



ANNUAL REPORT

2007

| Conversion Table | |
|------------------|-------------------------|
| g/t | grams per tonne |
| Au | Gold |
| Ag | Silver |
| Oz | Troy ounce |
| 1 tonne | 1.102 tons |
| 1 troy ounce | 31.1035 grams |
| 1 ounce/ton | 34.2857 grams per tonne |
| 1 gram/tonne | 0.029 oz/short ton |
| km | kilometre |
| m | metre |
| square kilometre | 247.1 acres |
| 1 kilometre | 0.62 miles |
| 1 metre | 3.28 feet |

To Exeter Shareholders

Building a Mid-Tier Mining Company through Discoveries

Exeter is now in its sixth year of gold-silver and gold-copper exploration in South America. The year was very positive for the Company, with multiple drill rigs defining discoveries in Argentina and Chile at year end. Exploration expenditures of \$11.9 million were funded from existing cash reserves and \$8 million raised through the exercise of options and warrants through the year.

Exeter's **Cerro Moro gold-silver project**, in the Santa Cruz mining district of southern Argentina, has quickly established itself as a significant asset of the Company. Through 2007, the Company drilled the Escondida Vein, progressively demonstrating the continuity of the high grade system over a strike length of 2 kilometres (1.25 miles). Drilling elsewhere on the property also returned high grades warranting a major commitment of the Company's resources to the project.

Exeter gained control of 100% of Cerro Moro in October 2007, subject only to a 2% net smelter royalty, following a decision by Cerro Vanguardia SA ("CVSA") to not exercise its back in right to the project. Following that decision, Exeter rapidly accelerated exploration activity on the property with three drill rigs operating at year end. That activity led to the discovery of additional high grade veins known as Loma Escondida, Gabriela and Sylvia.

Exeter's goal at Cerro Moro is to prove up sufficient high grade reserves to establish an open pit gold-silver mine that might ultimately incorporate an underground operation. Achieving that goal will depend upon continued drilling success and Exeter's ability to engage communities and government in formulating a plan for resource development in the area. Fortunately the path forward in Santa Cruz Province has been established by companies that include AngloGold Ashanti, Coeur d'Alene Mines, Pan American Silver and Minera Andes/Hochschild Mining.

In the first half of 2007, Exeter drilled 13 holes on the **Caspiche gold-copper project** in Chile. The Caspiche property is held under an agreement with Anglo American Chile ("Anglo") whereby the Company, after meeting certain exploration expenditure requirements, has the right to acquire 100% ownership of the property, along with a number of additional properties, subject to a 3% net smelter royalty if the project is taken to production. Exeter announced a significant discovery at Caspiche when drill hole CSR-13 intersected 304 metres (1,000 feet) at 0.9 g/t gold (0.026 oz/ton) in a gold-copper porphyry environment. This major gold intersection indicates the potential for an economic deposit should the Company have continued success in discovering further mineralization of that tenor.

Drilling activities resumed in December 2007 and were scaled up through the first quarter of 2008, with up to three drill rigs contracted to drill sufficient holes to demonstrate the size of the porphyry system. Given that the size of the drilling target measures in the hundreds of millions of tons, Exeter will drill holes to as deep as 1,000 metres (3,300 feet). That depth is reasonable given that the nearby Cerro Casale deposit (Barrick Gold – Kinross Gold), which is planned as an open pit gold-copper mine, extends to a depth well in excess of 1,000 metres (3,300 feet). The target type at Caspiche has the potential to host a multi-million ounce gold deposit with economically recoverable copper credits.

On the Company's **Don Sixto gold-silver property** in Mendoza Province, Argentina, it announced a NI 43-101 resource of 925,000 ounces gold (20.5 million metric tons - measured and indicated) and 334,000 ounces gold (9.3 million metric tons - inferred), all at a gold cut-off grade of 0.5 g/t. Unfortunately in June 2007, Exeter received an unexpected setback when restrictive mining legislation was passed that effectively made the Don Sixto gold-silver project not viable. Specifically, the legislation banned the use of sulphuric acid and cyanide in mining, even though these chemicals are commonly used in non-mining industries. Late in the year, the Company (and other companies) lodged a legal challenge with the Mendoza courts on the basis that the new legislation was unconstitutional.

Exeter intends to work with the Mendoza government to have the Don Sixto project exempted from the legislation. The exemption would be on the grounds that the project, if viable, could be built to a standard where the environmental risk is minimal and, furthermore, that the project is well removed from susceptible water resources.

Exeter continues to maintain its strategic agreement with **CVSA** on a series of epithermal gold-silver properties in Patagonian Argentina. Although our current focus is elsewhere, we anticipate drilling on the Cerro Puntudo and Azul properties late in 2008. Similarly, the Company is furthering grass roots exploration on targets that fall within our strategic agreement with **Rio Tinto Mining and Exploration Limited** in Patagonian Chile.

Exeter was saddened at year end by the death of our director and friend, Paul MacNeill, who was forever a stalwart giving us very valuable legal advice and commercial guidance. Paul will be missed by all of us.

Exeter continued to bolster its Board, management and technical teams through a number of key appointments. To the Board of Directors, Exeter welcomes Mr. Rob Reynolds and Mr. Louis Montpellier in 2007 and early 2008 respectively. To senior management, Exeter welcomes Mr. Paul Cholakos as Chief Operating Officer (appointed in mid 2007) and Mr. Michael McPhie as Executive Vice President, Corporate Development and Environment (appointed in early 2008).

The greatest recognition however, must go to our team of geologists and technicians who are credited with our discoveries. We now have six permanent expatriate geologists and engineers in South America, and some 19 local Argentinean and Chilean geologists and engineers. Their continued efforts and enthusiasm while working in some of South America's most isolated areas, with its often challenging weather conditions, is to be commended.

Our Commitment

Growing Exeter to become a mid-tier gold-silver-copper company is a very realistic near term goal. To enhance shareholder value further in 2008 and beyond, Exeter is positioning itself to continue making new precious metal and copper discoveries. Looking further ahead to 2009, Exeter expects to be closer to a production decision on its 100% owned high grade gold-silver Cerro Moro project and is planning to be well advanced into resource definition drilling on the Caspiche gold-copper project in Chile.

Once again, we extend our appreciation to you for your support over the past year.

A handwritten signature in black ink, appearing to read 'Bryce Roxburgh', followed by a horizontal line.

Bryce Roxburgh
President and CEO

A handwritten signature in black ink, appearing to read 'Yale Simpson', followed by a horizontal line.

Yale Simpson
Executive Chairman

Map of Southern South America focusing on Exeter's projects in both Argentina and Chile:



A summary of the Company's mineral properties follows:

Summary of Projects

| Rights Acquired | Properties | Land Area (sq. km) | Paid to Date | Future Commitments |
|-----------------|---|--------------------|---|--|
| 100% Owned | Cerro Moro ** -15 tenements | 160 | * | - 2% NSR to CVSA |
| 100% Owned | Santa Cruz Regional -15 tenements | 1,450 | Nil | Nil |
| Option for 100% | CVSA Properties Santa Cruz, Chubut, Rio Negro - 23 tenements | 722 | US\$100,000 * includes acquisition of Cerro Moro | - exploration expenditures totaling US\$3,000,000 to Dec. 30, 2009 - 2% NSR |
| Option for 100% | Northern Chile Maricunga Property (Caspiche) | 30 | Nil | - expenditure totaling US\$2,550,000 to January 31, 2011 - 3.0 % NSR |
| Data | Southern Chile - 48 Targets | N/A | Nil | Nil |
| Option for 100% | Don Sixto (La Cabeza) - 7 tenements | 82 | 4,100,000 shares plus US\$175,000 | - cash payments totaling US\$400,000 to Dec. 15, 2014 - 3.5% NSR |
| Option for 100% | Don Sixto Regional - 7 tenements | 81 | US\$50,000 | - annual payments of US\$25,000 for six years - 3 annual payments of US\$200,000 for 100% |
| 100% Owned | Don Sixto Regional - 4 tenements | 235 | Nil | Nil |
| Option for 100% | MRP Properties Agua Nueva (Don Sixto), Rosarita South, La Ramada - 13 tenements | 300 | \$70,050 | - cash payments totaling \$370,000 to October 1, 2015 - 2% NSR |
| Option for 100% | Estelar Properties Rosarita, Quispe and El Salado - 6 tenements | 68 | 1,000,000 shares | - 2% NSR |

** Subsequent to December 31, 2007, the Company announced that it had entered into a letter of intent ("LOI") with Fomento Minera de Santa Cruz Sociedad del Estado ("Fomicruz"). The LOI sets out the key terms of a strategic agreement between the Company and Fomicruz for the future development of Cerro Moro and is more fully described in Subsequent events.

Exploration Activities

Background and 2007 Update

The Company shifted its focus from Don Sixto to the Cerro Moro and Caspiche projects during the first half of 2007 as work at Don Sixto was reduced to modeling and estimating new resources based on drilling completed through 2005 and 2006. This change of focus resulted in significant discoveries being made at each of the Cerro Moro and Caspiche projects, effectively changing the character of the Company.

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

In August the Company announced new resources, estimated by independent experts Hellman and Schofield, of Sydney Australia, at Don Sixto. Modelling of the new resources highlighted open-ended higher grade mineralization that might be expected to expand the potential open pits. With 7,000 metres of contemplated exploration drilling of new targets remaining, potential remains for the discovery of new mineralization at Don Sixto. In the event that the anti mining legislation is amended to allow for the future development of mines in Mendoza Province, and the Company recommences exploration, then the discovery of new zones of mineralization could markedly improve the viability of the Don Sixto project.

Cerro Moro Gold-Silver Project – Santa Cruz Province

Exploration by previous companies at Cerro Moro, including CVSA who drilled 34 shallow diamond and/or reverse circulation percussion drill holes to average depths of 30 metres, for a total of 2,582 metres, over 11 targets, defined 16 vein sets, mostly in areas of limited outcrop. Most of the gold occurrences are within a 10 kilometre by 5 kilometre area. Low-sulphidation-style gold and silver mineralization is primarily associated with quartz veins 240 to 1,250 metres long. Individual veins range in thickness from 0.2 to 4.5 metres and some of the veins are exceptionally high in silver.

Exploration by Exeter

Exploration by Exeter began in 2004 and consisted of 40 reverse circulation drill holes, for a total of 2,066 metres. Prospecting and sampling of new veins, and an orientation resistivity survey, was also completed. Poor outcrop restricts mineralized vein mapping at Cerro Moro. To overcome this limitation, the Company elected to explore for new veins or extensions to known vein sets, with the objective of discovering a single vein or a set of closely spaced veins with sufficient contained gold-silver to support a mine. An orientation ground magnetic survey established that this technique can "see" many of the known mineralized structures at Cerro Moro.

Geophysical and Trenching Programs

A detailed ground magnetic survey initiated in 2006 was conducted on 40 metre spaced lines and covered 75 square kilometres for a total of 1,866 line kilometres of surveying. This survey continued through the year and was essentially completed by the 2006 year end. As magnetic lines were surveyed in an E-W direction, further surveying in a N-S direction, to follow up high grade east-west trending veins covering 19 square kilometres in the south of the project area, commenced in the first quarter of 2007 and was completed by the second quarter. A total of 473 line kilometres of surveying was completed at a line spacing of 40 metres in this survey. In 2006, a trenching program, during which 61 trenches were excavated for a total of 800 metres, was conducted. The trenches were mapped and some 440 samples assayed.

In early 2007, a further 1,094 metres of trenching was completed to expose poorly outcropping sulphide rich veins in the southern sector of the property. Specialist structural/epithermal expert Greg Corbett visited the property and his recommendations included (amongst others) induced polarisation geophysical surveying to assist in delineating high grade mineralization associated with sulphides around the Esperanza, Escondida and Carla veins.

Drilling 2006

In 2006 the Company conducted two drilling campaigns, drilling 2,112 metres in 37 holes on the Carla, Dora, Deborah, Escondida, Patricia and Esperanza veins. The earlier campaign of 20 holes comprised reverse circulation percussion drilling

for 1,031 metres and the latter campaign 17 diamond holes for 1,081 metres. These campaigns discovered high grade gold-silver mineralization in the Carla vein, a new zone situated 2.5 kilometres from previous drilling on the property, and also in an eastern extension of the Escondida vein. Drilling by Exeter on this project totalled 4,181 metres to end 2006.

Drilling 2007

Drilling was focused on expanding and detailing the high grade Escondida East zone, where significant gold-silver mineralized intercepts in the rhyolite hostrock zone to a depth of +100 metres were intersected. The width and grade of the mineralized structures tend to decrease where mineralization is encountered in less favourable andesitic hostrocks. A similar situation with respect to the relationship of the strength of mineralization in different host rocks was noted in drilling on the southeast extension of the Esperanza vein. Drilling also indicated that the Escondida East and West zones are linked and potentially continue to the west for a total strike length of 2 kilometres.

Drilling at Escondida has been designed so that, subject to results continuing to be encouraging, resources for high grade near surface deposits in the southern sector of the project area may be estimated during the second half of 2008. Following CVSA's election not to exercise its back-in right, baseline environmental studies and metallurgical testing were initiated. A scoping study for the possible fast-tracking of a high grade open pit gold operation could also be considered late in 2008.

Results from exploratory drilling, announced in early 2008, reflect the discovery of hidden high grade mineralization under gravel cover along a westerly extension of the Escondida vein. Gold and silver mineralization within the Escondida structure has now been tested over a 1,600 metre strike length. In addition, follow-up drilling on the Loma Escondida vein, located immediately to the north of the Escondida structure, intersected significant high grade gold-silver mineralization and has extended the strike length of the vein to 400 metres. Follow-up drilling at the Gabriela, Patricia and Silvia vein systems has demonstrated that these veins can now be traced for a minimum of 700, 450 and 200 metres respectively. Importantly, the new drilling at Gabriela and Patricia has demonstrated that these veins are silver rich compared to others on the property.

Currently, two drill rigs are being used to test the zones discovered to date while a third rig is committed to a "discovery oriented" drilling program testing expansions to the zones at Escondida, Loma Escondida and Esperanza. A fourth rig, which will be dedicated to detailed resources definition drilling, is scheduled to be added in late 2008.

As of the end of March 2008, the Company had drilled 314 holes on the Cerro Moro Project totaling 28,871 metres, comprised of 170 diamond holes (12,363 metres) and 144 RC holes (16,508 metres). Approximately 50% of the drilling has been conducted on the Escondida vein with the balance having been drilled on over 14 additional vein targets.

Cerro Puntudo Gold-Silver Project – Santa Cruz Province

Cerro Puntudo is a low sulphidation epithermal gold-silver system developed within the Deseado Massif. Prior to drilling, Exeter completed geological, geochemical and induced polarization geophysical surveys to better define surface mineralization discovered by CVSA. The resistivity response to the known mineralization was best developed at the Rico and La Quebrada zones. Detailed ground magnetic surveys were conducted to better delineate the structures, and to indicate possible plunges to the mineralized zones.

Exeter conducted two drilling programs on the project during 2005, and a third program during second quarter of 2006. The first program consisted of 34 reverse circulation drill holes, drilled to down-hole depths of between 40 to 109 metres, for a total of 2,179 metres. A second drill program was conducted in May, 2005 comprising 21 holes for 1,719 metres.

Exeter's 2006 drill program included 13 reverse circulation percussion drill holes for a total of 1,699 metres and was aimed at grid testing the potential of three of the five mineralized bodies discovered to date. Drill holes were designed to intersect mineralization at approximate horizontal spacings of 50 metres and 30 metres beneath previous intersections. This drilling program showed mineralization at both the Rico and Quebrada North zones to be open at depth while drilling on the Quebrada Zone appears to close economic tenor mineralization at depth.

The 1,699 metres drilled in 2006 brought the total metres drilled at Cerro Puntudo to 5,597 metres.

No work was conducted in 2007. Timing for further exploration will depend on the availability of suitably qualified geologists to delineate additional drill targets.

Verde Silver Project – Santa Cruz Province

Verde is a low sulphidation epithermal silver system developed in the Deseado Massif. The North Vein Zone at Verde comprises a 600 metre long vein and a less well exposed quartz stockwork zone, within a rhyolite flow dome. The South Vein Zone consists of 6 outcropping silver-bearing quartz veins within a one kilometre wide target area. Individual veins

trend northerly and can be traced over strike lengths up to 700 metres. Previous work by CVSA included geological mapping and rock chip sampling that returned samples strongly anomalous in silver (+15 g/t silver) over a large area.

Exeter's exploration program confirmed the anomalous silver values at Verde. Detailed geological mapping and a detailed ground magnetic survey were also completed. The magnetic survey was performed to identify drill targets within the +70% of the potentially mineralized area that is covered by shallow sand and gravel.

In 2006 the Company conducted the first drilling program on the property comprising 42 reverse circulation percussion holes for a total of 2,044 metres. The drilling identified silver mineralization in six epithermal veins and in a broad zone of quartz stockwork mineralization.

No field work was conducted in 2007 and timing of further exploration is dependent on suitably qualified geologists to conduct further field work being available.

Calandria Gold Project - Santa Cruz Province

Calandria is a low sulphidation epithermal gold target in the Deseado Massif. Geologic mapping and some 600 line kilometres of ground magnetic surveying have been conducted on the property.

No work was conducted in 2007.

