



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2006**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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>March 31, 2006</u>	<u>December 31, 2005</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 7,094,538	\$ 7,788,697
Other receivables and prepaid expenses	80,508	30,874
Goods and services tax recoverable	18,842	35,300
	<u>7,193,888</u>	<u>7,854,871</u>
Exploration advances	116,591	38,509
Property and equipment	154,275	118,423
Mineral properties and deferred costs (Note 2)	12,214,251	10,631,943
	<u>\$ 19,679,005</u>	<u>\$ 18,643,746</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 897,287	\$ 390,685
Due to related parties	57,633	164,113
	<u>954,920</u>	<u>554,798</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 3)	28,932,027	27,802,270
Contributed surplus	2,723,320	2,188,160
Deficit	(12,931,262)	(11,901,482)
	<u>18,724,085</u>	<u>18,088,948</u>
	<u>\$ 19,679,005</u>	<u>\$ 18,643,746</u>

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

	Three Months ended March 31,	
	2006	2005
Administration Costs		
Accounting and audit	\$ 5,698	\$ 3,090
Administration salaries and consulting	93,751	21,564
Amortization	16,532	6,266
Bank charges	4,187	1,791
Directors fees	7,500	-
Shareholder Communications	144,066	78,427
Legal fees	43,739	30,446
Management fees	12,000	24,000
Office and miscellaneous	20,239	5,727
Property examination costs	26,792	25,188
Rent	10,990	10,619
Stock-based compensation (Note 3)	566,454	51,933
Stock exchange listing and filing fees	10,648	4,800
Telecommunications	2,877	1,720
Transfer agent	7,207	1,825
Travel and promotion	114,658	56,141
	<u>1,087,338</u>	<u>323,537</u>
Interest Income	<u>(55,540)</u>	<u>(7,989)</u>
Loss before other items	1,031,798	315,548
Other items		
(Gain)/Loss on conversion of foreign currencies	<u>(2,018)</u>	<u>353</u>
Loss for the period	<u>1,029,780</u>	<u>315,901</u>
Deficit at beginning of period	<u>11,901,482</u>	<u>8,209,341</u>
Deficit at end of period	<u>\$ 12,931,262</u>	<u>\$ 8,525,242</u>
Basic & diluted loss per common share	<u>(\$0.04)</u>	<u>(\$0.02)</u>
Weighted average number of common shares outstanding	<u>28,098,763</u>	<u>15,572,887</u>

**EXETER RESOURCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

(Unaudited - Prepared by Management)

	Three Months Ended March 31,	
	2006	2005
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,029,780)	\$ (315,901)
Adjustments:		
Amortization	16,532	6,266
Stock-based compensation	566,454	51,933
(Gain)/ Loss on conversion of foreign currencies	(2,018)	353
	<u>(448,812)</u>	<u>(257,349)</u>
Changes in non-cash working capital		
Other receivables and prepaid expenses	(49,634)	(83,716)
Goods and services tax recoverable	16,458	2,254
Accounts payable and accrued liabilities	(33,595)	136,399
Due to related parties	(67,540)	(57,797)
	<u>(583,123)</u>	<u>(260,209)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital for cash	1,098,463	206,616
Share issue costs	-	(25,546)
Share subscription receivable	-	22,680
Share subscription received in advance	-	135,000
	<u>1,098,463</u>	<u>338,750</u>
<b>INVESTING ACTIVITIES</b>		
Exploration Activities		
- Accounts payable and accrued liabilities	540,197	-
- Due to related parties	(38,940)	-
- Exploration Advances	(78,082)	(4,793)
Acquisition costs of property and equipment	(64,929)	(2,986)
Deferred exploration costs, net of amortization and property examination costs	(1,569,764)	(858,436)
	<u>(1,211,518)</u>	<u>(866,215)</u>
Gain (Loss) on conversion of foreign currencies	2,018	(353)
<b>DECREASE IN CASH</b>	<b>(694,160)</b>	<b>(788,027)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>7,788,697</b>	<b>2,458,873</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 7,094,538</b>	<b>\$ 1,670,846</b>

