exeter
RESOURCE CORPORATION

ANNUAL REPORT 2004

Conversions	
Au	Gold
Ag	Silver
g/t	grams per tonne
oz	ounce
1 tonne	1.102 tons
1 troy ounce	31.1035 grams
1 ounce/ton	34.2857 grams per tonne
km	kilometre
1 kilometre	.62 miles
1 metre	3.28 feet

MESSAGE TO SHAREHOLDERS

Exeter achieved a record year of activity in 2004, maintaining our position as a leader in Argentina gold exploration. We focussed on advancing our flagship La Cabeza gold project towards a production decision, while continuing to seek a major gold discovery in Patagonia through our partnership with AngloGold Ashanti Ltd.

Exeter expenditures reached $4 million in 2004, offset by new financings of $3 million. Drilling activity was continuous through the year, with 8000 metres completed on three projects. That drilling provided confidence for an earlier La Cabeza resource estimate and led to a gold discovery at Cerro Puntudo in Patagonia.

Exeter has the right to acquire 100% of the La Cabeza gold project. Drilling and surface sampling through 2004 defined multiple areas of high grade gold mineralisation in outcrop and in shallow drill holes. This led to an extension of drilling activity into 2005 to better define new mineralisation. Due to the extended drilling program, we slowed a pre-feasibility study. Our objective at La Cabeza remains to develop a mine averaging 50,000 ounces of gold annually. Mine design, engineering, metallurgical testwork and environmental studies are critical components of the program.

In 2004, Exeter implemented its strategic alliance with Cerro Vanguardia S.A. (CVSA), a subsidiary of AngloGold Ashanti Ltd. The agreement provided Exeter an option over 39 gold-silver properties in Patagonia, including the more advanced Cerro Moro and Cerro Puntudo projects in Santa Cruz Province. Digitizing the Patagonia data and prioritizing the properties was a significant initial undertaking for Exeter's team. Four projects were assigned priority status for detailed exploration in 2004 and 2005. By year end, 14 of the properties were downgraded and recommended for relinquishment.

The CVSA agreement provides Exeter with an option to acquire 100% of the Patagonia properties, subject to a modest royalty and the right for CVSA to buy back a control position. The agreement is working well for the partners. Drilling at Cerro Moro substantiated high-grade vein intercepts by CVSA, leading to geophysical surveys to identify veins with the tonnage potential to constitute mineable resources.

Drilling of the Cerro Puntudo epithermal gold project in Patagonia commenced in December, 2004, and, in late February, Exeter announced the discovery of gold mineralisation in two zones two kilometres apart. Results from that program were promising and follow up drilling is underway.

In mid 2004, Exeter agreed to joint venture its Rosarita epithermal gold-silver project to Canadian explorer Intrepid Minerals Ltd. Rosarita lies immediately south of, and within the same structural corridor as, Intrepid's Casposo epithermal gold discovery, now at the scoping study level of development. Intrepid may earn a 50% interest by spending $250,000 and completing 5000 metres of drilling before the end of 2005.

The Company applied for Tier 1 status on the TSX Venture Exchange and received formal approval in February, 2005. The more senior designation is part of a process to increase our corporate profile in line with the growth of our asset base.

Exeter's Argentina projects have the potential for both short-term gold production and substantial mineral discoveries. We continue to have ready access to capital at prices favourable to shareholders. With a strong balance sheet, excellent properties and solid management, Exeter is well positioned to become a significant presence in the mineral development of South America.

Bryce Roxburgh, President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 15, 2005

The following discussion and analysis of the financial condition and results of operations of Exeter Resource Corporation ("Exeter" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2004 and 2003 and for the years then ended (the "Financial Statements") and the accompanying notes that form part of the Financial Statements. All values are expressed in Canadian dollars unless otherwise noted.

BUSINESS OVERVIEW

The Company, formerly Golden Glacier Resources Inc., is a mineral exploration company engaged in the acquisition, exploration and development of resource properties in South America.

The Company's current primary activity is the exploration of mineral properties in Argentina, where the Company owns outright, or has the right to acquire through option agreements, interests in exploration properties. The Company's properties, at present, contain no defined economic reserves of recoverable minerals. It has no operating income. Should the Company successfully identify, through its exploration efforts, commercially mineable reserves on any of its mineral properties, it will seek to develop the opportunity by bringing the property into commercial production itself, or through a contract mining arrangement, or by way of a joint venture.

On October10, 2002, the share capital of the Company was consolidated on the basis of one new share for ten old shares, the authorized post-consolidation share capital was increased to 100,000,000 common shares, and the name of the Company was changed to "Exeter Resource Corporation". The Company is incorporated under the laws of British Columbia and is listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "XRC". It is a reporting issuer in British Columbia and Alberta and has filed for registration in the United States on Form 20F.

The Company has dissolved its former direct and indirect subsidiaries, Golden Glacier Finance Limited and Golden Glacier Investments Ltd., neither of which had any assets or liabilities.

Corporate operations of the Company are directed from Vancouver and Argentina, by management and directors who have professional expertise and extensive industry experience.

Forward Looking Statements

This report contains forward looking statements and information. Such forward looking statements are based on the Company's plans and expectations and involve known and unknown risks, uncertainties and factors which may cause the actual results, performance or achievements of the Company to be materially different from any performance or achievement expressed or implied by such forward looking statement.

REPORT ON OPERATIONS

Operations

Following its reorganization in 2002, the Company focused initially on reviewing and acquiring mineral properties and securing capital for the exploration of those properties. Subsequently, work has comprised detailed drilling and associated studies at its La Cabeza Gold Project, and exploration drilling on Patagonia gold projects acquired through the Cerro Vanguardia S.A. alliance.

In 2003, the Company acquired or secured and option to acquire the rights to five groups of gold properties in Argentina, including its principal and most advanced property, La Cabeza. These acquisitions and the successful financing efforts represent substantial milestones for Exeter. A summary of the mineral properties follows:

SUMMARY OF PROJECTS

Vendor/Options	Rights acquired	Major properties	Land Area (sq km)	Paid to Date	Future cash commitments
Cognito Limited (“Cognito”)	Option for 100%	La Cabeza - 7 concessions	100	1,600,000 shares and $25,000	- exploration expenditures of US$3,000,000 - cash paymentsof US $525,000 to Dec15, 2014 - 3.5% NSR - cash payment of $2,500,000 or issue 2,500,000 shares
Estelar Resources Limited (“Estelar”)	Option for100%	Rosarita, Quispe, Llanos Ricos/ El Salado and Dolores - 21 concessions	385	1,000,000 shares and $2,820	- 2% NSR
Minera Río de la Plata (“MRP”)	Option for 100%	Agua Nueva Rosarita South La Ramada - 45 concessions	312	$5,000	- cash paymentsof $440,000 - 2% NSR
Cerro Vanguardia Sociedad Anónima (“CVSA”)	Option for 100%	Cerro Moro Santa Cruz Chubut Río Negro - 39 concessions	1,047	$US100,000	- exploration expenditures of US$3,000,000to Dec. 30, 2008 - 2% NSR
Papagallos	Option for 100%	Papagallos - 5 concessions	21,657 ha		- Property rights relinquished 2004

In 2004, the Company expanded its exploration team, based out of Mendoza City in central western Argentina, and rented new offices to accommodate this expansion. Four projects were advanced to the drilling stage, and one, the La Cabeza project, moved to the evaluation stage. Exploration of the CVSA property portfolio led to drilling of the Cerro Moro and Cerro Puntudo projects. Efforts to identify additional exploration opportunities continued.

Cognito

Acquisition terms

In March 2003, the Company announced that it had acquired the option to a 50% interest in Cognito Limited ("Cognito"), a company that has the option to acquire a 100% interest in the La Cabeza gold project in Argentina, for payment of 800,000 common shares, issued to the principals of Rowen Company Limited ("Rowen"), the beneficial owners of Cognito.

The Company announced in July 2003 that it had completed the acquisition of the rights to the remaining 50% interest in Cognito (the "Cognito Option") for further payment to the principals of Rowen of $25,000 cash and 800,000 common shares of the Company. As a principal of Rowen, Bryce Roxburgh, the President and CEO and a director of the Company, received a total of 800,000 common shares of the Company and will not vote as a director on matters concerning La Cabeza where his interest in Rowen represents a potential conflict of interest.

To exercise the Cognito Option, the Company is required to incur a total of US$3.0 million in exploration and development expenditures at La Cabeza by March 2007, of which a minimum of US$1.5 million is required to be spent by March 2006. The Company has met its exploration commitment for 2004. In addition, on the earlier of completion of these expenditures or completion of a bankable feasibility study, the Company must pay to the principals of Rowen a further CAN $2.5 million cash or, at the Company's option, 2.5 million common shares of the Company.

To earn its interest in the La Cabeza property (subject to a 3.5% net smelter royalty ("NSR") in favour of the owners of the property), Cognito must pay to the owners of the property a total of US$525,000 in staged payments to December 2014. The Company has met the payment requirement of US$15,000 by December 15, 2003, and US$25,000 by December 15, 2004.The Company may terminate the staged payments upon making a development decision in respect of the project; provided that production commences within two years. Exeter has the option to purchase the NSR for US $1,000,000.

La Cabeza

Property Description

La Cabeza is located 370 km south of Mendoza in central western Argentina and consists of seven gold concessions, covering approximately 100 square kilometres. An additional 266 square kilometres of concessions comprising the Agua Nueva property are held under option pursuant to an agreement with MRP, described below. Geologically, La Cabeza is a categorized as a partially explored, low sulphidation, epithermal gold system. It is readily accessed by gravel roads and lies at an elevation of 1100 metres above sea level. The area has no grid electricity or water pipeline in the near vicinity.

The property was discovered in 1997 by Argentina Mineral Development (AMD), who spent USD $3.34 million on exploration to outline-ore grade gold mineralisation within epithermal quartz veins and stockworks, in hydrothermally altered Permo-Triassic felsic volcanic rocks. Preliminary metallurgical testwork results indicated +90% gold recovery for oxidized and sulphidic material by conventional leaching methods. Drilling included 16,000 meters of diamond and reverse circulation testing. Exploration partially delineated multiple zones of gold mineralisation within a 2 x 2 km area and led to resource calculations and an in-house scoping study.

