



## MANAGEMENT'S DISCUSSION AND ANALYSIS

*May 28, 2004*

The following discussion and analysis of the Company's financial condition and results of operations therein should be read in conjunction with the audited consolidated financial statements of the Company (the "statements") and the accompanying notes that form part of the statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All figures are expressed in Canadian dollars unless otherwise noted.

### OVERVIEW

#### **Description of business**

Exeter Resource Corporation (the "Company"), formerly Golden Glacier Resources Inc., is a mineral exploration company engaged in the acquisition, exploration and development of resource properties in South America.

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

On October 10, 2002, the share capital of the Company was consolidated on the basis of a ten old shares for one new share, the authorized post-consolidation share capital was increased to 100,000,000 common shares, and the name of the company was changed to "Exeter Resource Corporation". The Company is incorporated under the laws of British Columbia and is listed on the Frankfurt Stock Exchange under the trading symbol "EXB" and on the TSX Venture Exchange (the "Exchange") under the trading symbol, "XRC".

Since its restructuring, the Company has predominantly been involved in the examination and acquisition of mineral exploration opportunities and securing capital for the implementation of its exploration programs.

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

#### **Forward-looking Statements**

Except for statements of fact relating to the Company together with its subsidiaries (collectively referred to as the "Company"), certain information contained in this document constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties related to the availability of and costs of financing needed in the future and other factors described in this discussion under the heading "Outlook". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

### **Critical Accounting Estimates**

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2003. Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the estimated realizable value of inventories, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, and the anticipated costs of asset retirement obligations.

### **Stock-based Compensation**

Stock-based compensation in the amount of \$93,379 was recorded in the quarter. Stock-based compensation is recognized over the vesting period of the stock options to which it relates and will fluctuate in accordance with the vesting patterns of the underlying options. In addition, option pricing models require the input of highly subjective assumptions regarding the expected volatility of the Company's share price. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of the grant or thereafter.

### **Operations**

- **Management changes**

In January 2004, Mr. Paul C. MacNeill, LL B, was appointed as director of the Company.

- **Financing**

On January 12, 2004, the Company closed a non-brokered private placement of 4,000,000 units, at a price of \$1.00 per unit, for gross proceeds of \$4,000,000. Each unit comprised one common share and one-half of a share purchase warrant.

- **Investor relations**

The Company has engaged Cavalcanti Hume Funfer Inc, of Toronto and Calgary, as the Company's Investor Relations advisors to focus on shareholder communications in Canada.

The Company was listed on the Frankfurt Stock Exchange (Deutsche Boerse) in Germany and is now trading under the symbol "EXB".

- **Property agreements**

CVSA - The Company entered into an agreement with Cerro Vanguardia S.A. ("CVSA") to acquire the rights to all of CVSA's exploration projects, except those surrounding its Cerro Vanguardia gold mine, in Patagonia, Argentina. A due diligence was completed and the Company is now proceeding with the option to acquire the rights to the CVSA properties. A drill program is planned to commence in the second quarter of 2004.

La Cabeza – the Company is proceeding with a \$1.1 million pre-feasibility study on the La Cabeza gold project. The pre-feasibility study will be coordinated by Sandercock and Associates of Sydney, Australia and will include a detailed geological interpretation and geotechnical, hydrological, engineering, metallurgical, mining, infrastructure, environmental, community relations, legal investigations and financial modeling. A total of 2,462 metres of pre-feasibility drilling program has been completed on the project.

## **REVIEW OF OPERATIONS**

During 2003, the Company acquired the rights to five groups of gold properties in Argentina, including its principal and most advanced property, La Cabeza.

