



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

June 30, 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>June 30, 2006</u>	<u>Dec. 31, 2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,932,653	\$ 7,788,697
Other receivables and prepaid expenses	60,608	30,874
Goods and services tax recoverable	20,592	35,300
	<u>5,013,853</u>	<u>7,854,871</u>
Exploration advances	69,730	38,509
Property, plant and equipment	157,284	118,423
Mineral properties and deferred costs	14,273,613	10,631,943
	<u>\$ 19,514,480</u>	<u>\$ 18,643,746</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 860,162	\$ 390,685
Due to related parties	58,732	164,113
	<u>918,894</u>	<u>554,798</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	29,837,823	27,802,270
Contributed surplus	3,235,059	2,188,160
Deficit	(14,477,296)	(11,901,482)
	<u>18,595,586</u>	<u>18,088,948</u>
	<u>\$ 19,514,480</u>	<u>\$ 18,643,746</u>
Nature of business and continued operations (Note 1)		
Subsequent events (Note 5)		

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

	Three Months ended June 30		Six Months ended June 30	
	2006	2005	2006	2005
Administration Costs				
Accounting and audit	\$ 18,981	\$ 19,132	\$ 24,679	\$ 22,222
Administration salaries and consulting	101,002	42,515	194,753	64,078
Amortization	8,648	8,569	25,180	14,835
Bank charges	5,757	1,453	9,944	3,244
Directors Fees	7,500	-	15,000	-
Investor relations	135,836	136,142	279,902	214,569
Legal fees	58,130	15,081	101,869	45,527
Loss on write-off of mineral properties	401,588	-	401,588	-
Management fees	135,000	16,000	147,000	40,000
Office and miscellaneous	9,780	11,024	30,020	16,751
Property examination costs	52,475	37,910	79,268	63,098
Rent	7,211	6,410	18,201	17,030
Stock-based compensation (Note 2)	527,359	306,882	1,093,812	358,814
Stock exchange listing and filing fees	13,797	16,802	24,445	21,602
Telecommunications	6,653	1,181	9,530	2,902
Transfer agent	4,875	3,020	12,082	4,845
Travel and promotion	117,308	58,480	231,967	114,621
	1,611,900	680,601	2,699,240	1,004,138
Interest Income	(67,785)	(14,024)	(123,326)	(22,013)
Loss before other items	1,544,115	666,577	2,575,914	982,125
Other items				
Loss on conversion of foreign currencies	1,919	(3,085)	(100)	(2,732)
Net loss for the period	1,546,034	663,492	2,575,814	979,393
Deficit at beginning of period	12,931,262	8,525,242	11,901,482	8,209,341
Deficit at end of period	\$ 14,477,296	\$ 9,188,734	\$ 14,477,296	\$ 9,188,734
Basic & diluted loss per common share	\$ (0.05)	\$ (0.04)	\$ (0.09)	\$ (0.06)
Weighted average number of common shares outstanding	28,621,583	17,149,290	28,541,652	16,361,089

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 June 30		Six Months ended June 30	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net loss for the period	\$ (1,546,034)	\$ (663,492)	\$ (2,575,814)	\$ (979,393)
Adjustments:				
Amortization	8,648	8,569	25,180	14,835
Loss on write-off of mineral properties	401,588	-	401,588	-
Stock-based compensation	527,359	306,882	1,093,812	358,814
Loss on conversion of foreign currencies	1,919	(3,085)	(100)	(2,732)
	<u>(606,520)</u>	<u>(351,126)</u>	<u>(1,055,334)</u>	<u>(608,476)</u>
Changes in non-cash working capital				
Accounts receivable and prepaid expenses	8,452	52,905	(29,734)	(21,370)
Goods and services tax recoverable	(1,750)	803	14,708	3,057
Accounts payable and accrued liabilities	(53,381)	23,583	(8,497)	37,751
Due to related parties	(7,605)	(9,228)	(119,435)	(16,180)
	<u>(660,804)</u>	<u>(283,063)</u>	<u>(1,198,292)</u>	<u>(605,218)</u>
FINANCING ACTIVITIES				
Issue of share capital for cash	890,178	2,329,701	1,988,641	2,536,317
Share issue costs	-	(132,588)	-	(158,134)
Share subscription receivable	-	-	-	22,680
Share subscription received in advance	-	(135,000)	-	-
	<u>890,178</u>	<u>2,062,113</u>	<u>1,988,641</u>	<u>2,400,863</u>
INVESTING ACTIVITIES				
Exploration Activities				
- Accounts payable and accrued liabilities	16,255	41,344	477,974	163,575
- Due to related parties	8,704	10,839	14,050	(40,006)
- Exploration advances	58,308	(8,505)	(31,220)	(22,739)
Acquisition costs of property, plant and equipment	(25,093)	(21,064)	(90,022)	(24,050)
Deferred exploration costs, net of amortization and property examination costs	(2,447,513)	(951,568)	(4,017,275)	(1,810,003)
	<u>(2,389,339)</u>	<u>(928,954)</u>	<u>(3,646,493)</u>	<u>(1,733,223)</u>
(Loss) on conversion of foreign currencies	(1,919)	3,085	100	2,732
INCREASE (DECREASE) IN CASH	(2,161,885)	853,181	(2,856,044)	65,154
CASH AT BEGINNING OF PERIOD	7,094,538	1,670,846	7,788,697	2,458,873
CASH AT END OF PERIOD	\$ 4,932,653	\$ 2,524,027	\$ 4,932,653	\$ 2,524,027

