

Uruguay Mineral Exploration Inc.
Consolidated Interim Financial Statements
For the three and nine month periods ended February
28, 2009
(Unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended February 28 2009.

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**Consolidated Balance Sheets
(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	As at	
	February 28, 2009	May 31, 2008
	\$	\$
Assets		
Current assets		
Cash	8,051	18,601
Accounts receivable	4,267	2,810
Inventories (Note 2)	18,208	16,749
Prepaid expenses	1,092	1,004
Total Current Assets	31,618	39,164
Property plant and equipment and mineral properties (Note 3)	22,440	29,681
Deferred exploration (Note 4)	13,031	8,948
Future income tax assets	3,477	5,375
Restricted cash	176	191
Total Non Current assets	39,124	46,079
Total assets	70,742	83,359
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	8,343	8,816
Fair value of derivatives (Note 9)	1,696	0
Restructure plan (Note 11)	307	0
Current portion of long term debt (Note 5)	71	2,275
Total Current liabilities	10,417	11,091
Long term tax payable	2,414	2,414
Long term debt (Note 5)	0	25
Asset retirement obligation	2,975	2,869
Total Non current liabilities	5,389	5,308
Total liabilities	15,806	16,399
Capital stock (Note 6)	34,642	35,043
Warrants and convertible notes (Note 6)	12	12
Contributed surplus	4,118	3,882
Accumulated other comprehensive income	(19)	(19)
Retained earnings	16,183	28,042
Total shareholders' equity	54,936	66,960
Total liabilities and shareholders' equity	70,742	83,359

Approved by the Board of Directors

"Ignacio Salazar" Director

"David Fowler" Director

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

**Consolidated Statements of Income, other comprehensive income and Retained Earnings
(Unaudited)**

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

	Three months ended February 28		Nine months ended February 28	
	2009	2008	2009	2008
Net Sales	\$ 17,125	\$ 22,220	\$ 46,505	\$ 56,653
Operating expenses	(11,071)	(9,244)	(38,225)	(26,914)
Amortization and depreciation	(4,600)	(3,567)	(13,571)	(10,772)
Operating expenses	(15,671)	(12,811)	(51,796)	(37,686)
Sub-total	1,454	9,409	(5,291)	18,967
Other income (expenses)				
Stock based compensation expense	50	(264)	(236)	(770)
General and administrative expense	(910)	(1,069)	(3,173)	(3,235)
Exploration expenses written off	(775)	0	(775)	0
Non-hedged derivative	(901)	0	(1,696)	0
Interest expense and debt accretion	(80)	(99)	(218)	(291)
Foreign exchange	13	4	37	54
Interest earned and other income	32	215	309	595
	(2,571)	(1,213)	(5,752)	(3,647)
Income (loss) before taxes	(1,117)	8,196	(11,043)	15,320
Current income taxes (provision) recovery	(29)	(3,467)	1,081	(5,903)
Future income taxes (provision) recovery	48	1,213	(1,897)	2,118
Net income (loss) and comprehensive income (loss) for the period	(1,098)	5,942	(11,859)	11,535
Retained earnings, beginning of period	17,281	26,803	28,042	22,896
Dividends	0	(1,000)	0	(2,776)
Retained earnings, end of period	16,183	31,745	16,183	31,745
Earnings (loss) per common share				
Basic (Note 10)	(0.02)	0.12	(0.24)	0.24
Diluted (Note 10)	(0.02)	0.12	(0.24)	0.24
Weighted average shares outstanding				
Basic	48,667,068	48,882,801	48,672,890	48,911,779
Diluted	48,667,068	48,904,758	48,871,567	48,929,474