**SUMMARY OF PROJECTS**

Major properties	Rights acquired	Company name	Land Area (sq km)	Payment on acquisition	Future cash commitments
<b>La Cabeza</b> - 7 concessions	100% Exeter subsidiary	Cognito Limited ("Cognito")	100	1,600,000 shares and \$25,000	- exploration of US\$3,000,000 - US\$525,000 to Dec 15, 2014 - 3.5% NSR
<b>Rosarita, Quispe, Llanos Ricos/ El Salado and Dolores</b> - 21 concessions	100% Exeter subsidiary	Estelar Resources Limited ("Estelar")	385	1,000,000 shares and \$2,820	2% NSR
<b>Agua Nueva Rosarita South La Ramada</b> - 45 concessions	Option for 100%	Minera Rio de la Plata ("MRP")	312	\$5,000	- US\$440,000 - 2% NSR
<b>Cerro Moro Santa Cruz Chubut Rio Negro</b> - 39 concessions	Option for 100%	Cerro Vanguardia Sociedad Anonima ("CVSA")	1,047	\$US100,000	- US\$3,000,000 to Dec. 30, 2008 - 2% NSR
<b>Papagallos</b> - 5 concessions	Option for 100%	Papagallos	21,657 ha		Property rights relinquished 2004

**La Cabeza Gold Project**

**Property Description**

La Cabeza is located 370 km south of Mendoza in central western Argentina and consists of seven gold concessions covering approximately 100 sq km. La Cabeza is a partially explored, epithermal, low-sulphidation gold deposit situated at an elevation of 1,100 metres.

The property was discovered in 1997 by Argentina Mineral Development (AMD), which spent USD \$3.34 million on exploration work that outlined ore grade gold mineralization within epithermal quartz veins, stockworks and silicified volcanic rocks. Drilling included 16,000 meters of core and reverse circulation drilling in 126 drill holes. Exploration partially delineated multiple zones of gold mineralization within a 2 square kilometre area and led to resource calculations and a scoping study that calculated 718,000 ounces of gold with a grade of 1.83 g/t at a cut-off of 0.5 g/t. A review of the scoping study can be found at [www.sedar.com](http://www.sedar.com), in the company profiles section.

**Acquisition Terms**

In 2003 the Company acquired a 100% interest in Cognito limited ("Cognito") for a consideration of \$25,000 cash and 1,600,000 common shares of the Company. Cognito has a 100% interest in the La Cabeza gold project.

To exercise the Cognito option, the Company is required to incur a total of US\$3.0 million in exploration and development expenditures at La Cabeza by March 2007, of which a minimum of US\$1.5 million is required to be spent by March 2006. The Company has met its exploration commitment for 2004 of an expenditure of US\$165,000 before March 6, 2004. In addition, on the earlier of completion of these expenditures or completion of a bankable feasibility study, the Company must pay to the former owners a further CAN\$2.5 million cash or, at the Company's option, 2.5 million common shares of the Company.

To earn its interest in the La Cabeza property, the Company's subsidiary, Cognito, must pay to the owners of the property (subject to a 3.5% NSR) a total of US\$525,000 in staged payments to December 2014. The Company has met the payment requirement of US\$15,000 by December 31, 2003.

### **Exploration**

In November 2003, the Company retained Sandercock and Associates Pty. Ltd. ("Sandercock") of Australia to update the AMD scoping study. The study considered a combination of open pit and underground mining in light of 2003 capital and operating costs. A US\$22 million capital cost estimate included a new treatment plant, contract mining and processing rates of up to 600,000 tonnes annually. Metal recoveries were 90% for gold and 60% for silver, using conventional CIP/CIL technology. Head grades for open pit and underground mineralization were 2.5 g/t Au and 6.7g/t Au respectively, and the average waste to ore ratio for the pits was 1.9 to 1.0. At US\$375/ounce gold, results from the study gave a production rate of 45,000-60,000 ounces/year over a life of 7.5 years, and operating cost of US\$192/oz. Capital payback would be achieved in 2.5 years. These criteria indicate positive project returns and justified proceeding immediately towards a development decision.

A CAN\$1.1 million pre-feasibility study commenced in January 2004. The 6-month study was designed by Sandercock and will include 2,800 metres of drilling and a comprehensive program of metallurgical, engineering, environmental studies and financial modelling. The study will provide a basis for proceeding with a bankable feasibility study and commercial production.

Sampling of the Luna and Ojo prospects were completed in order to test the distribution and continuity of the gold mineralization. Also a re-logging program of drill core was executed in order to determine a suitable geological and mineralization model prior to a resource estimate.

