September 24, 2009

FORM 43-101F1
TECHNICAL REPORT

PRELIMINARY FEASIBILITY STUDY
FOR THE ARENAL DEEPS
UNDERGROUND MINE

Submitted to: Uruguay Mineral Exploration Inc
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Report Number: 0899 215 4136

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**22 May 2009**  
**Report No. 089 215 4136**

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1.0 SUMMARY

This technical report supports the disclosure made to the Canadian Securities Administrators (CSA) on Tuesday the 4th of August 2009, regarding the Mineral Reserves estimated for the Arenal Deeps deposit at the Minas de Corrales Project held by Uruguay Mineral Exploration Inc. (UME). It complies with the requirements set out under the National Instrument NI 43-101.

The scope of this report is limited to the “Preliminary Feasibility Study” of the Arenal Deeps Underground Mine. Details of other existing Mineral Resources and Mineral Reserves for open pits of the Minas de Corrales Project can be found at UME’s website and in documents lodged with SEDAR.

Golder Associates S.A. (Golder) was engaged by UME to perform a preliminary feasibility study of Arenal Deeps including an estimate of the Mineral Reserves in accordance with NI 43-101. Qualified persons of Golder have been responsible for all technical content of this report, however large amounts of supporting documentation have been provided by qualified persons employed by UME.

The Minas de Corrales Project is situated in the Department of Rivera, approximately 450km north of Uruguay’s capital city, Montevideo, and approximately 70km south of the international border with Brazil. The project is in a zone of temperate climate and is supported by good infrastructure including roads, nearby cities with airstrips, power, water and communications.

UME controls over 500,000ha of tenements in Uruguay, including the Minas de Corrales Project. UME controls approximately 40,000ha of mining and exploration tenements in the Minas de Corrales area, mainly along the strike of the San Gregorio Fault System (SGFS), which is interpreted to be the main regional control on gold mineralization. All tenements are supported by environmental bonds and adequate environmental management systems are in place.

The Arenal Deeps Mineral Resources are entirely in the region of the Minas de Corrales Project. The operational centre of the Minas de Corrales Project is Minera San Gregorio (MSG), comprising a 1.2Mtpa CIP processing plant, adjacent Tailings Storage Facility (TSF) and the San Gregorio open pit mine. Santa Teresa, Arenal, Ombú and the known Vetas are satellite deposits all within 4km of the processing plant. Sobresaliente and Castrillón lie approximately 10km to the north of the MSG facilities, Argentinita and Zapucay are approximately 28km by road to the south-east. Arenal Deeps is the deposit located immediately below the existing Arenal open pit, which is 4km from the processing plant.

The Minas de Corrales Project is located within the Proterozoic greenstone/granite terrain known as the Isla Cristalina. Gold mineralization within the Isla Cristalina is spatially associated with the Rivera Shear, a regional east-west and northwest trending ductile/brittle-ductile shear zone that can be traced for approximately 110km along strike. Most of the known economic gold mineralization is located in the western portion of this belt. The deposits associated with the Minas de Corrales Project are hosted in low to moderate dipping thrust faults which define the San Gregorio Fault System (SGFS). The known deposits occur at distinct flexures and changes of strike along the fault zone from east-west to northwest.

Exploration is predominantly performed by UME personnel with company owned equipment. Consultants and contractors are engaged wherever necessary to provide technical expertise or additional equipment or instruments. Exploration phases encompass geophysical surveys, geochemistry, field mapping, trenching and drilling.

UME processes the majority of all samples in its owned and operated laboratory located at MSG. Samples are also sent to internationally accredited independent laboratories. Independent reviewers believe that UME’s methods and procedures for sampling, sample preparation and analyses are appropriate for use in resource estimation.
Production history of 10 years at the Minas de Corrales Project has proven the viability of existing capacity of the processing plant in treating material from the local deposits. This provides high confidence in the metallurgical response of the Mineral Resources and Mineral Reserves. However, it is noted that additional metallurgical testwork is required to enable the conversion of resources and reserves to higher classifications.

The Minas de Corrales Project is financially viable and has current reserves equivalent to more than 4 years production. Multi-disciplined exploration is continuing aggressively to realize the high potential that UME believes still exists.

The estimated Mineral Resource at Arenal Deeps that was the basis for the prefeasibility study at selected gold grade cut-offs is shown in the table below. The cut-off gold grade of 1.5 g/t is highlighted in the table as the proposed cut-off for reporting.

<table>
<thead>
<tr>
<th>Cut off</th>
<th>Resource</th>
<th>Tonnes</th>
<th>Au</th>
<th>Measured + Indicated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Au g/t</td>
<td>Category</td>
<td>(dry metric)</td>
<td>g/t</td>
</tr>
<tr>
<td>0.5</td>
<td>Measured</td>
<td>991,000</td>
<td>1.32</td>
<td>9,126,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>8,135,000</td>
<td>1.40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>484,000</td>
<td>1.33</td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>Measured</td>
<td>616,000</td>
<td>1.65</td>
<td>5,780,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>5,164,000</td>
<td>1.78</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>254,000</td>
<td>1.84</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Measured</td>
<td>308,000</td>
<td>2.07</td>
<td>3,164,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>2,856,000</td>
<td>2.22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>152,000</td>
<td>2.27</td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Measured</td>
<td>130,000</td>
<td>2.54</td>
<td>1,557,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>1,427,000</td>
<td>2.71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>75,000</td>
<td>2.79</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Measured</td>
<td>49,000</td>
<td>3.09</td>
<td>790,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>741,000</td>
<td>3.16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>40,000</td>
<td>3.27</td>
<td></td>
</tr>
</tbody>
</table>
Economic block envelopes were defined based on a breakeven grade of 1.59 g/t using the Floating Stope method. The orebody was divided into 7 levels of mining separated vertically by a 15 m safety pillar. The mining of these levels was developed considering the sublevel stoping method.

The table below presents the Mineral Reserve figures estimated by Golder for the gold deposit Arenal Deeps of the Minas de Corrales Project. The estimation was done using a gold price of US$740 per ounce and a breakeven cut-off grade of 1.59 g/t Au.

Conversion of the Mineral Resource estimate into a Mineral Reserve was based on appropriate mine design and planning. Only resources contained in both stopes and pillars selected for exploitation were considered. The breakeven cutoff of 1.59 g/t was used combined with an extraction recovery of 90% for stopes and 63% for the pillars.

The combined Proven and Probable Mineral Reserves for Arenal Deeps corresponds to 1,716,462 tonnes with an average grade of 1.94 g/t containing 107,205 ounces of gold.

<table>
<thead>
<tr>
<th>Category(1)</th>
<th>Tonnes</th>
<th>Au (g/t)</th>
<th>Contained Gold (Ounces)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven</td>
<td>140,278</td>
<td>1.86</td>
<td>8,388</td>
</tr>
<tr>
<td>Probable</td>
<td>1,576,184</td>
<td>1.95</td>
<td>98,817</td>
</tr>
<tr>
<td>Total Proven and Probable</td>
<td>1,716,462</td>
<td>1.94</td>
<td>107,205</td>
</tr>
</tbody>
</table>

(1) The Mineral Reserves are classified as Proven and Probable Reserves and are based on CIM Standards.
2.0 INTRODUCTION

This technical report supports the disclosure made to the Canadian Securities Administrators (CSA) on Tuesday the 4th of August 2009, regarding the Mineral Reserves of the Arenal Deeps deposit at the Minas de Corrales Project held by Uruguay Mineral Exploration Inc. (UME). It complies with the requirements set out under the National Instrument NI 43-101.

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Extensive use has been made of documents previously submitted to the CSA. These include the last technical report concerning Mineral Resources and Mineral Reserves prepared by UME dated 1 October 2007, UME’s recent Management Discussion and Analysis reports and UME’s recent Consolidated Interim Financial statements. All references are available from the SEDAR website (www.sedar.com).

The Golder qualified person responsible for this technical report is a full-time employee of Golder and has personally inspected the Minas de Corrales Property on several occasions.

The UME qualified persons contributing to this report are full-time employees of UME whom, as part of their work duties, personally inspect all properties and activities under their responsibility on a routine basis.

3.0 RELIANCE ON OTHER EXPERTS

The qualified persons have relied on the information, opinions and statements of other experts that are not qualified persons. Such reliance encompasses information concerning legal, environmental and political issues. All reasonable endeavours have been made to ensure the accuracy and reasonableness of the information supplied by other experts. No warranty or guarantee, be it express or implied, is made by Golder with respect to the completeness or accuracy of such information provided.

4.0 PROPERTY DESCRIPTION AND LOCATION

4.1 Project Location

The Minas de Corrales Project is situated in the Department of Rivera, approximately 450km north of Uruguay’s capital city, Montevideo, and approximately 70km south of the international border with Brazil (Figure 24-1). It lies at an approximate latitude and longitude of 31º 35.2’ South, 55º 30.4’ West.
UME controls over 500,000ha of tenements in Uruguay, including the Minas de Corrales Project. UME controls approximately 40,000ha of mining and exploration tenements in the Minas de Corrales area, mainly along the strike of the San Gregorio Fault System (SGFS), which is interpreted to be the main regional control on gold mineralization.

The Arenal Deeps deposit lies wholly within a granted Exploitation Licence, CE 69/04, valid until May 2019, with the facility to extend for a further 15 years. Environmental approval for open pit mining operations at Arenal has been granted, but approval for future underground mining will be required. No difficulty is envisaged to obtain such approval.

The boundaries of all tenements are surveyed by registered cadastral surveyors. All operations, activities and facilities are contained wholly within tenements and do not encroach upon tenement boundaries.

UME has purchased the land affected by all current mining operations. This has allowed unrestricted access for exploration and drilling activities.

4.2 Royalties and Agreements

Government royalties are applied to the net mine mouth value of gold produced; that is, sales revenue less operating costs excluding mining. For ease of calculation the Uruguayan ministry responsible for mining estimates a fixed rate to apply for every tonne of ore treated. It has been the practice of the ministry to review this fixed rate for head grade, recovery and gold price no less than once per year; at the time of this report a royalty of 5% to 8% is applied to $35 per tonne treated. Of this royalty, 40% is paid to the state and 60% to the landowner. As some land is owned by UME, the average effective royalty rate is estimated as 3.5%.

During October 2005, UME acquired a 10% net profit interest over key tenements within the Minas de Corrales Project, including the tenement on which Arenal deposit is located. This agreement terminates UME’s obligation to pay the NPI holder 10% of the net profits derived from gold produced from the NPI area as part of the acquisition of the tenements.

4.3 Environmental Liabilities

Uruguay mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration or mining activities. These guarantees are required to be posted by qualified financial institutions. As a result, the Company contracts insurance bonds and bank guarantees from qualified financial institutions. The total guarantees, of which the Minas de Corrales Project is a component, provided as at February 28, 2009 were approximately $2,918,000. These relate to potential site restoration responsibilities associated with operational activities. In addition, as a consequence of the acquisition of the San Gregorio mine, the Company has assumed full responsibility for the rehabilitation of the mining site. This obligation is supported by a rehabilitation guarantee of $1,500,000.

UME has estimated the ultimate asset retirement obligation costs for its operations at their expected respective closure and site restoration dates. The discounted value of these asset retirement obligations as at May 31, 2007 was $2,036,000 and is included in the mine closure and site restoration liability.