EXETER RESOURCE CORPORATION

CONSOLIDATED STATEMENTS OF PROPERTY ACQUISITION AND DEFERRED EXPLORATION COSTS

(unaudited - prepared by Management)

	La Cabeza Project	CVSA Properties	Chile	Other	Six Months Ended June 30	
					2006	2005
DEFERRED EXPLORATION COSTS						
Assays	\$ 106,288	\$ 27,789	\$ 1,986	\$ -	\$ 136,063	\$ 229,095
Consultants & contractors	174,595	7,658	-	-	182,253	36,687
Drilling	1,300,851	438,486	-	-	1,739,337	428,293
Engineering	41,284	-	-	-	41,284	89,956
Environmental	10,193	5,286	-	-	15,479	\$ 18,194
Field Camp	172,140	40,477	37,237	792	250,646	123,392
Geological	133,985	69,483	119,339	48,393	371,200	297,650
Geophysical	3,011	5,183	-	-	8,194	28,984
Hydrology	23,506	-	-	-	23,506	8,609
IVA tax	309,152	108,012	-	-	417,164	116,467
Legal and title	73,859	72,801	1,590	3,044	151,294	17,762
Field Administration	29,519	46,588	10,981	1,494	88,582	85,472
Metallurgical	23,031	-	-	-	23,031	95,126
Travel	103,685	86,457	48,482	22,909	261,533	179,850
Wages and Benefits	243,866	98,665	67,617	2,636	412,784	150,830
	2,748,965	1,006,885	287,232	79,268	4,122,350	1,906,367
Property examination costs	-	-	-	(79,268)	(79,268)	(63,098)
TOTAL DEFERRED COSTS INCURRED DURING THE PERIOD	2,748,965	1,006,885	287,232	\$ -	4,043,082	1,843,269
BALANCE OF COSTS, BEGINNING OF PERIOD	4,976,745	2,128,177	-	109,754	7,214,676	3,025,868
	7,725,710	3,135,062	287,232	109,754	11,257,758	4,869,137
Write-off of costs	-	\$ (54,297)	-	(109,295)	(163,592)	-
PROPERTY ACQUISITION COSTS	3,025,875	128,572	-	\$ 25,000	3,179,447	786,472
TOTAL ACQUISITION AND DEFERRED EXPLORATION COSTS	\$ 10,751,585	\$ 3,209,337	\$ 287,232	\$ 25,459	\$ 14,273,613	\$ 5,655,609

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 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. 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:

	June 30, 2006		December 31, 2005	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period/year	27,845,763	\$ 27,802,270	15,356,387	\$ 14,078,259
Issued during the period/year for:				
Cash	1,627,334	1,988,641	9,944,876	11,455,450
Property	-	-	2,500,000	2,500,000
Finders Fee	-	-	44,500	57,850
Contributed surplus allocated	-	46,912	-	76,306
Share Issue costs	-	-	-	(365,595)
Balance, end of period/year	29,473,097	\$ 29,837,823	27,845,763	\$ 27,802,270

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2006
(unaudited – prepared by Management)

Transactions for the Issue of Share Capital
During the Six Months ended June 30, 2006

- a) The Company issued 167,000 shares at a price of \$0.22 per share, 50,000 shares at a price of \$1.00, and 40,000 shares at a price of \$1.08 for a total consideration of \$ 129,940 pursuant to the exercise of stock options.
- b) The Company issued 1,345,334 shares at a price of \$1.35 and 25,000 shares at a price of \$1.70 per share for a total consideration of \$1,858,701 pursuant to the exercise of share purchase warrants.

In addition, an amount totalling \$46,912 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 5,893,119.

