



Press Release
August 13, 2009
Symbols: TSXV: UME; AIM: UGY

Uruguay Mineral Exploration Inc. Announces Results for the Fourth Quarter of Fiscal Year 2009

Uruguay Mineral Exploration Inc. (UME), a South American focused gold production and exploration company, today reported results for the fiscal year ended May 31, 2009.

Highlights:

- Production of 70,147 ounces at a cash cost of \$US 705 per ounce compared to 90,668 ounces at a cash cost of \$US 413 per ounce in the prior financial year.
- Loss after tax of \$US 14.4 million for the year including a \$US 2.7 million write down of exploration expenses.
- Base case mine plan has been updated to include 5.3 million tonnes of open pit ore processed over four years to deliver a total of 195,000 recovered ounces at an average cash cost per ounce of \$US 700. Fiscal 2010 production is expected to be 60,000 recovered ounces.
- Initial resource for Arenal Deeps of 3,164,000 tonnes at 2.21 g/t for 224,000 ounces at a 1.5 g/t cut was independently estimated by Golder Associates S.A. ("Golder") in April 2009.
- Independent prefeasibility study prepared by Golder defines a reserve of 1,716,000 tonnes at 1.94 g/t for 107,206 contained ounces of gold. At a gold price of \$US 740, and using a 10% discount rate, Arenal Deeps generates an internal rate of return of 41% and has a NPV of \$US 7.7 million. Capital expenditures have been estimated at \$US 5.8 million.
- The Arenal Deeps study does not consider higher grade drill results, from holes completed since the infill and extension drilling commenced in May 2009, which are likely to considerably improve project economics.
- Cash on hand of \$US 9.5 million with a net working capital balance of \$US 22.8 million and no debt.

David Fowler, Chief Executive Officer commented: *"Fiscal 2009 has been a challenging year, where we have had to work hard to adjust our mine plan as a result of a shortfall in high grade ore from the Arenal pit. Despite these efforts which accounted for over 50% of the deficit, we fell well short of our original production target of 80,000 ounces delivering 70,147 ounces during the year. Although this shortfall in production resulted in a \$US11.6 million loss before exploration write downs, we closed the year with a cash position of \$US9.5 million - at the higher end of our \$US8 to \$US10 million target range, with no debt and in excess of \$US22 million in net working capital. We look forward to achieving or exceeding our 2010 production target of 60,000 ounces."*

"The Arenal Deeps prefeasibility study concludes that UME will be able to generate high returns from underground mining at Arenal at a long term average gold price of \$US 740 per ounce. The prefeasibility study does not consider higher grade drill results from holes completed since the infill and extension drilling commenced in May 2009, which are likely to considerably improve project economics. With underground ore expected to make a contribution to production within two years, we expect to extend mine life and maintain production levels at 60,000 ounces per annum. These results

also reinforce the potential for additional underground resource discoveries within the San Gregorio district", closed Mr. Fowler.

REVIEW FOR THE FISCAL YEAR ENDED MAY 31, 2009

Summary of Results ¹		Three Months Ended May 31,		Fiscal Year Ended May 31,	
		2009	2008	2009	2008
Operating Results					
Gold produced	Ounces	19,353	22,911	70,147	90,668
Average cash cost	US\$/oz	702	540	705	413
Average price received	US\$/oz	841	926	841	814
Financial Results					
Revenue	\$US '000s	16,871	22,408	63,376	79,061
Net income (loss) for the period	\$US '000s	(2,496)	(3,737)	(14,355)	7,798
Net income (loss) before exploration write down	\$US '000s	(577)	3,581	(11,661)	18,901
Cash flow from operations ²	\$US '000s	2,638	9,129	9,404	33,065
Basic earnings per share	\$US	(0.05)	(0.08)	(0.29)	0.16
Cash at the end of the period	\$US '000s	9,496	18,601	9,496	18,601
Total debt at the end of the period	\$US '000s	37	2,300	37	2,300

¹ Results are based on Canadian GAAP and expressed in U.S. dollars.

