
URUGUAY MINERAL EXPLORATION



**Management Discussion & Analysis
for the period ended November 30, 2008**

Prepared as at: January 14, 2009

Uruguay Mineral Exploration Inc.
Management Discussion and Analysis
November 30, 2008

(Thousands of United States Dollars, except where indicated)

Management's discussion and analysis ("MD&A") provides a discussion of the Company's financial and operating results for the quarter and the six month period ended November 30, 2008 with comparisons to previous quarters.

This MD&A accompanies, and should be read in conjunction with, the un-audited interim financial statements and accompanying notes of Uruguay Mineral Exploration Inc ("UME" or "Company") for the three and six month period ended November 30, 2008. All amounts are expressed in thousands of US\$, unless otherwise indicated. Cash costs are the exception in units per ounce. The reader should also refer to the audited financial statements for the two years ended May 31, 2008 and 2007 and the related Management Discussion and Analysis ("MD&A"), both of which are available on the Company's website at www.uruguayminerals.com and on SEDAR at www.sedar.com. The Company's financial statements and the financial data presented in this document have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A is effective as of January 14, 2009.

1. HIGHLIGHTS

Financial and Operational Highlights for the period ended November 30, 2008 include:

- Lower production than budgeted in the second quarter due to a shortfall in higher grade ore from Arenal. Production for the quarter was 15,837 ounces with total production for the first half of the year at 32,276 ounces. This compares to budgeted production of 20,500 ounces for the quarter and 36,800 ounces for the first half of the year. As a consequence, the mine plan for the remainder of the fiscal year has been reviewed and the production target for the year revised to a range of 72,000 to 75,000 ounces, compared to the original target of 80,000 ounces.
- Operating costs peaked during the quarter and have started to decline following reductions in fuel prices and the Uruguayan peso weakening against the US dollar. Operating costs for the quarter were higher than the corresponding quarter of the prior financial year, but below costs for the first quarter (2Q09: \$ 12,351; 2Q08: \$ 9,800; 1Q09: \$ 14,803). Prices for grinding media, explosives and other consumables have dropped during the quarter and further declines are expected.
- The Company is implementing an across the board cost cutting program including a 20% reduction in the number of employees. The benefits of these measures are expected to be realized gradually over the second half and in coming years.
- Cash cost for the quarter were \$US 811 per ounce compared to \$US 374 last year. The increase is due to lower production levels and high unit costs for consumables during 2009 when compared to 2008. As a consequence of increased production levels planned for the second half of 2009, the average cash cost for the fiscal year is forecasted to range between \$US 600 and \$ 630, compared to original target of \$US 575 per ounce.
- Exploration expenditure was \$ 3,327 for the quarter and \$ 6,408 for the six month period ended November 2008, reflecting the aggressive exploration programme performed by the Company on its main targets. This compares to \$ 2,493 and \$ 4,801 in the corresponding periods of previous years.
- Results of the work performed for key exploration projects are summarized below:

- At Rincón de los Castillos, 7 km from Arenal, rock chip sampling along the interpreted extension of the Arenal structural system has defined over one km of anomalous gold mineralisation. Additional mapping, soil sampling and a geophysical IP survey were completed on this target during the quarter. The IP survey has defined chargeability and resistivity anomalies that are interpreted to be areas of silica and pyrite mineralisation consistent with rock chip results. Permits required to drill this target have been obtained and drilling commenced in January.
- In Arenal Deepes, 10 drill holes were completed with significant mineralisation reported in six of the holes. Results have confirmed a thicker high grade core. Best results were 29 meters at 3.85 g/t from 300 meters in hole ALDD098 and 20.15 meters at 4.44 g/t from 374 meters in hole ALDD101. An independent resource estimate is expected to be completed by March 2009.
- In the Peru/Esperanza Trend (area with high grade resources in a 4 km trend, north east of San Gregorio), mapping and rock chip sampling has further defined the trend with new vein sets being identified and rock chip sampling confirming the high grade potential of the veins. Permits for drilling were received during the quarter and broad spaced drilling was completed over approximately 1/3 of the trend. Encouraging results were reported with 3 meters at 4.86 g/t Au from 26 meters in hole.
- In Paso de Lugo, the mineralised vein/shear system is extending to 3 km in length. The system is locally up to 150 meters wide. Permits to drill the prospect have been received in December.
- Expenditure on exploration will be reduced in the second half of fiscal 2009 with priority given to near mine projects. All expenditure on non gold exploration including Lascano will be minimised. Other capital expenditure will be reduced.
- UME's cash balance at the end of November was \$US 6,439 compared to budgeted levels of \$US 9,500. Despite lower production in the first half, the Company's objective is to finalize the 2009 financial year with a cash balance in a range of approximately \$US 8 to 10 million, compared to the original budget of approximately \$US 12 million.

2. OVERVIEW OF FINANCIAL RESULTS

2.1 Operating revenues

Operating revenues include gold sales, silver sales and export cost refunds granted by the Government of Uruguay for exports.

Doré containing a mix of gold and silver is shipped to a refiner in Europe. While risk of loss transfers to the refiner at the mine gate, sales are recognized when precious metals are refined and sold. Refining costs are included in operating expenses.

Total sales for the quarter were \$11,659 compared to \$ 21,180 for the corresponding period of the prior financial year. The average gold price for the quarter rose to \$ 796 per ounce from \$ 761 in the second quarter of 2007. For the six month period ended November 30, 2008, total sales were \$ 29,380 with an average gold price of \$ 852 compared to \$ 34,433 and \$719, respectively for the corresponding period of the previous year.