CHILE

Caspiche Gold-Copper Project

The rights to the Caspiche project were acquired pursuant to an agreement with Anglo American Chile Limitada and Minera Blancos S.A. in 2005. Based upon surface sampling and historic drilling, two zones of known gold, silver and copper mineralization occur within the boundaries of the Caspiche property. The first is referred to as Caspiche Central and is located in the south-central portion of the property. Mineralization is evident from reported drill hole results and in surface rock chip samples. The second known mineralized zone is referred to as Caspiche III which is located at the eastern margin of the property.

Surface rock chip geochemistry plainly shows Caspiche Central and Caspiche III as the most important exposed gold mineralized zones encountered on the property. The style of the mineralization reported from the drilling is consistent with a porphyry style of deposit with the presence of multiple generations of stockwork quartz-sulfide veining and typical porphyry style alteration mineral assemblages. The gold values in the upper oxide zone and gold and copper values in the mixed and lower sulphide zones exhibit a good degree of sample to sample continuity.

Exploration

The Company conducted a field campaign from March to mid May 2006, during which the entire project area was mapped, and 112 rock chip samples were collected along with 22 PIMA samples. All available historic data was compiled into a Geographic Information System (GIS) environment. Remote sensing data, including ASTER mineral model maps and QuickBird high resolution satellite imagery, was added. Lineament studies were conducted on this data, as well as the airborne magnetometer survey data.

During the months of November and December 2006, Quantec Chile Limitada ("Quantec") conducted a program of Controlled Source Audio-frequency MagnetoTelluric (CSAMT) surveys and Very Low Frequency (VLF) electromagnetic surveys on behalf of the Company. The objectives of the geophysical surveys were to map important structures and zones that may be associated with high-sulphidation type epithermal gold mineralization.

An exploration model was constructed using surface mapping completed in March 2006 and the drilling results completed to that time. Maricunga deposits are characterized by lower porphyry style systems overprinted at shallower levels by high sulphidation epithermal systems. Caspiche Central and Caspiche III are separated by an interpreted normal fault. Caspiche Central is characterized by overlapping porphyry style and epithermal style mineralization. To date, high sulphidation style mineralization has been identified at Caspiche III, however, there remains potential for porphyry style mineralization at depths greater than 200 metres. It is interpreted that the northern block has been downthrown with respect to the southern block. This has resulted in preservation of the relatively shallow level high sulphidation mineralization at Caspiche III.

2007 Drilling

During 2007, the Company conducted a drilling campaign with the results from the two prospect areas, Caspiche Epithermal and Caspiche Porphyry reflected in the tables below:

(i) Caspiche Epithermal – Caspiche III

Drilling has confirmed the presence of a high-sulphidation epithermal gold system which is interpreted to lie within “flat lying” replacement zones that are probably related to a yet un-drilled intrusive body.

(ii) Caspiche Porphyry – Caspiche Central

Exeter drill hole CSR-013 was sited over a pronounced IP chargeability anomaly, on the one north-south survey line, that fully crossed the area. The anomaly had been partly tested by two earlier drill holes, CDH-2b and CDH-3, drilled by previous operators. CSR -13 was drilled at the same declination (60 degrees) and azimuth as the historical drill holes.

CSR-13 intersected a wider zone of mineralization and at a higher average grade, than both CDH-2b and CDH-3, although it appears to have intersected the same mineralized microdiorite porphyry as the earlier holes. The area of the three holes is entirely covered by colluvial material. Significant drilling results are those that have a greater than 0.5 g/t gold equivalent grade. The significant results (at a cut off of 0.5 g/t gold equivalent) from CSR-13 are presented in the table below. The minimum sample intercept length is 2 metres.

Significant Results of CSR-013

| Cut-off grade | From (m) | To (m) | Width (m) | Gold (g/t) | Copper (%) |
|------------------------------------|-------------|-----------|--------------|---------------|---------------|
| CSR-13 | | | | | |
| Bulked Intercepts at | 40 | 164 | 124 | 1.0 | NSR |
| 0.5 g/t gold equivalent lower cut | 186 | 196 | 10 | 0.8 | NSR |
| | 200 | 204 | 4 | 0.7 | NSR |
| | 210 | 344 | 134 | 0.9 | 0.2% |
| Bulked Intercept - no lower cut | 40 | 344 | 304 | 0.9 | 0.1% |

NSR = No significant result.

1 Note: Gold equivalent grade is calculated by dividing the silver assay result by 60, adding it to the gold value and assuming 100% metallurgical recovery.

Drilling re-commenced on the Caspiche property at the end of 2007, with two diamond drill rigs on site by early February and the arrival of a reverse circulation percussion rig in March, 2008.

The first drill hole in the latest and current program, diamond hole CSD-014, was completed at a depth of 744 metres (2,441 ft), the capacity of the rig, with partial assay results for gold and copper released in February and March, 2008. Diamond drill hole CSD-015 was collared 400 metres (1,312 ft) to the northwest of hole CSD-014 and drilled to a final depth of 1,001 metres (3,284 ft). Gold and copper assay results for the first 690 metres (2,264 ft) of hole CSD-015 were released in March, 2008.

Diamond drill hole CSD-016, drilled to a final depth of 791.75 metres, is located mid way between holes CSD-014 and CSD-015, 200 metres (656 ft) from each. Diamond drill hole CSD-018 is located 500 metres (1,640 ft) to the northwest of hole CSD-015. Results are pending.

The new assay results support the interpretation that CSD-014 is on the edge of the porphyry system, with CSD015-being closer to the centre. This is based on the fact that CSD-014 intersected outer phyllic alteration for the length of the drill hole, whereas CSD-015 intersected potassic alteration to its final depth of 1,001 metres.

As of the end of March 2008, the Company had drilled a total of 11 additional holes for 4,234 metres, with two of the drill holes in progress.

Magallanes Gold-Silver

The Magallanes gold-silver project covers epithermal targets in Patagonian Chile. Field work commenced in early November 2006 with seven field campaigns completed through April 2007. Encouraging assay results were received, particularly from stream sediment and rock chip sampling. Applications for mineral concessions to cover these targets were subsequently lodged. Gridding and geophysical surveys are planned for the Zodiac property within the Magallanes project area.

Field work is expected to resume in October 2008.

Cochrane Gold Project

Geochemical sampling and mapping is required over an area considered to be prospective for epithermal gold-silver deposits. Further exploration is expected to be conducted when suitable technical crews become available.

ARGENTINA

Don Sixto (La Cabeza) Gold-Silver Project – Mendoza Province

Following the introduction of the anti-mining legislation in June 2007, the Company put the Don Sixto project on hold. Currently there is only minimal work being conducted on the project, pending a change in legislation.

Exploration and Development Studies

Resource Estimates

Background – 2003-2006

In November 2003, the Company retained independent engineer Sandercock and Associates Pty Ltd (“Sandercock”), of Australia, to update the AMD scoping study, in order to assist management in assessing whether to proceed with a pre-feasibility study. The study was not NI 43-101 compliant and is not available to the public. In early 2005, the Company appointed Jerry Perkins as Vice President, Development and Operations and commenced an internal engineering and development study so that management and the Board could determine parameters and timing for a full feasibility study. Resources were estimated mid 2005 based on detailed drilling conducted during 2004 and early 2005. The development study was completed by 2005 year end, with selected study results posted on the Company’s website during the first quarter of 2006. Because the internal study indicated significant cost escalation over that anticipated in the earlier Sandercock study (such cost escalation was experienced throughout the mining industry during this period), management elected to proceed with additional discovery and confirmation drilling programs, which commenced mid-2005 and were completed in December 2006. The discovery drilling program was designed to increase available resources at the project, with confirmation drilling designed to lift resources categorized as “inferred” to the “indicated” or “measured” categories.

Following the drilling conducted in 2005 through to end 2006, the Company contracted Hellman & Schofield (“H&S”), of Sydney, Australia, to provide an independent estimate of gold resources at Don Sixto. The new estimate, released in September 2007, includes a “measured and indicated resource” at Don Sixto of 925,000 ounces of gold (20.48 million tonnes at an average grade of 1.40 g/t gold) and an “inferred resource” of 334,000 ounces of gold (9.29 million tonnes at a grade of 1.12 g/t gold), at a cut-off grade of 0.5 g/t. At a higher, 1.0 g/t gold cut-off grade, the “measured and indicated resource” was estimated to be 9.34 million tonnes at a grade of 2.23 g/t gold, for 670,000 ounces, and the “inferred resource” was estimated to be 3.14 million tonnes at 1.98 g/t gold, for 200,000 ounces. These estimates were based on results of drilling which included 40,000 metres of expansion and detailed drilling, completed on the major prospects at Don Sixto since mid 2005. This drilling allowed the Company to develop geological, mineralization and structural models of gold mineralization of the major prospects.

Table 1: Don Sixto Gold Resource Estimates at a 0.5 g/t gold cut-off

| | Measured | | | Indicated | | | Measured & Indicated | | | Inferred | | |
|--------------|-------------|-------------|------------|--------------|-------------|------------|----------------------|-------------|------------|-------------|-------------|------------|
| | Mt | g/t | koz Au | Mt | g/t | koz Au | Mt | g/t | koz Au | Mt | g/t | koz Au |
| Cuello | 1.49 | 1.83 | 88 | 3.80 | 1.39 | 170 | 5.29 | 1.51 | 258 | 1.85 | 1.20 | 71 |
| Ojo | 1.43 | 1.63 | 75 | 1.49 | 1.25 | 60 | 2.92 | 1.44 | 135 | 0.71 | 1.05 | 24 |
| Luna | 1.71 | 1.58 | 87 | 4.51 | 1.23 | 178 | 6.22 | 1.32 | 265 | 1.79 | 1.07 | 61 |
| Mandibula | 2.77 | 1.00 | 89 | 1.77 | 1.09 | 62 | 4.54 | 1.03 | 151 | 4.24 | 0.93 | 126 |
| CVZ* | 0.75 | 2.51 | 61 | 0.76 | 2.24 | 55 | 1.51 | 2.38 | 116 | 0.35 | 1.52 | 17 |
| Cachete | - | - | - | - | - | - | - | - | - | 0.35 | 3.08 | 35 |
| Total | 8.15 | 1.52 | 400 | 12.33 | 1.32 | 525 | 20.48 | 1.40 | 925 | 9.29 | 1.12 | 334 |

Table 2: Don Sixto Gold Resource Estimates at a 1.0 g/t gold cut-off

| | Measured | | | Indicated | | | Measured & Indicated | | | Inferred | | |
|--------------|-------------|-------------|------------|-------------|-------------|------------|----------------------|-------------|------------|-------------|-------------|------------|
| | Mt | g/t | koz Au | Mt | g/t | koz Au | Mt | g/t | koz Au | Mt | g/t | koz Au |
| Cuello | 0.84 | 2.68 | 73 | 1.87 | 2.09 | 125 | 2.71 | 2.27 | 198 | 0.84 | 1.78 | 48 |
| Ojo | 0.79 | 2.37 | 60 | 0.62 | 2.03 | 40 | 1.41 | 2.22 | 101 | 0.20 | 1.95 | 13 |
| Luna | 0.91 | 2.35 | 68 | 1.83 | 2.01 | 118 | 2.73 | 2.12 | 186 | 0.52 | 2.02 | 33 |
| Mandibula | 0.90 | 1.63 | 47 | 0.66 | 1.73 | 37 | 1.56 | 1.67 | 84 | 1.10 | 1.60 | 57 |
| CVZ* | 0.46 | 3.67 | 54 | 0.46 | 3.24 | 48 | 0.92 | 3.45 | 102 | 0.15 | 2.62 | 13 |
| Cachete | - | - | - | - | - | - | - | - | - | 0.33 | 3.39 | 36 |
| Total | 3.90 | 2.41 | 302 | 5.44 | 2.11 | 368 | 9.34 | 2.23 | 670 | 3.14 | 1.98 | 200 |

Notes: (*) CVZ or Central Vein Zone comprises the Labio East, Labio West, Labio South and Mercedes prospects.

"Mt" represents million tonnes, and "koz" represents thousand ounces.

The new resources were estimated for 9 prospects using data from a total of 494 drill holes, totalling 56,821 metres of drilling and 4,037 metres of sawn channel samples (93 channels on 8 prospects), conducted prior to the end of 2006.

The new mineral resource estimates for the Cuello, Luna, Ojo, Mandibula and the Central Vein Zone prospects were made by H&S following a three week visit to Mendoza in April 2007. The visit, by two representatives, included a two week site visit and validation of the Exeter database, supporting information, and 3-D geological and structural models.

H&S utilised the Multiple Indicator Kriging ("MIK") method, which estimates the proportion and grade of mineralization for an assumed selective mining unit ("SMU") within a larger panel (or "block") for a range of cut-off grades. The deposit is divided into panels (or "blocks") and in the case of Don Sixto, a panel size of 5 m wide x 25 m long x 10 m high was deemed suitable for the data spacing. Within these panels, two selective mining unit ("SMU") sizes were utilised: for vertical to near vertical domains, an SMU of 2.5 m width x 5 m length by 5 m height was used and for flat to shallow dipping domains an SMU of 2.5 m width x 5 m length by 2.5 m height was used. The estimates include the dilution incurred when mining the resources at the assumed SMU. This methodology generally results in a resource estimate of higher tonnes and lower grade than less conservative/more standard resource estimation techniques. However, total ounces estimated utilizing the H&S MIK method generally equate to total ounces estimated using less conservative techniques.

The Cachete prospect resource remains unchanged from the previous resource estimation exercise, which was calculated internally by Exeter (in 2005) utilising a manual polygonal cross sectional method of estimation.

Development Studies

Metallurgy

Metallurgical test work, conducted through 2005, confirmed high gold and silver recoveries using a gravity separation circuit, followed by a conventional carbon-in-leach flow sheet. Gravity gold recovery alone averaged 30 percent and exceeded 50 percent from some samples.

The test programs were carried out at Metcon Pty Ltd of Sydney, Australia (a member of the AMMTEC group), AMMTEC Limited of Perth, Western Australia, Outokumpu Technology Pty Ltd of Perth, Western Australia and Knight Piesold Pty Ltd of Perth, Western Australia. The program included optical mineralogy, comminution, flotation, gravity separation, cyanide leaching and tailings characterization test work.

The test work was carried out on relatively coarsely ground, 95 micron material taken from individual mineralized intercepts and composites prepared from diamond drill cores selected from the 2004 drilling program.

Specific outcomes from the test work included:

Grind Size: The samples must be ground to a fine particle size to optimize gold liberation in the "carbon in leach" ("CIL") circuit. Testwork determined that 95 microns was the optimum grind for the bulk composite samples.

Pulp Density: The ground sample is mixed with water and reagents in the CIL circuit. The ratio of solid to liquid in the leach circuit is referred to as the pulp density. In the case of the bulk composite sample the optimum pulp density was 40 percent.

Gravity Circuit Recovery: A portion of the gold at Don Sixto is “free” or particulate gold that can be recovered with simple gravity separation methods as against chemical leaching in the CIL circuit. The gravity circuit is that portion of the treatment plant that recovers such free gold. In the case of the bulk composite sample, the gravity circuit recovered 30-50 percent of the total gold.

Carbon in Leach Gold Recovery: The recovery of gold in the CIL circuit from the bulk composite sample testwork was 93 to 94 percent.

Gold Recovery Variability on Deposit Composite Sample: The testwork achieved gold recoveries that varied from 92.7 to 93.9 percent on the composite sample. This reflects the variability for tests on the same composite.

Gold Recovery Variability on Individual Mineralized Intercepts: Tests were performed on a number of mineralized samples from different sites within the gold deposit in order to determine the gold recovery variability for different mineralized samples. The gold recovery variability was 80 to 97 percent – average 91 percent.

Silver Recovery Variability on Individual Mineralized Intercepts: The testwork determined that silver recovery variability was 80 to 85 percent.

Reagent Consumption: The principal reagents used for the CIL circuit are calcium oxide (lime) and sodium cyanide. For each of these reagents the consumption averaged 0.40 kilograms per metric ton of composite sample.

Testwork - 2006-2007

Metallurgical testwork was more limited in 2006 than 2005 while a new drill core inventory was built up, however significant programs were completed on flotation and grinding. Late in 2006 large quantities of drill core samples were prepared for the remaining feasibility level testwork programs.

Flotation optimisation: Detailed flotation and gravity testwork on the 2005 bulk composite was carried out at Metcon leading to a locked-cycle test under optimised conditions. Gold recovery was 88% and silver recovery was 80% into a concentrate weight of 1.5%. The grind size for this level of recovery was a P80 of 53 microns.

SAG mill Comminution tests: Thirteen selected quarter-core samples were taken from Cuello, Luna, Mandibula and Ojo for SMC testing at JK Tech in Queensland, Australia. The samples had acceptable SAG mill properties and were mostly confirmed to be moderately hard to hard. These results form part of a comprehensive comminution data base that is being assembled.

Late in 2006 approximately 2.5 tonnes of representative drill core intercepts were transferred to two laboratories in Australia in two nearly identical batches. Each batch represented over 100 intercepts of mineralization, each of mineable width with a cut-off grade of 0.5g/t gold and included internal and external dilution so as to be representative of production material.