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

	La Cabeza Project	CVSA Properties	Other	Three Months Ended March 31,	
				2006	2005
Assays	\$ 53,696	\$ -	\$ 875	\$ 54,571	\$ 133,942
Consultants & contractors	56,598	2,089	-	58,687	21,005
Drilling	611,204	-	-	611,204	259,785
Engineering	41,284	-	-	41,284	20,045
Environmental	3,244	-	-	3,244	-
Field Camp	67,915	14,757	25,698	108,370	70,116
Geological	80,991	32,445	84,463	197,899	147,217
Geophysical	1,513	5,183	-	6,696	4,537
Hydrology	21,667	-	-	21,667	8,609
IVA tax	144,503	3,858	-	148,361	51,946
Legal and title	11,323	3,529	592	15,444	13,349
Mendoza operations	10,171	18,102	9,160	37,433	28,707
Metallurgical	1,639	-	-	1,639	15,946
Travel	54,515	29,426	35,373	119,314	64,200
Wages and Benefits	98,650	41,262	43,375	183,287	53,224
	1,258,913	150,651	199,536	1,609,100	892,628
Property examination costs	-	-	(26,792)	(26,792)	(25,188)
<b>TOTAL COSTS INCURRED DURING THE PERIOD</b>	1,258,913	150,651	172,744	1,582,308	867,440
<b>BALANCE OF COSTS, BEGINNING OF PERIOD</b>	4,976,745	2,117,037	120,894	7,214,676	3,025,868
<b>BALANCE OF COSTS, END OF PERIOD</b>	6,235,658	2,267,688	293,638	8,796,984	3,893,308

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2006**  
(unaudited – prepared by Management)

**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 Argentina and Chile.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of the amount recorded for mineral properties and deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of such reserves, and upon future profitable production or disposition of such reserves.

The interim consolidated financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the Company’s consolidated financial statements for the year ended December 31, 2005, without the note disclosures required for audited financial statements. The interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements.

**2. MINERAL PROPERTIES and DEFERRED COSTS**

	<b>March 31, 2006</b>		
	Acquisition Costs	Deferred Exploration Costs	Total
a) La Cabeza	\$ 3,025,875	\$ 6,235,658	\$ 9,261,533
b) Estelar	237,820	121,204	359,024
c) MRP Properties	25,000	459	25,459
d) CVSA Properties	128,572	2,267,688	2,396,260
e) Chilean Properties	-	171,975	171,975
	<b>\$ 3,417,267</b>	<b>\$ 8,796,984</b>	<b>\$ 12,214,251</b>

**3. SHARE CAPITAL**

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

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

	<b>March 31, 2006</b>		<b>December 31, 2005</b>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance, beginning of period/year	<b>27,845,763</b>	<b>\$ 27,802,270</b>	15,356,387	\$ 14,078,259
Issued during the period/year for:				
Cash	<b>855,750</b>	<b>1,098,463</b>	9,944,876	11,455,450
Property	-	-	2,500,000	2,500,000
Finders Fee	-	-	44,500	57,850
Contributed surplus allocated	-	<b>31,294</b>	-	76,306
Share Issue costs	-	-	-	365,595
Balance, end of period/year	<b>28,701,513</b>	<b>\$ 28,932,027</b>	27,845,763	\$ 27,802,270

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2006**  
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**Transactions for the Issue of Share Capital**  
**During the Three Months ended March 31, 2006**

- a) The Company issued 30,000 shares at a price of \$0.22 per share, 50,000 shares at a price of \$1.00, and 20,000 shares at a price of \$1.08 for a total consideration of \$ 78,200 pursuant to the exercise of stock options.
- b) The Company issued 755,750 shares at a price of \$1.35 per share for a total consideration of \$1,020,263 pursuant to the exercise of share purchase warrants.

In addition, an amount totaling \$31,294 representing stock-based compensation recognized on the exercise of the above stock options was allocated to share capital.

**Stock Option Plan:**

The Company has adopted an incentive stock option plan (the “Plan”), the essential elements of which are as follows: Following the amendment to the Plan approved by the shareholders on May 10, 2006 the aggregate number of shares issuable pursuant to options granted under the plan may not exceed 5,893,111. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company’s shares immediately preceding the grant date, less the maximum discount permitted by TSX Venture Exchange Policy), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange.

A summary of the status of options granted under the Plan as of March 31, 2006 and December 31, 2005, and changes during the period/year then ended, is as follows:

	March 31, 2006		December 31, 2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year/period	4,949,750	\$1.15	2,714,750	\$0.93
Forfeited/cancelled	(56,000)	1.20	(405,625)	1.14
Granted	540,000	2.08	2,976,000	1.31
Exercised	(100,000)	0.78	(335,375)	0.73
Options outstanding, end of period/year	5,333,750	\$1.30	4,949,750	\$1.15

At March 31, 2006, the Company had outstanding stock options to acquire 5,333,750 shares as follows:

