

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2005**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

| | <u>September 30, 2005</u> | <u>Dec. 31, 2004</u> |
|--|---------------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,374,614 | \$ 2,458,873 |
| Accounts receivable and prepaid expenses | 77,615 | 20,255 |
| Goods and services tax recoverable | 17,631 | 16,124 |
| Share subscription receivable | - | 22,680 |
| | <u>1,469,860</u> | <u>2,517,932</u> |
| Property, plant and equipment | 123,566 | 139,003 |
| Mineral properties and deferred costs (Note 2) | 9,234,373 | 3,812,340 |
| | <u>\$ 10,827,799</u> | <u>\$ 6,469,275</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 552,432 | \$ 89,167 |
| Due to related parties (Note 4) | 130,986 | 133,187 |
| | <u>683,418</u> | <u>222,354</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 3) | 19,038,784 | 14,078,259 |
| Contributed surplus | 1,053,479 | 378,003 |
| Deficit | (9,947,882) | (8,209,341) |
| | <u>10,144,381</u> | <u>6,246,921</u> |
| | <u>\$ 10,827,799</u> | <u>\$ 6,469,275</u> |
| Nature of business and continued operations (Note 1) and commitments (Note 7) | | |

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

EXETER RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(unaudited - prepared by Management)

| | Three Months ended September 30, | | Nine Months ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Administration Costs | | | | |
| Accounting and audit | \$ 1,466 | \$ 2,000 | \$ 23,689 | \$ 16,971 |
| Amortization | 2,632 | 26,782 | 17,467 | 32,056 |
| Bank charges | 905 | 1,640 | 4,149 | 3,591 |
| Consulting | 58,777 | 33,204 | 122,856 | 136,548 |
| Investor relations | 62,269 | 52,197 | 258,005 | 117,061 |
| Legal fees | 65,304 | 14,705 | 110,832 | 48,205 |
| Loss on write-off of mineral properties | - | - | - | 88,664 |
| Management fees | 8,000 | 12,000 | 48,000 | 30,000 |
| Office and miscellaneous | 21,621 | 3,408 | 38,372 | 8,124 |
| Property examination costs | 99,800 | 30,612 | 162,897 | 57,805 |
| Rent | 13,541 | 6,969 | 30,570 | 13,103 |
| Shareholder Information | 4,764 | 12,660 | 23,597 | 15,123 |
| Stock-based compensation (Note 3) | 368,179 | 55,439 | 726,993 | 217,949 |
| Stock exchange listing and filing fees | 10,880 | 252 | 32,481 | 40,272 |
| Telecommunications | 5,117 | 2,395 | 8,019 | 5,632 |
| Transfer agent | 1,489 | 1,412 | 6,334 | 9,562 |
| Travel and promotion | 44,805 | (6,603) | 159,426 | 44,025 |
| | <u>769,549</u> | <u>249,072</u> | <u>1,773,687</u> | <u>884,691</u> |
| Interest Income | (8,346) | (13,166) | (30,359) | (38,563) |
| Loss before other items | <u>761,203</u> | <u>235,906</u> | <u>1,743,328</u> | <u>846,128</u> |
| Other items | | | | |
| Loss/(Gain) on conversion of foreign currencies | <u>(2,055)</u> | 6,590 | <u>(4,787)</u> | 8,497 |
| Net loss for the period | <u>759,148</u> | <u>242,496</u> | <u>1,738,541</u> | <u>854,625</u> |
| Deficit at beginning of period | <u>9,188,734</u> | <u>7,552,999</u> | <u>8,209,341</u> | <u>6,940,870</u> |
| Deficit at end of period | <u>\$ 9,947,882</u> | <u>\$ 7,795,495</u> | <u>\$ 9,947,882</u> | <u>\$ 7,795,495</u> |
| Basic & diluted loss per common share | <u>\$ (0.04)</u> | <u>\$ (0.02)</u> | <u>\$ (0.10)</u> | <u>\$ (0.07)</u> |
| Weighted average number of Common Shares Outstanding | <u>18,815,957</u> | <u>13,252,837</u> | <u>17,394,674</u> | <u>12,506,170</u> |