The first batch went to JK Tech for comprehensive comminution variability testwork. The material for this was obtained from quartered HQ core, with intercepts assembled into 17 composites, representing separate sections of the Cuello, Luna, Mandibula and Ojo deposits. Each composite was tested for SAG-mill, rod mill, ball mill and abrasion parameters to complete the database for comminution circuit design. The data were to be used for the optimization of the crushing and grinding circuit design options during the planned project option and feasibility studies. A second batch of almost identical intercepts, prepared from coarse crushed drill core, arrived at Metcon Laboratories in Sydney during the first quarter of 2007 and was also prepared into 17 composites with identical specifications to those sent to JK Tech. Metcon was to carry out a second round of detailed leach optimization work on these composites to finalize the basic flowsheet. Other samples would then be prepared for specific testwork directed at the engineering design of each section.

The JK Tech comminution testwork was completed and reported to Exeter during the first quarter of 2007 and Ausenco started a comminution options study based on the results. The results appeared to confirm earlier work with perhaps a somewhat lower abrasive character; however, prior to cessation of work at Don Sixto, Ausenco was to evaluate this observation in much more detail and report. The mineralized intercepts for this program were selected from 114 holes representing 12,670 metres drilled between July 2005 and the end of August 2006. By comparison the 2005 resource estimate, and the parallel metallurgical program then carried out, was based on 4,342 metres and 60 holes. Using all completed comminution test results Ausenco compared five hard-rock comminution circuit configurations for throughput rates of between 1,000,000 tpa and 3,000,000 tpa. A combination SAG mill and ball mill circuit (designated “SAB”) was recommended. Ausenco also suggested the use standard dimensioned Chinese mills to overcome excessive delivery times, and that the SAG mill run directly from a primary crusher without an intermediary stockpile. If the throughput were to be less than 1,000,000 tpa it is possible that the ball mill could be dropped and a SAG mill and recycle crusher used.

Ausenco also provided advice and supervision on the Metcon leach optimization programs and subsequent work. This was implemented so that all process feasibility inputs would be familiar to and agreed to by the engineers well before the start of any feasibility work. In addition to the 17 depth composites, composites representative of each deposit were prepared, as well as a bulk composite of all material. Sample preparation, composite assaying and the first program to determine the optimum grind size of the bulk composite had been completed at the time the Mendoza Government passed the anti-mining legislation.

All further testwork was terminated following the passing of the new legislation, and no work was conducted during the last half of 2007.

Geotechnical Studies

Geotechnical logging and core orientation by Exeter's Argentina staff geologists was used by Vector Chile Limitada ("Vector") to carry out a "first pass" evaluation of open pit slope stability. Using conservative assumptions, Vector estimated an average pit slope angle of 55 degrees, still incorporating 50% safety factors. This is a relatively steep slope and should assist in reducing the amount of waste rock in mining. Independent experts A Karzulovic Ltda ("AKL") of Chile overview and monitor all geotechnical work.

A water depth monitor for use on old drill holes was purchased so that regular measurements of the static water levels can be recorded and monitored over time. This combined with dynamic pump testing of selected holes provides basic data on groundwater flow quantities and direction. Generally, the inferred groundwater flows have been small suggesting that water would not be a significant problem in mining. It was also apparent that mine groundwater would not be a significant source of the overall water requirements for production.

A program was started to collate the large database of measurements into a geo-referenced three-dimensional geotechnical model to be overlaid with geological and block models and assist with future pit design work during the feasibility study. This information was augmented with a large number of point-load and uni-axial compressive strength tests on whole drill core and a lesser but significant number of tri-axial compressive strength tests. The geotechnical database was completed and checked for all deposits and the rock strength testing program was also completed. An experienced structural geologist was contracted to prepare detailed structural maps of all surface outcrop in and close to the main deposits and that work was also completed.

No work was conducted during the last half of 2007.

Electricity Supply

Exeter engineers, working with power authorities and suppliers of generating equipment, based in Mendoza, Argentina, have compared two electricity supply alternatives for the project: power from the Provincial electricity grid and on-site power generation using diesel fuel. On a cost-benefit basis, electricity supply using the Provincial grid was shown to be superior, as it locks in a key component of the project operating cost. The preliminary cost estimate of a transmission line using mid-2005 costs was US\$5-7 million. Studies in 2006 evaluated the preferred power supplier, the supply route, expanded transmission capacity to 132Kva to allow for possible increased throughput.

The power options study was completed in the last quarter of 2006 by Penta Sur SA of Tucuman and Buenos Aires. The study identified seven options and sub-options in terms of route and the specific take off point for supply. The initially favoured technical option in terms of reliability and environmental approvals was to take supply from Nihuil and follow the current road route south to a substation at La Salinilla. Capital costs were estimated for supply to site as well as 33Kv lines to the La Salinilla and Agua Escondida communities, including the costs of supply to switchyards in the two communities. After joint review a number of ways to reduce the estimated capital cost were identified Penta Sur was asked to review and confirm these before finalizing its report.

Penta Sur completed its review of the capital and operating cost estimates including current market rates, with favourable results. The final Penta Sur report confirmed the availability of power for Don Sixto as well as the optimum source and routing for the appropriate supply. It also provided capital and operating cost estimates for the alternatives routes and reviewed owner and third party supply options.

No work was conducted during second half of 2007.

Water Supply

A San Juan, Argentina water consultant ("FUUNSAJ") has carried out geophysical surveys over potentially large aquifers near Don Sixto to evaluate water supplies. FUUNSAJ performed pump tests on exploration drill holes for geotechnical purposes and to evaluate the potential contribution by open water seepage. Two sites were selected as being potentially capable of meeting the project requirement of 3,000 cubic metres of water daily.

Groundwater surveys by FUUNSAJ (now Grupo Ansilto) and Exeter examined water quality for drinking water supplies. The water is slightly, to moderately saline, depending on the source. The range of groundwater salinity is well within the efficient processing range of modern reverse osmosis plants for drinking water.

Results have indicated water supply flows were less than expected by the consultants. Other measurements made by Exeter personnel suggest that a large portion of the water may be being diverted down a number of parallel NW-SE structures. An additional drilling program will be required to follow up on the 2006 program and to confirm aquifers capable of sustaining up to a 2.5 million tonne per year operation.

Water Management Consultants (“WMC”) of Santiago Chile carried out a site visit followed by a desk review of all water supply work carried out. WMC concurred with Grupo Ansilto that the recharge of local groundwater catchments should be more than capable of allowing the project to sustainably harvest sufficient water for the project scales under consideration. However drill and pump testing of the logical location to access such water had only been partially successful and further programs were recommended.

No work was conducted during the second half of 2007.

Engineering Consultants

Ausenco Limited of Brisbane, Australia (“Ausenco”), an independent minerals engineering and construction company specializing in international projects, coordinated mining, metallurgical and infrastructure study results into an engineering review. Capital and operating costs to a 25% level of accuracy were developed using detailed equipment lists and current cost factors. Ausenco made useful recommendations for studies implemented by Exeter in 2006.

During 2006, Ausenco provided factored capital and operating cost estimates based on their 2005 report and these were used to consider the possible financial outcomes of varying throughput rates in the event that resources increased substantially.

Study Outcomes

At the end of 2005, all the studies carried out in that year and described above were reviewed and incorporated into an overall development report prepared by Sandercock. Sandercock provided capital and operating cost estimates for a project with production rates of 500,000 to 1,000,000 tonnes of ore per year. The development report formed the basis of the decision by Exeter’s directors to approve the resource expansion drilling program conducted during 2005 and 2006.

With the escalation in gold and silver prices in early 2006, it was decided to review the possibility of treating significantly higher ore throughputs at Don Sixto. It was considered that by lowering the cut-off grade from that used in the Sandercock study, that a possibility exists that significantly more gold mineralization might be economically recoverable should gold and silver prices remain at elevated levels.

Planned Work

Following the 2007 resource estimates using new mineralization models AMDAD was requested to conduct pit optimization studies under supervision of Paul Cholakos. These will provide the basis for an internal development options scoping study to assess the viability for a mining project at Don Sixto based on the improved knowledge of the mineralization models, and more comprehensive engineering and infrastructure studies conducted after the initial 2005 study.

Environmental and Social

Exeter completed the spring and summer baseline studies in 2005. Autumn to winter baseline environmental studies continued with the field campaign concentrating on the “Soil Potential Study” in the project area and surrounds. The detailed nature of this campaign also allowed Cunsultores Independientes Socio Ambientales (“CISA”) to simultaneously collect data on flora and fauna, indigenous and cattle affected vegetation as well as assessing in more detail the geomorphology. CISA was requested to expand its program to carry out a parallel program of water and limnology sampling in the winter period. CISA collected additional soil and water samples on a regional scale to provide data representing the autumn-winter season. This supplemented the previous baseline campaigns conducted in spring-summer and ensures that all seasonal ecological factors have been sampled. Other important projects have been completed, aimed at ensuring that a comprehensive social and environmental description of the existing area and its communities is available. These include land-use potential, landscape analysis, community profiling, archaeological and palaeontological studies. The final report on the baseline studies has been received from CISA.

Programs prior to the anti-mining legislation included dust, noise, water level and water quality monitoring and a community-based program to collect seeds and cultivate native plants and shrubs for rehabilitation of disturbed land commenced with expert assistance from the Argentinean national research organization, CRYCIT.

Knight Piesold (“KP”) was contracted to conduct a “Gap Analysis” from work conducted on baseline studies, reviewing the quality and scope of results to date against international standards prior to commencement of the Company contracting for an Environmental Impact Assessment report.

In 2006, a well was drilled at Agua Escondida to provide water for the local community, prior to mobilizing the drill rig to Don Sixto where it was used for water and resource expansion programs.

Following receipt of the KP gap analysis report, monitoring programs for water and limnology continued under KP’s supervision and PM10 (dust) monitoring started using contracted equipment and trained Don Sixto technicians. All programs were suspended shortly after the new Mendoza anti mining legislation was passed.

No work was conducted during the second half of 2007.

Estelar Properties

Quispe Copper-Gold Project – Catamarca Province

The Quispe project target is a porphyry copper-gold deposit and/or high-sulphidation epithermal gold system.

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

Rosarita Gold-Silver Project – San Juan Province

Rosarita is a low sulphidation epithermal prospect located next to the Casposo gold-silver deposit. Previous mapping, geochemical sampling and geophysical surveys by AMD and Battle Mountain Gold Company defined several low priority drill targets at Rosarita. Prospecting conducted by Exeter in 2003 did not define any high-priority targets. In 2004, the project was joint-ventured to Intrepid Minerals Corp. (“Intrepid”), who drilled three holes without encountering significant mineralization. Intrepid withdrew from the agreement in 2005, having fulfilled its minimum commitment. No further work has been conducted. The project is being retained as it is considered to have untested exploration potential.

El Salado Copper-Gold Project – San Juan Province

Previous AMD exploration including the drilling of 30 holes, on the El Salado property discovered a low-grade copper-gold porphyry system. The system may have potential for small zones of higher grade mineralization, which might be extracted profitably with elevated copper prices.

Work during the year included digitisation of data for previous drill holes at El Salado, which continued into the final quarter of 2007. It is proposed to review these data following digitisation, and examine potential for possible higher grade zones within the large system.

MRP Properties

Agua Nueva (Don Sixto North) Gold-Silver Project – Mendoza Province

Widely-spaced soil geochemical sampling, six kilometres northwest of Don Sixto has defined a large arsenic soil anomaly. Agua Nueva also covers a set of fault structures that are similar in orientation to the mineralized structures at Don Sixto. The structures will be prospected by Exeter to define targets for drilling, and to test possible extensions to the Don Sixto mineralization.

Regional prospecting and exploration targeting Ikonos alteration and structural anomalies, with signatures similar to Don Sixto was conducted during final quarter of 2006. No further work has been conducted.

La Ramada – La Rioja Province

The Company will undertake mapping and geochemical sampling to define targets for drilling and will likely acquire additional lands in the area.

Conceptual studies identified a section of the Argentine Precordillera in La Rioja Province as having potential for sediment-hosted and replacement-style gold deposits. Early stage exploration by a previous operator defined a number of exploration targets that the Company plans to follow up with mapping and geochemical sampling to identify drill targets.

Management's Discussion and Analysis

March 28, 2008

Report on Operations

In early 2007, the Company curtailed drilling on its Don Sixto Project to focus primarily on the construction of geological, mineralization and structural models in preparation for updated resources estimates for Don Sixto which were released in August 2007. With the curtailment of drilling at Don Sixto, the Company's geological teams focused on advancing both its Cerro Moro and Caspiche projects in Argentine Patagonia and Chile respectively. Following the introduction of legislation which banned the use of certain chemicals, traditionally used in mining, by the Mendoza Provincial Government in June 2007, exploration and independent engineering studies at Don Sixto were suspended.

By August 2007, the Company had completed 10,000 metres of drilling at Cerro Moro, triggering CVSA's back-in right to gain a majority interest in the project. The Company collated all geological data generated on Cerro Moro up to the completion of the 10,000 metres of drilling and forwarded it to CVSA in September. Upon receipt of that data, CVSA had 45 days in which to exercise its back-in-right. On October 30, 2007, CVSA advised the Company that it would not exercise its back in right and, consequently, its interest reverted to a 2% net smelter royalty with the Company owning 100% of the project. Exploration at Cerro Morro including the use of at least three drilling rigs, is expected to continue through 2008.

At Caspiche, located in the Maricunga region of the Chilean Andes in an area known to be rich in porphyry gold deposits, two drilling campaigns were conducted in early 2007 with the final drill hole being drilled into a very promising porphyry gold target. Drilling resumed at Caspiche in December 2007.

In September, Paul Cholakas, who is domiciled in Argentina, took up his position as Chief Operating Officer of the Company. Paul is an experienced mining engineer having managed the Tick Hill Goldmine in North Queensland, and also has significant experience in commercial and technical risk management. In his previous position, he was Commercial Manager of the multi-billion dollar oil and gas producer/explorer Oilsearch Pty Ltd.

ARGENTINA

Cerro Moro and CVSA Properties – Patagonia

Acquisition terms

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

Under the option agreement, Exeter paid CVSA US\$100,000 for the right to earn a 100% interest in the CVSA Properties by spending US\$3 million within five years, including completing 8,000 metres of drilling on any of the four major projects which comprise the CVSA Properties. CVSA also has the right to back into a 60% interest in a project following the completion of 10,000 metres of drilling on that project, by paying Exeter 2.5 times its expenditures on that project and by paying for all the project costs to the completion of a bankable feasibility study. CVSA can increase its interest to 70%, by financing Exeter's share of mine development costs, at industry standard terms. Should CVSA elect not to back into a project, its interest will revert to a 2% net smelter royalty ("NSR") in that project.

At the end of 2006, Exeter had met the obligation to incur total aggregate expenditures of US\$3,000,000, and had completed 12,000 metres of drilling, and in early 2007 notified CVSA that it was exercising the option to acquire the CVSA Properties subject to their back in right. On August 2, 2007, Exeter notified CVSA that it had completed 10,000 metres of drilling at Cerro Moro and provided them with a report containing exploration results in early September. In October, CVSA advised the Company that it had elected not to exercise the back-in right and its interest reverted to a 2% NSR on the Cerro Moro project.

To date, Exeter has completed 7,641 metres of drilling on two other Santa Cruz properties (drilled at Cerro Puntudo and Verde). Further drilling scheduled for 2008 is dependent on the Company contracting additional qualified geologists to conduct the field work necessary to better define drill targets. Exeter has not conducted any drilling on either of the Rio Negro or Chubut projects, which comprise the remainder of the projects held.

On December 20, 2007, the Company filed a technical report, complying with the requirements of the Canadian Securities Administration's National Policy Instrument 43-101 ("NI 43-101"), for the Cerro Moro drafted by Jerry Perkins, Exeter's Vice President Exploration and Development, and a Qualified Person ("QP") and Matthew Williams, Exeter's Exploration Manager and a QP. The report can be viewed on SEDAR at www.sedar.com.

Property Description

The CVSA properties are grouped into the four main project areas listed below, of which Cerro Moro was the most advanced at the time of acquisition:

| | | |
|-----------------------------|--------------|-----------|
| Cerro Moro* | 15 tenements | 160 sq km |
| Other Santa Cruz properties | 8 tenements | 341 sq km |
| Chubut properties | 11 tenements | 241 sq km |
| Rio Negro properties | 4 tenements | 140 sq km |

* Now 100% owned by the Company subject to a 2% NSR.

Most of the CVSA properties were acquired by CVSA over 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 held under the agreement were identified by CVSA using satellite imagery following structural studies, suggesting large alteration systems. The amount of subsequent exploration varied, but in many cases anomalous gold and/or silver mineralization was identified. No geophysical surveys were conducted and drilling did not extend into covered areas.

A number of the properties considered to be low priority targets were returned to CVSA in 2005 and in May 2006. Additional properties have been acquired around projects considered to have good potential for discoveries. Following the acquisition of Cerro Moro by the Company in October 2007, a total of 23 tenements covering 722 square kilometres in three provinces remain subject to the agreement. Prospecting and geochemical surveys have been conducted on many of the Santa Cruz, Chubut and Rio Negro properties and, following that work and the favourable mining regime in Santa Cruz, the

Company has decided to focus its attention on the Cerro Moro, Puntudo and Verde projects, all situated in Santa Cruz Province. Other properties in Santa Cruz Province covered by the agreement include the Calandria and Azul properties.

Cerro Puntudo Project – Santa Cruz Province

The 200 square kilometre Cerro Puntudo project is approximately 100 kilometres west of the Cerro Vanguardia mine in Santa Cruz Province. The known mineralization is considered to be epithermal in character, hosted within Jurassic age, felsic volcanic rocks.