² Before non-cash working capital movements

Production and Costs

Gold production for the fiscal year was 70,147 ounces, 12.3% lower than UME's original target of 80,000 ounces and its revised target range of 72,000 to 75,000 ounces. This was the result of a 22,190 ounce shortfall of high grade ore from the Arenal open pit that affected production in all quarters. This was due to a negative reconciliation to the geological model in the western portion of the pit where significant and unexpected variability of mineralization was encountered. The shortfall was partially offset by production of 12,178 ounces from alternative sources at Veta Sur and Zapucay that were not included in the original mine plan and were rapidly developed and mined to compensate for the decline at Arenal. Over the course of the year all ore sources other than Arenal produced in accordance with or above plan. The San Gregorio pit had a shortfall in production in the fourth quarter which affected final production for the full year, but performed to expectations over the fiscal year with higher production in earlier quarters.

The average cash cost for the year was \$US 705, compared to \$US 413 in fiscal 2008, reflecting lower production levels and increases in consumable costs. Cash costs for the final quarter were above expectations due to lower production than planned for the quarter. To compensate for the lower production and higher consumable prices, in the second half of the year UME implemented a company-wide cost reduction program, including a 20% reduction in the workforce, elimination of discretionary expenses and re-negotiation of supplier contracts. UME remains committed to continue adjusting its overall structure to current and future levels of production and is implementing additional reductions in Q1 of 2010. Additional information on cost increases is provided in the Company's MD&A dated August 11, 2009.

	\$US per ounce Produced
Average cash costs for the 2008 fiscal year	413
Difference due to lower production for the year	121
Cost changes	171
Actual cash costs for the 12-month period ended May 31, 2009	705

Financial Performance

UME reported a net loss after tax for the financial year ended May 31, 2009 of \$US 14.4 million or a basic loss of \$US 0.29 per share. This result included a write down of \$US 2.7 million on exploration expenditure. The loss for the year is explained by the shortfall in production at the Arenal open pit, which resulted in a significant loss of revenue without any cost reduction.

Operational cash flows for the year were \$US 7.0 million. Capital expenditures during the year included \$US 10.1 million in exploration and \$US 5.5 million in property, plant and equipment. Investment in exploration included \$US 6.1 million in exploration activities near the mine and in the Isla Cristalina Belt, including Arenal Deeps drilling, and \$US 2.3 million in other gold projects in Southern Uruguay, including the Florida, Don Feliciano and Arroyo Grande belts, and \$US 1.2 million on Lascano. Investment in property, plant and equipment included a final payment of \$US 2.1 million on the convertible note associated with the repurchase of the Arenal net profit interest royalty.

The Company's cash position at the end of the financial year was \$US 9.5 million, in accordance with the projected range of \$US 8 to 10 million. Higher gold prices, cost reductions and other initiatives implemented in the second half of the fiscal year offset the reduction in production. In addition, the Company remains practically debt-free with total debt at the end of the year of \$US 37,000 compared to \$US 2.3 million at the end of the prior fiscal year.

SAN GREGORIO NEAR MINE EXPLORATION

UME invested a total of \$US 6.1 million in near mine exploration during fiscal 2009 with the objective of building on its production profile at the San Gregorio operation. This exploration program focused on four key target types:

- **Smaller open pit vein deposits:** Approximately 20,000 ounces of open pit vein resources were defined at Castrillon, Polvorin and Veta Sur. Polvorin and part of Veta Sur were mined during the year, while Castrillon was added to the mine plan for future years. Recent discoveries at Picaflor and Peru have yet to be quantified, but it is anticipated that these will also convert into future vein-type reserves.
- **Incremental improvement of existing resources:** Resource definition drilling at Santa Teresa demonstrated its structural complexity and, although its reserve has reduced, the current geological model has a higher level of confidence. At Zapucay additional drilling identified a new 5,000 ounce resource to the South.
- **Bulk open pit deposits:** Three areas with strong surface geochemical anomalies within a prospective structural setting were developed over a four kilometre corridor east of Arenal. These areas were drilled in the second half of the fiscal year to test for bulk open pit targets. While a number of anomalous intercepts were reported, no new ore bodies were discovered. Additional targets are still to be tested in the Rincon area and new targets are being developed from an ongoing near mine generative programme.
- **Underground deposits along the San Gregorio trend:** Our objective was to establish an economic resource of sufficient volume to support the introduction of underground mining. During

the year, UME completed an exploration drill program in Arenal Deepes, the down dip extension of the Arenal deposit. An independent measured and indicated resource of 3,164,000 tonnes at 2.21 g/t for 224,000 ounces at a 1.5 g/t cut was estimated by Golder in April 2009. Infill and extension drilling commenced in May 2009 with 10 holes completed through early August 2009. These holes have confirmed or improved the grade of the resource model with holes ALDD103 and ALDD108 containing 16.1 meters with 10.3 g/t and 26.2 meters with 13.76 g/t, respectively. A positive prefeasibility report completed by Golder in August 2009 is expected to improve considerably with the drilling completed subsequent to the April 2009 measured and indicated resource on which the prefeasibility study was based. The infill drilling program will continue through to January 2010, with resource modeling planned to begin in February 2010 and a final feasibility study expected to be completed in June 2010.

