



MANAGEMENT'S DISCUSSION AND ANALYSIS

August 30, 2004

The following discussion and analysis of the Company's financial condition and results of operations therein should be read in conjunction with the annual 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 \$69,131 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 Highlights

Management changes

In June, David Simpson was appointed Chief Financial Officer, and Nancy La Couvée was appointed Corporate Secretary of the Company, replacing Douglas Scheving.

Properties:

Rosarita - The Company entered into an option agreement with Intrepid Minerals Corporation ("Intrepid") through which Intrepid may earn a 50% interest in Exeter's Rosarita epithermal gold project. The 76 square kilometre property lies immediately south of Intrepid's Casposo gold project in San Juan province, Argentina.

Cerro Moro - The Company commenced drilling on the Cerro Moro gold project which was optioned during the first quarter from Cerro Vanguardia SA ("CVSA"). To date, 2,069 metres of reverse circulation percussion drilling in 40 holes have been completed.

La Cabeza - The \$1.1 million pre-feasibility study is proceeding on the La Cabeza gold project. As part of the study, an initial program of metallurgical testwork on mineralized material was completed. Preliminary gold recoveries of 85-92.5% indicate that the La Cabeza mineralization is amenable to conventional extraction methods.

A total of 2,687 metres of pre-feasibility drilling has been completed on the project for the purpose of bringing the classification of mineralization to an "indicated resources" category. A reverse circulation percussion drilling program is currently underway at La Cabeza.

Cerro Puntudo - Positive results were obtained from the Company's initial geochemical and geological programs on the Cerro Puntudo gold project. Rock chip channel sampling by Exeter has highlighted two high priority gold-silver targets: the La Quebrada zone and the Rico zone. Geological and geochemical work is continuing.

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. Descriptions and acquisition terms are listed in the table below.

SUMMARY OF MINERAL PROJECTS

Major properties	Rights acquired	Company name	Land area (sq km)	Payment on acquisition	Future cash commitments
La Cabeza - 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
Rosarita, Quispe, Llanos Ricos/ El Salado and Dolores - 20 concessions	100% Exeter subsidiary	Estelar Resources Limited ("Estelar")	385	1,000,000 shares and \$2,820	2% NSR
Agua Nueva Rosarita South La Ramada - 45 concessions	Option for 100%	Minera Rio de la Plata ("MRP")	312	\$5,000	- US\$440,000 - 2% NSR
Cerro Moro Santa Cruz Chubut Rio Negro - 39 concessions	Option for 100%	Cerro Vanguardia Sociedad Anonima ("CVSA")	1,047	\$US100,000	- US\$3,000,000 to Dec. 30, 2008 - 2% NSR
Papagallos - 5 concessions	Option for 100%	Papagallos	21,657 ha	Nil	Property rights relinquished 2004

SUMMARY OF JOINT VENTURE PROJECTS

Major properties	Rights farmed out	Company name	Land area (sq km)	Payment	Future cash/exploration commitments
Rosarita - 2 concessions	50% property rights to Intrepid	Estelar Resources Limited ("Estelar")	76	Nil	- exploration of US\$250,000 - drilling of 5,000 metres by Intrepid

La Cabeza Gold Project

Property Description

La Cabeza is located 370 km south of Mendoza in central western Argentina and consists of seven core 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 central concessions are surrounded by a new 100 sq km exploration permit application by the Company, and adjacent to the 266 sq km Agua Nueva project.

The La Cabeza project was discovered in 1997 by Argentina Mineral Development (AMD), which spent US \$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 four sq km area and led to resource calculations and a scoping study that calculated an inferred resource containing 718,000 ounces of gold based on 12.0 million tonnes grading 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, in the company profiles section.

Acquisition Terms

The Company has a 100% interest in Cognito Limited ("Cognito"), which was acquired for \$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 by December 14, 2014 a total of US\$525,000, in installments, to the owners of the property (subject to a 3.5% NSR.)

Exploration

In November 2003, Sandercock and Associates Pty. Ltd. ("Sandercock") of Australia updated the AMD scoping study on La Cabeza. 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. Assumed 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 pre-feasibility study commenced in January 2004. The study was designed by Sandercock and will include +2,800 metres of drilling and a comprehensive program of metallurgical, geological interpretation, geotechnical analysis, hydrological engineering, environmental studies and financial modelling. The study will provide a basis for proceeding with a bankable feasibility study and commercial production.

