



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2004**

***(UNAUDITED - PREPARED BY MANAGEMENT)***

*The attached financial statements have been prepared by management of Exeter Resource Corporation and not been reviewed by the auditors of the Company.*

**EXETER RESOURCE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited – prepared by Management)

	March 31, 2004	December 31, 2003
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,621,971	\$ 608,056
Cash in trust	-	2,876,980
Accounts receivable	10,937	4,478
Goods and services tax recoverable	46,271	6,210
Deferred share issue costs	-	26,969
	<u>3,679,179</u>	<u>3,522,693</u>
Property, Plant and Equipment (Note 2)	84,224	27,386
Mineral Properties, including deferred costs (Note 3)	<u>1,393,943</u>	<u>971,389</u>
	<u>\$ 5,157,346</u>	<u>\$ 4,521,468</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 46,018	\$ 35,759
Due to related parties	94,933	104,073
	<u>140,951</u>	<u>139,832</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 4)	12,159,028	8,354,399
Share Subscription Advances	-	2,876,980
Contributed Surplus	179,750	91,127
Deficit	<u>(7,322,383)</u>	<u>(6,940,870)</u>
	<u>5,016,395</u>	<u>4,381,636</u>
	<u>\$ 5,157,346</u>	<u>\$ 4,521,468</u>

Nature of business and continued operations (Note 1)  
Subsequent events (Note 8)

**On Behalf of the Board:**

“Bryce Roxburgh”  
Director

“Yale Simpson”  
Director

The accompanying notes are an integral part of these financial statements.

**EXETER RESOURCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

	March 31, 2004	March 31, 2003
ADMINISTRATION COSTS:		
Accounting and audit	\$ 7,697	300
Amortization	2,436	247
Bank charges	1,113	471
Financial and administrative services	46,975	18,000
Investor relations	6,293	-
Legal fees	18,999	2,380
Management fees	26,250	-
Office and miscellaneous	2,005	149
Rent	488	4,763
Stock exchange listing and filing fees	32,004	7,133
Telecommunications	1,048	372
Transfer agent	4,049	396
Travel and promotion	22,859	-
	172,216	34,211
Interest income	(12,287)	(57)
LOSS BEFORE OTHER ITEMS	159,929	34,154
OTHER ITEMS:		
Loss on write-off of mineral properties	77,796	-
Stock-based compensation (Note 4)	93,379	-
Loss on conversion of foreign currencies	15,440	-
Property examination costs	34,969	13,364
NET LOSS FOR THE PERIOD	381,513	47,518
DEFICIT AT BEGINNING OF PERIOD	6,940,870	6,552,999
DEFICIT AT END OF PERIOD	\$ 7,322,383	\$ 6,600,517
Loss per share	\$ (0.03)	\$ (0.02)

The accompanying notes are an integral part of these financial statements.

**EXETER RESOURCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

	March 31, 2004	March 31, 2003
<b>OPERATING ACTIVITIES:</b>		
Net loss for the period	\$ (381,513)	\$ (47,518)
Adjustments:		
Amortization	2,436	247
Loss on write-off of mineral properties	77,796	-
Stock-based compensation	93,379	-
Loss on conversion of foreign currencies	15,440	-
	<u>192,462</u>	<u>(47,271)</u>
Changes in non-cash working capital items:		
Accounts receivable	(6,459)	-
Goods and services tax recoverable	(40,061)	438
Accounts payable and accrued liabilities	10,259	(4,317)
Due to related parties	(9,140)	563
	<u>(237,863)</u>	<u>(50,587)</u>
<b>FINANCING ACTIVITIES:</b>		
Issue of share capital for cash	1,185,945	26,268
Share issue costs	(236,083)	-
	<u>949,862</u>	<u>26,268</u>
<b>INVESTING ACTIVITIES:</b>		
Proceeds on sale of marketable securities	-	34,800
Acquisition costs of property, plant and equipment	(61,563)	-
Acquisition costs of mineral properties	(109,934)	(9,723)
Deferred exploration and development costs, net of amortization and property examination costs	(388,127)	-
	<u>(559,624)</u>	<u>25,077</u>
Loss on conversion of foreign currencies	(15,440)	-
<b>INCREASE IN CASH</b>	<b>136,935</b>	<b>758</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>3,485,036</b>	<b>21,389</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 3,621,971</b>	<b>\$ 22,147</b>

**SUPPLEMENTAL CASH FLOW INFORMATION (Note 6)**

The accompanying notes are an integral part of these financial statements.

