exeter

RESOURCE CORPORATION

Annual Report 2009

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Conversion Table	
g/t	grams per tonne
Au	Gold
Ag	Silver
Oz	Ounce
1 tonne	1.102 tons
1 troy ounce	31.1035 grams
1 ounce/ton	34.2857 grams per tonne
1 gram/tonne	0.029 oz/short ton
Km	Kilometre
M	Metre
square kilometre	247.1 acres
1 kilometre	0.62 miles
1 metre	3.28 feet

Share Capital
Authorized: 100,000,000 common shares
Issued and outstanding: 74,885,898 *
Fully diluted: 86,097,273 *
* *as of April 27, 2010*

Shares Listed

TSX Venture Exchange, Symbol: **XRC**

NYSE-AMEX, Symbol: **XRA**

Frankfurt Stock Exchange, Symbol: **EXB**

Website: www.exeterresource.com

To Our Valued Shareholders

Becoming a Globally Recognized Gold Company

Exeter continues to establish itself as one of the most successful and respected junior exploration companies in the industry. With the April release of our latest interim resource estimate, the Caspiche gold-copper project is now ranking as one of the largest gold-copper discoveries made by the mining industry in some years. Adding to this success, the recent spin-out of Extorre Gold Mines Limited brought significant value to shareholders.

We are very proud of the years' accomplishments and are optimistic that significant additional value remains to benefit shareholders.

Some of Exeter's 2009-2010 developments are listed below.

<u>The Caspiche Deposit:</u>

Drilling at Caspiche led to resource announcements in September 2009 and April 2010. The latest announcement was in fact an interim statement, as drilling is continuing on the property.

The mineral resources are as follows:

Indicated Resource: 14.3 M. (million) ounces of gold*, 3.5 billion pounds of copper and 33.6 M. ounces of silver, ***plus an additional***
Inferred Resource: 10.0 M. ounces of gold**, 2.9 billion pounds of copper and 26.7 M. ounces of silver.

The new gold equivalent*** endowment of Caspiche, using only gold and copper (excluding silver and molybdenum), now stands at:

Indicated Resource: 23.9 M. gold equivalent ounces* plus**
Inferred Resource: 17.8 M. gold equivalent ounces*.**

The resource estimates were carried out by independent engineering consultants, AMEC International (Chile) S.A., a recognised international expert in reporting NI43-101 compliant resources. The estimates are based on all drilling by Exeter and third parties to the end of 2009, including assays received up to February 6, 2010.

Importantly, drilling will continue until May when the onset of winter will suspend drilling until October 2010. Some 21 additional holes are scheduled to be drilled and reported as of the date of this report.

Metallurgical and Engineering Programs

Comprehensive drill core sampling for engineering and metallurgical testwork has been completed. Two separate programs are in progress, one to evaluate the upper portion of the deposit, referred to as the oxide zone (copper absent) for its heap leach potential, and the second to evaluate the lower sulfide zone bearing both gold and copper minerals.

Work on oxide zone samples in 2009 returned good gold recoveries of 77-84% for the two composites tested. Current work is more comprehensive and involved drilling 7 large diameter drill holes for leaching testwork at different crush sizes. This testwork will be completed in Q3-2010.

Preliminary results from sulfide zone testwork in 2009 reflect recoveries of 80-90% for copper and 60-75% for gold, with some areas of lower performance. These results were in line with expectations for this stage of the program.

The current metallurgical program for the sulfide zone is significantly more comprehensive than the 2009 program. Sampling and testing of 20 intervals of drill core considered representative of various ore types within the deposit is underway. Four composite concentrate samples have been prepared for flowsheet development and optimisation testwork. This program will continue until at least mid year. Work is also underway to identify zones of elevated arsenic within the deposit, a contaminant common to the Andean porphyry systems. The Company has received a report from SNC Lavalin Engineers on commercially available options that may be contemplated in future studies for dealing with the arsenic.

Exeter is also performing water, power and environmental assessments in the lead up to a project evaluation assessment in Q1-2011.

Mineral Rights to the Caspiche Property

Exeter has fulfilled the necessary requirements to secure 100% ownership of Caspiche, subject to a 3% net smelter returns royalty entitlement to Anglo American Chile.

The Spin-Out of Exeter's Argentine Assets to Extorre

In March 2010, Exeter shareholders approved the spin-out of its Argentine assets together with approximately $25 million in cash to Extorre Gold Mines Ltd. ("Extorre"). Exeter retained all assets relating to the Caspiche gold-copper discovery in Chile, together with approximately $43 million in working capital. The spin-out was very successful with the post spin-out market capitalization of the combined companies reaching a new high.

Shortly after the spin-out, Extorre announced a new mineral resource estimate for the high grade Cerro Moro gold-silver property and a major drilling program to realize the full potential of the property. A mine development decision, planned for Q3 2010, will be a milestone for the new company.

For more on Extorre please visit the company's website at www.extorre.com.

Financings:

The Company raised $29 million in March 2009, a significant achievement as markets had not yet recovered from the financial crisis of 2008. A further $57.5 million was raised in November 2009, for a total of $86.5 million for the year, to fund exploration campaigns on the Caspiche and Cerro Moro projects.

Our Corporate Goal – To Build Further Shareholder Value

Caspiche is a world class gold-copper resource. Its size ranks with the largest systems of its type in South America, and when combined with its' location in a favoured investment jurisdiction, makes it unique within the industry.

On the basis of expenditures to date and the program ahead, Exeter will have invested in the order of $45 million in the project by the end of 2010. That level of commitment has been entirely justified by the results to date.

News Flow for the Months Ahead

Q-2 and **Q-3**: Progressively announce drilling results from the six drill rig program to end in May.
Q-3: Announce the final 2010 resource estimate for Caspiche.
Q-4: Complete all current engineering, metallurgical and infrastructure studies.
Q-1 2011: Release a preliminary engineering assessment for the Caspiche Project.

This year we received considerable encouragement and support from shareholders. For that we recognize the incredible effort put in by staff at both the administrative and technical levels. On behalf of the Board and shareholders we thank them most sincerely.

Bryce Roxburgh
President and CEO

Yale Simpson
Executive Chairman

All resource statements follow the Canadian reporting standard for reporting mineral resources and reserves (known as National Instrument 43-101). As reporting definitions differ between jurisdictions, the resources quoted by Exeter do not comply with the SEC definition of reserves and are therefore for reference only.

*The indicated resource is based on 785 Mt (metric tons) at a grade of 0.57 g/t gold (grams per metric ton) and 1.33 g/t silver, including 690 Mt at a grade of 0.20% copper.

**The new inferred resource is based on 688 Mt at a grade of 0.45 g/t gold and 1.21 g/t silver, and includes 675 Mt at a grade of 0.19% copper.

***Gold equivalent ounces is calculated using a formula set out in the NI43-101 compliant resource report. It calculates gold equivalent ounces for the contained copper within the deposit. It is for reference purposes only.

Management's Discussion and Analysis

March 10, 2010

In this document: (i) unless the content otherwise requires, references to "our", "us", "its", "the Company" or "Exeter" mean Exeter Resource Corporation and its subsidiaries; (ii) information is provided as of December 31, 2009, unless otherwise stated; (iii) all references to monetary amounts are to thousands of Canadian dollars, unless otherwise stated; and (iv) "$" refers to Canadian Dollars and "US$" refers to US dollars.

Forward Looking Statements

This management discussion and analysis ("MD&A") contains "forward-looking information" and "forward-looking statements" (together, the "forward-looking statements") within the meaning of applicable securities laws and the United States Private Securities Litigation Reform Act of 1995, as amended, including the Company's belief as to the timing of its drilling and exploration programs and exploration results. These forward-looking statements appear in a number of different places in this document and can be identified by words and phrases such as, but not limited to, "estimates", "plans", "is expected", or variations of such words or phrases, or statements that certain activities, events or results "may", "would" or "could" occur. While the Company has based these forward-looking statements on its expectations about future events as at the date that this document was prepared, the statements are not a guarantee of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations and misjudgements in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which could cause the Company's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements. Known risk factors include those set out under "Risks" below. Although the Company has attempted to identify important risk factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risk factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. All statements are made as of the date of this MD&A and the Company is under no obligation to update or alter any forward-looking statements except as required under applicable securities laws.

Cautionary Note to U.S. Investors

Caution on forward-looking statements

This MD&A contains certain forward-looking statements concerning anticipated developments in Exeter's operations in future periods. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. These forward-looking statements are set forth principally under the heading "Outlook" and elsewhere in the MD&A and may include statements regarding exploration results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; market price of precious and basemetals; or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Exeter may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors. Exeter's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and Exeter does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from Exeter's expectations include uncertainties involved in disputes and litigation; fluctuations in gold, copper and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals and other risks and uncertainties disclosed in Exeter's Annual Information Form for the year ended December 31, 2009, filed with the Canadian securities regulatory authorities, Exeter's annual report on Form 40-F filed with the United States Securities and Exchange Commission (the "SEC"), and other information released by Exeter and filed with the appropriate regulatory agencies.

Cautionary note concerning reserve and resource estimates

This MD&A and other information released by Exeter uses the terms "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in press releases by the Company in the past and in the future, have been or will be prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. The requirements of NI 43-101 are not the same as those of the SEC, and reserves reported by Exeter in compliance with NI 43-101 may not qualify as reserves under the SEC's standards.

U.S. investors are urged to consider closely the disclosure contained in our annual report on Form 40-F. You can review and obtain copies of our filings from the SEC's website at http://www.sec.gov/edgar.shtml

Report on Operations

First Quarter 2009
Despite the global economic crisis, the Company completed an equity capital raising of $29.0 million through the issuance of 12,075,000 common shares at a price of $2.40 per share. The Company paid the underwriters a six and one-half percent (6.5%) cash commission and issued 784,875 broker's warrants, each exercisable to acquire one common share at $2.40 until February 26, 2010. All of the broker's warrants have been exercised.

In early March 2009, the Company entered into a strategic agreement with Fomento Minera de Santa Cruz Sociedad del Estado ("Fomicruz"), the provincial mining company in Santa Cruz Province Argentina. This strategic alliance represented a significant step forward for the future exploration of the Cerro Moro project as current data suggests that the high grade Escondida vein system may continue onto the Fomicruz tenements that are covered in the agreement.

Later in March, the Company released an initial NI 43-101 compliant resources estimate for its Caspiche Project. The initial NI 43-101 resources estimate of 8.7 million ounces of gold and 2.1 billion pounds of copper was based on drilling completed to the end of December 2008 (see the March 24, 2009 news release for further details). Drilling subsequent to December 2008 and to the end of the 2008/2009 drilling season, completed in May, was used to develop the updated NI 43-101 resources estimate that was later released in the third quarter of 2009. (See Chile Caspiche Project in this MD&A for further details).

Second Quarter 2009
During the second quarter of 2009, the Company released a NI 43-101 compliant inferred mineral resources estimate for its Cerro Moro Project in Santa Cruz, Argentina. The inferred mineral resource estimate totals 646,000 ounces gold equivalent, at a grade of 18 grams per tonne ("g/t") gold equivalent (0.52 ounces per ton). Of the 646,000 ounces gold equivalent, 518,000 ounces gold equivalent are at a grade of 34 g/t gold equivalent (0.99 ounces per ton) (See Cerro Moro and CVSA Properties – Patagonia in this MD&A and news release dated July 8, 2009 for further details).

Third Quarter 2009
During the third quarter the Company released an updated NI 43-101 compliant inferred mineral resources estimate for its Caspiche gold-copper Project in the Maricunga region of Chile. The inferred mineral resources estimate totals 19.6 million ounces gold, 4.84 billion pounds of copper, and 40 million ounces of silver, or 32.4 million gold equivalent ounces (refer to

September 14, 2009 and October 20, 2009 news releases and the Caspiche Project description in this MD&A for further information).