Estimated La Cabeza inferred resource calculation

Cut-off (g/t Au)	Tonnes (t)	Grade Au (g/t)	Ounces
0.5	11,976,000	1.8	718,000
1.0	6,816,000	2.8	628,000
2.0	3,398,000	4.3	475,000

Exeter commissioned Ruben S. Verzosa, P. Eng. of Langley, British Columbia, a "qualified person" as described in National Instrument 43-101, to review the results of the AMD exploration program and in-house scoping study. Mr. Verzosa reviewed the methodology of all exploration procedures and confirmed that the resources are "Inferred Resources" as defined by the Canadian Institute of Mining, Metallurgy and Petroleum code.

Mr. Verzosa recommended exploration in two stages to examine the potential for open pit mining of the known mineralisation at La Cabeza. Stage 1, estimated to cost US$150,000, would comprise limited additional drilling to confirm geology, followed by metallurgical testing. Stage 2, estimated to cost US$1.25 million, would comprise infill drilling to establish indicated resources to a pre-feasibility level of confidence. Metallurgical, engineering and environmental studies were also recommended. Mr. Verzosa's report can be viewed at www.sedar.com.

Robert Harley, Exeter's Vice President, Exploration completed a report complying with the requirements of the CSA's NI 43-101 updating all exploration to September, 2004. This report can also be viewed at www.sedar.com.

Exploration:
In November 2003, the Company retained Sandercock and Associates Pty. Ltd. ("Sandercock") of Australia to update the AMD scoping study for the purpose of guiding management on whether to proceed with a pre-feasibility study. The study was not NI 43-101 compliant and is not available to shareholders. Following receipt of this report, management concurred with the earlier Verzosa recommendation and initiated a pre-feasibility study in January 2004.

To the end of 2004, work on the pre-feasibility study included 64 drill holes for 4,609 metres of drilling and 1,828 metres of channel sampling. In addition, a program of geological modelling, metallurgical, geotechnical, engineering, hydrological and environmental work was initiated. The pre-feasibility study will provide a basis for proceeding with a bankable feasibility study and commercial production.

Drilling and Channel Sampling:
In March 2005, the recommended drilling program was concluded. The exploration program had two objectives: (i) to bring a large part of the previously defined 'inferred resource' into the 'indicated resource' category, and (ii) to establish the limits of existing mineralised zones along strike, and laterally, from previous drill holes. In total, 33 diamond drill holes for 2,069 metres and 44 reverse circulation holes for 2,729 metres, were completed. The bulk of the drilling was within the 0.5 g/t gold mineralised envelopes that define each of the Ojo, Luna, Cuello and Mandibula zones.

A comprehensive channel sampling program was a key element of 2004 exploration at La Cabeza. The program provided two benefits: firstly, detailed surface assay data enabled drill hole intercepts to be projected to surface, and, secondly, a detailed geological model was created for the purpose of resource calculations. Overall, 1,828 metres of sawn channel samples were cut and assayed.

The 2004 exploration program led to a far more detailed picture of La Cabeza mineralisation. The most important outcome was the recognition of new areas of higher-grade gold mineralisation in the Ojo, Luna and Mandibula zones. This mineralisation was present in both the surface channel samples and the shallow drill holes. It was previously unknown, due the positioning of earlier AMD drill holes down slope from the outcropping mineralisation. Exeter used specialty drill rigs and constructed new roads to provide access to these "previously" untested, upper portions of the mineralised zones.

Examples of high-grade mineralisation intersected near surface are as follows: Ojo zone, diamond drill hole LCD49A from a depth of 2 to 24 metres downhole (22 metres) assayed 32 g/t gold, including 5.5 metres averaging 121.7g/t gold. At the Luna zone, surface channels 7 and 8 assayed 20 metres at 5.1g/t gold and 12 metres at 6.8 g/t gold, respectively. At the Mandibula, zone rock chip channel 3 assayed 18 metres at 8.2 g/t gold. These results are interpreted to reflect the vertical gold distribution in the La Cabeza epithermal system and are not considered to be gold concentration due to supergene gold.

The new geological model for La Cabeza has led to the identification of exploration targets representing mineralisation that might have been displaced by faulting of known mineralised zones, and the discovery of "blind mineralisation" below sands between the zones of outcropping mineralisation. Drilling of the new exploration targets commenced January, 2005 and will continue through to June 2005.

Estelar

Acquisition terms

In July 2003, the Company completed the acquisition of a 100% interest in Estelar Resources Limited ("Estelar"), a British Virgin Island corporation that owns the rights to four mineral projects.

The consideration paid by the Company was 1,000,000 common shares. At the time of the acquisition, the Chairman of the Company was a major shareholder (71.3% ownership) of Estelar and received 713,000 common shares of the Company in the acquisition agreement. The Estelar properties carry a 2% net smelter royalty from future production ("NSR"), payable to the previous owner, Argentina Mineral Development ("AMD").

Property Description

The Estelar projects cover approximately 385 square kilometres in central western Argentina and comprise the Rosarita, Quispe, Dolores and Llanos Ricos gold properties. They have potential for the discovery of epithermal gold and porphyry style copper-gold mineralisation. There are no exploration commitments on the projects. Due to Exeter's priorities elsewhere, no exploration work was completed by Exeter in 2004. Rosarita was farmed out to Intrepid Minerals Corporation ("Intrepid") in 2004. Exeter plans to seek joint venture partners on the Quispe, Llanos Ricos and Dolores properties in 2005.

Rosarita

The Rosarita Project in San Juan Province is 125 sq km in area and lies immediately south of the Casposo gold deposit owned by Intrepid. Intrepid has advanced Casposo to the Scoping Study stage for a 60,000 ounce per year gold project, based primarily on open pit mining.

Previous mapping, geochemical sampling and geophysical work by AMD and Battle Mountain Gold Company defined several low priority drill targets at Rosarita. Prospecting was conducted by Exeter in 2003 without defining high priority targets.

On June 10, 2004 Intrepid and Exeter announced an option agreement pursuant to which Intrepid may earn a 50% interest in Rosarita. In order to earn a 50% interest, Intrepid must incur minimum expenditures of US$250,000 in 2005, and complete a total of 5,000 metres of drilling before the end of 2006. The companies would then form a joint venture to conduct further exploration on the property.

Exploration by Intrepid commenced in 2004 and included three drill holes. No significant mineralisation was intersected. Further exploration by Intrepid is anticipated in 2005.

Quispe

The Quispe Project covers 80 square kilometres in southwestern Catamarca province, in northwest Argentina. The project was identified through the assessment of satellite colour anomalies and has potential for porphyry copper-gold deposits and/or high sulphidation epithermal gold systems.

Previous mapping, trenching, sampling and geophysical surveys conducted by AMD defined a number of copper and gold targets on the main Quispe prospect. The property is considered to be ready for drilling and is on offer for joint venture.

Uspallata

The Uspallata Project comprises the El Salado, Llanos Ricos and Dolores mineral properties. The properties cover large scale magnetic anomalies that represent targets for copper-gold porphyry exploration. The prospects are located 200 km north of San Juan City, the capital of San Juan Province, Argentina.

The Llanos Ricos-El Salado projects cover 132 sq km and are located at the north end of the Uspallata Graben, a regional structure 350 kilometres long and 50 kilometres wide. Previous AMD exploration and drilling of 30 holes on the El Salado property revealed low grade copper-gold mineralisation and an environment conducive for the discovery of additional porphyry systems. The Dolores property is a grass-roots prospect located 75 km south of Llanos Ricos, identified by AMD as a porphyry target. Detailed geological mapping, geochemistry and drilling to test induced polarization anomalies are required to advance the property, but are not planned at this stage.

MRP

Acquisition terms

In November 2003, the Company agreed to acquire a 100% interest in three gold properties, Agua Nueva, La Ramada and Rosarita South, from Minera Rio de la Plata ("MRP"), a private, arm's length Argentine company.

In order to maintain rights to the properties, an initial payment of $5,000 was made to the vendor and a further payment of $7,500 in October, 2004. Further payments totalling $440,000 by October 2015 are required to maintain ownership. MRP will retain a 2% NSR, which Exeter can purchase for $750,000. There are no minimum annual exploration expenditure commitments to MRP.

Property Description

Agua Nueva (La Cabeza North)

The Agua Nueva property covers 266 square kilometres that adjoin the La Cabeza gold property to the east, west and north. Wide-spaced soil geochemical sampling in an area six kilometres northwest of La Cabeza defined a large arsenic soil anomaly of unknown origin. Agua Nueva also covers a set of fault structures that are similar to the mineralised structures at La Cabeza. The structures will be prospected by Exeter to define targets that may represent possible extensions of the La Cabeza gold system.

La Ramada

The property, located in La Rioja Province, comprises exploration titles over a 2.4 square kilometre area. The property requires mapping and geochemical sampling to define targets for drilling.

Conceptual studies identified a section of the Argentine Precordillera in La Rioja Province as having potential for sediment hosted and replacement style gold deposits similar to occurrences in the Carlin belt of Nevada. Early exploration by a previous operator defined a number of exploration targets. No work is taking place at present.

Rosarita South

The Rosarita South property, located immediately south of Exeter's Rosarita Project in San Juan Province, is 42.79 square kilometres in area. Occurrences of alteration similar to those at Rosarita are evident. Limited prospecting has provided geochemical encouragement for possible subsurface gold mineralisation on the property.

CVSA

Acquisition terms

In January 2004, the Company announced that it had secured option from Cerro Vanguardia Sociedad Anonima ("CVSA") to acquire all of CVSA's exploration projects, except those surrounding its Cerro Vanguardia gold mine in Patagonia, Argentina. CVSA is owned 92.5% by AngloGold Ashanti Ltd. and 7.5% by Fomicruz S.A.

Under the option agreement, Exeter can earn a 100% interest in the CVSA lands by spending US$3 million within five years and completing 10,000 metres of drilling on any of the four major projects. CVSA has the right to back into a 60% interest by paying Exeter 2.5 times Exeter's expenditures and paying for all project costs to the completion of a bankable feasibility study. CVSA can increase its interest to 70% by financing Exeter's share of mine development costs at industry standard terms. Should CVSA not elect to back into a project, its interest will revert to a 2% net smelter royalty.

