



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

Uruguay Mineral Exploration Inc. Announces Results for the First Quarter of Fiscal Year 2010

Uruguay Mineral Exploration Inc. (“UME” or “the Company”), a Latin American focused gold production and exploration company, today announces results for the first fiscal 2010 quarter ended August 31, 2009.

David Fowler, Chief Executive Officer stated: *“Financial performance for the quarter which showed 13,173 ounces produced at an average cost of \$US 880 per ounce reflected planned mining of lower grade ore and higher waste stripping to access higher grade ore planned for subsequent quarters. Results for the remainder of the year are expected to improve driven by higher planned grades and the full benefit of higher gold prices from being hedge free. UME expects to produce 60,000 ounces of gold in fiscal 2010”.*

Commenting on exploration, Mr. Fowler noted: *“UME has today released its latest set of infill drill results for Arenal Deepes including drill hole ALDD120 with 19.45 meters at 7.59 g/t Au and 10.25 meters at 5.8 g/t Au, which continue to further define the underground resource with the objective of extending mine life, maintaining production levels at 60,000 ounces per annum and reducing cost per ounce. These holes and the 14 core holes drilled this quarter, including hole ALDD108 with 26.2 meters at 13.76 g/t Au, have confirmed or increased the thickness and grade of the resource compared with the April 2009 model. These positive results also reinforce the potential for additional underground resource discoveries within the San Gregorio district. We expect to complete the drill program by January of 2010 and publish an updated 43-101 resource estimate in March 2010 followed by a feasibility study which is expected to be completed in June 2010.”*

“We remain focused on pursuing our strategic objective of creating a more significant Latin American Gold producer. On October 5, 2009 the Company announced a proposed business combination with Fortune Valley resources which combines UME’s production assets and Fortune Valley’s development and exploration assets in Chile,” closed Mr. Fowler.

Summary of Results ¹		Three Months Ended August 31,	
		2009	2008
Operating Results			
Gold produced	Ounces	13,173	16,439
Average cash cost	US\$/oz	880	792
Average price received	US\$/oz	912	895
Financial Results			
Revenue	\$US '000s	12,498	17,721
Net income (loss) for the period	\$US '000s	(2,158)	(2,854)
Cash flow from (used) operations ²	\$US '000s	30	1,729
Basic earnings per share	\$US	(0.08)	(0.06)
Cash at the end of the period	\$US '000s	8,158	12,351
Total debt at the end of the period	\$US '000s	16	2,300

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

² Before non-cash working capital movements.

REVIEW FOR THE FIRST FISCAL 2010 QUARTER ENDED AUGUST 31, 2009

Production and Costs

Gold production for the first fiscal quarter was 13,173 ounces. Production was 2.3% below the bottom end of guidance on production for the quarter of 13,500 ounces due to minor changes in the extraction sequence. Ore processed for the quarter was 384,194 tones at a grade of 1.15 g/t with recovery averaging 92.9%. Lower production for the quarter, compared to the budget of 60,000 ounces for the 2010 fiscal year, reflects a mine plan with higher levels of waste and low grade ore in the first quarter. With higher grade ore to come in the remaining quarters UME confirms its production forecast for the 2010 fiscal year of 60,000 ounces.

While cash costs for the quarter were high at \$US 880 per ounce they were in line with management's expectations and reflect the budgeted mine plan with higher levels of waste mining and low grade ore during the quarter. Cash cost per ounce for the remainder of fiscal 2010 are budgeted to benefit from higher gold grades and lower stripping levels later in fiscal 2010..

A recent decree by the Uruguayan Government to revoke indirect tax refunds calculated as 2% of exports for gold mining is expected to increase costs for the remainder of the financial year by approximately \$US 15 per ounce. The recent appreciation of the Uruguayan Peso against the US dollar from 24 to below 21 will, if sustained, also increase costs. UME remains committed to adjusting its overall cost structure to achieve cost of \$US 715 per ounce for the 2010 fiscal year with the increase from \$US 700 per ounce reflecting the reduction in tax benefits.

Additional information on production and costs is provided in the Company's MD&A dated October 13, 2009, which is available on the Company's website at http://www.uruguayminerals.com/investors/quarterly_results/.

Financial Performance

UME reported a net loss after tax of \$US 2.2 million for the quarter, compared with a net loss after tax of \$US 2.9 million in the corresponding quarter last year. The average gold price received for the quarter was \$US 912 per ounce compared to \$US 895 per ounce in the corresponding quarter of the prior year.

During the period, the Company generated cash flow from operations before working capital of \$US 30,000, compared to \$US 1.7 million in the year-ago quarter. Cashflow from operations is expected to improve in coming quarters as production levels increase and strip ratios decline later in the fiscal 2010 year.