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

EXETER RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited - prepared by Management)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| OPERATING ACTIVITIES | | | | |
| Net loss for the period | \$ (759,148) | \$ (242,496) | \$ (1,738,541) | \$ (854,625) |
| Adjustments: | | | | |
| Amortization | 2,632 | 26,782 | 17,467 | 32,056 |
| Loss on write-off of mineral properties | - | - | - | 88,664 |
| Stock-based compensation | 368,179 | 55,439 | 726,994 | 217,949 |
| Loss/(Gain) on conversion of foreign currencies | (2,055) | 6,590 | (4,787) | 8,497 |
| | (390,392) | (153,685) | (998,867) | (507,459) |
| Changes in non-cash working capital | | | | |
| Accounts receivable and prepaid expenses | (13,251) | (2,450) | (57,360) | (20,715) |
| Goods and services tax recoverable | (4,564) | (75,942) | (1,507) | (172,117) |
| Accounts payable and accrued liabilities | 261,939 | (49,380) | 463,265 | 42,812 |
| Due to related parties | 53,985 | (65,906) | (2,201) | (77,898) |
| | (92,283) | (347,363) | (596,670) | (735,377) |
| FINANCING ACTIVITIES | | | | |
| Issue of share capital for cash | 30,825 | 156,781 | 2,567,142 | 1,390,226 |
| Share issue costs | - | - | (158,134) | (236,083) |
| Share subscription receivable | - | - | 22,680 | - |
| | 30,825 | 156,781 | 2,431,688 | 1,154,143 |
| INVESTING ACTIVITIES | | | | |
| Acquisition costs of property, plant and equipment | (24,953) | 262 | (39,012) | (128,996) |
| Acquisition costs of mineral properties | (12,500) | (32,823) | (12,500) | (142,757) |
| Deferred exploration costs, net of amortization and property examination costs | (1,052,557) | (693,415) | (2,872,552) | (1,745,589) |
| | (1,090,010) | (725,976) | (2,924,064) | (2,017,342) |
| (Loss)/Gain on conversion of foreign currencies | 2,055 | (6,590) | 4,787 | (8,497) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (1,149,413) | (923,148) | (1,084,259) | (1,607,073) |
| CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD | 2,524,027 | 2,801,111 | 2,458,873 | 3,485,036 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 1,374,614 | \$ 1,877,963 | \$ 1,374,614 | \$ 1,877,963 |

Supplemental Cash Flow Information - See Note 6

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

EXETER RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION COSTS
(unaudited - prepared by Management)

| | Nine Months ended September 30, 2005 | | | Nine Months Ended September 30 | |
|---|--------------------------------------|---------------------|-------------------|--------------------------------|---------------------|
| | La Cabeza Project | CVSA Properties | Other | 2005 | 2004 |
| Assays | \$ 96,009 | \$ 115,272 | \$ 3,063 | \$ 214,344 | \$ 120,027 |
| Consultants & Contractors | 32,699 | 18,698 | 5,580 | 56,977 | 332,846 |
| Drilling | 548,090 | 246,826 | - | 794,916 | 559,988 |
| Engineering | 132,205 | - | - | 132,205 | 25,873 |
| Environmental | 18,968 | - | - | 18,968 | - |
| Field Camp | 149,902 | 52,554 | 8,857 | 211,313 | 234,822 |
| Geological | 269,808 | 107,965 | 98,453 | 476,226 | 128,169 |
| Geophysical | 20,136 | 8,848 | - | 28,984 | 1,646 |
| Hydrology | 8,609 | - | - | 8,609 | - |
| IVA tax (Note 2) | 150,596 | 66,381 | - | 216,977 | - |
| Legal and title | 32,404 | 46,889 | 2,479 | 81,772 | 56,488 |
| Mendoza operations | 43,763 | 86,789 | 1,960 | 132,512 | 85,094 |
| Metallurgical | 144,228 | - | - | 144,228 | - |
| Travel and Accommodation | 79,696 | 117,444 | 54,495 | 251,635 | 143,487 |
| Wages and Benefits | 199,605 | 97,299 | 5,860 | 302,764 | 141,253 |
| | 1,926,718 | 964,965 | 180,747 | 3,072,430 | 1,829,693 |
| Property examination costs expensed | - | - | (162,897) | (162,897) | (57,805) |
| TOTAL COSTS DEFERRED DURING THE PERIOD | 1,926,718 | 964,965 | 17,850 | 2,909,533 | 1,771,888 |
| BALANCE OF COSTS, BEGINNING OF PERIOD | 1,953,231 | 975,008 | 97,629 | 3,025,868 | 357,811 |
| | 3,879,949 | 1,939,973 | 115,479 | 5,935,401 | 2,129,699 |
| Write-off of costs | - | - | - | - | (88,664) |
| BALANCE OF COSTS, END OF PERIOD | \$ 3,879,949 | \$ 1,939,973 | \$ 115,479 | \$ 5,935,401 | \$ 2,041,035 |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2005**