Near mine exploration in 2010 will focus on further defining and expanding the Arenal Deepes resource and has a second objective of adding 20,000 ounces, from veins and improvement of existing resources to the mine plan in 2011 and beyond. Additional near mine bulk open pit targets are also expected to be defined for drilling in 2010.

The definition of an economic resource at Arenal will open up the San Gregorio district for additional underground discoveries at San Gregorio, Ombú and Nueva Australia.

SAN GREGORIO DEVELOPMENT

The Company's current mine plan processes 5.3 million tonnes of open pit ore over four years starting June 1, 2009 to deliver a total of 195,000 recovered ounces of gold. The plan assumes a gold price of \$US 850 per ounce over the next two years, falling to a longer term price of \$US 750. It estimates an average cash cost of production of \$US 700 per ounce over the period. Bulk higher cost ounces are expected to be produced from San Gregorio and Santa Teresa, while higher grade lower cost ounces are expected from Zapucay, Ombú, Castrillón and other Veta sources.

Additional drilling and geological re-interpretation is planned for San Gregorio to investigate the potential increase grade and tonnes while reducing cash costs. Veta Sur and other vein sources are also being reviewed, following drilling over the past six months, to potentially add additional high grade ounces to the mine plan.

The Arenal Deepes prefeasibility study prepared by Golder and announced on August 4, 2009 defines a reserve of 1,716,000 tonnes at 1.94 g/t for 107,206 contained ounces of gold. At a gold price of \$US 740, Arenal Deepes generates an internal rate of return of 41%. Using a 10% discount rate, it has a NPV of \$US 7.7 million. Capital expenditures have been estimated at \$US 5.8 million. With infill and extension drilling improving the grade of the resource and a number of issues still to be considered during feasibility, we expect a considerable improvement in project economics.

During 2010 UME will seek opportunities to accelerate the timing of full production thus providing early ore from isolated ore bodies directly beneath the pit. By combining open pit and underground ore, the Company expects to define a five plus year mine plan with a production profile of 60,000 ounces per annum. This production profile could increase if additional underground ore sources were to be developed or other open pit discoveries are made.

As discussed in the past, the Company continues to review processing alternatives to improve production levels and extend the mine life. A change in configuration to the secondary crushing circuit from two stage to a one stage crushing, implemented towards the end of the year, has delivered a 5% increase in process plant throughput without requiring further capital expenditure. UME is also in the process of setting up a small metallurgical test facility that is expected to improve the turnaround time on test work and reduce costs on metallurgical testing for new deposits.

Historical drill results for the Mahoma property in South West Uruguay were reviewed in the fourth fiscal quarter. These historical drill holes show a number of vein sets with an average grade of 8 g/t over 1 meter wide true thickness. Access to the property is expected to be granted in the first half of

fiscal 2010 and drilling is planned for later in fiscal 2010 with the objective of establishing an underground resource that could be transported to the San Gregorio mine. Drilling to-date at other projects in Southern Uruguay has not identified high grade resources that could be mined and directly transported to San Gregorio. Test work to evaluate the potential to upgrade mineralisation at Cruzera and Presidente Terra prior to being transported will be considered during fiscal 2010.

GROWTH

Exploration for a new stand alone gold deposit within Uruguay has been the major focus of growth initiatives over the past two years.

Following a year of intensive target definition in 2008, five projects were first pass drill tested in fiscal 2009. New targets were also defined at Rocha and Texas which are yet to be drill tested. Targets have also been defined in the eastern end of the Isla Cristalina Belt at Vichadero, Curtume and Vaca Muerta.

The Presidente Terra, Casupa, Paso de Lugo, Nueva Helvecia and Lascano projects were drill tested in 2009. While drilling at these projects intercepted conceptual targets and anomalous mineralisation in the majority of the holes drilled, the consistency of grade and thickness encountered was not sufficient to indicate the potential for a 500,000 ounce resource. During fiscal 2011, the Company expects to undertake additional final work on Presidente Terra, Casupa and Paso de Lugo. This will consist of step out drilling on the better intercepts and new anomalous areas that have not yet been tested.