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

**Consolidated Statements of Cash Flows
(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	Three months ended February 28		Nine months ended February 28	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	(1,098)	5,942	(11,859)	11,535
Adjustments for:				
Amortization and depletion	4,600	3,567	13,571	10,772
Exploration expenses written off	775	0	775	0
Fair value of derivatives	901	0	1,696	0
Accretion of debt	36	66	118	202
Future income taxes	(48)	(1,213)	1,897	(2,118)
Stock based compensation	(50)	264	236	770
Restructure plan	(175)	0	307	0
Other	12	45	25	102
	4,953	8,671	6,766	21,263
Net change in non-cash working capital balances (Note 8))	(862)	(4,255)	(3,477)	(3,904)
	4,091	4,416	3,289	17,359
Financing activities				
Proceeds from the issue of share capital	0	0	0	593
Payments of finance lease net of draw downs	(46)	(46)	(140)	(141)
Share repurchase	0	(270)	(401)	(270)
Dividend payment	0	0	0	(1,776)
	(46)	(316)	(541)	(1,594)
Investing activities				
Purchase of property, plant and equipment and development costs	(537)	(1,669)	(4,994)	(7,770)
Exploration expenditure	(1,896)	(2,230)	(8,304)	(7,031)
	(2,433)	(3,899)	(13,298)	(14,801)
Increase (Decrease) in cash	1,612	201	(10,550)	964
Cash at the beginning of period	6,439	14,741	18,601	13,978
Cash at the end of period	8,051	14,942	8,051	14,942

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

**Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)**

(Thousands of United States Dollars, except where indicated)

	Three months ended February 2009		Nine month ended February 2009	
	Number (000's)	Amount	Number (000's)	Amount
Common shares				
Balance at beginning of period	48,667	\$ 34,642	48,811	\$ 35,043
Exercise of stock options	0	0	0	0
Share repurchases	0	0	(144)	(401)
Balance at end of period	48,667	\$ 34,642	48,667	\$ 34,642
Warrants and Convertible notes (Note 6)				
Balance at beginning of period	20	\$ 12	270	\$ 12
Expired warrants and convertible notes	(0)	0	(250)	
Balance at end of period	20	\$ 12	20	\$ 12
Contributed surplus				
Balance at beginning of period		\$ 4,168		\$ 3,882
Employee stock based compensation recognized		(50)		236
Transfer to common shares				(0)
Balance at end of period		\$ 4,118		\$ 4,118
Accumulated other comprehensive income				
Balance at beginning of period		\$ (19)		\$ (19)
Movement for the period		0		0
Balance at end of period		\$ (19)		\$ (19)
Retained earnings				
Balance at beginning of period		\$ 17,281		\$ 28,042
Net income for the period		(1,098)		(11,859)
Dividends		0		0
Balance at end of period		\$ 16,183		\$ 16,183
Shareholders' equity at end of period		\$ 54,936		\$ 54,936

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

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

(Thousands of United States Dollars, except where indicated)

February 28, 2009

1. Significant Accounting policies

These consolidated unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended May 31, 2008, since they do not contain all disclosures required by GAAP annual financial statements. The unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. Actual results could differ from those estimates. The reference to "the Company" in these consolidated financial statements includes the parents and all of its subsidiaries. All inter-company transactions and balances have been eliminated.

2. Inventories

	February 28, 2009	May 31, 2008
Finished metals	\$ 702	\$ 1,052
Ore in stockpiles	6,168	5,168
Gold in circuit	893	1,462
Materials and supplies	10,445	9,067
	<u>\$ 18,208</u>	<u>\$ 16,749</u>

3. Property, Plant and Equipment and Mineral Properties

	February 28, 2009		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights	\$ 2,088	\$ 0	\$ 2,088
Plant and equipment	30,604	20,564	10,040
Asset retirement obligation	2,762	2,598	164
Deferred stripping asset	4,829	4,455	374
Mineral properties	30,598	20,824	9,774
	<u>\$ 70,881</u>	<u>\$ 48,441</u>	<u>\$ 22,440</u>

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

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3. Property, Plant and Equipment and Mineral Properties – continued

	May 31, 2008		
	Cost	Accumulated Amortization and Depletion	Net Book Value
Land and lease rights	\$ 2,088	\$ 0	\$ 2,088
Plant and equipment	28,015	16,274	11,741
Asset retirement obligation	2,762	1,752	1,010
Deferred stripping asset	4,829	2,480	2,349
Mineral properties	26,906	14,413	12,493
	\$ 64,600	\$ 34,919	\$ 29,681