#### Drilling:

In February 2004 and upon the completion of a \$4 million financing, the pre-feasibility stage drilling program commenced. The program has two objectives: (i) to bring the previously defined resource into the "indicated resource" category and (ii) to establish the limits of existing mineralized zones along strike and laterally from previous drill holes. Gold and pathfinder element anomalies are known to extend several kilometres from the La Cabeza deposit. In this program, some of these as yet untested targets will also be drill tested.

In April 2004, the Company announced results from initial drill holes. These drill results appear to substantiate results obtained by AMD from drilling previously conducted on La Cabeza. The mineralization in the holes is interpreted to be flat lying and the intercepts are approximately true widths. Drill hole LCP-107, located in the Ojo zone, intersected 30 metres averaging 13.0 g/t gold, including 3 metres at 52.0 g/t gold, from 10 metres down-hole. Drill hole LCP-106, drilled on a section line 50 metres north of LCP-107, intersected 9 metres averaging 8.2 g/t Au, including 3 metres at 21.2 g/t Au, from the surface. Luna zone drill hole LCP-114, which intersected 6 metres averaging 18.2 g/t Au, including 3 metres at 34.1 g/t, from 12 metres down-hole. Drill hole LCP-115, also at Luna and drilled on a section 50 metres north of LCP-114, intersected 27 metres averaging 2.9 g/t Au, including 9 metres at 5.9 g/t Au, from 24 metres down-hole.

In May 2004, diamond drill results included: Ojo zone drill hole LCD-28, which intersected 9 metres averaging 5.5 g/t gold, from surface to 9.0 metres down-hole; drill hole LCD-30 in the Luna zone intersected 2.7 metres averaging 14.3 g/t gold, from 38.0 metres down-hole; and drill hole LCD-31 in the Cuello zone intersected 15.2 metres at an average of 9.4 g/t gold, including 1.0 metre averaging 64.7 g/t gold, from 29.0 metres down-hole.

Drilling by Exeter at La Cabeza to date totals 2,462 metres in 38 drill holes comprised of 21 diamond drill holes for a total of 1,158 metres, and 17 reverse circulation holes for a total of 1,304 metres. Drilling will continue in the next quarter of 2004 and assay results will be announced as they are received.

The higher grade drill intercepts are being re-assayed into one metre intervals from drill cuttings stored on site. In addition, all composite samples that assayed greater than 10 g/t gold will be re-assayed in one metre intervals by the duplicate screen fire assay method to test for the presence of coarse gold.

## **Estelar Properties**

### **Acquisition Terms**

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

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

The acquisition of Estelar includes a pre-existing data base, office supplies and equipment in Mendoza, including the registered office. The Company's Argentina operations are now being directed from the Estelar offices. Estelar is classified as a subsidiary of the Company.

### **Property Descriptions and Exploration**

The Estelar projects cover approximately 385 sq km in central western Argentina and consist of the Quispe, Rosarita, Dolores and Llanos Ricos gold projects, which have potential for the discovery of epithermal gold deposits and porphyry gold-copper systems. There are no exploration commitments on the projects and exploration work including drilling will be conducted at a later date. Limited exploration geological sampling has been conducted in this area in the quarter.

#### Quispe

The Quispe Project is located in southwestern Catamarca province in northwest Argentina. The property comprises 80 sq km. The project was identified through assessment of satellite colour anomalies and shows potential for a porphyry copper-gold deposits and/or high sulphidation epithermal gold systems.

Previous exploration conducted by AMD defined a number of drill-ready copper and gold targets on the main Quispe prospect. There are no exploration commitments on the project and the Company is offering the property for joint venture.

#### Rosarita

The Rosarita Project has potential for a low sulphidation epithermal gold system. The project is 125 sq km in area and is located in San Juan Province. It lies immediately south of the Casposo gold deposit owned by Intrepid Minerals. Casposo is entering the pre-feasibility stage for an open pit/underground gold mine.