**EXETER RESOURCE CORPORATION**  
**CONSOLIDATED SCHEDULES OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

	<i>La Cabeza</i> Cognito Properties	<i>Rosarita, Quispe, Dolores</i> Estelar Properties	MRP Properties	<i>Patagonia</i> CVSA Properties	Papagallos Properties	<i>Generative</i> Other	March 31 2004	March 31 2003
EXPLORATION AND DEVELOPMENT COSTS:								
Accommodations and meals	\$ 10,422	\$ 15	\$ -	\$ 4,013	\$ 2,712	\$ 9,346	\$ 26,508	-
Administration and	12,858	840	-	16,144	1,676	6,187	37,705	-
Amortization	1,996	81	-	212	-	-	2,289	-
Assays	1,128	-	-	1,075	-	637	2,840	-
Consultants and contractors	28,849	1,453	-	19,069	15,614	1,915	66,900	-
Drilling	82,674	-	-	-	-	-	82,674	-
Field equipment and supplies	40,578	-	-	311	7,606	-	48,495	-
Field office and miscellaneous	10,442	467	-	4,283	3,054	2,735	20,981	-
Geological surveying, mapping	889	31	-	14	6	-	940	-
Geophysical surveying	3,658	-	-	-	32,643	-	36,301	-
Recording fees	906	-	-	-	-	-	906	-
Travel	7,956	3	-	10,242	388	12,350	30,939	-
Vehicle rental, fuel and repairs	11,818	41	-	3,075	1,693	2	16,629	-
Wages and benefits	23,306	2,893	-	10,878	12,404	1,797	51,278	-
	237,480	5,824	-	69,316	77,796	34,969	425,385	-
Property examination costs	-	-	-	-	-	(34,969)	(34,969)	-
<b>TOTAL COSTS INCURRED DURING THE PERIOD</b>	<b>237,480</b>	<b>5,824</b>	<b>-</b>	<b>69,316</b>	<b>77,796</b>	<b>-</b>	<b>390,416</b>	<b>-</b>
<b>BALANCE OF COSTS, BEGINNING OF PERIOD</b>	<b>232,869</b>	<b>83,955</b>	<b>5,459</b>	<b>35,528</b>	<b>-</b>	<b>-</b>	<b>\$ 357,811</b>	<b>-</b>
	470,349	89,779	5,459	104,844	77,796	-	748,227	\$ -
Write-off of costs	-	-	-	-	(77,796)	-	(77,796)	-
<b>BALANCE OF COSTS, END OF YEAR</b>	<b>\$ 470,349</b>	<b>\$ 89,779</b>	<b>\$ 5,459</b>	<b>\$ 104,844</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 670,431</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

**1. NATURE OF BUSINESS AND CONTINUED OPERATIONS**

Exeter Resource Corporation (the “Company”) is incorporated under the laws of British Columbia, Canada and is primarily engaged in the acquisition, exploration and development of mineral properties located in Argentina.

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 is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

The interim consolidated financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the most recent audited consolidated financial statements for the year ended December 31, 2003, except that they do not include all note disclosures required for annual audited consolidated financial statements. It is suggested that the interim consolidated financial statements be read in conjunction with the annual audited consolidated financial statements.

**2. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	Net Book Value	
			March 31, 2004	December 31, 2003
Website	\$ 21,193	\$ 4,712	\$ 16,481	\$ 14,792
Computer equipment – Canada	10,667	2,280	8,387	9,067
Equipment & vehicles – Argentina	58,551	2,394	56,157	2,833
Computer equipment – Argentina	3,318	258	3,060	511
Computer software – Argentina	365	226	139	183
	<u>\$ 94,094</u>	<u>\$ 9,870</u>	<u>\$ 84,224</u>	<u>\$ 27,386</u>

**3. MINERAL PROPERTIES**

	March 31, 2004			2004 Total
	Acquisition Costs	Deferred Exploration and Development Costs	Write-down of Capitalized Costs	
Cognito Properties	\$ 375,758	\$ 470,349	\$ -	\$ 846,107
Estelar Properties	237,820	89,779	-	327,599
MRP Properties	-	5,459	-	5,459
CVSA Properties	109,934	104,844	-	214,778
Papagallos Properties	-	77,796	(77,796)	-
	<u>\$ 723,512</u>	<u>\$ 748,227</u>	<u>\$ (77,796)</u>	<u>\$ 1,393,943</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

