



January 16, 2009

TO OUR SHAREHOLDERS – AN INVESTOR UPDATE

WHAT A YEAR FOR EXETER AND WORLD MARKETS!

2008 was a year of significant achievement for Exeter although, as with many other companies, the global financial crisis affected us severely. Our share price has since made some recovery, but we still began 2009 at a price which reflects a 60% discount to that of a year ago.

Fortunately, given Exeter's strong management team, promising projects and available funding, we believe that we will not only re-establish but surpass our former value. We are particularly heartened that gold is now being recognized as a superior store of value, and anticipate that gold equities will benefit accordingly.

With six successful years of exploration behind us we have achieved the status as the premier junior exploration company in Chile and Argentina. Despite a challenging year, we have achieved several very significant milestones, as highlighted below.

THE YEAR IN REVIEW

January Onwards - Cerro Moro Program

Drilling on our Cerro Moro property in Argentina continued through 2008, with a series of press releases highlighting high grade gold and silver discoveries on the property.

In March, Exeter announced that it had signed a letter of intent with Fomento Minera de Santa Cruz Sociedad del Estado (Fomicruz), a company owned by the Government of Santa Cruz Province, Argentina, to explore, on an 80/20 basis (in favor of Exeter), land adjoining Cerro Moro. By year end, geological and geophysical work had established that the Escondida Vein system likely extends onto the new lands.

With the rapid escalation of operating costs due to industry inflation, followed by the credit crisis, it is now clear that ore grade, rather than the total metal content of a project, will be a critical ranking factor over the next 1-2 years. Consequently, during the last quarter we have moved away from the search for new mineralized veins, to focus on the very high grade Escondida Vein system. The many other partially tested veins on the property will be evaluated in due course as the need for supplementary ore increases.

In August, we received definitive results from metallurgical work at Cerro Moro indicating 90% plus recoveries for both gold and silver. These results indicate that a conventional, "off the shelf" process circuit will be very effective in dealing with the different styles of mineralization on the property.

In December, drilling was suspended temporarily, in order to begin the process of producing a resources estimate compliant with Canadian National Instrument 43-101 – Standards of

Disclosure for Mineral Projects (“NI 43-101”). Drilling is expected to resume early in 2009, testing the Fomicruz land immediately to the west of Escondida.

March 2008 – \$35 Million Financing

Exeter was fortuitous in timing a \$35 million equity financing ahead of the summer market decline and the later credit crisis. The financing was conducted by a syndicate of underwriters led by Canaccord Capital Corporation and BMO Capital Markets, and included National Bank Financial, Dundee Securities and Haywood Securities. The financing has enabled us to maintain our exploration programs, albeit on a scaled down basis, at a time when many companies are on care and maintenance (or worse).

April Onwards – Caspiche Program

Exeter’s Caspiche copper-gold project in Chile has generated drilling results that confirm the site as a major gold-copper discovery. Drill hole CSD-016 in particular returned 718.75 metres (2,358 feet) at a grade of 1.0 gram per tonne (0.029 ounces/ton) gold, a result that clearly demonstrates the potential of the property both for size and grade.

In October, drilling resumed at Caspiche using three diamond drill rigs capable of drilling to depths of 1,000 metres plus (3,300 ft). The objective is to generate the data necessary to announce a NI 43-101 compliant inferred resource estimate of the size of the deposit in the second quarter of 2009.

Drilling is still in progress, with some of the holes terminating within the mineralized system at vertical depths of 900 metres plus (2,900 feet). Importantly, new drill holes CSD-023 and CSD-028, located 250 metres (825 ft) and 200 metres (660 ft) respectively from CSD-016, give additional support to the presence of a central, higher grade zone to the deposit.

To establish the metallurgical characteristics of the deposit, a testwork program was initiated in November. Both the oxide and sulfide ore types will be evaluated in the program.

Our success at Caspiche has brought the project to the attention of both securities analysts and certain major mining companies. We will continue to develop these relationships and explore alternative strategies to maximize the value of this asset in the months ahead.

*See Exeter’s news release dated April 30, 2008 for further details.

October 2008 – The Financial Crisis

In late October, with \$23 million in our treasury, Exeter implemented a severe cost-cutting program to focus the Company’s expenditures on the Cerro Moro and Caspiche assets. Major staff reductions at all levels were implemented and a budget adopted that allows for exploration to continue, but provides for \$8 million in our treasury at September 2009. Importantly, the decision was made to maintain 100% ownership of our core assets, even if that requires more dramatic cost cutting at a future date.

Exeter’s Strategic Agreements with AngloGold Ashanti and Rio Tinto Mining

Our strategic agreements with Cerro Vangaurdia S.A. (an AngloGold Ashanti subsidiary) and Rio Tinto Mining and Exploration Limited, over exploration targets in the Patagonia region of southern Chile and Argentina remain in good standing. These agreements have led to discoveries, confirmed by drilling, at Cerro Moro (gold-silver), Cerro Puntudo (gold) and Verde

(silver). Additional drilling is warranted at both Cerro Puntudo and Verde but remains deferred due to spending constraints.

Don Sixto Deposit

The Don Sixto epithermal gold project in Mendoza Province, Argentina is 100% controlled by Exeter. The property contains NI 43-101 compliant estimated resources of 925,000 ounces of gold (20.5 million metric tons at a grade of 1.4 grams per tonne) in the measured plus indicated categories, and a further 334,000 ounces of gold (9.3 million metric tons at a grade of 1.1 grams per tonne) in the inferred resource category, all estimated at a cut-off grade of 0.5 grams per tonne gold. **

The project has now been “on hold” for 19 months, ever since the provincial government enacted legislation banning the use, in mining, of certain essential chemicals (including cyanide). The deposit is low grade, and as a consequence we currently cannot see a viable processing alternative to overcome this obstacle. As a result, Exeter and the mining industry in Mendoza continue to lobby for legislative amendment. In the meantime, Exeter has launched a court action seeking to have the legislation declared unconstitutional.

