

**URUGUAY MINERAL EXPLORATION INC.
MEDIA RELEASE**

28th October, 2004
(All amounts expressed in US\$)

LISTING: TSXV
SYMBOL: UME

UME announces First Quarter Results

UME has released interim financial results for the first quarter, ended 31 August, 2004 showing improved gold production and a net profit of \$192,111. Highlights for the quarter are:

- Gold production of 15,352 ounces at an average cash cost of \$295 per ounce
- Net profit of \$192,111 (after allowing \$408,128 as stock option compensation expense) or \$0.004 per share
- Cash flow from operations of \$1,241,254 before non cash working capital balances
- Revenues were \$6,077,656 and the average price of gold sold was \$396 per ounce

Production

At San Gregorio 304,551 tonnes of ore were processed at an average grade of 1.65 g/t, an increase in comparison to the May 2004 quarter, to produce 15,352 ounces. Throughput increased in comparison to previous quarters due to metallurgical improvements and is now planned to remain at these levels. Due to increased production, average cash costs were \$295 per ounce in the August quarter, compared to \$365 per ounce in the last quarter of 2004.

Financial Position

At 31 August, 2004, UME had cash resources of \$4.2 million and cash held in escrow of \$2.65 million compared to \$4.97 million and cash held in escrow of \$1.5 million at 31 May 2004. Cash flow from operations was \$ 1.24m gross.

Investment in the Arenal mine continued with \$2.4 million spent on new mine equipment, tailings dam expansion and infill and expansion drilling of the Arenal deposit.

During the quarter the Company entered into a secured \$2 million interim working capital facility with Macquarie Bank Limited. As previously announced, subsequent to the period end, the Company received an offer to replace the working capital facility with a secured financing facility of \$6.5 million. This facility will provide \$1.5 million for environmental bonds and \$5.0 million for working capital needs.

Outlook

The Company received environmental approval to mine at Arenal on 29 September 2004 and commenced pre-strip in early October 2004. Arenal production levels will increase progressively during the November quarter and will be capable of providing all ore requirements by December 2004. Mining operations at Zapuchay will stop once this occurs. The new mining fleet is expected to be fully operational by 30 November 2004.

The unaudited financial statements and MD&A for the period ended 31 August, 2004 are available from Sedar at:

<http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00004014>.

ENDS

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

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Note:

This release may contain certain forward-looking statements within the meaning of Section 21E of the United States Securities Exchange Act 1934, as amended. Although Uruguay Mineral Exploration Inc. has taken all care in preparing this release, all statements included herein, other than statements of historical fact, including without limitation exploration results, resource estimates, projected programs and statements of objectives involve certain risks and uncertainties. Important factors that could cause actual results to differ materially from those in the forward looking statements contained herein, include among others, weather, access to property, drill availability, assay laboratory performance and availability of technical personnel.