**3. MINERAL PROPERTIES (CONT'D)**

	December 31, 2003			2003 Total
	Acquisition Costs	Deferred Exploration and Development Costs	Write-down of Capitalized Costs	
Cognito Properties	\$ 375,758	\$ 232,869	\$ -	\$ 608,627
Estelar Properties	237,820	83,955	-	321,775
MRP Properties	-	5,459	-	5,459
CVSA Properties	-	35,528	-	35,528
Papagallos Properties	-	40,835	(40,835)	-
	\$ 613,578	\$ 398,646	\$ (40,835)	\$ 971,389

**4. SHARE CAPITAL**

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

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

	March 31, 2004		December 31, 2003	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period/year	8,512,837	\$ 8,354,399	1,200,994	\$ 6,439,547
Issued during the period/year for:				
Cash:				
Warrants exercised	195,000	48,750	345,000	77,500
Options exercised	35,000	14,175	60,000	13,200
Private placement	1,123,020	859,968	2,965,120	1,046,225
Share subscription advances	2,876,980	2,876,980	174,880	26,232
Acquisition of subsidiaries	-	-	2,600,000	555,000
Debt	-	-	1,149,343	189,642
Finder's fee	-	-	17,500	2,625
Contributed surplus allocated	-	4,756	-	4,428
Balance, end of period/year	12,742,837	\$ 12, 159,028	8,512,837	\$ 8,354,399

**Transactions for the Issue of Share Capital  
During the Three Months Ended March 31, 2004:**

- a) The Company completed a private placement financing consisting of 4,000,000 units at a price of \$1.00 per unit for a net consideration of \$3,736,948, of which \$2,876,980 was received prior to December 31, 2003, after payment of share issue costs totalling \$263,052. Each unit consists of one share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable to acquire one additional share at a price of \$1.35 per share on or before January 12, 2005, except that in the event the closing price of the Company's share reaches or exceeds \$1.75 for a period of ten consecutive trading days, the warrant holders have thirty days to exercise their warrants, or the warrants expire.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

**4. SHARE CAPITAL (CONT'D)**

In addition, the Company issued 367,700 warrants as finders' fees on this transaction. Each warrant is exercisable to acquire one share at a price of \$1.35 per share on or before January 21, 2005, except that in the event the closing price of the Company's share reaches or exceeds \$1.75 for a period of ten consecutive trading days, the warrant holders have thirty days to exercise their warrants, or the warrants expire.

- b) The Company issued 35,000 shares at a price of \$0.405 per share for a total consideration of \$14,175 pursuant to the exercise of options.

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

- c) The Company issued 195,000 shares pursuant to the exercise of 195,000 share purchase warrants at a price of \$0.25 per share for a total consideration of \$48,750.

**Stock Option Plan:**

Subject to shareholder and regulatory approval, the Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the plan may not exceed 2,527,567. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by TSX Venture Exchange Policy), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Stock options granted under the Plan are subject to vesting restrictions such that one-quarter of the option shall vest on the award date, and one-eighth shall vest every three months thereafter such that the entire option shall have vested eighteen months after the award date.

A summary of the status of the Company's stock option plan as of March 31, 2004 and December 31, 2003, and changes during the period/year then ended is as follows:

	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period/year	816,750	\$ 0.43	-	\$ -
Forfeited/cancelled	-	-	-	-
Granted	1,278,000	1.08	876,750	0.42
Exercised	(35,000)	0.405	(60,000)	(0.22)
Options outstanding, end of period/year	2,059,750	\$0.83	816,750	\$ 0.43

At March 31, 2004, the Company had outstanding stock options to acquire 2,059,750 shares as follows:

**4. SHARE CAPITAL (CONT'D)**



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

Number of Shares	Price	Expiry Date
149,750	\$ 0.76	October 23, 2004
167,000	\$ 0.22	March 20, 2008
465,000	\$ 0.405	August 15, 2008
<u>1,278,000</u>	\$ 0.22	January 21, 2009
<u><u>2,059,750</u></u>		