The Company’s current site restoration liability in respect of its exploration activities is not material.
4.4 Permitting Status

Exploitation permits are held over all disclosed sources of Reserves; however regularization of the Santa Teresa and San Gregorio open pits is awaited to update the quantity of material planned for excavation. This is an administrative issue within the Ministry of Environment and will be dealt with on a project basis in line with the required production schedule. Regularization has had no impact on past production and poses no foreseeable threat.

Environmental approvals have also been granted for the operating Phase 7 of the current Tailings Storage Facility (TSF).

Submissions for the construction of Phase 8 of the TSF were presented to regulatory bodies in June 2005 and detailed engineering plans in March 2009. It is anticipated that the approval process will be completed during 2009, well before the planned commencement of construction in 2010.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 Project Access

The Minas de Corrales Project is easily accessed by paved road from Montevideo or by commercial air flights from Montevideo to Tacuarembó, some 70km from the project. The project is a few kilometres from the small township of Minas de Corrales on a well maintained gravel road.

5.2 Physiography and Climate

The project area comprises gently rolling grasslands divided by broad river valleys. The regional elevation varies between 100 and 350 metres above sea level. The grasslands are extensively farmed, primarily for beef, but also for timber and various cereal crops.

The regional climatic profile is temperate and no pronounced wet-season exists. Rainfall data from 1996 to 2002 indicate a minimum monthly precipitation of 4mm (July 1997), and a maximum of 441mm (December 1997). The lowest annual rainfall was 1,115mm in 1997, and the highest was 2,553mm in 2002. Average annual rainfall for the period 1931 to 1990 was 1,261mm, and the average annual rainfall for the period 1996 to 2002 was 1,693mm.

The average annual evaporation rate for the period 1930 to 1990 was 1,236mm. The average annual evaporation rate for the period 1999 to 2002 was 1,313mm.

The highest average maximum daily temperature on record is 34°C (January), and the lowest is 18°C (June). The highest average minimum daily temperature on record is 19°C (January, February and March), and the lowest is 6°C (June).

The wind direction is predominantly from the east (58% of the time) and from the east-northeast (30% of the time).

Historically, climatic extremes have resulted in moderate flooding which has impacted the immediate areas adjacent to existing waterways. Such flooding has caused temporary closure of low-lying road sections for several days. These conditions pose no significant risk to mining operations.
As part of the diversion of the stream Arroyo Corrales, two flood protection dykes were constructed. These dykes have been built to protect the Arenal open pit against an estimated 1 in 1,000 year flood event.

5.3 Local Infrastructure and Services
The project area is not remote or isolated, and local infrastructure is relatively good.

The local road system is very good, with paved roads between regional centres and the township of Minas de Corrales.

Power is generated by hydro-electric stations and the national reticulation system is extensive and is relatively reliable. The Minas de Corrales Project is serviced with a 150 kV high tension power line of the national grid.

Cellular telephone connection is available throughout most of the country, including the Minas de Corrales area. Optic fibre connection is also reticulated to the Minas de Corrales Project.

Minas de Corrales is a small town that provides basic services. More sophisticated services can be obtained at Tacuarembó and at Rivera, approximately 70 km and 110 km respectively from Minas de Corrales. Both of these cities have small airports with paved airstrips that service regular commercial flights.

Process water for the existing operations is sourced from a fresh water dam adjacent to the MSG process plant and from recycled tailings water. During extended periods of low rainfall and high evaporation, sufficient quantities of water are available from inoperative open pits. Currently, the Minas de Corrales Project has water in excess of requirements for the foreseeable future.

6.0 HISTORY
The Spanish first mined for copper in the region during the 1770’s. The British operated gold mines in the Minas de Corrales area from about 1910 to 1914, utilising a hydro-electric plant constructed by the French in the 1870’s to support copper mining in the region. The French also built a treatment plant at the same site on the Rio Cuñapiru and constructed an aerial tramway to transport ore to the plant. Total production to 1914 is estimated at approximately 90 koz of gold.

The San Gregorio deposit was held by American Resource Corporation prior to Rea Gold Inc (Rea) acquiring the project. Rea commissioned Minproc to construct the process plant, which was in operation by January 1997, treating ore from the main San Gregorio open pit. Rea experienced operational difficulties at its North American operations and sold the San Gregorio Project to Crystallex International Corporation Inc (Crystallex) in 1998.

UME has been operating in Uruguay since 1996, and has compiled an extensive country wide database utilising information from previous explorers. UME staked approximately 40,000 ha of exploration ground adjacent to the Crystallex mining operation and along the strike of the Rivera Shear.

In 2003, UME acquired the mineral assets of Crystallex in Uruguay, including the San Gregorio open pit mines and the Minproc-built ore treatment plant at Minas de Corrales. Since that time, UME has been undertaking extensive drilling activities and has delineated multiple sources of mill feed from the San Gregorio, Ombú, Zapucay, Arenal, Castrillón and Sobresaliente deposits.

UME is currently mining the San Gregorio East Extension, Santa Teresa and Zapucay open pits as well as sourcing quartz-vein ore (the Vetas) from known deposits in the exploitation tenements. UME has previously mined ore from Arenal, the main San Gregorio open pit and extensions of the mineralization along strike to the east and west. Low grade and medium grade stockpiles also provide an important source of mill feed.
Historical Mineral Resource and Mineral Reserve estimates can be sourced from previous document submissions to the CSA, available on the SEDAR website (www.sedar.com).

The Arenal deposit was discovered by extending previous soil sampling lines south into the central part of the Arenal deposit. The first trench at Arenal gave assay results of 52m at 1.2g/t Au. The first diamond core (DC) drill hole resulted in an intercept of 29m at 2.75g/t Au.

Recent production at the Minas de Corrales Project is shown in Table 6-1.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total excavated (Mt)</strong></td>
<td>5.83</td>
<td>5.53</td>
<td>6.88</td>
<td>10.27</td>
<td>12.37</td>
<td>12.30</td>
<td>12.82</td>
</tr>
<tr>
<td><strong>Ore processed (Mt)</strong></td>
<td>1.14</td>
<td>0.94</td>
<td>1.19</td>
<td>1.27</td>
<td>1.31</td>
<td>1.24</td>
<td>1.36</td>
</tr>
<tr>
<td><strong>Gold grade (g/t)</strong></td>
<td>2.03</td>
<td>1.71</td>
<td>2.06</td>
<td>2.65</td>
<td>2.45</td>
<td>2.45</td>
<td>1.73</td>
</tr>
<tr>
<td><strong>Gold recovery</strong></td>
<td>92.1%</td>
<td>92.9%</td>
<td>95.0%</td>
<td>93.7%</td>
<td>93.1%</td>
<td>92.4%</td>
<td>92.7%</td>
</tr>
<tr>
<td><strong>Gold produced (ounces)</strong></td>
<td>68,357</td>
<td>48,241</td>
<td>75,054</td>
<td>101,304</td>
<td>96,421</td>
<td>90,668</td>
<td>70,147</td>
</tr>
</tbody>
</table>

7.0 GEOLOGICAL SETTING

The Minas de Corrales Project is located within the Proterozoic greenstone/granite terrain known as the Isla Cristalina. Gold mineralization within the Isla Cristalina is spatially associated with the Rivera Shear, a regional east-west and northwest trending ductile/brittle-ductile shear zone that can be traced for approximately 110km along strike. Most of the known economic gold mineralization is located in the western portion of this belt. The deposits associated with the Minas de Corrales Project are hosted in low to moderate dipping thrust faults which define the San Gregorio Fault System (SGFS). The known deposits occur at distinct flexures and changes of strike along the fault zone from east-west to northwest (Figure 24-2).

A number of geochemical and geophysical anomalies and exploration targets occur along the strike length of the SGFS. UME has tenement holdings along the entire strike extent of the Rivera Shear.

The rocks within the Isla Cristalina have been metamorphosed to amphibolite facies within the basement granitoid sequence and greenschist facies in the overlying sediments and younger granitic and mafic intrusive units. The thrust system is characterised by extensive ductile to brittle ductile deformation with well-developed mylonites.

In general the Rivera Shear forms the contact between predominantly younger granitic terrain to the north and an older sequence of basement gneissic rocks which are unconformably overlain by a sequence of mafic and felsic volcanic and sedimentary units intruded by later granitic rocks to the south.

The mineralized structures in the vicinity of the Santa Teresa, Ombú and San Gregorio open pits, dip to the south at between 45° and 60°, and dips approximately 45° to the south at Arenal. These structures are interpreted to be reverse faults and thrusts that predate the Rivera Shear.

The main alteration assemblage associated with gold mineralization within the hosting structures comprises chlorite-(epidote)-carbonate-sericite-silica-pyrite. Potassium feldspar alteration and coarse crystalline quartz and potassium feldspar “pegmatite” has been noted to be associated with mineralization locally in many of the deposits.
8.0 DEPOSIT TYPES

Gold mineralization at Minas de Corrales is exclusively associated with epigenetic mesothermal style mineralization, consistent with the majority of Archaean and Proterozoic greenstone terrains worldwide, including the Birimian rocks of West Africa, the Yilgarn Block in Western Australia, the Lake Victoria region in Tanzania and the Atibiti Belt in Canada. This style of mineralization is generally associated with regionally metamorphosed terrains that have experienced considerable deformation. As such, the deposits have a strong structural control. The most common style of mineralization in this setting is fracture and vein hosted gold mineralization in zones of brittle/ductile deformation.

Brittle fracture regimes can be formed in a number of ways, commonly along jogs within more ductile shear zones, particularly where there is a rheological contrast between two rock types. This is particularly common where ductile shear zones within schistose rocks are in contact with zones of silicification and/or felsic and mafic intrusions, which provide the necessary host for extensive brittle fracture during deformation.

Hydrothermal alteration is usually associated with these deposits, caused by the migration of hydrothermal fluids along favourable pathways such as faults, bedding planes and geological contact zones. Alteration is characterized by silicification, pyritization and potassium metasomatism adjacent to veins within broader zones of carbonate alteration. Felsic to intermediate intrusions alteration can be composed of sericite, albite, calcite, siderite, and pyrite.

Mineralization in the Minas de Corrales and Zapucay/Argentinita districts has similar characteristics as the world class districts described above and is the present exploration model being used to explore the entire Isla Cristalina Belt.

9.0 MINERALIZATION

The Arenal deposit is located along the east-west to northwest trending San Gregorio Fault System (SGFS) which hosts, from west to east, the Santa Teresa deposits, the Ombú deposit, the San Gregorio deposit and the Arenal deposit.

Gold mineralization at the Arenal deposit is similar to the other deposits hosted along the SGFS occurring as infill of brittle fractures by silica-sulphide-gold bearing hydrothermal solutions. Brittle fracturing and brecciation occur within a wide shear zone with well defined fault boundaries. Fracturing and brecciation are sealed with silicification with disseminated sulphide minerals and stock work quartz-sulphide veining. High grade zones form plunging ore shoot geometry which is largely controlled by NW directed thrusting.