Verde Silver Project – Santa Cruz Province

Silver mineralization on the Verde property, in western Santa Cruz Province, relates to at least 30 geological structures.

Calandria Project - Santa Cruz Province

The Calandria Project is thought to have potential for high-level low sulphidation style epithermal gold deposits. Geologic mapping and a ground magnetic survey have been conducted with some 600 line kilometres completed.

CHILE

Northern Chile - Maricunga

Caspiche Project

In 2005, the Company entered into an agreement with Minera Anglo American Chile Limitada and Empresa Minera Mantos Blancos S.A. (“Anglo American”) over seven properties in the Maricunga region of Chile. The terms of the agreement provide for increasing annual drilling and exploration commitments over five years, and the phased reversion of five properties to Anglo American after the second and third years. Once Exeter has spent a total of US\$2.55 million, including completing 15,500 metres of drilling, it will have earned a 100% interest in the remaining properties. Anglo American will be entitled to a 3% net smelter return from production.

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

The Caspiche project is located in a prolific region of gold porphyry deposits, 11 km (7 miles) southeast of Kinross Gold’s Refugio Mine and 15 km (10 miles) north of Barrick Gold – Kinross Gold’s Cerro Casale project.

On January 25, 2008, the Company filed a NI 43-101 technical report for the Caspiche Project drafted by Jason Beckton, formerly Exeter’s Exploration Manager in Chile, a Qualified Person (“QP”) and Jerry Perkins, Exeter’s Vice President Exploration and Development and a QP. The report can be viewed on SEDAR at www.sedar.com.

ARGENTINA

OTHER PROJECTS

Don Sixto (La Cabeza) – Mendoza

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

Acquisition terms

In 2005, the Company completed the acquisition of Cognito Limited (“Cognito”), a company that has the option to acquire a 100% interest in the Don Sixto gold project. The Company issued a total of 4,100,000 common shares and paid \$25,000 to Rowen Company Limited (“Rowen”) and its principals as consideration for the option to acquire Cognito and in settlement of the purchase consideration. Bryce Roxburgh, the President and CEO and a director of the Company, is a principal of Rowen.

To earn its interest in the Don Sixto property (subject to a 3.5% 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, by December 2014. On behalf of Cognito, the Company has made all required payments totaling US\$175,000 to date. Cognito may terminate the staged payments upon making a development decision in respect of the project; provided that production commences within two years. Cognito has the option to purchase the NSR outright for US\$1,000,000.

Early in 2007, the Company expanded its holding around Don Sixto by signing an option agreement over an additional 81 square kilometres (20,160 acres) of exploration rights, situated to the immediate north of Don Sixto. The option was acquired to secure areas considered favourable for the discovery of epithermal gold-silver systems. The terms for the option provide for annual payments of US\$25,000 over six years followed by a purchase price comprising three annual payments of US\$200,000. There are no expenditure requirements.

Subsequent to December 31, 2007, the Company entered an agreement with the property owners deferring the annual payments until such time as the legislation is amended such that mining can be conducted in Mendoza Province.

A regional program evaluating potential repetitions within the tenure surrounding Don Sixto commenced late in 2006 and was curtailed in early 2007. The significant increase in knowledge of the mineralization in the area generated from the comprehensive exploration and drilling programs carried out over the past three years at Don Sixto and provided the basis for the regional evaluation program. Work initially involved targeting areas with similar structural and alteration features as Don Sixto. Ikonos satellite imagery and reprocessed airborne magnetic/radiometric survey data was also used to assist in targeting for mineralized zones. This work, considered to be at an early stage, has also been terminated following the introduction of anti-mining legislation.

Property Description

Don Sixto is located 370 km south of the city of Mendoza, in Mendoza Province, and consists of seven gold concessions, covering approximately 82 square kilometres. Approximately 615 square kilometres of additional concessions, comprising the Agua Nueva property and other properties in the area, are held under option pursuant to agreements with Minera Rio de la Plata, described below, the option entered into in early 2007, and the areas acquired by the Company. Geologically, it is readily accessed by gravel roads and lies at an elevation of 1,100 metres above sea level. The area has no grid electricity or water pipeline.

The property was discovered in 1997 by Argentina Mineral Development (“AMD”), which spent approximately US\$3.3 million on exploration to outline ore-grade gold mineralization within epithermal quartz veins and breccias, in hydrothermally altered, Permo-Triassic felsic volcanic rocks. The Don Sixto mineralization is described as low-sulphidation epithermal. Preliminary metallurgical test work indicated +90% gold recovery for oxidized and sulphide bearing material utilizing conventional leaching methods. Drilling by AMD included 16,000 metres of diamond and reverse circulation testing. This exploration program partially delineated multiple zones of gold mineralization within a 4 square kilometre area and led to resource calculations followed by an in-house scoping study.

Exeter commissioned Ruben S. Verzosa, P. Eng. of Langley, British Columbia, a QP, 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 established to that date were “inferred resources” as defined by the Canadian Institute of Mining, Metallurgy and Petroleum code. This report can be viewed at www.sedar.com.

Robert Harley, formerly Exeter’s Vice President, Exploration completed a NI 43-101 technical report, updating all exploration to September, 2004. This report can be viewed at www.sedar.com.

Subsequently, Matthew Williams, Exeter’s Exploration Manager and QP, together with independent QP Peter Allen of Australian Mine Design and Development (“AMDAD”) of Brisbane, Australia, drafted a new NI 43-101 technical report to accompany the revised statement of Indicated and Inferred Resources. This report was filed on July 27, 2005 and can be viewed on SEDAR at www.sedar.com. A further update of resources was issued in September 2007 with a NI 43-101

technical report to accompany those resource estimates filed on February 20, 2008. The report can be viewed on SEDAR at www.sedar.com.

Purchase of Surface Rights

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

Estelar Properties

Acquisition terms

In July 2003, the Company completed the acquisition of Estelar Resources Limited ("Estelar"), a company that owns the rights to four mineral projects in Argentina. The consideration paid for the acquisition of Estelar was the issuance of 1,000,000 common shares of the Company to Estelar's shareholders. The Estelar properties carry a 2% NSR, payable to the previous owner, AMD.

Property Description

The Estelar projects currently cover approximately 68 square kilometres of exploration rights in central and western Argentina. Individually, the properties are referred to as the Quispe, Rosarita and El Salado gold projects - all of which have the potential for the discovery of epithermal gold deposits and/or porphyry gold-copper systems. There are no exploration commitments on the projects.

Quispe Project – Catamarca Province

The Quispe Project is located in southwestern Catamarca province in northwest Argentina and covers 30 square kilometres of exploration rights. The project was identified through ground follow-up of satellite-imagery color anomalies. The target is a porphyry copper-gold deposit and/or high-sulphidation epithermal gold system.

Rosarita Project – San Juan Province

The Rosarita Project, located in San Juan Province, covers 30 square kilometres of exploration rights and has potential for a low-sulphidation epithermal gold system. The project lies immediately south of Intrepid's Casposo gold-silver development stage deposit, which is the subject of a pre-feasibility study for the development of an open pit/underground gold mine.

El Salado Project – San Juan Province

The El Salado property covers an area of 8 square kilometres over a large, low grade, copper-gold porphyry system. The property is located 200 kilometres north of San Juan City, the capital of San Juan Province.

MRP Properties

Acquisition terms

In November 2003, the Company entered into an option agreement 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. Tenements peripheral to the Don Sixto and Rosarita projects were relinquished from the agreement during 2006 resulting in retention of 13 tenements covering 300 square kilometres.

The option agreement requires payments totaling \$440,000 by October 2015 of which \$70,050 has been paid to date and provides for a 2% NSR, which Exeter can purchase outright for \$750,000 payable to MRP from future production. There are no minimum annual exploration expenditure commitments on these properties.

Agua Nueva (Don Sixto North) – Mendoza Province

The Agua Nueva property covers an area of approximately 299 square kilometres that adjoins the Company's Don Sixto property to the east, west and north.

La Ramada – La Rioja Province

The property comprises exploration titles over a 1 square kilometre area. The Company plans to undertake mapping and geochemical sampling to define targets for drilling and will likely acquire additional lands in the area.

CHILE

OTHER PROJECTS

Magallanes

In 2006, Exeter entered into an agreement with Rio Tinto Mining & Exploration Limited (“Rio Tinto”) covering 48 exploration targets in Magallanes, Chile. Rio Tinto has the right to acquire a 60% interest in any of these targets once Exeter has drilled 5,000 metres on any target by notifying the Company of its intention to acquire an interest. Should Rio Tinto not exercise this option, it will be entitled to a 1% royalty from production on that property.

Following a detailed review of the Rio Tinto data, the Company applied for concessions over some of the targets including Punta Southerland, Pico Batchelor and Monte del Sol covering a total area of 5,400 hectares.

Cochrane

Mineral rights to the Confluencia project, located outside of the area covered by the Rio Tinto agreement, were secured in 2006.

Results from Operations

The Company began 2007 with 37,836,013 shares outstanding and ended the year with 41,226,487 shares outstanding. During the year, the Company received net proceeds of \$8,036,284 and issued 1,338,475 shares upon the exercise of options and 2,051,999 shares upon the exercise of warrants. Shares issued and proceeds received are summarized below:

| | Options Exercised | Warrants Exercised | Totals |
|---------------|------------------------------|-------------------------------|---------------|
| Shares issued | 1,338,475 | 2,051,999 | 3,390,474 |
| Net proceeds | \$2,006,287 | \$6,029,997 | \$8,036,284 |

Subsequent Events

Subsequent to December 31, 2007, the Company issued shares pursuant to the exercise of options as follows:

| | Options Exercised |
|---------------|------------------------------|
| Shares issued | 42,275 |
| Net proceeds | \$55,030 |

As of March 22, 2008, the Company had 41,268,762 shares outstanding.

Summary of Financial Results

Selected Information

The Company’s consolidated financial statements for the years ended December 31, 2007, 2006 and 2005 (the “Consolidated Financial Statements”) have been prepared in accordance with Canadian generally accepted accounting principles and practices. Currency amounts are in Canadian dollars, except where stated otherwise. The following selected financial information is taken from the Consolidated Financial Statements and should be read in conjunction with those statements.

Year Ended December 31, 2007

During the year ended December 31, 2007, the Company retroactively changed its accounting policy for mineral property exploration expenditures to align itself with United States and international standards and policies applied by large companies in the mining and exploration industry. Prior to the year ended December 31, 2007, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the

capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred.

The impact of this change in 2007 was to increase the loss for the year by \$11,969,446 (2006: \$11,094,175; 2005: \$5,016,154) and reduce mineral properties and deferred costs by the same amount and increase loss per share from (\$0.14) to (\$0.43) (2006: (\$0.17) to (\$0.52); 2005: (\$0.20) to (\$0.43)).

Throughout the year, the Company focused its drilling and exploration programs on its three key projects: the Don Sixto and the Cerro Moro projects in Argentina and the Caspiche project in Chile. Following the introduction of anti-mining legislation in June 2007, the Company put the Don Sixto project on hold and ceased work except for completing certain studies including environmental work and resource calculations which were completed in the year. Exploration programs on its Cerro Moro project, now 100% owned by the Company, continued throughout the year actively increasing in the second quarter and being maintained through the remainder of the year. With limited drill rig availability and the length of the southern winter, activity on its Caspiche project in Chile was limited to a few months in the first quarter of 2007 and in December 2007. Exploration expenditures during the year at the CVSA properties, including Cerro Moro, the Chilean properties, including Caspiche, and the Don Sixto Project, were \$5,419,940, \$2,548,547 and \$3,583,716, respectively.

Including exploration expenditures of \$11,969,446, the Company posted a loss of \$16,868,644 in 2007. Other significant expenditures during the year include \$1,279,968 for administrative salaries and consulting, \$990,957 for director's fees, \$948,370 for management fees, \$664,841 for shareholder communications and \$616,824 for travel and promotion. Stock based compensation expense in 2007 was \$3,777,702 (2006: \$2,384,845, 2005: \$1,886,463) and has been allocated to the following expense categories: administrative salaries and consulting \$657,477 (2006: \$661,998, 2005: \$338,933); director's fees \$960,957 (2006: \$585,369, 2005: \$700,953); management fees \$720,870 (2006: \$ nil, 2005: \$165,080); mineral property exploration expenditures \$1,258,446 (2006: \$506,444, 2005: \$473,025); and shareholder communications \$179,952 (2006: \$631,035, 2005: \$208,472).

Year ended December 31, 2007 compared to the year ended December 31, 2006

The loss for the year of \$16,868,644 represents an increase of about \$990,000 when compared to the loss incurred in 2006. Stock-based compensation in 2007 was \$3,777,702 an increase of \$1,392,857 over 2006 resulting from additional options granted to existing and newly engaged employees, directors and consultants throughout the year. After accounting for the increase in stock based compensation, the loss in 2007 compared to 2006 was affected by the following significant items: accounting and audit fees increased by approximately \$170,000, primarily due to the Company incurring additional costs due to the engagement of external consultants to assist with the internal control documentation and testing and the requirements of Sarbanes Oxley legislation; increased travel and promotion costs of approximately \$150,000 due to the Company attending various shows and conducting investor visits to its various properties; offset by a decrease in mineral property write offs of approximately \$238,000 and increased interest income of approximately \$160,000 earned on cash holdings through the year. Other costs generally increased by smaller amounts reflecting the Company's increasing levels of activity.

Cash received from the issuance of shares in 2007 was \$8,036,284 which is \$10,938,914 less than proceeds received in 2006. This difference of about \$10.9 million is primarily the result of the Company receiving net proceeds of \$9,718,762 from private placement offerings in 2006. No financings were completed in 2007 and cash received upon the issuance of shares was derived from the exercise of options and warrants throughout the year.

The issuance of shares upon the exercise of options and warrants throughout the year resulted in contributed surplus in the amount of \$982,736 being allocated to share capital.

Fourth Quarter 2007 to Fourth Quarter 2006

At the end of the fourth quarter 2007, the Company had approximately \$8.7 million in cash and cash equivalents; which was approximately \$5.8 million less than in the fourth quarter 2006. The decrease in cash holdings is due to the Company utilizing cash raised in private placements in October 2006 being used to conduct operations through 2007. Exploration expenditures in the fourth quarter 2006 were approximately \$700,000 higher than in 2007 mainly due to the Company completely ending its drilling program at Don Sixto in early 2007. Administration expenditures in both the fourth quarter 2006 and 2007 are notably higher than in other quarters, a result of bonuses paid to certain members of management, employees and consultants at year end.

| Year ended December 31, | 2007 | | 2006 | | 2005 |
|--|-------------|------------|------|------------|--------------|
| Interest income | \$ | 391,506 | \$ | 226,977 | \$ 41,335 |
| Mineral property exploration expenditures* | \$ | 11,969,446 | \$ | 11,380,252 | \$ 5,016,154 |
| Total stock-based compensation | \$ | 3,777,702 | \$ | 2,384,845 | \$ 1,886,463 |
| Net loss and comprehensive loss for the year | \$ | 16,868,644 | \$ | 15,876,371 | \$ 7,880,121 |
| Basic and diluted loss per common share | \$ | (0.43) | \$ | (0.52) | \$ (0.43) |
| *Includes allocation of stock based compensation | \$ | 1,258,446 | \$ | 506,444 | \$ 473,025 |

| As at December 31, | 2007 | | 2006 | | 2005 |
|---------------------------|-------------|--------------|------|--------------|-----------------|
| Working capital | \$ | 7,057,047 | \$ | 12,373,333 | \$ 7,338,582 |
| Total assets | \$ | 12,737,078 | \$ | 18,088,092 | \$ 11,429,070 |
| Total liabilities | \$ | 2,114,690 | \$ | 2,261,385 | \$ 554,798 |
| Share capital | \$ | 55,249,342 | \$ | 46,230,295 | \$ 27,802,270 |
| Deficit | \$ | (51,861,173) | \$ | (34,992,529) | \$ (19,116,158) |

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

Comparison to Prior Quarterly Periods*

| | \$ 000's | | | | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 | | | | 2006 | | | |
| | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter |
| Interest | 106 | 115 | 85 | 86 | 86 | 17 | 68 | 56 |
| Net loss and Comprehensive loss | 4,304 | 3,963 | 5,377 | 3,224 | 6,144 | 3,277 | 3,843 | 2,612 |
| Administration expenditures | 992 | 475 | 623 | 661 | 1,059 | 423 | 630 | 495 |
| Mineral property exploration expenditures | 3,261 | 3,363 | 2,758 | 2,587 | 3,993 | 2,754 | 2,461 | 1,582 |
| Mineral property acquisitions and (write – offs) | 104 | - | - | - | (187) | - | - | - |
| Basic and diluted loss/share in cents/share | \$0.11 | \$0.10 | \$0.14 | \$0.08 | \$ 0.18 | \$ 0.11 | \$ 0.14 | \$ 0.09 |

*Note: Quarterly balances have been restated to reflect the Company's change in accounting policy

Interest income has remained higher in the last five quarters when compared to previous quarters as the exercise of options and warrants together with the private placement financings completed in October 2006, has resulted in the Company maintaining higher interest earning cash balances.

Administration expenditures are calculated by removing interest, stock based compensation and exploration expenditures from the net loss from operations and with the exception of both the fourth quarter 2006 and fourth quarter 2007, when bonuses were given to certain members of management and staff, these expenditures have remained relatively consistent throughout the previous eight quarters.