Number of Options Outstanding	Number of Options Exercisable	Price	Expiry Date
100,000	100,000	\$1.20	May 1, 2006
75,000	75,000	1.00	October 8, 2006
100,000	100,000	1.30	December 30, 2006
137,000	137,000	0.22	March 20, 2008
305,000	305,000	0.405	August 15, 2008
1,143,000	1,143,000	1.08	January 21, 2009
10,000	10,000	1.41	April 7, 2009
3,750	3,750	0.85	June 21, 2009



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2006**  
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325,000	325,000	1.20	March 22, 2010
300,000	300,000	1.20	April 5, 2010
435,000	435,000	1.12	July 7, 2010
400,000	400,000	1.10	August 19, 2010
180,000	75,000	1.17	October 5, 2010
260,000	260,000	1.20	October 25, 2010
1,020,000	807,500	1.59	December 30, 2010
175,000	175,000	1.79	February 3, 2011
165,000	165,000	2.01	March 2, 2011
200,000	200,000	\$2.39	March 9, 2011
<u>5,333,750</u>	<u>5,016,250</u>		

**Stock-based compensation:**

The fair values of options vested during the three months ended March 31, 2006 was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected annual volatility	65.9%
Risk-free interest rate	3.8%
Expected life	4 years
Expected dividend yield	0 %

Stock-based compensation recognized, on the vesting of stock options granted, in the quarter totaling \$566,454 was allocated to contributed surplus.

**Warrants:**

At March 31, 2006 the Company had outstanding share purchase warrants exercisable to acquire 4,585,000 shares as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
991,000	\$1.35	November 18, 2006
582,084	\$1.35	April 14, 2006
3,011,916	\$1.70	December 21, 2006
<u>4,585,000</u>		

**4. RELATED PARTY TRANSACTIONS**

- Exploration and consulting fees totaling \$36,000 (2005 - \$36,000) and \$5,250 (2005 - \$5,250) for the provision of other consulting services were paid or accrued to a corporation of which the President and CEO of the Company is a principal.
- Legal fees of \$25,089 (2005 – \$52,296) were paid to a corporation controlled by a director of the Company of which the Secretary of the Company is an employee.
- Exploration and development fees of \$51,225 (2005 – \$45,928) were paid or accrued to a corporation controlled by the Vice-President, Exploration.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2006**  
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- d) Management fees of \$24,000 (2005 – \$24,000) were paid to a corporation controlled by the Chairman of the Company.
- e) Management fees of \$30,000 (2005 – nil) were paid or accrued to a corporation controlled by the Chief Financial Officer of the Company.

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.

**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:

<b>March 31, 2006</b>	Canada	Argentina	Chile	Total
Cash and cash equivalents	\$ 6,959,506	\$ 135,032	\$ -	\$ 7,094,538
Other current assets	120,937	95,003	-	215,940
Property and equipment	50,067	104,209	-	154,276
Mineral properties and deferred costs	-	12,042,276	171,975	12,214,251
	7,130,510	12,376,520	171,975	19,679,005
Current liabilities	(201,498)	(753,422)	-	(954,920)
	<b>\$ 6,929,012</b>	<b>\$ 11,623,098</b>	<b>\$ 171,975</b>	<b>\$ 18,724,085</b>
<b>December 31, 2005</b>	Canada	Argentina	Chile	Total
Cash and cash equivalents	\$ 7,692,285	\$ 96,412	\$ -	\$ 7,788,697
Other current assets	80,169	24,514	-	104,683
Property and equipment	51,963	66,460	-	118,423
Mineral properties and deferred costs	-	10,631,943	-	10,631,943
	7,824,417	10,819,329	-	18,643,746
Current liabilities	(350,951)	(203,847)	-	(554,798)
	<b>\$ 7,473,466</b>	<b>\$ 10,615,482</b>	<b>\$ -</b>	<b>\$ 18,088,948</b>

**6. SUBSEQUENT EVENTS**

- a) The Company issued 137,000 shares at a price of \$0.22 per share and 20,000 shares at a price of \$1.08 per share for a total consideration of \$51,740 pursuant to the exercise of stock options.
- b) The Company issued 17,500 shares at a price of \$1.70 per share and 582,084 shares at a price of 1.35 per share for a total consideration of \$815,564 pursuant to the exercise of share purchase warrants.

**7. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company did not incur any non-cash financing or investing activities in the first quarters of 2005 or 2006.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2006**  
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**8. 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 on exploration results and can be cancelled at any time, if exploration results so warrant.

**9. CONTRACTUAL OBLIGATIONS**

There are no material changes to the contractual obligations detailed in the Company's December 31, 2005 financial report.