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

#### Uspallata

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

The *Llanos Ricos-El Salado* projects cover 132 sq km and are located at the north end of the Uspallata Graben, a regional structure 350 x 50 km wide. Previous AMD exploration and drilling of 30 holes on the El Salado property revealed low grade copper-gold mineralization and an environment conducive for the

discovery of additional porphyry systems. Recent rock and soil sampling has been conducted on Llanos Ricos.

The *Dolores* property is a grass-roots prospect located 75 km south of Llanos Ricos. The Dolores area was identified by AMD as a porphyry target. Detailed geological mapping and sampling is underway, and geochemistry and drilling to test induced polarization anomalies is planned on the property.

## **Minero Rio de la Plata (MRP) Properties**

### **Acquisition Terms**

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

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

### **Property Description and Exploration**

#### Agua Nueva (La Cabeza North)

The Agua Nueva property covers 266 sq km that adjoin the Company's La Cabeza gold property to the east, west and north. Wide-spaced soil geochemical sampling within an area 6 km northwest of La Cabeza defined a large arsenic soil anomaly. Agua Nueva also covers a set of fault structures that are similar to the mineralized structures at La Cabeza. It is planned that the structures will be prospected by Exeter to define targets for drilling and test possible extensions of the La Cabeza mineralization. No exploration was carried out in the quarter.

#### La Ramada

The property, located in La Rioja Province, comprises exploration titles over a 2.4 sq km area. 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 similar to occurrences in the Carlin belt of Nevada. Early 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. No exploration was carried out in the quarter.

#### Rosarita South

The Rosarita South property, located immediately south of Rosarita, is 42.79 sq km in area and hosts occurrences of alteration similar to those at the Rosarita property. Sampling testwork has revealed further support for possible subsurface gold mineralization on the property. Rosarita South will be assessed in conjunction with an exploration program at Rosarita. No exploration was carried out in the quarter.

## **Cerro Vanguardia SA (CVSA) Properties**

### **Acquisition Terms**

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

Under the agreement, Exeter can earn a 100% interest in the CVSA land package by spending US\$3 million within five years and completing 10,000 metres of drilling on any of the four major projects. CVSA has the right to back into a 60% interest by paying the Company 2.5 times expenditures and paying for Exeter's 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. Should CVSA not elect to back into a project, its interest will revert to a 2% net smelter royalty on that project.

By March 2004, the Company had completed a due diligence study on the CVSA properties and confirmed the legal status and technical merits of the properties. With the completion of its due diligence Exeter paid CVSA a signature fee of US\$75,000 (CAN \$109,934) and will remit a final US\$25,000 by September 2004. The agreement does not require the Company to make any other payment to CVSA.

### **Property Description and Exploration**

The CVSA properties are grouped into four projects. Cerro Moro project is the most advanced: Cerro Moro, with 13 properties; Chubut, with 14 properties; Rio Negro, with 7 properties and Santa Cruz, with 5 properties. All of the projects have favourable geological settings, significant alteration features and/or anomalous gold geochemistry.

Many of the properties under the agreement were located by CVSA using satellite imagery, suggesting large alteration systems. The amount of subsequent exploration on these has varied, but in many cases anomalous gold mineralization has been identified. No geophysical surveys are known to have been conducted and drilling did not extend into covered areas. The Company intends to re-examine all of these systems with a view to identifying gold and/or silver targets at a size threshold lower than that used by CVSA in the first instance. Reconnaissance work ahead of drilling is now being conducted on the projects. It is anticipated that reverse circulation percussion drilling will commence at Cerro Moro in May.

#### Cerro Moro Project

The 157 sq km Cerro Moro epithermal gold project is located in northeastern Santa Cruz Province, approximately 70 km southwest of Puerto Deseado, a city that provides necessary supplies and infrastructure.

Cerro Moro previous discoveries included 16 vein structures and 6 areas of possible vein stockworks or disseminated style mineralization. Most of the discoveries are within a 10 km by 2.5 km 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 between 0.2 and 4.5 metres. Some veins have exceptional silver credits.

A total of 2,582 metres of drilling in 34 shallow diamond and or reverse circulation percussion drill holes were completed by CVSA, and distributed over 11 of the 22 Cerro Moro targets. Drill hole spacings were in the order of 250 metres. Average drill intersection depths were only 30 metres, which management believes has potential for developing substantial blocks of untested mineralization.