- (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 \$ 913 (May 2008 - \$814) 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 under Mineral Properties costs are \$ 3,934 (May 2008 - \$3,691) of pre-production stripping costs for San Gregorio, Santa Teresa and Ombu pits. During the quarter, San Gregorio and Santa Teresa pits started commercial production and pre-production stripping costs started to be depreciated. At the end of the quarter there was an associated accumulated depreciation of \$ 499. Ombu pre-stripping costs have not yet begun to be amortized as are costs related to a deposit from which production has not commenced,
- (d) Included under Mineral properties is the expenditure incurred to divert the Arroyo Corrales river that allowed access to reserves of El Arenal deposit. The accumulated costs were \$ 4,644 with associated accumulated amortization of \$ 4,481 (May 2008 - \$ 4,644 and \$3,624 respectively).
- (e) During October 2005, the Company acquired the 10% net profit interest over key tenements within the Minas de Corrales project, including the tenement on which Arenal deposit is located. This agreement terminates the Company's obligation to pay the holder the 10% Net Profit Interest (NPI) of the net profits derived from gold produced from the NPI area as part of the acquisition of the tenements. An amount of \$ 4,471 is shown under mineral properties and is amortized using the unit of production method based on the estimated life of mine with an associated accumulated amortization of \$ 4,273 (May 2008 - \$3,229).
- (f) Included under Property, Plant and Equipment are leased vehicles which are depreciated on a straight line method over four years. At February 28, 2009, the leased vehicles presented a total gross value of \$ 457 and an accumulated depreciation of \$ 296 (May 2008 - \$ 210).

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4. Deferred Exploration

Movements on deferred exploration are shown hereinafter:

	February 28,	May 31,
	2009	2008
Balance at beginning of the period	\$ 8,948	\$ 16,316
Payments for exploration expenditure during the period	8,304	9,910
Payments for exploration acquisitions and options during the period		50
Reclassification to Mine properties	(3,446)	(6,225)
Exploration expenses written off	(775)	(11,103)
Balance at end of the period	\$ 13,031	\$ 8,948

During the quarter, management determined that the carrying value of certain capitalized exploration expenditure was impaired, as mining titles related to those properties were released. The total amount written off was \$ 775 (February 2008 - \$ 0)

Farm-in agreements:

- (a) The Company signed in March 2007 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 company, Delcosur S.A. ("Delcosur").

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.

- (b) The Company has the right to purchase shares of a Uruguayan company, Davinco S.A ("Davinco") that owns the Presidente Terra project pursuant to an agreement dated May 14, 1997. Under this agreement the Company has the option to purchase 80% of the issued share capital of Davinco for the amount of \$ 750 payable in installments, and the remaining 20% once a decision has been made to develop a mining operation, at a variable price.

\$ 475 of the \$ 750 in initial installments for the purchase of the 80% of Davinco shares have been settled in the past, with the remaining installment of \$ 275 due within five days after completing a feasibility study on the Presidente Terra Project.

Acquisitions:

- (c) The Company previously purchased a Uruguayan diamond database. Under the terms of the agreement the vendor 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.

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4. Deferred Exploration – continued

- (d) For the Texas and Mal Abrigo projects the Company has committed to pay 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.

Exploration performance bonds:

- (e) 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 February 28, 2009 to support exploration activities on tenements granted were \$ 2,918 (May 2008 - \$ 2,164).

5. Long Term Debt

	February 28, 2009	May 31, 2008
Drawn debt facilities		
Deferred payment on net profit interest acquisition (a)	\$ 0	\$ 2,088
Finance lease (b)	71	212
	71	2,300
Less current portion	(71)	(2,275)
	\$ 0	\$ 25

- (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. 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.

All three convertible notes expiring July 30, 2006, 2007 & 2008 were paid in cash and not converted into shares. The whole obligation for the purchase of the net profit interest has been settled.