By March 2004, Exeter had completed a due diligence study on the CVSA properties and confirmed the legal status and technical merits of the properties. With the completion of its due diligence Exeter paid CVSA a signature fee of US$75,000, followed by a final US$25,000 in September 2004. The agreement does not require the Company to make any other payment to CVSA.

Property Description

The CVSA properties are grouped into four projects. Cerro Moro was the most advanced project at the time of acquisition.

Cerro Moro	13 properties	153 sq km
Other Santa Cruz properties	5 properties	208 sq km
Chubut properties	14 properties	335 sq km
Rio Negro properties	7 properties	351 sq km

Most of the CVSA properties were acquired some 10 years ago, prior to the recent interest in Patagonia. All of the projects have favourable geological settings, significant hydrothermal alteration features and/or anomalous gold or silver geochemistry.

Many of the properties under the agreement were located by CVSA, using satellite imagery following structural studies, suggesting large alteration systems. The level of subsequent exploration varied, but in many cases anomalous gold and/or silver mineralisation was identified. No geophysical surveys were conducted and drilling did not extend into covered areas. In 2004, Exeter prospected all of the systems with a view to identifying gold and/or silver targets for follow-up exploration. Exeter conducted drilling at Cerro Moro and Cerro Puntudo during 2004.

Cerro Puntudo Project

The 235 square kilometre, Cerro Puntudo project is approximately 100 kilometres west of the Cerro Vanguardia mine in Santa Province. The known mineralisation is considered to be epithermal and within Jurassic age felsic volcanic rocks. Prior to drilling, Exeter completed geological, geochemical and induced polarisation geophysical surveys to better define surface mineralisation discovered by CVSA. The resistivity response to the known mineralisation was best developed at zones referred to as Rico and La Quebrada.

Exeter commenced a reverse circulation percussion program, comprising 1,300 metres, before year end, and reported results for the entire 2,179 metres drilled in February, 2005. Drill intercepts at depths of 30-40 metres were significantly anomalous (0.5 to 1.5 g/t gold). Results were particularly encouraging at depths of 60-70 metres in two of four deeper drill holes. CPRC24 intersected 20 metres at a grade of 3.6 g/t gold (including 4 meters at a grade of 9.2g/t gold) at Rico zone and CPRC27 intersected 27 meters at a grade of 3.7 g/t gold (including 8 metres at a grade of 9.6g/t gold) at Quebrada zone, located two kilometres south east of Rico.

Additional ground magnetic surveying was completed, and follow up drilling commenced, in April 2005. Exeter has applied for an additional 200 square kilometres surrounding Cerro Puntudo, on behalf of Exeter/CVSA

Cerro Moro Project

The 157 square kilometre Cerro Moro epithermal gold project is located in north-eastern Santa Cruz Province, approximately 70 km southwest of Puerto Deseado.

Exploration has defined 16 vein sets in areas of limited outcrop. Areas of possible vein stockworks or disseminated-style mineralisation are also recognized. Most of the gold occurrences are within a 10 kilometre by 2.5 kilometre area. Low-sulphidation style gold and silver mineralisation is primarily associated with quartz veins 240 to 1,250 metres long. Individual veins range in thickness between 0.2 and 4.5 metres. Some veins have exceptional silver credits.

CVSA had drilled previously 34 shallow diamond, and/or reverse circulation percussion, drill holes for total of 2,582 metres, distributed over 11 of 22 targets. Drill hole spacings were in the order of 250 metres. Average drill intersection depths were only 30 metres.

Significant assay results from drilling include: 6.0 metres at 6.2 g/t gold, 96 g/t silver; 10.2 metres at 8.8 g/t gold, 21 g/t silver; 1.6 metres at 25.0 g/t gold, 1,107 g/t silver; 1.9 metres at 15.6 g/t gold, 880 g/t silver; 16 metres at 2.3 g/t gold, 10.2 metres at 8.8 g/t gold, 21 g/t silver and 3.8 metres at 5.5 g/t gold, 649 g/t silver.

In September 2004, Exeter completed a reverse circulation program comprising 40 holes, for a total of 2,066 metres, with results supporting earlier CVSA drilling. Given that most veins are relatively narrow Exeter is prioritizing follow up targets on the basis of their potential for hosting the contained ounces necessary for a mining scenario.

Exeter more recently commenced detailed exploration, comprising geological mapping, trenching, geochemical sampling and geophysical surveys including induced polarisation and magnetic programs. This program is designed to identify broader structures, particularly targets that are concealed under sand and gravel cover. Management believes that Cerro Moro will be found to host an extensive network of mineralised quartz veins, with excellent potential for ore-grade mineralisation. The further advancement of this project will depend upon the breadth of these veins.

Other Properties of Note

The La Calandria Project in Santa Cruz Province has gold mineralisation associated with tectonic and carapace breccias in a 12 square kilometre, rhyolite flow dome setting. Work completed by CVSA included reconnaissance geological mapping and rock chip sampling. More detailed sampling and geologic mapping has been conducted by Exeter ahead of geophysical surveys, to assist mapping and delineation of prospective zones under extensive cover.

On the Verde Project, also in Santa Cruz Province, silver mineralisation relates to at least 30 structures with epithermal quartz veining and alteration zones associated with a nearby rhyolite sinter. Strike lengths of veins range from 100 to 700 metres and widths from 0.7 to 3.0 metres. Work by CVSA included geological mapping and extensive rock chip sampling which gave high silver values and anomalous gold values. Follow up work by Exeter has included prospecting and geochemical sampling. Silver assay results from 15 g/t to 550 g/t are widespread over an eight square kilometre area to the south of the sinter.

The Pilar Project, located in north eastern Chubut Province, has veins with elevated gold, silver and base metal values hosted by Jurassic ignimbrites. Anomalous geochemistry occurs over an area of 16 square kilometres, and detailed geophysical surveys and geological mapping will be conducted to delineate drill targets.

Papagallos

In November 2003, the Company was granted an option by Xstrata Copper America's Argentinean subsidiary (MIM Argentina Exploraciones S.A.) to acquire 100% of the Papagallos copper-gold porphyry property. The project is located in western Argentina, in Mendoza province.

The terms of the option required payment by the Company of a total of US$3.5 million, including a minimum of US$100,000 prior to August 2004. Upon Exeter earning 100%, Xstrata would have the right to back into a 60 % interest by paying Exeter US$10.5 million. Should Xstrata not exercise its back-in right, its interest would revert to a 2% NSR, to be applied after the recovery of development costs. If Xstrata elected to fund the project to the completion of a bankable feasibility study, it would earn an additional 10% interest. The vendor would retain a 2% net smelter interest over that area. Exeter had the right to elect to withdraw from the project at any time.

The Company acquired the option on the property in order to evaluate an unexplored copper-gold porphyry system recently discovered by Xstrata. Exeter conducted field prospecting and a helicopter-borne airborne magnetic survey. Prospecting identified two separate low grade porphyry systems and limited skarn mineralisation. The source of higher grade skarn float was not located and was considered therefore to be limited in extent.

In April 2004, the Company advised Xstrata Copper Americas that it would not proceed to earn an interest in the property.

Subsequent Events

Rio Tinto – Southern Chile

In March 2005, the Company signed a binding Letter Agreement in which Rio Tinto Mining and Exploration Limited ("Rio Tinto") granted it the right to review Rio Tinto's exploration data covering epithermal gold opportunities identified by Rio Tinto within 800 square kilometres of southern Chile.

Until Exeter has spent US$50,000, all new exploration data will be owned by Rio Tinto; thereafter, all project data (new and existing) will be jointly owned. Rio Tinto has the right to a 60% interest in any project property by paying Exeter an amount equal to three times its exploration expenditures to that point. If Rio Tinto does not elect to exercise this option, its interest will revert to a 1% net smelter return royalty on all production.

Because the agreement does not relate to any specific property, no property description is available at this time.

RESULTS FROM OPERATIONS

Management Changes

In January 2004, Paul MacNeill was appointed a director of the Company. Mr. MacNeill is a securities lawyer with over 20 years of experience advising exploration companies.

In June 2004, David Simpson was appointed as Chief Financial Officer.

In October 2004, Michael McPhie, MSc, was appointed a director of the Company, replacing Andrew Gourlay. Mr. McPhie brings many years of project management, regulatory, and environmental management to the Company.

In October 2004, the Company engaged Robert Grey to provide investor relations and shareholder communications services to the Company.

Subsequent Events

In March 2005, Jerry Perkins was appointed as Vice President – Development and Operations of the Company. Mr. Perkins is a Chemical Engineer with 35 years experience in the mining industry.

In April 2005, Cecil Bond was appointed as Chief Financial Officer of the Company. Mr Bond is a chartered accountant with 20 years of experience.

Share Capital

The Company began 2004 with 8,512,837 post-consolidation shares outstanding and ended the year with 15,356,387 issued and outstanding common shares. The Company received total net proceeds of $6,083,717 from private placement financings and the exercise of warrants and options, and issued a total of 6,843,550 common shares. Included in this total, was $2,876,980 received in late 2003 pursuant to a private placement that closed in January 2004.

	Private Placements	**Warrants Exercised**	**Options Exercised**	**Totals**
Shares Issued	5,400,000	1,408,550	35,000	6,843,550
Net Proceeds	$5,399,999	$ 669,543	$14,175	$6,083,717

Subsequent Events

On April 12, 2005, the Company closed a non-brokered private placement of 1,907,667 units, at a price of $1.20 per unit, for gross proceeds of $2,289,200. Each unit comprised of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at a price of $1.35 per share, for one year. In addition, the Company issued 430,000 shares for net proceeds of $209,350 from the exercise of warrants and 171,125 shares for net proceeds of $132,226 from the exercise of options.

Following the closing of the private placement on April 12 and the exercise of warrants and options as noted above, the Company has 17,865,179 issued and outstanding common shares. In addition, the Company has a total of 4,588,834 warrants and 2,863,000 stock options outstanding at April 15, 2005 for fully diluted shares outstanding of 25,317,013.