The decrease in sales for both the quarter and six months are due to lower production during the period.

During August 2008 the Company forward sold 45,000 ounces of gold at an average price of \$US 796.25 per ounce with deliveries of 5,000 ounces per month commencing September 2008. During the quarter the company delivered 13,754 ounces into forward sales recording a gain of \$61 when compared to the spot price on the day of delivery.

Table 1 - Sales composition

Quarter 2 - 2008	\$000's	Oz	\$ per oz
Gold	10,946	13,754	796
Silver	483	43,674	11
Export refund	230		
Total Sales	11,659		
Quarter 2 - 2007	\$000's		
Gold	20,125	26,461	761
Silver	596	43,083	14
Export refund	459		
Total Sales	21,180		
Year to date - 2008			
Gold	27,217	31,936	852
Silver	1,567	110,281	14
Export refund	596		
Total Sales	29,380		
Year to date - 2007			
Gold	32,673	45,448	719
Silver	970	72,680	13
Export refund	790		
Total Sales	34,433		

Uruguay Mineral Exploration Inc.
Management Discussion and Analysis
November 30, 2008

(Thousands of United States Dollars, except where indicated)

2.2 Profit (loss) before taxes

During the quarter the Company reported a net loss before taxes of \$ 7,047 compared to a net profit after taxes of \$ 5,717 for the second quarter of 2007. An operating loss for the quarter of \$ 6,663 was recorded compared to an operating profit of \$ 7,152 in the corresponding quarter of the prior year. For the six month period ended November 2008, UME reported a net loss before taxes of \$ 9,926 and an operating loss of \$ 6,745 in comparison to profits of \$ 7,124 and \$ 9,670, respectively for the same period in the previous year.

Table 2 (Operating Results) opposite shows the composition of the profit (loss) before taxes.

Table 2 - Operating Results

	Quarter 2 2008	Quarter 2 2007	YTD 2008	YTD 2007
	\$000's	\$000's	\$000's	\$000's
Revenue	11,659	21,180	29,380	34,433
Operating expenses	(12,351)	(9,800)	(27,154)	(17,670)
Contribution margin	(692)	11,380	2,226	16,763
Amortization	(5,971)	(4,228)	(8,971)	(7,093)
Operating profit (loss)	(6,663)	7,152	(6,745)	9,670
Fair value of derivatives	733	0	(795)	0
Other gains (expenses)	(1,117)	(1,435)	(2,386)	(2,546)
Profit (loss) before taxes	(7,047)	5,717	(9,926)	7,124

The year-on-year decrease in operating profit is attributable to lower production and higher operating costs. Production for the quarter was approximately 4,500 ounces less than budgeted. At an average sales price of \$US 796 per ounce this resulted in a revenue shortfall of approximately \$US 3,700. Amortization expense was increased by \$US 1,700 as a result of the shortfall in high grade ore from Arenal as the amortization base for the remaining ounces was adjusted for the shortfall. The total net impact of the loss of high grade ore at Arenal for the quarter was therefore \$ 5,400. The quarterly results also included \$ 1,845 of pre-strip costs for San Gregorio East which were expensed during the quarter (\$US 1,924 for the half). The strip ratio for this ore was 40 to 1 compared to 7.5 to 1 over the life of the pit. The results for the quarter include \$ 482 in reorganization expense.

The Company is implementing an across the board cost cutting program including a 20% reduction in the number of employees. The benefits of these measures and reductions in fuel prices, devaluation of the Uruguayan peso and consumable price reductions are expected to be realized over the second half and in coming years.

Net profit before taxes for the six month period was also negatively affected by an accumulated unrealized loss of \$ 795 derived from the fair value of the hedge committed in August 2008, with a gain of \$ 733 in the second quarter offsetting a loss of \$ 1,528 in the first quarter. The Company does not apply hedge accounting which would allow gains and losses on financial derivatives to be deferred to the same period or periods in which the underlying exposure being hedged is brought to account. Instead, the fair value of the financial derivative is recognized in the Company's net income in the period in which the hedge was committed using the spot price at period end and expected future gold prices. The hedging contract is expected to be settled within the financial year.

2.3 Operating costs

Operating expenses were \$12,351 for the quarter, equivalent to cash costs per ounce of \$811. This compares to an operating expense of \$ 9,800 for the second quarter of the prior financial year, or cash costs per ounce of \$374. For the six month period ended November 2008, operating expenses were \$ 27,154, equivalent to a cash cost per ounce of \$801. This compared to operating expenses of \$ 17,670 and a cash cost of \$ 395 per ounce for the corresponding period of the previous fiscal year.

Approximately 70% of the year-on-year difference in cash costs for the quarter is explained by lower production. The remaining 30% is explained by higher costs.

Table 3 - Reconciliation of Operating costs to cash cost per ounce

	Q2 2008	Q2 2007	YTD 2008	YTD 2007
	\$000`s	\$000`s	\$000`s	\$000`s
Operating expenses	12,351	9,800	27,154	17,670
Movement in non ore inventories	408	262	(331)	460
Reorganisation plan contingent payment	(312)	0	(312)	0
Deferred stripping included in depreciation	1,062	783	1,417	1,235
Other costs	48	50	96	83
Export refund and Silver credit.	(714)	(1,055)	(2,164)	(1,760)
Total cash costs	12,843	9,840	25,860	17,688
Gold production in ounces	15,837	26,317	32,276	44,805
Total cash costs per ounce	811	374	801	395

Cost levels peaked in October and have since declined significantly, driven by the USD appreciation against the Uruguayan peso, reduction in the

price of oil and other consumables. Adjustments to costs were only realised late in the second quarter with limited impact on the second fiscal quarter. Significant costs reductions are expected in the second half of the fiscal 2009 as a result of the:

- decline in oil prices and the appreciation of the USD against Uruguayan peso currency;
- cost reduction program, including a 20% reduction in number of employees at the end of December 2009. As part of this plan, employees move to the Uruguayan un-employment pension programme. If after six months they are not reincorporated, a severance payment under Uruguayan legislation is owed to the worker. A severance contingent payment of \$ 482 has been booked at the end of the quarter, out of which \$ 312 were allocated to operations costs; and
- reduction of prices through changes to quarterly rise and fall formulas or re-negotiation of prices with major consumable suppliers to fully benefit from the recent commodity price reductions (eg. explosives, cyanide, grinding media).