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

It is considered that potential for shallow, bulk tonnage gold mineralization exists at the Lomo Mosquito Norte prospect, where 2 holes drilled intersected low-grade mineralization in flat-lying hydrothermally altered volcanic rocks.

The Company's management believes that the limited, wide-spaced drilling undertaken to date on the individual prospects would not have been an effective test of the extensive mineralized system at Cerro Moro. Further drilling on seven of the prospects is planned as is drilling of other untested veins that carry anomalous surface gold geochemistry. An advanced detailed structural interpretation of the vein emplacement regime will be undertaken by Exeter to aid in effective testing of the mineralized system.

Reconnaissance work ahead of a drilling program was conducted during the quarter. A reverse circulation percussion drilling program is expected to commence at Cerro Moro by the second quarter of 2004 and targets have been identified. A camp and field office have been set up to provide accommodation for crew.

Other Properties:

Three separate zones of gold mineralization were identified in western Santa Cruz Province, associated with a northwest trending fault zone.

Cerro Puntudo has quartz veining, silicification and brecciation. Better rock chip assay results included 21 metres at 3.4g/t Au at Zona Rica, and 26 metres at 1.4g/t Au at La Quebrada. Geological evaluation is planned to define drill targets. Geological and geophysical evaluation is planned.

La Calandria has gold mineralization associated with tectonic and carapace breccias in a 12 sq km rhyolite flow dome setting. Work completed by CVSA included reconnaissance geological mapping and rock chip sampling. Ground evaluation and further sampling is planned to define drill targets.

At Verde 2/12, gold mineralization relates to at least 30 structures with epithermal quartz veining in association with a rhyolite dome. Strike lengths of veins range from 100 to 700 metres and widths from 0.7 to 3.0 metres. Work by CVSA included geological mapping and extensive rock chip sampling which gave anomalous gold values.

## **Papagallos**

### **Acquisition Terms**

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

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

### **Property Description and Exploration**

The property was optioned to evaluate a partially-exposed, unexplored copper-gold porphyry system. Limited exploration work was completed by the previous owner. During the quarter, the Company conducted field campaigns and a helicopter borne airborne magnetic survey. Prospecting carried out on the property identified two separate porphyry systems. The project was explored throughout the quarter, but the Company did not locate the type of deposits to meet its exploration objective and therefore the option on the property was terminated.

## **RESULTS FROM OPERATIONS**

### **Management Changes**

In January 2004, Mr. Paul C. MacNeill was appointed as director of the Company. Mr. MacNeill is a securities lawyer with over 20 years of experience advising mineral exploration companies and is the principle of P. MacNeill Law Corporation.

During the period, there were additions to the geological team in order to conduct reconnaissance work on the Cerro Moro project and conduct pre-feasibility studies. The Company will continue to employ or contract additional staff for the Argentina infrastructure as operations there advance.

### Summary of Financial Results

Since its reorganization in 2002, the Company has predominantly been involved in the examination and acquisition of mineral exploration opportunities and securing capital for the implementation of its exploration programs.

For the first part of 2003, the Company's resources were applied to travel, supplies and services for the purpose of evaluating historical exploration information to determine the potential of property acquisitions. Through mid year an office was established in Mendoza, Argentina and both exploration and administrative staff were engaged to carry out the Company's exploration programs. By the end of 2003 field work including evaluation of historic geological and geophysical information, and drill targeting had commenced on several properties. Efforts to identify additional exploration opportunities continued.

During 2003, the Company acquired the rights to five groups of gold properties in Argentina. These acquisitions and the completion of capital raising represent substantial milestones for the Company.