The majority of UME's exploration investment for fiscal 2010 is expected to be focused near the San Gregorio operation. First pass drill testing of about 1,500 meters is also expected to be completed on each of the Texas and Rocha projects.

The four offset holes at Lascano continued to intersect hydrothermal alteration and very weak sulphide mineralisation. After completing these holes we decided to look for a joint venture partner. While there has been interest in Lascano, a suitable farm in arrangement has not yet been concluded. UME believes that further research is required and its funding a PHD study to further define the economic significance of the geology. Based on the results of this study consideration will then be given to funding further exploration targeting the defined deposit style.

In considering corporate transactions and acquisitions outside of Uruguay, the Company has focused on assets with near term production potential and a minimum established resource of 500,000 ounces with potential to grow. In the final analysis, it did not proceed with a number of transactions as they did not meet the established criteria, did not reflect its view of value or were overly complex.

UME is very pleased to have partnered with Olivut Resources and its strong diamond exploration team to progress the Cinco Rios Diamond project. Exploration is expected to commence in the first half of calendar 2010.

OUTLOOK

The Company's forecast production for fiscal 2010 is 60,000 ounces at an average cash cost of \$US 700 per ounce. Production for the first fiscal quarter is expected to be in the range of 13,500 to 14,500 ounces.

UME expects to close the 2010 financial year with a cash balance of \$US10 million assuming a \$US 850 gold price. However, production and therefore cash are expected to vary from quarter to quarter reflecting the fact that operations combine several pits at different stages of stripping and grades.

In order to maintain and generate cash, and given the anticipated decrease in production volume, the Company expects to continue to reduce costs and working capital with priority for exploration expenditure given to near mine projects

FOURTH QUARTER 2009 CONFERENCE CALL

UME will hold its fiscal 2009 fourth quarter and full year earnings conference call on Thursday, August 13, 2009 at 10:00 Toronto time, 15:00 UK time.

The conference call can be accessed by dialing +1 866 966 5335 (Canada and US) or +44 (0)20 3003 2666 (UK and International). All participants will be required to register with the operator.

A simultaneous web cast of the conference call and replay will be available at <http://www.uruguayminerals.com>. You will need to have Windows Media Player installed on your computer and you will also be required to complete a registration page in order to log on to the webcast.

A slide presentation will also be available beginning August 13, 2009 one hour before the conference call for download from the investor relations section of UME's corporate website at <http://www.uruguayminerals.com/investors/presentations/>.

Qualified Person's Statement

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

Forward Looking Statements

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

ENDS

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

About Uruguay Mineral Exploration Inc.

Uruguay Mineral Exploration Inc. is a gold producer and exploration company focused on identifying and developing mineral opportunities in Latin America. 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 and diamond prospects.

Uruguay Mineral Exploration Inc. is quoted in Canada (TSXV) and London (AIM) and Matrix Corporate Capital LLP is its Nominated Adviser and Broker. More information can be found at www.uruguayminerals.com

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Financial Statements Follow

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

As at May 31	2009 (\$)	2008(\$)
Assets		
Cash	9,496	18,601
Accounts receivable (Note 4)	2,899	2,810
Inventories (Note 5)	17,642	16,749
Prepaid expenses	915	1,004
Total current assets	30,952	39,164
Property, plant and equipment and mineral properties (Note 6)	16,953	29,681
Deferred exploration (Note 7)	12,437	8,948
Future income tax assets (Note 12)	3,001	5,375
Restricted cash	173	191
Total non current assets	32,564	44,195
Total assets	63,516	83,359
Liabilities and Shareholder's Equity		
Accounts payable and accrued liabilities	7,354	8,816
Fair value of derivatives	464	0
Restructure plan (Note 17)	250	0
Current portion of long term debt (Note 8)	37	2,275
Total current liabilities	8,105	11,091
Long term tax payable (Note 12)	0	2,414
Long term debt (Note 8)	0	25
Asset retirement obligation (Note 9)	2,862	2,869
Total non-current liabilities	2,862	5,308
Total liabilities	10,967	16,399
Capital stock	34,642	35,043
Warrants and convertible notes (Note 10)	0	12
Contributed surplus	4,239	3,882
Accumulated other comprehensive income	(19)	(19)
Retained earnings	13,687	28,042
Total shareholders' equity	52,549	66,960
Total liabilities and shareholders' equity	63,516	83,359