The Arenal deposit is hosted within basement amphibolite facies gneissic rocks. Lithologies present are quartz monzonites, monzonites and diorites with the intensity of gneissic textures increasing in the more felsic rocks. At least two main phases of thrusting are apparent within the Arenal deposit; the main fault zone (SGFS) that hosts the main deposits at the Minas Corrales site which is essentially a North directed shear system followed by the syn-mineral NW directed thrusting resulting in the re-activation of the SGFS causing the internal fracturing and ground preparation hosting the bulk of the mineralizing fluids. The shear zone (SGFS) is well restrained by upper and lower fault contacts locally called H1 and F1 to represent the Hangingwall contact (H1) and Footwall contact (F1). The shear zone is typically 50-100m wide and is often mineralized throughout the entire zone. Higher (economic) grades are inferred to be controlled by the later fracturing, and ore shoot geometry has been a focus during the exploration and resource definition phase. Pyrite is the dominant sulphide mineral however minor galena and chalcopyrite have been observed. Gold grades are closely associated to the overall pyrite content however there are at least two phases of pyrite mineralogy; disseminated, medium to coarse grained pyrite associated to the pervasive silicification and fine, dark pyrite hosted within and along selvages of silica stockwork veining. Gold occurrence is fine grained and visible gold is rare.
The mineralization of the Arenal "lode" has drill defined dimensions of approximately 900m along strike at surface and >700m down dip/plunge. The mineralization at and adjacent to Arenal remains open to the East along the main SGFS and down plunge to the SE along the fault/fracture controlled fabric. The Arenal lode is constrained to the West and East by NW oriented offsetting tear faults with >1km of inferred dextral movement. Arenal, as with the other deposits hosted along the SGFS, dips moderately at approximately 40-50 degrees to the south and steepening to greater than -70 degrees at depth. The deepest hole drilled to date (710m) was drilled below the San Gregorio lode and intersected narrow high grades greater than 300m down dip of the nearest mineralized interval. The deepest drill hole to date at Arenal (ALDD082 >450m below surface) intersected mineralization approximately 100m down plunge of the closest hole and shows that the shear is still mineralized with above average gold grades.

10.0 EXPLORATION

10.1 Exploration by Previous Owners

Regional airborne geophysical surveys were flown over the area by Reain in 1996, resulting in aeromagnetic and radiometric data that are now available to UME. The surveys were carried out at a line spacing of 200m, and the data are semi-regional in nature.

A number of soil sampling grids have been established at various locations along the SGFS by previous operators.

Crystallex partially drilled the San Gregorio Eastern Extension mineralization.

10.2 Exploration by Current Owners

UME has undertaken a number of soil sampling programs along the SGFS in an effort to infill and confirm previous soil anomalies and to test other structural and geophysical targets.

UME’s exploration program has matured over the past years. Upon acquiring the Minas de Corrales Project the initial focus was the definition of additional mill feed that could be used to keep the process plant operating until the Arenal deposit was brought on stream. Following the success of that phase, additional resource definition at Arenal continued whilst Phase I of Arenal was in production.

The current exploration program in the project area is comprised of multi-geoscientific disciplines with an increased focus on quality control and quality assurance to improve practices to best industry standards. An increase of in-house exploration expertise is being complemented with external consulting experts. Current exploration programs encompass extensive ground magnetic surveys, airborne geophysics, induced polarization (IP) surveys, Max-Min surveys, geochemical investigation of soils and outcrops, field mapping, structural mapping on regional and local bases, trenching, reverse circulation (RC) drilling and diamond core (DC) drilling.

Airborne geophysics have been performed by Bell Geospace Inc. and ground magnetic surveys by the contractor Argali Geofisico EIRL. Currently IP surveys, ground magnetic surveys and Max-Min surveys are performed by UME personnel. All geophysical programs are coordinated, evaluated and supervised by Ellis Geophysical Consulting Inc.

UME personnel conduct all geochemical investigations, geological mapping and trenching. Structural interpretation from aerial photography has been performed by Michael Baker, Geological Consultant, and structural appraisal on the ground is being conducted by Holcombe Coughlin & Associates as well as Telluris Consulting.
Drilling is predominantly performed with UME-owned drill rigs with a small portion conducted by local contractors Perforaciones San José S.R.L. and Ermal S.A.. UME personnel control and supervise all drilling operations.

10.3 Exploration Data Collection

Drill hole collars for mineral resources are surveyed by the UME mine surveyors with total stations. Handheld GPS instruments, topographic plans and aerial photographs provide adequate location control during more regional exploration. UME performs appropriate downhole surveying in all diamond drill holes.

UME has introduced routine bulk density determinations in accordance with exploration priorities and requirements. Only limited laboratory based determinations have been performed for the disclosed Mineral Reserves due to the wealth of historical production data which indicates good reconciliation with estimates. Bulk density testwork for the Minas de Corrales Project has been performed by Cientec Laboratories Brazil in 1999 and 2004 with 83 and 65 samples being evaluated. The results of these determinations continue to provide an appropriate basis for production purposes.

Independent reviews by RSG Global (August 2005), MDA (November 2006 and September 2007) and Golder (April 2006, September 2007 and January 2009) found UME’s geological and logging of RC chips and of DC to be adequate and that the logs contain sufficient geological and sampling information. Current geological and geotechnical data collection is based on oriented DC. DC orientation is completed with the Reflex ACT system™. Golder has audited the geotechnical logging procedure and data collected making adjustments where required.

The qualified persons authoring this technical report are satisfied that UME’s practices continue to be of a good standard. Many improvements to data acquisition have been implemented in the past 2 years and will be an area of constant evaluation.

Exploration data, including drilling data, were manually entered into Microsoft Access™ worksheets from the hard copy logs, sample lists and tags and other paper formats used in the field. The drilling database contains industry standard information, including rock lithology, alteration and mineralogy, weathering, assay data, core recovery, collar coordinates and down hole survey data. UME currently uses Microsoft Access™ as the preferred database management software with links to Micromine™ software and for resource estimation and mine planning purposes, with appropriate links to Whittle 4D™ open pit optimisation software.

The project has generated a large amount of data during its operational history, including a number of resource estimates and pit optimisations. Historical data has been entered into the current database management systems ensuring that all information is available for operational and exploration purposes. Appropriate Quality Assurance and Quality Control procedures are applied to the database management systems.

11.0 DRILLING

11.1 Drilling by Previous Owners

Drilling by Crystallex has been a combination of RC and DC drilling methods. No information regarding the Crystallex drilling is readily available, however it appears to have been undertaken to expected industry standards. In the case of San Gregorio, good data reconciliation between Crystallex’s drill holes and ore control during production supports the incorporation of its data with that of UME.
11.2 Drilling by Current Owners

Resource drilling by UME is a combination of RC and DC drilling methods. The proportion of each method is determined by the availability of drill rigs, the type of information sought, the specific area of the deposit being drilled and the stage of resource definition of the deposit.

UME owns and operates drill rigs as detailed in Table 11-1

<table>
<thead>
<tr>
<th>Drill Model</th>
<th>Drill Type</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>UDR 650 EXP</td>
<td>RC/DC</td>
<td>1</td>
</tr>
<tr>
<td>Ingersoll-Rand DM45 (converted to RC)</td>
<td>RC</td>
<td>2</td>
</tr>
<tr>
<td>UDR 200 EXP</td>
<td>DC</td>
<td>1</td>
</tr>
<tr>
<td>Buggy Rig</td>
<td>RC</td>
<td>2</td>
</tr>
<tr>
<td>RAB Rig</td>
<td>RC</td>
<td>1</td>
</tr>
</tbody>
</table>

UME has complemented its drilling fleet with RC or DC rigs available from local contractors.

As mineral deposits are delineated, drill holes are designed to cut as close to perpendicularly to the known or estimated mineralized feature being investigated. Normally this is a vein and or structure. Obviously, practicalities of total drill hole depth and workable drill hole angle lead to variations from true perpendicular intersections. This is appropriately managed by industry standard use of cross sections, three dimensional geological software interpretation, evaluation and resource modelling.

Normal practice at the Minas de Corrales Project has been to drill deposits for reserve definition on 25m sections along strike. Nominal drill spacing down dip is 25m at least to a depth of 200m and then at 50m spacing.

Use of RC pre-collars has been put into practice for deeper ore intersections of >150m to cut costs and speed up the resource delineation process. Pre-collars are drilled with RC rigs and later entered and completed with a diamond drill.

Diamond core is orientated with Reflex ACT™ instrument wherever possible. Core is drilled at diameters of NQ and HQ, 47.6 and 63.5 mm respectively, with a preference for HQ due to the larger sample. RC drilling utilises conventional and face sampling hammers with a diameter range of 4.75 to 5.5 inches. Both RC and diamond holes case the overburden with 6 inch steel pipe while drilling and later leave PVC pipe to mark the collar and attempt to leave the hole open until a program has been finalized at which point a cement “block” is placed on the collar to seal and mark the hole. Relevant hole identification data are written on the PVC pipe and later on the cement block.

At the time of this report, the quantity of drilling undertaken at Arenal, including that of Arenal Deeps, is shown in Table 11-2.

<table>
<thead>
<tr>
<th>Hole Type</th>
<th>Metres</th>
<th>Holes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond Drilling</td>
<td>27,117</td>
<td>109</td>
</tr>
<tr>
<td>Reverse Circulation</td>
<td>38,645</td>
<td>393</td>
</tr>
<tr>
<td>RAB Rig Drilling</td>
<td>1,249</td>
<td>124</td>
</tr>
<tr>
<td>Trenching</td>
<td>480</td>
<td>8</td>
</tr>
</tbody>
</table>
12.0 SAMPLING METHOD AND APPROACH

DC sampling approximately averages 1m intervals by not sampling less than 0.5m and not more than 2m as defined by geological features and especially mineralization. Half core is sent for assay following cutting of the core lengthways using a diamond saw perpendicular to the main mineralizing fabric. The DC sampling is considered conventional and appropriate.

RC sampling is undertaken using 1m intervals. The dry sample intervals are weighed in the field and then split using a Gilson™ splitter to a nominal weight of 3-5kg, which is sent to the laboratory for preparation and assay. All wet samples are split using a hydraulic wet splitter and collected in micropore bags. The remaining sample material is left at the drill site in marked bags until the chemical analysis has been completed and the data has past the QAQC validation process.

Independent reviewers have determined that RC sampling methods adopted by UME are appropriate and are being undertaken to accepted industry standards. UME notes that wet RC sampling can be problematic and may result in unreliable assays. Historically, limited twinned RC and DC holes over known wet intersections have demonstrated reasonable agreement.

13.0 SAMPLE PREPARATION, ANALYSES AND SECURITY

13.1 Sample Preparation and Analysis

Sample preparation and analyses are undertaken at an on-site laboratory owned by UME and operated by UME laboratory personnel, using conventional and appropriate methods. In August 2006 an extension to the laboratory was commissioned with new equipment and is treating approximately 450 samples and completing 850 assays per day. The laboratory handles grade control samples and all metallurgical samples, in addition to the exploration and resource drill samples. The exploration samples are run at different times than the production samples and fired in separate ovens. Samples are received and dried in electric ovens prior to crushing in a jaw crusher to P85 10#. The crushed samples are split to approximately 1kg prior to pulverising.