Capital expenditure for the quarter was \$US 1.7 million in exploration and \$US 1.0 million invested in property, plant and equipment. Investment in exploration was focused on the Arenal Deeps resource definition drill program.

Cash on hand at the end of the quarter totaled \$US 8.2 million. UME continues to expect to close the 2010 fiscal year with a cash balance of \$US 10 million assuming a \$US 850 per ounce gold price.

UME remains practically debt-free with total debt at the end of the quarter of \$US 16,000. The remaining 2,577 ounces of hedging were delivered into during the quarter and the Company currently has no hedge obligations outstanding nor does it currently plan to hedge future production.

During the quarter, the Company entered into a commitment to sell its Montevideo office for \$US 2.2 million with closure and payment expected by the end of the calendar year.

SAN GREGORIO NEAR MINE EXPLORATION AND DEVELOPMENT

The Company's primary exploration and development objective in Uruguay is to improve the profitability of its San Gregorio operation by extending mine life and reducing operating costs. Exploration for the quarter focused on near mine targets only. The majority of the drilling concentrated on further defining

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

and expanding the Arenal Deeps underground resource. Progress was also made towards UME's objective of adding 20,000 ounces to the mine plan in 2011 and beyond from veins and improvement of existing resources.

Arenal Deeps Underground Deposit

Exploration: Definition drilling continued in Arenal Deeps to further define the underground resource. A total of 14 core holes and 5,527 meters drilled during the quarter have confirmed or increased the thickness and grade as compared with the April 2009 resource model. Only a few holes have reported less than expected grades or thickness. The most significant result was reported from hole ALDD108 with 26.2 meters at 13.76 g/t Au.

Selected results of the 2009 definition program are presented below:

Hole ID	Intercept (>1g/t)	from (m)	Hole ID	Intercept (>1g/t)	from (m)
ALDD102	2.05m @ 1.42g/t	352,25	ALDD108	18.45m @ 3.62g/t	357,9
ALDD102	1.2m @ 1.16g/t	425,2	ALDD109	3.2m @ 2.24g/t	295,6
ALDD103	16.1m @ 10.30g/t	341,8	ALDD109	23.65m @ 2.67g/t	308,9
includes	9.85m @ 15.49g/t	344,3	includes	5.65m @ 3.95g/t	318,9
ALDD103	9.7m @ 2.54g/t	362,3	ALDD109	1.4m @ 3.08g/t	368,6
includes	6m @ 3.58g/t	362,3	ALDD109	1.9m @ 1.99g/t	399,1
ALDD103	2.25m @ 4.68g/t	433,5	ALDD109	1.85m @ 1.87g/t	414,4
ALDD104	3.1m @ 2.57g/t	241,9	ALDD110	14.0m @ 5.21g/t	289,7
ALDD104	4.95m @ 2.31g/t	246,9	includes	3.45m @ 8.99g/t	295,1
ALDD104	3.0m @ 2.82g/t	322,1	ALDD110	2.0m @ 3.60g/t	325,8
ALDD105	15.15m @ 2.62g/t	269,4	ALDD111	20.55m @ 2.55g/t	317,9
includes	5.55m @ 4.70g/t	269,4	ALDD112	13.9m @ 2.85g/t	243,2
ALDD106	5.09m @ 2.74g/t	250,2	includes	3m @ 6.63g/t	247,6
ALDD107	40.2m @ 3.43g/t	321,8	ALDD112	18.9m @ 4.08g/t	265,6
includes	6.25m @ 5.67g/t	321,8	includes	8.75m @ 6.12g/t	272,6
And	5.45m @ 3.59g/t	334,0	ALDD112	5.3m @ 3.00g/t	294,3
And	11.35m @ 4.27g/t	341,5	ALDD112	10.9m @ 2.62g/t	314,6
And	5.5m @ 4.57g/t	356,5	ALDD113	29.0m @ 3.50g/t	336,7
ALDD107	10.95m @ 1.77g/t	367,7	includes	1.8m @ 7.06g/t	340,0
includes	4.1m @ 2.94g/t	369,9	And	7.0m @ 5.36g/t	352,2
ALDD108	2.85m @ 1.58g/t	295,8	ALDD114	2.2m @ 3.18g/t	316,3
ALDD108	26.2m @ 13.76g/t	300,7	ALDD114	1.8m @ 2.61g/t	342,5
includes	7.1m @ 20.4g/t	313,8	ALDD115	3.7m @ 2.69g/t	294,8
ALDD108	1.2m @ 4.00g/t	342,0	ALDD117	6.6m @ 3.20g/t	239,9

Drill hole intercepts, are composites using 1.0 g/t and may contain up to 2 meters of mineralization below 1 g/t Au. (*Drill hole thickness reported, approximate true thickness*)

These results provide confidence that the Arenal Deeps resource grade and project economics will improve and also reinforce the potential for additional underground resource discoveries within the San Gregorio district.