- (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 28 February 2009, \$ 71 has been drawn under this facility. The vehicles purchased are included under Property, Plant & Equipment.

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5. Long Term Debt – continued

(c) Long term debt repayments are as follow:

Financial year ending	Lease installments Nominal value
2009	45
2010	26
Total Nominal debt	<u>71</u>

6 Equity Instruments

(a) Authorized: Unlimited number of Common Shares

(b) Warrants issued for farm-in agreements: On March 23, 2007 in accordance with an agreement with Delcosur (note 4a) 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 (CDN\$ 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. The warrants are exercisable as follows:

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

(c) Share repurchase: The Company repurchased under a normal course issuer bid, and over calendar year 2008, 274,200 of its common shares for cancellation for a total equivalent \$ 807. Details of the share transactions are provided below:

Number of shares repurchased	Financial year	Weighted average market price (CDN\$)	Total invested
130,400	2007-2008	3.16	406
143,800	2008-2009	2.85	401
<u>274,200</u>		2.94	<u>807</u>

(d) 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 last of the convertible notes expired in July 30, 2008. None of the three convertible notes were converted into shares.

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6 Equity Instruments – continued

(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. Options granted in previous financial years vest lineally over a three year period starting on the first year anniversary after granted, while grants occurred during the current financial year vest lineally over a three year period starting on the date of grant.

For the quarter ended 28 February, 2009 no options were granted, no options were exercised, 223,500 options were forfeited and 10,000 options expired (quarter ended February 28, 2008 no options were granted, exercised or forfeited and no options expired). A net gain of \$ 50 was recorded, as a result of \$104 of compensation expense net of a reversal of \$ 154 for forfeited options (quarter ended February 28, 2008 an expense for \$ 264). For the nine month period ended 28 February, 2009 an amount of 912,750 options were granted, no options were exercised, 401,500 options were forfeited and 10,000 options expired. (nine month period ended February 28, 2008 824,000 options were granted, 395,333 options were exercised, 841,000 options were forfeited and no options expired). A net expense of \$ 236 was recorded as a result of \$ 596 of compensation expense net of a reversal of \$ 360 for forfeited options (nine month period ended February 28, 2008 an expense for \$ 770)

The weighted average fair values of all stock options granted for the nine months ended February 2008 were CDN \$ 0.84, estimated as of the date of grant using the Black-Scholes option pricing model with the following average assumptions:

	Nine months ended February 2009	Financial year ended May 2008
Expected option life (years)	3.1	3.1
Volatility	55%	42%
Risk-free interest rate	3.12%	Range of 4.22% to 4.28%
Dividend yield	Nil	CDN 0.055

At February 28, 2009 the aggregate unamortized fair value of unvested stock options granted amounted to \$ 391 (May 31 2008 - \$ 879).

The following table summarizes information regarding the Company's outstanding options as at February 28, 2009:

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

(Thousands of United States Dollars, except where indicated)

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6 Equity Instruments – continued

	Number of Shares (000's)	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Balance at May 31, 2008	2,859	\$3.00 - \$5.50	\$3.99
Options – granted	913	\$0.60	\$0.60
Options – forfeited	(412)	\$0.60 - \$4.77	\$ 3.60
Balance at February 28, 2009	<u>3,360</u>	\$0.60 - \$5.50	\$ 3.11

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 \$
857	0.00 – 0.60	0.60	4.63	285	0.60
55	0.61 – 3.00	3.00	0.26	55	3.00
1,691	3.01 – 4.00	3.62	2.79	942	3.73
498	4.01 – 5.00	4.53	1.61	488	4.53
259	5.01 – 5.50	5.42	1.05	240	5.42
<u>3,360</u>		3.11	2.90	<u>2,010</u>	3.66

At February 28, 2009 there were 3,360,250 options outstanding, of which 2,010,083 are exercisable. The weighted average exercise price of the options outstanding at February 28, 2009 is CDN\$ 3.12 (May 31, 2008 CDN\$ 3.99).