Gold analyses are undertaken by conventional fire assay methods using a 30g charge, which is weighed on an electric balance. The pulp charge is mixed with flux in the fire pot and fired in a gas furnace at 1,000°C for 1 hour, followed by cupellation in an electric cupellation furnace, also set at 1,000°C for 1 hour.

The resulting prill is digested in dilute hydrochloric and nitric acid over a hot plate prior to final analyses for gold and silver using one of two AA 240FS and one Spectra AA-5 Varian atomic absorption spectrography (AAS) machines. A separate room is used for gravimetric analyses as a check on high grade AAS results from operations.

13.2 Quality Control Procedures

UME routinely submits duplicate, blanks and standard reference samples to the laboratory with the drill samples.

RC field duplicates, comprising a second sample split made at the drill rig, are collected at a frequency of 1 in 15 and submitted to the laboratory sequentially with the original sample batch. DC Duplicates, comprising of half core, are taken at a frequency of 1 in 40.
Blank material sourced from a local quarry is submitted at a frequency of 1 in 20 samples. Three internal UME standards are inserted into the sample stream at a frequency of 1 in 40. Also three Rocklab™ standards are used randomly and inserted into the sample stream in place of the internal standards as a further check of laboratory accuracy.

The quality control samples are closely monitored and any batch containing a failed QC sample is re-assayed. The laboratory quality control procedures include duplicate assays of a second 100g pulp split undertaken at a nominal frequency of 1 in 20 (pulp duplicates), and second splits made following primary crushing at a frequency of 1 in 10 (preparation duplicates). A barren quartz sand wash is passed through the ring mills between each sample and all crushing, milling, weighing and splitting equipment are cleaned thoroughly with compressed air. The laboratory also includes a blank and 3 standard reference samples to monitor accuracy on a daily basis, and a single blank is inserted into each batch.

The AAS machine is calibrated daily using gold solution standards. The electric balances are calibrated daily and serviced monthly. The plastic acid dispensers are checked daily and replaced after 6 to 8 months.

Check assays on pulps are routinely performed at the independent external laboratories of Alfred Knight in Lima, Peru and ACME in Santiago, Chile. Additional checks are performed by American Assays in Reno, Nevada. All these laboratories are certified to international standards.

The following is an excerpt of Section 4.3 of Golder’s internal report to UME entitled “Resource Estimation Update for the San Gregorio Deposit, Uruguay” dated August 2007.

*It is considered that the laboratory’s internal quality control procedures are industry standard and appropriate.*

*Golder considers that although precision levels could be improved, for this type of gold deposit the assay data available have acceptable levels of precision for the purpose of resource estimation.*

More recently, it was noted in the Smee and Associates internal report entitled “A Review of Quality Control Methods, Data and Mine Laboratory Audit, San Gregorio Mine and Explorations Area, Uruguay, January 2009”:

*The Arenal project has had a program of analytical and sampling quality control in place for the current resource drilling program that meets or exceeds the requirements of NI 43-101.*

14.0 DATA VERIFICATION

The initial recording of all data is generally in hardcopy on formats prepared for the type of information being collected. The second phase of data recording is the manual transferral from hardcopy to Microsoft Access™. Various validations and checks exist in Access™ that will not allow the entry of erroneous data. The importation of all geochemical results is controlled by queries set up in Access™, eliminating any “copy and paste” errors. An automatic link exists between Access™ and Micromine™, again eliminating any “copy and paste” error.

Different user permissions have been set up in Access™ to reduce the possibility of data errors/deletion/manipulation. To minimize the impact of erroneous data, efforts are made to limit data storage to single source files with limited personnel having access to them. Whenever errors are encountered, they are corrected on the source files. Appropriate automatic computer back-ups are performed of all source files.

Data verification is performed in many ways, including visual checks of the results by geologists, validation checks in Micromine™ and engineers using computer software and hardcopy printouts during geological interpretation, geostatistical evaluation and geological model interpolation.
Due to the extensive nature of the geological databases, the authors have personally verified only subsets of the data. Those subsets have been found to be adequately reliable for use in the estimation of Mineral Resources and Mineral Reserves. UME has reviewed its data management system and is currently automating the system with industry standard procedures incorporating the tenets of QAQC.

15.0 ADJACENT PROPERTIES
Adjacent properties are held by UME and are not considered to be material to this technical report.

16.0 MINERAL PROCESSING AND METALLURGICAL TESTING
Ore from Arenal, San Gregorio, Santa Teresa, Zapucay and the Vetas has been treated through the existing UME process plant. Whilst UME acknowledges that metallurgical testwork for these deposits is relatively limited, their metallurgical response on a production scale is well known and understood. The authors are of the opinion that historical metallurgical performance can be applied to the remaining resources of these deposits and that the risk of material variations is low.

The ore treatment plant is a conventional carbon in pulp (CIP) plant built by Minproc in 1996 and commissioned in January 1997. The plant, with a nominal throughput of 1.1Mtpa, comprises a single stage crushing circuit using a 600mm aperture grizzly and a jaw crusher fed using a Front End Loader (FEL). The nominal crushed ore size is 100% passing 200mm. The crushed ore is conveyed to a surge stockpile with a nominal live capacity of 1,200t. Up to 2,000t of crushed ore are maintained on an adjacent stockpile to cater for extended primary crusher stoppage.

The crushed ore is reclaimed from the main stockpile using ore feeders and fed into a SAG/ball mill circuit using a conveyor. SAG mill scats are crushed in a 2 stage crushing circuit using cone crushers, to prevent build-up of critical size material in the SAG mill. The ball mill runs in closed circuit, utilising cyclones for product size control. The grinding circuit nominal product size is 80% passing 150µm.

The leach circuit comprises 7 tanks, 1 leach and 6 adsorption (contain carbon). Leach residence time is approximately 24 hours at the nominal design treatment rate of 1.1Mtpa. Carbon stripping utilises the ZADRA process.

Principal improvements made to the process plant by UME since acquiring the project include the following:

- Oil filters for the automatic lubrication system of both mills (historically a significant area of downtime).
- Upgrade of the gold room including a new oven, an additional electrowinning cell and the installation of a state-of-the-art security system.
- Structural replacement of various areas (cyclone nest, carbon safety screen, dribble chute of primary crusher and feed and discharge chutes of the ball mill).
- Overhaul of leach tanks including improved design of agitators.
- Replacement of girth gear.
- Replacement of primary crusher.
- Refurbishment of secondary crushing circuit (scats).
- Tailings discharge line upgrade.
- Refurbishment of regeneration kiln and installation of additional kiln.
- Refurbishment of elution circuit.
- Replacement of back up generator.
- Transformer replacement (for mills).

Since purchasing the project in October 2003, UME has been upgrading the plant in terms of equipment and operational procedures, and has increased gold recoveries from approximately 89% in September 2003 to an average of approximately 93%. Throughput has also increased from approximately 2,600tpd to over 3,500tpd. Higher recovery has also been achieved through better utilisation of mill power, better control of lime and cyanide dosing, and better management of activated carbon.

Plant availability has also improved greatly and is approximately 95% on an annual basis.

The recent physical and metallurgical performance of the UME plant is shown for the calendar year 2008 in Table 16-1.

<table>
<thead>
<tr>
<th>Table 16-1: UME Process Plant Performance – Calendar 2008 by Month</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tonnes</strong></td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Throughput (dry t/h)</strong></td>
</tr>
<tr>
<td><strong>Throughput (dry t/day)</strong></td>
</tr>
<tr>
<td><strong>Availability (%)</strong></td>
</tr>
<tr>
<td><strong>Head Grade (g/t)</strong></td>
</tr>
<tr>
<td><strong>Recovery (%)</strong></td>
</tr>
<tr>
<td><strong>Recovered Gold</strong></td>
</tr>
</tbody>
</table>

** April 2008 suffered a 10-day closure of plant due to industrial action.
17.0 MINERAL RESOURCES AND MINERAL RESERVES ESTIMATES

17.1 Mineral Resources


17.1.1 Geological Model Arenal

The geological model of the Arenal Deeps deposit was constructed using the same methodology used previously for the upper parts of the deposit. An iso-grade envelope at 0.1 g/t was constructed. This solid adequately reproduces the continuity observed on the drill holes and constrains the volume of mineralised material in areas with few drill holes. In order to control the spatial grade distributions and avoid smearing of high grades an additional grade shell was created for grades above 0.5 g/t.

Internal low grade zones were also modelled to provide appropriate dilution of internal barren material. This practice is particularly adequate for estimation of gold deposit where the influence of high grades, if not properly contained, tends to result in overestimated block grades. The iso-grade solids are shown in Figure 17-1 where internal dilution solids are also displayed.

The shells were constructed using 25 m spaced E-W vertical sections considering drill holes from a distance +/- 12.5 m. During the modelling process special attention was given to grade continuity and amount of internal dilution accepted. Figure 17-2 shows section E530.700 interpretation, where polygons in light blue correspond to the 0.1 g/t shell, the polygons in magenta correspond to the 0.5 g/t shell and the orange outlines to the internal waste.
The iso-grade solids were used to flag the samples, define the estimation domains and select the samples for calculation of experimental variograms.

![Figure 17-2: E530.700 Section showing interpretation polygons.](image)

17.1.2 Description of the data

The drilling and assaying data for resource estimation is stored in a Micromine® drill hole database. The drill hole database contains 633 drill holes with 25,256 assay records for Au, completing 45,925.85 m.

Assays were composited to their original length using the Straight Compositing option in Vulcan®. No geological attributes are present in the database; hence, no geological majority codes were registered in the compositing process.

17.1.3 Exploratory data analysis

The exploratory data analysis aims to validate the definition of the iso-grade shells as estimation domains. Grade statistics and cumulative probability distributions between the different sample populations were produced for this purpose.

The definition of the two estimation domains and the internal dilution is shown in Table 17-1. It is important to note that only domains 2 and 3 had block grades estimated. Domain 1 was only created to account for internal dilution.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Internal waste</td>
</tr>
<tr>
<td>2</td>
<td>Grade shell for grades above 0.1 g/t</td>
</tr>
<tr>
<td>3</td>
<td>Grade shell for grades above 0.5 g/t</td>
</tr>
</tbody>
</table>
The composite grade statistics are summarized in Table 17-2. The mean gold grades and their standard deviations inside the three iso-grade shells are considerably different, behaving according the criteria used to construct the solids.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>409</td>
<td>0.005</td>
<td>1.650</td>
<td>0.044</td>
<td>0.088</td>
<td>0.008</td>
<td>2.008</td>
</tr>
<tr>
<td>2</td>
<td>3,712</td>
<td>0.004</td>
<td>16.510</td>
<td>0.248</td>
<td>0.438</td>
<td>0.192</td>
<td>1.769</td>
</tr>
<tr>
<td>3</td>
<td>3,586</td>
<td>0.005</td>
<td>72.960</td>
<td>2.096</td>
<td>3.728</td>
<td>13.897</td>
<td>1.779</td>
</tr>
</tbody>
</table>

The cumulative probability distributions of grades show that the domains are statistically consistent. No major breaks in the distributions occur within the domains that could indicate the presence of other controls. In addition, the three distributions appear to be independent, which supports the use of the iso-grade shells as estimation domains.