Offsetting these benefits in the second half will be an increase in mining costs for additional high grade ore that will be mined to replace the loss of high grade ore from Arenal.

2.4 Amortization and depletion

Amortization and depreciation expense was \$ 5,971 for the current quarter compared to \$ 4,228 in the corresponding quarter of the prior year. For the six month period ended November 2008, depreciation expense was \$ 8,971 compared to \$ 7,093. Depreciation includes straight line depreciation of fixed assets and the depreciation of mine properties based on

Table 4 - Depreciation composition

	Quarter 2 2008	Quarter 2 2007	YTD 2008	YTD 2007
	\$000's	\$000's	\$000's	\$000's
Fixed Assets	1,470	1,443	2,990	2,852
Arenal mine properties	2,604	1,898	3,325	2,839
Other mine properties	568	0	843	0
Deferred stripping	1,062	783	1,417	1,235
Asset retirement obligation	267	104	396	167
Total depreciation	5,971	4,228	8,971	7,093

contained ounces of gold in ore mined. Arenal mine properties depreciation was approximately \$ 1,700 more than planned during the quarter as the amortization base for the remaining ounces was adjusted by the shortfall in high grade ore confirmed. Other mine properties includes amortisation of mine properties related to pits other than Arenal including the Polvorin vein, Santa Teresa, San Gregorio East and Zapucay deposits.

Depreciation also includes previously accumulated deferred stripping costs. The Company has adopted EIC 160 under Canadian GAAP which requires that costs associated with the removal of overburden and other mine waste materials incurred in the production phase of operations be charged to income in the period that they are incurred. The new policy was adopted effective June 1, 2007 and applied on a prospective basis. However, previously deferred waste removal costs are still being depreciated over the remaining reserves accessed by the stripping activities using the units of production method. The shortfall in high grade in Arenal confirmed during the quarter increased the expense for the period per approximately \$ 470 as it reduced the depreciation base for the asset.

2.5 Other Revenues and corporate expenses

Other revenues and corporate expenses for the quarter were \$ 1,117 compared to \$ 1,435 for the second quarter of 2007. For the six month period ended November 2008, other revenues and corporate expenses were \$ 2,386 compared to \$ 2,546 for the corresponding period in previous year. A breakdown of such income and costs is shown opposite in Table 5.

Table 5 - Other revenues and corporate expenses

	Quarter 2 2008	Quarter 2 2007	YTD 2008	YTD 2007
	\$000's	\$000's	\$000's	\$000's
Corporate overheads	840	1,064	1,933	2,012
Capital tax	55	93	160	155
Severance provision	170	0	170	0
Stock based compensation	249	314	286	506
Foreign exchange gain	(176)	(92)	(24)	(50)
Net interest gain (loss)	76	132	22	59
Other expenses (income)	(97)	(76)	(161)	(136)
	1,117	1,435	2,386	2,546

During the quarter 912,750 options were granted at a price of CDN 0.60 per option vested annually in three equal instalments with the first instalment vesting on the date of grant of 15 October, 2008. No other options have been granted this fiscal year. The value of the grant calculated in accordance with the Black Scholes option pricing model was \$ 188. This value will be amortised in accordance with the vesting schedule. The calculation assumed an expected option life of 3.1 years, volatility of 55%, a risk free interest rate of 3.12% and no dividend. The stock option expense for the quarter was \$ 249 against \$ 314 for the corresponding quarter of the prior year and \$ 286 against \$ 506 compared on a year to date basis. The expense for the half includes the reversal of \$ 206 for options forfeited before their expiry date.

Under a cost reduction programme implemented by the Company, \$ 170 was provided for severance payments for exploration and corporate employees.

2.6 Taxes

As at May 2008, the Company's income tax provision had not yet included a tax investment benefit expected to be granted by the Uruguayan government to the Company for investments performed in Uruguay during the 2008 and 2009 fiscal years and that could be applied to reduce the tax payable for the 2008 fiscal year. At the time of filing the annual tax return, during the current quarter, the Company received a provisional authorization from the Government to use this tax benefit estimated at \$ 1,100.

During the current quarter, an expense of \$ 1,970 for deferred tax was booked compared to a gain of \$ 654 for the corresponding quarter in the previous year. For the six month period ended November 2008, the deferred tax expense was \$ 1,945 compared to a tax benefit of \$ 905 for the corresponding period in the previous year. The expense for the quarter is mostly due to foreign exchange losses on deferred tax balances for the appreciation of the US dollar against the Uruguayan peso. The deferred tax benefits for losses incurred in the first half has not yet been recognised in this quarter. These losses can be used to offset future period profits and also potentially to pay long term tax payable of \$ 2,414. Following further tax and legal advise next quarter, a tax benefit of approximately \$ 800 will be booked if appropriate.