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 inferred resource into the "indicated resource" category and (ii) to establish the limits of existing mineralized zones along strike and laterally from previous drill holes.

The Company has announced results from drill holes as they were received, and drilling continues on the property. The drill results to date appear to substantiate results obtained by AMD from drilling previously conducted on La Cabeza.

Drilling by Exeter at La Cabeza to date totals 2,687 metres in 41 drill holes comprising 24 diamond drill holes (1,641 metres including 258 metres of percussion precollar drilling) and 1,046 metres in 17 reverse circulation drill holes. Drilling will continue into the next quarter of 2004 and results will be announced as they are received and tabulated on the Company's website.

Samples were prepared at the ALS Chemex preparation facility in Mendoza and assayed by fire assay (50 gm charge) at the ALS Chemex laboratory in Chile.

Channel Sampling:

Seven channels were cut across the Luna zone and five across the Ojo zone. These were sawn using a rock saw, and will test the distribution and the continuity of the gold mineralization at surface to allow detailed surface mapping to be conducted. The program continues into the third quarter and results will be announced.

Engineering Studies:

Geotechnical, hydrological, and environmental/social contracts are being finalized as part of the pre-feasibility program and will commence in the third quarter. Topographic surveying covering the mineralized zones has commenced and continues into the third quarter.

Metallurgical testwork gave gold recoveries of 85-92.5%, indicating that the La Cabeza mineralization is amenable to conventional extraction methods. The La Cabeza material was hard and siliceous with little clay and no viscosity problems are anticipated in leaching or grinding. A detailed analysis indicated a very low sulphide and base metal content. More detailed studies will continue in the next quarter.

Social Program:

As part of its social program, Exeter assisted with purchases of medicine for the local medical clinic, and made presentations on La Cabeza to the mayor, the provincial director of mines and various interested citizens in the city of Malargue.

Estelar Properties

Acquisition Terms

In July 2003, the Company acquired a 100% interest in Estelar, a British Virgin Island corporation, for consideration of 1,000,000 common shares of the Company.

The Estelar properties carry a 2% net smelter royalty from future production ("NSR"), payable to the previous owner, AMD. There are no expenditure commitments, but there are property maintenance requirements.

Property Descriptions and Exploration

The Estelar projects cover approximately 385 sq km in central western Argentina and consist of the Quispe, Rosarita, Dolores and El Salado/Llanos Ricos 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 the Company will seek exploration joint venture partners so that it may maintain its focus on gold silver exploration in southern Argentina.

Rosarita Project

The Rosarita project has potential for a low sulphidation epithermal gold system. The property is 76 sq km in area and is located in San Juan Province of Argentina.

In June, the Company entered into an option agreement on the Rosarita with Intrepid Minerals Corporation ("Intrepid"). Intrepid recently completed a scoping study and is commencing pre-feasibilities on its Casposo epithermal gold project located immediately north of Rosarita. In order to earn a 50% equity in the project, Intrepid must spend a minimum of US\$250,000 by December 2005, including US\$50,000 prior to December 2004. The option also requires Intrepid to drill a minimum of 5,000 metres on Rosarita by December 2006 and provide for expeditious progress of exploration to development.

Intrepid's Casposo project hosts the Kamila Zone which occurs within a 3.5 km long northwest-southeast trending structure referred to as the Rocío de Oro corridor which extends onto the Rosarita property. Intrepid commenced geophysical exploration along this corridor during the quarter. This work may assist in targeting future drilling.

Quispe Project

The Quispe Project is located in southwestern Catamarca province in northwest Argentina and is 80 sq km in area. The project was identified through assessment of satellite colour anomalies and shows potential for a porphyry copper-gold deposit 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.

Uspallata Project

The Uspallata Project comprises the El Salado, Llanos Ricos and Dolores mineral properties which cover large scale magnetic anomalies representing copper-gold porphyry targets. The prospects are located 200 km north of San Juan City in 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 km long 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.

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.

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 Minero 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) Project

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 Project

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 Project

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 completed negotiations on 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 by AngloGold Ltd. (92.5%) and by Fomicruz S.A. (7.5%).

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.

With the completion of its due diligence in March 2004, 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 project 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 properties is variable, but in many cases anomalous gold mineralization has been identified. Geophysical surveys are not 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 and drilling commenced on Cerro Moro late in the quarter.

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.

Previous Exploration:

Previous discoveries at Cerro Moro 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 6 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 in excess of 500 g/t.