1. NATURE OF BUSINESS AND CONTINUED OPERATIONS

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

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

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amount shown for mineral properties and deferred costs are dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to fund its operations and to complete the development of such reserves.

These financial statements been prepared in accordance with the same accounting policies, and methods of their application, as the Company’s consolidated financial statements for the year ended December 31, 2004, without the note disclosures required for audited financial statements. These financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto.

2. MINERAL PROPERTIES

| | Acquisition Costs | Deferred Exploration Costs | September 30, 2005 Total | December 31, 2004 Total |
|-------------------|----------------------|----------------------------------|--------------------------------|-------------------------------|
| La Cabeza Project | \$2,906,752 | \$3,879,949 | \$6,786,701 | \$2,359,983 |
| CVSA Properties | 128,572 | 1,939,973 | 2,068,545 | 1,103,580 |
| Other | 263,648 | 115,479 | 379,127 | 348,777 |
| | \$3,298,972 | \$5,935,401 | \$9,234,373 | \$3,812,340 |

IVA Tax

Included in deferred exploration costs is IVA tax in the amount of \$216,977 paid in Argentina. The tax may be recoverable under current legislation and the Company will apply for a recovery thereof when eligible. Any IVA tax recovered in the future will be offset against deferred exploration costs for the relevant project.

3. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The authorized share capital of the Company is 100,000,000 shares without par value. The Company has issued shares of its capital stock as follows:

| | September 30, 2005 | | | December 31, 2004 | | |
|------------------------------------|---------------------|----------------------|------------------------|---------------------|----------------------|------------------------|
| | Number of Shares | Amount | Contributed Surplus | Number of Shares | Amount | Contributed Surplus |
| Balance, beginning of period/year | 15,356,387 | \$ 14,078,259 | \$ 378,003 | 8,512,837 | \$ 8,351,774 | \$ 91,127 |
| Issued during the period/year for: | | | | | | |
| Acquisition of subsidiary | 2,500,000 | 2,500,000 | - | - | - | - |
| Cash | 2,473,042 | 2,567,142 | - | 3,949,770 | 3,184,057 | - |
| Share subscription advances | - | - | - | 2,876,980 | 2,876,980 | - |
| Share subscription receivable | - | - | - | 16,800 | 22,680 | - |
| Contributed surplus allocated | - | 51,517 | (51,517) | - | 10,366 | (10,366) |
| Share Issue Costs | - | (158,134) | - | - | (367,598) | - |
| Stock Based Compensation | - | - | 726,993 | - | - | 297,242 |
| Balance, end of period/year | 20,329,429 | \$ 19,038,784 | \$ 1,053,479 | 15,356,387 | \$ 14,078,259 | \$ 378,003 |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2005**

Shares Issued

During the three months ended September 30, 2005:

- a) the Company issued 34,250 shares pursuant to the exercise of options at a price of \$.90 per share, for a total consideration of \$30,825; and
- b) the Company issued 2,500,000 shares for the acquisition of the remaining 50% interest in Cognito Limited, now a wholly owned subsidiary, at a deemed price of \$1.00 per share.