Fourth Quarter 2009

During the fourth quarter 2009, the Company completed another equity capital raising of $57.5 million through the issuance of 9,832,500 common shares at a price of $5.85 per share. The Company paid the underwriters a five percent (5.0%) cash commission and issued 294,975 broker's warrants, each exercisable to acquire one common share at $6.00 until November 26, 2010.

Drilling on the Caspiche Project ceased in May with the onset of winter, however, the Company recommenced drilling in October which is expected to continue through to the onset of winter in May 2010. The program includes drilling to further expand the resource, in-fill drilling of the higher grade area to upgrade the resource to "indicated resource" status, and infrastructure, metallurgical, engineering and environmental studies. The Company has budgeted approximately $14.5 million to conduct this program.

Drilling on the Company's Cerro Moro Project in Argentina continued throughout the fourth quarter targeting the known vein systems. This targeted in-fill drilling program is designed to better define the size of the known vein system and to move some of the resources from the inferred into the indicated category. Management expects to release an updated resource estimate in the second quarter of 2010.

The Company has two principal projects – the Caspiche project in the Maricunga region of Northern Chile, and the Cerro Moro project in Patagonia, Argentina. A brief summary of the Company's principal projects and other projects in Argentina and Chile appear below.

CHILE

Caspiche Project

Northern Chile - Maricunga

In 2005, the Company entered into an agreement with Minera Anglo American Chile Limitada and Empresa Minera Mantos Blancos S.A. ("Anglo American") with respect to seven properties in the Maricunga region of Chile. The terms of the agreement provided for increasing annual drilling and exploration commitments over five years, and the phased reversion of five properties to Anglo American which has occurred. Exeter has satisfied its obligations under the agreement to date and spent more than its required minimum expenditures of US$2.55 million, including completing more than 15,500 metres of required drilling which will allow it to exercise its option to acquire a 100% interest in the properties at any time before the end of January 31, 2011. Anglo American will retain a 3% net smelter returns royalty ("NSR") from production from the property and Anglo American has the right to buy the property back if it is not put into production within 10 years from the date that the Company exercises its option. In addition, the Company will be required to pay a further 0.08% NSR from production pursuant to an agreement with a Chilean company.

All hard copy data received from Anglo American was digitized, and the satellite (Aster) imagery for the area secured, prior to the commencement of field work in November 2005. Magnetic data acquired for Caspiche was reprocessed to delineate targets for epithermal gold mineralization. Exploration, including geochemical sampling and prospecting was conducted through the field season in early 2006. This work resulted in early reversion of five of the seven properties to Anglo American and allowed Exeter to focus on the two most favourable properties, jointly referred to as the Caspiche project. Previously, exploration by Newcrest Mining led to the discovery and subsequent drilling of the upper levels of a copper-gold porphyry system at Caspiche.

The Caspiche project is located in a prolific region of gold porphyry deposits, 15 kilometres ("km") (10 miles) southeast of Kinross Gold's Maricunga open pit mine (formerly known as the Refugio mine) and 11 km (7 miles) north of Barrick Gold – Kinross Gold's Cerro Casale project.

On October 19, 2009, the Company released its updated NI 43-101 compliant resources estimate for the Caspiche project. The table below reflects the resources estimate at Caspiche using drill hole data to the end of the 2008-2009 drill season.

Table 1: Caspiche inferred mineral resource estimate 2008/09 season

Material	AMEC Gold Equivalent Cut-off*	Million metric tons	Gold (g/t)	Gold (million ounces)	Silver (g/t)	Silver (million ounces)	Copper (%)	Copper (billion pounds)	EXETER Gold Equivalent (g/t)**	EXETER Gold Equivalent (million ounces)**
Oxide	0.2	100	0.50	1.6	1.01	3			0.5	1.7
Sulphide	0.3	1,017	0.55	18.0	1.14	37	0.22	**4.84**	**0.94**	**30.7**
Totals		**1,117**	**0.55**	**19.6**	1.12	40			**0.90**	**32.4**

Table 2 Caspiche inferred mineral resource estimate showing the higher cut-off for the sulphide material

Material	AMEC Gold Equivalent Cut-off*	Million metric tons	Gold (g/t)	Gold (million ounces)	Silver (g/t)	Silver (million ounces)	Copper (%)	Copper (billion pounds)	EXETER Gold Equivalent (g/t)**	EXETER Gold Equivalent (million ounces)**
Sulphide	0.9	499	0.78	12.5	1.39	22	0.3	**3.30**	**1.31**	**21.1**

*AMEC chose to report the contained inferred resource above a Au equivalent cutoff. For this they used prices of US$825/oz for Au and $2.07/lb for Cu. The formula used to calculate Au equivalents is Au(g/t) + Cu (%) * (Cu Price [$/lb]/Au Price [$/oz]) * (Rec Cu/Rec Au)*0.06857*10000. Where Rec = % recovery and 0.06857 = conversion g*lb/oz. Au and Cu are the block kriged Au and Cu grades. Projected metallurgical recoveries were 75% and 85% for Au and Cu respectively in sulphide material and 50% for Au in the oxide zone. Recoveries are based on benchmarking of similar deposits.

**Gold ("Au") equivalence for copper ("Cu") and silver ("Ag") was calculated by Exeter using assumed metal prices of US$800/ounce ("oz") for Au, US$12/oz for Ag and US$2/pound ("lb") for Cu. The formula to calculate Au equivalence for Cu was pounds of Cu multiplied by 2 and divided by 800; Au equivalence for Ag was calculated using the formula oz of Ag multiplied by 12 and divided by 800, and in both cases assumes 100% recovery. Reported grades and metric tons have been rounded (see news release NR 9-19 dated September 14, 2009).

The Company received an independent technical report, with an effective date of October 19, 2009, compliant with NI 43-101, for the Caspiche project prepared by Todd Wakefield, M.AusIMM and Rodrigo Alves Marinho, CPG-AIPG, both independent and Qualified Persons ("QPs") under NI 43-101. The report is available for viewing on SEDAR at www.sedar.com.

ARGENTINA

Cerro Moro and CVSA Properties – Patagonia

Acquisition terms

In January 2004, the Company announced that it had secured an option from Cerro Vanguardia Sociedad Anomina ("CVSA") to acquire all of CVSA's exploration projects (the "CVSA Properties") which are divided into four project areas ("Projects"), except those surrounding the Cerro Vanguardia gold mine, in Patagonia, Argentina. CVSA is owned 92.5% by AngloGold Ashanti Ltd. and 7.5% by Fomicruz. The four Projects comprised Cerro Moro, other Santa Cruz properties, Chubut properties, and the Rio Negro properties.

Under the option agreement, Exeter paid CVSA US$100 thousand for the right to earn a 100% interest in the CVSA Properties. In order to earn its interest in the CVSA Properties, Exeter was required to spend US$3.0 million within five years, including completing 8,000 metres of drilling. CVSA has a back in right to a 60% interest in a Project following the completion of 10,000 metres of drilling on that Project, by paying Exeter 2.5 times its expenditures on that Project and by paying for all the project costs to the completion of a bankable feasibility study. CVSA can increase its interest in a Project to 70%, by financing Exeter's share of mine development costs, at industry standard terms. Should CVSA elect not to back into a project, its interest will revert to a 2% NSR in that Project. A number of the properties considered to be low priority targets were returned to CVSA in 2005 and in 2006.

At the end of 2006, Exeter had met the obligation to incur total aggregate expenditures of US$3.0 million and had completed 12,000 metres of drilling, and in early 2007 notified CVSA that it was exercising the option to acquire the CVSA Properties subject to their back-in right. On August 2, 2007, Exeter notified CVSA that it had completed 10,000 metres of drilling at Cerro Moro and provided them with a report containing exploration results in early September. In October 2007, CVSA advised the Company that it had elected not to exercise the back-in right and its interest reverted to a 2% NSR on the Cerro Moro project. CVSA retains its back-in right on the remaining projects.

Cerro Moro, now 100% owned by the Company subject to a 2% NSR, was the most advanced at the time of acquisition. The remaining CVSA Properties are grouped into two main project areas, other Santa Cruz properties and Chubut properties, including the Cerro Puntudo and Verde properties.

Prospecting and geochemical surveys have been conducted on many of the Santa Cruz and Chubut properties. Given the favourable mining regime in Santa Cruz, the Company is focusing its attention on Cerro Moro. Future plans include conducting work on the Cerro Puntudo and Verde projects, all situated in Santa Cruz Province. Other properties in Santa Cruz Province covered by the agreement include the Calandria and Azul properties.

On March 3, 2009, the Company announced that it had entered into a definitive agreement with Fomicruz (the "Fomicruz Agreement"). The Fomicruz Agreement sets out the key terms for Fomicruz's participation in the future development of Exeter's 100 percent owned Cerro Moro project in Santa Cruz, and provides access to Fomicruz's significant landholding adjacent to Cerro Moro. The details of the Fomicruz Agreement are as follows:

(i) Fomicruz will acquire a 5 percent interest in the Company's Cerro Moro project;
(ii) The Company will have the right to earn up to an 80 percent interest in Fomicruz's exploration properties adjoining the Cerro Moro project by incurring US$10 million in exploration expenditures over a number of years;
(iii) The Company will finance all exploration and development costs of the Cerro Moro project, and on the Fomicruz properties, and Fomicruz will repay an agreed amount of those costs from 50 percent of its share of net revenue from future operations; and
(iv) The Company will manage the exploration and potential future development on the properties.

As of December 31, 2009 neither the Company nor Fomicruz had satisfied the requirements to earn an interest in the other's property.

On July 8, 2009, the Company released a NI 43-101 compliant resources estimate for its Cerro Moro project. The inferred mineral resource estimate totals 646,000 ounces gold equivalent*, at a grade of 18 g/t gold equivalent* (0.52 ounces per ton). See news release dated July 8, 2009 for further detail.

Inferred Mineral Resource for Escondida, Esperanza and Gabriela. These figures are based on the Escondida zone lower grade option (2 g/t gold cut-off grade) and the Esperanza / Gabriela zones utilising a 150 g/t silver cut-off.

Zone	**Metric tons**	**Gold (g/t)**	**Silver (g/t)**	**Gold Equivalent Grade* (g/t)**	**Gold (ounces)**	**Silver (ounces)**	**Gold Equivalent Ounces***
Esperanza/ Gabriela	617,000	2.4	285	6	47,000	5,647,000	127,000
Escondida	481,000	21.0	878	34	324,000	13,579,000	518,000
Total	**1,098,000**	**10.5**	**545**	**18**	**371,000**	**19,227,000**	**646,000**

Inferred Mineral Resource for Escondida based on the high grade option (4 g/t gold cut-off grade).

Zone	**Metric tons**	**Gold (g/t)**	**Silver (g/t)**	**Gold Equivalent Grade* (g/t)**	**Gold (ounces)**	**Silver (ounces)**	**Gold Equivalent Ounces***
Escondida	353,000	26.1	1,080	42	297,000	12,260,000	472,000
Total	**353,000**	**26.1**	**1,080**	**42**	**297,000**	**12,260,000**	**472,000**

*Gold equivalent grade is calculated by dividing the silver assay result by 70, adding it to the gold value and assuming 100% metallurgical recovery.

The Company received an independent technical report, with an effective date of September 18, 2009, compliant with NI 43-101, for the Cerro Moro project prepared by Christopher John Bargmann, FGS (CGeol), MAusIMM, Pr.Sci.Nat, Simon Charles Dominy, FGS (CGeol), FAusIMM (CP), MIMM (CEng) and Ian Malcolm Platten FGS (CGeol), all independent and Qualified Persons ("QPs") under NI 43-101. The report is available for viewing on SEDAR at www.sedar.com.