The following table summarizes information regarding the Company's outstanding options as at May 31, 2008:

	Number of Shares (000's)	Option Price per Share Range CDN \$	Weighted Average Exercise Price CDN \$
Balance at May 31, 2007	3,304	\$0.75 - \$5.50	\$4.06
Options – granted	824	\$3.15 - \$3.30	\$3.28
Options – exercised and forfeited	(1,269)	\$0.75 - \$5.29	\$ 3.71
Balance at May 31, 2008	<u>2,859</u>	\$3.00 - \$5.50	\$ 3.99

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6 Equity Instruments – continued

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 \$
0	0.00 – 0.60	0.00	0.00	0	0.00
75	0.61 – 3.00	3.00	1.01	75	3.00
1,835	3.01 – 4.00	3.60	3.57	494	3.88
690	4.01 – 5.00	4.57	2.48	407	4.55
259	5.01 – 5.50	5.42	1.80	240	5.42
<u>2,859</u>		3.99		<u>1,216</u>	4.35

7. Segment Information

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

	Gold	Exploration	Corporate	Total
For nine months ended February 28, 2009				
Net Sales	46,505	0	0	46,505
Amortization and depletion	(13,023)	(548)	0	(13,571)
Interest and other income (loss)	91	0	0	91
Income tax expense	(816)	0	0	(816)
Net loss	(7,960)	(2,434)	(1,465)	(11,859)
Capital Expenditure	4,994	8,304	0	13,298

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7. Segment Information – continued

For three months ended February 28, 2009

Net Sales	17,125	0	0	17,125
Amortization and depletion	(4,418)	(182)	0	(4,600)
Interest and other income (loss)	(48)	0	0	(48)
Income tax recovery	19	0	0	19
Net gain (loss)	490	(1,224)	(364)	(1,098)
Capital Expenditure	537	1,896	0	2,433

As at 28 February 2009

Property, plant and equipment and mineral properties	20,030	1,175	1,235	22,440
Deferred exploration	0	13,031	0	13,031

	Gold	Exploration	Corporate	Total
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For nine months ended February 28, 2008

Net Sales	56,653	0	0	56,653
Amortization and depletion	(10,299)	(473)	0	(10,772)
Interest and other income (loss)	304	0	0	304
Income tax expense	3,785	0	0	3,785
Net income (loss)	14,884	(1,983)	(1,326)	11,535
Capital Expenditure	7,770	7,031	0	14,801

For three months ended February 28, 2008

Net Sales	22,220	0	0	22,220
Amortization and depletion	(3,408)	(159)	0	(3,567)
Interest and other income (loss)	116	0	0	116
Income tax expense	2,254	0	0	2,254
Net income (loss)	7,070	(675)	(453)	5,942
Capital Expenditure	1,669	2,230	0	3,899

As at 31 May 2008

Property, plant and equipment and mineral properties	27,214	1,232	1,235	29,681
Deferred exploration	0	8,948	0	8,948

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8. Statements of Cash Flows

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

	Three months ended		Nine months ended	
	February 28		February 28	
	2009	2008	2009	2008
Prepaid expenses and other	\$ (19)	\$ (589)	\$ (88)	\$ (738)
Accounts receivable	\$ 167	\$ 248	\$ (1,457)	\$ 1,141
Accounts payable and accrued liabilities	\$ (479)	\$ (1,096)	\$ (473)	\$ 2,362
Inventory	\$ (531)	\$ (2,818)	\$ (1,459)	\$ (6,669)
Net change in non-cash working capital balances	\$ (862)	\$ (4,255)	\$ (3,477)	\$ (3,904)

(b) Other information

	Three months ended		Nine months ended	
	February 28		February 28	
	2009	2008	2009	2008
Cash interest paid	\$ 13	\$ 21	\$ 37	\$ 47
Cash taxes paid	\$ 0	\$ 0	\$ 0	\$ 0

9. Financial Instruments

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

(a) Commodity Price Risk: The Company uses financial derivatives to mitigate the effect of certain risks that are inherent in its business. During the quarter, the Company entered into a number of financial derivatives to reduce its exposure to fluctuations in the gold price.

