URUGUAY MINERAL EXPLORATION

News Release

11th October, 2007
SYMBOLS: UME (TSXV), UGY (AIM)

URUGUAY MINERAL EXPLORATION INC ("UME") ANNOUNCES RESULTS FOR THE QUARTER ENDED AUGUST 31, 2007

Summary of Results

- **Gold production** was 18,488 ounces for the first quarter compared to 19,175 ounces in the corresponding quarter of the prior financial year. While production was approximately 2,500 ounces less than anticipated for the quarter, the full year production forecast of 95,000 ounces is maintained.
- **Cash costs** were $US 425 per ounce for the quarter compared to $US 332 for the corresponding quarter of the prior financial year. This was in line with our expectations as a result of the lower production.
- **Net profit after tax** for the first quarter was $US 1.2 million or $US 0.025 basic earnings per share, compared to a net profit after tax of $US 2.6 million or $US 0.054 basic earnings per share for the first quarter of the 2006 financial year.
- **Cash flow from operations** before non-cash working capital movements was $US 4,111 million for the first quarter. Cash as at 31st August was $US 11.6 million.
- The **average realized gold price** for the first quarter was $US 661 per ounce.
- The interim dividend of C$ 3.5 cents per share, announced with the results for the annual fiscal year on 14th August 2007, will be paid to shareholders on 26th October 2007.

		3 Months to	
		August 2007	**August 2006**
Operating Review			
Gold produced	*Ounces*	**18,488**	19,175
Average cash cost	*US$/oz*	**425**	332
Average price received	*US$/oz*	**661**	568
Financial Review			
Revenue	*US$ '000s*	**13,253**	12,177
Net income for the period	*US$ '000s*	**1,224**	2,567
Cash flow from operations*	*US$ '000s*	**4,111**	3,503
Basic earnings per share	*US$*	**0.025**	0.054
Cash at the end of the period	*US$ '000s*	**11,631**	8,545
Total debt at the end of period	*US$ '000s*	**2,331**	3,385

** before non-cash working capital movements*

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David Fowler, Chief Executive commented: “Despite lower than anticipated production results for the first quarter, we remain on target to produce 95,000 ounces in the current financial year. With the diversion of the Arroyo Corrales completed and the work areas in the Arenal pit expanding, we are confident that target production levels will be achieved. Cash costs for the quarter were in line with expectations, given the lower production volumes achieved.

“Field work continues to produce good exploration results within the Isla Crystalina, Dom Feliciano and Florida belts, and we have defined drill targets at Papagayo, Argentinita North, Tito Lopez, Veta Rodrigo, Nueva Helvecia, Presidente Terra and Bragado. Drilling at a number of projects has however been delayed due to permitting issues. These are being resolved and steps are being taken to increase drilling rates to more aggressively convert good initial field results into drill intercepts and ultimately resources. The second phase of 7,000 meters of diamond drilling at Lascano is scheduled to start in December using a contractor rig and to be completed within six months.

“At the shareholders meeting on 11th October I will expand on the exploration work and put it into the context of what we are looking to achieve from each area of activity. The presentation that I will be making will be on the website from the morning of 11th October 2007.”

Review of the Quarter ended 31 August 2007

Production

Production for the quarter was 18,488 ounces compared to 21,000 ounces forecast on 2nd August 2007. This shortfall was due to lower grades than anticipated for ore mined in the first benches beneath the Arroyo Corrales. More tonnes were encountered at lower grade with more overall ounces mined from the area than estimated. Higher grade ore was fed to the plant as presented with lower grade material stockpiled for future periods.

The first benches beneath the Arroyo Corrales were classified as Indicated Resources as they could not be fully drilled due to access restrictions. This result has no implications on the remainder of the Arenal resource estimates and production for September was in line with forecasts with more than 8,000 ounces produced for the month.

In July 2007 the channel to divert the Arroyo Corrales was completed and water started flowing. Flood protection dykes were completed during September and environmental reclamation commenced. Now that the Arenal pit has been expanded, ore stocks are being built to increase flexibility in achieving production targets.

UME expects to achieve its stated production target of 95,000 ounces with consistent production for each of the remaining quarters of 2008.

Financial Performance

Operating costs for the quarter were $ 425 per ounce. While high on a per ounce basis due to lower production levels, operating costs were in line with expectations and the company maintains its full year forecast of $US 345 per ounce.

Effective 1st June 2007, UME has adopted new standards based on the Changes in Canadian Accounting Recommendations with respect to stripping charges. The impact of applying such recommendations was to decrease the operating costs used as the basis for the Company's cash cost calculation relative to the operating costs under the previous method by $136. Had the previous method of calculating operating costs been used, the cash costs per ounce would have been $432. This change is further explained in the Management Discussion and Analysis for the quarter.

Additional details explaining the evolution of operational cost increases over the past two years is provided in the Annual General Meeting presentation which is available for download from the Company's website from 11th October 2007.

Gold Exploration

Priority for exploration drilling for the quarter was given to near mine targets at San Gregorio. Infill drilling was completed for Veta A and Sur to allow resource modelling and mine planning of these deposits. This material will be used to blend with Arenal ore over the next two years to maximize throughput. Step out drilling 400 meters along strike to the southwest of Veta Sur intersected a weakly mineralized structure. Subsequent to the end of the quarter, drilling at San Antonio, a further 500 meters along strike to the southwest, reported a drill intercept of 1 meter at 157 g/t at 24 meters and an additional 5 meters at 8 g/t starting at 25 meters (not true thickness).

A number of targets in the footwall and northwest of San Gregorio were tested in an attempt to expand resources in these areas and allow mine plans to be finalised. Lower grade intercepts encountered in the footwall will be followed up.

During the quarter a deep drill program was designed to test for mineralization at San Gregorio and Arenal to a depth of 500 meters. The program commenced in September with the results expected to be reported in the coming quarter.

Drilling and trenching at a number of projects in the Zapuchay district including Papagayo, Nueva Helvecia, Veta Rodrigo, and Presidente Terra have been delayed pending the grant of exploration permits. These permits are expected to be received during the second quarter. Further to the east of the Isla Crystalina belt at Vichadero, an anomalous target, 1.5 km long with rock chip samples above 5 g/t, has been identified.

Regional exploration is progressing well with the source of geochemical anomalies being identified and tested in both the Dom Feliciano and Florida belts. At Texas (in the Dom Feliciano belt) new quartz veins have been identified with anomalous grades in rock chip samples. Soil and geophysics programs are planned for these projects in the coming quarters to identify drill targets for later in the financial year. Good progress has also been made in the Florida belt. At Cruzera the final four diamond drill holes in the initial drill campaign were completed during the quarter. The results of this program confirm mineralization over a strike length of 800 meters to a depth of 100 meters. Further strike extensions to mineralization are now being targeted through soil sampling and encouraging results are being received for similar vein systems 20 km further to the south at Casupa, where veins are being mapped and sampled with rock chip samples to 200 grams per tonne. Drilling is planned for this district for the second half of the financial year.