Don Sixto project – Mendoza Province

Exeter ceased exploration at Don Sixto following the Mendoza Provincial Government's anti-mining legislation enacted in June 2007. The legislation banning the use of certain chemicals traditionally used in the mining process effectively precludes the development of mining projects in Mendoza Province. The Company deferred all exploration and independent engineering studies in Mendoza and filed an action in the Mendoza Supreme Court to have this anti-mining legislation declared unconstitutional. Should the Company not be successful in its constitutional challenge or the anti-mining legislation not be amended, the carrying value of the Don Sixto project may not be recoverable requiring the Company to write-off its entire investment of $3.2 million. The Company continues to work with all levels of government, industry and unions to demonstrate that the Don Sixto project, if viable, could be developed responsibly and that it would provide important economic and social benefits to the community and to the Province.

On February 20, 2008, the Company re-filed a NI 43-101 compliant technical report for the Don Sixto Project prepared by Arnold van der Heyden, B.Sc. Geo., an independent QP under NI 43-101. The report can be viewed on SEDAR at www.sedar.com.

Purchase of Surface Rights

The Company purchased the 8,000 hectare property overlying the proposed Don Sixto development site in late 2005 for US$78 thousand. The purchase agreement requires that the Company build two new houses at an estimated cost of $75 for the prior landowners and grants them the right to reacquire the property upon completion of mining activities.

Results from Operations

The Company began 2009 with 50,200,423 common shares outstanding and ended the year with 73,897,702 common shares outstanding. During the year, the Company received net proceeds of $84.4 million and issued 23,697,279 common shares upon the exercise of options and warrants, and pursuant to the equity financings completed in February and November of 2009. Shares issued and proceeds received are summarized below:

	Options Exercised	Warrants Exercised	Share Placement Financing	Share Placement Issue Costs	Total
Shares issued	1,485,100	304,679	21,907,500	-	23,697,279
Proceeds	$2,717	$731	$86,500	($5,537)*	$84,411

* excludes fair value of Agent's Warrants

Subsequent Events

Subsequent to December 31, 2009, the Company issued shares pursuant to the exercise of options and warrants as follows:

	Options Exercised	Warrants Exercised	Total
Shares issued	60,000	480,196	540,196
Proceeds	$136	$1,152	$1,288

As at March 10, 2010, the Company had 74,570,898 shares outstanding.

Summary of Financial Results

Selected Information

The Company's consolidated financial statements for the years ended December 31, 2009 and 2008 (the "Consolidated Financial Statements") have been prepared in accordance with Canadian generally accepted accounting principles and practices. The following selected financial information is taken from the Consolidated Financial Statements and should be read in conjunction with those statements.

Year ended December 31, 2009

The Company ended its 2009 fiscal year with $81.1 million in its treasury after completing two capital financings in the year including most recently in November 2009 in which $57.5 million was raised. During the year the Company released three NI 43-101 compliant resource estimates, including two for Caspiche, in March and September, and one for Cerro Moro in July. Exploration expenditures totalled $22.4 million during the year.

Year ended December 31, 2009 compared to the year ended December 31, 2008

The loss for the year of $31.0 million represents an increase of about $2.4 million when compared to the $28.6 million loss incurred in 2008. This increase is primarily due to increased stock-based compensation expense in 2009 of $2.5 million.

Following the completion of the February 2009 and November 2009 equity financings, the Company had cash and cash equivalents of $81.1 million at December 31, 2009 as compared to $19.1 million in 2008. The equity financings have allowed the Company to more aggressively explore and drill both the Caspiche and Cerro Moro projects to expand the known mineralized zones and to target increasing the resource estimate confidence levels in the coming quarters. The stronger treasury along with a more stabilized economy at December 31, 2009 is a much different environment than it was in 2008 when the Company was cutting spending, budgets and staff to conserve cash in case it was unable to raise additional funding due to the credit crisis that developed in late 2008 and continued into 2009.

Stock-based compensation expense in 2009 totalled $7.1 million, an increase of $2.5 million over the $4.6 million of 2008. The increased 2009 stock-based compensation expense resulted from the approval and or vesting of stock options granted to employees, officers and directors in late 2008 and through 2009, and the re-pricing of some options in early 2009. In addition, the increased stock-based compensation expense is also a reflection of the higher fair value of options resulting from a rising share price and increased volatility in 2009.

Net cash received from the issuance of shares in 2009 of $84.5 million was $50.6 million more than the $33.9 million received in 2008. This difference is primarily the result of the Company receiving net proceeds from its two equity financings of $29.0 million in February and $57.5 million in November as compared to the one financing completed in March 2008 of $32.3 million. Proceeds from shares issued upon the exercise of options was $2.7 million in 2009, $1.9 million more than the $0.8 million in 2008.

The issuance of shares upon the exercise of options and warrants throughout 2009 resulted in contributed surplus in the amount of $2.2 million being allocated to share capital, $1.8 million more than the amount recorded in 2008, which is a reflection of the increased number of options and warrants exercised in 2009.

Fourth Quarter 2009 Compared to Fourth Quarter 2008

At December 31, 2009 the Company had $81.1 million in cash and cash equivalents, $62.0 million more than $19.1 million at December 31, 2008. This additional cash resulted from the February 2009 and November 2009 equity financings in which the Company raised gross proceeds of $86.5 million. Even though the Company cut many programs and a large portion of its staff in late 2008 and early 2009 during the credit crisis, continued favourable exploration results and successful equity financings enabled the Company to more aggressively advance Caspiche and Cerro Moro by the third and fourth quarters of 2009. The result of this increased activity resulted in mineral property exploration expenses (net of stock based compensation) of $7.8 million in the fourth quarter of 2009, up $2.2 million from the $5.6 million incurred in 2008.

Administration expenditures, calculated by removing interest, stock-based compensation expense, exploration costs, and the effect of the conversion of foreign currencies from the net loss, was $1.7 million which is $1.1 million more than the $0.6 million incurred in 2008.

The following selected financial information is taken from the Company's consolidated financial statements for the years ended December 31, 2009, 2008 and 2007.

	($000's, except share data)		
Year ended December 31,	**2009**	2008	2007
Interest income	$ **499**	$ **706**	$ 392
Mineral property exploration expenditures [1]	$ **20,578**	$ **21,213**	$ 10,711
Stock-based compensation [2]	$ **7,094**	$ **4,598**	$ 3,778
Net loss and comprehensive loss for the year	$ **30,978**	$ **28,643**	$ 16,869
Basic and diluted loss per common share	$ **(0.51)**	$ **(0.62)**	$ (0.43)

1) excludes stock-based compensation cost allocated of $1,777 (2008: $755; 2007: $1,258).
2) stock-based compensation costs have been allocated to administrative salaries and consulting, management fees, directors' fees, mineral property exploration expenditures and shareholder communications.

	($000's, except share data)		
As at December 31,	**2009**	2008	2007
Working capital	$ 77,481	$ 16,949	$ 7,057
Total assets	$ 85,362	$ 23,497	$ 12,737
Total liabilities	$ 4,161	$ 2,823	$ 2,115
Share capital	$ 174,418	$ 89,356	$ 55,249
Deficit	$ (111,482)	$ (80,504)	$ (51,861)

The following selected financial information is a summary of quarterly results taken from the Company's unaudited quarterly consolidated financial statements:

Comparison to Prior Quarterly Periods

($000's, except for share data)

	2009				2008			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest	111	135	142	111	157	211	259	79
Net loss and comprehensive loss, excluding stock-based compensation	9,286	3,927	5,601	5,070	6,124	6,258	6,000	5,664
Administration expenditures*	1,611	734	723	796	783	796	1,039	821
Mineral property exploration costs, excluding stock-based compensation	7,759	3,418	5,060	4,341	5,500	5,644	5,189	4,935
Stock-based compensation	1,072	1,464	1,510	3,048	806	462	3,099	230
Basic and diluted loss per common share	$0.16	$0.09	$0.11	$0.15	$0.15	$0.14	$0.19	$0.14

*Administration expenditures are calculated by removing interest, stock-based compensation, exploration costs, and the effect of the conversion of foreign currencies from the net loss.

Interest income was slightly reduced in the fourth quarter as compared to the previous two quarters as cash obtained through the equity capital financing completed in February 2009 continued to be used to fund its drilling and exploration programs at Caspiche and Cerro Moro and for administrative expenditures.

Net loss and comprehensive loss in the fourth quarter, excluding stock-based compensation, was much higher, than in previous quarters due to the Company's increased exploration efforts on its key projects, Caspiche and Cerro Moro. After the budget cuts and reduction in spending due to the credit crisis of 2008, the elevated exploration activity in the fourth quarter of 2009 brought the total annual expenditure amount closer the total amount spent in 2008.

Stock-based compensation has fluctuated quarter by quarter for a number of reasons including the vesting of certain options, approval dates of grants, and stock price volatility which is a component of the Black-Scholes pricing model that can dramatically affect the fair value of options granted at certain times. Stock-based compensation expense of approximately $4.6 million in the first two quarters of 2009 resulted from the vesting of options granted and repriced late in 2008 and early 2009 following their approval at the Company's 2009 Annual General Meeting in May 2009.

Liquidity and Capital Resources

The Company's cash and cash equivalents at December 31, 2009 totalled $81.1 million compared to $19.1 million at December 31, 2008 an increase of about $62.0 million which is the result of the Company completing two equity financings in February and November of 2009 raising $29.0 million and $57.5 million respectively. (see below for more details on these equity financings). The Company continues to utilize its cash resources to fund project exploration and administrative requirements. Aside from cash and cash equivalents, the Company has no material liquid assets. While the Company has successfully raised funds through past capital financings, there are no guarantees that such source of funds will be available in the future.

Management continues to evaluate and adjust its planned level of activities to ensure that adequate levels of working capital are maintained. The availability of funding will affect the planned activity levels at the Caspiche and Cerro Moro projects and expenditures will be adjusted to match available funding. Subsequent to December 31, 2009, the Company announced a spin-out transaction (the "Spin-Out") of its exploration assets in Argentina along with approximately $25.0 million in cash into a new stand-alone company, Extorre Gold Mines Limited ("Extorre"). Please see "Subsequent Events" below for additional details regarding the Spin-Out.

In February 2009, the Company completed a bought deal equity financing in which it sold 12,075,000 shares (including an overallotment option of 15%) at a price of $2.40 per share to raise gross proceeds of $29.0 million. The offering closed on February 26, 2009. The Company paid the underwriters a cash fee in an amount equal to six and one half percent (6.5%) of the gross proceeds received by the Company from the offering. The Company also issued to the underwriters 784,875 non-transferable warrants (the "Agent's Warrants") constituting six and one-half percent (6.5%) of the aggregate number of shares sold pursuant to the offering. Each Agent Warrant was exercisable for a period of twelve (12) months at the offering price of $2.40.

In November 2009, the Company completed a bought deal equity financing in which it sold 9,832,500 shares at a price of $5.85 per share to raise gross proceeds of $57.5 million. The Company paid the underwriters a cash fee in an amount equal to five percent (5.0%) of the gross proceeds received by the Company from the offering. The Company also issued to the underwriters 294,975 non-transferable warrants (the "Agent's Warrants") constituting three percent (3.0%) of the aggregate number of shares sold pursuant to the offering. Each Agent Warrant will be exercisable until November 26, 2010 at a price of $6.00.

The Company intends to continue using the net proceeds of the offerings for exploration and development of the Company's properties in Argentina and Chile, with specific focus on Caspiche and Cerro Moro, and for general corporate purposes. Please see "Subsequent Events" below for additional details regarding the Spin-Out.