Uruguay Mineral Exploration Inc.
Consolidated Statements of Income, Comprehensive Income and
Retained Earnings

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

For the years ended May 31	2009 (\$)	2008 (\$)
Net sales	63,376	79,061
Operating expenses	51,354	38,947
Amortization and depreciation	19,926	15,724
Operating expenses	71,280	54,671
Sub-total	(7,904)	24,390
Other (expenses) income		
Stock based compensation expense	(345)	(792)
Non-hedged derivative	(464)	0
Exploration expenses written off (Note 7)	(2,694)	(11,103)
General and administrative expense	(3,809)	(4,605)
Net Interest and debt accretion income (loss)	27	346
Other income	107	206
Foreign exchange	48	238
	(7,130)	15,710
Income (loss) before taxes	(15,034)	8,680
Recovery of (provision) for income taxes (Note 12)	679	(882)
Net and comprehensive income (loss) for the year	(14,355)	7,798
Retained earnings, beginning of year	28,042	22,986
Dividends	0	(2,742)
Retained earnings, end of year	13,687	28,042
Earnings (loss) per common share		
Basic (Note 16)	(0.29)	0.16
Diluted (Note 16)	(0.29)	0.16
Weighted average shares outstanding		
Basic	48,671,435	48,911,779
Diluted	48,848,803	48,924,272

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

For the years ended May 31	2009 (\$)	2008 (\$)
Operating activities		
Net income (loss) for the year	(14,355)	7,798
<i>Adjustments for :</i>		
Amortization and depletion	19,926	15,724
Exploration expenses written off	2,694	11,103
Fair value of derivatives	464	0
Accretion of debt	80	252
Future income taxes	(40)	(2,988)
Restructure plan	250	0
Stock based compensation	345	792
Others	40	384
	<u>9,404</u>	<u>33,065</u>
Net change in non-cash working capital balances (Note 15)	<u>(2,355)</u>	<u>(6,579)</u>
	<u>7,049</u>	<u>26,486</u>
Financing activities		
Proceeds from the issue of share capital	0	592
Share repurchases (Note 10 (c))	(401)	(406)
Payments of finance lease net of draw downs	(175)	(188)
Dividends	0	(2,742)
	<u>(576)</u>	<u>(2,744)</u>
Investing activities		
Purchase of property, plant and equipment and development costs	(5,472)	(9,159)
Exploration expenditure	(10,106)	(9,960)
	<u>(15,578)</u>	<u>(19,119)</u>
Increase (decrease) in cash	(9,105)	4,623
Cash at the beginning of year	<u>18,601</u>	<u>13,978</u>
Cash at the end of year	9,496	18,601

Uruguay Mineral Exploration Inc.
Consolidated Statements of Changes in Shareholders' Equity
Thousands of United States Dollars, except where indicated

For the years ended May 31	May 31, 2009		May 31, 2008	
	Number (000's)	Amount (\$)	Number (000's)	Amount (\$)
Common shares				
Balance at beginning of year	48,811	35,043	48,531	34,592
Exercise of stock options	0	0	410	857
Share repurchases	(144)	(401)	(130)	(406)
Balance at end of year	<u>48,667</u>	<u>34,642</u>	48,811	35,043
Warrants and convertible notes				
Balance at beginning of year	270	12	520	12
Expired warrants	(270)	0	(250)	0
Transfer to contributed surplus		(12)		
Balance at end of year	<u>0</u>	<u>0</u>	270	12
Contributed surplus				
Balance at beginning of year		3,882		3,297
Employee stock based compensation recognized		345		792
Transfer to common shares		0		(207)
Transfer from warrants and convertible notes		12		0
Balance at end of year		<u>4,239</u>		<u>3,882</u>
Accumulated other comprehensive income				
Balance at beginning of year		(19)		(19)
Movement for the year		0		0
Balance at end of year		<u>(19)</u>		<u>(19)</u>
Retained earnings				
Balance at beginning of year		28,042		22,986
Net income (loss) for the year		(14,355)		7,798
Dividends		0		(2,742)
Balance at end of year		<u>13,687</u>		<u>28,042</u>
Shareholders' equity at end of year		<u>52,549</u>		<u>66,960</u>