External evaluations have been completed on the performance of UME's own exploration drilling fleet and plans have been established to increase utilization and improve drilling efficiency over the remainder of the year.

Non-Gold Assets

Lascano

At Lascano a fifth and final drill hole for the 2007 campaign, targeting a near surface gravity anomaly, was completed during the quarter. The rocks encountered were predominantly intrusive in nature and composed of gabbro and dolerite to granite (granophyre). Though no alteration or mineralization was observed, the hole is providing us with very valuable information about the composition of the rocks and the intrusion.

As a result of the 2007 drill campaign, the Lascano geophysical anomaly has been interpreted to be created by gabbro to granitic (granophyre) intrusive rocks underlying a package of magnetic basalt and felsic volcanic rocks. Down drop of the volcanic rocks outside the feature to the north has caused an edge effect, which has highlighted the magnetic character of the magnetic flood basalts. It is theorized at this stage that alteration and mineralization, with similarities to iron oxide copper gold and porphyry copper systems, observed in drill hole 2 are directly or indirectly caused by the intrusive bodies.

A 7,000 to 10,000 meter drill campaign, to be performed by contractors, is planned to commence during November and to be completed by the end of the financial year. The program will offset drill the anomalous mineralization encountered in hole 2. The program will consist of four to five drill holes to a depth of about 1,100 metres in and around hole 2 and an additional four to five drill holes in a similar geophysical settings in other parts of the anomaly.

Diamonds and Base metals

Negotiations have progressed with a number of parties on diamonds and base metals properties. As a result of these discussions, work on these projects was scaled back. Drilling of kimberlite targets on the diamond project is delayed pending the grant of exploration permits.

An external review of UME's nickel properties including Mal Abrigo, Paso de Lugo, Carpentaria and Yatay, has been undertaken by GeoDiscovery, an external specialized nickel consultant. This review has confirmed the potential of these properties for nickel discovery. It has also identified key additional work required to progress the projects to a point of attracting potential partners. The Group plans to complete this work during the course of the financial year.

During the quarter UME submitted an expression of interest to the Uruguayan government for its tender of Uranium rights. UME's participation will be on the basis of a minority partner providing data, including geochemical and geophysical information, equipment resources and administrative support.

Exploration Report for the Quarter ended 31 August 2007

This report provides details of exploration activities during the quarter ended 31 August 2007.

Highlights

- In fill drilling on Veta Sur has been completed and mine planning has commenced. The first step out drilling 400 meters along strike of known mineralization has encountered the structure and anomalous mineralization. Drilling commenced on the San Antonio prospect, a further 500 meters to the south also encountered mineralization with assays pending.

- Drill programs have been developed to test the down dip extensions of San Gregorio and Arenal. An initial program of eight holes to approximately 300 meter depth commenced in September.

- At Vichadero rock chip sampling has identified an anomalous gold zone of 1.5 km in length. Soil sampling is planned for the coming quarter to identify drill targets for the second half of the year.

- Drill programs have been developed for anomalous zones between Zapachay and Argentinita and at Papagayo, Titlo Lopez and Lavadero in the Zapuchay district. These programs will commence when exploration permits are received.

- At Bragado trenching has shown significant copper mineralization with values of greater than 1%. Drilling commenced in September to define the extent of mineralization.

- A strongly anomalous vein system 800 meters long has been defined at Casupa with gold values of up to 207 g/t. Geophysics and soil sampling will be performed at both Casupa and Cruzera during the current quarter with a drill program expected to be completed early in 2008.

- At Lascano the fifth and final drill hole in the current campaign targeting a near surface gravity anomaly was completed during the quarter. The rocks encountered were predominantly intrusive. A 7,000 to 10,000 meter drill campaign, to be performed by contractors, is planned to commence before the end of the calendar year and be completed by the end of the financial year.

- UME's nickel properties including Mal Abrigo, Paso de Lugo, Carpentaria and Yatay have been reviewed by GeoDiscovery, an external specialized nickel consultant. This review has confirmed that a number of these properties have good exploration potential for nickel and associated elements.

- Seven projects are drill ready and awaiting the granting of permits by Uruguay's ministry of mines to proceed. This has delayed the commencement of a number of projects but is expected to progress in the current quarter. A program to improve exploration drill productivity and utilization has commenced. It is expected that this process will significantly increase meters drilled over the remainder of the year.

Isla Cristalina Belt - Minas Del Corrales District (Arenal and San Gregorio)

Drilling during the quarter focused on near-mine targets with the majority of the meters applied to definition drilling of Vetas A and Sur. Exploration drilling was also completed in the foot wall of the San Gregorio structure and along the northwest extension chasing anomalous intercepts which, if successful, will reduce the strip ratio for underlying resources at San Gregorio. Results to date have returned weakly mineralized intercepts and are as follows:

San Gregorio footwall

Prospect	Hole Number	From	Intercept
San Gregorio	SGRC003	9	2m @ 2.00g/t
San Gregorio	SGRC003	19	1m @ 1.10g/t
San Gregorio	SGRC003	38	6m @ 0.60g/t
San Gregorio	SGRC005	28	5m @ 0.40g/t
San Gregorio	SGRC005	129	1m @ 0.80g/t

An additional round of drilling is planned in the footwall to target higher grade material.

The organization of the database combining geochemistry, geophysics and their relationship to the regional geology has identified and or rediscovered a number of anomalies. Targets include the extension to the San Gregorio mineralization and the San Antonio prospect.

The down dip extensions to the main mineralized ore bodies of San Gregorio, Arenal and Santa Teresa represent important exploration targets. It is clear from the historic drilling and resource models that the models are drill hole constrained and mineralization remains open at depth. The first drill hole in a campaign to target this deeper mineralization commenced in September. It is clear that these ore bodies pinch and swell along strike and down dip. It is expected that additional resources will be added at depth.

Drilling continued in Veta A and Sur to further define the deposits. It is believed that additional resources will be added to the model which was presented at the end of August 2007. An in-house resource and reserve model is being updated for both vein deposits. This will be used in mine planning and production in the next 24 months. Mineralization is known to continue under the tailings dam and San Gregorio waste dumps respectively to the southwest. Significant results from the Vetas are presented below for the first quarter. Veta A and Sur results are from a 25 x 25 meter definition drill program.

Prospect	Hole Number	From	Intercept
Veta A	VARC-088	38	5m @ 2.87g/t
Veta A	VARC-089	46	5m @ 1.74g/t

(intercepts are composites using 0.5 g/t cut)
Results used in August 2007 resource model.

