57	0.9
Casupa	EX13658	0.50	0.1
Casupa	EX13656	0.51	0.7
Casupa	EX13642	8.13	7.3
Casupa	EX13641	0.75	0.6
Casupa	EX13639	4.74	1.8
Casupa	EX13633	3.39	1.9
Casupa	EX13632	2.26	1.7
Casupa	EX13631	5.74	10.4
Casupa	EX13587	1.58	< 0.3
Casupa	EX13584	0.95	< 0.3

Drilling of these vein systems is planned for the second half of the year once all preparatory work is finished and exploration permits are granted.

### **Nueva Helvecia**

UME is earning a 100% interest in the Nueva Helvecia property under an agreement with Delcosur S.A. The property is located in southeastern Uruguay. Exploration activity in the quarter consisted of detailed mapping, sampling and exploration drilling. Drilling has encountered mineralization along a NW trending structure and within altered volcanic dikes. Significant results are reported from a number of different drill holes and are presented below.

Prospect	Trench	From	Intercept Au
Nueva Helvecia	NH_07_002	18 m	1m @ 0.67 g/t
Nueva Helvecia	NH_07_003	68 m	4m @ 0.65 g/t
Nueva Helvecia	NH_07_003	86 m	1m @ 0.88 g/t
Nueva Helvecia	NH_07_003	89 m	1m @ 0.60 g/t
Nueva Helvecia	NH_07_005	93 m	1m @ 0.57 g/t
Nueva Helvecia	NH_07_006	52 m	4m @ 1.79 g/t
Nueva Helvecia	NH_07_006	72 m	1m @ 0.47 g/t
Nueva Helvecia	NH_07_006	106 m	1m @ 0.57 g/t
Nueva Helvecia	NH_07_007	122 m	4m @ 2.45 g/t

Intercepts are significant and indicate that mineralization does exist along the defined trend. Drilling will continue over the next couple of months to help further define the system and build resource. The first pass drill program will test 1 km strike length of the structure. Ongoing mapping in the field will try and define extension to this structure.

## **4. Other Projects**

### **Lascano Geophysical Anomaly**

The Lascano exploration target is composed of three large circular geophysical features which are each approximately 20 kilometers in diameter. The anomalies were defined by airborne geophysical survey flown in 2005 by Bell Geophysical. The geophysical features are composed of both high and



low gravity gradient and magnetic anomalies which form the three separate circular patterns. Drilling to date has explored the central geophysical anomaly.

Exploration work on the Lascano project this quarter has concentrated on detail logging of all drill holes, three-dimensional interpretation of the geophysical features and selectively sampling the core for geochemical, petrographic and geophysical features.

The 3D modeling of the geophysical features has helped to further define the anomalies and has been used to refine drill targets for the next round of drilling. This program will consist of four to five drill holes in and around hole 2 and an additional four to five drill holes in similar geophysical setting within the central anomaly. Mineralization and alteration are suggestive of an IOCG or porphyry copper system. The objective of the drill program is to discover one of these types of systems.

### **Base metal Properties**

Four groups are presently interested in the base metal properties. Two companies have signed the CA and are reviewing the data. One group has recently made a property visit to help make a final decision.

GeoDiscovery, nickel exploration consultants, have worked up a program to advance exploration on the Mal Abrigo/Cerros Negros and Carpentaria nickel properties. Exploration work is scheduled to commence in early March 2008. The program will be guided by Geodiscovery and supported by UME staff. The ultimate goal is to discover significant mineralization so the projects can be developed with a partner. One group has signed the CA for the Nickel properties and is reviewing the data.

### **Diamond Exploration**

Diamond exploration activities have been suspended until exploration permits are granted and land access agreements finalised. A number of additional targets have been identified for drill testing. It is expected that exploration permits will be received in the third quarter of the fiscal year 2008.

## **5. Other Activities**

### **Drilling**

UME exploration presently runs a fleet of five UME owned exploration drill rigs. Productivity and utilization of these machines has been below expectation. Patagonia Drill of Argentina, has been hired to train and manage the drill fleet as of the first week of November. The objective of this commercial arrangement is to increase production and improve safety and performance. November production figures were similar to those for previous months though a complete change in management was implemented. Increases in productivity are expected in the coming months as changes are implemented.

### **Acquisition**

UME is presently evaluating opportunities across South America. The target is to acquire a property that has the potential to produce 500,000 ozs or more and that can be put into production in two to three years.



## 2nd Quarter 2008 Earnings Conference Call

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The management of UME will hold a conference call to discuss the 2<sup>nd</sup> Quarter results at 09:00 Canada time, 14:00 UK time on Wednesday 9<sup>th</sup> January. The conference call can be accessed by dialling +1 416 849 5515 (Canada & U.S.) or +44 (0)20 7138 0843 (UK) and giving passcode 1855349#. All participants will be required to register with the operator.

A simultaneous webcast of the call will be available at [www.uruguayminerals.com](http://www.uruguayminerals.com). You will need to have Windows Media Player installed on your computer and you will also be required to complete a registration page in order to log on to the webcast.

A replay of the call will be available until midnight (UK time) on 16<sup>th</sup> January 2008. The replay is accessible by dialling +1 718 354 1112 (Canada & U.S.) or +44 (0)20 7806 1972 (UK) and entering passcode 1855349#.

### Qualified Person's Statement

The technical information presented in this press release has been reviewed and verified by Mr. John Sadek, Vice President Operations and a Mining Engineer, and Mr. George Schroer Vice President Exploration and a Certified Professional Geologist. Mr. Sadek and Mr. Schroer are the Qualified Persons for the purposes of the AIM Guidance Note on Mining, Oil and Gas Companies dated March 2006. Mr. Sadek has a Bachelor of Engineering (Mining) from the University of Sydney and is a member of the AusIMM and SME. He has over 20 years of international experience in mining. Mr. Schroer has a Masters of Science in Geology from Colorado State University and is a member of SEG and AIPG. He has over 20 years of international experience in exploration.

### Forward Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of UME, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate, such statements are subject to significant risks and uncertainties, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include, without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. UME disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

### ENDS

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.

### About Uruguay Mineral Exploration Inc.

Uruguay Mineral Exploration Inc. (UME) is a gold production and exploration company that identifies and develops mineral opportunities in Uruguay. UME is a fully integrated mining company, possessing the skills necessary to explore and develop its discoveries. UME operates San Gregorio, the only producing gold mine in Uruguay, and is the leading mineral exploration company in Uruguay with an exploration portfolio of gold, diamonds and base metal prospects, including copper, nickel, lead, and zinc.



Uruguay Mineral Exploration Inc. is quoted in Canada (TSXV) and London (AIM) and RBC Capital Markets is its Nominated Adviser and Broker. More information can be found at [www.uruguayminerals.com](http://www.uruguayminerals.com)

For further information, please contact

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**-- Financial Statements Follow --**



**Uruguay Mineral Exploration Inc.**  
**Consolidated Balance Sheets**  
**(Prepared by management)**

(Thousands of United States Dollars, except where indicated)

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



**Uruguay Mineral Exploration Inc.**  
**Consolidated Statements of Income, Comprehensive Income and Retained Earnings**  
**(Prepared by management)**

(Thousands of United States Dollars, except where indicated)

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



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

(Thousands of United States Dollars, except where indicated)

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