Net loss and comprehensive loss per quarter, including mineral property exploration expenditures, has increased in the last five quarters when compared to earlier quarterly results. These expenditures are a reflection of the Company's continued advancement of its key projects and in particular the increased efforts on its Cerro Moro project in 2007.

Liquidity and Capital Resources

The Company's cash and cash equivalents at December 31, 2007 totalled \$8,722,779 compared to \$14,511,062 at December 31, 2006 and \$7,788,697 at December 31, 2005. The Company continues to utilize its cash resources to fund project exploration and administrative requirements. Aside from such cash, the Company has no material liquid assets. As the Company has no significant income, and 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.

Currently held funds will be used for planned exploration programs and for general corporate purposes. The Company will be required to undertake additional financing to fund the continued exploration of existing projects, if it acquires new projects or if it exercises options to acquire projects currently under option.

Subsequent to December 31, 2007, the Company entered into an agreement with a syndicate of underwriters to sell, on a private placement basis, 7.78 million special warrants at a price of \$4.50 per special warrant to raise gross proceeds of \$35 million. Each special warrant is exercisable to acquire one common share of the Company. The Company has agreed to use its best efforts to file and obtain a receipt for a prospectus in certain provinces of Canada qualifying the common shares for trading. If a receipt for such a prospectus is not obtained by the date which is 41 days after the closing of the private placement, each special warrant shall be convertible into 1.1 common shares of the Company. The offering closed on or about March 26, 2008. As consideration to the underwriters, the Company agreed to pay the underwriters a cash fee in an amount equal to six and one half percent (6.5%) of the gross proceeds received by the Company from the offering. The Company also agreed to issue to the underwriters 505,700 non-transferable warrants ("Underwriters' Warrants") constituting six and one-half percent (6.5%) of the aggregate number of special warrants sold pursuant to the offering. Each Underwriters' Warrant will be exercisable for a period of twelve (12) months at the offering price of \$4.50.

The Company intends to use the net proceeds of the offering for exploration and development of its properties in Argentina and Chile, and for general corporate purposes.

Subsequent to December 31, 2007, the Company has received \$1,249,334 through the exercise of options.

Contractual Obligations

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

| Payments Due by Year | | | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| Cash Payments | Total | 2008 | 2009 – 2010 | After 2011 |
| Office leases | \$ 408,191 | \$ 140,826 | \$ 157,327 | \$ 110,038 |
| Total | \$ 408,191 | \$ 140,826 | \$ 157,327 | \$ 110,038 |

Related Party Transactions

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

A total of \$1,271,274 (2006: \$1,204,005; 2005: \$681,280) was paid to or accrued for related party transactions as described below.

- a) Exploration and consulting fees totaling \$360,000 (2006: \$282,000; 2005: \$144,000) and \$43,500 (2006: \$58,000 2005: \$21,000) for the provision of other consulting services was paid or accrued to a corporation of which the President and Chief Executive Officer is a beneficiary.
- b) Management and consulting fees totaling \$165,000 (2006: \$238,000; 2005: \$96,000) were paid or accrued to a corporation controlled by the Chairman of the Company.
- c) Management fees of \$167,250 (2006: \$195,000; 2005: \$85,000) were paid or accrued to a corporation controlled by the Chief Financial Officer of the Company.
- d) Legal fees totaling \$57,200 (2006: \$120,101; 2005: \$105,866) were paid or accrued to a corporation controlled by a former director of the Company of which the Secretary of the Company is an employee.
- e) Exploration and development costs totaling \$238,663 (2006: \$266,633; 2005: \$134,000) were paid or accrued to a company controlled by the Company's Vice President, Exploration and Development.
- f) Management and consulting fees of \$239,661 (2006: \$nil; 2005: \$nil) were paid or accrued to a company controlled by the Chief Operating Officer of the Company.

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

Subsequent Events

- a) Subsequent to December 31, 2007, the Company entered into a letter of intent with Fomento Minera de Santa Cruz Sociedad del Estado (“Fomicruz”), a company owned by the government of Santa Cruz province, Argentina. The letter of intent (“LOI”) sets out the key terms of a strategic agreement between the Company and Fomicruz for the future development of Exeter’s 100 percent owned Cerro Moro project in Santa Cruz, and provides access to Fomicruz’s significant landholding around Cerro Moro. The Company and Fomicruz will, subject to approval by the parties, enter into a detailed agreement which will include the following terms:
 - (i) Fomicruz will acquire a 5 percent interest in the Company’s 160 square kilometre Cerro Moro project.
 - (ii) The Company will have the right to earn up to an 80 percent interest in 763 square kilometre of Fomicruz’s exploration properties adjoining the Cerro Moro project by incurring USD\$10 million in exploration expenditures over a number of years to be determined later.
 - (iii) The Company will finance all exploration and development costs of the Cerro Moro project and Fomicruz will repay an agreed amount of those costs from 50 percent of Fomicruz’s share of net revenue from future operations.
 - (iv) The Company will manage the exploration and potential future development on the properties
- b) Subsequent to December 31, 2007, the Company entered into an agreement with a syndicate of underwriters to sell, on a private placement basis, 7.78 million special warrants at a price of \$4.50 per special warrant to raise gross proceeds of \$35 million. Each special warrant is exercisable to acquire one common share of the Company. The Company has agreed to use its best efforts to file and obtain a receipt for a prospectus in certain provinces of Canada qualifying the common shares for trading. If a receipt for such a prospectus is not obtained by the date which is 41 days after the closing of the private placement, each special warrant shall be convertible into 1.1 common shares of the Company. The offering closed on or about March 26, 2008. As consideration to the underwriters, the Company agreed to pay the underwriters a cash fee in an amount equal to six and one half percent (6.5%) of the gross proceeds received by the Company from the offering. The Company also agreed to issue to the underwriters 505,700 non-transferable warrants (“Underwriters’ Warrants”) constituting six and one-half percent (6.5%) of the aggregate number of special warrants sold pursuant to the offering. Each Underwriters’ Warrant will be exercisable for a period of twelve (12) months at the offering price of \$4.50.

The Company intends to use the net proceeds of the offering for exploration and development of the Company’s properties in Argentina and Chile, and for general corporate purposes.

Forward Looking Statements

This management discussion and analysis contains “forward-looking information” and “forward-looking statements” (together, the “forward-looking statements”) within the meaning of applicable securities laws and the United States Private Securities Litigation Reform Act of 1995, including the Company’s belief as to the timing of its drilling and exploration programs and exploration results. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to vary from any future results, performance or achievements expressed or implied by the forward-looking statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. All statements are made as of the date of this Management Discussion and Analysis and the Company is under no obligation to update or alter any forward-looking statements except as required under applicable securities laws. See Risk Factors, below.

Risks

The Company is subject to substantial environmental requirements which could cause a restriction or suspension of certain Company operations. The current and anticipated future operations of the Company require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing various elements of the mining industry. The Company’s exploration activities in Argentina and Chile are subject to various Federal, Provincial and local laws governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters. Such operations

and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company to obtain permits from various governmental agencies.

During the second quarter 2007, Exeter ceased all exploration activities at the Don Sixto Project following the Mendoza Provincial Government's recent anti-mining legislation. The new legislation, introduced in June, 2007, effectively precludes the development of some mining projects in Mendoza Province, as certain chemicals traditionally used in the mining process were banned. The Company has filed an action in the Mendoza Supreme Court to have this anti-mining legislation declared unconstitutional. Should the Company not be successful in its constitutional challenge or the anti mining legislation not be amended, the carrying value of the Don Sixto project may not be recoverable requiring the Company to write-off its entire investment of \$3.2 million.

The exploration 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 all have an impact on the economic viability of a mineral deposit.

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

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

Although the Company can conduct exploration on most of its properties year-round, exploration on some of its Patagonia properties and properties at higher altitude in Chile and Argentina is difficult during the winter months of June to October.

The Company relies on equity 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 Annual Information Form attached as an exhibit to the Annual Report on Form 40-F for the year ended December 31, 2007, and subsequent filings 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 2008, the Company plans to continue its exploration and drilling programs at Cerro Moro in Santa Cruz, Argentina and Caspiche in the Maricunga, Chile.

The Company will continue working with all levels of government, industry and unions to demonstrate that the Don Sixto project in Mendoza, if viable, could be developed responsibly and that it would provide important economic and social benefits to the community and the province.

Exploration campaigns are planned for some of the Company's non-primary properties which are either new to the Company or are still considered to be under-explored. These programs are, however, dependent at least in part on the Company being able to secure adequate qualified personnel to conduct such programs.

Proposed Transactions

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

Critical Accounting Estimates and Policies

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

- (i) mineral property costs – the Company regularly reviews the carrying value of each mineral property for conditions that suggest impairment. This review requires significant judgement where the Company does not have any proven or probable reserves that would enable an estimate of future cash flows to be compared to the carrying values. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant decrease in market price of the property; whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and whether the Company has significant funds to be able to maintain its interest in the mineral property; and
- (ii) stock based compensation – the Company provides compensation benefits to its employees, directors, officers and consultants through a stock based compensation plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the stock. The Company utilizes historical data to estimate option exercises and termination behaviour with the valuation model. The risk-free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant. Actual results may differ materially from those estimates based on these assumptions.

Changes in Accounting Policies

During the year ended December 31, 2007, the Company retroactively changed its accounting policy for mineral property exploration expenditures to align itself with United States and international standards and policies applied by large companies in the mining and exploration industry. Prior to the year ended December 31, 2007, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred.

The impact of this change in 2007 was to increase the loss for the year by \$11,969,446 (2006: \$11,094,175; 2005: \$5,016,154) and reduce mineral properties and deferred costs by the same amount and increase loss per share from (\$0.14) to (\$0.43) (2006: (\$0.17) to (\$0.52); 2005: (\$0.20) to (\$0.43)).

Effective January 1, 2007, the Company has adopted the guidelines provided by the Canadian Institute of Chartered Accountants ("CICA") relating to the accounting treatment of financial instruments.

Financial Instruments – Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented. Section 3855 requires that all financial assets, except those qualified as held to maturity, and derivative financial instruments, must be measured at fair value. Financial liabilities qualified as held for trading must also be measured at fair value, while all other financial liabilities may be measured at cost.

Effective January 1, 2007, the Company's cash equivalents have been classified as held-for-trading, and related recognized gains and losses are recorded directly in net income. Receivables and payables are carried at cost, which equates to fair value. Transaction costs related to the acquisition of financial instruments are charged to earnings as incurred.

Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline AcG-13 "Hedging Relationships", and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company does not apply hedge accounting and accordingly is not impacted by this standard.

Comprehensive Income, Section 1530

This standard introduces new rules for the reporting and display of comprehensive income. Comprehensive income is the change in shareholders' equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments and gains and losses on certain derivative instruments. The Company holds no marketable securities, does not have any self sustaining foreign subsidiaries and does not apply hedge accounting. Accordingly, the consolidated statement of comprehensive income and the balance sheet do not contain any other comprehensive income items.

Accounting Changes (Section 1506)

In July 2006, the CICA reissued Handbook Section 1506 "Accounting Changes" which is effective for fiscal years beginning on or after January 1, 2007. Under this standard, voluntary changes in accounting policy are only made when they result in the financial statements providing more reliable and more relevant information. Changes in accounting policy are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP. A change in accounting estimate is generally recognized prospectively and material prior period errors are amended through restatements. New disclosures are required in respect of such accounting changes. The impact that the adoption of Section 1506 has had on the Company's results of operations and financial condition has been noted above in the description of the change in accounting policy for mineral property exploration expenditures.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Disclosure Controls

At the end of the fiscal year ended December 31, 2007, the Company carried out an evaluation, under the supervision of and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of December 31, 2007, the Company's disclosure controls and procedures were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in its reports filed under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management's responsibility for the Financial Statements

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

Management, under the supervision of and with the participation of the CEO and the CFO, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. We, as CEO and CFO, will certify our annual filings with the CSA and SEC as required in Canada by Multilateral Instrument 52-109 and in the United States as required by the Exchange Act. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through

its Audit Committee which is independent from management. The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A; considers the report of the external auditors; assesses the adequacy of our internal controls, including management's assessment described below; examines and approves the fees and expenses for the audit services; and recommends the independent auditors to the Board for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders and also Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal Control over Financial Reporting

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

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

In 2007, the Company retained an independent third party specialist to assist in the documentation of its internal control procedures. Following the documentation of its internal control system and testing of those systems, during the year ended December 31, 2007, the Company effected certain changes in internal control over financial reporting that have materially affected, or may materially affect, the Company's internal control over financial reporting. The Company has (i) taken steps to improve segregation of duties and the authorization process through the addition of accounting personnel; and (ii) reviewed and refined internal control processes; and (iii) reviewed and improved general controls over information technology; and (iv) enhanced financial control over period close processes.

Management's Report on Internal Control over Financial Reporting

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

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

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2007 based on the criteria set forth in Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of the Company's internal controls over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent public accounting firm, who have expressed their opinion in their report included with the annual consolidated financial statements.

Amex Corporate Governance

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

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

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

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

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

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

Independent Auditors' Report

To the Shareholders of Exeter Resource Corporation

We have completed an integrated audit of Exeter Resource Corporation's 2007 consolidated financial statements and of its internal control over financial reporting as at December 31, 2007. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated balance sheet of Exeter Resource Corporation as at December 31, 2007, and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for the year then ended. 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 audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2006 and for the two years then ended, prior to the adjustments for the change in accounting policy for exploration expenditures as described in note 3 to the financial statements, were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated March 19, 2007. We have audited the adjustments to the 2006 and 2005 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Internal control over financial reporting

We have also audited Exeter Resource Corporation's internal control over financial reporting as at December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, which is set out in Management's Report on Internal Control Over Financial Reporting included in Management's Discussion and Analysis. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2007 based on criteria established in Internal Control — Integrated Framework issued by the COSO.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 28, 2008

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Differences

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the change described in note 3(a) to the financial statements. Our report to the shareholders dated March 28, 2008 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 28, 2008

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

| December 31, | | 2007 | 2006 Restated (See note 3) |
|--|-----------|----------------------|---|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | (notes 7) | \$ 8,722,779 | \$ 14,511,062 |
| Other receivables and prepaid expenses | | 448,958 | 123,656 |
| | | 9,171,737 | 14,634,718 |
| Property and equipment | (notes 8) | 210,962 | 203,358 |
| Mineral properties | (notes 9) | 3,354,379 | 3,250,016 |
| | | \$ 12,737,078 | \$ 18,088,092 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | \$ 1,773,532 | \$ 1,884,769 |
| Due to related parties | (note 14) | 341,158 | 376,616 |
| | | 2,114,690 | 2,261,385 |
| Shareholders' Equity | | | |
| Share capital | (note 10) | 55,249,342 | 46,230,295 |
| Contributed surplus | (note 13) | 7,234,219 | 4,588,941 |
| Deficit | | (51,861,173) | (34,992,529) |
| | | 10,622,388 | 15,826,707 |
| | | \$ 12,737,078 | \$ 18,088,092 |

Nature of Business and Continuing Operations (Note 1)

Subsequent Events (Note 19)

Approved by the Directors:

"Yale Simpson" **Director**

"Bryce Roxburgh" **Director**

See accompanying notes to the consolidated financial statements.

| Exeter Resource Corporation | | | | |
|--|------------------------|------------------------|-----------------------|--|
| Consolidated Statements of Operations (Expressed in Canadian Dollars) | | | | |
| For the years ended December 31, | 2007 | 2006 | 2005 | |
| | | Restated | Restated | |
| | | (See note 3) | (See note 3) | |
| Income | | | | |
| Interest income | \$ 391,506 | \$ 226,977 | \$ 41,335 | |
| Expenses | | | | |
| Accounting and audit | 269,309 | 99,019 | 72,394 | |
| Administration salaries and consulting (note 11) | 1,279,968 | 1,191,900 | 491,869 | |
| Amortization | 41,336 | 40,699 | 21,179 | |
| Bank charges | 21,209 | 21,623 | 6,250 | |
| Directors' fees (note 11) | 990,957 | 615,369 | 730,910 | |
| Legal fees | 105,224 | 179,551 | 139,273 | |
| Management fees (note 11) | 948,370 | 365,113 | 225,080 | |
| Mineral property exploration expenditures (note 11) | 11,969,446 | 11,380,252 | 5,016,154 | |
| Mineral property acquisition cost write-off | - | 237,820 | - | |
| Office and miscellaneous | 91,827 | 78,531 | 41,373 | |
| Rent | 83,154 | 51,892 | 41,287 | |
| Shareholder communications (note 11) | 664,841 | 1,185,722 | 765,804 | |
| Stock exchange listing and filing fees | 109,430 | 116,565 | 69,228 | |
| Telecommunications | 31,864 | 20,519 | 9,830 | |
| Transfer agent | 15,581 | 20,030 | 7,723 | |
| Travel and promotion | 616,824 | 463,921 | 291,055 | |
| | 17,239,340 | 16,068,526 | 7,929,409 | |
| Loss before other items | (16,847,834) | (15,841,549) | (7,888,074) | |
| Gain/(loss) on conversion of foreign currencies | (20,810) | (34,822) | 7,953 | |
| Net loss and comprehensive loss for the year | \$ (16,868,644) | \$ (15,876,371) | \$ (7,880,121) | |
| Basic and diluted loss per share | \$ (0.43) | \$ (0.52) | \$ (0.43) | |
| Weighted average number of common shares outstanding | 39,322,850 | 30,688,058 | 18,128,363 | |

See accompanying notes to the consolidated financial statements.

| Exeter Resource Corporation | | | |
|--|---------------------|----------------------|---------------------|
| Consolidated Statements of Cash Flows (Expressed in Canadian Dollars) | | | |
| For the year ended December 31, | 2007 | 2006 | 2005 |
| | | Restated | Restated |
| | | (See note 3) | (See note 3) |
| Operating activities | | | |
| Loss for the year | \$ (16,868,644) | \$ (15,876,371) | \$ (7,880,121) |
| Non cash items: | | | |
| Amortization | 73,707 | 104,929 | 71,780 |
| Total stock based compensation | 3,777,702 | 2,384,845 | 1,886,463 |
| Write off of mineral properties | - | 237,820 | - |
| | (13,017,235) | (13,148,777) | (5,921,878) |
| Changes in non-cash working capital items: | | | |
| Other receivables and prepaid expenses | (325,302) | (18,973) | (45,624) |
| Accounts payable and accrued liabilities | (111,237) | 1,494,084 | 301,517 |
| Due to related parties | (185,119) | 212,503 | 30,926 |
| | (13,638,893) | (11,461,163) | (5,635,059) |
| Financing activities | | | |
| Issue of share capital for cash | 8,036,284 | 18,975,198 | 11,455,450 |
| Share issue costs | - | (531,238) | (307,745) |
| | 8,036,284 | 18,443,960 | 11,147,705 |
| Investing activities | | | |
| Acquisition of property and equipment | (81,311) | (189,863) | (51,199) |
| Acquisition of mineral properties | (104,363) | (70,569) | (131,623) |
| | (185,674) | (260,432) | (182,822) |
| Net increase (decrease) in cash and cash equivalents | (5,788,283) | 6,722,365 | 5,329,824 |
| Cash and cash equivalents, beginning of year | 14,511,062 | 7,788,697 | 2,458,873 |
| Cash and cash equivalents, end of year | \$ 8,722,779 | \$ 14,511,062 | \$ 7,788,697 |
| Cash equivalents | (note 7) | | |
| Supplemental cash flow information | (note 15) | | |

See accompanying notes to the consolidated financial statements.