Prospect	Hole Number	From	Intercept
Veta Sur	VSRC-049	76	2m @ 1.08g/t
Veta Sur	VSRC-049	80	4m @ 4.97g/t
Veta Sur	VSRC-057	87	3m @ 3.15g/t
Veta Sur	VSRC-059	71	4m @ 10.28g/t
Veta Sur	VSRC-059	78	1m @ 5.30g/t
Veta Sur	VSRC-061	112	6m @ 2.76g/t
Veta Sur	VSRC-064	111	3m @ 1.81g/t
Veta Sur	VSRC-066	117	5m @ 2.15g/t
Veta Sur	VSRC-067	117	5m @ 2.29g/t
Veta Sur	VSRC-076	69	5m @ 1.43g/t
Veta Sur	VSRC-077	58	2m @ 2.50 g/t
Veta Sur	VSRC-078	51	1m @ 17.10g/t
Veta Sur	VSRC-079	21	9m @ 4.90g/t
Veta Sur	VSRC-080	35	5m @ 7.42g/t
Veta Sur	VSRC-083	35	3m @ 2.26g/t
Veta Sur	VSRC-087	94	4m @ 2.72g/t
Veta Sur	VSRC-094	41	1m @ 5.33g/t
Veta Sur	VSRC-095	74	2m @ 2.28g/t
Veta Sur	VSRC-096	76	2m @ 2.06g/t
Veta Sur	VSRC-096	79	5m @ 2.62g/t
Veta Sur	VSRC-098	27	3m @ 1.27g/t
Veta Sur	VSRC-100	74	3m @ 1.87g/t
Veta Sur	VSRC-102	60	1m @ 3.43g/t
Veta Sur	VSRC-102	67	1m @ 20.30g/t
Veta Sur	VSRC-102	76	3m @ 1.67g/t
Veta Sur	VSRC-104	82	6m @ 3.10g/t
Veta Sur	VSRC-105	55	2m @ 6.96g/t
Veta Sur	VSRC-106	77	4m @ 4.16g/t
Veta Sur	VSRC-107	88	2m @ 2.15g/t
Veta Sur	VSRC-108	81	8m @ 1.88g/t
Veta Sur	VSRC-109	50	1m @ 20.5g/t
Veta Sur	VSRC-112	71	8m @ 3.9g/t
Veta Sur	VSRC-113	54	1m @ 8.2g/t
Veta Sur	VSRC-113	56	1m @ 3.3g/t
Veta Sur	VSRC-113	71	3m @ 3.3g/t
Veta Sur	VSRC-114	40	2m @ 1.1g/t
Veta Sur	VSRC-114	74	5m @ 1.5g/t
Veta Sur	VSRC-117	85	6m @ 2.0g/t
Veta Sur	VSRC-118	49	3m @ 2.8g/t
Veta Sur	VSRC-119	70	7m @ 1.4g/t
Veta Sur	VSRC-121	49	3m @ 1.3g/t
Veta Sur	VSRC-121	60	4m @ 2.6g/t
Veta Sur	VSRC-122	27	1m @ 6.6g/t
Veta Sur	VSRC-123	26	2m @2.7g/t

(Intercepts are composites using 0.5 g/t cut)
Results through drill hole VSRC-073 used in the August 2007 resource model

Drilling has commenced on the extension of the Veta Sur deposit southwest of the San Gregorio dump and in the area of Cross Hill and San Antonio prospects some 400 meters and 900 meters south of the last defined mineralization respectively. Results for these areas are pending, though the structure was cut just south of the dump with weak to moderate mineralization. Anomalous mineralized intercepts are expected from the San Antonio prospect. No significant intercepts are expected at Cross Hill. Exploration drilling will continue in San Antonio and along the extension of Veta Sur next quarter.

Isla Cristalina Belt - Argentinita/Zapucay District

Resource and reserve estimates were completed on the Argentinita deposit and presented in the full year results. Drilling for metallurgical samples has been completed during the quarter. Drilling is planned between the Zapucay and Argentinita deposits as well as at Lavadero, Papagayo and Tito Lopez prospects. All of these prospects are within 6 kilometers of one another.

Mapping and sampling at Papagayo over the last 6 months has defined over a kilometer of anomalous gold mineralization greater than 0.5 g/t Au in rock chip hosted in a low angle shear zone. A number of trace elements are associated with gold mineralization including Ag, Pb and Mo, with path finder elements As, Bi, Hg, Sb, and Tl. A soil sampling survey has further defined the zone of mineralization using these trace elements.

An exploration drill program has been designed for the greater district which includes Papagayo, Tito Lopez, and Laurales and will commence when exploration permits are received. This is expected to be during the second quarter.

Isla Cristalina Belt – West

Generative exploration has taken place over the western most portion of the Isla Cristalina belt. Stream sediment sampling has been taken in areas previously lacking first pass sampling. Results from this program are pending.

Hand trench sampling, mapping and a reconnaissance IP survey have been completed over the Veta Rodrigo target. Trench sampling has indicated that anomalous values are associated with the vein though somewhat less anomalous than the original surface outcrop samples. Exploration permits have been received and a negotiation with land owners is underway for access to the vein. Drilling will commence once access is granted.

A full review of the Sobresaliente took place in June as a possible future source of feed for the mill. Additional exploration targets were also evaluated and have been deemed lower priority at this time.

Isla Cristalina Belt – Eastern Half

The generative exploration work continues in the eastern half of the Isla Cristalina belt. Follow-up sampling of the Vichedero stream sediment anomalies has defined gold mineralization in small vein sets within the 3 by 6 kilometer basin area. Outcrop in this end of the belt is scarce and rock chip sampling was done in road cuts and along a local aqueduct that cuts across the pasture land. Thin veins have been sampled which are exposed in the aqueduct and have returned strongly mineralized results which are presented below.

Vichedero

Sample ID	Au_g/t	Ag ppm	Cu ppm
12051	6.46	14	3.4
12095	0.58	0.3	5.4
12092	0.65	1.9	2.3
12093	0.74	0.2	50.2
12094	0.46	0.7	14.8
12096	0.87	2.1	2.5
12101	2.25	6.7	9.9
12076	2.28	6.2	70.4
12111	3.59	12	29.2
12122	0.43	0.8	6.1
12123	2.32	3.1	5.5
12126	2.44	0.6	13.2
12130	0.41	0.3	10.7

The anomaly defined by these samples is over 1.5 kilometers long and strikes to the northwest and runs parallel to lineaments defined by airborne geophysics. This represents a significant increase in our understanding of the source of the anomalous stream sediments and could represent a bulk tonnage target. A detailed soil sampling program is planned to cover the entire area to help further define drill targets. Drilling is planned for the second half of the year.

Florida and Dom Feliciano Belts Au

Presidente Terra

Mapping and sampling continued to define drill targets on the property. Work has concentrated on the contact between the meta-sediments and granite. There is some evidence that this NNE trending contact may be shear and/or fault related. Mapping has also defined mineralization within the granites which is hosted in vein/shears associated with a large NNE trending boundary structure to the Dom Feliciano Belt. Au mineralization is associated with hematite, pyrite and magnetite within veins and breccia. Visible gold is found in most of the vein sets identified. Soil and geophysical surveys are planned for the second quarter over the main areas of mineralization.