The Company has no loans or bank debt and there are no restrictions on the use of its cash resources. The Company has not issued any dividends and management does not expect this will change in the near future.

Currently held funds will continue to be used for planned exploration programs and for general corporate purposes. Outlined in the "Use of Proceeds" section of the Short Form Prospectus filed on November 19, 2009, relating to the November equity financing, approximately $33.5 million was allocated to be spent on the Caspiche project and about $7.2 million on the Cerro Moro project.

Financial Instruments

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange risk (currency), liquidity and interest rate risk.

Credit risk is the risk that one party to a financial instrument, will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits the majority of its cash and cash equivalents with high credit quality financial institutions in Canada and holds balances in banks in Argentina and Chile as required to meet current expenditures. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk

The Company operates in a number of countries, including Canada, Argentina and Chile, and it is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. However, the Company does not typically hold large cash balances in Argentina and Chile and tries to reduce the effects of foreign exchange risk by sending cash to its foreign operations only when it is required to discharge current liabilities.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Canadian Dollars, US Dollars, Australian Dollars, Argentine Pesos and Chilean Pesos) and are therefore subject to fluctuation against the Canadian Dollar.

The Company had the following balances in foreign currency as at December 31, 2009 and 2008 as follows:

2009
(in thousands)

	Argentine Pesos	Chilean Pesos	US Dollars	Australian Dollars
Cash and cash equivalents	1,714	114,894	37	-
Amounts receivable	468	35,230	-	-
Accounts payable and accrued liabilities	(5,401)	(623,585)	(317)	(379)
Net balance	(3,219)	(473,461)	(280)	(379)
Equivalent in Canadian Dollars	(873)	(976)	(294)	(376)
Rate to convert to $1.00 CDN	0.2713	0.002062	1.051	0.9924

2008
(in thousands)

	Argentine Pesos	Chilean Pesos	US Dollars	Australian Dollars
Cash and cash equivalents	1,196	200,692	773	-
Amounts receivable	158	72,575	-	-
Accounts payable and accrued liabilities	(3,844)	(362,718)	-	(289)
Net balance	(2,490)	(234,601)	773	(289)
Equivalent in Canadian Dollars	(863)	(70)	939	(247)
Rate to convert to $1.00 CDN	0.3464	0.001918	1.2142	0.8532

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Argentine peso against the Canadian dollar would result in an increase/decrease of $87 in the Company's net loss.

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Chilean peso against the Canadian dollar would result in an increase/decrease of $98 in the Company's net loss.

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an increase/decrease of $29 in the Company's net loss.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk mainly arises from the interest rate impact on the cash and cash equivalents. Cash and cash equivalents earn interest based on current market interest rates, which at year end ranged between 0% and 1.15%.

Based on the amount owing of cash and cash equivalents invested as at December 31, 2009, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of $395 in the interest earned by the Company per annum.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by carefully monitoring all expenditures, by periodically raising equity funding and by closely controlling available cash and cash equivalent balances.

Contractual Obligations

The Company leases offices in Vancouver, Argentina and Chile and has expenditure and option payment obligations related to its properties. Option payments and property expenditure obligations are contingent on exploration results and can be cancelled at any time should exploration results so warrant.

Commitments, mainly for rental of office and operating facilities, and access agreements are as follows:

	Payments Due by Year		
	Total	2010	2011 – 2012
Office leases	$ 204	$ 169	$ 43
Property access agreements	138	85	53
Total	**$ 342**	**$ 246**	**$ 96**

In addition, the Company has agreed to build two houses for the original owners of the Don Sixto property at an estimated cost of approximately $75.

Related Party Transactions

Amounts due to related parties of $67 at December 31, 2009 (2008: $278) is for management, consulting and exploration fees and for expenses incurred while conducting the Company's business.

A total of $1,367 (2008: $1,845) was paid to or accrued for related party transactions as described below.

a) Exploration and consulting fees totalling $460 (2008: $360) were paid or accrued to Rowen Company Ltd ("Rowen"). The Company's President and CEO, Mr. Roxburgh, is a principal of Rowen. The Company has entered into a 2 year renewable agreement with Rowen for the provision of Mr. Roxburgh's services.

b) Exploration and development fees of $267 (2008: $253) were paid or accrued to J. Perkins and Associates Pty Ltd., a corporation controlled by Mr. Perkins, the Company's Vice-President, Exploration and Development.

c) Management fees of $310 (2008: $165) were paid or accrued to Canaust Resource Consultants Ltd ("Canaust") a corporation controlled by Mr. Simpson, the Chairman of the Company. The Company has entered into a 2 year renewable agreement with Canaust for the provision of Mr. Simpson's services.

d) Management fees of $330 (2008: $256) were paid or accrued to 667060 BC Ltd ("667060"), a corporation controlled by Mr. Bond, the Chief Financial Officer of the Company. The Company has entered into a 2 year renewable agreement with 667060 for the provision of Mr. Bond's services.

These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties.

Subsequent Events

Subsequent to December 31, 2009, the Company's Board of Directors approved a proposal to undertake a Spin-Out transaction pursuant by which the assets of Exeter would be separated into two highly focused companies. Under the terms of the proposed transaction, Exeter will retain all assets relating to the Caspiche gold-copper discovery, together with approximately $50 million in working capital, and focus on the advancement of Caspiche. Exeter will transfer to a new corporation, Extorre, Exeter's Cerro Moro and other exploration properties in Argentina and approximately $25 million in cash. Extorre will then become an emerging gold-silver producer, focused on the high grade Cerro Moro gold-silver project in Argentina. It will be a condition to the closing of the transaction that Extorre obtain conditional approval for the listing of its common shares on a major stock exchange.

Exeter shareholders will be asked to vote on the proposal at a special meeting of shareholders, expected to be convened on March 11, 2010. The proposal to be presented to shareholders would result in each Exeter shareholder of record, on the effective date of the transaction, receiving one share in Extorre for each share held in Exeter. There will be no change in shareholder's holdings in Exeter.

Outlook

In 2010, if the Spin-Out transaction is approved, the Company will become a single asset company and plans to focus all efforts on continuing to add value to its Caspiche Project in the Maricunga Region of Chile. Its current drilling program is focused on adding confidence to the resource estimate through in-fill drilling and bringing the inferred ounces to an indicated status. The drilling program for 2010 is also designed to test the boundaries of the known mineralization in an effort to increase the mineral resources of Caspiche.

Upon receipt of all required approvals for the Spin-Out of the Argentine assets, Extorre expects to undertake additional drilling at Cerro Moro, along with production related studies to gather sufficient data to allow for a development decision by mid-year 2010.

Extorre will also continue with its constitutional challenge in Mendoza province to have the anti-mining legislation amended. The Company continues working with all levels of government, industry and unions to demonstrate that the Don Sixto project, if viable, could be developed responsibly and that it would provide important economic and social benefits to the community and the Province.

Exploration campaigns on some of its grass-roots stage projects are also being considered for exploration activities in 2010.

Proposed Transactions

As mentioned above, the Company is proceeding with the proposed corporate Spin-Out transaction, subject to shareholder, exchange and regulatory approval. The Company will then be primarily a single project company focussing on the Caspiche Project. However, should it enter into agreements on new properties it may be required to make cash payments and complete work expenditure commitments under those agreements.

Critical Accounting Estimates and Policies

The Company's accounting policies are discussed in detail in the Consolidated Financial Statements; however, accounting policies require the application of management's judgement in respect of the following relevant matters:

(i) mineral property costs – the Company regularly reviews the carrying value of each mineral property for conditions that suggest impairment. This review requires significant judgement where the Company does not have any proven or probable reserves that would enable an estimate of future cash flows to be compared to the carrying values. Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant decrease in market price of the property; whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and whether the Company has funds to be able to maintain its interest in the mineral property; and

(ii) stock-based compensation – the Company provides compensation benefits to its employees, directors, officers and consultants through a stock-based compensation plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the stock. The Company utilizes historical data to estimate the expected option term for input into the valuation model. The risk-free rate for the expected term is the applicable of the option is based on the Government of Canada yield curve in effect at the time of the grant.

Actual results may differ materially from those estimates based on these assumptions.

Changes in Accounting Policies and New Accounting Developments

a) Goodwill and Intangible Assets, Section 3064

The CICA issued the new Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The Company adopted the new standard effective January 1, 2009 and there was no significant impact on the financial statements.

b) Financial Instruments - Disclosure, Section 3862

In June 2009, Handbook Section 3862 was further amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for the fiscal years ending after September 20, 2009. The Company has adopted these amendments for the fiscal year ended December 31, 2009 and there was no significant impact on the financial statements.

Future Changes in Accounting Policies

a) Business Combinations

In January 2009, the CICA issued Handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-Controlling Interests. These sections replace the former section 1581, Business Combinations, and section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

b) International financial reporting standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In

February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. IFRS is applicable for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010.

Management is currently working through planed IFRS transition stages. The first stage is for management and the accounting department to be introduced to IFRS. Thus far, activities in the introduction stage have included participation in IFRS workshops run by various experts including large accounting and auditing firms. The Company has also purchased an IFRS handbook and transition textbooks. Third party IFRS consultants have also been identified to aid in the process, including a stock-based compensation management and valuation program. Currently, a number of IFRS transition companies and service providers are offering programs to aid companies, similar to Exeter, in the transition to IFRS, and management is in the process of reviewing a number of potential providers and their associated costs. These consultants have programs that are all encompassing and would provide management with project management advice on such key topics as general IFRS accounting policy differences, information technology requirements, disclosure and internal control differences.

Disclosure Controls

At the end of the fiscal year ended December 31, 2009, the Company carried out an evaluation, under the supervision of and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of December 31, 2009, the Company's disclosure controls and procedures were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in its reports filed under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying Consolidated Financial Statements, MD&A and all financial information in the Financial Statements are the responsibility of management and have been approved by the Board of Directors. The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements, by this nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances. The financial information presented elsewhere in the Financial Statements is consistent with that in the Consolidated Financial Statements.

Management, under the supervision of and with the participation of the CEO and the CFO, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. The CEO and CFO will certify the annual filings with the CSA and SEC as required in Canada by Multilateral Instrument 52-109 and in the United States as required by the Exchange Act. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Consolidated Financial Statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management. The Audit Committee is appointed by the Board of Directors and reviews the Consolidated Financial Statements and MD&A; considers the report of the external auditors; assesses the adequacy of our internal controls, including management's assessment described below; examines and approves the fees and expenses for the audit services; and recommends the independent auditors to the Board for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the Consolidated Financial Statements for issuance to the shareholders and also Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal Control over Financial Reporting

The Company maintains a system of internal controls over financial reporting designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. However, the Company's management, including the CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurances that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board of Directors' review is accomplished principally through the Audit Committee, which is composed of independent non-executive directors.

During the year ended December 31, 2009 management continued to refine its documentation and improve its internal controls systems, including the testing of those systems.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's management has employed a framework consistent with Exchange Act Rule 13a – 15(c), to evaluate the Company's internal control over financial reporting described below. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control systems are met.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2009 based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

The effectiveness of the Company's internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent public accounting firm, who have expressed their opinion in their audit attestation report included with the Consolidated Financial Statements.

Risks

The Company relies on equity financings to fund its activities. While it has been successful in raising funds in the past, there is no guarantee that adequate funds will be available in the future. The Company had cash and cash equivalents of $81.1 million and working capital of $77.5 million at December 31, 2009. Based on current planned expenditures at its Caspiche project management believes that the Company has sufficient capital resources to fund levels of activity for the next 12 months. If the planned Spin Out proceeds, the Company will transfer approximately $25 million to Extorre, consequently its available cash resources will be reduced.