### 17.1.4 Block modelling and grade estimation

The Arenal block model for resource estimation was generated in Vulcan®. Table 17-3 details the block model definition for the Arenal deposit.

<table>
<thead>
<tr>
<th>Orientation</th>
<th>Bearing</th>
<th>Dip</th>
<th>Plunge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin</td>
<td>90º</td>
<td>0º</td>
<td>0º</td>
</tr>
<tr>
<td>Parent block size</td>
<td>6.25</td>
<td>1.00</td>
<td>1.50</td>
</tr>
<tr>
<td>Number of blocks</td>
<td>163</td>
<td>843</td>
<td>432</td>
</tr>
<tr>
<td>Total number of blocks</td>
<td>59,360,688</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The block model used in the estimation process is a regular model with a block size of 6.25 by 1.0 by 1.5 m. For resource reporting purposes, the complete geological model was re-blocked to the original block size of 6.25 m by 2.0 m by 3.0 m. An advantage of using small block sizes is that the definition at the contacts between grade shells is assessed to a certain extent.

Ordinary kriging was adopted for gold grade estimation of Domain 3, whereas inverse distance squared was used for Domain 2. Two estimation passes were considered, using the identical sample configurations and only varying the search distances. Table 17-4 summarizes the estimation plans for both domains.

Hard boundaries were applied between the two estimation domains, as stated in the contact analysis previously presented in the EDA section.
The minimum and maximum numbers of samples to use in the estimation process were determined based on the number of data available. A maximum of five samples per drill hole combined with a minimum of eight samples ensures that the estimates are based on samples from at least two different drill holes. Preliminary tests determined that octant search was introducing a high level of smoothing in the block estimates. Octant search was not used in the estimation process to prevent high levels of smoothing in the block model.

Search distances were applied based on two premises: the total range of the correlogram model and the geometry of the iso grade shells. In general, the first pass was carried out considering 95% of the total sill of the correlogram model. A second pass search distance was designed doubling the size of the ranges used in the first pass. The geometry of the iso-grade shells and the anisotropies were reproduced to determine the final search ellipsoids. The same search distances were applied for both estimation domains.

Outlier values were defined from cumulative probability plots for each estimation domain where anomalous values were observed in the distribution. They were controlled during the estimation process restricting their radii of influence to 16.0 by 6.5 by 2.0 m. Domain 2 considers a high yield restriction for values above 1.4 g/t, whereas Domain 3 uses a low yield of 0.05 (which is the lowest detection limit) and a high yield of 17 g/t. Capping was applied to composite grades greater than 30 g/t, which implies that all samples above this value will be set to 30 g/t. The capping will influence only 0.5% of the total population of Domain 3.

### 17.1.5 Density

A default density of 2.78 g/cm³ is assigned to the Arenal block model. This value is the same used in the previous model. The information available to check this information corresponds to 65 core samples with density values using dry apparent specific mass method. This set is representative from San Gregorio and Arenal mines.

Correct assignment of dry bulk density for the conversion of cubic metres to tonnes is as important as the estimation of grades when it comes to estimating contained metal. Further studies should be carried out to determine an approach for density estimation or assignment to improve the definition of the contained metal.

### 17.1.6 Block model validation

Golder carried out the validation of the block model to assess the kriging performance and conformance of the model to the input data of the Arenal resource model. A series of comprehensive checks are performed including:

- Comparison between composite and block model statistics;
- Visual validation of estimated grades versus composite grades;
- Swath plots comparing block grades against composite grades;
17.1.7 Resource classification

The available composites and the new estimation plans were used to define a classification scheme. The classification applied does not take into consideration data quality and is solely based on estimation parameters such as samples distance, number of drill holes used in estimation and the variogram, which is embedded in the definition of estimation passes. In addition, the classification is done by estimation domains. This provides a direct link to the confidence on the estimated grade.

The criteria used to define each category were the following:

- **Measured Resource**: blocks estimated in the first pass, with an average sample distance less or equal to 30 m and a minimum of 3 drill holes to estimate the block.

- **Indicated Resource**: blocks estimated in the first pass, with an average distance to the composites greater than 30 m and lesser or equal to 60 m and a minimum of 3 drill holes to estimate the block.

- **Inferred Material**: all blocks which were not under any of the previous categories.

No smoothing was applied to the resource categorization. The categories are relatively well defined and no “salt and pepper” effect can be observed. Figure 17-3 includes an example showing a section with the resulting categories.

The lack of consideration regarding data quality is partly compensated by the fact that the Arenal orebody has been exploited by open pit for the last 5 years. This means that the continuity of the mineralization and grades is well known.
## 17.1.8 Mineral Resource Tabulation

The Mineral Resource estimate for the Arenal Deeps deposit is shown in Table 17-5. The resource is declared at various gold cut-offs. The cut-off gold grade of 1.5 g/t is highlighted in the table as the proposed cut-off for reporting.

The block model was reblocked to a size of 6.25 m by 2 m by 3 m to calculate the mineral resources. Resources were calculated below the designed limit of the current open pit as of March 31st 2009 (topo_abril09_cl.00t). Note that totals have been rounded.

<table>
<thead>
<tr>
<th>Cut off</th>
<th>Resource</th>
<th>Tonnes</th>
<th>Au g/t</th>
<th>Measured + Indicated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Au g/t</td>
<td>Category</td>
<td>(dry metric)</td>
<td>g/t</td>
<td>Tonnes</td>
</tr>
<tr>
<td>0.5</td>
<td>Measured</td>
<td>991,000</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>8,135,000</td>
<td>1.40</td>
<td>9,126,000</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>484,000</td>
<td>1.33</td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>Measured</td>
<td>616,000</td>
<td>1.65</td>
<td>5,780,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>5,164,000</td>
<td>1.78</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>254,000</td>
<td>1.84</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Measured</td>
<td>308,000</td>
<td>2.07</td>
<td>3,164,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>2,856,000</td>
<td>2.22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>152,000</td>
<td>2.27</td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Measured</td>
<td>130,000</td>
<td>2.54</td>
<td>1,557,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>1,427,000</td>
<td>2.71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>75,000</td>
<td>2.79</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Measured</td>
<td>49,000</td>
<td>3.09</td>
<td>790,000</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>741,000</td>
<td>3.16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>40,000</td>
<td>3.27</td>
<td></td>
</tr>
</tbody>
</table>
17.2 Mineral Reserves

17.2.1 Location and Topography

The Arenal orebody, owned by Loryser, is located in the Department of Rivera in the northeast of Uruguay, 450 kilometers north of Montevideo, 75 kilometers from Tacuarembó, 70 kilometers from the border with Brazil (Figure 17-4).
In general, the project area is flat with site elevations that vary between 140 and 200 masl with soft undulations in nearby mountains which regularly present flat peaks.

The base topography used in this study was provided by Loryser and corresponds to the final pit limit as at April 30th 2009 (Figure 17-5). The figure shows the pit currently in operation and the waste dump areas. It also shows that the pit’s largest extension is in east-west direction. The study area is below the south wall towards the waste dumps.

17.2.2 Mineral Reserve Estimation Methodology

The development of a Mineral Reserve starts with the Mineral Resource model and consists on the application of a series of technical and economical restrictions related to the future mining operation. The first step in this process is the selection of areas that can be economically mined. Next, a detailed mine development plan is developed.

The Mineral Reserve was developed based on the new resource models estimated by Golderqqq. A basic conceptual design of stopes, accesses and ramps was built using Datamine software.

What follows is a description of the parameters used to develop the mineral reserves for the Arenal Deeps deposit.
17.2.3 Economic and Metallurgical Parameters

The mining costs, processing costs and estimated recoveries used for the analysis were based on the values estimated by Golder and agreed upon with UME’s engineers. These costs include fuel, tires, explosives and salaries. The plant recovery was provided by UME. The long term gold price was defined as US$740 per ounce.

These figures were considered acceptable for the purpose of mineral reserve estimation. Table 17-6 describes the project cost components adopted as well as the gold price and metallurgical recovery. These economic and metallurgical parameters result in a breakeven cut-off grade of 1.59 g/t.

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining Cost Stope</td>
<td>US$/t</td>
<td>20</td>
</tr>
<tr>
<td>Mining Cost Pillar</td>
<td>US$/t</td>
<td>15</td>
</tr>
<tr>
<td>Processing Cost</td>
<td>US$/t</td>
<td>14.64</td>
</tr>
<tr>
<td>Process Recovery</td>
<td>%</td>
<td>93</td>
</tr>
<tr>
<td>Gold Price</td>
<td>US$/oz</td>
<td>740</td>
</tr>
<tr>
<td>Breakeven Cut-off Grade</td>
<td>g/t</td>
<td>1.59</td>
</tr>
</tbody>
</table>

The breakeven cutoff grade value was estimated by using the economic and metallurgical parameters to better define a first approximation of the economically mineable reserves. The breakeven grade is defined as the economical limit by which the value of the recovered metal covers the costs of mining, processing and G&A.

The marginal cutoff grade is the grade over which only the processing costs are covered. When, as required by the mining method, this material must be exploited and extracted, it will constitute a Low Grade Stock which will be processed at the project completion. When the mining process is completed it is accomplished that Cm=0 or at least equal to the re-handling cost. These marginal ore blocks along with the blocks that are over the design cutoff grade, will define the potential volumes or envelopes to be exploited.

For the calculation of reserves any internal blocks with grade between 1.59 g/t and a marginal cut-off grade of 0.67 g/t were considered as internal dilution.

17.2.4 Geotechnical Information

The geotechnical information supporting the underground mine design is available in the technical document “Appendix A” from “Prefeasibility Study for the Arenal Deeps Underground Mine” which includes Golder’s 2009 recommendations. Golder considers this information suitable for the development of mineral reserves.

Table 17-7 shows the estimated MRMR values for each of the geomechanical domains of the rock mass. These values are directly applied in the dimensioning of the stopes.

For the purpose of this study the Sub-level Stoping method with transverse stopes crossing the orebody has been selected as the mining method for Arenal Deeps area. Considering the configuration and geometry of the orebody as well as the operational type criteria, it was concluded to be the most appropriate mining method.

The maximum width of the stope should range between 20 to 30 meters, with a hydraulic radius between 8 to 16 meters; however, in order to reduce dilution and provide a safe working environment the average stope dimensions were conservatively defined as the following:
- Stope height: 20 m;
- North-South Length (transverse span): 30 m;
- East-West Length (strike length): 15 m.

Table 17-7: Geomechanical domains MRMR.

<table>
<thead>
<tr>
<th>Zone</th>
<th>RMR in situ</th>
<th>MRMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hangingwall</td>
<td>51</td>
<td>46</td>
</tr>
<tr>
<td>Footwall</td>
<td>53</td>
<td>48</td>
</tr>
<tr>
<td>Ore Zone</td>
<td>51</td>
<td>46</td>
</tr>
</tbody>
</table>

17.2.5 Mining Recovery Factors
The conversion of the mineral resource into a mineral reserve is based on a series of technical and economic aspects. An important factor is the recovery achieved by the mining method considered. This factor accounts for pillars, losses by structural problems and geotechnical aspects.

The definition of the mining sequence considered a development strategy based upon a series of assumptions and operational aspect such as:

Mining recovery
- Associated to the stopes: 90%;
- Associated to the pillar extraction: 90%.
- Consequently, this defines a 70% of total recovery for this method.