Stock Option Plan:

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: The aggregate number of shares issuable pursuant to options granted under the plan may not exceed 4,059,035. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by policy of TSX Venture Exchange), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange.

A summary of the status of options granted under the Plan as of September 30, 2005 and December 31, 2004, and changes during the period/year then ended, is as follows:

| | September 30, 2005 | | December 31, 2004 | |
|---|--------------------|---------------------------------|-------------------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Options outstanding, Beginning of period/year | 2,714,750 | \$ 0.93 | 816,750 | \$ 0.43 |
| Forfeited/cancelled | (405,625) | 1.06 | (80,000) | 1.08 |
| Granted | 1,460,000 | 1.15 | 2,013,000 | 1.12 |
| Exercised | (205,375) | 0.79 | (35,000) | 0.41 |
| Options outstanding, End of period/year | 3,563,750 | \$ 0.94 | 2,714,750 | \$ 0.93 |

At September 30, 2005, the Company had outstanding stock options to acquire 3,563,750 shares as follows:

| Number of Shares Under Option | Exercise Price | Expiry Date |
|-------------------------------|----------------|-------------------|
| 100,000 | \$1.200 | May 1, 2006 |
| 75,000 | \$1.000 | October 8, 2006 |
| 100,000 | \$1.300 | December 30, 2006 |
| 167,000 | \$0.220 | March 20, 2008 |
| 385,000 | \$0.405 | August 15, 2008 |
| 1,163,000 | \$1.080 | January 21, 2009 |
| 10,000 | \$1.410 | April 7, 2009 |
| 3,750 | \$0.850 | June 21, 2009 |
| 100,000 | \$1.000 | October 8, 2009 |
| 325,000 | \$1.200 | March 22, 2010 |
| 300,000 | \$1.200 | April 5, 2010 |
| 435,000 | \$1.120 | July 7, 2010 |
| 400,000 | \$1.100 | August 19, 2010 |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2005**

Stock-based Compensation

Effective January 1, 2003, the Company adopted the fair value method of accounting for stock-based compensation awards, to be applied on a prospective basis. The fair values of options vested during the three months ended September 30, 2005 were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|-------------------------|------------|
| Expected volatility | 46.22% |
| Risk-free interest rate | 3.11% |
| Expected life | 2.50 years |
| Expected dividend yield | 0% |

Stock-based compensation recognized on the vesting of stock options in the quarter was \$ 368,179 and was allocated to contributed surplus.

Warrants

At September 30, 2005, the Company had outstanding share purchase warrants exercisable to acquire 3,698,834 shares as follows:

| Number | Exercise Price | Expiry Date |
|-----------|----------------|-------------------|
| 1,345,000 | \$0.75 | October 30, 2005* |
| 1,400,000 | \$1.35 | October 22, 2006 |
| 953,834 | \$1.35 | April 8, 2006 |

*Subsequent to September 30, 2005, the Company received proceeds of \$1,008,750 on the exercise of all of these warrants.

4. RELATED PARTY TRANSACTIONS

Related party transactions for the nine month period ended September 30, 2005 are as follows:

- a) Exploration and development fees totaling \$123,750 (2004 - \$72,650) were paid or accrued to a corporation of which the President and CEO of the Company is a principal.
- b) Legal fees of \$138,268 (2004 – \$44,763) were paid to a corporation controlled by a director of the Company of which the Secretary of the Company is an employee.
- c) Exploration and development fees of \$95,275 (2004 – \$Nil) were paid or accrued to a corporation of which the Vice-President, Development is a consultant.
- d) Management fees of \$48,000 (2004 – \$36,000) and exploration and development fees of \$24,000 (2004 - \$3,000), were paid to a corporation controlled by the Chairman of the Company.
- e) Consulting fees of \$57,500 (2004 – \$Nil) were paid or accrued to a corporation controlled by the Chief Financial Officer of the Company.