Trenching and drilling will commence once exploration permits are approved and land owner agreements completed.

Surface sampling results for the quarter are presented below.

Presidente Terra

Sample ID	Au_g/t	Ag ppm	Cu ppm
12051	6.46	14	3.4
12095	0.58	0.3	5.4
12092	0.65	1.9	2.3
12093	0.74	0.2	50.2
12094	0.46	0.7	14.8
12096	0.87	2.1	2.5
12101	2.25	6.7	9.9
12076	2.28	6.2	70.4
12111	3.59	12	29.2
12122	0.43	0.8	6.1
12123	2.32	3.1	5.5
12126	2.44	0.6	13.2
12130	0.41	0.3	10.7

Bragado

At the Bragado prospect, detailed mapping, sampling and trenching have been completed. This work has defined mineralization hosted in veins which cut the folded meta-sediments, meta-volcanic and associated granitic host rock. Most veins are parallel to the fold axis and trend NNE, as does the belt. Mineralization is also found locally concentrated in the nose of the folds. The prospect is predominately copper with minor gold mineralization. A drill program is planned for September to test the extent of copper/gold mineralization. Significant results from the last quarter surface exploration are presented below.

Surface Samples

Bragado

Sample ID	Au_g/t	Ag ppm	Cu ppm
EX10652	0.03	<0.30	58
EX10656	<0.005	<0.30	63
EX10658	0.59	2.20	962
EX10659	0.01	<0.30	170
EX10661	0.01	<0.30	653
EX10662	0.05	4.70	969
EX10664	0.08	1.90	514
EX10667	0.01	0.40	509

Sample ID	Trench	From (m)	To (m)	Interval	Au g/t	Ag ppm	Cu ppm
EX10829	BR_07_TRN2	17.30	18.54	1.24	0.10	<0.30	589
EX10830	BR_07_TRN2	18.54	19.80	1.26	0.01	<0.30	1085
EX10832	BR_07_TRN2	19.80	21.44	1.64	0.02	<0.30	1242
EX10833	BR_07_TRN2	21.44	23.00	1.56	0.10	0.50	6852
EX10834	BR_07_TRN2	23.00	24.50	1.50	0.56	2.70	> 10000
EX10835	BR_07_TRN2	24.50	25.50	1.00	0.07	0.90	7278
EX10836	BR_07_TRN2	25.50	26.30	0.80	0.18	5.90	> 10000
EX10837	BR_07_TRN2	26.30	27.80	1.50	0.09	0.60	> 10000
EX10838	BR_07_TRN2	27.80	29.30	1.50	0.02	0.40	9268
EX10839	BR_07_TRN2	29.30	30.90	1.60	0.01	0.40	8272
EX10840	BR_07_TRN2	30.90	32.20	1.30	0.01	0.30	7598
EX10842	BR_07_TRN2	32.20	33.50	1.30	0.02	<0.30	9158
EX10848	BR_07_TRN2	39.00	39.75	0.75	0.12	<0.30	2007
EX10849	BR_07_TRN2	39.75	41.25	1.50	0.01	0.30	1279
EX10850	BR_07_TRN2	41.25	42.20	0.95	0.02	0.30	1048
EX10852	BR_07_TRN2	42.20	43.80	1.60	0.01	< 0.3	1529
EX10853	BR_07_TRN2	43.80	45.50	1.70	0.01	< 0.3	1055
EX10854	BR_07_TRN2	45.50	46.50	1.00	0.01	< 0.3	2066
EX10928	BR_07_TRN9	9.04	10.48	1.44	0.04	< 0.3	1554
EX10929	BR_07_TRN9	10.48	11.87	1.39	0.08	< 0.3	1523
EX10930	BR_07_TRN9	11.87	12.77	0.90	0.03	< 0.3	1956
EX10931	BR_07_TRN9	12.77	13.97	1.20	0.02	0.30	1050
EX10932	BR_07_TRN9	13.97	15.28	1.31	0.04	< 0.3	1642
EX10933	BR_07_TRN9	15.28	15.92	0.64	0.03	< 0.3	2325
EX10934	BR_07_TRN9	15.92	16.87	0.95	0.01	< 0.3	63
EX10935	BR_07_TRN9	16.87	17.82	0.95	0.27	0.70	525
EX10937	BR_07_TRN9	17.82	18.20	0.38	0.06	0.50	3311
EX10938	BR_07_TRN9	18.20	19.20	1.00	0.06	0.40	791
EX10939	BR_07_TRN9	19.20	20.28	1.08	0.10	0.50	1882
EX10940	BR_07_TRN9	20.28	21.28	1.00	0.05	0.50	> 10000
EX10941	BR_07_TRN9	21.28	22.32	1.04	0.08	0.60	9166
EX10942	BR_07_TRN9	22.32	23.15	0.83	0.12	0.50	2328
EX10943	BR_07_TRN9	23.15	24.16	1.01	0.05	< 0.3	4029
EX10944	BR_07_TRN9	24.16	25.66	1.50	0.06	0.50	4106
EX10945	BR_07_TRN9	25.66	27.10	1.44	0.03	0.90	4334
EX10947	BR_07_TRN9	27.10	28.89	1.79	0.04	0.40	2359
EX10883	BR_07_TRN3	19.77	20.77	1.00	0.01	0.30	4205
EX10884	BR_07_TRN3	20.77	21.65	0.88	0.07	0.70	7225
EX10885	BR_07_TRN3	21.65	22.70	1.05	1.77	8.30	> 10000
EX10893	BR_07_TRN4	21.70	22.70	1.00	0.10	0.40	5294
EX10903	BR_07_TRN5	36.66	37.10	0.44	0.85	<0.30	21
EX10917	BR_07_TRN7	26.50	27.06	0.56	0.54	<0.30	28
EX10919	BR_07_TRN7	51.18	52.18	1.00	0.12	0.40	4955
EX10920	BR_07_TRN7	52.18	53.05	0.87	0.06	<0.30	3251
EX10924	BR_07_TRN8	32.48	33.66	1.18	0.71	<0.30	21

Clearly the results from trenching show that significant Copper mineralization does occur to greater than 1%. The drill program in September will try to define the extent of the mineralization.

Texas

Texas prospect has had limited first pass exploration work completed during the quarter. Mineralization is associated with quartz veins which host sulfide mineralization. Two additional targets have been identified on the property outside of the original target area. Mineralization is associated with quartz veins and gossan ironstones near contacts between granitic intrusions and meta-sediments. The most significant results from the last quarter are presented below.

Project	Sample ID	Au g/t	Ag ppm
Texas	EX10685	4.586	<.3
Texas	EX10686	4.602	1.7
Texas	EX10687	1.427	2.6
Texas	EX10692	0.462	0.3
Texas	EX10693	0.161	< 0.3

Further work is planned on this prospect for later in the year. Development of drill targets is planned before the end of the fiscal year.