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

A camp and field office have been set up to provide accommodation for crew, and compensation agreements were negotiated with local landowners.

Exeter Drilling:

An initial reverse circulation percussion drilling program commenced at Cerro Moro during the second quarter of 2004 and was designed to increase the drilling density over some of the veins previously drilled by Cerro Vanguardia where Exeter management assessed previous drill spacings were too broad. Exeter has drilled 40 RC holes with a total of 2,069 meters as described below:

PROSPECT	NO. DRILL HOLES	METRES
Loma Mosquito Norte	9	270
Filon Moro	5	378
Filon Nini	8	442
Filon Deborah	11	507
Filon Escondida	1	90
Filon Esperanza	5	334
Filon Nini Sur	1	48
Total	40	2,069

Initial assaying indicated variations in repeatability of some gold grades and a systematic program of additional one metre sampling and check assaying is in progress. Assay results are expected upon completion of this program. Further drilling is planned for the fourth quarter, following geophysical and prospecting programs. The Cerro Moro drill rig has now been demobilized and is drilling on La Cabeza.

Geophysics:

Independent contractor, Quantec Limited conducted trial gradient array and pole-dipole induced polarization surveys over a number of the known vein systems. The survey readily demonstrated a correlation between resistivity anomalies and known veins. Accordingly, Exeter is considering the feasibility of a comprehensive resistivity survey as a means of identifying new vein systems beneath soil cover.

Santa Cruz Project

This comprises a number of earlier stage exploration projects throughout Santa Cruz province (and excludes the more advanced Cerro Moro Project in Santa Cruz).

Cerro Puntudo Project

This gold project is located 250 km west of Cerro Moro. Gold/silver mineralization at Cerro Puntudo is concentrated within a 4-6 km long hydrothermal breccia zone believed to be located on the periphery of a rhyolitic flow dome. Mineralization within this zone is marked by quartz veining, silicification and brecciation.

Previous Exploration:

CVSA conducted rock chip and rock chip channel sampling with assay results including 21 metres at 3.4 g/t gold at Zona Rica, and 26 metres at 1.4 g/t gold at La Quebrada.

Exeter Exploration:

Regional geological and structural mapping was conducted during the year. Concurrently, 131 rock chip and channel samples were taken from silicified zones to determine gold and silver geochemistry. These programs highlighted two high priority targets: the La Quebrada zone, showing 27 metres grading 1.9 g/t gold, 129 g/t silver and 2.3% lead; and the Rico zone, with 5 metres grading 31 g/t gold and 29 g/t silver. A third zone, the Puntudo zone, located 900 metres to the northwest of the Rico zone, is a large area of breccia, possibly a diatreme.

Geological mapping identified mineralization associated with areas of strong silicification and brecciation, within a structurally controlled, 6 km long, west-northwest trending zone. Outside of the main mineralized structure, further mineralization was identified consisting of silica veining in rhyolitic volcanics. Samples returned assays up to 17 g/t gold.

Channel sampling identified a new zone of silicification ("Quebrada South"), 1.6 km southeast of La Quebrada, with 1.2 g/t gold, 57 g/t silver and 0.15% lead over a width of 4.5 metres.

Detailed structural and geologic mapping of the mineralized structure is planned and geophysical surveying will be reviewed prior to a drilling program to commence late this year.

The La Calandria Project 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 commenced recently to ascertain if there are potential drill targets on the project.

On the Verde 2/12 Project, 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. Reconnaissance work was carried by Exeter and will resume later in 2004, in the southern summer.

Rio Negro Project

This project comprises a number of concessions located in Rio Negro province (El Futuro, Domo, La Divina, La Rubia, Cerro Negro and Luna Teresita), which generally feature low level gold mineralization. Landowner access negotiation and reconnaissance prospecting has commenced on these projects in an attempt to delineate drill targets, and will continue throughout the year.

RESULTS FROM OPERATIONS

Management Changes

In June, David Simpson was appointed Chief Financial Officer of the Company, and Nancy La Couvée was appointed Corporate Secretary, replacing Douglas Scheving who will continue to act as a director and member of the Audit Committee of the Company.

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.

In 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. An office was established in Mendoza, Argentina and both exploration and administrative staff were engaged to carry out the Company's exploration programs. Exploration work including evaluation of historic geological and geophysical information, and drill targeting had commenced on several properties. Efforts to identify additional exploration opportunities continue.