Exeter Resource Corporation
Consolidated Statements of Shareholders' Equity (Expressed in Canadian Dollars)
For the years ended December 31, 2007, 2006, and 2005

| | Issued Share Capital | | | Deficit | Total Shareholders' Equity |
|--|----------------------|----------------------|---------------------|------------------------|----------------------------|
| | Number of Shares | Amount | Contributed Surplus | | |
| Balance at December 31, 2004 Restated (See note 3) | 15,356,387 | \$ 14,078,259 | \$ 378,003 | \$ (11,236,037) | \$ 3,220,225 |
| Additions During the Year: | | | | | |
| - Exercise of warrants | 1,722,500 | 1,147,225 | - | - | 1,147,225 |
| - Exercise of stock options | 335,375 | 245,891 | - | - | 245,891 |
| - Private Placements net of share issue costs of \$365,595 | 7,887,001 | 9,696,739 | - | - | 9,696,739 |
| - Finder's Fee | 44,500 | 57,850 | - | - | 57,850 |
| - Acquisition of Cognito | 2,500,000 | 2,500,000 | - | - | 2,500,000 |
| - Contributed surplus allocated on exercise of stock options | - | 76,306 | (76,306) | - | - |
| - Stock based compensation | - | - | 1,886,463 | - | 1,886,463 |
| - Net loss for the year | - | - | - | (7,880,121) | (7,880,121) |
| Balance at December 31, 2005 Restated (See note 3) | 27,845,763 | 27,802,270 | 2,188,160 | (19,116,158) | 10,874,272 |
| Additions during the year: | | | | | |
| - Exercise of warrants | 5,348,250 | 8,274,309 | - | - | 8,274,309 |
| - Exercise of stock options | 542,000 | 450,890 | - | - | 450,890 |
| - Private placement net of share issue costs of \$531,238 | 3,600,000 | 8,468,762 | - | - | 8,468,762 |
| - Agents Warrants | - | (221,139) | 221,139 | - | - |
| - Private Placement | 500,000 | 1,250,000 | - | - | 1,250,000 |
| - Contributed surplus allocated on exercise of stock options | - | 205,203 | (205,203) | - | - |
| - Stock based compensation | - | - | 2,384,845 | - | 2,384,845 |
| - Net loss for the year | - | - | - | (15,876,371) | (15,876,371) |
| Balance at December 31, 2006 (Restated (See note 3) | 37,836,013 | 46,230,295 | 4,588,941 | (34,992,529) | 15,826,707 |
| Additions during the year: | | | | | |
| - Exercise of warrants | 2,051,999 | 6,029,997 | - | - | 6,029,997 |
| - Exercise of stock options | 1,338,475 | 2,006,287 | - | - | 2,006,287 |
| - Contributed surplus allocated on exercise of stock options | - | 951,489 | (951,489) | - | - |
| - Warrants | - | 31,274 | (31,274) | - | - |
| - Stock based compensation | - | - | 3,777,702 | - | 3,777,702 |
| - Bonus shares | - | - | (149,661) | - | (149,661) |
| - Net loss for the year | - | - | - | (16,868,644) | (16,868,644) |
| Balance at December 31, 2007 | 41,226,487 | \$ 55,249,342 | \$ 7,234,219 | \$ (51,861,173) | \$ 10,622,388 |

See accompanying notes to the consolidated financial statements.

1. Nature of Business and Continuing Operations

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

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amount shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of such reserves, and the profitable production or disposition of such reserves. See note 19(b).

2. Significant Accounting Policies

a) Mineral property acquisition costs

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

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

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

b) Mineral property exploration expenditures

During the year ended December 31, 2007, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (See Note 3). When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized and amortized over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property are credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the deferred costs will be written off to operations.

c) Impairment of mineral property acquisition costs and deferred exploration and development expenditures

Carrying values of mineral properties and the property, plant and equipment associated with those mineral properties are reviewed for impairment when events or changes in circumstances occur that suggest possible impairment. If the property is assessed to be impaired, it is written down to its estimated fair value.

d) Asset retirement obligations

Asset retirement obligations are recognized for expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred

2. Significant Accounting Policies (Continued)

and when a reasonable estimate of the fair value of the liability can be made with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

e) Cash and cash equivalents

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

f) Translation of foreign currencies

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

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

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

g) Property and equipment

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

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

h) 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 has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive. Accordingly, basic and diluted loss per share is the same.

i) Share issue costs

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

j) Stock-based compensation

The Company has adopted an incentive stock option plan, which is described in note 11. All stock-based awards are measured and recognized using the fair-value method as determined by the Black-Scholes option

2. Significant Accounting Policies (Continued)

pricing model. Awards that the Company has the ability to settle with stock are recorded as equity, whereas awards that the Company is required to settle, or has the practice of settling, in cash are recorded as liabilities. Compensation expense is allocated to the applicable expense category and is recognized in the Statement of Operations over the vesting period.

k) Income taxes

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

l) Use of estimates

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

3. Change in Accounting Policy and Recent Accounting Pronouncements

- a) During the year ended December 31, 2007, the Company retroactively changed its accounting policy for mineral property exploration expenditures to align itself with United States accounting standards and policies applied by large companies in the mining and exploration industry. The Company considers that expensing these expenditures until such time as an economic feasibility study has established proven and probable reserves constitutes a reliable and more relevant presentation of the Company's exploration activities. Prior to the year ended December 31, 2007, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred.

The following table shows the impact of the change in accounting policy:

| Account Impacted | 2007 Adjustment amount- increase (decrease) | 2007 Amount after policy change | 2006 Adjustment amount- increase (decrease) | 2006 Amount after policy change | 2005 Adjustment amount- increase (decrease) | 2005 Amount after policy change |
|--|--|--|--|--|--|--|
| Net loss and comprehensive loss for the year | \$11,969,446 | \$16,868,644 | \$11,094,175 | \$15,876,371 | \$4,661,005 | \$7,880,121 |
| Mineral properties and deferred costs | (\$11,969,446) | \$3,354,379 | (\$11,094,175) | \$3,250,016 | (\$4,661,005) | \$2,702,534 |
| Opening Deficit | \$17,802,407 | \$34,992,529 | \$7,214,676 | \$19,116,158 | \$3,026,696 | \$11,236,037 |
| Loss per share | (\$0.29) | (\$0.43) | (\$0.35) | (\$0.52) | (\$0.23) | (\$0.43) |

- b) Effective January 1, 2007, the Company has adopted the guidelines provided by the Canadian Institute of Chartered Accountants ("CICA") relating to the accounting treatment of financial instruments.

3. Change in Accounting Policy and Recent Accounting Pronouncements (Continued)

(i) Financial Instruments – Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented. Section 3855 requires that all financial assets, except for receivables and those assets designated as held to maturity, and derivative financial instruments, must be measured at fair value. Financial liabilities qualified as held for trading must also be measured at fair value, while all other financial liabilities may be measured at cost.

Effective January 1, 2007, the Company's cash equivalents have been classified as held-for-trading, and related recognized gains and losses are recorded directly in net income. Receivables and payables are carried at cost, which equates to fair value. Transaction costs related to the acquisition of financial instruments are charged to earnings as incurred.

(ii) Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline AcG-13 "Hedging Relationships", and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company does not apply hedge accounting and accordingly is not impacted by this standard.

(iii) Comprehensive Income, Section 1530

This standard introduces new rules for the reporting and display of comprehensive income. Comprehensive income is the change in shareholders' equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments and gains and losses on certain derivative instruments. The Company holds no marketable securities, does not have any self sustaining foreign subsidiaries and does not apply hedge accounting. Accordingly, the consolidated statement of comprehensive income and the balance sheet do not contain any other comprehensive income items.

(iv) Accounting Changes (Section 1506)

In July 2006, the CICA reissued Handbook Section 1506 "Accounting Changes" which is effective for fiscal years beginning on or after January 1, 2007. Under this standard, voluntary changes in accounting policy are only made when they result in the financial statements providing reliable and more relevant information. Changes in accounting policy are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP. A change in accounting estimate is generally recognized prospectively and material prior period errors are amended through restatements. New disclosures are required in respect of such accounting changes. For the year ended December 31, 2007, the Company voluntarily changed its accounting policy for mineral property exploration expenditures and applied the provisions of section 1506 (see note 3(a)).

c) Canadian accounting pronouncements effective for 2008

(i) Capital Disclosures, Section 1535

On December 1, 2006, the CICA issued this new accounting standard which became effective January 1, 2008. Section 1535 specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance.

3. Change in Accounting Policy and Recent Accounting Pronouncements (Continued)

(ii) Inventories, Section 3031

In June 2007, the CICA issued section 3031 – Inventories to replace existing section 3030. This new section, which became effective January 1, 2008, establishes standards for the measurement and disclosure of inventories. The Company does not expect to be impacted by the application of section 3031 as it does not currently have any inventory.

(iii) Goodwill and intangible assets, Section 3064

The CICA issued the new Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace Section 3062, “Goodwill and Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of this new accounting standard on its consolidated financial statements.

(iv) Financial Instruments Disclosures, Section 3862 / Financial Instruments Presentation, Section 3863

These sections will replace Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim periods in fiscal years beginning on or after October 1, 2007. The Company will begin application of these sections effective January 1, 2008. It is not anticipated that the adoption of these new accounting standards will impact the amounts reported in the Company’s consolidated financial statements as they relate primarily to disclosure.

(v) International financial reporting standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company has determined that there are no other recent pronouncements that impact its consolidated financial statements.

4. Financial Instruments

All 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.

Our financial instruments are comprised of cash and cash equivalents, other receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. Cash and cash equivalents are recorded at fair value. The fair value of other receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity or capacity of prompt liquidation. The Company is however exposed to currency risk from foreign currency fluctuations and manages that risk from foreign exchange fluctuations by limiting the terms to settlement.

4. Financial Instruments (Continued)

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 currency included in their balances:

| | 2007 | | | 2006 | | |
|--|-----------------|---------------|------------|-----------------|---------------|------------|
| | Argentine Pesos | Chilean Pesos | US Dollars | Argentine Pesos | Chilean Pesos | US Dollars |
| Cash and cash equivalents | 1,855,883 | 90,602,505 | 236,022 | 2,636,248 | 29,024,679 | 72,675 |
| Other receivables and prepaid expenses | 274,088 | 7,048,074 | - | 166,265 | 2,989,878 | - |
| Accounts payable and accrued liabilities | 4,363,510 | 13,170,702 | 7,500 | 3,706,391 | 26,370,114 | 7,500 |
| Rate to convert to \$1.00 CDN | 0.3116 | 0.001984 | 1.0123 | 0.377 | 0.002154 | 0.8588 |

5. Principles of Consolidation

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

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

6. Investments in Subsidiaries

a) Cognito Limited

By a Principles of Agreement dated October 27, 2002, an Option to Purchase, Acquisition and Joint Venture Agreement, dated January 18, 2003, and an agreement dated April 30, 2003, the Company acquired the right, subject to the payment noted below, to earn a 100% interest in Cognito. Cognito holds an option to acquire a 100% interest, subject to a 3.5% net smelter royalty, in the Don Sixto Project. (See note 9c (i))

Effective July 22, 2003, the Company issued 1,600,000 shares and paid \$25,000 for the right to earn a 100% interest in Cognito. Direct costs of the acquisition totaled \$2,908. At that date, the fair value of the consideration paid for that right was \$347,908, which has been recorded as mineral property acquisition cost.

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

b) Estelar Resources Limited

Effective July 22, 2003, the Company acquired a 100% interest in Estelar for consideration of 1,000,000 shares (issued at a fair value of \$0.237 per share). At that date, the fair value of the assets acquired was \$237,820, which was recorded as a mineral property acquisition cost.

7. Cash and Cash Equivalents

| | 2007 | 2006 |
|-----------------------------------|--------------|---------------|
| Cash | \$ 1,222,779 | \$ 14,511,062 |
| Guaranteed Investment Certificate | 7,500,000 | - |
| Total | \$ 8,722,779 | \$ 14,511,062 |

8. Property and Equipment

| | 2007 | | | 2006 | | |
|------------------------------|------------|--------------------------|----------------|------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Canada | | | | | | |
| Computer equipment | \$ 61,665 | \$ 31,881 | \$ 29,784 | \$ 48,590 | \$ 21,608 | \$ 26,982 |
| Computer software | 6,663 | 6,214 | 449 | 5,767 | 5,767 | - |
| Equipment | 44,178 | 14,334 | 29,844 | 44,178 | 6,874 | 37,304 |
| Leasehold improvements | 26,882 | 15,738 | 11,144 | 26,882 | 12,952 | 13,930 |
| Office equipment | 17,979 | 5,344 | 12,635 | 15,108 | 2,545 | 12,563 |
| | 157,367 | 73,511 | 83,856 | 140,525 | 49,746 | 90,779 |
| Argentina | | | | | | |
| Computer equipment | 25,860 | 20,419 | 5,441 | 24,487 | 14,410 | 10,077 |
| Computer software | 4,859 | 4,273 | 586 | 3,969 | 3,492 | 477 |
| Equipment including vehicles | 194,703 | 162,627 | 32,076 | 194,703 | 137,041 | 57,662 |
| | 225,422 | 187,319 | 38,103 | 223,159 | 154,943 | 68,216 |
| Chile | | | | | | |
| Computer equipment | 4,072 | 400 | 3,672 | 959 | 27 | 932 |
| Equipment including vehicles | 101,469 | 20,450 | 81,019 | 45,570 | 3,787 | 41,783 |
| Office equipment | 4,882 | 570 | 4,312 | 1,688 | 40 | 1,648 |
| | 110,423 | 21,420 | 89,003 | 48,217 | 3,854 | 44,363 |
| | \$ 493,212 | \$ 282,250 | \$ 210,962 | \$ 411,901 | \$ 208,543 | \$ 203,358 |

9. (a) Mineral Property– Acquisition Cost – Restated (See note 3)

| | 2007 | | |
|------------|---------------------------|-----------------------|-------------------------|
| | Balance beginning of year | Additions (Write-off) | Balance end of the year |
| Don Sixto | \$ 3,076,444 | \$ 79,313 | \$ 3,155,757 |
| CVSA | 128,572 | - | 128,572 |
| Properties | | | |
| Other | 45,000 | 25,050 | 70,050 |
| | \$ 3,250,016 | \$ 104,363 | \$ 3,354,379 |
| | | | |
| | 2006 | | |
| | Balance beginning of year | Additions (Write-off) | Balance end of the year |
| Don Sixto | \$ 3,025,875 | \$ 50,569 | \$ 3,076,444 |
| CVSA | 128,572 | - | 128,572 |
| Properties | | | |
| Other | 282,820 | (237,820) | 45,000 |
| | \$ 3,437,267 | \$ (187,251) | \$ 3,250,016 |

9. (b) Mineral Property- Exploration Expenditures – Restated (See note 3)

The following tables show the Company's exploration expenditures by project for 2007, 2006 and 2005.