The Company's corporate head office is in Vancouver, Canada and the Company maintains the majority of its funds in Canadian dollars. Since the onset of the credit crisis in 2008 there still exists significant fluctuation in the value of the Canadian dollar against other currencies and because the Company operates in foreign countries it is exposed to significant currency risk. In addition, its operations may be affected by rapid price fluctuation in the countries it operates in due to potential future country defaults.

The Company is subject to substantial environmental requirements which could cause a restriction or suspension of certain operations. The current and anticipated future operations and exploration activities of the Company in Argentina and Chile require permits from various governmental authorities and such operations and exploration activities are and will be governed by Federal, Provincial and local laws and regulations governing various elements of the mining industry including, without limitation, land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters. The Company's projects are all in the exploration stage. Even at its most advanced exploration projects including Caspiche and Cerro Moro, as well as at Don Sixto, it has caused little environmental impact to date due to the early stage of its activity. The Company conducts certain environmental restoration efforts including drill rig platform cleanup and the sealing of drill holes among other cleanup activities to rehabilitate areas affected by its operations and it is the Company's intention to ensure that the environmental impact on areas where it operates is mitigated by restoration and rehabilitation of affected areas.

During the second quarter of 2007, Exeter ceased all exploration activities at the Don Sixto project following the anti-mining legislation passed by the Mendoza Provincial Government. The legislation, introduced in June 2007, effectively precludes the development of some mining projects in Mendoza Province, as certain chemicals including the use of cyanide traditionally used in the mining process were banned. The Company has filed an action in the Mendoza Supreme Court to have this anti-mining legislation declared unconstitutional as this ban on the use of chemicals, which are used by many other companies in Mendoza in various industries discriminatorily applies only to mining and mineral extraction. However, should the Company not be successful in its constitutional challenge and the anti-mining legislation not be amended, the carrying value of the Don Sixto project may not be recoverable requiring the Company to write-off its entire investment of $3.2 million.

The exploration and development of mineral deposits involves significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be fully mitigated. The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. Other potential impacts could include the location of the mineral deposit and if it is found in remote or harsh climates. These unique environments could limit or reduce production possibilities or if conditions are right for potential natural disasters, including but not limited to volcanoes, earthquakes, tornados and other severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically.

The marketability of minerals is affected by numerous factors beyond the control of the Company. These factors include, but are not limited to, market fluctuations, government regulations relating to prices, taxes and royalties, allowable production, import, exports and supply and demand. One or more of these risk elements could have an impact on costs of an operation and if significant enough, reduce the profitability of all future production and threaten the continuation of a particular project or operations altogether.

The Company has no production of minerals and its properties are all currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and substantial additional work will be required in order to determine the presence of any such deposit.

Risk factors are more fully described in the Company's Annual Information Form for the year ended December 31, 2008 (which is attached as an exhibit to the Annual Report on Form 40-F for the year ended December 31, 2008), and subsequent filings with the CSA and the SEC. You can review and obtain copies of our filings from SEDAR at www.sedar.com or from the SEC's website at http://www.sec.gov/edgar.shtml

NYSE AMEX Corporate Governance

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE-Amex Company Guide permits the NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain listing criteria, and to grant exemptions from listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to standards is as follows:

Shareholder Meeting Quorum Requirement: The minimum requirement for a shareholder meeting is one-third of the outstanding shares of common stock. In addition, a company listed on is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its Articles. A quorum for a meeting of shareholders of the Company is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting

Proxy Delivery Requirement: requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to SEC proxy rules. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company are accordingly exempt from the proxy rules set forth is Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

Shareholder Approval for Issuance of Shares: Section 713 of the Company Guide requires shareholder approval as a prerequisite to approval of applications to list additional shares when the additional shares will be issued in connection with a transaction involving the sale or issuance by a company of common stock (or securities convertible into or exercisable for common stock) equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock. However, the issuance of common stock in an amount in excess of 20% of the presently outstanding stock for less than book or market value, without shareholder approval, is not prohibited under the rules of the TSX Venture Exchange ("TSX-V") and does not constitute a default under the TSX-V rules or any applicable laws in Canada. For past transactions, the Company has followed the rules of the TSX-V and applicable laws in Canada and in future transactions, the Company may seek similar exemptions from the requirements of section 713 of the NYSE-Amex Company Guide.

The foregoing are consistent with the laws, customs and practices in Canada.

In addition, the Company may from time-to-time seek relief from corporate governance requirements on specific transactions under Section 110 of the Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by our home country law, in which case, the Company shall make the disclosure of such transaction available on the Company's website at www.exeterresource.com.

Additional Information

Additional information regarding Exeter, including Exeter's Annual Information Form for the year ended December 31, 2008, is available on SEDAR at www.sedar.com.

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Independent Auditors' Report

To the Shareholders of Exeter Resource Corporation

We have completed integrated audits of Exeter Resource Corporation's (the "Company") 2009 and 2008 consolidated financial statements and of its internal control over financial reporting as at December 31, 2009. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated balance sheets of the Company as at December 31, 2009 and December 31, 2008, and the related consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for each of the years in the two year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and December 31, 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Internal control over financial reporting

We have also audited the Company's internal control over financial reporting as at December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting included in Management's Discussion and Analysis of Financial Condition and Results of Operations. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States).Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2009 based on criteria established in *Internal Control – Integrated Framework* issued by the COSO.

Signed *PricewaterhouseCoopers LLP*

Chartered Accountants

Vancouver, British Columbia

March 10, 2010

Exeter Resource Corporation
Consolidated Balance Sheets
(Expressed in Thousands of Canadian Dollars)

December 31,			2009		2008
Assets					
Current					
Cash and cash equivalents	(Note 6)	$	81,089	$	19,113
Amounts receivable and prepaid expenses			553		660
			81,642		19,773
Property and equipment	(Note 7)		366		370
Mineral properties	(Note 8)		3,354		3,354
		$	**85,362**	$	**23,497**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	4,094	$	2,545
Due to related parties	(Note 13)		67		278
			4,161		**2,823**
Shareholders' Equity					
Share capital	(Note 9)		174,418		89,356
Contributed surplus	(Note 12)		18,265		11,822
Deficit			(111,482)		(80,504)
			81,201		20,674
		$	**85,362**	$	**23,497**

Nature of Operations (Note 1)

Subsequent Events (Note 18)

Approved by the Directors:

"Bryce Roxburgh"
Director

"Robert Reynolds"
Director

See accompanying notes to the consolidated financial statements.

Exeter Resource Corporation
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Thousands of Canadian Dollars, Except Share Data)

For the years ended December 31,			**2009**		**2008**
Income					
Interest income		$	499	$	706
Expenses					
Accounting and audit			336		225
Administration salaries and consulting	(Note 10)		1,560		1,671
Amortization			95		85
Bank charges			44		30
Directors' fees	(Note 10)		1,675		1,828
Foreign exchange (gain)/loss			(59)		101
Legal fees			372		107
Management fees	(Note 10)		3,048		1,653
Mineral property exploration expenditures	(Notes 8 and 10)		22,355		21,968
Office and miscellaneous			126		197
Rent			97		96
Shareholder communications	(Note 10)		993		458
Stock exchange listing and filing fees			317		197
Telecommunications			45		51
Transfer agent			23		48
Travel and promotion			450		634
			31,477		**29,349**
Net loss and comprehensive loss for the year		**$**	**(30,978)**	$	**(28,643)**
Basic and diluted loss per share		**$**	**(0.51)**	$	**(0.62)**
Weighted average number of common shares outstanding			**61,322,833**		**46,420,487**

See accompanying notes to the consolidated financial statements.

Exeter Resource Corporation
Consolidated Statements of Cash Flows
(Expressed in Thousands of Canadian Dollars, Except Share Data)

For the years ended December 31,		2009	2008
Operating activities			
Loss for the year		$ (30,978)	$ (28,643)
Non cash items:			
Amortization		137	133
Gain on sale of property and equipment		(11)	-
Total stock based compensation	(Note 10)	7,094	4,598
		(23,758)	**(23,912)**
Changes in non-cash working capital items:			
Amounts receivable and prepaid expenses		107	(212)
Accounts payable and accrued liabilities		1,549	772
Due to related parties		(211)	87
		(22,313)	**(23,265)**
Financing activities			
Issue of share capital for cash	(Note 9)	89,948	36,619
Share issue costs	(Note 9)	(5,537)	(2,673)
		84,411	**33,946**
Investing activities			
Acquisition of property and equipment		(133)	(291)
Proceeds on sale of property and equipment		11	-
		(122)	**(291)**
Net increase in cash and cash equivalents		**61,976**	**10,390**
Cash and cash equivalents, beginning of year		**19,113**	**8,723**
Cash and cash equivalents, end of year		**$ 81,089**	$ **19,113**
Cash and cash equivalents	(Note 6)		
Supplemental cash flow information	(Note 14)		

See accompanying notes to the consolidated financial statements.

Exeter Resource Corporation
Consolidated Statements of Shareholders' Equity
(Expressed in Thousands of Canadian Dollars, Except Share Data)

For the years ended December 31, 2009 and 2008

	Issued Share Capital				
	Number of Shares	Amount	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at December 31, 2007	**41,226,487**	**$ 55,249**	**$ 7,234**	**$ (51,861)**	**$ 10,622**
Additions during the year:					
- Exercise of warrants	250,000	750	-	-	750
- Exercise of stock options	802,275	860	-	-	860
- Equity financing net of share issue costs	7,780,000	32,336	-	-	32,336
- Agent's warrants	-	(681)	681	-	-
- Contributed surplus allocated on exercise of stock options	-	339	(339)	-	-
- Stock based compensation	-	-	4,598	-	4,598
- Bonus shares	141,661	503	(352)	-	151
- Net loss for the year	-	-	-	(28,643)	(28,643)
Balance at December 31, 2008	**50,200,423**	**$ 89,356**	**$ 11,822**	**$ (80,504)**	**$ 20,674**
Additions during the year:					
- Exercise of warrants	304,679	731	-	-	731
- Exercise of stock options	1,485,100	2,717	-	-	2,717
- Equity financing net of share issue costs	21,907,500	80,963	-	-	80,963
- Agent's warrants	-	(1,511)	1,511	-	-
- Contributed surplus allocated on exercise of Agent's Warrants	-	376	(376)	-	-
- Contributed surplus allocated on exercise of stock options	-	1,786	(1,786)	-	-
- Stock based compensation	-	-	7,094	-	7,094
- Net loss for the year	-	-	-	(30,978)	(30,978)
Balance at December 31, 2009	**73,897,702**	**$ 174,418**	**$ 18,265**	**$ (111,482)**	**$ 81,201**

See accompanying notes to the consolidated financial statements.

1. Nature of Business and Continuing Operations

Exeter Resource Corporation (the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada and, together with its subsidiaries, is engaged in the acquisition and exploration of mineral properties located in Argentina and Chile.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amount shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of such properties, and the profitable production from or disposition of such properties.

2. Significant Accounting Policies

a) Basis of Presentation

These consolidated financial statements include the accounts of the following significant subsidiaries:

	Incorporation	Percentage of Ownership
Estelar Resources Limited ("Estelar")	British Virgin Islands	100%
Cognito Limited ("Cognito")	British Virgin Islands	100%
Sociedad Contractual Minera Eton Chile ("Eton")	Chile	100%

b) Mineral property acquisition costs

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment or becomes impaired. If a property is put into production the cost of acquisition will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations.

Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

2. Significant Accounting Policies (Continued)

c) Mineral property exploration expenditures

The Company expenses exploration expenditures when incurred.

d) Impairment of mineral property acquisition costs

The Company regularly reviews the recoverability of the carrying value of each mineral property. Where information and conditions suggest that the carrying amount of the asset or the asset group may not be recoverable, estimated future cash flows are calculated using estimated future prices, proven and probable reserves, weighted probable outcomes and operating capital and reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write-down to the estimated fair value is expensed for the period. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying values can be recovered. If the carrying values exceed estimated recoverable values, then the costs are written-down to fair values with the write-down expensed in the year.

e) Asset retirement obligations

Asset retirement obligations are recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at December 31, 2009.

f) Cash and cash equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments redeemable with an initial term to maturity of 90 days or less.

g) Translation of foreign currencies

The financial position and results of the Company's integrated foreign operations have been translated into Canadian funds using the temporal method as follows:

i) Monetary items, at the rate of exchange prevailing at the consolidated balance sheet date;
ii) Non-monetary items, at the historical rate of exchange; and
iii) Exploration and administration costs, at the average rate during the period in which the transaction occurred.

Gains and losses arising on currency translation are included in operations for the period.

2. Significant Accounting Policies (Continued)

h) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive. Accordingly, basic and diluted loss per share are the same.

i) Property and equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated at the following annual rates:

Canada	
Computer equipment	Declining balance - 30%
Computer software	Declining balance - 50%
Equipment	Declining balance - 20%
Leasehold improvements	Straight line - 5 years
Office equipment	Declining balance - 20%
Argentina and Chile	
Computer equipment	Straight-line – 3-6 years
Computer software	Straight-line – 2 years
Equipment including vehicles	Straight-line – 3-7 years
Office equipment	Straight-line – 5-7 years

j) Share issue costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

k) Share capital issued for other than cash

Share capital issued for other than cash is valued at the price at which the stock traded on the Toronto Stock Exchange (the "Exchange") at the time of the related agreement to issue stock is made or, if such issuance is at the option of the Company, at the time the Company determines to issue such stock.

l) Stock-based compensation

The Company has adopted an incentive stock option plan. All stock-based awards are measured and recognized using the fair-value method as determined by the Black-Scholes option pricing model. Awards that the Company has the ability to settle with stock are recorded as equity, whereas awards that the Company is required to settle, or has the practice of settling, in cash are recorded as liabilities. Compensation expense is allocated to the applicable expense category and is recognized in operations over the vesting period.

m) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

2. Significant Accounting Policies (Continued)

n) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Significant areas where management's judgment is applied are mineral property impairment assessment, assumptions used in the accounting for stock based compensation, valuation of future income tax benefits, and contingent liabilities. Actual results could differ from those estimates.

o) Revenue recognition

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest rate method.

p) Financial instruments

Financial instruments are classified as one of the following: loans and receivables, held-to-maturity, held -for-trading, available-for-sale and other financial liabilities. Financial instruments will be measured on the balance sheet at amortized cost or fair value depending on the classification. Loans and receivables, held-to-maturity and other financial liabilities are accounted for at amortized cost. Held-for-trading and available-for-sale financial instruments are recorded at fair value. Changes in fair value of held-for-trading financial instruments are recognized in operations while changes in fair value of available-for-sale financial instruments are initially recorded in other comprehensive income or loss.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

3. Changes in Accounting Policies and New Accounting Developments

i) Current changes in accounting policies

a) Goodwill and Intangible Assets, Section 3064

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The Company adopted the new standard effective January 1, 2009 and there was no significant impact on the financial statements.

3. Changes in Accounting Policies and New Accounting Developments (Continued)

b) Financial Instruments - Disclosure, Section 3862

In June 2009, Handbook Section 3862 was further amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for the fiscal years ending after September 20, 2009. The Company has adopted these amendments for the fiscal year ended December 31, 2009 and the additional required disclosures are included in Note 5.

ii) Future changes in accounting policies

Business Combinations

In January 2009, the CICA issued Handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-Controlling Interests. These sections replace the former section 1581, Business Combinations, and section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

4. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations.

5. Financial Instruments

a) Fair Value

The fair value of financial instruments at December 31, 2009 and 2008 is summarized as follows:

	2009			2008	
	Carrying amount	**Fair value**		Carrying amount	Fair value
Financial Assets					
Held for trading					
Cash and cash equivalents	$ 81,089	$ 81,089	(i)	$ 19,113	$ 19,113
Amounts receivable – at amortized cost	$ 443	$ 443	(ii)	$ 320	$ 320
Financial Liabilities – at amortized cost					
Accounts payable and accrued liabilities	$ 4,094	$ 4,094	(ii)	$ 2,545	$ 2,545
Due to related parties	$ 67	$ 67	(ii)	$ 278	$ 278

(i) The Company's cash and cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

(ii) The carrying amount of accounts receivable, accounts payable and accrued liabilities and due to related parties approximates fair value due to their short term nature.

5. **Financial Instruments** (Continued)

b) Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange risk (currency), liquidity and interest rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument, will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits the majority of its cash and cash equivalents with high credit quality financial institutions in Canada and holds balances in banks in Argentina and Chile as required to meet current expenditures. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Currency risk
The Company operates in a number of countries, including Canada, Argentina and Chile, and it is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Canadian Dollars, US Dollars, Australian Dollars, Argentine Pesos and Chilean Pesos) and are therefore subject to fluctuation against the Canadian Dollar.

The Company had the following balances in foreign currency as at December 31, 2009 and 2008 as follows:

		2009 (in thousands)		
	Argentine Pesos	Chilean Pesos	US Dollars	Australian Dollars
Cash and cash equivalents	1,714	114,894	37	-
Amounts receivable	468	35,230	-	-
Accounts payable and accrued liabilities	(5,401)	(623,585)	(317)	(348)
Net balance	(3,219)	(473,461)	(280)	(348)
Equivalent in Canadian Dollars	(873)	(976)	(294)	(327)
Rate to convert to $1.00 CDN	0.2713	0.002062	1.051	0.9395

		2008 (in thousands)		
	Argentine Pesos	Chilean Pesos	US Dollars	Australian Dollars
Cash and cash equivalents	1,196	200,692	773	-
Amounts receivable	158	72,575	-	-
Accounts payable and accrued liabilities	(3,844)	(362,718)	-	(289)
Net balance	(2,490)	(234,601)	773	(289)
Equivalent in Canadian Dollars	(863)	(70)	939	(247)
Rate to convert to $1.00 CDN	0.3464	0.001918	1.2142	0.8532

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Argentine peso against the Canadian dollar would result in an increase/decrease of $87 in the Company's net loss.

5. Financial Instruments (Continued)

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Chilean peso against the Canadian dollar would result in an increase/decrease of $98 in the Company's net loss.

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the U.S. dollar against the Canadian dollar would result in an increase/decrease of $29 in the Company's net loss.

Based on the above net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Australian dollar against the Canadian dollar would result in an increase/decrease of $33 in the Company's net loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk mainly arises from the interest rate impact on the cash and cash equivalents. Cash and cash equivalents earn interest based on current market interest rates, which at year end ranged between 0% and 1.15%.

Based on the amount of cash and cash equivalents invested as at December 31, 2009, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an increase/decrease of $395 in the interest earned by the Company per annum.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances.

6. Cash and Cash Equivalents

	2009	2008
Cash	$ 2,087	$ 2,093
Bankers' Acceptance Notes	-	7,020
Investment Savings Accounts	45,000	-
Guaranteed Investment Certificates	34,002	10,000
Total	$ 81,089	$ 19,113

7. Property and Equipment

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Canada						
Computer equipment	$ 103	$ 62	$ 41	$ 95	$ 46	$ 49
Computer software	15	14	1	15	11	4
Equipment	44	25	19	44	20	24
Leasehold improvements	27	27	-	27	26	1
Office equipment	28	12	16	21	8	13
	217	140	77	202	111	91
Argentina						
Computer equipment	30	28	2	30	25	5
Computer software	43	40	3	43	23	20
Equipment including vehicles	296	213	83	266	205	61
	369	281	88	339	253	86
Chile						
Computer equipment	5	2	3	5	1	4
Equipment including vehicles	283	88	195	234	49	185
Office equipment	5	2	3	5	1	4
	293	92	201	244	51	193
	$ 879	$ 513	$ 366	$ 785	$ 415	$ 370

8. Mineral Properties - Deferred Acquisition and Exploration Costs

(a) Acquisition Cost

	2009 and 2008		
	Balance beginning of the year	Additions	Balance end of the year
Don Sixto and Other	$ 3,226	$ -	**$ 3,226**
CVSA Properties	128	-	**128**
	$ 3,354	**$ -**	**$ 3,354**

8. Mineral Properties - Deferred Acquisition and Exploration Costs (Continued)

Cognito Limited

By a Principles of Agreement dated October 27, 2002, an Option to Purchase, Acquisition and Joint Venture Agreement, dated January 18, 2003, and an agreement dated April 30, 2003, the Company acquired the right to earn a 100% interest in Cognito. Effective July 22, 2003, the Company issued 1,600,000 shares and paid $25 for the right to earn a 100% interest in Cognito. Direct costs of the acquisition totaled $2,908. The fair value of the consideration paid for that right was $348, which has been recorded as mineral property acquisition cost. Cognito holds an option to acquire a 100% interest, subject to a 3.5% net smelter royalty, in the Don Sixto Project. (See note 8(c) (iii))

Effective July, 2005 the Company exercised its option to acquire a 100% interest in Cognito and issued 2,500,000 shares, at a price of $1.00 per share, for a total consideration of $2,500 which has been recorded as a mineral property acquisition cost, to hold a 100% interest in Cognito.

Estelar Resources Limited

Effective July 22, 2003, the Company acquired a 100% interest in Estelar for consideration of 1,000,000 shares with a fair value of $238, which was recorded as a mineral property acquisition cost.

(b) Exploration Costs

The tables below which show the Company's exploration expenditures by project for 2009 and 2008, are followed by a table outlining stock based compensation allocated to mineral property exploration costs.

2009

	Cerro Moro and CVSA Properties	Chilean Properties	Don Sixto Project and Other	**Total**
Assays	$ 444	$ 285	$ 46	$ 775
Consultants and contractors	81	176	1	258
Drilling	3,571	4,072	-	7,643
Engineering	173	374	-	547
Environmental	192	107	16	315
Field camp	711	1,598	24	2,333
Geological *	902	1,664	14	2,580
IVA tax **	1,248	987	(481)	1,754
Legal and title	118	200	52	370
Metallurgical *	72	486	-	558
Office operations	494	211	57	762
Resource development	459	9	1	469
Travel	766	496	55	1,317
Wages and benefits *	1,292	1,158	224	2,674
Exploration costs	**$ 10,523**	**$ 11,823**	**$ 9**	**$ 22,355**
Cumulative Exploration Costs	**$ 32,982**	**$ 23,452**	**$ 19,755**	**$ 76,189**

* Includes stock based compensation.
** During year ended December 31, 2009 the Company recovered IVA in the amount of approximately $511.

8. **(b) Exploration Costs** (Continued)

	2008			
	Cerro Moro and CVSA Properties	Chilean Properties	Don Sixto Project and Other	**Total**
Assays	$ 1,095	$ 269	$ 32	$ 1,396
Consultants and contractors	107	138	2	247
Drilling	4,553	2,289	-	6,842
Engineering	38	-	-	38
Environmental	249	17	7	273
Field camp	769	1,183	73	2,025
Geological *	840	1,445	179	2,464
IVA tax	1,592	700	40	2,332
Legal and title	164	119	58	341
Metallurgical	67	27	-	94
Office operations	825	174	21	1,020
Travel	735	797	56	1,588
Wages and benefits *	2,128	1,119	61	3,308
Exploration costs	**$ 13,162**	**$ 8,277**	**$ 529**	**$ 21,968**
Cumulative Exploration Costs	**$ 22,459**	**$ 11,629**	**$ 19,746**	**$ 53,834**

* Includes stock based compensation.