### Summary of Quarterly Results

	2004	2003				2002		
	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
Total revenues	\$12,287	\$1,309	\$579	\$417	\$57	\$90	\$7	\$6
Net loss from operations	\$346,544	\$256,671	\$44,706	\$36,351	\$47,518	\$269,653	\$39,029	\$139,349
Exploration and development	\$705,400	\$175,684	\$182,127	-	-	-	-	-
Property examination costs	-	\$49,661	-	-	-	\$1,500	-	-
Stock-based compensation	\$93,379	\$95,555	-	-	-	-	-	-
Loss on marketable securities	-	-	-	-	-	\$203,644	-	\$79,896
General & administration	\$172,216	\$95,012	\$42,513	\$19,004	\$47,575	\$64,207	\$39,036	\$59,459
Net loss / share (basic)	\$0.03	\$0.03	\$0.01	\$0.01	\$0.02		\$0.04	\$0.12
Net loss / share (fully diluted)	\$0.02	\$0.02	\$0.00	\$0.00	\$0.01		\$0.00	

During the three month period ended March 31, the Company continued its growth and increased its property portfolio through an additional acquisition agreement with CVSA for its Patagonia exploration properties. The Company also continued to advance the primary La Cabeza gold project through to the pre-feasibility stage. Equity financings increased the Company's working capital so that it is now has sufficient funding to carry its projects through November 2004.

The Company reported a net loss of \$381,513 during the quarter compared to a loss of \$47,518 in the first interim period of 2003. The principle increases were in administration costs, stock-based compensation expenses and mineral property write-offs.

With the proceeds of a private placement financing, the Company invested funds in a Canadian term deposit and as a result had interest income in the quarter of \$12,287. This security is liquid and will be converted to cash as required in the year.

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Administration expenses to March 31 included \$32,004 of stock exchange filing fees (\$7,133 in 2003) as a result of filing fees in connection with a private placement and the Company's stock option plan. Similarly, transfer agent fees of \$4,409 in 2004 increased from \$396 for the first quarter of 2003. The Company expects that with the absence of large financings, these filing and transfer agent fees will be reduced for the upcoming interim periods.

Stock-based compensation is recorded when granted options become vested according to vesting provisions associated with them. While there was a stock based compensation expense of \$93,379 in 2004 in respect of 1,278,000 options granted during the period, no such expense occurred during the same period of 2003 as options were not granted.

Travel and promotion expenses of \$22,859 for the three month period were incurred primarily as a result of attendance at mining trade shows and travel for the purpose of increasing shareholder and investor awareness of the Company. Efforts to increase the exposure of the Company and to add to its market capitalization began at the end of the 2003 reporting year and are expected to continue through this year.

Design, printing, news distribution, and promotional materials expenses totalling \$6,293 (Nil – 2003) were allocated to investor relations during the period. The Company now has an investor relations program in place and a firm of professional investor relations consultants was contracted effective April 2004 with a renewal period in September 2004.

Financial and administrative services increased from \$18,000 as at March 2003 to \$46,975 in 2004. Increased administration and professional fees required for evaluation, negotiation and acquisition of properties and necessary financing activities for this purpose resulted in the higher expense this period. Administration costs are expected to be modestly higher in the next year with increased labour and professional resources.

During the quarter, legal, accounting and audit fees also showed increases over the same period in 2003. As a result of due diligence, contract negotiation and settlement of business acquisitions, legal expenses in 2004 increased to \$18,999 compared to \$2,380 in 2003. With the corporate growth of the Company, partial audit and accounting fees recorded in the quarter of \$7,697 for the annual audit of the Company's financial statements are substantially higher than the \$300 recorded in 2003.

Management fees of \$26,250 include fees to the Corporate Secretary and the Chairman of the Company and were previously recorded in 2003 as \$18,000 in administrative consulting costs.

Rent was reduced from \$4,763 as at March 2003 to \$488 to March 2004 due to a transition period in which the Company moved its Vancouver head office. A new office sub-lease of \$1,500 per month is now in effect.

Exploration on the Company's properties began in 2003 and all deferred exploration expenses were incurred during the last quarter of 2003, following completion of acquisition agreements and the subsequent property exploration. Total deferred exploration and development costs were \$425,385 for the three months to March 31, 2004. Generative exploration is exploration that is conducted on a general basis and not applicable to a particular property. During the period, \$34,969 in generative exploration was conducted and allocated to property examination costs. The Company has decided not to proceed with the option to acquire Papagallos, and the year-to-date cost of \$77,796 was written off from mineral properties.

