

**URUGUAY MINERAL EXPLORATION INC.
MEDIA RELEASE**

January 16, 2005

SYMBOLS: UME (TSXV), UGY (AIM)

Interim results

**Consistent production at 100,000 ounces per year rate generates
strong profits as exploration ramps up**

Uruguay Mineral Exploration Inc today announces results for its second quarter ended November 30, 2005 (Interims). Profit for the half was US\$ 4.184 m as production continued at a steady equivalent rate of 100,000 ounces per annum at a cash cost of US\$ 197 per ounce. As the group's capital refurbishment plans around the Minas de Corrales mine are nearing completion, exploration and development focus is shifting to replacing reserves and greenfield gold and nickel exploration.

Operations

Production highlights for the quarter and six months ending November 30, 2005 were:

- Gold production of 25,323 ounces for the quarter at an average cash cost of US\$ 182 per ounce; half year production of 50,486 ounces at a cash cost of US\$ 197 per ounce.
- Net profit after tax of US\$ 1.944 m or basic earnings per share of US\$ 0.042 for the quarter; US\$ 4.184m or basic earnings per share of US\$ 0.091 for the half year.
- Cash flow from operations (before non-cash working capital movements) of US\$ 5.121 m for the quarter; US\$ 9.310 m for the half year.
- Sales for the quarter were US\$ 11.326m and the average price of gold sold was US\$ 456 per ounce. Sales for half year were US\$ 23.047m, with an average gold price received of US\$ 443 per ounce.
- The group moved to full ownership of the Minas de Corrales Project with the acquisition of the outstanding 10% net profit interest in key tenements for a total consideration of US\$ 4.246 m

Exploration and Development

- A contract for an airborne geophysical survey of the Lascano area was finalised during the quarter and data collection commenced in December 2005.
- Three additional expatriate geologists have been recruited to accelerate gold and diamond projects and key experienced consultants have been appointed to strengthen the exploration team.

Chairman Tony Shearer commented: "Our production levels and costs confirm we stand among the best operators in the sector. The cashflow and income are excellent and augur well for the year even before the recent rise in gold prices."

ENDS

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

The balance sheet, cash flow and profit and loss statements are attached. The full quarterly report, including Consolidated Interim Financial statements and Management Discussion and Analysis, can be obtained from SEDAR.

Editors notes:

1. Uruguay Mineral Exploration Inc., which joined AIM in December 2004, 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 Collins Stewart is the nominated adviser and broker.

2. All dollars referred to in the company's reports and releases are US dollars.

For further information, please contact

Uruguay Mineral Exploration Inc.

Tony Shearer, Chairman + 44 20 7460 8935; tony@tonyshearer.com

Chris Clark, President +59 82 601 6354; urumin@adinet.com.uy

PJ Lewis + 44 7950 003 138; pjlewis@tiscali.co.uk

Collins Stewart Ltd

Andrew Smith +44 20 7523 8351

Martin Eales +44 20 7523 8351

Uruguay Mineral Exploration Inc.
Consolidated Balance Sheets
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	As at November 30, 2005	As at May 31, 2005	As at November 30, 2004
Assets	\$	\$	\$
Current assets			
Cash and cash equivalents	6,287	5,501	2,984
Accounts receivable	2,777	1,785	1,790
Inventories	7,360	7,170	4,790
Prepaid expenses and other	824	722	906
	<u>17,248</u>	<u>15,178</u>	<u>10,470</u>
Property, plant and equipment	24,428	19,675	19,431
Deferred exploration costs	6,973	5,088	4,372
Future income tax	934	1,787	-
Deferred stripping and other non current assets	2,335	923	375
	<u>51,918</u>	<u>42,651</u>	<u>34,648</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	4,711	4,945	3,973
Debt	-	-	3,000
Unrealized fair value of derivatives	1,592	180	1,654
Deferred payment on equipment	3,893	4,256	4,986
Deferred payment on acquisition	1,008	-	200
	<u>11,204</u>	<u>9,381</u>	<u>13,813</u>
Asset retirement obligation	1,602	1,558	1,395
Deferred payment on acquisition	1,780		
Deferred payment on equipment	-	391	-
Deferred subscriptions	1,096	-	125
	<u>15,682</u>	<u>11,330</u>	<u>15,333</u>
Equity instruments	30,310	29,571	21,258
Contributed surplus	1,569	1,577	1,637
Cumulative translation adjustment	(19)	(19)	(19)
Retained Earnings / (Deficit)	4,376	192	(3,561)
	<u>36,236</u>	<u>31,321</u>	<u>19,315</u>
	<u>51,918</u>	<u>42,651</u>	<u>34,648</u>
Total Liabilities and Shareholders Equity			