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 June 30, 2006 and December 31, 2005, and changes during the period/year then ended, is as follows:

	June 30, 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	(156,000)	1.20	(405,625)	1.14
Granted	880,000	2.22	2,976,000	1.31
Exercised	(257,000)	0.51	(335,375)	0.73
Options outstanding end of				
period/year	5,416,750	\$1.35	4,949,750	\$1.15

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**SIX MONTHS ENDED JUNE 30, 2006**

(unaudited – prepared by Management)

At June 30, 2006, the Company had outstanding stock options to acquire 5,416,750 shares as follows:

Number of Options Outstanding	Number of Options Exercisable	Price	Expiry Date
75,000	75,000	\$ 1.00	October 8, 2006
100,000	100,000	\$ 1.30	December 30, 2006
305,000	305,000	\$ 0.41	August 15, 2008
1,123,000	1,123,000	\$ 1.08	January 21, 2009
10,000	10,000	\$ 1.41	April 7, 2009
3,750	3,750	\$ 0.85	June 21, 2009
325,000	325,000	\$ 1.20	March 21, 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	972,500	\$ 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 11, 2011
290,000	290,000	\$ 2.52	May 3, 2011
50,000	25,000	\$ 1.89	June 13, 2011
5,416,750	5,239,250		

Stock-based compensation:

The fair values of options vested during the three months ended June 30, 2006 was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected Annual Volatility	66.42%
Risk-free interest rate	4.14%
Expected Life	4 years
Expected dividend yield	0 %

Stock-based compensation recognized, on the vesting of stock options granted, in the quarter totalling \$527,359 was allocated to contributed surplus.

Warrants:

At June 30, 2006 the Company had outstanding share purchase warrants exercisable to acquire 3,977,916 shares as follows:

Number	Exercise Price	Expiry Date
991,000	\$1.35	November 18, 2006
2,986,916	\$1.70	December 21, 2006
3,977,916		

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**SIX MONTHS ENDED JUNE 30, 2006**

(unaudited – prepared by Management)

3. RELATED PARTY TRANSACTIONS

- a) Exploration and consulting fees totalling \$122,000 (2005 - \$72,000) and \$10,500 (2005 - \$10,500) 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.
- b) Legal fees of \$78,646 (2005 – \$84,548) 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 \$119,338 (2005 – \$58,425) were paid or accrued to a corporation controlled by the Vice-President, Exploration.
- d) Management fees of \$98,000 (2005 – \$48,000) were paid to a corporation controlled by the Chairman of the Company.
- e) Management fees of \$60,000 (2005 – \$27,500) 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.

4. 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:

June 30, 2006	Canada	Argentina	Chile	Total
Cash and cash equivalents	\$ 4,470,106	\$ 462,547	\$ -	\$ 4,932,653
Other current assets	71,621	60,609	18,700	\$ 150,930
Property, plant and equipment	84,543	72,741		\$ 157,284
Mineral properties and deferred costs		13,986,381	287,232	\$ 14,273,613
	4,626,270	14,582,278	305,932	19,514,480
Current Liabilities	(185,927)	(732,967)	-	(918,894)
	\$ 4,440,343	\$ 13,849,311	\$ 305,932	\$ 18,595,586
December 31, 2005	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, plant 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)
	\$ 7,473,466	\$ 10,615,482	\$ -	\$ 18,088,948

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**SIX MONTHS ENDED JUNE 30, 2006**

(unaudited – prepared by Management)

5. Subsequent Events

The Company issued 17,375 shares at a price of \$1.70 per share for a total consideration of \$29,537 pursuant to the exercise of share purchase warrants.

6. SUPPLEMENTAL CASH FLOW INFORMATION

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

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 on exploration results and can be cancelled at any time, if exploration results so warrant.

8. CONTRACTUAL OBLIGATIONS

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 explorations results and can be cancelled at any time, if explorations results so warrant. Existing financial commitments are summarized in the tables below:

	Payments Due by Period (000's)				
Cash Payments	Total	Less than 1 year	1-3 Years	4-5 years	After 5 Years
Office Leases	\$ 393	\$ 52	\$ 158	\$ 149	\$ 34
Cognito-La Cabeza	519	52	117	117	233
MRP Properties	415	20	55	90	250
Total	\$ 1,327	\$ 124	\$ 330	\$ 356	\$ 517
Property Expenditures	Expenditures Due by Period (000's)				
CVSA	\$ 371	\$ -	\$ -	\$ 371	\$ -
Maricunga	2,676	120	816	1,740	-
Total	\$ 3,047	\$ 120	\$ 816	\$ 2,111	\$ -