2.7 Production

During the quarter 303,740 tonnes of ore at an average grade of 1.72 g/t were processed at San Gregorio to produce 15,837 ounces of gold. The main reason for the year-on-year reduction in production from 26,317 ounces in the second quarter of 2007 was the lower gold grade this quarter (1.72 vs 3.00 g/t). However, recovery for the quarter stood at 94.2%, which was above the budget estimate due to a consistently finer grind.

Ore was sourced primarily from the Arenal open pit, but supplemented from Polvorín and San Gregorio East Extension. Ore reconciliation at Arenal suffered a significant negative variance from the geological model due to high variability of mineralization on the western portion of the deposit and previously un-interpreted structural controls on a hanging-wall ore lens. These variations have caused the non-realisation of approximately 20,000 ounces of high grade ore. As production enters its final semester at the Arenal open pit, excavation progresses away from these zones of poor reconciliation and returns to the central core of the deposit that has historically demonstrated very good reconciliation. Notwithstanding the anticipated improvement, a further loss of 3,000 ounces has been included in the revised production forecast range of 72,000 to 75,000 ounces.

The loss of high grade ore at Arenal has been largely offset by production at Polvorín and better than expected results at San Gregorio East Extension. Ongoing near-mine exploration success has been attained in the definition of extensions to the Veta Sur mineralized trend, Zapucay and Santa Teresa. These successes are underwriting the revised production forecast range for the 2009 financial year.

Although the initial Polvorín resource has now been exhausted, exploration has defined potential parallel structures which may provide additional high grade, supplemental feed to the plant.

Stabilisation works above the east wall of Arenal were completed during the quarter and have reduced the risk of further ground movement. Ongoing monitoring of the north-west wall of Arenal show that ground movement has ceased and no immediate risk to production is present.

During the quarter, backfill was continued to be placed into the Veta A pit next to the Tailings Storage Facility. This was completed to a standard which allowed the reinstallation of the operation's power supply line on its original trajectory. The reconnection of power was performed during a programmed maintenance period of the process plant and no production loss was suffered.

Production statistics are summarized in Table 6 below.

Table 6 - Quarterly production statistics

	Q3 Feb-07	Q4 May-07	Q1 Aug-07	Q2 Nov-07	Q3 Feb-08	Q4 May-08	Q1 Aug-08	Q2 Nov-08
Ore processed (tonnes)	331,058	344,417	326,974	293,657	313,340	310,370	335,832	303,740
Head Grade (g/t Au)	2.79	2.81	1.92	3.00	2.71	2.25	1.67	1.72
Recovery	94.1%	94.2%	91.5%	93.0%	92.2%	92.3%	91.4%	94.2%
Gold produced (ounces)	27,921	29,265	18,488	26,317	25,150	20,713	16,439	15,837

3. FINANCIAL POSITION

3.1 Cash and other liquid resources

Cash decreased from \$ 18,601 at the beginning of the year and from \$ 12,351 at the beginning of the quarter to \$ 6,439 at November 30, 2008.

Cash flow from operations for the quarter was \$ 84 and \$ 1,813 for the first half, before investment in working capital items. This compared to \$ 8,482 and \$ 12,592 in the corresponding quarter and six month period of the prior year. The decrease in cash flow from operations was primarily a result of the increase in operating expenses and lower production volumes.

Despite lower production in the first half the Company's objective is to finish the 2009 financial year with a cash balance in a range of approximately \$US 8 to 10 million compared to its original budget of approximately \$US 12 million. To achieve this, the Company is implementing a cost reduction program as explained in earlier sections and reducing working capital invested in inventories and receivables. Budgeted exploration expenditure for the second half will also be reduced by \$ 1,250 with priority given to near mine projects.

After paying down \$ 2,194 in debt during the half (including \$ 2,100 for the acquisition of the net profit interest over key tenements in Arenal project), debt has been reduced to \$ 118 in lease liabilities, leaving the Company almost debt free.

3.2 Working capital items

During the quarter, the Company invested \$ 2,038 in working capital items compared to a cash inflow of \$ 300 in the corresponding quarter of the previous year. For the half an investment of \$ 2,615 was made in working capital compared to a cash inflow of \$ 351 in the corresponding period of the prior financial year.

The increase in working capital items is principally attributed to the stock of gold ready to be sold at the end of the quarter (and finally sold on December 1, 2008) plus a higher volume of Uruguayan tax credits that can be used to pay future tax liabilities. The Uruguayan Government has announced several anti crisis measures during December 2008, including the opportunity to cash out a portion of tax refunds. During the third fiscal quarter the Company intends to apply for such benefit and thus convert a portion of its tax credits into cash.

The Company is also focused on reducing investment in consumable and repair inventories to free up additional working capital.

3.3 Capital Expenditure

Expenditure on property, plant and equipment for the quarter was \$ 584 compared to \$ 1,354 for the corresponding quarter of the prior year, and \$ 4,457 for the half compared to \$ 6,101 in the corresponding half of the prior financial year

Payments for the half year included \$ 2,100 to settle debt for the acquisition of the 10% net profit interest over a key tenement within the Minas de Corrales project, including the tenement in which Arenal deposit is located. This represents the last payment for the acquisition of such interest with no debt outstanding. In addition, \$ 2,357 was invested in property, plant and equipment, mainly in the acquisition of an additional used PC1250 excavator, and the completion of the construction of the tailings facilities and pre-stripping activities in the San Gregorio East pit. The majority of the capital expenditure budgeted on property, plant and equipment for the whole financial year has already been spent in the first half.