Uruguay Mineral Exploration Inc.
Consolidated Statements of Income and Retained Earnings (Deficit)
(Unaudited)

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30		Six months ended November 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Sales	11,326	6,328	23,047	12,406
Net profit interest	(329)	-	(635)	-
Net Sales	10,997	6,328	22,412	12,406
Operating expenses	4,970	5,468	10,730	10,003
Amortization, depletion and accretion	2,567	694	4,316	938
Other expenses				
Compensation expense – stock based	158	348	158	755
Fair value adjustment for derivatives	1,215	1,440	1,412	1,650
General and administrative	655	701	1,247	1,044
Interest and financing fees	81	71	174	267
	2,109	2,560	2,991	3,716
Income (loss) before other items and taxes	1,351	(2,394)	4,375	(2,251)
Other items				
Gain on settlement of net profit interest	888	-	888	-
Interest and other income/(expense)	(130)	23	(98)	29
Foreign exchange loss	(28)	(64)	(46)	(21)
Income (loss) before taxes	2,081	(2,435)	5,119	(2,243)
Income taxes	137	-	935	-
Net income (loss) for the period	1,944	(2,435)	4,184	(2,243)
Retained earnings (deficit), beginning of period	2,432	(1,126)	192	(1,318)
Retained earnings (deficit), end of period	4,376	(3,561)	4,376	(3,561)
Basic earnings (loss) per share	0.042	(0.056)	0.091	(0.052)
Diluted earnings (loss) per share	0.039	(0.050)	0.085	(0.046)
Basic weighted average no. of shares	46,263,746	43,174,913	46,227,580	43,039,413
Diluted weighted average no. of shares	49,889,413	48,993,080	49,507,913	48,876,413

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

(Thousands of United States Dollars, except where indicated)

	Three months ended November 30		Six months ended November 30	
	2005	2004	2005	2004
	\$		\$	
Operating activities				
Net income/(loss) for the period	2,106	(2,435)	4,346	(2,243)
Adjustments for:				
Amortization, depletion and accretion	2,567	694	4,316	938
Future income taxes	(393)	-	405	
Deferred stripping	(646)	(137)	(1,441)	(137)
Fair value adjustment of derivatives	1,215	1,440	1,412	1,650
Compensation expense – stock based	158	348	158	755
Loss on sale of assets	114	-	114	
Finance fees – stock based	-	-	-	188
	5,121	(90)	9,310	1,151
Net change in non-cash working capital balances	(2,327)	(31)	(1,996)	(885)
	2,794	(121)	7,314	266
Financing activities				
Proceeds from the issue of share capital, net of costs	36	204	204	254
Deferred subscriptions	-	125	-	125
Proceeds from bank debt, net of costs	-	1,929	-	2,928
	36	2,258	204	3,307
Investing activities				
Refundable deposits	(3)	(5)	(3)	(42)
Purchase of property, plant and equipment	(3,585)	(2,236)	(6,252)	(3,761)
Payments for exploration	(687)	(613)	(1,127)	(1,257)
Proceeds on sale of assets	350	-	650	-
Payments on subsidiaries acquired, net of cash acquired	-	(500)	-	(500)
	(3,925)	(3,354)	(6,732)	(5,560)
Increase (decrease) in cash	(1,095)	(1,217)	786	(1,987)
Cash and cash equivalents, beginning of period	7,382	4,201	5,501	4,971
Cash and cash equivalents, end of period	6,287	2,984	6,287	2,984