<u>Florida Belt</u>

Crucera

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

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

Prospect	Hole Number	From	Intercept	Type
Crucera	CR_07_018	31	1.05m @ 2.88g/t Au	DDH
Crucera	CR_07_019	18	4m @ 1.94g/t	RC
Crucera	CR_07_020	54	2m @ 1.28 g/t	RC
Crucera	CR_07_022	62.15	7.85m @ 5.24g/t Au	DDH

Additional mapping and soil sampling is underway along strike 1 km both to the northwest and southeast to better define the extent of the mineralization. A preliminary description of the soil samples taken along strike indicates that quartz vein material is found within the samples. Once results are received a drill program will be designed to test the stronger anomalies.

Casupa

Sampling and mapping continues within the southern part of the district and has concentrated on the Madre Con Hijos vein system deposit. The veins seem to be folded and carry significant mineralization in both limbs of the fold. Mineralization has been defined for 800 metes along strike. Significant results from the first quarter are presented below.

Project	Sample #	Au g/t	Ag ppm
Casupa	EX11257	4.06	0.90
Casupa	EX11258	100.60	7.40
Casupa	EX11259	1.56	0.50
Casupa	EX11263	2.02	0.60
Casupa	EX11265	<0.005	< 0.3
Casupa	EX11268	1.01	1.10
Casupa	EX11270	43.20	15.90
Casupa	EX11271	1.13	1.60
Casupa	EX11273	6.07	2.90
Casupa	EX11274	15.40	13.50
Madre con Hijos	EX11158	8.54	7.80
Madre con Hijos	EX11159	207.80	> 100.00
Madre con Hijos	EX11160	6.69	8.00
Madre con Hijos	EX11161	8.85	7.30
Madre con Hijos	EX11162	0.56	2.80
Madre con Hijos	EX11163	1.20	1.40
Madre con Hijos	EX11164	55.60	10.80
Madre con Hijos	EX11167	9.03	4.50

A geophysical survey is planned for the property to further define the extent of the vein system. Drilling of this vein system is planned in the second half of the fiscal year along with other vein targets in the district.

Nueva Helvecia

UME is earning an interest in the Nueva Helvecia property under an agreement with Delcosur. The property is located in southeastern Uruguay. Exploration activity in the quarter consisted of detailed mapping, sampling and a geophysical survey (IP). Work presented has defined areas for drill testing. The IP survey has defined areas of high chargeability which may be associated with sulfide and therefore gold mineralization. The most significant surface results for the quarter are presented below. It is reported that mineralization occurs in disseminated sulfides associated with quartz vein stringers with sericite and ankerite altered host rocks.

Project	Sample ID	Au g/t	Ag ppm
Nueva Helvecia	EX10697	46.7	4.1
Nueva Helvecia	EX11836	1.91	6.6
Nueva Helvecia	EX10700	0.853	< 0.3
Nueva Helvecia	EX11835	0.303	< 0.3
Nueva Helvecia	EX11827	0.275	< 0.3
Nueva Helvecia	EX10699	0.208	< 0.3
Nueva Helvecia	EX10695	0.127	< 0.3

Historic drill results from REA Gold are presented below.

Hole ID	From (m)	Intercept Au
RCCR2	7	1m @ 5.64g/t
RCCR3	6	11m @ 2.19g/t
RCCR4	39	12m @ 2.94g/t

Drilling is planned to test the positive results as well as geophysical and geological targets once exploration permits are granted.

Base metal Properties

Three groups are presently interested in our base metal properties. One junior mining company has signed a Confidentiality Agreement and is reviewing our data.

UME's Nickel properties including Mal Abrigo, Carpentaria, Paso de Lugo and Yatay have been reviewed by GeoDiscovery, an Australia based mineral exploration group with specific experience in nickel sulphide deposits. A report received in early September has assessed the projects and confirmed that a number of the properties have good potential for the discovery of nickel sulphide deposits. An exploration program will be developed to address important deficiencies in existing information and an external consulting group will be contracted to complete the work. The ultimate goal is to discover significant mineralization so the projects can be developed with a partner.

Lascano Geophysical Anomaly

The Lascano exploration target is composed of three large circular geophysical features which are each approximately 20 kilometers in diameter. The anomalies were defined by an airborne geophysical survey flown in 2005 by Bell Geophysical. The geophysical features are composed of both high and low gravity gradient and magnetic anomalies which form the three separate circular patterns. Drilling to date has been designed to explore the center of the three geophysical anomalies.

The final hole, LASDDH-005, in the preliminary campaign was completed this quarter in one of the near surface gravity anomalies. Detailed logging of this hole has shown that the rocks encountered are predominately intrusive in nature and composed of gabbro to granite (granophyre) in composition. No alteration or mineralization was observed though selective samples have been taken for mineralogical as well as geochemical analysis. This final hole in the anomaly has helped define the overall environment.

An evaluation of the results was carried out in the quarter with the following interpretation being put forward.

The density anomaly is created by gabbro to granite (granophyre) intrusive rocks underlying a package of magnetic basalt and felsic volcanic rocks. Down-drop of the volcanic rocks outside the feature, as evident in drill hole 4 to the north, has caused an edge effect which has highlighted the magnetic character of the magnetic flood basalts. It is theorized at this stage that alteration and mineralization observed in hole 2 are directly or indirectly caused by the intrusive bodies described above.

A drill program has been proposed to offset drill the anomalous mineralization encountered in hole 1. The program will consist of four to five drill holes in and around hole 2 and an additional four to five drill holes in similar geophysical setting within the central anomaly.

Diamond Exploration

Exploration activities have slowed with respect to diamond properties as the Company waits for exploration permits to be granted. Several additional targets have been identified for drill testing and exploration permits have been submitted.

Drilling

UME exploration presently runs a fleet of five drill rigs. Productivity and utilization of these machines has been below expectations. External reviews of performance have been completed and a number of options are being considered to increase utilization and productivity for the remainder of the financial year.

Qualified Person's Statement

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

ENDS

Editors' note: Uruguay Mineral Exploration Inc. is a gold producer and exploration company focused on identifying and developing mineral opportunities in Uruguay. UME is a fully integrated mining company, possessing the skills necessary to explore and develop its discoveries. The Company operates the only producing gold mine in Uruguay (San Gregorio), and is also the leading mineral exploration company in Uruguay having assembled an exploration portfolio based on gold, base metals (copper, nickel, lead, zinc) and diamond prospects.

Uruguay Mineral Exploration Inc. is quoted in Canada (TSXV) and London (AIM) and RBC Capital Markets is its Nominated Adviser and Broker.

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Uruguay Mineral Exploration Inc.
Consolidated Interim Financial Statements
For the three month period ended August 31, 2007
(Unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the un-audited financial statements for the period ended August 31 2007.