A total of \$237,480 was spent on the Company's principle property, La Cabeza, \$5,824 at the Estelar properties (predominantly the Rosarita property) and \$69,316 towards the CVSA property evaluations.

Exploration and development costs include \$66,900 incurred with consultants and contractors. These services include geological and other technical consulting, primarily on the pre-feasibility program at La Cabeza and on due diligence of the CVSA properties. Administration and professional charges of

\$37,705 include corporate personnel in Argentina, management fees, and legal and accounting costs. The wages and benefits component of \$51,278 was paid to labourers, office support staff and field crew. Travel to and from Argentina and throughout the country for the purpose of property visits and evaluations totalled \$52,894 for the three month period. While the Company continues to expand its mineral assets, it will be necessary to incur this rate of travel costs for exploration.

During the quarter, two vehicles were purchased in Argentina for \$46,950 and will be used to access to its properties and to transport materials; a total of \$1,762 of amortization is included in this amount.

Argentina pesos are used for the Company's Argentina operations; fluctuations in that currency have resulted in a loss this period of \$15,440 (total gain in 2003 of \$6,348). The Company does not anticipate significant exposure to currency fluctuations of the peso.

### **Liquidity**

Through equity financings, as of March 31, 2004, the working capital of the Company has substantially increased to \$3,538,228 (deficit of \$131,934 in March 2003). Cash and cash equivalents totalled \$3,621,971 compared to \$21,389 in March of 2003. The Company expects that these funds will be sufficient to sustain its operations to November 2004.

The Company expects to fund the costs of continued exploration of its existing mineral properties and its endeavour to acquire new additional land positions, through equity financing and exercises of convertible securities. Should operations develop to the mining level, it is likely that a combination of debt and capital financing will be used to fund the Company.

In this quarter the Company increased its cash resources by \$136,935 compared to a \$578 increase in the first quarter of 2003. The largest component of cash expenditures this quarter was \$388,127 for deferred exploration and development costs. As a signature fee of US\$75,000 (CAN \$109,934) was paid on completion of due diligence of the agreement to acquire CVSA's properties and a further \$61,563 was expended in the acquisition of two vehicles in Argentina.

Financing activities totalled \$949,862 in the quarter. In connection with the issuance of 4,230,000 shares, the Company realized proceeds net of share issue costs, of \$3,736,948 in the period, with cash in the form of advance share subscriptions held in trust totalling \$2,876,980 received as at December 31, 2003. Those funds were released from trust on January 12, 2004 upon the close of a private placement of 4,000,000 units of the Company.

Accounts receivable of \$46,271 includes Argentinean Value Added Tax of \$29,032 which is expected to be refunded to the Company's Argentina subsidiary.

Amounts due to related parties comprise \$94,933 in fees and expenses payable to the President of the Company or a corporation of which he is a principle, the Chairman of the Company or a corporation controlled by him, the Vice President, Exploration or a corporation of which he is a consultant, and a corporation controlled by a director of the Company.

Subsequent to March 31, the Company received proceeds of \$35,000 on the exercise of 140,000 warrants at an exercise price of \$0.25.

### **Share Capital**

The Company began the period with 8,512,837 shares outstanding and ended the quarter with 12,742,837 issued and outstanding common shares. Pursuant to a private placement financing and on exercises of warrants and options, the Company received total gross proceeds of \$4,077,100 and issued a total of 4,230,000 common shares. Note 4 of the consolidated financial statements of the Company provides further details of these transactions.

Share issue costs of \$263,052 incurred in connection with the private placement of 4,000,000 units of the Company (each unit being one common share and one half of a share purchase warrant) included legal fees, commissions and finders' fee. Share subscription advances of \$2,876,980 were received in December 2003 and were held in trust. On January 12, 2004, the placement closed and the funds were released from trust. In addition, \$4,756 that was previously recognized as stock-based compensation was re-allocated as a share capital expense on the exercise of 35,000 options. As of the date of this report, the number of issued and outstanding shares of the Company is 12,882,837.