SUMMARY OF FINANCIAL RESULTS

Years ended December 31, 2004 and December 31, 2003

In 2004, the Company achieved substantial growth raising, $6.1 million through the issue of shares. Proceeds of share issues were used to increase mineral property assets by $2,840,951, through acquisition and exploration, and to fund administration and increase cash balances. Total assets increased by $1,947,807 and liabilities rose $82,522 during the same period.

The Company's loss from operations increased by $885,850 in 2004, to $1,271,096. This is consistent with the increased exploration activities of the Company and major capital raising initiatives during the year.

Capital raising activities increased legal, stock exchange listing and filing fees, and transfer agent fees by $71,427. Consulting and accounting costs rose $92,945 and management fees rose $80,969, due to increased administrative requirements resulting from the Company's increased level of activity. The Company increased its investor relations activities in North America and Europe in 2004 and related expenditures increased to $296,437. Stock based compensation costs rose by $173,641, reflecting the fair value of options granted to employees and consultants during the year. Travel and promotion costs relating to property examination and investor relations activities rose by $85,685. Higher interest income of $46,503, earned from increased cash balances held as temporary investments, offset several minor increases in expenditures.

Selected Information

The Financial Statements are prepared in accordance with Canadian generally accepted accounting principles and practices and values are in Canadian dollars, except where stated otherwise. The following selected annual financial statement information is taken from the Financial Statements and should be read in conjunction with them.

Year Ended December 31	**2004**	**2003**	**2002**
Interest Income	$ 48,865	$ 2,362	$ 104
Foreign Exchange Gains/(Losses)	$ (36,238)	$ 6,348	$ (392)
Write Off of Mineral Properties and property examination costs	$ (145,374)	$ (90,496)	
Loss	$ (1,271,096)	$ (385,246)	$ (460,756)
Basic and Diluted Loss Per Common Share	$ (0.10)	$ (0.09)	$ (.38)

As at December 31,	**2004**	**2003**	**2002**
Working Capital	$ 2,295,578	$ 3,382,861	$ (87,220)
Total Assets	$ 6,469,275	$ 4,521,468	$ 61,709
Total Liabilities	$ 222,354	$ 139,832	$ 148,929
Share Capital	$ 14,078,259	$ 8,351,774	$ 6,439,547
Deficit	$ (8,209,341)	$ (6,938,245)	$(6,552,999)

Fourth Quarter 2004 and Third Quarter 2004

Net loss from operations in the three month period ended December 31, 2004 increased over the previous quarterly period by $212,874, primarily as a result of increased investor relations activities $65,362, stock exchange filing fees (relating to the November private placement $11,875), management bonuses $90,000, and foreign exchange losses $36,238.

Exploration expenses during the fourth quarter were similar to the prior period and are consistent with the exploration plans.

Comparison to Prior Quarterly Periods

Summary of Quarterly Results	2004				2003			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total revenues	$ 10,269	$ 13,199	$ 13,110	$ 12,287	$ 1,309	$ 579	$ 417	$ 57
Net loss from operations	$ 453,370	$ 240,496	$ 230,686	$ 346,544	$ 256,671	$ 44,706	$ 36,351	$ 47,518
Exploration costs	$ 669,548	$ 675,135	$ 622,974	$ 705,400	$ 170,684	$ 182,127	-	-
Property examination costs	$ 1,604	$ 30,612	$ (7,776)	$ 34,969	$ 49,661	-	-	-
Stock-based compensation	$ 51,247	$ 55,439	$ 69,131	$ 93,379	$ 95,555	-	-	-
Basic & diluted loss/ share	$ 0.03	$ 0.02	$ 0.02	$ 0.03	$ 0.04	$ 0.02	$ 0.01	$ 0.02

The Company's increased level of activities in 2004 increased its average quarterly loss from operations from $42,858 in 2003 to $368,500. Exploration expenditures, which averaged $178,905 in the last two quarters of 2003, rose to an average of $668,264 per quarter in 2004, primarily as a result of increased exploration activity at the Company's La Cabeza, Cerro Moro and Cerro Puntudo projects.

Stock based compensation costs rose in 2004, in accordance with an increase in the number of options granted to employees and consultants.

Liquidity and Capital Resources

The Company's cash deposits and temporary investments at December 31, 2004 totalled $2,458,873, compared to $1,877,963 at September 30, 2004 and $3,485,036 at December 31, 2003. The Company continues to utilize its cash resources to fund the project exploration, and administrative requirements. Aside from such cash, the Company has no material unused sources of liquid assets. As the Company has no significant income, cash balances, unless replenished by capital fundraising, will continue to decline as the Company utilizes these funds to conduct its operations.

The Company has no loans or bank debt and there are no restrictions on the use of its cash resources.

In April 2005, the Company raised a further $2,289,200 through a non-brokered private placement. Following the closing of this private placement, the Company has sufficient cash resources to fund its activities at the current level of activity for the next 12 months. Should the Company acquire new projects, increase its expenditure on existing projects, or exercise its options to acquire projects currently under option, it will be required to raise additional financing.

Contractual obligations

The Company leases offices in Vancouver and Argentina 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, if exploration results so warrant. Commitments are summarized in the tables below.

Cash Payments	Payments Due by Period				
	Total	**Less than one Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Office leases	$ 209,700	$ 36,900	$ 86,400	$ 86,400	Nil
Cognito Limited	$3,076,270	$ 42,070	$2,614,000	$ 120,200	$ 300,000
MRP Properties	$ 427,500	$ 12,500	$ 45,000	$ 70,000	$ 300,000
Total	**$3,713,470**	**$ 91,470**	**$2,745,400**	**$ 276,600**	**$ 600,000**

Property Expenditures	Expenditures Due by Period				
	Total	Less than one Year	1-3 Years	4-5 Years	After 5 Years
Cognito Limited	$1,800,000	Nil	$1,800,000	Nil	Nil
CVSA	$3,300,000	$ 300,000	$1,200,000	$1,800,000	Nil
Rio Tinto	$ 60,100	Nil	$ 60,100	Nil	Nil
Total	**$5,160,100**	**$ 300,000**	**$3,060,100**	**$1,800,000**	**Nil**

RELATED PARTY TRANSACTIONS

In 2004, the Company made payments to directors or officers or companies controlled by directors or officers of the Company for management consulting services, exploration services, legal fees and share issue costs in the total amount of $545,146 (2003 - $224,736). In addition, in 2004, rent in the amount of $28,093 (2003 - $Nil) was paid to a company of which the chairman is a director and, in 2003, an amount of $5,818 was paid in rent to a company controlled by an officer of the Company.

RISKS

The exploration for and development of mineral deposits involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate. 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, have an impact on the economic viability of a mineral deposit.

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

Although the Company can conduct exploration on most of its properties year-round, exploration on some of its Patagonia properties is difficult during the winter months of June to October.

The mineral exploration operations of the Company are subject to regulation of government agencies at the federal, state and local levels.

The Company relies on equity and debt financings to fund its activities. While it has been successful in the past, there is no guarantee that the Company will be successful in raising funds through those means in the future.

Risk factors are more fully described in the Company's Form 20-F Registration Statement, File No. 000-51016 filed with the SEC. You can review and obtain copies of our filings from the SEC's website at http://www.sec.gov/edgar.shtml

OUTLOOK

In 2005, Exeter will continue to advance the La Cabeza gold project towards a decision to proceed to a full feasibility study. Drilling will continue at La Cabeza in order to better define and raise the confidence level of the known resource. Drilling of extensions and targets that represent possible new discoveries on the property will also continue with a view to significantly expanding the known gold resource.

In Patagonia, the exploration focus will continue to be on the CVSA property portfolio, and, specifically, the Cerro Puntudo and Cerro Moro projects. We will continue to reduce the size of the CVSA property package in order to maintain our focus on "company maker" opportunities.

The recently-announced agreement with Rio Tinto, in southern Chile, represents an opportunity to extend our experience across the Argentina border into areas of similar geology and prospectivity. Like our agreement with AngloGold Ashanti in Argentina, this agreement with a major international mining company provides Exeter with a strategic opportunity to lower its discovery costs and leverage to fullest advantage its existing presence and expertise in the region.

Proposed Transactions

The Company continues to evaluate new property acquisitions. Should it enter into agreements over new properties it may be required to make cash payments and complete work expenditure commitments.

Critical Accounting Estimates

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

(i) mineral property valuations - management uses its best estimate for recording any mineral property value based on the results of any exploration conducted, prevailing market conditions, similar transactions and factors such as stability of the country in which the asset is located; and

(ii) contingent liabilities – management evaluates any claims against the Company and provides for those claims, where necessary, based on information available to it, including in some instances, legal advice.

Changes in Accounting Policies

There have been no changes in accounting policies during the year ended December 31, 2004.

Management's Responsibility and Oversight

The disclosures and information contained in this report have been prepared by the management of the Company. Management has implemented and maintained a system of controls and procedures to ensure the timeliness and accuracy of information disclosed herein.

Cautionary Note to U.S. Investors

The United States Securities and Exchange Commission ("SEC") permits mining companies in their filings with the SEC to disclose only those mineral deposits that a company can economically and legally extract or produce. We use certain terms, such as "inferred resource", that the SEC guidelines strictly prohibit us from including in our filing with the SEC. U.S. investors are urged to consider closely the disclosure contained in our Form 20-F Registration Statement, File No. 000-51016. You can review and obtain copies of our filings from the SEC's website at http://www.sec.gov/edgar.shtml.

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Auditors' Report

To the Shareholders of
Exeter Resource Corporation

We have audited the consolidated balance sheets of Exeter Resource Corporation as at December 31, 2004 and December 31, 2003 and the consolidated statements of operations, cash flows, shareholders' equity and deferred exploration costs for each of the years in the three year period ended December 31, 2004. 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 in accordance with generally accepted auditing standards in Canada 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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and December 31, 2003 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2004, in accordance with Canadian generally accepted accounting principles.

"MacKay LLP"

Vancouver, Canada. **Chartered Accountants**
April 13, 2005

Comments by Auditors for U.S. Readers on Canada – United States Reporting Differences

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements. Our report to the shareholders is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when they are adequately disclosed in the financial statements. Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for the year ended December 31, 2004 in the manner summarized in note 17 to the consolidated financial statements.