Amounts due to related parties, in the amount of \$130,986, include amounts due for legal fees, consulting fees and travel expenses and are paid as and when due.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2005

5. SEGMENTED INFORMATION

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

Following is a summary of assets and liabilities by geographical segment:

| September 30, 2005 | Canada | Argentina | Total |
|---------------------------------------|---------------|------------------|---------------|
| Cash and cash equivalents | \$ 1,196,441 | \$ 178,173 | \$ 1,374,614 |
| Other current assets | 64,660 | 30,586 | 95,246 |
| Property, plant and equipment | 43,818 | 79,748 | 123,566 |
| Mineral properties and deferred costs | - | 9,234,373 | 9,234,373 |
| | \$ 1,304,919 | \$ 9,522,880 | \$ 10,827,799 |
| Current Liabilities | (252,611) | (430,807) | (683,418) |
| | \$ 1,052,307 | \$9,092,073 | \$ 10,144,381 |
| | | | |
| December 31, 2004 | Canada | Argentina | Total |
| Cash and cash equivalents | \$ 2,370,947 | \$ 88,376 | \$ 2,458,873 |
| Other current assets | 47,782 | 11,187 | 59,059 |
| Property, plant and equipment | 61,283 | 77,720 | 139,003 |
| Mineral properties and deferred costs | - | 3,812,340 | 3,812,340 |
| | \$ 2,479,652 | 3,989,623 | 6,469,275 |
| Current Liabilities | (197,447) | (24,907) | (222,354) |
| | \$ 2,282,205 | \$ 3,964,716 | \$ 6,246,921 |

6. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash financing and investing activities as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------|------------------------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Non-cash financing activities: | | | | |
| Issue of share capital for: | | | | |
| Mineral properties | \$ 2,500,000 | \$ - | \$ 2,500,000 | \$ - |
| Share subscription receivable | - | - | - | 22,680 |
| Share subscription advances | - | - | - | 2,876,780 |
| Contributed surplus allocated | - | - | - | 10,366 |
| Share issue costs | - | - | - | 55,015 |
| Share subscription advances | - | \$ - | - | \$ (2,876,780) |
| | \$ 2,500,000 | \$ - | \$ 2,500,000 | \$ 88,061 |
| Non-cash investing activities: | | | | |
| Acquisition costs of mineral properties | \$ 2,500,000 | \$ - | \$ 2,500,000 | \$ - |
| | \$ 2,500,000 | \$ - | \$ 2,500,000 | \$ - |

7. COMMITMENTS

The Company leases offices in Vancouver and Argentina and has expenditure and option payment obligations related to its properties. Option payments and property expenditure obligations are contingent

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2005

on exploration results and can be cancelled at any time, if exploration results so warrant. Commitments are summarized in the tables below.

| Cash Payments | Payments Due by Period \$ 000s | | | | |
|----------------------|---------------------------------------|-----------------------------|------------------|------------------|----------------------|
| | Total | Less than 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
| Office leases | \$ 209 | \$ 37 | \$ 86 | \$ 86 | Nil |
| Cognito-La Cabeza | \$ 576 | \$ 42 | \$ 114 | \$ 120 | \$ 300 |
| MRP Properties | \$ 415 | \$ - | \$ 45 | \$ 70 | \$ 300 |
| Total | \$1,200 | \$ 91 | \$ 159 | \$ 190 | \$ 600 |

| Property Expenditures | Expenditures Due by Period \$ 000s | | | | |
|----------------------------------|---|-----------------------------|------------------|------------------|--------------------------|
| | Total | Less than 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
| CVSA | \$3,300 | \$ 300 | \$1,200 | \$1,800 | Nil |
| Rio Tinto | \$ 60 | Nil | \$ 60 | Nil | Nil |
| Total | \$3,360 | \$ 300 | \$1,260 | \$1,800 | Nil |

8. SUBSEQUENT EVENT

Subsequent to September 30, the Company received proceeds of \$1,008,750 on the exercise of 1,345,000 warrants and issued 1,345,000 shares at a price of \$0.75 per share.