Schedule of Mineral Exploration Expenditures - 2007

| | CVSA Properties | Chilean Properties | Don Sixto Project | Other | Total |
|--|---------------------|-----------------------|----------------------|-------------------|----------------------|
| Assays | \$ 256,284 | \$ 54,632 | \$ 647,231 | \$ - | \$ 958,147 |
| Consultants and contractors | 68,141 | 15,098 | 119,719 | 1,755 | 204,713 |
| Drilling | 1,826,807 | 349,551 | 51,810 | - | 2,228,168 |
| Engineering | - | - | 136,734 | - | 136,734 |
| Environmental | 5,863 | - | 223,645 | 332 | 229,840 |
| Field Camp | 221,438 | 410,514 | 308,767 | 1,903 | 942,622 |
| Geological | 583,904 | 785,240 | 174,315 | 111,575 | 1,655,034 |
| Geophysical | 121,355 | - | 1,747 | - | 123,102 |
| Hydrology | - | - | 21,645 | - | 21,645 |
| Infrastructure | - | - | 30,506 | - | 30,506 |
| IVA tax | 569,730 | 170,528 | 130,891 | - | 871,149 |
| Legal and title | 101,863 | 78,527 | 1,266 | 254,716 | 436,372 |
| Metallurgical | - | - | 128,002 | - | 128,002 |
| Office operations | 247,768 | 167,079 | 55,523 | 1,894 | 472,264 |
| Resource Development | - | - | 174,074 | - | 174,074 |
| Travel | 382,793 | 343,338 | 258,802 | 32,987 | 1,017,920 |
| Wages and benefits | 1,033,994 | 174,040 | 1,119,039 | 12,081 | 2,339,154 |
| Mineral Property Exploration Expenditures | \$ 5,419,940 | \$ 2,548,547 | \$ 3,583,716 | \$ 417,243 | \$ 11,969,446 |

Schedule of Mineral Property Exploration Expenditures - 2006

| | CVSA Properties | Chilean Properties | Don Sixto Project | Other | Total |
|--|---------------------|-----------------------|----------------------|-------------------|----------------------|
| Assays | \$ 72,409 | \$ 1,986 | \$ 283,755 | \$ 117 | \$ 358,267 |
| Consultants and contractors | 20,322 | 1,198 | 445,462 | - | 466,982 |
| Drilling | 606,873 | - | 4,014,481 | - | 4,621,354 |
| Engineering | 24,951 | - | 282,595 | 590 | 308,136 |
| Environmental | 5,464 | - | 61,824 | 551 | 67,839 |
| Field camp | 89,535 | 153,577 | 456,501 | 787 | 700,400 |
| Geological | 215,723 | 338,804 | 313,309 | 58,763 | 926,599 |
| Geophysical | - | - | 6,577 | - | 6,577 |
| Hydrology | - | - | 55,477 | - | 55,477 |
| IVA tax | 168,522 | 38,161 | 938,250 | - | 1,144,933 |
| Legal and title | 106,471 | 28,453 | 108,905 | 51,066 | 294,895 |
| Metallurgical | - | - | 60,818 | 7,023 | 67,841 |
| Office operations | 99,373 | 24,827 | 85,856 | - | 210,056 |
| Travel | 177,885 | 112,036 | 269,040 | 37,793 | 596,754 |
| Wages and benefits | 292,436 | 103,982 | 1,137,349 | 20,375 | 1,554,142 |
| Mineral Property Exploration Expenditures | \$ 1,879,964 | \$ 803,024 | \$ 8,520,199 | \$ 177,065 | \$ 11,380,252 |

9. Mineral Properties (Continued)

Mineral Property Exploration Expenditures 2005

| | CVSA Properties | Don Sixto Project | Other | Total |
|--|---------------------|----------------------|-------------------|---------------------|
| Assays | \$ 114,836 | \$ 153,139 | \$ 3,619 | \$ 271,594 |
| Consultants and contractors | 20,896 | 54,619 | 5,580 | 81,095 |
| Drilling | 246,826 | 927,275 | - | 1,174,101 |
| Engineering | - | 207,644 | - | 207,644 |
| Environmental | - | 31,488 | - | 31,488 |
| Field camp | 65,674 | 255,815 | 25,215 | 346,704 |
| Geological | 165,479 | 604,475 | 138,798 | 908,752 |
| Geophysics | 8,848 | 20,136 | - | 28,984 |
| Hydrology | - | 8,609 | - | 8,609 |
| IVA tax | 77,766 | 235,947 | - | 313,713 |
| Metallurgical | - | 284,048 | - | 284,048 |
| Office operations | 105,402 | 76,951 | 34,632 | 216,985 |
| Legal and title | 57,355 | 38,293 | 8,569 | 104,217 |
| Travel | 145,061 | 163,105 | 92,450 | 400,616 |
| Wages and benefits | 157,381 | 440,631 | 39,592 | 637,604 |
| Mineral Property Exploration Expenditures | \$ 1,165,524 | \$ 3,502,175 | \$ 348,455 | \$ 5,016,154 |

(c) Mineral Property- Agreements

i) Don Sixto – Argentina

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 Don Sixto Project (formerly the La Cabeza Project), located in Mendoza Province, Argentina, for consideration of cash payments totaling US\$525,000 payable as follows:

- US\$5,000 due December 15, 2002; (Paid)
- US\$15,000 on or before December 15, 2003; (Paid)
- US\$25,000 on or before December 15, 2004; (Paid)
- US\$35,000 on or before December 15, 2005; (Paid)
- US\$45,000 on or before December 15, 2006; (Paid)
- US\$50,000 on or before December 15, 2007; (Paid) 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 must commence within two years of that decision.

Early in 2007, the Company expanded its holding around Don Sixto by signing an option agreement over an additional 81.5 square kilometres (20,160 acres) of exploration rights, situated to the immediate north of Don Sixto. The terms for the option agreement provide for annual payments of US\$25,000 over six years followed by a purchase price comprising three annual payments of US\$200,000. Should the Company exercise its option to purchase the property, the annual payments will cease. There are no expenditure requirements.

In December 2005, Cognito purchased the surface rights covering the area of the proposed mine development at Don Sixto at a cost of \$78,000. In addition, Cognito is required to build two dwellings elsewhere on the property at an estimated cost of \$75,000. The previous owners of the property will retain the right to re-acquire the property upon completion of mining activities.

On June 20, 2007 the Mendoza Provincial government introduced anti-mining legislation which may preclude development of mining projects in Mendoza Province. The Company has delayed all exploration and independent engineering studies in Mendoza and filed an action in the Mendoza Supreme Court to have this anti-mining legislation declared unconstitutional. Should the Company not be successful in its constitutional challenge or the anti mining legislation not be amended, the carrying value of the Don Sixto project may not be recoverable requiring the Company to write-off its entire investment of \$3,155,757.

9. Mineral Properties (Continued)

Subsequent to December 31, 2007, the Company entered an agreement with the property owners deferring the annual payments until such time as the legislation is amended such that mining can be conducted in Mendoza Province.

ii) CVSA Properties - Argentina

By an Exploration and Option Agreement, dated December 30, 2003, Estelar had the right to earn a 100% interest (subject to a 2% NSR) in the Cerro Moro, Santa Cruz, Chubut and Rio Negro Projects (comprised of thirty-nine mineral concessions), located in Santa Cruz, Chubut and Rio Negro Provinces, Argentina, for consideration of cash payments of US\$100,000 (paid) and incurring US\$3,000,000 (incurred) in exploration expenditures before December 30, 2009.

Under the agreement, once Estelar has incurred exploration expenditures of US\$3,000,000 (incurred) and completed 10,000 metres of drilling on any one of the projects, the vendor retains the right to buy back a 60% interest in that project, by paying Estelar an amount equal to 2.5 times its exploration expenditures on the project and funding a bankable feasibility study on the project. The vendor may earn an additional 10% interest in the project (for a total 70% interest) by financing Estelar's share of mine development costs. Should the vendor elect not to exercise its back in right, its interest will revert to a 2% NSR on that project.

By December 31, 2006, Estelar had incurred total aggregate expenditures of US\$ 3,000,000, and completed 12,000 metres of drilling on the CVSA Properties, and in early 2007, Estelar notified the vendor that it was exercising the option to acquire the Properties subject to their back in right. On August 2, 2007, Estelar notified the vendor that it had completed 10,000 metres of drilling at Cerro Moro, and provided them with a report containing exploration results in early September. In October, CVSA advised the Company that it had elected not to exercise its back-in right and its interest has reverted to a 2% NSR in Cerro Moro. The vendor, however, retains its back-in right over the other projects acquired under the agreement.

iii) Chilean Properties (a) Southern Chile

By agreement dated May 9, 2006, the Company has the right to acquire exploration titles and conduct exploration on 48 targets in southern Chile. Under the terms of the agreement, upon the completion of 5,000 metres of drilling on a project, the vendor has a once-only right to "back-in" to a 60% participating interest on that project by paying the Company three times the amount of its exploration expenditures incurred on that project. A "project" is defined as a 10 kilometre area of interest surrounding any of the 48 targets included under the agreement. If the vendor does not elect to exercise its back-in right, it will be entitled to a 1% NSR return from any production from that project.

(b) Maricunga Property – including Caspiche

By an agreement dated October 11, 2005 and subsequently amended, the Company acquired the right to review a number of properties in the Maricunga region of Chile. Under the terms of the agreement, the Company can earn a 100% interest in the properties by incurring aggregate expenditures of US\$2,550,000 over five years including conducting 15,500 metres of drilling. The vendor will retain a 3% NSR in the properties. The Company may withdraw from the agreement at any time after expending US\$250,000 including conducting 1,500 metres of drilling.

Upon completion of a feasibility study, and where a decision is made to develop a property, the parties share development costs pro rata, or dilution will apply.

9. Mineral Properties (Continued)

iv) Other Properties

(a) Estelar Properties - Argentina

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

(b) MRP Properties - Argentina

By an agreement dated October 1, 2003, Estelar obtained the right to acquire a 100% interest (subject to a 2% NSR which may be acquired for \$750,000) in the Agua Nueva, La Ramada and Rosarita South Projects, located in Mendoza, San Juan and La Rioja Provinces, Argentina, for consideration of cash payments totaling \$440,000 payable 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; (paid)
- \$20,000 on or before October 1, 2006; (paid)
- \$25,000 on or before October 1, 2007; (paid)
- \$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 that a decision is made to build and operate a mine on any of the projects, payment of the remaining option payments may be terminated.

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 stock as follows:

| | 2007 | | 2006 | |
|-------------------------------|---------------------|---------------|---------------------|---------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Balance, beginning of year | 37,836,013 | \$ 46,230,295 | 27,845,763 | \$ 27,802,270 |
| Issued during the year for: | | | | |
| Cash | 3,390,474 | 8,036,284 | 9,990,250 | 18,975,198 |
| Contributed surplus allocated | - | 951,489 | - | 205,203 |
| Warrants | - | 31,274 | - | - |
| Share issue costs | - | - | - | (752,376) |
| Balance, end of year | 41,226,487 | \$ 55,249,342 | 37,836,013 | \$ 46,230,295 |

Transactions for the Issue of Share Capital
During the Year Ended December 31, 2007:

- a) The Company issued 1,338,475 shares for proceeds of \$2,006,287 upon the exercise of options as follows: 30,000 shares at a price of \$0.405; 75,000 shares at a price of \$1.08; 3,750 at a price of \$0.85; 150,000 shares at a price of \$1.12; 300,000 shares at a price of \$1.10; 145,000 shares at a price of \$1.17; 160,000 shares at a price of \$1.20; 55,000 shares at a price of \$1.59; 74,725 shares at a price of \$1.79; 80,000 shares at a price of \$2.01; and 265,000 shares at a price of \$2.52.

10. Share Capital (Continued)

In addition, an amount totaling \$951,489 representing stock-based compensation recognized on vesting of the above stock options was allocated to share capital.

- b) The Company issued 2,051,999 shares for proceeds of \$6,029,997 upon the exercise of warrants as follows: 252,000 shares at a price of \$2.50; and 1,799,999 shares at a price of \$3.00.

Transactions for the Issue of Share Capital

During the Year Ended December 31, 2006:

- a) The Company completed a private placement financing consisting of 3,600,000 units, at a price of \$2.50 per unit, for a total consideration of \$9,000,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant is exercisable to acquire one additional share at a price of \$3.00 per share on or before April 4, 2008 except that in the event that the closing price of the Company's stock exceeds \$3.25 for ten consecutive trading days after February 5, 2007, the Company may accelerate the expiry of the warrants by giving notice to the holders thereof, and, in such case, the warrants will expire on the 30th calendar day after such notice.

The Company paid costs totaling \$752,376 in connection with this private placement comprised of a finder's fee of \$450,000 cash, the issuance of 252,000 agents' warrants, with a fair value of \$221,139, (see note 12) and legal costs of \$81,238. Each agent's warrant entitles the holder to purchase one common share at a price of \$2.50 per share, on or before April 4, 2008.

- b) The Company completed a private placement financing consisting of 500,000 units, at a price of \$2.50 per unit, for a total consideration of \$1,250,000. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant is exercisable to acquire one additional share at a price of \$3.00 on or before April 18, 2008.
- c) The Company issued 5,348,250 shares for proceeds of \$8,274,309 upon the exercise of warrants as follows: 2,336,334 shares at a price of \$1.35; 3,011,916 shares at a price of \$1.70.
- d) The Company issued 542,000 shares for proceeds of \$450,890 upon the exercise of stock options as follows: 167,000 shares at a price of \$0.22; 125,000 shares at a price of \$1.00; 40,000 shares at a price of \$1.08; 50,000 shares at a price of \$1.10; 35,000 shares at a price of \$1.17; 125,000 shares at a price of \$1.20.

Transactions for the Issue of Share Capital

During the Year Ended December 31, 2005:

- a) 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 consisted of one share and one-half share purchase warrant. Each whole share purchase warrant was exercisable to acquire one additional share at a price of \$1.35 on or before April 14, 2006.
The Company paid costs totaling \$158,134 in connection with this private placement.
- b) The Company completed a private placement financing consisting of 5,979,334 units, at a price of \$1.20 per unit, for total consideration of \$7,773,134. Each unit consisted of one share and one-half share purchase warrant. Each share purchase warrant was exercisable to acquire one additional share at a price of \$1.70 on or before December 21, 2006.

The Company paid share issuance costs totaling \$149,611 and issued 44,500 units, with a fair value of \$57,850, as finders' fees in connection with this private placement. Each unit consisted of one share and one-half share purchase warrant. Each share purchase warrant was exercisable to acquire one additional share at a price of \$1.70 on or before December 21, 2006.

10. Share Capital (Continued)

- c) The Company issued 1,722,500 shares for proceeds of \$1,147,225 upon the exercise of warrants as follows: 155,000 shares at a price of \$0.22 per share; 175,000 shares at a price of \$0.23; 1,345,000 shares at a price of \$0.75; and 47,500 shares at a price of \$1.35.
- d) The Company issued 335,375 shares for proceeds of \$245,891 upon the exercise of stock options as follows: 80,000 shares at a price of \$0.41; 149,750 shares at a price of \$0.76; 15,625 shares at a price of \$0.85; 40,000 shares at a price of \$0.90; and 50,000 shares at a price of \$1.00.
- e) The Company issued 2,500,000 shares at a price of \$1.00 for the acquisition of the remaining 50% interest in Cognito.

11. Stock Option Plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: The aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan, which was amended and approved on May 23, 2007, may not exceed 7,627,203. The Board of Directors has further amended the Plan to increase the ceiling, subject to approval by the TSX Venture Exchange ("TSX-V"), the American Stock Exchange and shareholders, to 8,250,352. 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-V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant, however certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

A summary of the status of options granted by the Company, as of December 31, 2007 and 2006 and changes during the years then ended, is as follows:

| | 2007 | | 2006 | |
|--|-------------|---------------------------------|-----------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Options outstanding, beginning of year | 5,606,750 | \$ 1.58 | 4,949,750 | \$ 1.15 |
| Cancelled | (570,000) | 2.75 | (556,000) | 1.75 |
| Granted | 3,525,000 | 3.40 | 1,755,000 | 2.62 |
| Exercised | (1,338,475) | 1.49 | (542,000) | 0.83 |
| Options outstanding, end of year | 7,223,275 | \$ 2.40 | 5,606,750 | \$ 1.58 |

The following table summarizes information about the stock options outstanding at December 31, 2007:

| Range of Prices \$ | Number | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price |
|--------------------|-----------|---|---------------------------------|
| 0.00 - 1.00 | 275,000 | 0.63 | \$ 0.41 |
| 1.01 - 2.00 | 3,008,275 | 2.14 | \$ 1.29 |
| 2.01 - 3.00 | 1,245,000 | 4.00 | \$ 2.49 |
| 3.01 - 4.00 | 1,970,000 | 4.37 | \$ 3.51 |
| 4.01 + | 725,000 | 4.87 | \$ 4.37 |
| | 7,223,275 | 2.80 | \$ 2.40 |

Stock-based Compensation

The fair values of options and agent's warrants granted during the years ended December 31, 2007, 2006 and 2005 were estimated, at the grant date, using the Black-Scholes option pricing model with the following weighted average assumptions:

11. Stock Option Plan (Continued)

| | 2007 | 2006 | 2005 |
|----------------------------|------------|-----------|------------|
| Expected annual volatility | 68.12% | 65.82% | 67.45% |
| Risk-free interest rate | 3.99% | 3.89% | 3.44% |
| Expected life | 3.34 years | 3.5 years | 3.26 years |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |

Based on the above assumptions, the average fair value of each option granted and vested during the year ended December 31, 2007, was \$1.16 (2006: \$1.36, 2005: \$0.74). Compensation expense of \$3,777,702 (2006: \$2,384,845, 2005: \$1,886,463) was recorded in the statement of operations for the year.