Stock based compensation allocation to exploration costs

	Cerro Moro and CVSA Properties	Chilean Properties	Don Sixto Project and Other	**2009**	2008
Geological	$ 196	$ 1,009	$ -	**$ 1,205**	**$ 617**
Metallurgical	-	135	-	**135**	**-**
Wages and benefits	330	99	8	**437**	**138**
Total	**$ 526**	**$ 1,243**	**$ 8**	**$ 1,777**	**$ 755**

(c) Agreements

i) Chilean Properties

(a) Maricunga Property – including Caspiche

By an agreement dated October 11, 2005 and subsequently amended, the Company acquired the right to review a number of properties in the Maricunga region of Chile. Under the terms of the agreement, the Company can earn a 100% interest in the properties by incurring aggregate expenditures of US$2.55 million over five years including conducting 15,500 meters of drilling. The vendor will retain a 3% NSR in the properties. The Company may withdraw from the agreement at any time after expending US$0.25 million including conducting 1,500 meters of drilling. The Company has met the requirements to allow it to exercise the option to acquire 100% interest in the properties at anytime up to January 2011 subject to the NSR and the vendor's buy back right by paying the Company's expenditures incurred on the property if the property is not put into production within 10 years of exercising the option. In addition, the Company will be required to pay a further 0.08% NSR from production pursuant to an agreement with a Chilean company.

8. **(c) Agreements** (Continued)

ii) Cerro Moro and CVSA Properties - Argentina

By an Exploration and Option Agreement dated December 30, 2003, Estelar had the right to earn a 100% interest (subject to a 2% NSR) in the Cerro Moro, Santa Cruz, Chubut and Rio Negro Projects (comprised of thirty-nine mineral concessions (the “Properties”), located in Santa Cruz, Chubut and Rio Negro Provinces, Argentina, for consideration of cash payments of US$0.1 million (paid) and incurring US$3.0 million (incurred) in exploration expenditures before December 30, 2009.

Under the agreement, once Estelar has incurred exploration expenditures of US$3.0 million (incurred) and completed 10,000 metres of drilling on any one of the projects, the vendor retains the right to buy back a 60% interest in that project, by paying Estelar an amount equal to 2.5 times its exploration expenditures on the project and funding a bankable feasibility study on the project. The vendor may earn an additional 10% interest in the project (for a total 70% interest) by financing Estelar’s share of mine development costs. Should the vendor elect not to exercise its back-in right, its interest will revert to a 2% NSR on that project.

By December 31, 2006, Estelar had incurred total aggregate expenditures of US$3.0 million, and completed 12,000 metres of drilling on the Properties, and in early 2007, notified the vendor that it was exercising the option to acquire the Properties subject to their back in right. On August 2, 2007, Estelar notified the vendor that it had completed 10,000 metres of drilling at Cerro Moro, and provided them with a report containing exploration results in early September. In October, the vendor advised the Company that it had elected not to exercise its back-in right and its interest has reverted to a 2% NSR in Cerro Moro. The vendor, however, retains its back-in right over the other projects acquired under the agreement.

iii) Don Sixto – Argentina

By an agreement dated February 27, 2003, Cognito has the right to acquire a 100% interest (subject to a 3.5% NSR which may be purchased for US$1 million) in the Don Sixto Project (formerly the La Cabeza Project), located in Mendoza Province, Argentina, for consideration of cash payments totaling US$0.525 million payable as follows:

- US$5 thousand due December 15, 2002; (Paid)
- US$15 thousand on or before December 15, 2003; (Paid)
- US$25 thousand on or before December 15, 2004; (Paid)
- US$35 thousand on or before December 15, 2005; (Paid)
- US$45 thousand on or before December 15, 2006; (Paid)
- US$50 thousand on or before December 15, 2007; (Not Paid)* and
- US$50 thousand on or before December 15 of each year thereafter up to and including December 15, 2014.

*Due to the current anti-mining legislation this and subsequent payments have been suspended until the legislation is changed (see below for more details).

8. **(c) Agreements** (Continued)

iii) Don Sixto – Argentina

The Company may terminate the payments described above upon making a development decision in respect to the project; provided that production must commence within two years of that decision.

Early in 2007, the Company expanded its holding around Don Sixto by signing an option agreement over certain additional exploration rights, situated to the immediate north of Don Sixto. The terms for the option agreement provide for annual payments of US$25 thousand over six years followed by a purchase price comprising three annual payments of US$0.2 million. Should the Company exercise its option to purchase the property, the annual payments will cease. There are no expenditure requirements.

During the year ended December 31, 2008, the Company entered an agreement with the property owners deferring the annual payments until such time as the legislation is amended such that mining can be conducted in Mendoza Province.

In December 2005, Cognito purchased the surface rights covering the area of the proposed mine development at Don Sixto at a cost of $78. In addition, Cognito is required to build two dwellings elsewhere on the property at an estimated cost of $75. The previous owners of the property will retain the right to re-acquire the property upon completion of mining activities.

On June 20, 2007 the Mendoza Provincial government introduced anti-mining legislation which may preclude development of mining projects in Mendoza Province. The Company has delayed all exploration and independent engineering studies in Mendoza and filed an action in the Mendoza Supreme Court to have this anti-mining legislation declared unconstitutional. Should the Company not be successful in its constitutional challenge or the anti-mining legislation not be amended, the carrying value of the Don Sixto project may not be recoverable requiring the Company to write-off its entire investment of $3,156.

iv) Other Properties

(a) Estelar Properties - Argentina

Estelar has acquired a 100% interest in the Quispe, Rosarita and Uspallata Projects, located in Catamarca and San Juan Provinces, Argentina, for consideration of a 2% NSR from any future production from the properties. There are no expenditure commitments on the properties.

(b) MRP Properties - Argentina

By an agreement dated October 1, 2003, Estelar obtained the right to acquire a 100% interest (subject to a 2% NSR which may be acquired for $750) in the Agua Nueva and La Ramada Projects, located in Mendoza, San Juan and La Rioja Provinces, Argentina, for consideration of cash payments totaling $440 payable as follows:

- $5 on signing of the Agreement; (Paid)
- $7.5 on or before October 1, 2004; (Paid)
- $12.5 on or before October 1, 2005; (Paid)
- $20 on or before October 1, 2006; (Paid)
- $25 on or before October 1, 2007; (Paid)
- $30 on or before October 1, 2008; (Not Paid)*
- $40 on or before October 1, 2009; and
- $50 on or before October 1 of each year thereafter to 2015.

*Payment and subsequent payments suspended until the current anti-mining legislation is changed to allow mining in Mendoza Province.

8. **iv) Other Properties** (Continued)

(b) MRP Properties - Argentina

In the event that a decision is made to build and operate a mine on any of the projects, payment of the remaining option payments may be terminated.

9. Share Capital

The authorized share capital of the Company is 100,000,000 shares without par value.

The Company has issued shares of its stock as follows:

	2009		2008	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	50,200,423	$ 89,356	41,226,487	$ 55,249
Issued during the year for:				
Cash – equity financing	21,907,500	86,500	7,780,000	35,010
– options	1,485,100	2,717	802,275	860
– warrants	304,679	731	250,000	750
Bonus Shares	-	-	141,661	503
Contributed surplus allocated	-	2,162	-	339
Share issue costs	-	(7,048)	-	(3,355)
Balance, end of year	73,897,702	$ 174,418	50,200,423	$ 89,356

Transactions for the Issue of Share Capital

During the Year Ended December 31, 2009:

a) In February 2009 the Company completed an equity financing and issued 12,075,000 common shares at a price of $2.40 per share for gross proceeds of $29.0 million.

The Company paid a commission of 6.5% ($1,884) and incurred issue costs of $426 for net proceeds of $26.69 million before accounting for the fair value of warrants issued to brokers (the “Agent’s Warrants”).

The Agent’s Warrants consist of 784,875 warrants and are convertible to common shares at a price of $2.40 each on or before February, 26, 2010. The fair value of the Agent’s Warrants, calculated using the Black-Scholes Model, of $971 has been allocated to contributed surplus (see note 12) and added to share issue costs.

b) In November 2009 the Company completed an equity financing and issued 9,832,500 common shares at a price of $5.85 per share for gross proceeds of $57.5 million.

The Company paid a commission of 5.0% ($2,876) and incurred issue costs of $351 for net proceeds of $54.29 million before accounting for the fair value of warrants issued to brokers (the “Agent’s Warrants”).

The Agent’s Warrants consist of 294,975 warrants and are convertible to common shares at a price of $6.00 each on or before November, 26, 2010. The fair value of the Agent’s Warrants, calculated using the Black-Scholes Model, of $540 has been allocated to contributed surplus (see note 12) and added to share issue costs.

9. Share Capital (Continued)

c) The Company issued 304,679 shares at a price of $2.40 per share for proceeds of $731 upon the exercise of warrants. The fair value of these warrants, of $377 was allocated to share capital.

d) The Company issued 1,485,100 shares for proceeds of $2,717 upon the exercise of stock options. In addition, an amount totaling $1,786 representing stock-based compensation recognized on vesting of the above stock options was allocated to share capital upon the exercise of the options.

Transactions for the Issue of Share Capital

During the Year Ended December 31, 2008:

a) In March 2008 the Company completed an equity financing and issued 7.78 million common shares at a price of $4.50 per share for proceeds of $35.0 million.

The Company paid a commission of 6.5% ($2,276) and incurred issue costs of $398 for net proceeds of $32.4 million before accounting for the fair value of the Agent's Warrants.

The Agent's Warrants consisted of 505,700 warrants and were convertible to common shares at a price of $4.50 each on or before March 26, 2009. The fair value of the Agent's Warrants, calculated using the Black-Scholes Model, of $681 has been allocated to contributed surplus and added to share issue costs.

b) The Company issued 250,000 shares at a price of $3.00 per share for proceeds of $750 upon the exercise of 250,000 warrants.

c) The Company issued 802,275 shares for proceeds of $860 upon the exercise of stock options. In addition, an amount totaling $339 representing stock-based compensation recognized on vesting of the above stock options was allocated to share capital upon the exercise of the options.

d) The Company issued 141,661 shares at a deemed price of $3.64 per share to the Company's former Chief Operating Officer as part of his remuneration package.

10. Stock Option Plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: The aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan, which was amended and approved by shareholders on May 26, 2009, may not exceed 12,488,685. Options granted under the Plan may have a maximum term of five years. Unless subsequently amended, the exercise price of options granted under the Plan will not be less than the last closing market price of the Company's shares immediately preceding the grant date. Options granted under the Plan are generally exercisable immediately following the grant, however certain options may be subject to vesting at times as determined by the directors of the Company and the Toronto Stock Exchange.

A summary of the status of options granted by the Company, as of December 31, 2009 and 2008 and changes during the years then ended is as follows:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	8,885,000	$ 2.50	7,223,275	$ 2.40
Cancelled or forfeited	(3,716,000)	3.31	(220,000)	3.93
Granted	5,325,000	2.95	2,684,000	2.41
Exercised	(1,485,100)	1.83	(802,275)	1.07
Options outstanding, end of year	9,008,900	$ 2.50	8,885,000	$ 2.50

The following table summarizes information about the stock options outstanding at December 31, 2009:

Range of Prices ($)	Options outstanding	Options exercisable	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
1.01 - 2.00	3,253,900	3,053,900	2.58	$ 1.51
2.01 - 3.00	3,490,000	3,475,000	3.09	2.75
3.01 - 4.00	1,885,000	1,071,250	3.94	3.26
5.01 – 6.00	380,000	-	4.75	5.05
	9,008,900	7,600,150	3.15	$ 2.50

During 2009 the TSX Venture Exchange ("TSX-V") accepted amendments to the exercise price of an aggregate of 750,000 incentive stock options held by employees and consultants. As a result an aggregate of 750,000 stock options ranging in price from $3.64 to $4.31 were re-priced to $1.51. The Company also obtained disinterested shareholder and TSX-V approval to amend the exercise price of an aggregate of 1,350,000 stock options held by directors and officers ranging in price from $3.64 to $4.37, to $2.85. $974 of stock based compensation resulted from these amendments.