Exploration expenditure was \$ 3,327 for the quarter and \$ 6,408 for the six month period ended November 2008, reflecting the aggressive exploration programme performed by the Company on its main targets. This compares to \$ 2,493 and \$ 4,801 in the corresponding periods of previous years. A detail of the investment by area is provided in Table 7 below.

Table 7 – Exploration expenditure by areas

Project Area	Balance 31 May 2008	Transfer to Mine Properties	(Write off)	Expenditure 2008	Balance 30 November 2008
Isla Cristalina Belt	\$ 1,968	-	-	3,603	5,571
South Uruguay exploration	4,019	-	-	1,468	5,487
Lascano	2,961	-	-	1,013	3,974
Diamonds	-	-	-	18	18
Others	-	-	-	182	182
Indirect overheads	-	-	-	124	124
Total	\$ 8,948	-	-	6,408	15,356

During the six month period ended November 2008, \$ 3,603 was invested in near mine exploration activities and exploration within the Isla Cristalina Belt, \$ 1,468 was invested on other gold projects in the Florida and Dom Feliciano Belts and \$ 1,013 in the Lascano drilling program. A further \$ 324 was invested in general exploration overheads, base metals and diamonds projects and the evaluation of a possible acquisition outside of Uruguayan.

Each of the major project areas is described in section 12 of this document. Details of work performed during the quarter and the six month period are included in the Company's Exploration Report for the quarter ended November 30, 2008.

3.4 Funding

During the quarter and in the corresponding quarter of the prior financial year no employee options were exercised. During the current half no employee options were exercised. During the first half of the prior year 395,333 employee options were exercised providing proceeds of \$ 593.

At November 30, 2008 the Company had 3,593,750 stock options at an average exercise price of \$CDN 3.11 out of which 2,110,583 were vested at an average price of \$CDN 3.64. The decline in the Company's stock price left all outstanding employee options "out of the money".

At November 30, 2008 UME had outstanding 20,000 non transferable warrants at an exercise price of \$CDN 4.56 expiring in March 2009.

On December 11, 2007 the Company announced its intention to buy back up to \$CDN 2,000,000 of its common shares over a 12 month period. During the period, 143,800 common shares were repurchased at a weighted average price of \$CDN 2.85 per share resulting in a cash investment of \$ 401. To-date, a total of 274,200 common shares were repurchased for a total of \$ 807. No more purchases are planned.

3.5 Financial instruments

UME does not enter into financial instruments for trading or speculative purposes. The level of derivatives contracts the Company has entered into in the past has been consistent with forecast production.

In August 2008, UME committed to forward sell 45,000 ounces of gold representing approximately 70% of forecast production for the last nine months of the fiscal year. The forward price was \$US 796.25 per ounce and is deliverable on a monthly fixed amount of 5,000 ounces from September 2008 to May 2009.

A loss of \$ 795 is shown in the six month period to reflect the fair value of the hedge commitment for the current financial year. A gain of \$ 733 is shown for the quarter for the same period. The fair value amount is shown net of its tax effect.

At the end of November 2008, 13,754 ounces of gold were delivered into the hedge and other 31,246 ounces committed are still outstanding. A cumulative gain of \$ 61 has been recorded from selling gold into forward contracts rather than selling at spot price.

3.6 Contractual obligations and commitments

The Company's contractual obligations and commitments are as follows

	Total	Less than 1 Year	1-2 Years	2-3 years	3-4 years	More than 4 Years
Finance Lease	118	111	7	-	-	-
Asset Retirement Obligations	2,940	0	617	2,173	107	43
Total	3,058	111	624	2,173	107	43

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. The Company is required to spend \$ 1,050 on exploration over three years to exercise its option to acquire 100% of Delcosur tenements. Upon exercise of the option by the Company, Delcosur will be entitled to receive a net smelter return royalty of 1% from any gold production from the properties acquired from Delcosur.

On May 22, 2007 the Company executed with ABN AMRO NV Sucursal Montevideo a guarantee letter by which a line of credit of \$ 2,500 was granted to the Company to be used for trade facilities, leasing, issuance of guarantees and general purposes. As of November 30 2008, \$ 118 was drawn for vehicle leasing, \$ 728 was used for the issuance of guarantees for exploration permits and nil was used for letter of credit facilities.

Uruguayan mining and environmental legislation requires environmental obligations to be supported by guarantees. As a result, a rehabilitation guarantee letter of credit of \$ 1,500 has been provided by Macquarie Bank.

Under the terms of the agreement with Southern Era Diamonds Inc the Company has an obligation to pay a royalty of 1% on any net diamond sales from any diamond deposit discovered by the Company in Uruguay.

There were no new obligations or commitments executed during the quarter.

4. OUTLOOK

Following this quarter's production shortfall, the Company has further reviewed its mine plan and adjusted its production objective for the year to a range of 72,000 to 75,000 ounces, compared to its original target of 80,000 ounces.

Average cash costs per ounce for the fiscal year, have been revised to a range of \$US 600 to \$US 630, compared to the original target of \$US 575 per ounce and an average cash cost per ounce of \$US 801 for the first six months. Cash costs during the second half of the year are expected to improve as a result of: higher production levels; the implementation of a company-wide cost cutting program including a 20% reduction in the workforce; the decline in the price of fuel and consumables; and the positive impact of the depreciation of the Uruguayan peso against the US dollar.

Expenditure on exploration will be reduced by \$1,250 arising to \$3,900 million in the second half of fiscal 2009 with priority given to near mine projects and high grade targets.

The Company expects to close the fiscal year with a cash balance in a range of approximately \$US 8 to 10 million, compared to its original budget of approximately \$US 12 million.