Uruguay Mineral Exploration Inc.
Consolidated Balance Sheets
(Unaudited)
(Thousands of United States Dollars, except where indicated)

	As at	
	August 31, 2007	May 31, 2007
	$	$
Assets		
Current assets		
Cash and cash equivalents	**11,631**	13,978
Accounts receivable	**2,011**	2,275
Inventories	**9,818**	8,484
Prepaid expenses and other	**499**	647
	23,959	25,384
Property plant and equipment (Note 2)	**33,549**	30,714
Deferred exploration (Note 3)	**16,581**	16,316
Future income tax assets	**2,638**	2,387
Other non current assets	**142**	140
Total assets	**76,869**	74,941

Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**7,211**	6,238
Provision for dividends	**1,625**	-
Current portion of long term debt (Note 4)	**2,166**	1,231
	11,002	7,469
Long term tax payable	**2,414**	2,414
Long term debt (Note 4)	**165**	2,154
Asset retirement obligation	**2,036**	2,036
Total liabilities	**15,617**	14,073
Equity instruments (Note 5)	**35,372**	34,592
Warrants (Note 5)	**12**	12
Contributed surplus (Note 6)	**3,302**	3,297
Accumulated other comprehensive income	**(19)**	(19)
Retained earnings	**22,585**	22,986
Total shareholder's equity	**61,252**	60,868
Total liabilities and shareholder's equity	**76,869**	74,941

Approved by the Board of Directors

"David Fowler Director *"Tony Shearer"* Director

Uruguay Mineral Exploration Inc.
Consolidated Statements of Income, other comprehensive income and Retained Earnings
(Unaudited)
(Thousands of United States Dollars, except for earnings per share an weighted average number of shares outstanding)

	Three months ended	
	August 31	August 31
	2007	2006
	$	$
Sales	**13,253**	12,177
Operating expenses	**8,323**	6,749
Amortization, depletion and accretion	**2,412**	2,015
Operating expenses	**10,735**	8,764
Operating profit	**2,518**	3,413
Other expenses (gains)		
Stock based compensation expense	**192**	251
General and administrative	**1,011**	936
Fair value adjustment for derivatives	**-**	(1,247)
Foreign exchange loss / (gain)	**42**	63
Interest and financing fees (income)	**(121)**	(3)
Other expense (income)	**(13)**	
	1,111	-
Income before taxes	**1,407**	3,413
Current income taxes provision	**434**	620
Future income taxes provision (recovery)	**(251)**	226
Net income and comprehensive income for the period	**1,224**	2,567
Retained earnings, beginning of period	**22,986**	10,775
Provision for dividends	**(1,625)**	(1,485)
Retained earnings, end of period	**22,585**	11,857
Basic earnings per share (Note 5f)	**0.025**	0.054
Diluted earnings per share (Note 5f)	**0.025**	0.053
Basic weighted average no. of shares	**48,926,268**	47,971,597
Diluted weighted average no. of shares	**49,893,268**	48,763,335
Other comprehensive income at the beginning	**-**	-
Unrealized gain and losses on translating financial statements of self-sustaining foreign operations (Note 1b)	**(19)**	-
Accumulated other comprehensive income	**(19)**	-

Uruguay Mineral Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(Thousands of United States Dollars, except where indicated)

	Three months ended	
	August 31 2007	August 31 2006
	$	$
Operating activities		
Net income for the period	**1,224**	2,567
Adjustments for:		
Amortization, depletion and accretion	**2,412**	2,015
Deferred Stripping	**453**	(354)
Future Income taxes	**(251)**	226
Fair value adjustment of derivatives	**-**	(1,247)
Compensation expense – stock based	**192**	251
Other	**80**	45
	4,110	3,503
Net change in non-cash working capital balances (Note 8))	**51**	(278)
	4,161	3,225
Financing activities		
Proceeds from the issue of share capital	**593**	1,151
Payments of finance lease	**(46)**	(32)
	547	1,119
Investing activities		
Net proceeds from sale of assets	**-**	45
Purchase of property, plant and equipment and development costs	**(4,747)**	(3,399)
Exploration expenditure	**(2,308)**	(1,376)
	(7,055)	(4,730)
Increase in cash and cash equivalents	**(2,347)**	(386)
Cash and cash equivalents, beginning of period	**13,978**	8,931
Cash and cash equivalents, end of period	**11,631**	8,545

1. Significant Accounting policies

The unaudited interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The reference to "the Company" in these consolidated financial statements includes the parents and all of its subsidiaries.

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies referred in our most recently reported annual consolidated financial statements with the following exceptions:

(a) Deferred Stripping Costs

The Company is engaged in open pit mining incurring in costs of removing overburden and waste rock (stripping costs) during mine development and production phase.

Up to financial statements for the year ended May 2007, when stripping costs in the production phase were higher with respect to those arising from applying the expected average stripping ratio (the ratio of waste material to ore extracted) for the mine life, a portion of the waste removal costs has been attributed to future production and deferred, as it was considered a development cost incurred to gain access to the orebody. The amount deferred was subsequently amortized to the income statement when the actual stripping ratio falls below the expected average stripping ratio. These costs include the cost of drilling, blasting, loading and haulage of waste rock from the open pit to the waste pile.

Effectively 1st June 2007, the Company adopted the new recommendations issued by the Canadian Institute of Chartered accountants (EIC 160 "Stripping costs incurred in the Production Phase of a mining operation"), which require the costs associated with the removal of overburden and another mine waste materials that are incurred in the production phase of mining operations to be charged to income in the period in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity.

The new policy has been applied on a prospective basis to stripping costs incurred since 1st June 2007, and the accumulated deferred costs at the beginning of the financial year are being amortized over the remaining reserves accessed by the stripping activity using the units of production method. The accumulated deferred cost are shown under Property, Plant & Equipment while in the past have been shown as Other Deferred costs. Figures for previous financial statements have been adjusted to provide comparative figures.

The adoption of this standard had no material financial impact on the financial statements of the Company.

(b) Comprehensive income and other comprehensive income

Effective 1st of June 2007, the Company has applied the Canadian Institute of Chartered Accountants Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, 1530, “Comprehensive Income”, and 3865, “Hedges”.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;

- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method;

- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. :

The Company has not accrued any other comprehensive income during the quarter but actually carries a historical accumulated currency translation adjustment for self-sustaining foreign operations
that is reclassified to accumulated other comprehensive income upon transition to the new standard.

Other than this transition adjustment, the adoption of these standards had no financial impact on the financial statements of the Company.

(Thousands of United States Dollars, except where indicated)

2. Property, Plant and Equipment

August 31, 2007

	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights (a)	**$ 2,081**	**$**	**$ 2,081**
Plant and equipment (b)	**25,408**	**12,197**	**13,211**
Asset retirement obligation	**2,044**	**1,446**	**598**
Deferred stripping (Note 2a)	**4,829**	**453**	**4,376**
Development costs (c)	**21,539**	**8,256**	**13,283**
	$ 55,901	**$ 22,352**	**$ 33,549**

May 31, 2007

	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights	$ 2,077	$ -	$ 2,077
Plant and equipment	25,411	12,391	13,020
Asset retirement obligation	2,044	1,385	659
Deferred stripping costs	4,829	-	4,829
Development costs	17,210	7,081	10,129
	$ 51,571	$ 20,857	$ 30,714

(a) The plant is located on leased land. The lease expires in 2026. No further payments are due on the lease.