"MacKay LLP"

Vancouver, Canada **Chartered Accountants**

April 13, 2005

Exeter Resource Corporation

Consolidated Balance Sheets (Expressed in Canadian Dollars)

December 31,	**2004**	2003
Assets		(note 16)
Current		
Cash and cash equivalents (notes 2 and 6)	$ 2,458,873	$ 3,485,036
Other receivables and prepaid expenses	20,255	4,478
Goods and services tax recoverable	16,124	6,210
Share subscription receivable	22,680	-
Deferred share issue costs	-	26,969
	2,517,932	3,522,693
Property, plant and equipment (notes 2 and 7)	139,003	27,386
Mineral properties and deferred costs (notes 2 and 8)	3,812,340	971,389
	$ 6,469,275	$ 4,521,468
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 89,167	$ 35,759
Due to related parties (note 9)	133,187	104,073
	222,354	139,832
Share Capital and Deficit		
Share capital (note 10)	**14,078,259**	8,351,774
Share subscription advances (note 10)	**-**	2,876,980
Contributed surplus (note 10)	**378,003**	91,127
Deficit	**(8,209,341)**	(6,938,245)
	6,246,921	4,381,636
	$ 6,469,275	$ 4,521,468

Approved by the Directors:

"Yale Simpson" **Director**

"Bryce Roxburgh" **Director**

Exeter Resource Corporation

Consolidated Statements of Operations (Expressed in Canadian Dollars)

For the years ended December 31,	**2004**	2003	2002
		(note 16)	(note 16)
Expenses			
Accounting and audit	$ 35,359	$ 16,642	$ 8,256
Amortization	12,658	2,958	1,360
Bad debt (note 11k)	-	17,764	-
Bank charges	5,488	1,313	1,877
Consulting	85,198	10,970	-
Investor relations	296,437	-	-
Legal fees	79,632	42,470	24,334
Loss on disposal of property, plant and equipment	-	3,801	-
Loss on write-off of mineral properties	85,965	40,835	-
Management fees	132,000	51,031	77,432
Office and miscellaneous	30,442	2,161	2,253
Property examination costs	59,409	49,661	1,500
Rent	19,791	12,398	19,537
Stock-based compensation	269,196	95,555	-
Stock exchange listing and filing fees	51,891	23,344	8,216
Telecommunications	8,552	2,751	13,981
Transfer agent	10,951	5,233	4,286
Travel and promotion	100,754	15,069	13,896
	1,283,723	393,956	176,928
Interest income	(48,865)	(2,362)	(104)
Loss before other items	1,234,858	391,594	176,824
Other items			
Loss on sale and write-down of marketable securities	-	-	283,540
Loss (gain) on conversion of foreign currencies	36,238	(6,348)	392
Loss for the year	**$ 1,271,096**	$ 385,246	$ 460,756
Basic and diluted loss per share	**$ (0.10)**	$ (0.09)	$ (0.38)
Weighted average common shares outstanding	**12,917,420**	4,505,764	1,200,994

Exeter Resource Corporation

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

For the years ended December 31,	**2004**	2003	2002
Operating activities			
Loss for the year	$ (1,271,096)	$ (385,246)	$ (460,756)
Adjustments:			
Amortization	12,658	2,958	1,360
Bad debt	-	17,764	-
Incorporation costs included in legal expense	-	187	-
Loss on disposal of property, plant and equipment	-	3,801	-
Loss on write-off of mineral properties	85,965	40,835	-
Stock-based compensation	269,196	95,555	-
Loss on sale and write-down of marketable securities	-	-	283,540
Loss (gain) on conversion of foreign currencies	36,238	(6,348)	392
	(867,039)	(230,494)	(175,464)
Changes in non-cash working capital items:			
Other receivables and prepaid expenses	(15,777)	(4,478)	-
Goods and services tax recoverable	(9,914)	(4,678)	(638)
Accounts payable and accrued liabilities	53,408	201,197	16,952
Due to related parties	29,114	(38,416)	72,248
	(810,208)	(76,869)	(86,902)
Financing activities			
Issue of share capital for cash	3,184,057	1,177,893	-
Share issue costs	(312,583)	(40,968)	-
Deferred share issue costs	-	(26,969)	-
Share subscription advances	-	2,876,980	26,232
	2,871,474	3,986,936	26,232
Investing activities			
Proceeds on sale of marketable securities	-	34,800	66,634
Acquisition costs of property, plant and equipment	(164,206)	(32,532)	-
Acquisition of mineral properties	(167,894)	(63,578)	-
Deferred exploration costs, net of amortization and property examination costs	(2,719,091)	(391,458)	-
	(3,051,191)	(452,768)	66,634
Gain (loss) on conversion of foreign currencies	**(36,238)**	6,348	(392)
Net increase (decrease) in cash and cash equivalents	**(1,026,163)**	3,463,647	5,572
Cash and cash equivalents, beginning of year	**3,485,036**	21,389	15,817
Cash and cash equivalents, end of year	**$ 2,458,873**	$ 3,485,036	$ 21,389

Supplemental cash flow information (note 12)

Exeter Resource Corporation

Consolidated Statements of Shareholder's Equity (Expressed in Canadian Dollars)

For the year ended December 31, 2004

	Issued Share Capital						
	Number of Shares	Price Per Share	Amount	Share Subscription Advances	Contributed Surplus	Retained Earnings (Deficit)	Total Shareholders' Equity (Deficiency)
Balance at December 31, 2001	12,009,939	-	$ 6,439,547	$ -	$ -	$ (6,092,243)	347,304
- Share consolidation on the basis of one new share for ten old shares	(10,808,945)	-	-	-	-	-	-
- Share subscription advances		-	-	26,232	-	-	26,232
- Net loss for the year		-	-	-	-	(460,756)	(460,756)
Balance at December 31, 2002	1,200,994	-	6,439,547	26,232	-	(6,552,999)	(87,220)
Additions During the Year:						-	
Share Issued For:							
- Private placement net of share issue costs of $2,625	350,000	$ 0.15	49,875	(26,232)	-	-	23,643
- Finder's fee	17,500	$ 0.15	2,625	-	-	-	2,625
- Acquisition of Cognito	800,000	$ 0.15	120,000	-	-	-	120,000
- Private placement	155,000	$ 0.165	25,575	-	-	-	25,575
- Settlement of debt	1,149,343	$ 0.165	189,642	-	-	-	189,642
Private placement net of share issue costs of $31,904	1,290,000	$ 0.25	290,596	-	-	-	290,596
- Acquisition of Estelar	1,000,000	$ 0.235	235,000	-	-	-	235,000
- Acquisition of Cognito	800,000	$ 0.25	200,000	-	-	-	200,000
- Exercise of stock options	60,000	$ 0.22	13,200	-	-	-	13,200
- Contributed surplus allocated on exercise of stock options		-	4,428	-	(4,428)	-	-
- Private placement net of share issue costs of $9,064	1,345,000	$ 0.53	703,786	-	-	-	703,786
- Exercise of warrants	175,000	$ 0.20	35,000	-	-	-	35,000
- Exercise of warrants	170,000	$ 0.25	42,500	-	-	-	42,500
- Share subscription advances		-	-	2,876,980	-	-	2,876,980
- Stock-based compensation		-	-	-	95,555	-	95,555
- Net loss for the year		-	-	-	-	(385,246)	(385,246)
Balance at December 31, 2003	8,512,837	-	8,351,774	2,876,980	91,127	(6,938,245)	4,381,636
Additions During the Year:							
- Private placement net of share issue costs of $263,052	4,000,000	$ 1.00	3,736,948	(2,876,980)	-	-	859,968
- Exercise of warrants	1,120,000	$ 0.25	280,000	-	-	-	280,000
- Exercise of warrants	288,550	$ 1.35	389,542	-	-	-	389,542
- Private placement net of share issue costs of $76,500	1,400,000	$ 1.00	1,323,500	-	-	-	1,323,500
- Exercise of stock options	35,000	$ 0.405	14,175	-	-	-	14,175
- Contributed surplus allocated on exercise of stock options			4,756	-	(4,756)	-	-
- Stock-based compensation		-	-	-	269,196	-	269,196
- Agents warrants		-	(28,046)	-	28,046	-	-
- Contributed surplus allocated on exercise of agents warrants	-	-	5,610	-	(5,610)	-	-
- Net loss for the year	-	-	-	-	-	(1,271,096)	(1,271,096)
Balance at December 31, 2004	15,356,387		$ 14,078,259	$ -	$ 378,003	$ (8,209,341)	$ 6,246,921

Exeter Resource Corporation

Consolidated Statements of Deferred Exploration Costs (Expressed in Canadian Dollars)

For the year ended December 31, 2004	La Cabeza Project	CVSA Properties	Other	**2004** Total
Exploration costs				
Amortization	$ 7,784	$ 31,984	$ 163	$ 39,931
Assays	100,950	38,739	7,159	146,848
Consultants and contractors	203,238	204,570	41,817	449,625
Drilling	501,032	131,968	-	633,000
Engineering	64,846	-	-	64,846
Environmental	11,105	1,326	1,414	13,845
Field equipment and supplies	209,501	46,850	9,622	265,973
Field office and miscellaneous	14,434	12,048	5,069	31,551
Geological surveying	175,770	69,912	4,824	250,506
Geophysics	3,648	-	32,643	36,291
IVA tax	131,781	67,697	-	199,478
Mendoza operations	26,531	21,351	4,034	51,916
Metallurgical	20,954	-	-	20,954
Recording fees	73,710	101,744	6,657	182,111
Travel	68,920	131,301	27,211	227,432
Wages and benefits	106,158	79,990	17,976	204,124
	1,720,362	939,480	158,589	2,818,431
Property examination costs	-	-	(59,409)	(59,409)
Total costs incurred during the year	1,720,362	939,480	99,180	2,759,022
Balance of costs, beginning of year	232,869	35,528	84,414	352,811
	1,953,231	975,008	183,594	3,111,833
Write-off of costs	-	-	(85,965)	(85,965)
Balance of costs, end of year	$ 1,953,231	$ 975,008	$ 97,629	$ 3,025,868

For the year ended December 31, 2003	La Cabeza Project	Estelar Properties	Other	2003 Total
Exploration costs				
Accommodations and meals	$ 17,028	$ 3,447	$ 9,274	$ 29,749
Administration and professional	34,587	16,517	5,353	56,457
Amortization	1,744	247	197	2,188
Assays	3,814	6,872	58	10,744
Consultants and contractors	95,649	9,241	59,214	164,104
Field equipment and supplies	1,740	1,137	8,686	11,563
Field office and miscellaneous	19,337	10,510	9,208	39,055
Geological surveying	19,336	42	1,771	21,149
Recording fees	4,566	4,626	24	9,216
Travel	25,695	9,062	18,137	52,894
Wages and benefits	9,373	22,254	14,561	46,188
	232,869	83,955	126,483	443,307
Property examination costs	-	-	(49,661)	(49,661)
Total costs incurred during the year	232,869	83,955	76,822	393,646
Balance of costs, beginning of year	-	-	-	-
	232,869	83,955	76,822	393,646
Write-off of costs	-	-	(40,835)	(40,835)
Balance of costs, end of year	$ 232,869	$ 83,955	$ 35,987	$ 352,811

There were nil exploration costs in the year ended December 31, 2002.