Feasibility Work: Mine Development Associates from Reno, Nevada has been contracted to complete the resource estimation. Once the drill program is completed in January of 2010, an updated 43-101 resource estimate is expected to be published in March 2010 which will enable the completion of a feasibility study in June 2010.

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The Company has recently engaged an experienced expatriate Mining Engineer to coordinate all underground engineering studies and provide increased support for existing technical services. A primary responsibility of that role will be the development of mine designs and production scheduling from conceptual status through to feasibility level. AMEC consultants has been engaged to oversee the geomechanical studies of Arenal Deeps and to provide appropriate parameters for underground mine design. Local hydrogeological experts are being engaged to perform surface and underground water flow modeling. In-house metallurgical testing has commenced using the laboratory facilities located at the Minera San Gregorio operation.

Smaller Open Pit Vein Deposits

Exploration: Work to confirm open pit vein resources at the Peru South Vein, Veta Sur 2 and 3 and Picaflor continued during the quarter to potentially add additional high grade ounces to the mine plan:

- **Peru South Vein:** Exploration follow up and definition drilling on the Peru South vein prospect during the quarter further defined the vein mineralization and results will be used to develop an in-house resource. The vein is expected to deliver exploitable resources in the range of 5,000 ounces of Au averaging above 2.0 g/t. The most significant drill intercepts include 5m @ 10.6 g/t, and 8m @ 9.01g/t Au from holes PRRC051 and PRRC059 respectively. Work continues in the area to further define the discovery and convert it into an exploitable resource.
- **Picaflor:** Exploration this quarter continued to develop the drill indicated mineralization into a resource for exploitation. Preliminary work indicates the resource may deliver over 5,000 ounces of resource greater than 2.0 g/t Au. Additional drilling is planned for the second fiscal quarter to further define the extent of mineralization to the NW along strike.
- **Veta Sur 2 and 3:** A drill program for both deposits was completed during the quarter to further define the limits to mineralization and the ultimate pit shell for exploitation. The most significant result reported is 8 meters at 2.59 g/t from hole VSRC167. The measured and indicated resource is 537,000 tonnes at 1.92 g/t Au. The resource will continue to be exploited this fiscal year.

Further details on exploration results for the quarter can be found in the Company's exploration report for the quarter at the following link: http://www.uruguayminerals.com/investors/quarterly_results/

RECENT DEVELOPMENTS

Proposed Business Combination of UME with Fortune Valley Resources

On October 5, 2009 UME announced it entered into a letter of intent with Fortune Valley Resources ("Fortune Valley") pursuant to which UME proposes to acquire all of the issued and outstanding common shares of Fortune Valley. The acquisition would be satisfied through the issue of common shares in UME at a proposed exchange ratio of 0.456 UME share for every one Fortune Valley share, representing a purchase price of approximately \$C 0.23 per Fortune Valley share valuing Fortune Valley at approximately \$C 8.2 million ("the Transaction").

The proposed Transaction would move the combined group towards both companies' strategic objective of creating a more significant Latin American focused gold producer:

- UME's gold production profile of at least 190,000 ounces over the four years to May 31, 2013 from open pit operations at the San Gregorio mine in Uruguay with the potential to significantly improve this profile and reduce cash costs with the development of the Arenal Deeps underground deposit.
- Fortune Valley's optioned Pantanillo property in the Maricunga Belt in Chile from a subsidiary of Anglo American Plc. Historical drilling has identified a significant potential mineral deposit on this property as announced by Fortune Valley on October 5, 2009. A planned exploration and development program targeting the definition of a NI43-101 compliant mineral resource would commence within three months with the objective of creating a second production asset for the group within three to four years.

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

- Further growth potential from the combined group's exploration portfolio in Chile and Uruguay including the Anillo project in Northern Chile which is along strike from the El Peñón mine operated by Yamana Gold Inc.
- The combined group would have no debt and no hedging, with approximately \$US 8 million of cash. While all immediate financing needs of the group could be funded from existing operations, consideration will be given to raising additional equity in due course to accelerate exploration and development on the Fortune Valley's properties and UME's Arenal Deeps underground development.

The Transaction is subject to, amongst other things the completion of mutual due diligence, the parties entering into a definitive agreement by October 13, 2009, the receipt of regulatory and court approvals and obtaining shareholder approval to the Transaction by Fortune Valley shareholders. Further terms of the proposed transaction, including Board representation and the timing of closing and shareholder meetings, will be provided once a definitive agreement is signed.