17.2.6 Dilution
For the life of mine planning two dilutions were considered as operational criteria. The internal dilution considers blocks that are within a stope but under the cutoff grade. An external mining dilution of 7% was considered as an adequate value for this type of mine. This factor is considered acceptable for the definition of Mineral Reserves.

17.2.7 Mine Design Parameters
The conversion of Mineral Resources into Mineral Reserves involves the consideration of a series of technical and economic factors affecting ore extraction and metal recovery.

The economic block envelopes were defined based on a breakeven grade of 1.59 g/t using the Floating Stope method. The orebody was divided into 7 levels of mining separated vertically by a 15 m safety pillar.

The mining of these levels was developed by the Sublevel Stoping method for both the stopes and the pillars, with galleries separated 15 m in the vertical direction and 5 m high galleries.
A key design concept adopted was the independence of mine accesses and some key mine design parameters and criteria were according to Golder’s experience.

**Assumptions on design parameters, mining development and production**

- Base Objective: estimate of maximum production rate;
- Maximum ramp gradient: 15%;
- Main accesses: 5.0 x 5.0 m;
- Production galleries and secondary accesses: 5.0 x 5.0 m;
- Jumbo performance equal to 180 m/month in one heading;
- Jumbo performance of 260 meters per month when more than 1 heading is available (90 m in ramps and 170 m in horizontal galleries);
- 2 Jumbos in mine preparation until completing preparation of Level 3, after that activities continue with one jumbo only;
- Preparation of 2 stopes simultaneously;
- Maximum production of 10,000 tpm per stope and/or rib pillar, and of 20,000 tpm per sill pillar;
- For the purpose of mine design and planning Measured, Indicated and Inferred resources were considered;
- In general, the rib pillar extraction runs from East to West.

### 17.2.8 Arenal Deeps Underground Mine

The conceptual design of the stopes and infrastructure for Arenal Deeps can be seen in Figure 17-6 and Figure 17-7. The design strategy considers the division of the mine in 7 sectors. The main access ramp was designed at the footwall area, starting at the elevation -10 masl from the final pit.

- Section: 5 x 5 m;
- Slope: maximum 15%;
- First level of UG development at -40 masl.

The ramp design was defined considering that the ore will be transported by truck from the ore zones to the access levels. For this, an access through levels every 20 m was considered. The body was divided in 7 production levels each of 20 m in height, separated by 15 m sill pillars (Figure 17-6).
Figure 17-6: General view, sublevel stopping Arenal Project.

Figure 17-7: Mine configuration.
17.2.9 Mineral Reserves Tabulation

Table 17-8 presents the Mineral Reserve figures estimated by Golder for the Arenal Deeps Underground Mine. The estimation was done using a gold price of US$740 per ounce and a breakeven cut-off grade of 1.59 g/t Au.

Conversion of the Mineral Resource estimate into a Mineral Reserve was based on appropriate mine design and planning. The mineral reserves defined by this study are presented in Table 17-8. Only resources contained in both stopes and pillars selected for exploitation were considered. The breakeven cutoff of 1.59 g/t was used combined with an extraction recovery of 90% for stopes and 63% for the pillars.

The Proven and Probable Mineral Reserves for Arenal Deeps are 1,716,462 tonnes with an average grade of 1.94 g/t containing 107,205 ounces of gold.

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnes</th>
<th>Au (g/t)</th>
<th>Contained Gold (Ounces)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven</td>
<td>140,278</td>
<td>1.86</td>
<td>8,388</td>
</tr>
<tr>
<td>Probable</td>
<td>1,576,184</td>
<td>1.95</td>
<td>98,817</td>
</tr>
<tr>
<td>Total Proven and Probable</td>
<td>1,716,462</td>
<td>1.94</td>
<td>107,205</td>
</tr>
</tbody>
</table>

(1) The Mineral Reserves are classified as Proven and Probable Reserves and are based on CIM Standards.

18.0 OTHER RELEVANT DATA AND INFORMATION

Background reference is made in this section concerning general information about Uruguay. It is not provided as a definitive source of data and should not be used by the reader as such. Some opinions expressed herein are subjective and the reader should consult other sources of data. It should also be noted that this section provides a simplistic summary of certain aspects of governance in Uruguay at the time of writing and subject to change.

The population of Uruguay is approximately 3 million, half of whom live in Montevideo.

Uruguay rebelled against Spanish rule in 1808 and became part of a federation of states that included southern Brazil and northern Argentina. After a number of wars between the neighbouring countries, the British mediated an agreement that saw the creation of Uruguay as a separate state.

Uruguay suffered severe economic conditions as a result of the financial crises in Argentina and Brazil at the end of 2001, but appears to be recovering well. The impact of the recent global crisis is yet to be fully understood. There is no restriction on capital inflow or outflow and no restriction on foreign equity holdings. Corporate tax rate is 30%.

There are 3 types of mining title available under the current Uruguay legislation. A Prospecting Licence has a term of 2 years with an option for a 12 month extension following a 50% relinquishment. An Exploration Licence also has a term of 2 years with an option for a 12 month extension following a 50% relinquishment. Trial mining may be permitted under an Exploration Licence. An Exploitation Licence has a term of 15 years with an option to renew for a further 15 years.
19.0 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION

19.1 Current and Proposed Mining Operations

19.1.1 Introduction

UME has been mining ore from a number of sources via open pit excavation. Gold production peaked in 2005/06 and has reduced in line with the reducing grade of existing reserves. The yearly forecast for 2009/10 is 60koz.

Contract mining utilizing relatively small excavators and road trucks of approximately 18t capacity are engaged in mining vein deposits. Veta Sur is currently under exploitation. Contractors are also engaged in the excavation of Zapucay and Santa Teresa.

The current UME reserves are sufficient for a project life of over 4 years with the existing process plant. Given the project’s experience with converting Inferred Resource of the Vetas to feedstock, the on-going exploration programs and according to the criteria and the extraction sequence used in the prefeasibility study for the Arenal Deeps underground mine, a total mine life of approximately 7 years is obtained. Arenal Deeps reaches its maximum production in the third year with 420,000tpa and with the stopes and pillar east-west mining.

Currently, the San Gregorio, Zapucay and Santa Teresa deposits provide the majority of the ore fed to the process plant.

The following sections refer to the existing open pit mining methods and plans. The conversion of the Arenal Deeps Mineral Resources to underground Reserves was developed based on the current remaining resources below the final Arenal open pit. No additional requirement for the existing processing facilities was investigated and the metallurgical response was assumed to be identical to that of the Arenal orebody processed from the exhausted open pit.

19.1.2 Mining Method and Equipment

Mining is by conventional drill and blast, load and haul open pit methods using 6m benches excavated in two 3m flitches. At lower levels, with tight working conditions, three flitches are sometimes required to better manage the swell from blasting.

The mobile mining fleet of Komatsu haul trucks, excavators and auxiliary equipment was purchased new and commissioned during September 2004 to March 2005. Two new Tamrock Pantera 1500 blasthole rigs were also purchased at the end of 2004 and another in July 2007. The commissioning of a second identical excavator (December 2008) and two haul trucks (December 2007), all used units, provide the project with sufficient capacity for its foreseeable bulk mining production. The mobile mining fleet is serviced and maintained to industry standards and is in good condition.

For the Arenal Deeps underground mine, due to the characteristics of the orebody related to inclination and rock strength and considering it is a low grade deposit, Sublevel Stopping (SLS) seems to be the most appropriate method.

The main equipment considered for Arenal Deeps are the horizontal drilling machines (Jumbos), the vertical drilling machines (Simbas), the loading equipment (Front end loaders were selected with a bucket capacity of 3.7m³) and the transport equipment (conventional mining trucks) with a maximum capacity of 29 tonnes.
19.1.3 Grade Control and Reconciliation

Grade control sampling is performed by collecting two 3m fitch samples from each blasthole drilled by the Tamrock rigs, assisted by visual control. This method has proven to be effective, however, as part of UME's continuous improvement efforts, investigations are underway concerning the use of RC sampling of multiple benches ahead of production.

Blasthole samples are collected at the drill hole collar using a plastic tube. Samples are collected from every blasthole having an approximate burden and spacing of 4m and 5m. The blastholes are surveyed by the mine survey team and all blasthole information (hole positions, hole numbers, assay results and geological information) is plotted on AutoCAD™, thus allowing ore blocks to be manually drawn onto the plans using geology and a 0.5g/t Au lower cutoff grade. The grades for each polygon are currently being determined by an ID2 model using bench blasthole assays in Micromine™. UME is currently assessing geostatistical modelling using all data, but is only at the first stages of this evaluation. The final ore blocks are marked up in the pit by the survey team.

Reconciliation is being tracked on a monthly basis comparing the geological model, ore control and the process plant. Cumulative reconciliation is stable and supports the mining factors applied to resources, however reconciliations on a monthly basis show variation of up to ±20%. This obviously indicates a timing issue between the reconciliation procedures and the actual results obtained. Whilst this does not represent a material issue to UME, the tenets of continuous improvement will be applied to optimize operational practices.

19.1.4 Mine Production Schedules

For detail regarding UME’s open pit production schedules, the reader is referred to documents published on UME’s website and documents lodged with SEDAR.

According to the planning criteria and the information available for the Arenal Deeps underground mine a production scenario was defined that included the extraction of the ore in a descending direction, i.e., from level 1 to level 7. On each level the extraction of the stopes will be executed in an east-west direction and with a maximum of 3 producing stopes per level.

The extraction of pillars will start after the completion of the first two levels to ensure safe operations. Mining will commence with the sill pillar, continued later with an east-west rib pillar extraction and with a maximum of 3 producing rib pillars per level.

According to the criteria and the extraction sequence used, a mine life of around 7 years is obtained, reaching the maximum production in the third year and with the stopes and pillar east-west mining, see Table 19-1:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnage (t)</td>
<td>1,906,482</td>
<td>63,372</td>
<td>266,637</td>
<td>420,000</td>
<td>420,000</td>
<td>390,000</td>
<td>265,605</td>
<td>78,868</td>
</tr>
<tr>
<td>Au grade (g/t)</td>
<td>1.89</td>
<td>1.21</td>
<td>1.63</td>
<td>1.83</td>
<td>2.04</td>
<td>2.05</td>
<td>2.01</td>
<td>1.73</td>
</tr>
<tr>
<td>Fine (oz)</td>
<td>116,024</td>
<td>2,461</td>
<td>14,072</td>
<td>24,749</td>
<td>27,503</td>
<td>25,696</td>
<td>17,158</td>
<td>4,385</td>
</tr>
</tbody>
</table>
19.2 Hydrology and Hydrogeology

Detailed hydrological and hydrogeological studies were completed with regard to the open pit at Arenal, which included the development of a number of dedicated drill holes for pumping testwork and flow rate determinations. The studies indicated that there was no significant production issue of elevated water inflows and this was proven as the open pit was developed.

A similar absence of water inflow is experienced in all open pits mined in the Minas de Corrales Project.

Whilst inflows into the open pits are low, in-situ water persists and the use of water-resistant explosives is mandatory and budgeted in all forecasts.