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

Range of Prices \$	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price \$
0.22	167,000	3.97	0.22
0.405	465,000	4.38	0.405
0.76	149,750	0.56	0.76
1.08	<u>1,278,000</u>	<u>4.81</u>	<u>1.08</u>
	<u><u>2,059,750</u></u>	<u>4.34</u>	<u>0.83</u>

**Stock-based compensation:**

Effective January 1, 2003, the Company adopted the fair value method of accounting for stock-based compensation awards, to be applied on a prospective basis. The fair values of options vested during the three months ended March 31, 2004 was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected volatility	35.41%
Risk-free interest rate	3.72%
Expected life	2.5 years
Expected dividend yield	0%

**Warrants:**

At March 31, 2004, the Company had outstanding share purchase warrants exercisable to acquire 4,967,700 shares as follows:

Number	Exercise Price	Expiry Date
175,000	\$ 0.23	March 6, 2005
925,000 <sup>(1)</sup>	\$ 0.25	July 22, 2004
155,000	\$ 0.22	March 31, 2005
1,345,000	\$ 0.75	October 30, 2005
<u>2,367,700 <sup>(2)</sup></u>	<u>\$ 1.35</u>	<u>January 12, 2005</u>
<u><u>4,967,700</u></u>		

<sup>(1)</sup> 140,000 warrants subsequently exercised.

<sup>(2)</sup> In the event the closing price of the Company's share reaches or exceeds \$1.75 for a period of ten consecutive trading days, the warrants must be exercised within thirty days or they expire.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

**5. RELATED PARTY TRANSACTIONS**

- a) Exploration and development fees totalling \$24,645 (2003 - Nil) were paid or accrued to a corporation of which the President and CEO of the Company is a principle.
- b) Management fees of \$8,250 (2003 – 9,000) and rent of \$488 (2003 - \$1,463) were paid or accrued to a corporation controlled by the Secretary of the Company.
- c) Legal fees of \$20,208 (2003 – Nil) and share issue costs of \$12,560 (2003 – Nil) were paid or accrued to a corporation controlled by a Director of the Company.
- d) Exploration and development fees of \$28,403 (2003 – Nil) were paid or accrued to a corporation of which the Vice-President, Exploration is a consultant.
- e) Exploration and development fees of \$3,000 (2003 – Nil), share issue costs of \$3,000 (2003 – Nil) and management fees of \$18,000 (2003 – Nil) were paid to the Chairman of the Company or a corporation controlled by him.

All of the above transactions were in the normal course of operations and, in management’s opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

**6. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	2004	2003
Non-cash financing activities:		
Issue of share capital for:		
Acquisition of subsidiaries	\$ -	\$ 120,000
Contributed surplus allocated	4,756	-
Share subscription advances	2,876,980	26,232
Share subscription advances	(2,876,980)	(26,232)
	<u>\$ 4,756</u>	<u>\$ 120,000</u>
Non-cash investing activities:		
Acquisition costs of mineral properties	\$ -	\$ (120,000)

**7. SEGMENTED INFORMATION**

The Company’s activities are all in the one industry segment of mineral property acquisition, exploration and development. Following is a summary of property, plant and equipment by geographical segments:

	Canada	Argentina	Total
March 31, 2004			
Property, plant and equipment	\$ 24,868	\$ 59,356	\$ 84,224
Mineral properties, including deferred costs	-	1,393,943	1,393,943
	<u>\$ 24,868</u>	<u>\$ 1,453,299</u>	<u>\$ 1,478,167</u>

**7. SEGMENTED INFORMATION (CONT'D)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**  
**(unaudited – prepared by Management)**

	Canada	Argentina	Total
December 31, 2003			
Property, plant and equipment	\$ 23,859	\$ 3,527	\$ 27,386
Mineral properties, including deferred costs	-	971,389	971,389
	<u>\$ 23,859</u>	<u>\$ 974,916</u>	<u>\$ 998,775</u>

**8. SUBSEQUENT EVENTS**

- a) The Company granted stock options exercisable to acquire 385,000 shares as follows: 75,000 shares at a price of \$1.20 per share on or before April 7, 2006; 75,000 shares at a price of \$1.50 per share on or before April 7, 2006; 135,000 shares at a price of \$1.41 per share on or before April 7, 2009; and 100,000 shares at a price of \$1.20 per share on or before May 1, 2006.
- b) The Company issued 140,000 shares pursuant to the exercise of 140,000 share purchase warrants at a price of \$0.25 per share for a total consideration of \$35,000.