

**URUGUAY MINERAL EXPLORATION INC.
MEDIA RELEASE**

30 August 2005

SYMBOLS: UME (TSXV); UGY (AIM)

UME Hits All Targets at Year End

Financial Results

Uruguay Mineral Exploration (UME) has released its financial results for the year ended 31 May, 2005. Highlights of financial results were:

- Gold production for the fourth quarter was 24,844 ounces, virtually on the target annualised production rate for 2005/6 of 100,000 ounces per annum. Subsequent to year-end, the target rate has been achieved on a sustainable basis, 3 months ahead of schedule. Gold production for the year was 75,026 ounces, the second highest level ever recorded for the San Gregorio Operation.
- Higher production levels have resulted in improved financial performance in the fourth quarter. The Company recorded an operating profit before tax of US\$1,934,000 and cashflow from operations before working capital of US\$2,320,000.
- Unit costs continue to fall with the cash cost for the fourth quarter being US\$229 per ounce and for the year US\$275 per ounce.
- Net profit before tax was US\$900,000 for the 2005 year and cashflow from operations before working capital movements was US\$4,293,000.
- Sales for the year totalled US\$30,563,000 – a record for the Company.

Progress on Strategic Objectives

All key strategic and corporate goals were achieved or surpassed during 2005.

Highlights are:

- An updated Resource Statement has been released with this announcement, which reveals that the Company's resource position as at 31 May 2005 is as follows:
Total resources (Measured, Indicated and Inferred) of 25 million tonnes containing 1.3 million ounces, which includes Proven and Probable reserves of 5.4 million tonnes, containing 417,000 ounces.

- The replacement of the mining fleet was completed and the refurbishment of the processing facilities is over 50% complete. Apart from US\$4,256,000 remaining in debt, all this has been funded from internal cash flow and warrant exercise. This investment will allow the company's targeted production level of 100,000 ounces to be sustained for the duration of the Arenal life-of-mine plan as a minimum.
- The exploration focus is now being increasingly directed to the search for new discoveries, following a year where resource definition required over 95% of drilling effort.
- A contract has been let for an airborne gravity/magnetics survey of the Lascano geophysical anomaly, which is scheduled to commence in mid October.
- The Company is currently investigating three promising nickel targets, two of which (Carpinteria and Yatay), are scheduled to be drilled in the current quarter.
- As committed to shareholders, the AIM listing was achieved in December 2004 and the transformation of the Company's share register has continued, with the number of long-term institutional shareholders continuing to increase.

Chairman Tony Shearer comments "Uruguay Mineral Exploration has just completed an exceptional year. The previous year was exciting – a year of transition, but this year has been one of great satisfaction – consolidating the transition to an internationally notable, low-cost gold producer. We have now established a robust platform from which we can build further success based on exploration achievement. Our exploration team now has access to all the resources that it needs – strong cash flow, new equipment, good people".

ENDS

The full financial results and Annual Report are available from Sedar at <http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00004014> and from Panmure Gordon & Co.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Editors note: Uruguay Mineral Exploration Inc. is a gold producer and exploration company focussed on identifying and developing mineral opportunities in Uruguay. UME is a fully integrated mining company, possessing the skills necessary to explore and develop its discoveries. The Company operates the only producing gold mine in the country (San Gregorio), and is also the leading mineral exploration company in

Uruguay having assembled an exploration portfolio based on gold, base metals (copper, nickel, lead, zinc) and diamond prospects. In the first half of 2003, the Company discovered the Arenal deposit, currently the largest known gold resource in Uruguay. It is quoted in Canada (TSXV) and London (AIM) and Panmure Gordon & Co is the nominated adviser.

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