10. Stock Option Plan (Continued)

Stock-based Compensation

The fair values of options and Agent's Warrants granted during the years ended December 31, 2009 and 2008 were estimated, at the grant date, using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Expected annual volatility	84.92%	72.62%
Risk-free interest rate	1.54%	3.00%
Expected life	3-3.5 years	3.49 years
Expected dividend yield	0.00%	0.00%

Stock based compensation expense of $7,094 (2008: $4,598) incurred on options granted or vested was recorded in operations for the year.

Stock based compensation has been allocated as follows:

	2009	2008
Administration salaries and consulting	$ 843	$ 564
Director's fees	1,661	1,799
Management fees	2,580	1,471
Mineral property exploration expenditures	1,777	755
Shareholder communications	233	9
Total	**$ 7,094**	**$ 4,598**

Option pricing models require the input of highly subjective assumptions including the expected price volatility of the Company's shares. Changes in the subjective input assumptions can materially affect the fair value estimate, and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

11. Warrants

At December 31, 2009 the Company had outstanding share purchase warrants exercisable to acquire 775,171 shares as follows:

2009

Number	Exercise Price	Expiry Date
480,196	$ 2.40	February 26, 2010
294,975	$ 6.00	November 26, 2010
775,171		

During the year 304,679 warrants exercisable at a price of $2.40 were exercised for proceeds of $731.

At December 31, 2008 the Company had outstanding share purchase warrants exercisable to acquire 505,700 shares as follows:

2008

Number	Exercise Price	Expiry Date
505,700	$ 4.50	March 26, 2009*

* Expired unexercised.

12. Contributed Surplus

	2009	2008
Balance, beginning of the year	$ 11,822	$ 7,234
Stock-based compensation expense	7,094	4,598
Agent's Warrants	1,511	681
Bonus Shares	-	(352)
Contributed surplus allocated on exercise of Agent's Warrants	(376)	-
Contributed surplus allocated on exercise of stock options	(1,786)	(339)
Balance, end of the year	$ 18,265	$ 11,822

13. Related Party Transactions

Amounts due to related parties of $67 at December 31, 2009 (2008: $278) is for management, consulting and exploration fees and for expenses incurred while conducting the Company's business.

A total of $1,367 (2008: $1,845) was paid to or accrued for related party transactions as described below.

e) Exploration and consulting fees totaling $460 (2008: $360) were paid or accrued to a corporation of which the President and CEO of the Company is a principal.

f) Exploration and development fees of $267 (2008: $253) were paid or accrued to a corporation controlled by the Vice-President, Exploration and Development.

g) Management fees of $310 (2008: $165) were paid to a corporation controlled by the Chairman of the Company.

h) Management fees of $330 (2008: $256) were paid or accrued to a corporation controlled by the Chief Financial Officer of the Company.

These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties.

14. Supplemental Cash Flow Information

The Company incurred non-cash financing activities during the years ended December 31, 2009 and 2008 as follows:

	2009	2008
Non-cash financing activities:		
Issue of warrants for agent's commission	$ 1,511	$ 681

15. Segmented Information

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's corporate office provides financial and technical support to its operations in Canada, Argentina and Chile.

The Company's net assets and net losses by geographical segment are as follows:

December 31, 2009	Canada	Argentina	Chile	Total
Cash and cash equivalents	$ 80,387	$ 465	$ 237	$ 81,089
Other current assets	353	127	73	553
Property and equipment	77	88	201	366
Mineral properties	-	3,354	-	3,354
	80,817	4,034	511	85,362
Current Liabilities	(1,441)	(1,434)	(1,286)	(4,161)
	$ 79,376	$ 2,600	$ (775)	$ 81,201
Net Loss	$ 8,391	$ 10,887	$ 11,700	$ 30,978

December 31, 2008	Canada	Argentina	Chile	Total
Cash and cash equivalents	$ 18,313	$ 414	$ 386	$ 19,113
Other current assets	225	55	380	660
Property and equipment	91	86	193	370
Mineral properties	-	3,354	-	3,354
	18,629	3,909	959	23,497
Current Liabilities	(823)	(1,532)	(468)	(2,823)
	$ 17,806	$ 2,377	$ 491	$ 20,674
Net Loss	$ 6,569	$ 14,213	$ 7,861	$ 28,643

16. Income Taxes

A reconciliation of consolidated income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Net loss for the year before income tax	$ 30,978	$ 28,643
Combined federal and provincial tax rate	30.0%	31.0%
Income tax recovery at statutory rates	$ (9,294)	$ (8,879)
Losses and other deductions for which no benefit has been recognized	5,525	8,287
Stock-based compensation	2,128	1,424
Non-deductible mineral property exploration costs	1,566	921
Foreign exchange rate and tax rate differences	84	(1,387)
Expiry of losses	89	42
Impact of tax rate reductions	(98)	(408)
Income tax provision	$ Nil	$ Nil

The significant components of the Company's consolidated future tax assets are as follows:

	2009	2008
Non-capital loss carry forwards – Canada	$ 3,130	$ 2,502
Non-capital loss carry forwards – Argentina	2,127	182
Non-capital loss carry forwards – Chile	100	86
Exploration and development deductions	17,334	13,228
Property and equipment – Canada	20	36
Share issue costs	1,520	739
	24,231	16,773
Valuation allowance	(24,231)	(16,773)
	$ Nil	$ Nil

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses in the amount of $12,436 expire as follows:

2010	$ 200
2014	882
2015	1,578
2026	2,242
2027	2,001
2028	2,424
2029	3,109
	$ 12,436

At December 31, 2009, the Company also has tax loss carry forwards in Argentina and Chile totaling $5,994 and $280 respectively, that expire over the period from 2010 to 2014 available to offset future taxable income.

Tax benefits have not been recorded as it is not considered more likely than not that they will be utilized.

17. Contractual Obligations

The Company leases offices in Vancouver, Argentina and Chile and has expenditure and option payment obligations related to its properties. Option payments and property expenditure obligations are contingent on exploration results and can be cancelled at any time should exploration results so warrant (see note 8(c)). Other financial commitments are summarized in the table below:

Payments Due by Year

	Total	2010	2011 – 2012
Office leases	$ 204	$ 161	$ 43
Property access agreements	138	85	53
Total	**$ 342**	**$ 246**	**$ 96**

In addition, the Company has agreed to build two houses for the original owners of the Don Sixto property at an estimated cost of approximately $75.

18. Subsequent Events

On January 19, 2010, the Company announced that the Board of Directors had unanimously approved a proposal to undertake a spin-out transaction pursuant to which the assets of Exeter would, subject to shareholder, court and TSX approval, be separated into two highly focused companies. Under the terms of the proposed transaction, Exeter will retain all assets relating to the Caspiche gold-copper discovery, together with approximately $43,000 in working capital, and focus on the advancement of Caspiche. Exeter will transfer to a new corporation, Extorre Gold Mines Limited ("Extorre"), Exeter's Cerro Moro and other exploration properties in Argentina and approximately $25,000 in working capital. Newco will then become an emerging gold-silver producer, focused on the high grade Cerro Moro gold-silver project in Argentina. It will be a condition to the closing of the transaction that Extorre obtain conditional approval for the listing of its common shares on a major stock exchange.

Exeter shareholders will be asked to vote on the proposal at a special meeting of shareholders, expected to be convened on March 11, 2010. The proposal to be presented to shareholders would result in each Exeter shareholder of record, on the effective date of the transaction, receiving one share in Extorre for each share held in Exeter. There will be no change in shareholder's holdings in Exeter.

The following pro forma balance sheet of the Company has been prepared as if the proposed spin-out transaction of Extorre had been approved as at December 31, 2009.

Consolidated Balance Sheet	As at December 31, 2009 As Reported	Carve Out Extorre	As at December 31, 2009 Pro Forma
Cash and cash equivalents	$ 81,089	$ 25,465	$ 55,624
Amounts receivable and prepaid expenses	553	127	426
Property and equipment	366	88	278
Mineral properties	3,354	3,354	-
	$ 85,362	29,034	56,328
Accounts payable and accrued liabilities	$ 4,094	$ 1,435	$ 2,659
Due to related parties	67	-	67
Shareholders' equity	81,201	27,599	53,602
	$ 85,362	$ 29,034	$ 56,328

18. **Subsequent Events** (Continued)

The following pro forma consolidated statement of loss and comprehensive loss has been prepared on a carve-out basis from Exeter as if Extorre had operated as a stand-alone entity commencing January 1, 2009.

Consolidated Statement of Loss and Comprehensive Loss	For the year ended December 31, 2009 As Reported	Carve Out Extorre	For the year ended December 31, 2009 Pro Forma
Interest income	$ 499	$ -	$ 499
Accounting and audit	336	238	98
Administration salaries and consulting	1,560	735	825
Amortization	95	-	95
Bank charges	44	37	7
Directors' fees	1,675	789	886
Foreign exchange (gain)/loss	(59)	(418)	359
Legal fees	372	175	197
Management fees	3,048	1,436	1,612
Mineral property exploration expenditures	22,355	10,532	11,823
Office and miscellaneous	126	89	37
Rent	97	46	51
Shareholder communications	993	468	525
Stock exchange listing and filing fees	317	150	167
Telecommunications	45	21	24
Transfer agent	23	11	12
Travel and promotion	450	212	238
	31,477	14,521	16,956
Net loss and comprehensive loss for the year	$ (30,978)	$ (14,521)	$ (16,457)
Basic and diluted loss per share	$ (0.51)	$ (0.24)	$ (0.27)
Weighted average number of common shares outstanding	61,322,833	61,322,833	61,322,833

Assets, liabilities and equity contributions directly attributable to Estelar and Cognito have been allocated to Extorre. Revenues and expenses have generally been allocated based on the actual results of Estelar and Cognito and an allocation of Exeter head office general and administrative expenses based upon the ratio of costs incurred on the Argentine properties as compared to the costs incurred on all mineral properties of Exeter. Amounts were allocated using management's best estimates.

As a result of basis of presentation described above, the preceding pro forma information may not necessarily be indicative of the results that would have been obtained if Extorre had operated as a separate stand-alone entity, nor are they necessarily indicative of the result for any future periods.

19. Differences between Canadian and US Generally Accepted Accounting Principles

The Company’s consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada. There are no material measurement differences between these Canadian GAAP consolidated financial statements and those prepared using US GAAP.

Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 105, “Generally Accepted Accounting Principles”. ASC 105 establishes the FASB Codification as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with US GAAP for Securities and Exchange Commission (“SEC”) registrants. All guidance contained in the Codification carries an equal level of authority. The Codification supersedes all existing non-SEC accounting and reporting standards.

In 2008, the Company adopted ASC 820 for financial assets and liabilities that are measured at fair value on a recurring basis. ASC 820 defines fair value, establishes a framework for measuring fair value under US GAAP, and requires expanded disclosures about fair value measurements. Beginning in 2009, the Company applied ASC 820 to non-financial assets and liabilities, which include: goodwill, tangible and intangible assets measured and recognized at fair value as a result of an impairment assessment; and non financial assets and non financial liabilities recognized as a result of a business combination, that are periodically measured at fair value under US GAAP. The application of ASC 820 to non-financial assets and liabilities did not have a significant impact on the Company’s methodology for measuring their fair values, but results in expanded disclosures."

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