5. RELATED PARTY TRANSACTIONS

The Company has no related party transactions.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may vary from related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Economic lives of mining assets and recoverable value: The economic lives of the Company's mining operation and development assets is based upon the individual mine's mineral reserves. The Company's resources and reserves are calculated in accordance with mining standards and in compliance with NI 43-101 requirements, and the Company reviews and re-evaluates the estimated future discounted net cash flows of its mines and development properties on a regular basis, to ensure that they exceed the carrying value for each property. These calculations rely on estimated reserves and/or resources, estimated future commodity price and production cost.

Inventory: the value assigned to ore stockpiles, in process inventories and finished metal inventories are based on estimated volumes and grades. Volume and grade estimates are made relying on assays and other sampling tests. Medium and high grade ore and production inventories are subject to a net realized value test assuming a gold price in the medium term of USD 700 per ounce. Low grade ore stocks are assigned no value.

Asset retirement obligation: the fair value of the liability is determined based on the net present value of estimated future costs done by management based on feasibility and engineering studies on a site by site basis. The discounted value of these asset retirement obligations as at November 30 2008 was \$ 2,940 and is included in the mine closure and site restoration liability. The \$ 615 unamortized balance of asset retirement costs as at November 30, 2008 is included in property, plant and equipment. While care was taken to estimate the asset retirement obligations, these amounts are estimates of expenditures that are not due until future years;

Share based compensation: The Company has chosen to use the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option and the volatility of the company's share price.

Net future income tax assets and liabilities: Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences may impact the carrying amount of future income taxes.

Exploration and evaluation expenditure: The recoverability of amounts shown for capitalized exploration and evaluation expenditure is dependant upon the discovery of economically recoverable reserves.

7. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

7.1 Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Continuous Disclosure Policy Procedure, our Code of Business Conduct and Ethics, our Insider Trading Policy and Share Trading Code and Price Sensitive Information Policy, our Whistleblower Policy, Release of Public Information Policy and the effective functioning of the Audit Committee and Board of Directors.

As at the end of the period covered by this management's discussion and analysis, management of the Corporation, with the participation of the President and CEO and the CFO, does not expect that the Corporation's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud and error, if any, within the Corporation have been detected.

As at the end of the period covered by this management's discussion and analysis, management of the Corporation, with the participation of the CEO and the CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

7.2 Internal Controls over Financial Reporting

Multilateral Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined therein, for the Corporation, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the

Corporation has disclosed any changes in its ICFR during its most recent interim period that has materially affected, or is reasonably likely to materially affect its financial reporting.

As discussed above, the inherent limitations in all controls systems are such that they can provide only reasonable, not absolute, assurance that all controls issues and instances of fraud or error, if any, within the Corporation have been detected. Therefore, no matter how well designed, ICFR has inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

During the period covered by this management, discussion and analysis, the Corporation's senior management, including CEO and CFO, evaluated the existence and design of the Corporation's ICFR and confirm there were no changes to the ICFR that have occurred during the financial year ended May 31, 2008 which materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

8. RISKS AND UNCERTAINTIES

UME's net earnings in the near-term are affected principally by its mining operations and, in the longer term, will be affected primarily by the success or failure of its exploration and development activities. The Board recognizes that the exploration and development of natural resources is a speculative activity that involves a large numbers of uncertainties, and a degree of financial risk. Accordingly the Board considers the risks to which the Corporation is exposed as part of its regular operations, and keeps these under review.

The principal risks are considered to be those set out below.

8.1 Sensitivity to commodity prices and foreign exchange rates

UME's revenues, net earnings and cash flow from operations are affected materially by changes in the price of gold. Gold has historically been subject to large price fluctuations, and is affected by factors which are unpredictable, including international economic and political conditions, speculative activities, the relative exchange rate of the US dollar with other currencies, inflation, global and regional levels of supply and demand and the gold inventory levels maintained by producers and others.

UME's gold sales are priced in US dollars while its operating costs are predominantly incurred in US dollars, Canadian dollars and Uruguayan pesos. UME has financial exposure to foreign exchange fluctuations in the Uruguayan peso and the Canadian dollar relative to the US dollar.

UME uses diesel to operate its mobile equipment fleet. While there is some historical correlation between the fuel price and gold price UME's operating costs and cash flows are materially affected by changes in the oil price.

8.2 Key Personnel Risks

Recruiting and retaining qualified personnel is critical to UME's success. The number of skilled mining and exploration professionals in Uruguay is limited and competition for such persons is intense in the global mining industry. As the UME's business activity continues to grow, it will be required to hire additional personnel and retain the services of key personnel. Although UME believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

8.3 Exploration, Mining and Operational Risks

UME's longer term strategy depends to a certain extent on its ability to find commercial quantities of minerals within Uruguay, and to obtain and retain appropriate access to these minerals. The Board cannot guarantee that it will be able to identify appropriate properties, or negotiate acquisitions, on favorable terms.

UME currently has one producing asset, the Minas de Corrales gold project. As more of its projects mature, the Board expects that more projects will develop into producing assets. In common with all mining operations, there is uncertainty, and therefore risk, associated with operating parameters and costs. Whilst costs can be budgeted with a reasonable degree of confidence, operating parameters can be difficult to predict and are often affected by factors outside the Group's control. In addition, other risks, including cuts in electricity supply, fuel supply shortages, industrial accidents, technical failures, labor disputes and environmental hazards are also beyond the Group's control.