The results of the hydrogeological evaluation carried out as part of the prefeasibility study for Arenal Deeps are included in Appendix B, Prefeasibility Study.

It is worth mentioning that the information available and used in this evaluation, mainly involves the information generated in phases prior to the mining of the pit and that there are no new hydrogeological records to the depths associated to the planned underground mine.

The development of the underground operations below the Arenal pit must consider the extraction of groundwater to depressurize the fractured hydrogeological system.

The inflow to the underground operations is estimated to reach an approximate value of 5 l/s. This flow would be mainly composed by the faults’ eventual contribution (in the order of 4 l/s) caused by being intercepted by the excavations at deepest levels and, at a lower rate, by the drainage of the mineralized zone (in the order of 1 l/s).

The proposed drainage strategy mainly comprises a collector system composed by transport channels and storage ponds (tanks) and a pumping system with 7 permanent stations, one per each level.

In general, the design of the drainage system involves the collection of water from different areas within the mining design (access ramp, access galleries and headings) and then upward transferring between sublevels through the pumping system, which will be mainly implemented through the ventilation shaft.

This evaluation also considers that dewatering activities from the bottom of the pit shall continue during the entire life of the mine.

19.3 Tailings Storage Operations

Phase 7 of the TSF was completed and commissioned in June 2008 and provides sufficient operating capacity until April 2010. Submissions have been lodged with regulatory authorities for the expansion stage Phase 8, representing a vertical lift of 2.5m over the existing TSF footprint. UME envisages no difficulty with the approval of this phase in the next few months.

TSF capacity up to Phase 8 is sufficient for the current reserves of the project. Additional reserves would require a new TSF, which is notionally planned for construction adjacent to the current facility. Detailed engineering for TSF expansions will be conducted in the coming years as UME’s reserve position matures.

The TSF is lined with HDPE, and all subsequent lifts will be similarly lined. Geoambiente has been undertaking site and groundwater investigations at the proposed new TSF site, as well as materials availability investigations for impoundment and embankment construction.

Tailings pass through a cyanide destruction plant prior to discharge into the TSF. This plant requires refurbishment, and this work is planned.
The TSF is being operated to high environmental standards, and downstream monitoring is effective. Rice is farmed downstream from the TSF without any apparent contamination problems.

There is a cyanide destruction plant located at the base of the downstream TSF wall. The objective of this plant is to treat excess TSF decant water in the event that insufficient storage/freeboard capacity is available in the TSF to accept the permitted rainfall event. Water management of the TSF is now controlled by internal dykes which divide the TSF into smaller modules and minimise the quantity of water. The destruct facility has never been required during the ownership of the project by UME.

19.4 Infrastructure and Services

19.4.1 Introduction

Infrastructure and services are considered good, and no material issues are expected in this regard.

19.4.2 Power Supply

Power is supplied from the national grid, and some 3,400,000kW of power are purchased from the grid each month to supply an overall power consumption on the project of 4,800kW per operating hour. A backup power plant is available, however this is only sufficient to run the leach plant.

Power generation in Uruguay is predominantly via large hydroelectrical schemes on major rivers and artificial lakes. As such, the risk of power shortages increases with long periods of abnormal dry weather. During the ownership of the project by UME, no interruption of power supply has been suffered. Power provision remains an important issue for Uruguay’s industrial development and is being addressed with long term strategies by the government.

UME had investigated the feasibility of participating in the construction of a power take-off facility of a proposed timber mill in Rivera. That feasibility study did not support UME’s participation and was not progressed.

19.4.3 Water Supply

Water is supplied from a raw water dam upstream from the TSF. The dam captures the local catchment and has provided sufficient capacity to date. Process water is recycled from the TSF and at times relatively fresh water is sourced from inoperative open pits which catch rainwater and groundwater.

19.4.4 Buildings

Apart from the administration offices other buildings comprise the generally expected warehouse, workshops, laboratory etc. UME has made a number of improvements in this area, including the construction of new workshops for the Komatsu fleet and significant upgrading of other facilities.

19.4.5 Communication

Communication is by mobile telephone and by radio telephone. The project is also linked to the national optic fibre communications network.

19.4.6 Roads

A causeway was commissioned in December 2005 across the Arroyo Corrales in order for ore to be hauled directly to the ore treatment plant at San Gregorio. A bridge is not practical due to the extent of flooding of the river on occasion. It is estimated that flooding will prevent the causeway being used for an average of 20 days per year. During 2007 and 2008 flooding has caused closure of this causeway approximately 15 times for
between 1 and 7 day durations. Whilst such flooding prevents the delivery of Arenal ore to the ROM Pad, ore stockpiles on the ROM Pad prevent cessation of the process plant.

All other haul roads are well maintained and no access problems are envisaged.

19.5 Environmental and Social Impacts

19.5.1 Environmental Impacts

Waste rock used for construction of the TSF, roads and the proposed flood diversion bund at Arenal does not contain significant amounts of sulphides and is not acid producing. Consequently, the issue of acid rock drainage (ARD) from these structures and from the waste dumps themselves is not considered significant.

Other environmental impacts are similar to those normally expected from similar operations. Maintaining low cyanide concentrations in the TSF and a zero discharge policy are the main environmental challenges. The project has never suffered a significant unplanned discharge.

19.5.2 Environmental Management and Monitoring

Routine periodic environmental monitoring at the site appears to be undertaken to high international standards. A monitoring pond and a number of monitoring bores are located downstream of the TSF.

Routine environmental monitoring includes the following:

- Animal mortality, precipitation, temperature, evaporation and solution levels at all ponds and wells.
- Cyanide concentration and pH at process plant discharge, TSF and other water impoundments.
- Water quality of all water courses leaving the operations area.
- Annual flora and fauna monitoring and reporting.

19.5.3 Environmental Guarantees

Uruguay mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration or mining activities. These guarantees are required to be posted by non-title holders. As a result, certain of the Company’s employees, officers and directors have provided personal assets as guarantees. The Company intends to compensate these individuals in the event that the guarantee is called. The Company has also agreed to pay a guarantee fee to the individuals at rates advantageous to the Company. This fee is based on the amount of the guarantee and is negotiated on a case-by-case basis. The total guarantees, of which the Minas de Corrales Project is a component, provided as at 28 February 2009 were approximately $2,918,000. These relate to potential site restoration responsibilities associated with exploration activities. In addition, as a consequence of the acquisition of the San Gregorio mine, the Company has assumed full responsibility for the rehabilitation of the mining site. This obligation is supported by a rehabilitation guarantee of $1,500,000. The Company’s current site restoration liability in respect of its exploration activities is not material.
19.6 Project Economics

For detail regarding the economics of UME’s existing operations, the reader is referred to documents published on UME’s website and documents lodged with SEDAR. The Table 19-2 below show the base case financial results of the Prefeasibility Study (PFS) for Arenal Deeps, which have a level of confidence of +/-25%.

<table>
<thead>
<tr>
<th>Gold Price</th>
<th>US$ 740 per ounce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital</td>
<td>US$ 5.8 million</td>
</tr>
<tr>
<td>NPV at 10%</td>
<td>US$ 7.7 million</td>
</tr>
<tr>
<td>IRR</td>
<td>41%</td>
</tr>
</tbody>
</table>

Assumptions used in the PFS include:

- Gold price US$ 740 per ounce.
- Underground mine operating costs of $US 18 per tonne have been developed from existing consumable and personnel costs. The mining method selected for this study was sublevel open stope.
- Existing site costs have been used for Processing, G&A, Transport and Refining, Royalties and Taxes.
- Average cost per ounce for the life of mine was $US 600.

Based on the economic model of cash flow projection, sensitivity analyses of the NPV were analyzed along with variations of CAPEX, OPEX and sale price.
The table below outlines the sensitivity of PFS economics to various price scenarios:

<table>
<thead>
<tr>
<th>Gold Price (US$)</th>
<th>NPV at 10% (US$M)</th>
<th>IRR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>592</td>
<td>-0.3</td>
<td>8.8</td>
</tr>
<tr>
<td>666</td>
<td>3.9</td>
<td>26.9</td>
</tr>
<tr>
<td>740</td>
<td>7.7</td>
<td>41.3</td>
</tr>
<tr>
<td>814</td>
<td>11.8</td>
<td>57.4</td>
</tr>
<tr>
<td>888</td>
<td>15.7</td>
<td>71.7</td>
</tr>
</tbody>
</table>
20.0 INTERPRETATION AND CONCLUSIONS

As a result of the work performed in developing UME’s NI 43-101 compliant “Preliminary Feasibility Study” of the Arenal Deeps deposit, the following broad conclusions are made:

- Gold production in the region of the Minas de Corrales Project has a substantial history. It commenced during the nineteenth century, continued with the advent of modern mining techniques and has been enhanced by the operational and developmental work carried out by UME.

- UME has acquired a controlling interest in all known prospective areas of the Minas de Corrales Project and the strike length of the SGFS. It also controls the only identified Mineral Resource with the potential to support modern underground mining.

- Exploration potential along the SGFS is considered high. The identification of the Arenal Deeps Mineral Resource highlights the potential for the existence of additional deep resources amenable to underground mining methods.

- UME has significantly improved performance and recovery at the San Gregorio process plant. The existence of a functional and well performing processing plant at the Minas de Corrales Project should facilitate the future development of underground resources and underpin their conversion to reserves.

- UME has engaged external experts to independently estimate the Arenal Deeps Mineral Resource and to further develop underground mining Pre-feasibility Studies to quantify such potential.

- The Arenal Deeps Mineral Resource as reported herein is compliant with NI 43-101 in all respects.

- Databases have independently been found to be clean of significant error.

- QAQC procedures in place include analyses of field duplicate samples, analyses of duplicate samples from coarse reject material, analyses of in-lab duplicate samples prepared from the pulverized sample (“pulps”), analyses of certified standard material and analyses of material called “blanks”.

- Independent studies of the existing QAQC data did not reveal any problems that would prohibit the use of UME’s analytical data in resource estimates.

- Notwithstanding the historical production performance of ore from the various deposits, further metallurgical testwork is required to elevate the classification of some resources.

- The Arenal Deeps underground project, owned by Loryser S.A. is an interesting investment concept due to the attractive NPV results indicated by this prefeasibility study.

- It is possible to indicate that the most suitable mining method for this deposit, according to its morphology, is the method known as Sublevel Stoping. Nevertheless, the method called “Post Pillar Cut and Fill” could be a good option for a mining operation, along with a combination of methods.

- The project shows a positive net present value of 7.6 million dollars, an internal rate of return (IRR) of 41.3% considering the mining to be carried out with owners’ equipment. The alternative that considers the operation by a contractor gives an NPV of 8.8 million dollars, with an IRR of 56.5%.

- According to the sensitivity analysis, it is possible to observe that the Au price and the Opex (operating expenditure) are the most sensitive variables of the project, that under the current conditions of engineering (+/-25%).
Some small bodies that were isolated under the final pit were not included and could have an economic potential and as an additional advantage would allow developing a pilot ramp to better explore the deposit and extract the residual ore from the bottom of the current open pit.

Furthermore, there are other aspects that might improve the NPV and that have not been evaluated due to the advantage of the existing synergies and facilities.