There can be no assurance that any definitive transaction agreement will be entered into, that any proposed transaction will be approved by shareholders or that any transaction will be completed as a result of the execution of the letter of intent.

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, Mr. George Schroer Vice President Exploration and a Certified Professional Geologist and Mr Devin Den Boer, Exploration Manager 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 June 2009. 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. Mr. den Boer has a Bachelor of Science (Geological Sciences) Degree from the University of British Columbia and is a registered member of APEGBC. He has over 13 years of international experience in minerals 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

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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
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at	
	August 31,	May 31,
	2009	2009
	\$	\$
Assets		
Cash	8,158	9,496
Accounts receivable (Note 2)	3,286	2,899
Inventories (Note 3)	16,236	17,642
Prepaid expenses	819	915
Total current assets	28,499	30,952
Property plant equipment and mineral properties (Note 4)	17,019	16,953
Deferred exploration (Note 5)	13,965	12,437
Future income tax assets	3,009	3,001
Restricted cash	173	173
Total non current assets	34,166	32,564
Total Assets	62,665	63,516
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	9,118	7,354
Fair value of derivatives	0	464
Restructure plan (Note 8)	152	250
Debt	16	37
Total current liabilities	9,286	8,105
Asset retirement obligation	2,894	2,862
Total non current liabilities	2,894	2,862
Total liabilities	12,180	10,967
Capital stock	34,642	34,642
Contributed surplus	4,333	4,239
Accumulated other comprehensive income	(19)	(19)
Retained earnings	11,529	13,687
Total shareholders' equity	50,485	52,549
Total liabilities and shareholders' equity	62,665	63,516

Approved by the Board of Directors

"Ignacio Salazar" Director

"David Fowler" Director

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

Uruguay Mineral Exploration Inc.
Consolidated Statements of Income, other comprehensive income and Retained Earnings
(Unaudited)

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

	Three months ended	
	<u>August 31</u>	<u>August 31</u>
	2009	2008
	\$	\$
Net Sales	12,498	17,721
Operating expenses	(11,861)	(14,803)
Amortization and depreciation	(2,593)	(3,000)
Operating expenses	(14,454)	(17,803)
Sub-total	(1,956)	(82)
Other income (expenses)		
Stock based compensation expense	(94)	(37)
Non-hedged derivative gain (loss)	464	(1,528)
General and administrative expense	(744)	(1,197)
Net interest loss and debt accretion	(71)	(5)
Foreign exchange	(17)	(152)
Other income	252	122
	(210)	(2,797)
Loss before taxes	(2,166)	(2,879)
Recovery for income taxes	8	25
Net and comprehensive loss for the period	(2,158)	(2,854)
Retained earnings, beginning of period	13,687	28,042
Retained earnings, end of period	11,529	25,188
Earnings (loss) per common share		
Basic and diluted (Note 11)	(0.04)	(0.06)
Weighted average shares outstanding		
Basic and diluted	48,667,068	48,684,535

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

Uruguay Mineral Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	Three months ended	
	August 31	August 31
	2009	2008
	\$	\$
Operating activities		
Net loss for the period	(2,1	(2,854)
Adjustments for:		
Amortization and depletion	2,5	3,000
Fair value of derivatives	(464)	1,528
Accretion of debt	32	47
Future Income taxes		
	(8)	(25)
Stock based compensation		
	94	37
Others	(59)	(4)
	30	1,729
Net change in non-cash working capital balances (Note 9)	2,629	(577)
	2,659	1,152
Financing activities		
Share repurchase	0	(401)
Payments of finance lease net of draw downs	(21)	(47)
	(21)	(448)
Investing activities		
Purchase of property, plant and equipment and development costs	(2,560)	(3,873)
Exploration expenditure	(1,680)	(3,081)
Assets sales	264	0
	(3,976)	(6,954)
Decrease in cash	(1,338)	(6,250)
Cash at the beginning of period	9,496	18,601
Cash at the end of period	8,158	12,351

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

Uruguay Mineral Exploration Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at August 31, 2009		As at May 31, 2009	
	Number (000's)	Amount (\$)	Number (000's)	Amount (\$)
Common shares				
Balance at beginning of period	48,667	34,642	48,811	35,043
Share repurchases	0	0	(144)	(401)
Balance at end of period	48,667	34,642	48,667	34,642
Contributed surplus				
Balance at beginning of period		4,239		3,882
Employee stock based compensation recognized		94		345
Transfer from warrants and convertible notes		0		12
Balance at end of period		4,333		4,239
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		13,687		28,042
Net loss for the period		(2,158)		(14,355)
Balance at end of period		11,529		13,687
Shareholders' equity at end of period		50,485		52,549

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