The nature of resource and reserve quantification studies means that there can be no guarantee that estimates of quantities and grades of minerals will be available to extract. The figures for reserves and resources estimates are determined in accordance with National Instrument 43-101, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and resources

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. There is no assurance that commercial quantities of ore will be discovered on any of UME's exploration properties. There is no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced

The Arroyo (Stream) Corrales has been diverted to allow expansion of the Arenal Pit. There is a risk of water ingress into the pit as a result of this diversion. Geotechnical studies and detailed field investigation during diversion construction has identified no permeable structures that could permit significant water flow between the river diversion and the Arenal pit. Together with the 100m spacing between the river diversion and the designed ultimate pit crest of Arenal, the probability of significant water inflow into the open pit is considered to be low. This will continue to be monitored and dealt with on an operational level via standard industry counter measures should any unforeseen inflow occur.

The flood protection dykes are built to a 1 in 1,000 year rainfall criteria and need to protect the Arenal open pit operations for 3 years. Whilst statistically this design criteria is considered to be adequate, there can be no guarantee that a 1 in 1,000 year flood event does not occur within the next three years. Obviously the operational impact of such a rainfall event is dependent upon its size, but historically large flooding events are of short duration with water levels peaking after much warning. Such events do not pose a significant risk to personnel or equipment; however contingency plans for pit recovery through pumping are to be evaluated.

The Company's business activities are also affected to varying degrees by government regulations respecting, among other things, tax, royalties, utilities service supply, mining legislation and environmental legislation changes.

8.4 Title Risks

All prospecting, exploration and mining licenses and titles in Uruguay are granted by the Government of Uruguay for finite periods of time. The Government is bound by strict rules of priority of application, and security of title once granted. However Uruguay is a sovereign state, and there can be no guarantee that the State will continue to grant or respect mining titles, and that the titles of the properties will not be challenged or negated for political or legal reasons.

Individual titles expire from time to time and UME manages the process of retaining its rights by re-application or conversion to other forms of title relevant to each stage of development. The process of re-application involves some risk however, as released titles must fall open before they can be re-applied for.

8.5 Political and Economic Risks

Political conditions in Uruguay are stable. Changes may however occur in Uruguay's political, fiscal and legal system that might affect the ownership or operation of the Group's interests, including inter alia, changes in exchange control regulations, expropriation of mining rights, changes of government and in legislative and regulatory regimes. The relationship with the Trade Unions and the Ministry of Labour has been correct. However, specially in circumstances of staff reorganization, labour conflict may occur that might affect the operation of the Company.

Uruguay Mineral Exploration Inc.
Management Discussion and Analysis
November 30, 2008

(Thousands of United States Dollars, except where indicated)

9. QUARTERLY RESULTS

	Qtr 3 Feb 2007	Qtr 4 May 2007	Qtr 1 Aug 2007	Qtr 2 Nov 2007	Qtr 3 Feb 2008	Qtr 4 May 2008	Qtr 1 Aug 2008	Qtr 2 Nov 2008
Gold sold (ounces)	24,731	31,550	18,987	26,461	23,746	22,911	18,182	13,754
Average sales price (\$/oz)	638	658	661	761	888	926	895	796
Cash operating cost (\$/oz)	253	273	425	374	342	540	792	811
Operating revenues	16,606	21,840	13,253	21,180	22,220	22,408	17,721	11,659
Operating expenses	(7,715)	(8,775)	(7,870)	(9,800)	(9,244)	(12,033)	(14,803)	(12,351)
Contribution Margin	8,891	13,065	5,383	11,380	12,976	10,375	2,918	(692)
Administration expenses	(1,507)	(1,346)	(1,203)	(1,469)	(1,333)	(1,392)	(1,234)	(1,315)
Amortization and depletion	(1,990)	(3,460)	(2,865)	(4,397)	(3,596)	(4,866)	(3,000)	(5,971)
Fair value of derivatives	0	0	0	0	0	0	(1,528)	733
Exploration write off	0		0	0	0	(11,103)	0	0
Interest and foreign exchange	(79)	(65)	79	160	125	(25)	(99)	223
Other	75	(1,998)	13	43	24	371	64	(25)
Income Tax	(1,491)	141	(183)	(1,348)	(2,254)	2,903	25	(860)
Net income for the period	3,899	6,337	1,224	4,369	5,942	(3,737)	(2,854)	(7,907)
Basic earnings per share	0.08	0.13	0.03	0.09	0.12	(0.08)	(0.06)	(0.16)
Cash flow from (used in) operations	4,840	13,621	4,161	8,782	4,416	9,129	1,152	(1,954)
Cash from (used for) financing	365	(837)	547	(1,825)	(316)	(1,152)	(448)	(47)
Cash invested	(3,211)	(6,602)	(7,055)	(3,847)	(3,899)	(4,318)	(6,954)	(3,911)
Cash on hand	7,796	13,978	11,631	14,741	14,942	18,601	12,351	6,439
Total Assets	66,177	74,941	76,869	82,418	87,164	83,359	79,155	71,655
Shareholders Equity	54,306	60,868	61,252	65,783	70,720	66,960	63,742	56,084

10. NON GAAP MEASURES

Cash flow from operations, contribution margin and cash cost per ounce are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non GAAP measures. Therefore these measures may not be comparable to similar measures presented by other issuers. These measures have been presented in this MD&A as additional information regarding the Company's financial performance and financial position.

Cash flow from operations is calculated by adding back non-cash items to earnings. Contribution margin has been calculated by deducting operating expenses from sales. Operating expenses include movements in inventories but exclude operating Amortization and depletion.