The methodology adopted in this study consisted of the estimation of the reserves using different criteria for the definition of economic envelopes, analysis of alternative mine designs, sequencing, mine planning and economic evaluation. This engineering study was carried out at prefeasibility level.

On the basis of the estimated mineable envelope and considering everything as mineable mineral, the mine planning was developed with reserves that account for 1.71 Mt of mineable mineral, with an average grade of 1.9 g/t and 107,205 oz of Au.

The estimation of reserves is based on a series of considerations made at a prefeasibility level and as such they must be further elaborated in a subsequent and more detailed engineering phase which will diminish the uncertainty related to water management, geotechnical aspects, improvement of the main accesses and mining design, including costs and investments.

21.0 RECOMMENDATIONS

The following recommendations are made:

- The estimated Mineral Resources of Arenal Deeps are sufficient to warrant the evaluation of underground mining at the level of a Feasibility Study.

- Some recommendations that resulted from this Prefeasibility Study for Arenal Deeps are:

  (a) It is recommended that the confidence on the resource model be improved by an infill drilling campaign aimed at increasing the mineral reserves and better understand the limits of the Mineral Resource, confirm the continuity of higher grade mineralization and to elevate the classification of those resources.

  (b) It is recommended that some of the isolated bodies, near the final pit, that could potentially increase the reserves be studied and that an exploratory plan be developed. This would increase the knowledge of the deposit and possibly allow the exploitation of these remnant reserves from the open pit.

  (c) It is recommended that more geotechnical tests be developed such as:

    - Carry out surface mapping in specific zones of interest both in the pit and in nearby locations.
    - Carry out more geotechnical drilling to characterize and to better detail the mineralized zone and re-log existing drill holes to improve the information that can be extracted from the existing data.
    - It is recommended that laboratory tests be carried out in order to estimate the geomechanical properties of the mineralized zone at its roof and along its walls. Also, it is recommended that point load tests be carried out on geotechnical drill holes, either in the field of at the lab.
    - It is recommended that Q and RMR values be estimated directly from observed data so as not to use empirical formulas to convert from one to the other. This data includes the fracture condition (Ja, Jr, JCR), frequency and data such as the thickness and type of infill for the structures.
It is recommended that the way in which data acquisition related to the RQD and fracture frequency be improved.

In the case that more drilling is carried out, it is recommended that geotechnical drill holes be oriented and that a televiewer device be used.

It is recommended that estimations of in-situ stress be carried out using either hydro-fracture, over-coring, acoustic emissions or other quantitative methods.

d) In order to verify that the conceptual representation of the hydrogeological system is valid, it is recommended that the following actions be carried out:

- Carry out hydraulic tests within the mineralized zone, at the bottom of the pit, in such a way that the estimation of its properties be more accurate. In particular, the storage coefficient and the permeability should be determined.

- Obtain information regarding the location of the phreatic level at the borders of the pit, in order to verify the results obtained from the numerical model and determine the level of confidence that can be attributed to the model.

- Obtain information regarding the pore pressure below the bottom of the pit, in the mineralized zone. This information will help determine if the underground flow behaves as predicted by the model, indicating whether or not the major faults H1 and F1 have the hydrogeological behavior that is conceptually proposed.
22.0 CERTIFICATES OF QUALIFIED PERSONS

22.1 Juan Pablo Gonzalez

I, Juan Pablo Gonzalez of Santiago Chile, do hereby certify that as the author of this “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 24th September 2009, I hereby make the following statements:

- I am employed as a Senior Mining Engineer with Golder Associates S.A. (Chile) with a business address at Av. 11 de Septiembre 2353 piso 2, Providencia, Santiago, Chile.

- My formal education qualifications include MBA (Master of Business and Administration), Universidad Diego Portales, (2002) Chile and BSc (Bachelor of Science) in Mining Engineering, Universidad de Santiago de Chile, (1992).

- I am a member in good standing of the Australasian Institute of Mining and Metallurgy (MAusIMM) and the Chilean Institute of Mining Engineering (IIMCH).

- I have practiced my profession continuously since 1992.

- I have read the definition of “qualified person” set out in National Instrument 43-101 (NI 43-101) and certify that, by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfil the requirements to be a “qualified person” for the purpose of NI 43-101.

- My relevant experience with respect Arenal Deposit includes over 17 years experience in Mineral Reserves estimation, computerized mine planning systems and technical engineering activities related to a variety of commodities (in nickel, copper, gold and iron and manganese ore) and many projects in South America.

- I am responsible for the preparation of sections 17, 20 and 21, and take responsibility as a principal author of this Technical Report titled “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 22 September 2009. In addition, I have made site visits to the Property since 2006.

- I have no prior involvement with the Property that is the subject of the Technical Report.

- As of the date of this Certificate, to my knowledge, information and belief, the sections of this Technical Report for which I am responsible contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
I am independent of the Issuer as defined by Section 1.4 of the Instrument. I have read National Instrument 43-101 and the sections for which I am responsible in this Technical Report have been prepared in compliance with National Instrument 43-101 and Form 43-101F1.

Signed and dated this 24th day of September, 2009 at Santiago, Chile

"Original Document signed by
Juan Pablo González, BSc, MBA, MAusIMM

________________________________________
Signature
22.2 Marcelo Godoy

As an author of the Technical Report entitled “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 24th September 2009, on the Minas de Corrales property of Uruguay Minerals Exploration Inc (the “Report”), I hereby make the following statements:

- My name is Marcelo Godoy and I am employed as a Principal Mining Engineer with Golder Associates S.A., of Av. 11 de Septiembre 2353 piso 2, Providencia, Santiago, Chile. My residential address is Onofre Jarpa 9476 La Reina, Santiago, Chile.

- My formal education qualifications include PhD from the University of Queensland, Australia (2002), Master of Engineering, Federal University of Rio Grande do Sul, Brazil and BSc (Bachelor of Science) in Mining Engineering, Federal University of Rio Grande do Sul (1995).

- I am a practising Mining Engineer and Geostatistician and a Member in good standing of the Australasian Institute of Mining and Metallurgy (MAusIMM), the Society for Mining Metallurgy and Exploration (SME) and the International Association of Mathematical Geology.

- I have practiced my profession continuously since graduation.

- I have read the definition of “qualified person” set out in National Instrument 43-101 (NI 43-101) and certify that, by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfil the requirements to be a “qualified person” for the purpose of NI 43-101.

- My relevant experience with respect to the Arenal Deeps deposit includes over 12 years in resource estimation in South America and Australia. Over the last three years I have carried out mineral resource and mineral reserve estimates following CIM guidelines on a number of gold projects. Over the last 6 years I have been involved with the estimation of Mineral Resources and Mineral Reserves for mining projects in Brazil, Chile, Argentina and Uruguay.


- I have had prior involvement with the property that is the subject of the Technical Report. The nature of my prior involvement was the resource estimations previously disclosed in February 2007, October 2007 and April 2009.
• As of the date of this Certificate, to my knowledge, information and belief, this Technical Report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

• I am independent of the Issuer as defined by Section 1.4 of the Instrument.

• I have read National Instrument 43-101 and the Technical Report has been prepared in compliance with National Instrument 43-101 and Form 43-101F1.

• I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Signed and dated this 24th day of September, 2009 at Santiago, Chile

“Original Document signed by
Marcelo Godoy, PhD., MAusIMM”

Signature
22.3 John Sadek

As a contributing author of the Technical Report entitled “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 24th September 2009, on the Minas de Corrales Property of Uruguay Minerals Exploration Inc (the “Report”), I hereby make the following statements:

- My name is John Alfred Sadek and I am employed as the Vice President of Operations for Uruguay Mineral Exploration Inc. (UME), located at Puntas de Santiago 1604, C.P. 11500 Montevideo, Uruguay.

- I graduated with a degree in Bachelor of Engineering (Mining) from the University of Sydney in 1986.

- I am a member of the Australasian Institute of Mining and Metallurgy.

- I have worked as a mining engineer for a total of 23 years since my graduation from university.

- I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfil the requirements to be a “qualified person” for the purposes of NI 43-101.

- Notwithstanding excerpts of reports provided by other qualified persons and duly referenced, I am responsible for the preparation of sections 1-6, 15, 16, 18-19 of the technical report entitled “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 24th September 2009 relating to the Minas de Corrales Project.

- My full-time employment is located at the Minas de Corrales Project.

- I have had prior involvement with the property that is the subject of the Technical Report. The nature of my prior involvement was the reserve estimations previously disclosed in August 2005 and October 2007.

- I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

- Due to my current full-time employment by the issuer, I am not independent of the issuer applying all of the tests in section 1.5 of National Instrument 43-101.

- I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Signed and dated this 24th day of September, 2009 at Santiago, Chile

[Signature]
22.4 George Schroer

As a contributing author of the Technical Report entitled “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 24th September 2009, on the Minas de Corrales Property of Uruguay Minerals Exploration Inc (the “Report”), I hereby make the following statements:

- My name is George A. Schroer, Certified Professional Geologist (CPG-10891), and I am employed as Vice President of Exploration: Uruguay Mineral Exploration Inc. (UME), located at Puntas de Santiago 1604, C.P. 11500 Montevideo, Uruguay

- I graduated with a degree in Bachelor of Science Geology from the Colorado State University in 1984. In addition, I have obtained a Master of Science Geology from the Colorado State University in 1994.

- I am a member Certified Professional Geologist (CPG-10891) of the American Institute of Professional Geologists.

- I have worked as a geologist for a total of 24 years since my graduation from university.

- I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfil the requirements to be a “qualified person” for the purposes of NI 43-101.

- I am responsible for the preparation of sections 7-14 of the technical report entitled “Preliminary Feasibility Study for the Arenal Deeps Underground Mine”, dated 24th September 2009 relating to the Minas de Corrales Project.

- I visited the Minas de Corrales Project on a number of occasions over the last 3 years as part of my responsibility as the VP of Exploration.

- I have had prior involvement with the property that is the subject of the Technical Report. The nature of my prior involvement was the resource estimations previously disclosed in October 2007.

- I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

- Due to my current full-time employment by the issuer, I am not independent of the issuer applying all of the tests in section 1.5 of National Instrument 43-101.
• I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

• I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Signed and dated this 24th day of September, 2009 at Montevideo, Uruguay

George A. Schroer – C.P. Geo

(CPG-10891)
23.0 REFERENCES

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24.0 ILLUSTRATIONS

Figure 24-1: Location of the Minas de Corrales Project - Arenal
Figure 24-2: Deposits of Minas de Corrales Project with Tenement Area and Local Geology
Signature Page

GOLDER ASSOCIATES S.A.

[Original document signed by]

Juan Pablo González          Marcelo Godoy
Senior Mining Engineer       Principal Mining Engineer

URUGUAY MINERAL EXPLORATION INC.

[Original document signed by]

John Sadek                  George A. Schroer
Vice President of Operations  Vice President of Exploration

JPG/MG
At Golder Associates we strive to be the most respected global group of companies specializing in ground engineering and environmental services. Employee owned since our formation in 1960, we have created a unique culture with pride in ownership, resulting in long-term organizational stability. Golder professionals take the time to build an understanding of client needs and of the specific environments in which they operate. We continue to expand our technical capabilities and have experienced steady growth with employees now operating from offices located throughout Africa, Asia, Australasia, Europe, North America and South America.

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