(b) Included in plant and equipment is $ 1,062 (May 2007 - $1,114) of major spare parts that are amortized over 5 years. These major spare parts are maintained to ensure the uninterrupted operation of the production equipment before an unexpected breakdown or equipment failure.

(c) Included in development costs are $ 2,825 (May 2007 - $2,830) of pre-production stripping costs that have not yet began to be amortized as are costs related to deposit from which production has not commenced.

(Thousands of United States Dollars, except where indicated)

3. Deferred Exploration and Development Costs

	August 31, 2007	May 31, 2007
Acquisition costs and option payments	**$ 967**	$ 917
Exploration, development and other property costs	**13,814**	13,729
Capitalized indirect overheads	**1,800**	1,670
	$ 16,581	$ 16,316

Movements on deferred exploration and evaluation expenditure are shown hereinafter:

	August 31, 2007	May 31, 2006
Capitalized exploration and evaluation expenditure at beginning	**$ 16,316**	$ 11,184
Payments for exploration during the year	**2,308**	7,076
Transfer to Mine properties	**(2,043)**	185
Write off	**-**	(2,129)
Capitalized exploration and evaluation expenditure at end	**$ 16,581**	$ 16,316

(a) Explorations agreements & commitments:

a1) The Company has signed in previous years a farm-in agreement giving it the option to acquire a 100% interest in exploration permits along the Florida Greenstone Belt of southern Uruguay owned by a Uruguayan-based mineral exploration called Delcosur S.A. Upon execution of the contract, the Company acquired exploration information on the tenements for a consideration of $ 132 comprised of cash of $ 120 and 20,000 non-transferable warrants to purchase common shares of the Company, exercisable for a period of two years from the date of issuance, with a fair value of $ 12.
The Company is required to spend $ 1,050 on exploration over three years to exercise its option to acquire 100% of Delcosur tenements. Upon exercising this option, the Company is required to grant Delcosur a 1% Net Smelter Return on metal sales resulting from production sourced from the Delcosur tenements. Additionally, in the event that the Company develops a mining operation on the tenements, it will issue Delcosur or its nominees a further 350,000 non-transferable warrants to purchase common shares of the Company at a price calculated at a 20% premium over the five day average trading price prior to the issuance and will be exercisable for a period of two years from the date of issuance.

a2) The Company has the right to purchase shares of a Uruguayan company, Davinco S.A (Presidente Terra project) pursuant to an agreement dated May 14, 1997. Under this agreement the Company has the option to purchase 80% of Davinco shares for the amount of $ 750 payable in installments, and the 20% once a decision has been made to continue mineral exploration, at a variable price.
The initial installments for the purchase of the 80% of Davinco shares have been settled in the past, and a remaining last installment per $ 275 is due within five days after Davinco issues a feasibility study on the mineral properties.

(Thousands of United States Dollars, except where indicated)

a3) The Company has purchased in the past a Uruguayan diamond database to Southern Era Diamonds Inc. Under the terms of the agreement Southern Era was paid $ 20 and is entitled to an additional 0.8% royalty on any net diamond sales from any diamond deposit discovered by the Company in Uruguay. A further 0.2% royalty will be paid to a third party, who has an interest in the database.

a4) For the Texas and Mal Abrigo projects the Company has committed to a 2% net profits interest and a 2% net smelter return respectively, payable to the vendor. The Company may repurchase the net smelter return of the Mal Abrigo project at any time by paying a lump sum of $ 650.

(b) The Uruguay Mining legislation requires all mining titles to be supported by guarantees for any environmental rehabilitation requirements resulting from exploration activities. The Company has facility agreements with Uruguayan local insurance companies and banks to support the required guarantees. The total guarantees provided at August 31, 2007 were approximately $ 1,673 (May 2007 - $ 1,618).

4. Long Term Debt

	August 31, 2007	May 31, 2007
Drawn debt facilities		
Deferred payment on net profit interest acquisition (a)	**1,978**	2,985
Finance lease (b)	**353**	400
	2,331	3,385
Less current portion	**(2,166)**	(1,231)
	$ 165	2,154

(a) On November 30, 2005 a subsidiary of the Company issued three unsecured convertible notes with a face value of $ 1,050 pursuant to the acquisition of the 10% net profit interest over key tenements within the Minas de Corrales project. The three convertible notes are payable on or before July 30, 2006, July 30, 2007 and July 30, 2008 respectively. Each convertible note can be converted into 250,000 ordinary shares during a 30 day period prior to the final payment date for each installment. No interest accrues on the notes. As a part of the agreement, an additional $ 1,050 is also payable after the third anniversary date if the average monthly price of gold for the previous 36 months exceeds $ 400 per ounce. Management believes this condition will be met and the additional contingent payment has been recognized as a liability.

The two unsecured convertible notes expiring July 30, 2006 and 2007 were paid in cash and not converted into shares. The remaining convertible note plus the additional contingent payment (for a total nominal value of $ 2,100) are recorded at their net present value using an 8.5% discount rate.

(b) On May 31, 2006 a subsidiary of the Company signed a financial lease facility agreement of $ 500 with ABN AMRO N.V. Sucursal Montevideo for the purchase of light vehicles. The facility is payable in equal monthly installments over a three year period at 180 days LIBOR plus

2.5% rate of interest. As at 31 August 2007, $ 353 has been drawn under this facility. The vehicles purchased are included under Property, Plant & Equipment as expressed in note 5…

(c) Long term debt repayments are as follows:

Financial year ending	Net profit interest debt Nominal Value	Lease installments Nominal value
2008		142
2009	2,100	187
2010		24
2011 and beyond	-	
Total Nominal debt	2,100	353

5. Equity Instruments

(a) Authorized
Unlimited number of Common Shares

(b) Issued

Common shares	**August 31, 2007**			May 31, 2007		
	Number (000s)		**Amount**	**Number (000s)**		Amount
Issued and outstanding, beginning of period	**48,531**	**$**	**35,517**	47,525	$	33,595
Issued for stock options exercised	**395**		**780**	756		910
Issued for exercise of warrants for cash	**-**		**-**	250		1,012
Issued and Outstanding	**48,926**	**$**	**36,297**	48,531	$	35,517
Less: cumulative share issue costs (1)	**-**		**(925)**	-		(925)
Balance, end of period	**48,926**	**$**	**35,372**	48,531	$	34,592
Weighted average number of shares	**48,926**			48,259		

Warrants & convertible notes	**August 31, 2007**			May 31, 2007		
	Number		**Amount**	Number		Amount
Issued and outstanding, beginning of period	**520**	**$**	**12**	1,000	$	188
Issued for farm-in agreements				20		12
Expired	**(250)**		**-**	(250)		-
Exercised			**-**	(250)		(188)
Issued and outstanding, end of period	**270**	**$**	**12**	520	$	12
Total equity instruments	**49,196**	**$**	**35,384**	**48,779**	$	34,604

(1) These costs have been recorded gross of any related tax effect, as the ultimate utilization of any related tax benefit is currently uncertain.