Cash cost per ounce are determined according to the Gold Institute Standard and consist of site costs for all mining, processing, administration, royalties, refining charges, silver credits and inventory adjustments relating to metal production. Capital expenditure, depletion and amortization, corporate costs and financing costs are

Uruguay Mineral Exploration Inc.
Management Discussion and Analysis
November 30, 2008

(Thousands of United States Dollars, except where indicated)

not included. Cash costs are total cash costs divided by gold ounces produced. This calculation is detailed below.

	Quarter 3 Feb 2007	Quarter 4 May 2007	Quarter 1 Aug-07	Quarter 2 Nov-07	Quarter 3 Feb-08	Quarter 4 May-08	Quarter 1 Aug-08	Quarter 2 Nov- 08
Operating expenses (000)	7,374	9,738	7,870	9,800	9,244	12,033	14,803	12,351
Other (000)	(303)	(1,748)	18	36	(690)	(830)	(1,786)	492
Total cash costs (000)	7,071	7,990	7,852	9,836	8,554	11,203	13,017	12,843
Gold production in ounces	27,921	29,265	18,488	26,317	25,150	20,737	16,439	15,837
Total cash costs per ounce	253	273	425	374	342	540	792	811

11. FORWARD LOOKING STATEMENTS

Certain information contained in this Management Discussion and Analysis constitutes “forward- looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and forward looking information under applicable Canadian Securities Legislation. Such forward-looking statements or information, included but not limited to those with respect to prices for gold, estimated future production, estimated costs of production, the Company’s hedging policy involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein include among others, gold price, weather, exploration results, development and mining activities, geotechnical assumptions, environmental approvals and the availability of technical personnel.

Uruguay Mineral Exploration Inc.
Schedule of Deferred Exploration and Evaluation Costs
(Unaudited)

(Thousands of United States Dollars, except where indicated)

12. EXPLORATION PROJECTS DESCRIPTION

12.1 Isla Cristalina Belt ("ICB"):

The Isla Cristalina Belt is located 450 km from Montevideo in Northern Uruguay and hosts the Company's one operating gold mine at San Gregorio, in the Minas de Corrales District. This belt is an erosion window into the crystalline Proterozoic basement rocks of northern Uruguay, approximately 110km in length and 40 km in width. The belt of rocks is composed of Proterozoic granites and greenstones ranging in metamorphic grade from greenschist to amphibolite facies. Anomalous gold mineralization exists across the entire 110 km strike length of the belt. Exploration activities are focused around the San Gregorio mine, in the Zapucay district and regional exploration in the eastern and western ends of the belt.

12.2 Florida /Arroyo Grande greenstone belts (Piedra Alta Terrain)

The Florida and Arroyo Grande greenstone belts are composed of Proterozoic meta-volcanic and meta-sedimentary rocks which are hosted in granitic terrain of the Rio de La Plata Craton. This group of rocks is referred to as the Piedra Alta terrain in Uruguay and occupies the southwestern third of the country. This set of rocks is exposed for 240 kilometers from the western side of the Don Feliciano Mobile Belt to nearly the western border of the country. Exposure of these rocks can be seen locally along the coast line in Montevideo and north 175 kilometers where they are covered by younger Paleozoic and Mesozoic sediments and basaltic lava flows. UME has several gold exploration projects in the Piedra Alta Terrain including Casupa/Crucera, Paso de Lugo, and Nueva Helvecia. Projects are hosted in granitic rocks as well as green stone terrains.

12.3 Don Feliciano Belt

The southern end of the Don Feliciano mobile belt lies 95 kilometres east of Montevideo and trends north-northwest. The belt is exposed for over 250 kilometres along strike and is 40-50 kilometres in width. Younger Paleozoic sedimentary rocks cover the northern third of the belt in Uruguay. The belt of rocks is defined by a structurally deformed Proterozoic meta-sediments, schist and granitoids which are bound on the east and west by two major north trending shears. The mobile belt formed as a result of the collision between South America and Africa at the end of the Proterozoic period. Limited historic precious and base metal mining is reported from the belt. UME has a number of precious metal projects located within this belt of rocks including Presidente Terra and Texas. Lead, Zinc and Nickel properties such as Retamosa, Isla Patrulla and Maria Albina are also located within this belt.

12.4 Lascano

The Lascano project is located 240 kilometres northeast of Montevideo in the Laguna Marin basin. The project is defined by three large circular, 20 kilometres in diameter, geophysical anomalies. Surface out crop is limited over the anomalies. The anomalies were defined by results from an airborne geophysical survey completed by Bell Geophysical. Drilling this last year has defined lithology which underlies the central anomaly. Units encountered to date include felsic to mafic intrusive rocks that intrude a thick package of vesicular basalt. Minor intermediate and felsic volcanic rocks are also present to a lesser extent. Rock units encountered

Uruguay Mineral Exploration Inc.
Schedule of Deferred Exploration and Evaluation Costs
(Unaudited)

(Thousands of United States Dollars, except where indicated)

outside the anomaly are predominately conglomerates and sandstones composed of clasts from the units with in the anomaly and overly intermediate to felsic volcanic units.

12.5 Diamond

The Cinco Rios diamond project is located on the Rio de la Plata craton in the departments of Rivera and Tacuarembó in northern Uruguay, approximately 500 kilometres north of Montevideo. The 100% owned land package is 55,700 hectares in size. The potential for kimberlite discovery in northern Uruguay is shown by the historic recovery of alluvial micro- and macro-diamonds, and peridotitic and eclogitic garnets and chrome spinels during the period 1993 – 2004. The current exploration programme, which commenced at the beginning of 2006, has included follow up sampling, geophysical, and geomorphic studies which have further defined possible source areas. Kimberlite pipe drill targets have been identified from geophysical and geomorphic studies which have associated indicator mineral anomalies.