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

In 2004, Exeter has continued its growth and increased its property portfolio through an acquisition agreement with CVSA for its Patagonia exploration properties. Exeter also continues to advance the primary La Cabeza gold project 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.

Summary of Quarterly Results

	2004		2003				2002	
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
Total revenues	\$ 13,110	\$12,287	\$1,309	\$579	\$417	\$57	\$90	\$7
Net loss from operations	\$ 230,686	\$346,544	\$256,671	\$44,706	\$36,351	\$47,518	\$269,653	\$39,029
Exploration and development	\$ 622,974	\$705,400	\$175,684	\$182,127	-	-	-	-
Property examination costs	\$ (7,776)	-	\$49,661	-	-	-	\$1,500	-
Stock-based compensation	\$ 69,131	\$93,379	\$95,555	-	-	-	-	-
Loss on marketable securities	-	-	-	-	-	-	\$203,644	-
General & administration	\$ 185,036	\$172,216	\$95,012	\$42,513	\$19,004	\$47,575	\$64,207	\$39,036
Net loss / share (basic)	\$0.02	\$0.03	\$0.03	\$0.01	\$0.01	\$0.02		\$0.04
Net loss / share (fully diluted)	\$0.01	\$0.02	\$0.02	\$0.00	\$0.00	\$0.01		\$0.00

The Company reported a net loss of \$230,686 during the quarter compared to a loss of \$36,351 in the second interim period of 2003. The principle increases over last year 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 \$13,110. This security is liquid and will be converted to cash as required in the year.

Administration expenses for the quarter included \$8,016 of filing fees (\$5,414 in 2003) in connection with the Company's annual general meeting and stock exchange filings. Transfer agent fees of \$4,101 in 2004 increased from \$2,352 for the second quarter of 2003.

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 \$61,913 in the second quarter in respect of 595,000 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 \$22,769 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 and printing of promotional materials, news distribution, , and consultancy expenses totaling \$61,034 (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 \$9,000 in the second quarter 2003 to \$57,726 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 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 \$14,501 compared to \$2,296 in 2003. With the corporate growth of the Company, partial audit and accounting fees recorded in the quarter of \$7,224 for the annual audit of the Company's financial statements are substantially higher than the \$1,143 recorded in 2003.

Management fees of (\$8,250) reflect a reclassification during the period of administrative consulting costs to that category. Rent increased from \$1,462 to \$5,646 in the second quarter of 2004 compared to 2003. The Vancouver office has now moved and 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 2003 deferred exploration expenses were incurred during the last quarter, following completion of acquisition agreements and the subsequent property exploration. Total deferred exploration and development costs were \$633,843 during the second quarter of 2004.

The Company has decided not to proceed with the option to acquire Papagallos, and during the quarter \$10,868 was written off from mineral properties.

Exploration and development costs include \$359,632 incurred with consultants and contractors. These are geological services 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 \$16,613 include corporate personnel in Argentina, management fees, and legal and accounting costs. The wages and benefits component of \$48,217 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 \$4,469 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. A total of \$433,893 was spent on the Company's principle property La Cabeza, and \$189,336 towards the CVSA property evaluations.

Argentina pesos are used for the Company's Argentina operations; fluctuations in that currency have resulted in a gain for this period of \$13,632 (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 June 30, 2004, the working capital of the Company has substantially increased to \$2,706,207 (\$251,949 in June 2003). Cash and cash equivalents totalled \$2,801,111 compared to \$608,056 in June 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 reduced its cash resources by \$820,860. The largest component of cash expenditures this quarter was deferred exploration and development costs.

Financing activities totalled \$47,500 in the quarter in connection with the issuance of 190,000 shares on exercise of warrants. Accounts receivable of \$102,385 includes Argentinean Value Added Tax of \$89,039, which is expected to be refunded to the Company's Argentina subsidiary.

Amounts due to related parties totalled \$92,081 at the end of the period, 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, a corporation controlled by a director of the Company, and a corporation controlled by an officer of the Company.

Subsequent to June 30, the Company received proceeds of \$183,750 on the exercise of 735,000 warrants at an exercise price of \$0.25.

Share Capital

The Company began the year with 8,512,837 shares outstanding and ended the quarter with 12,932,837 issued and outstanding common shares. Pursuant to a private placement financing and on exercises of warrants and options, in the year the Company has received total gross proceeds of \$4,124,600 and issued a total of 4,420,000 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.

In the current quarter, the Company received net proceeds of \$47,500 and issued 190,000 shares on the exercise of warrants.