(Thousands of United States Dollars, except where indicated)

At August 31, 2007, the Company has 20,000 (May 31, 2007 -20,000) warrants outstanding and 250,000 convertible notes (May 31, 2007 – 500,000). During the period, the Company issued nil (2007 – 20,000) warrants. The outstanding warrants are exercisable as follows:

Number of Warrants	Warrant Price CDN$	Expiry Date
20,000	4.56	March 23, 2009

(c) Net profit interest acquisition convertible notes: The Company issued three convertible notes that provided the holder with the option to convert the note, with a face value of $ 1,050, into 250.000 ordinary shares. The note may be converted during a 30 day period prior to the expiry date. The fair value of the option to convert the notes into ordinary shares was calculated as the difference between the nominal and fair value of the notes.

The convertible notes expire as follows:

Ordinary shares to be issued on conversion of promissory note	Option price $	Expiry date
250,000	4.20	July 30, 2008

The first two convertible notes expired in July 30, 2006 and 2007 and were not exercised.

(d) Warrants issued for farm-in agreements: On March 23, 2007, in accordance with an agreement with Delcosur the Company issued 20,000 non-transferable warrants to purchase common shares of the Company at an exercise price of CDN$ 4.56, and exercisable for a period of two years from the date of issuance. The fair value of these warrants was estimated using the Black Scholes option pricing model with the following assumptions: Dividend yield (CAD$ 0.035), Expected volatility (41%), risk free rate (3.97%) and a weighed average life of two years. As such, a fair value of $ 12 was attributed to these warrants.

(e) Employee Stock Options

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

For the quarter ending 31 August 2007, no options were granted and $ 192 (August 31, 2006 $ 251) of compensation expense was recorded for the vesting of previous issues. At August 31, 2007 the aggregate unamortized fair value of unvested stock options granted amounted to $ 989 (May 31 2007 - $ 1,181)".

The following table summarizes information regarding the Company's outstanding options as at August 31, 2007:

	Number of Shares (000's)	Option Price per Share Range CDN $	Weighted Average Exercise Price CDN $
Balance at beginning of period	3,304	$0.75 - $5.50	$4.06
Options – granted	-	-	-
Options – exercised or cancelled	(400)	$1.50 - $3.40	$ 1.74
Balance at end of year	2,904	$0.75 - $5.50	$ 4.38

At year end there were 2,904,000 options outstanding, of which 1,389,333 are exercisable. The weighted average exercise price of the options outstanding at August 31, 2007 is CDN$ 4.38 (May 31, 2007 $ 4.06).

The following table summarizes information about the stock options outstanding at August 31, 2007:

Outstanding				**Exercisable**	
Options 000s	Range of option price CDN $	Weighted average Exercise Price CDN $	Weighted average remaining contractual life Years	Options 000s	Weighted average Exercise Price CDN $
91	0.75 – 3.00	2.63	1.56	91	2.63
1,170	3.01 – 4.00	3.81	3.76	230	3.92
963	4.01 – 5.00	4.55	3.22	428	4.53
680	5.01 – 5.50	5.34	3.31	641	5.33
2,904				1,390	

(f) Earnings per share

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

	August 31, 2007	August 31, 2006
Basic earnings per share		
Numerator		
Net earnings available to shareholders	**$ 1,224**	$ 2,567
Denominator		
Weighted average earnings per share	**48,926,268**	47,971,597
Basic earnings per share (cents per share)	**0.025**	0.054

(Thousands of United States Dollars, except where indicated)

	August 31, 2007	August 31, 2006
Diluted earnings per share		
Numerator		
Net earnings available to shareholders	**$ 1,224**	$ 2,567
Denominator		
Weighted average shares outstanding	**48,926,268**	47,971,597
Potential net incremental issue of shares from warrants	**-**	-
Potential net incremental issue of shares from stock options	**967,000**	291,738
Potential net incremental issue of shares from convertible notes	**-**	500,000
Shares outstanding plus assumed conversions	**49,893,268**	48,763,335
Diluted earnings per share (cents per share)	**0.025**	0.053

6. Contributed Surplus

The following table summarizes the movements in contributed surplus for the period ended August 31, 2007.

	August 31, 2007	May 31, 2007
Balance at beginning of year	**$ 3,297**	$ 1,625
Stock based compensation	**192**	975
Commitment to issue a stock options		917
Transfer on exercise of options	**(187)**	(220)
Balance at end of year	**$ 3,302**	$ 3,297

(Thousands of United States Dollars, except where indicated)

7. Segment Information

The Company has three reportable segments: Gold, exploration and corporate. The corporate segment is responsible for corporate financing and other business development activities for the Company. The Gold segment operates the San Gregorio gold mine and the exploration segment is devoted to the acquisition and exploration of mineral properties.

	Gold	**Exploration**	**Corporate**	**Total**
For three months ending August 2007				
Net Sales	**13,253**	**-**	**-**	**13,253**
Amortization and depletion	**(2,264)**	**(148)**	**-**	**(2,412)**
Net interest gain (loss)	**121**	**-**	**-**	**121**
Income tax	**183**	**-**	**-**	**183**
Net income (loss)	**2,320**	**(766)**	**(330)**	**1,224**
Capital Expenditure including exploration	**4,747**	**2,308**	**-**	**7,055**
As at 31 August 2007				
Property, plant and equipment	**30,429**	**1,885**	**1,235**	**33,549**
Deferred exploration	**-**	**16,581**	**-**	**16,581**

	Gold	Exploration	Corporate	Total
For three months ending August 2006				
Net Sales	12,177	-	-	12,177
Amortization and depletion	(2,015)	-	-	(2,015)
Net interest gain (loss)	3	-	-	3
Income tax	846	-	-	846
Net income (loss)	3,385	(509)	(309)	2,567
Capital Expenditure	3,399	1,376	-	4,775
As at 31 May 2007				
Property, plant and equipment	27,507	1,972	1,235	30,714
Deferred exploration	-	16,316	-	16,316

(Thousands of United States Dollars, except where indicated)

8. Supplementary Cash Flow Information

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

	Three months ended August 31 2007	August 31 2006
Prepaid expenses and other	**$ 148**	$ (116)
Accounts receivable	**264**	(488)
Accounts payable and accrued liabilities	**973**	1,259
Inventory	**(1,334)**	(933)
Net change in non-cash working capital balances	**$ 51**	$ (278)

(b) Other information

	Three months ended August 31 2007	August 31 2006
Cash interest paid	$ 6	$ -
Cash taxes paid	-	28