Stock based compensation has been allocated as follows:

| | 2007 | 2006 | 2005 |
|---|---------------------|---------------------|---------------------|
| Administration salaries and consulting | \$ 657,477 | \$ 661,998 | \$ 338,933 |
| Director's fees | 960,957 | 585,369 | 700,953 |
| Management fees | 720,870 | - | 165,080 |
| Mineral property exploration expenditures | 1,258,446 | 506,444 | 473,025 |
| Shareholder communications | 179,952 | 631,035 | 208,472 |
| Total | \$ 3,777,702 | \$ 2,384,845 | \$ 1,886,463 |

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

At December 31, 2007, the Company had outstanding stock options to issue 7,223,275 shares as follows:

| Number of Options Outstanding | Number of Options Exercisable | Price | Expiry Date |
|-------------------------------|-------------------------------|---------|-------------------|
| 275,000 | 275,000 | \$ 0.41 | August 15, 2008 |
| 1,048,000 | 1,048,000 | \$ 1.08 | January 21, 2009 |
| 10,000 | 10,000 | \$ 1.41 | April 7, 2009 |
| 225,000 | 225,000 | \$ 1.20 | March 21, 2010 |
| 300,000 | 300,000 | \$ 1.20 | April 5, 2010 |
| 285,000 | 285,000 | \$ 1.12 | July 7, 2010 |
| 50,000 | 50,000 | \$ 1.10 | August 19, 2010 |
| 75,000 | 75,000 | \$ 1.20 | October 25, 2010 |
| 965,000 | 865,000 | \$ 1.59 | December 30, 2010 |
| 275 | 275 | \$ 1.79 | February 3, 2011 |
| 80,000 | 80,000 | \$ 2.01 | March 2, 2011 |
| 225,000 | 225,000 | \$ 2.52 | May 3, 2011 |
| 50,000 | 50,000 | \$ 1.89 | June 12, 2011 |
| 415,000 | 415,000 | \$ 3.02 | November 30, 2011 |
| 495,000 | 430,000 | \$ 2.52 | January 31, 2012 |
| 220,000 | 220,000 | \$ 2.52 | February 13, 2012 |
| 1,555,000 | 1,234,162 | \$ 3.64 | June 27, 2012 |
| 225,000 | 25,000 | \$ 2.52 | August 28, 2012 |
| 725,000 | - | \$ 4.37 | November 13, 2012 |
| 7,223,275 | 5,812,437 | | |

12. Warrants

At December 31, 2007 the Company had outstanding share purchase warrants exercisable to issue 250,000 shares as follows:

| 2007 | | |
|---------|----------------|----------------|
| Number | Exercise Price | Expiry Date |
| 250,000 | \$ 3.00 | April 18, 2008 |

At December 31, 2006 the Company had outstanding share purchase warrants exercisable to issue 2,302,000 shares as follows:

| 2006 | | |
|-----------|----------------|----------------|
| Number | Exercise Price | Expiry Date |
| 1,800,000 | \$ 3.00 | April 4, 2008 |
| 252,000 | \$ 2.50 | April 4, 2008 |
| 250,000 | \$ 3.00 | April 18, 2008 |
| 2,302,000 | | |

13. Contributed Surplus

| | 2007 | 2006 |
|----------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 4,588,941 | \$ 2,188,160 |
| Stock-based compensation expense | 3,777,702 | 2,384,845 |
| Agent's Warrants | (31,274) | 221,139 |
| Bonus Shares | (149,661) | - |
| Contributed surplus allocated | (951,489) | (205,203) |
| Balance, end of the year | \$ 7,234,219 | \$ 4,588,941 |

14. Related Party Transactions

Amounts due to related parties are for management, consulting, exploration and legal fees and for expenses incurred while conducting the Company's business. A total of \$1,271,274 (2006: \$1,204,005; 2005: \$681,280) was paid to or accrued for related party transactions as described below.

- a) Exploration and consulting fees totaling \$360,000 (2006: \$282,000; 2005: \$144,000) and \$43,500 (2006: \$58,000 2005: \$21,000) for the provision of other consulting services was paid or accrued to a corporation of which the President and Chief Executive Officer is a beneficiary.
- b) Management and consulting fees totaling \$165,000 (2006: \$238,000; 2005: \$96,000) were paid or accrued to a corporation controlled by the Chairman of the Company.
- c) Management fees of \$167,250 (2006: \$195,000; 2005: \$85,000) were paid or accrued to a corporation controlled by the Chief Financial Officer of the Company.
- d) Legal fees totaling \$57,200 (2006: \$120,101; 2005: \$105,866) were paid or accrued to a corporation controlled by a former director of the Company of which the Secretary of the Company was an employee.
- e) Exploration costs totaling \$238,663 (2006: \$266,633; 2005: \$134,000) were paid or accrued to a company controlled by the Company's Vice President, Exploration and Development.
- f) Management and consulting fees of \$239,661 (2006: \$nil; 2005: \$nil) were paid or accrued to a company controlled by the Chief Operating Officer of the Company.

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

15. Supplemental Cash Flow Information

The Company incurred non-cash financing and investing activities during the years ended December 31, 2007, 2006 and 2005 as follows:

| | 2007 | 2006 | 2005 |
|-----------------------------------|------|-----------|----------------|
| Non-cash financing activities: | | | |
| Issue of share capital for | | | |
| Acquisition of mineral properties | \$ - | \$ - | \$ 2,500,000 |
| Finder's fees | - | 221,139 | 57,850 |
| Share issue costs | - | (221,139) | (57,850) |
| | \$ - | \$ - | \$ 2,500,000 |
| Non-cash investing activity: | | | |
| Acquisition of mineral properties | \$ - | \$ - | \$ (2,500,000) |

16. Segmented Information – Restated (See note 3)

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

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

| December 31, 2007 | Canada | Argentina | Chile | Total |
|---------------------------|--------------|--------------|--------------|---------------|
| Cash and cash equivalents | \$ 7,964,731 | \$ 578,293 | \$ 179,755 | \$ 8,722,779 |
| Other current assets | 349,569 | 85,406 | 13,983 | 448,958 |
| Property and equipment | 83,856 | 38,103 | 89,003 | 210,962 |
| Mineral properties | - | 3,354,379 | - | 3,354,379 |
| | 8,398,156 | 4,056,181 | 282,741 | 12,737,078 |
| Current Liabilities | (728,890) | (1,359,669) | (26,131) | (2,114,690) |
| | 7,669,266 | 2,696,512 | 256,610 | 10,622,388 |
| Net Loss | \$ 7,396,711 | \$ 6,877,081 | \$ 2,594,852 | \$ 16,868,644 |

| December 31, 2006 | Canada | Argentina | Chile | Total |
|---------------------------|---------------|--------------|--------------|---------------|
| Cash and cash equivalents | \$ 13,452,871 | \$ 994,656 | \$ 63,535 | \$ 14,511,062 |
| Other current assets | 54,549 | 62,562 | 6,545 | 123,656 |
| Property and equipment | 90,779 | 68,216 | 44,363 | 203,358 |
| Mineral properties | - | 3,250,016 | - | 3,250,016 |
| | 13,598,199 | 4,375,450 | 114,443 | 18,088,092 |
| Current Liabilities | (805,239) | (1,398,421) | (57,725) | (2,261,385) |
| | \$ 12,792,960 | \$ 2,977,029 | \$ 56,718 | \$ 15,826,707 |
| Net Loss | \$ 4,967,850 | \$ 9,820,821 | \$ 1,087,700 | \$ 15,876,371 |

17. Income Taxes – Restated (See note 3)

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

| | 2007 | 2006 |
|--|----------------|----------------|
| Net loss for the year before income tax | \$ 16,868,644 | \$ 15,876,371 |
| Combined federal and provincial tax rate | 34.1% | 34.1% |
| Income tax recovery at statutory rates | \$ (5,756,000) | \$ (5,417,000) |
| Losses and other deductions for which no benefit has been recognized | 2,726,000 | 3,798,000 |
| Stock-based compensation | 1,289,000 | 814,000 |
| Non-deductible mineral property exploration costs | 894,000 | 727,000 |
| Foreign exchange rate and tax rate differences | 796,000 | (60,000) |
| Expiry of losses | 44,000 | 38,000 |
| Other | 7,000 | 100,000 |
| Income tax provision | \$ Nil | \$ Nil |

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

| | 2007 | 2006 |
|---|--------------|--------------|
| Non-capital loss carry forwards – Canada | \$ 2,317,000 | \$ 1,625,000 |
| Non-capital loss carry forwards – Argentina | 144,000 | 111,000 |
| Non-capital loss carry forwards – Chile | 14,000 | 1,000 |
| Exploration and development deductions – Canada | 5,878,000 | 3,921,000 |
| Property and equipment – Canada | 25,000 | 20,000 |
| Share issue costs | 161,000 | 237,000 |
| | 8,539,000 | 5,915,000 |
| Valuation allowance | (8,539,000) | (5,915,000) |
| | \$ Nil | \$ Nil |

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses in the amount of \$7,624,000 expire as follows:

| | |
|------|---------------------|
| 2008 | \$ 137,000 |
| 2009 | 159,000 |
| 2010 | 200,000 |
| 2014 | 882,000 |
| 2015 | 1,578,000 |
| 2026 | 2,270,000 |
| 2027 | 2,398,000 |
| | \$ 7,624,000 |

At December 31, 2007, the Company also has tax loss carry forwards in Argentina and Chile totaling \$410,000 and \$40,000, respectively, that expire over the period from 2008 to 2012, available to offset future taxable income.

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

18. Contractual Obligations

The Company leases offices in Vancouver, Argentina and Chile and has expenditure and option payment obligations related to its properties. Option payments and property expenditure obligations are contingent on exploration results and can be cancelled at any time should exploration results so warrant (see note 9(c)). Other financial commitments are summarized in the table below:

18. Contractual Obligations (Continued)**Payments Due by Year**

| | Total | 2008 | 2009 – 2010 | After 2011 |
|---------------|-------------------|-------------------|-------------------|-------------------|
| Office leases | \$ 408,191 | \$ 140,826 | \$ 157,327 | \$ 110,038 |
| Total | \$ 408,191 | \$ 140,826 | \$ 157,327 | \$ 110,038 |

19. Subsequent Events

- c) Subsequent to December 31, 2007, the Company entered into a letter of intent with Fomento Minera de Santa Cruz Sociedad del Estado (“Fomicruz”), a company owned by the government of Santa Cruz province, Argentina. The letter of intent (“LOI”) sets out the key terms of a strategic agreement between the Company and Fomicruz for the future development of Exeter’s 100 percent owned Cerro Moro project in Santa Cruz, and provides access to Fomicruz’s significant landholding around Cerro Moro. The Company and Fomicruz will, subject to approval by the parties, enter into a detailed agreement which will include the following terms:
- (v) Fomicruz will acquire a 5 percent interest in the Company’s Cerro Moro project.
 - (vi) The Company will have the right to earn up to an 80 percent interest in Fomicruz’s exploration properties adjoining the Cerro Moro project by incurring USD\$10 million in exploration expenditures over a number of years to be determined later.
 - (vii) The Company will finance all exploration and development costs of the Cerro Moro project and Fomicruz will repay an agreed amount of those costs from 50 percent of Fomicruz’s share of net revenue from future operations.
 - (viii) The Company will manage the exploration and potential future development on the properties
- b) Subsequent to December 31, 2007, the Company entered into an agreement with a syndicate of underwriters to sell, on a private placement basis, 7.78 million special warrants at a price of \$4.50 per special warrant to raise gross proceeds of \$35 million. Each special warrant is exercisable to acquire one common share of the Company. The Company has agreed to use its best efforts to file and obtain a receipt for a prospectus in certain provinces of Canada qualifying the common shares for trading. If a receipt for such a prospectus is not obtained by the date which is 41 days after the closing of the private placement, each special warrant shall be convertible into 1.1 common shares of the Company. The offering closed on or about March 26, 2008. As consideration to the underwriters, the Company agreed to pay the underwriters a cash fee in an amount equal to six and one half percent (6.5%) of the gross proceeds received by the Company from the offering. The Company also agreed to issue to the underwriters 505,700 non-transferable warrants (“Underwriters’ Warrants”) constituting six and one-half percent (6.5%) of the aggregate number of special warrants sold pursuant to the offering. Each Underwriters’ Warrant will be exercisable for a period of twelve (12) months at the offering price of \$4.50.

20. Comparative Figures

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

21. Differences between Canadian and US Generally Accepted Accounting Principles – Restated (See note 3)

The Company’s consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada. As described in Note 3, the Company has changed its accounting policy with respect to mineral property exploration expenditures to align its policies with those practiced in the United States. Prior to the year ended December 31, 2007, the Company capitalized all exploration expenditures and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. The Company now charges exploration expenditures to earnings as they are incurred. As a result there are no material measurement differences between these Canadian GAAP consolidated financial statements and those prepared using US GAAP.

21. Differences between Canadian and US Generally Accepted Accounting Principles (Continued)

Recent accounting pronouncements

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Tax Positions, an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 addresses the recognition and measurement of all tax positions. The recognition process involves determining whether it is more likely than not that a tax position would be sustained on audit based solely on its technical merits. The amount of benefit recognized in the financial statements is the maximum amount which is more likely than not to be realized based on a cumulative probability approach. FIN 48 became effective for the Company on January 1, 2007. FIN 48 did not have any material impact on the Company's consolidated financial statements.

Impact of recently issued accounting standards

- i) In September 2006, FASB issued SFAS No. 157, "Fair Value Measurement" to define fair value, establish a framework for measuring fair value and to expand disclosures about fair value measurements. The statement only applies to fair value measurements that are already required or permitted under current accounting standards and is effective for fiscal years beginning after November 5, 2007. The Company does not expect that the adoption of this Interpretation will have a significant effect on its results of operations or financial position.
- ii) In February 2007, FASB issued SFAS No. 159, "Fair value option for financial assets and liabilities" which permits entities to choose to measure various financial instruments and certain other items at fair value. The Company does expect that adoption of this Interpretation will have a significant effect on its results of operations or financial position.
- iii) In December 2007, FASB issued SFAS 160 a standard on accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The standard is converged with standards issued by the AcSB and IASB on this subject. This statement specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity.

This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest. The statement is effective for periods beginning on or after December 15, 2008. SFAS 160 will be applied prospectively to all non-controlling interests, including any that arose before the effective date. The Company does not expect the adoption of this Interpretation to have any impact on its results of operations or financial position.

- iv) In December 2007, FASB issued a revised standard on accounting for business combinations, SFAS 141R. The major changes to accounting for business combinations are summarized as follows:
 - all business acquisitions would be measured at fair value
 - the existing definition of a business would be expanded
 - pre-acquisition contingencies would be measured at fair value
 - most acquisition-related costs would be recognized as expense as incurred
 - obligations for contingent consideration would be measured and recognized at fair value at acquisition date (would no longer need to wait until contingency is settled)
 - liabilities associated with restructuring or exit activities be recognized only if they meet the recognition criteria of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, as of the acquisition date
 - non-controlling interests would be measured at fair value at the date of acquisition
 - goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest

The statement is effective for periods beginning on or after December 15, 2008. The Company does not expect the adoption of this Interpretation to have a significant effect on its results of operations or financial position.

Corporate Information

| | | | | |
|---------------------------|---|--|-------------------------------------|---|
| Corporate Office | Canada P.O. Box 41, Axa Place Suite 1260, 999 West Hastings Street Vancouver, BC Canada V6C 2W2 | | Chilean Office | Chile Araucanos 2106 Providencia, Santiago Telephone + 56 2 231 4617 |
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| Argentina Office | Argentina Martin Zapata 445 Ciudad, Mendoza (5500) Argentina | | | Argentina Patricia Inzirillo Rio Tercero 2144 Borrego, Mendoza (5519) Argentina |
| | Telephone | + 54 261 420 3415 | Auditors | PricewaterhouseCoopers LLP PricewaterhouseCoopers Place 250 Howe Street, Suite 700 Vancouver, BC V6C 3S7 |
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| Board of Directors | Bryce Roxburgh, B Sc Yale Simpson, B A Sc Louis Montpellier, LL B Douglas Scheving Michael McPhie, MSc William McCartney, CA Rob Reynolds, CA | | Investor Relations | Exeter Resource Corporation P.O. Box 41, Axa Place Suite 1260, 999 West Hastings St. Vancouver, BC Canada V6C 2W2 Contact: Rob Grey, Vice President Corporate Communications |
| | | | | |
| Officers | Yale Simpson | <i>Chairman</i> | Transfer Agent And Registrar | Computershare Investor Services Inc. 510 Burrard Street Vancouver, BC Canada V6C 3B9 |
| | Bryce Roxburgh | <i>President and CEO</i> | | |
| | Cecil Bond | <i>Chief Financial Officer</i> | | |
| | Paul Cholakos | <i>Chief Operating Officer</i> | | |
| | Susan McLeod | <i>Corporate Secretary</i> | | |
| | Jeremy Perkins | <i>VP Development and Operations</i> | | |
| | Michael McPhie | <i>Executive VP Corporate Development, Environment</i> | | |

Share Capital

Authorized: 100,000,000 common shares

Issued and outstanding: 41,416,762 *

* as of April 16, 2008

Shares Listed

TSX Venture Exchange, Symbol: **XRC**

American Stock Exchange, Symbol: **XRA**

Frankfurt Stock Exchange, Symbol: **EXB**

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