#### Option Plan

In January 2004, subject to shareholder and Exchange approvals, the Company decided to replace its 10% "rolling" stock option plan and adopt a new fixed ceiling stock option plan (the "Plan") to replace it. The number of shares reserved for issuance under the plan will be the equivalent of 20% of the issued shares of the Company as of June 16, 2004, including options previously granted under the rolling plan.

Pursuant to the Company's Option Plan, the Company granted, subject to Exchange and shareholder approval of the Plan, the following stock options to directors, officers, employees and consultants of the Company: a total of 135,000 stock options exercisable at a price of \$1.41 per share and expiring on April 7, 2009; a total of 100,000 stock options exercisable at a price of \$1.20 per share and expiring on May 1, 2006. Any shares issued on the exercise of the above options are subject to a four-month trading hold period from the date of grant of the options.

#### **Related Party transactions**

During the period, the following related party transactions were recorded:

- Exploration and development administration 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.
- 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.
- 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.
- Exploration and development consulting fees of \$28,403 (2003 - Nil) were paid or accrued to a corporation of which the Vice-President, Exploration is a consultant.
- 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.

#### **Subsequent Events**

##### **Investor Relations Activities**

On March 31, 2004, the Company engaged Cavalcanti Hume Funfer Inc, of Toronto and Calgary, as the Company's Investor Relations counsel to focus on shareholder communications in Canada.

Investor relations services will be provided for an initial six-month period to September 30th, 2004. Thereafter, service may continue should both parties agree. The monthly investor relations fee is \$5,000, plus disbursements. Pursuant to the agreement and subject to shareholder and regulatory approvals, the Company granted 150,000 incentive stock options; with an exercise price of \$1.20 per share for 75,000 option shares and \$1.50 per share for the remaining 75,000 option shares. The options expire on April 7, 2006 and are subject to a four month trading hold period expiring on August 7, 2004.

##### **Security Conversions**

Upon the exercise of warrants, in April 2004 the Company issued 140,000 shares for net proceeds of \$35,000.

## **OUTLOOK**

In summary, the Company plans to:

- Complete the La Cabeza pre-feasibility study
- Identify and drill new targets that could represent additional gold zones at La Cabeza
- Drill the high grade gold-silver veins discovered by CVSA at Cerro Moro, Patagonia
- Drill gold discoveries on additional CVSA properties in Patagonia
- Establish joint ventures with interested parties on Exeter's lower priority properties
- Evaluate new exploration opportunities in Argentina

The Company is committed to continued exploration, evaluation and acquisition of gold properties in South America, and will focus in particular on Argentina. It will also seek joint venture opportunities on its copper-gold porphyry properties.

Reconnaissance work and evaluation of results will be performed on its present portfolio of properties. The pre-feasibility study at La Cabeza will continue with a view to advancing the project to a production decision in 2005. Results from ongoing studies and field programs will be reported through the year.

The Company plans to conduct drilling on Cerro Moro in the second quarter of this year. Early success at Cerro Moro will see a large exploration commitment to the project through 2004. It plans to develop drill targets on its other Patagonia properties, using the very substantial data base acquired from CVSA.

Funding for its operations will be provided through equity financings and security conversions. Should any of its properties reach the mine development stage, debt financing or a combination of debt and equity financing will be considered.

## **RISKS**

The Company operates in the mineral exploration sector and has no current production of minerals. All of the Company's properties are currently at the exploration stage. There is no assurance that an economic and commercially viable deposit exists on any of the Company's properties, and substantial additional work will be required in order to determine if any economic and legally feasible deposits occur on the Company's properties. Operations are not seasonal as the Company can conduct exploration on most of its properties, including La Cabeza year-round. However, exploration on some of the Patagonia properties is difficult during the winter months of June to October.

The mineral exploration operations of the Company are subject to regulation of government agencies at the Federal, State and local levels. Management believes it is in compliance with all current requirements and does not anticipate any significant changes to these regulations which will have a material effect on the Company's operations.

The Company is engaged in the exploration for and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

The Company relies on equity and debt financings and there is no guarantee that the Company will be successful in raising funds through those means. Risk factors are more fully described in the company's Annual Information Form which can be found in the documents listed in the Company's profile at [www.sedar.com](http://www.sedar.com).