1. Nature of Business and Continued 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, exploration and development of mineral properties located in Argentina.

These financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation. 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 reserves, and the profitable production or disposition of such reserves.

2. Significant Accounting Policies

a) Mineral properties and deferred costs

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and exploration 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. If put into production, the costs of acquisition and exploration 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, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Management reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the probability of profitable revenues from the property or sale of the property.

Recorded costs of mineral properties and deferred exploration and development costs are not intended to reflect present or future values of resource properties.

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 by affected by such defects.

b) Property examination costs

Property examination costs represent the current costs of evaluating the potential merit of mineral properties in which the Company currently has no continuing interest. If no continuing interest is acquired in the evaluated mineral properties, all related costs are expensed in the year incurred.

2. Significant Accounting Policies (continued)

c) Asset retirement obligations

The Company has adopted the CICA's new Handbook Section 3110 "asset retirement obligations", which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be 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 normal future value.

Management of the Company has determined that the adoption of this policy has had no effect in the current year.

d) Cash and cash equivalents

Cash and cash equivalents include Cashable Guaranteed Investment Certificates valued at cost plus accrued interest.

e) Translation of foreign currencies

Foreign currencies have been translated into Canadian funds using the temporal method, as follows:

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

Gains and losses arising on currency translation are included in the Statements of Operations.

f) Property, plant and equipment

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

Canada	
Equipment	Declining balance – 20%
Website	Straight-line – 3 years
Computer equipment	Declining balance – 30%
Computer software	Declining balance - 100%
Office equipment	Declining balance - 20%

In the year of acquisition, amortization is recorded at one-half the normal rate on assets located in Canada.

2. Significant Accounting Policies (continued)

Argentina	
Vehicles	Straight-line – 3 years
Equipment	Straight-line – 5 years
Computer equipment	Straight-line – 3 years
Computer software	Straight-line – 2 years

g) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share are the same.

h) Share issue costs

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

i) Stock-based compensation

The Company has adopted an incentive stock option plan, which is described in note 10.

All stock-based awards are measured and recognized using the fair-value method. 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.

j) Income taxes

Income taxes are accounted for using the future income tax 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 likely 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)

k) **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 judgment is applied are mineral property valuation, valuation of future income tax benefits and contingent liabilities. Actual results could differ from those estimates.

3. **Financial Instruments**

Al significant financial assets, financial liabilities, and equity instruments of the Company are either recognized or disclosed in the financial statements, together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Certain financial instruments of the Company include amounts translated from foreign currencies into Canadian dollars. Listed below are the relevant instruments and the amounts of foreign currencies included in their balances:

	Argentina Pesos
Cash	218,267
Accounts receivable	27,628
Accounts payable	(61,514)

Argentina Pesos are translated at CAN$0.4049.

4. **Principles of Consolidation**

The consolidated financial statements include the accounts of the following subsidiaries:

	Incorporation	Percentage of Ownership
Estelar Resources Limited	British Virgin Islands	100%
Cognito Limited	British Virgin Islands	100%

5. **Investments in Subsidiaries**

a) **Cognito Limited (See Note 11i)**

By Principles of Agreement dated October 27, 2002, and 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 Limited ("Cognito"), a British Virgin Islands corporation. Cognito holds an option to acquire a 100% interest, subject to a 3.5% net smelter royalty (“NSR”) in the La Cabeza Project. (See note 8a).

The terms of the acquisition of Cognito are as follows:

5. Investments in Subsidiaries (continued)

For the option to acquire an initial 50% interest:

- 800,000 shares of the Company's capital stock (issued at a price of $0.15 per share).

For the option to acquire the second (remaining) 50% interest:

- 800,000 shares of the Company's capital stock (issued at a price of $0.25 per share); and
- $25,000 cash (paid).

Direct costs of the acquisition totalled $2,908.

a) Cognito Limited (See Note 11i) (continued)

In order to exercise its option to acquire the initial 50% interest in Cognito, the Company must either complete a bankable feasibility study or incur aggregate exploration expenditures of US$3,000,000, as follows:

- US$165,000 on or before March 6, 2004 (incurred);
- US$650,000 on or before March 6, 2005 (incurred);
- US$1,500,000 on or before March 6, 2006; and
- US$3,000,000 on or before March 6, 2007.

On the earlier of the completion of the US$3,000,000 expenditures, described above, or a bankable feasibility study, the Company may exercise the option to acquire the remaining 50% interest in Cognito by, at its option, issuing 2,500,000 shares or paying CAN$2,500,000.

Effective July 22, 2003, the Company paid the last of the consideration required to acquire the rights to earn a 100% interest in Cognito. At that date, the fair value of the consideration paid for those rights was $347,908, which has been recorded as mineral properties acquired.

b) Estelar Resources Limited (See note 11j)

By an agreement dated May 2003, the Company acquired a 100% interest in Estelar Resources Limited (“Estelar”), a British Virgin Islands corporation, for consideration of:

- 1,000,000 shares of the Company’s capital stock (issued at a price of $0.235 per share).

Direct costs of the acquisition totalled $2,820.

Effective July 22, 2003, the Company acquired a 100% interest in Estelar. At that date the fair value of the assets acquired were as follows:

Mineral properties	$ 237,820

c) Golden Glacier Finance Limited

During the prior year, the management of the Company resolved to abandon its 100% interest in Golden Glacier Finance Limited (“GGF”). At the date of disposition, the net assets of GGF and loss on disposition were nil. Net loss for the year to date of disposition was $17,764.

6. Cash and Cash Equivalents

	2004	2003
Cash	$ 494,873	$ 3,485,036
Cashable Guaranteed Investment Certificate due November 28, 2005, at cost. Interest accrues at 2.25% per annum.	1,964,000	-
	$ 2,458,873	$ 3,485,036

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value **2004**	Net Book Value 2003
Canada				
Equipment	$ 31,476	$ 1,730	$ 29,746	$ -
Website	25,898	8,900	16,998	14,792
Computer equipment	18,922	5,071	13,851	9,067
Computer software	1,516	1,516	-	-
Office equipment	933	245	688	-
	$ 78,745	$ 17,462	$ 61,283	$ 23,859
Argentina				
Vehicles	$ 92,540	$ 30,817	$ 61,723	$ -
Equipment	16,559	5,710	10,849	2,833
Computer equipment	5,677	1,968	3,709	511
Computer software	3,216	1,777	1,439	183
	$ 117,992	$ 40,272	$ 77,720	$ 3,527
	$ 196,737	$ 57,734	$ 139,003	$ 27,386

8. Mineral Properties and Deferred Costs

	2004			
	Acquisition Costs	Deferred Exploration Costs	Write-down of Capitalized Costs	Total
a) La Cabeza Project	$ 406,752	$ 1,953,231	$ -	$ 2,359,983
b) Estelar Properties	238,648	97,170	-	335,818
c) MRP Properties	12,500	459	-	12,959
d) CVSA Properties	128,572	975,008	-	1,103,580
e) Papagallos Properties	-	85,965	(85,965)	-
	$ 786,472	$ 3,111,833	$ (85,965)	$ 3,812,340

8. Mineral Properties and Deferred Costs (continued)

2003				
	Acquisition Costs	Deferred Exploration Costs	Write-down of Capitalized Costs	Total
a) La Cabeza Project	$ 375,758	$ 232,869	$ -	$ 608,627
b) Estelar Properties	237,820	83,955	-	321,775
c) MRP Properties	5,000	459	-	5,459
d) CVSA Properties	-	35,528	-	35,528
e) Papagallos Properties	-	40,835	(40,835)	-
	$ 618,578	$ 393,646	$ (40,835)	$ 971,389

There were Nil capitalized costs as at December 31, 2002.

a) La Cabeza Project (See note 5a)

By an agreement dated February 27, 2003, Cognito has the right to acquire a 100% interest (subject to a 3.5% net smelter returns royalty ("NSR") which may be purchased for US$1 million) in the La Cabeza Project (comprised of seven mineral concessions), located in Mendoza Province, Argentina, for consideration of:

- Cash payments totalling US$525,000, as follows:
  - US$5,000 due December 15, 2002 (paid CAN$7,889);
  - US$15,000 on or before December 15, 2003 (paid CAN$19,961);
  - US$25,000 on or before December 15, 2004 (paid CAN$30,994);
  - US$35,000 on or before December 15, 2005;
  - US$45,000 on or before December 15, 2006; and
  - US$50,000 on or before December 15 of each year thereafter up to and including December 15, 2014.

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

b) Estelar Properties

The Company has acquired a 100% interest in the Quispe, Rosarita and Uspallata Projects (comprised of twenty-one mining concessions), located in Catamarca and San Juan Provinces, Argentina, for consideration of a 2% NSR.

c) MRP Properties

By an agreement dated October 1, 2003, the Company may acquire a 100% interest (subject to a 2% NSR which may be acquired for $750,000) in the Agua Nueva, La Ramada and Rosarita South Projects (comprised of forty-five mineral concessions), located in Mendoza, San Juan and La Rioja Provinces, Argentina, for consideration of:

- Cash payments totalling $440,000, as follows:
  - $5,000 on signing of the Agreement (paid);
  - $7,500 on or before October 1, 2004 (paid);
  - $12,500 on or before October 1, 2005;
  - $20,000 on or before October 1, 2006;

8. Mineral Properties and Deferred Costs (continued)

c) MRP Properties (continued)

- $25,000 on or before October 1, 2007;
- $30,000 on or before October 1, 2008;
- $40,000 on or before October 1, 2009; and
- $50,000 on or before October 1 of each year thereafter to 2015.