On August 22, 2008 the Company committed to a forward hedge of 45,000 ounces at a forward price of \$ 796.25 per ounce. The commitment is deliverable on a fixed monthly basis of 5,000 ounces during the period September 2008 – May 2009.

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9. Financial Instruments – continued

These contracts are recorded at their fair value calculated using the spot price at period end based on the London Bullion Market Association (LBME) P.M. Fix price of \$ 952.0 per ounce, and expected future prices and volatilities. The net value of these contracts has been recorded as a liability, net of its tax effect. The Company does not apply for hedge accounting which would allow deferring gains and losses on the hedging derivatives to the same period or periods in which the underlying exposure being hedged is brought to account. Instead the fair value of the hedging derivative is recognized in the measurement of the Company's net income in the period in which the hedge was committed. The contract is expected to be settled within the financial year.

As at February 28, 2009 a commitment to deliver 14,429 ounces remained outstanding.

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

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

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

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

- (c) Fair value: The Company's financial instruments include cash and cash equivalents, receivables, accounts payable, accrued liabilities and debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

- (d) Interest rate risk: The majority of the Company's debt is non interest bearing

- (e) Credit risk: The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions and/or commercial paper issuers, is mitigated by using well capitalized financial institutions. Credit risk relating to accounts receivable arises from the possibility that any counterparty to an instrument may fail to perform. The Company currently transacts with highly-rated counterparties for the sale of gold. Counterparties include its current lenders.

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9. Financial Instruments – continued

(f) Capital management: The Company manages its capital to ensure that the Company and its subsidiaries will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable debt and equity balance commensurate with current operating requirements. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

(g) Insurance

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

10. Basic & Diluted earnings (loss) per share

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

	Three months ended		Nine months ended	
	February 28,		February 28,	
	2009	2008	2009	2008
Basic earnings per share				
Numerator				
Net earnings (loss) available to shareholders	\$ (1,098)	\$ 5,942	\$ (11,859)	\$ 11,535
Denominator				
Weighted average earnings per share	48,667,068	48,882,801	48,672,890	48,911,779
Basic earnings (loss) per share (cents per share)	(0.02)	0.12	(0.24)	0.24
Diluted earnings per share				
Numerator				
Net earnings (loss) available to shareholders	\$ (1,098)	\$ 5,942	\$ (11,859)	\$ 11,535
Denominator				
Weighted average shares outstanding	48,667,068	48,882,801	48,672,890	48,911,779
Potential net incremental issue of shares from stock options	0	21,957	198,677	17,695
Shares outstanding plus assumed conversions	48,667,068	48,904,758	48,871,567	48,929,474
Diluted earnings (loss) per share (cents per share)	(0.02)	0.1	0.2	0.2

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10. Basic & Diluted earnings (loss) per share – continued

Basic earnings per common share ("EPS") have been calculated using the weighted-average number of shares outstanding during the period. The calculation of diluted earnings per common share has been computed using the treasury stock method which assumes that options and warrants with an exercise price lower than the average quoted market price were exercised at the beginning of the period, or at time of issue. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the common shares are not included in the calculation of diluted earnings per common share as the effect is anti-dilutive. The average quoted market price of the common shares during the nine month and three month period ended February 28, 2009 was CDN\$1.00 and CDN\$ 0.37 respectively (Year end May 2008 - CDN\$3.14).

11. Restructure plan

The Company is implementing a cost reduction program which includes a significant reduction in the number of employees. Under the plan, Uruguayan employees are moved into a Uruguayan State unemployment pension programme. If after six months the employees are not hired back a severance payment under Uruguayan law is owed to the worker. The severance payment could also be paid during the period of six months once the company considers there is no chance left to hire back the employee.

In December 2008, the Company implemented part of its staff reduction plan and the majority of these employees were transferred to the unemployment pension programme as described above. During the quarter a total of \$ 181 for severance payments were made. At February 28, 2009 the total remaining severance payments expected to be incurred has been estimated to be \$ 307 (November 30, 2008 -\$ 482)