Presently, as of the date of this report, the Company has 100,000,000 authorized and 13,667,837 issued and outstanding common shares.

Warrants Outstanding

Quantity of Warrant Shares	Exercise Price	Expiry Date
2,367,700 ⁽¹⁾	\$1.35	January 12, 2005
175,000	\$0.23	March 6, 2005
155,000	\$0.22	March 31, 2005
1,345,000	\$0.75	October 30, 2005
<hr/>		
4,042,700		

- (1) 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.

Options Outstanding

Quantity of Option Shares	Exercise Price	Expiry Date
149,750	\$ 0.76	October 23, 2004
75,000	\$1.20	April 7, 2006
75,000	\$1.50	April 7, 2006
100,000	\$1.20	May 1, 2006
167,000	\$ 0.22	March 20, 2008
465,000	\$ 0.405	August 15, 2008
1,278,000	\$1.08	January 21, 2009
135,000	\$1.41	April 7, 2009
40,000	\$0.90	June 14, 2009
35,000	\$0.85	June 21, 2009
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2,519,750		

Total Securities Outstanding as of Report Date

Shares	13,667,837
Warrants	4,042,700
Options	2,519,750
Fully diluted	<u>20,230,287</u>

Option Plan

In June 2004, the shareholders approved a new 20% fixed ceiling stock option plan (the "Plan") to replace the previous option plan. There are 2,576,567 shares reserved for issuance under the Plan.

Pursuant to the Plan, the Company has granted 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; 40,000 stock options exercisable at a price of \$0.90 per share and expiring on June 14, 2009; and a total of 35,000 stock options exercisable at a price of \$0.85 per share expiring on June 21, 2009. Any shares issued on the exercise of the above options are subject to a four-month trading hold period from the date of grant and to the vesting provisions of the Plan.

Related Party transactions

During the second quarter, the following related party transactions were recorded:

- Exploration and development administration fees totalling \$24,000 (2003 - Nil) were paid or accrued to a corporation of which the President and CEO of the Company is a principle.
- Management fees of \$12,000 (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 \$13,171 (2003 - Nil) were paid or accrued to a corporation controlled by a Director of the Company.
- Exploration and development consulting fees of \$33,080 (2003 - Nil) were paid or accrued to a corporation of which the Vice-President, Exploration is a consultant.
- Management fees of \$18,000 (2003 - Nil) were paid to the Chairman of the Company or a corporation controlled by him.
- Financial administration fees of \$2,469 were paid to a corporation controlled by an Officer of the Company.

Subsequent Events

Security Conversions

Upon the exercise of the remaining warrants that expired on July 22, 2004, the Company issued 735,000 common shares for net proceeds of \$183,750.

An option agreement was established with Intrepid in which Intrepid may earn a 50% interest in Exeter's Rosarita epithermal gold project. The property boundaries Intrepid's Casposo Project located in San Juan province, Argentina. The option terms call for minimum expenditures of US\$250,000 until December 2005, and a total of 5,000 meters of drilling before the end of 2006. Fulfillment of these terms entitles Intrepid to earn a 50% interest in the property.

Initial geochemical and geological programs on the Cerro Puntudo gold project, located 250 km west of Cerro Moro, highlighted two high priority targets: the La Quebrada zone, showing 27 metres grading 1.9 (g/t) gold, 129 g/t silver and 2.3% lead; and the Rico zone, with 5 metres grading 31 g/t gold and 29 g/t silver. Further detailed geological mapping, geochemical sampling and geophysical surveying will be conducted on the Cerro Puntudo Project ahead of drilling later in the year.

OUTLOOK

In summary, the Company plans to:

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

Exeter 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.

The Company plans to continue drilling on Cerro. 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 database 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.

Robert Harley, B.Sc., Exeter's Vice President, Exploration, a qualified person within the definition of that term in NI 43-101 of the Canadian Securities Administrators, has supervised the preparation of the technical information contained in this report.

Additional information can be found on the Company's website at www.exeterresource.com or in the Company Profiles section at www.sedar.com.

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.

Dated August 30, 2004

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Yale Simpson, *Chairman*
David Simpson, *Chief Financial Officer*
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Share Capital

Authorized: 100,000,000 common shares
Issued and outstanding: 13,667,837
Fully diluted: 20,230,287

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

Frankfurt Stock Exchange:
Symbol: **EXB**

Website: www.exeterresource.com