GOING FORWARD

Exeter’s current plans for 2009 are based entirely on utilizing the staff and funds presently at hand. Market uncertainty is expected to persist through 2009, although it is likely that gold will continue to outperform the other metals. We expect that financing windows will open periodically for those companies that offer significant investment upside, and are perceived to be acquisition candidates for the major mining companies. We are of the view that Exeter occupies that niche and has the advantage of not needing critical funding at this time.

Drilling results from our Caspiche project suggest that the property represents a major opportunity to rapidly increase our estimated gold resources to that of a mid-tier mining company. We have not joint ventured the property, as we have not wanted to pass the upside of the discovery to another party at a massive discount to its potential value. In other words, our belief is that the potential reward for our shareholders from the current exploration drilling far outweighs the \$6 million dollar risk to our treasury.

In last year’s letter to shareholders, we stated that Exeter planned to take its lead property through to mining at the earliest opportunity, and to have a second project at the feasibility stage. This continues to be our goal despite these difficult times.

2009 NEWS FLOW

Quarter One – 2009

Caspiche Project

- drilling continues and resource calculations start
- geotechnical logging continues
- preliminary infrastructure studies (water and electricity) continue
- metallurgical testing continues on oxide and sulfide ore types

Cerro Moro Project

- drilling to begin on Escondida Vein extension target
- resources calculations continue (to include all veins on the property)

Quarter Two – 2009

Caspiche Project

- announce NI 43-101 inferred resource estimate
- continue geotechnical logging
- reports on infrastructure studies expected

Cerro Moro Project

- announce NI 43-101 resources estimate
- drilling continues on Escondida Vein extension target

Quarters Three and Four – 2009

- prepare for possible fourth quarter drilling programs at both Caspiche and Cerro Moro
- advance the scoping study for mine development at Cerro Moro, including the optioning of a second hand treatment plant
- end quarter three with \$8 million plus in treasury

INVESTOR COMMUNICATIONS

Exeter is now listed on the New York Stock Exchange's Alternext Exchange under the same symbol XRA. We see this as a better trading platform than the AMEX, with added market credibility attached to the NYSE brand. Our listing on the TSX Venture Board will be maintained.

Exeter attends several conferences each year, two of which, the Denver Gold Group Conference (Denver (not confirmed) and Zurich venues) and the BMO Global Metals and Mining Conference, are restricted to the senior and most advanced of the junior resource companies. The list below gives the venues and dates for investor conferences that we generally attend, and we look forward to the opportunity to meet with you at these venues:

January 25-26 Vancouver, Canada - Cambridge House Investment Conference
February 22-25 Hollywood, Florida - BMO Global Metals and Mining Conference
March 1-4 Toronto, Canada - Prospectors and Developers Conference
March 20-23 Las Vegas, Nevada - Casey Research Las Vegas Summit
April 27-30 Zurich, Switzerland – Denver Gold Group – European Gold Forum
May 11-12 New York, USA – Hard Assets Investment Conference
November 21-22 San Francisco, USA - Hard Assets Investment Conference

THANKS TO OUR MANAGEMENT AND STAFF

We owe our profound thanks to our management and staff who have endured the stress and uncertainty of the last several months. Our decision to reduce staffing was very difficult, and was by no means a reflection on the loyalty, performance or capabilities of our employees. It is our sincere hope that we will be able to work with many of those individuals again in the future.

Thank you for your continued interest in Exeter.



Yale Simpson
Chairman



Bryce Roxburgh
President and CEO

**The resources are 400,000 ounces of gold (8.2 million tonnes at a grade of 1.5 grams per tonne) in the measured category and 525,000 ounces of gold (12.3 million tonnes at a grade of 1.3 grams per tonne) in the indicated category, all estimated at a cut-off grade of 0.5 grams per tonne. See Exeter's news release dated August 2, 2007 for further details.

Bryce Roxburgh, Exeter's President and CEO, and a "Qualified Person" within the definition of that term in National Instrument 43-101 - Standards of Disclosure for Mineral Projects, is responsible for the technical information contained in this letter.

Safe Harbour Statement – This letter 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, including statements regarding the extent and timing of drilling and other exploration programs, anticipated exploration results, the potential size of the Caspiche deposit, the potential grade and continuity of mineralization, the performance of gold and other metals and minerals, future plans with respect to ownership of our assets, the amount of funds that will be available in our treasury, the availability of financing opportunities, and timing and establishment of resources estimates. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to vary from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from the forward-looking statements include, among others, risks associated with project development; the need for additional financing; operational risks associated with mining and mineral processing; fluctuations in metal prices; title matters; uncertainties and risks related to carrying on business in foreign countries; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters of the Company with certain other projects; the absence of dividends; currency fluctuations; competition; dilution; the volatility of the Company's common share price and volume; tax consequences to U.S. investors; and other risks and uncertainties, including those described in the Company's Annual Information Form for the financial year ended December 31, 2007, dated March 28, 2008 filed with the Canadian Securities Administrators and available at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other 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 letter and the Company is under no obligation to update or alter any forward-looking statements except as required under applicable securities laws.

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