In the event a decision is made to build and operate a mine on any of the projects, the Company is not obliged to make any remaining option payments.

d) CVSA Properties

By Exploration and Option Agreement, dated December 30, 2003, the Company may acquire 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), located in Santa Cruz, Chubut and Rio Negro Provinces, Argentina, for consideration of:

- Cash payments totalling US$100,000, as follows:
  - US$75,000 on or before March 30, 2004 (paid); and
  - US$25,000 on or before September 30, 2004 (paid).
- Incurring exploration expenditures totalling US$3,000,000, as follows:
  - US$250,000 on or before December 30, 2004 (incurred);
  - US$250,000 on or before December 30, 2005;
  - US$250,000 on or before December 30, 2006;
  - US$750,000 on or before December 30, 2007;
  - US$750,000 on or before December 30, 2008; and
  - US$750,000 on or before December 30, 2009.

Once the Company has incurred exploration expenditures of US$3,000,000 on any one of the projects, the vendor retains the right to buy back a 60% interest in that project by paying the Company an amount equal to 2.5 times the Company's exploration expenditures on the project and funding the project to a bankable feasibility study. The vendor may earn an additional 10% interest in the project (for a total 70% interest) by financing the Company'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.

e) Papagallos Properties

By an agreement dated November 1, 2003, the Company had the right to acquire a 100% interest in the Papagallos Project (comprised of five mineral concessions, of which one was subject to a 2% NSR) located in the Mendoza Province of Argentina for consideration of exploration and cash payments totalling US$3,500,000.

The Company has abandoned this project, and, accordingly, the related capitalized costs have been written-off to operations.

9. Due to Related Parties

Amounts due to related parties are for management, consulting, exploration and legal fees and for expenses incurred while conducting the Company's business. These amounts are settled as and when due.

10. Share Capital

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

The Company has issued shares of its capital stock as follows:

	2004		2003	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	8,512,837	$ 8,351,774	1,200,994	$ 6,439,547
Issued during the year for:				
Cash	3,949,770	3,184,057	3,370,120	1,177,893
Share subscription advances	2,876,980	2,876,980	174,880	26,232
Share subscription receivable	16,800	22,680	-	-
Acquisition of subsidiaries	-	-	2,600,000	555,000
Debt	-	-	1,149,343	189,642
Finder's fee	-	-	17,500	2,625
Contributed surplus allocated	-	10,366	-	4,428
Share issue costs	-	(367,598)	-	(43,593)
Balance, end of year	15,356,387	$ 14,078,259	8,512,837	$ 8,351,774

Transactions for the Issue of Share Capital During the Year Ended December 31, 2004:

a) The Company completed a private placement financing consisting of 4,000,000 units, at a price of $1.00 per unit, for total consideration of $4,000,000, of which $2,876,980 was received prior to December 31, 2003. Each unit consists of one share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable to acquire one additional share at a price of $1.35 on or before April 12, 2005, except that, in the event the closing price of trading in the Company's shares equals or exceeds $1.75 for a period of ten consecutive trading days, the warrants will expire in 30 days.

The Company paid share issuance costs totalling $263,052 in connection with this private placement, of which $26,969 was paid prior to December 31, 2003. In addition, the Company issued 367,700 warrants, with a fair value of $28,046, as finders' fees in connection with this transaction. Each warrant is exercisable to acquire one share at a price of $1.35 on or before April 12, 2005, except that in the event the closing price of trading in the Company's shares equals or exceeds $1.75 for a period of ten consecutive trading days, the warrants will expire in 30 days.

b) The Company completed a private placement financing consisting of 1,400,000 units, at a price of $1.00 per unit, for total consideration of $1,400,000. Each unit consists of one share and one share purchase warrant. Each share purchase warrant is exercisable to acquire one additional share at a price of $1.35 on or before October 22, 2006. The Company paid finder's fees of $76,500 in connection with this transaction.

c) The Company issued 1,408,550 shares upon the exercise of warrants, as follows: 1,120,000 shares at a price of $0.25 per share, for total consideration of $280,000; and 288,550 shares at a price of $1.35 per share, for total consideration of $389,542, of which $22,680 was received after the year end.

10. Share Capital (continued)

During the Year Ended December 31, 2004 (continued):

In addition, an amount totalling $5,610, representing stock-based compensation recognized on vesting of the above agent's warrants, has been allocated to share capital.

d) The Company issued 35,000 shares at a price of $0.405 per share for the exercise of stock options, for total consideration of $14,175.

In addition, an amount totalling $4,756, representing stock-based compensation recognized on vesting of the above stock options, has been allocated to share capital.

During the Year Ended December 31, 2003:

a) The Company completed a private placement financing consisting of 350,000 units, at a price of $0.15 per unit, for total consideration of $52,500, of which $26,232 was received prior to December 31, 2002. Each unit consisted of one share and one share purchase warrant. Each share purchase warrant was exercisable to acquire one additional share at a price of $0.20 per share on or before March 6, 2004, or at a price of $0.23 per share on or before March 6, 2005.

A finder's fee of 17,500 shares issued at a price of $0.15 per share was paid in connection with this transaction.

b) The Company completed a private placement financing consisting of 155,000 units, at a price of $0.165 per unit, for total consideration of $25,575. Each unit consisted of one share and one share purchase warrant. Each share purchase warrant was exercisable to acquire one additional share at price of $0.22 per share on or before March 31, 2005.

c) The Company completed a private placement financing consisting of 1,290,000 units, at a price of $0.25 per unit, for total consideration of $322,500. Each unit consisted of one share and one share purchase warrant. Each share purchase warrant was exercisable to acquire one additional share at a price of $0.25 per share on or before July 22, 2004. The Company paid share issuance costs of $31,904 in connection with this transaction.

d) The Company completed a private placement financing consisting of 1,345,000 units, at a price of $0.53 per unit, for total consideration of $712,850. Each unit consisted of one share and one share purchase warrant. Each share purchase warrant was exercisable to acquire one additional share at a price of $0.75 per share on or before October 30, 2005. The Company paid share issuance costs of $9,064 in connection with this transaction.

e) The Company issued 2,600,000 shares for the acquisition of subsidiaries, as follows: 1,000,000 shares at a price of $0.235 for the acquisition of Estelar Resources Limited, as described in Note 5b; and 800,000 shares at a price of $0.15 per share and 800,000 shares at a price of $0.25 per share for the right to acquire Cognito Limited, as described in Note 5a.

f) The Company issued 1,149,343 shares at a price of $0.165 to settle debts totalling $189,642.

10. Share Capital (continued)

During the year ended December 31, 2003 (continued):

g) The Company issued 60,000 shares at a price of $0.22 per share, for total consideration of $13,200, upon the exercise of options.

In addition, an amount totalling $4,428, representing stock-based compensation recognized on vesting of the above stock options, has been allocated to share capital.

h) The Company issued 345,000 shares upon the exercise of share purchase warrants, as follows: 170,000 shares at a price of $0.25 per share, for total consideration of $42,500; and 175,000 shares at a price of $0.20 per share, for total consideration of $35,000.

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 may not exceed 3,067,917. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by TSX Venture Exchange policy), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted under the Plan are subject to vesting restrictions, such that one-quarter of the option shall vest on the award date, and one-eighth shall vest every three months thereafter.

A summary of the status of options granted by the Company, as of December 31, 2004 and 2003, and changes during the years then ended, is as follows:

	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	816,750	$ 0.43	-	$ -
Forfeited/cancelled	(80,000)	1.08	-	-
Granted	2,013,000	1.12	876,750	0.42
Exercised	(35,000)	0.41	(60,000)	(0.22)
Options outstanding, end of year	2,714,750	$ 0.93	816,750	$ 0.43

10. Share Capital (continued)

Stock Option Plan (continued)

At December 31, 2004, the Company had outstanding stock options to acquire 2,714,750 shares, as follows:

Number of Options Outstanding	Number of Options Exercisable	Price	Expiry Date
149,750[(1)]	149,750	$ 0.76	October 23, 2005
75,000	28,125	$ 1.20	April 7, 2006
75,000	28,125	$ 1.50	April 7, 2006
100,000	50,000	$ 1.20	May 1, 2006
75,000	18,750	$ 1.00	October 8, 2006
100,000	25,000	$ 1.30	December 30, 2006
167,000	167,000	$ 0.22	March 20, 2008
465,000	465,000	$ 0.405	August 15, 2008
1,198,000	748,750	$ 1.08	January 21, 2009
135,000	67,500	$ 1.41	April 7, 2009
40,000	20,000	$ 0.90	June 14, 2009
35,000	17,500	$ 0.85	June 21, 2009
100,000	25,000	$ 1.00	October 8, 2009
2,714,750	1,810,500		

(1) subsequently exercised.

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2004:

Range of Prices $	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price $
0 – 0.50	632,000	3.52	0.36
0.51 – 1.00	399,750	1.14	0.89
1.01 – 1.50	1,683,000	3.54	1.16
	2,714,750	3.12	0.93

Stock-based Compensation

The fair values of options granted during the year ended December 31, 2004 was estimated at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Expected volatility	27.37%
Risk-free interest rate	3.53%
Expected life	2.52 years
Expected dividend yield	0%

Based on the above assumptions, the average fair value of each option granted and vested was $0.24, accordingly compensation expense of $269,196 was recorded in the statement of operations for fiscal 2004.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. 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.

10. Share Capital (continued)

Warrants

At December 31, 2004, the Company had outstanding share purchase warrants exercisable to acquire 5,154,150 shares as follows:

Number	Exercise Price	Expiry Date
2,079,150[(1)(3)]	$ 1.35	January 12, 2005
175,000[(2)]	$ 0.23	March 6, 2005
155,000[(2)]	$ 0.22	March 31, 2005
1,345,000	$ 0.75	October 30, 2005
1,400,000	$ 1.35	October 22, 2006
5,154,150		

(1) Expiry date subsequently extended to April 12, 2005.
(2) Subsequently exercised.
(3) 130,000 subsequently exercised; 1,949,150 subsequently expired unexercised.

The fair value of 367,700 warrants issued as finder's fees during the year ended December 31, 2004 was estimated at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Expected volatility	37.12%
Risk-free interest rate	2.91%
Expected life	1 year
Expected dividend yield	0%

Contributed Surplus

	2004	2003
Balance, beginning of year	$ 91,127	$ -
Stock-based compensation expense	269,196	95,555
Agent's warrants	28,046	-
Contributed surplus allocated	(10,366)	(4,428)
Balance, end of year	$ 378,003	$ 91,127

11. Related Party Transactions

a) Exploration costs totalling $97,490 (2003 - $30,000; 2002 - $nil) and administrative consulting fees totalling $50,000 (2003 - $nil; 2002 - $nil) were paid or accrued to the President and CEO of the Company.

b) Management fees totalling $88,000 (2003 - $4,000; 2002 - $nil), exploration costs totalling $nil (2003 - $6,000; 2002 - $nil), share issue costs totalling $nil (2003 - $27,500; 2002 - $nil), and deferred share issue costs totalling $nil (2003 - $10,000; 2002 - $nil) were paid or accrued to a corporation controlled by the Chairman of the Company. In addition rental fees totalling $28,093 (2003 - $nil; 2002 - $nil) were paid to a corporation of which the Chairman is a Director.

c) Management fees totalling $nil (2003 - $12,000; 2002 - $39,747) and rent totalling $nil (2003 - $4,580; 2002 - $13,687) were paid or accrued to the former President of the Company and a corporation controlled by the former President of the Company.

11. Related Party Transactions (continued)

d) Management fees totalling $20,250 (2003 - $35,031; 2002 - $36,000) and rent totalling $nil (2003 - $5,818; 2002 -$nil) were paid or accrued to a former Secretary of the Company and a corporation controlled by him.

e) Legal fees totalling $92,775 (2003 – $13,316; 2002 - $nil), and share issue costs totalling $16,969 (2003 - $3,750; 2002 - $nil) were paid or accrued to a corporation controlled by a director of the Company of which the Secretary of the Company is an employee.

f) Exploration and development costs totalling $118,497 (2003 - $78,559; 2002 - $nil) were paid or accrued to the Vice President, Exploration.

g) Administrative consulting fees totalling $19,975 (2003 - $nil; 2002 - $nil) were paid or accrued to a corporation controlled by an officer of the Company.

h) Administrative consulting fees totalling $41,190 (2003 - $nil; 2002 - $nil) were paid or accrued to a former Secretary of the Company.

i) The President and CEO of the Company was a 50% beneficial owner of Cognito on the effective date of its acquisition, as described in note 5a.

j) The Chairman of the Company was the owner of a 71.3% interest in Estelar on the effective date of its acquisition, as described in note 5b.

k) “Bad debts” represent amounts due from a former President of the Company which were written-off in the previous year.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Supplemental Cash Flow Information

The Company incurred non-cash financing and investing activities during the years ended December 31, 2004 and December 31, 2003, as follows:

	2004	2003	2002
Non-cash financing activities:			
Issue of share capital for:			
Mineral properties	$ -	$ 555,000	$ -
Debt	-	189,642	-
Finder’s fees	-	2,625	-
Share subscription receivable	22,680	-	-
Share subscription advances	2,876,780	26,232	-
Contributed surplus allocated	10,366	4,428	-
Share issue costs	55,015	-	-
Share subscription advances	(2,876,780)	(26,232)	-
	$ 88,061	$ 751,695	$ -
Non-cash investing activities:			
Acquisition costs of mineral properties	$ -	$ (555,000)	$ -

13. Segmented Information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development.

Net assets by geographical segments is as follows:

December 31, 2004	Canada	Argentina	Total
Cash	$ 406,497	$ 88,376	$ 494,873
Other current assets	47,872	11,187	59,059
Temporary investments	1,964,000	-	1,964,000
Property, plant and equipment	61,283	77,720	139,003
Mineral properties, including deferred costs	-	3,812,340	3,812,340
	2,479,652	3,989,623	6,469,275
Current liabilities	(197,447)	(24,907)	(222,354)
	$ 2,282,205	$ 3,964,716	$ 6,246,921

December 31, 2003	Canada	Argentina	Total
Cash	$ 3,468,838	$ 16,198	$ 3,485,036
Other current assets	33,258	4,399	37,657
Property, plant and equipment	23,859	3,527	27,386
Mineral properties, including deferred costs	-	971,389	971,389
	3,525,955	995,513	4,521,468
Current liabilities	(133,041)	(6,791)	(139,832)
	$ 3,392,914	$ 988,722	$ 4,381,636

14. Income Taxes

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 $1,617,315 expire, as follows:

2005	$ 110,932
2006	128,361
2007	136,612
2008	159,239
2009	199,911
2014	882,260
	$ 1,617,315

At December 31, 2004, the Company has unclaimed resource and other deductions that do not expire in the amount of $648,502 (2003 - $648,502), which may be deducted against future taxable income on a discretionary basis.

Future tax benefits related to the above totaling approximately $807,000 (2003 - $520,000) have not been recorded due to uncertainty regarding their utilization.

15. Subsequent Events

a) By agreement dated March 8, 2005 with Rio Tinto Mining and Exploration Limited ("Rio Tinto"), the Company acquired the right to review exploration data regarding an area of interest in southern Chile and set the terms of an option to joint venture with Rio Tinto. Under the terms of the agreement, the Company will acquire a joint interest in the exploration data and all new data generated in the area of interest, upon the expenditure of US$50,000. All mineral rights which the Company or its affiliates acquire in the area of interest during the three year period ending March 8, 2008 will be subject to an option to joint venture with Rio Tinto.

Upon the completion of 10,000 meters of drilling in the area of interest by the Company, Rio Tinto shall have the option to acquire a 60% interest in the property by paying to the Company three times the amount of the Company's exploration expenditures incurred subsequent to the date of the agreement. Upon the earning of a 60% interest in the property by Rio Tinto, the Company will have sixty days to either:

- fund its 40% share of costs and expenses; or
- grant Rio Tinto an option to earn an additional 15% interest (for a total 75% interest) by funding future exploration expenditures on the property, including a feasibility study.

Upon completion of the feasibility study, the parties will share development costs pro rata, or dilution will apply.

b) The Company completed a private placement financing consisting of 1,907,667 units, at a price of $1.20 per unit, for a total consideration of $2,289,200. Each unit consists of one share and one-half of a share purchase warrant. Each full share purchase warrant is exercisable to acquire one additional share at a price of $1.35 per share, for one year. The Company paid finder's fees totalling $117,850 in connection with this transaction.

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's consolidated financial statement presentation.

17. 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. The material measurement differences between GAAP in Canada and the United States that would have had an effect on these financial statements are as follows:

Balance Sheet

(i) Mineral Properties and deferred costs	2004	2003
Mineral properties and deferred costs – under Cdn GAAP	$ 3,812,340	$ 971,389
Add back write-off of mineral properties under Canadian GAAP	85,965	40,835
Mineral property expenditures expensed under US GAAP	(3,898,305)	(1,012,224)
Mineral properties and deferred costs – under US GAAP	$ -	$ -

(ii) Shareholders Equity	2004	2003
Shareholders Equity – under Cdn GAAP	$ 6,246,921	$ 4,381,636
Deficit – under Canadian GAAP	8,209,341	6,938,245
Deficit – under US GAAP	(12,021,681)	(7,909,634)
Shareholder's Equity – under US GAAP	$ 2,434,581	$ 3,410,247

Statement of Operations and Deficit	2004	2003	2002
Loss for the year – under Cdn GAAP	$ (1,271,096)	$ (385,246)	$ (460,756)
Add back write-off of mineral properties under Canadian GAAP	85,965	40,835	-
Mineral property expenditures expensed under US GAAP	(2,926,916)	(1,012,224)	-
Loss for the Year – under US GAAP	$ (4,112,047)	$ (1,356,635)	$ (460,756)
Basic and diluted loss per share – under US GAAP	$ 0.32	$ 0.30	$ 0.38

	2004	2003	2002
Deficit under US GAAP - beginning of year	$ 7,909,634	$ 6,552,999	$ 6,092,243
Loss – under US GAAP	4,112,047	1,356,635	460,756
Deficit – under US GAAP – end of year	$ 12,021,681	$ 7,909,634	$ 6,552,999

Exploration expenditures

For US GAAP purposes, the Company expenses exploration expenditures when incurred. When proven and probable reserves are determined for a property, subsequent development costs of the property will be capitalized. The capitalized costs of such properties will then be measured, on a periodic basis for recoverability of carrying values. Acquisition costs of such mineral properties are capitalized for US GAAP purposes.

17. Differences between Canadian and US Generally Accepted Accounting Principles (continued)

New accounting pronouncements

In June 2003, FASB issued SFAS No. 146 “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS 146”), which supersedes EITF Issue No. 94-3 “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)”. SFAS 146 is to be adopted for disposal plans initiated after December 31, 2003.

In May 2004, the FASB issued SFAS No. 150, "Accounting for certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). SFAS 150 requires that certain financial instruments issued in the form of shares that are mandatorily redeemable as well as certain other financial instruments be classified as liabilities in the financial statements. SFAS No. 150 is effective for financial instruments entered into, or modified after, May 31, 2004.

In addition, the FASB and Emerging Issues Task Force have issued a variety of interpretations including the following interpretation with wide applicability:

> Financial Interpretation No. 46, "Consolidation of Variable Interest Entities", which addresses the consolidation of variable interest entities (formerly referred to as "Special Purpose Entities"). The Interpretation is generally in effect for interim or annual periods beginning after December 15, 2004.

The adoption of these new pronouncements is not expected to have a material effect on the Company’s financial position or results of operations.

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Cecil Bond, *Chief Financial Officer*
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Share Capital

Authorized: 100,000,000 common shares
Issued and outstanding: 17,865,179
Fully diluted: 25,152,329

Shares Listed TSX Venture Exchange (TSX-V)
Symbol: **XRC**

Frankfurt Stock Exchange:
Symbol: **EXB**

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