

TO OUR SHAREHOLDERS

The past 12 months in the life of your company were marked by unprecedented activity. Highlights include:

- **A successful large-scale drilling program to increase the size of the known Don Sixto deposit.** Prior to the 2006 results, we considered the deposit to be a series of isolated zones. The new work shows Don Sixto to be a much larger gold system, with the known zones lying within several “gold-silver corridors”, up to 500 metres wide.
- **The completion of detailed drilling at Don Sixto to increase our confidence in the known resource.** A new resource estimate is in progress to support a development options study to consider a +100,000 ounce per year gold operation.
- **The discovery of high-grade silver and gold on our Cerro Moro property, in accordance with our goal to be a multiple precious metal project developer.** Drilling will continue through 2007, towards the release of initial resources estimates later in the year.
- **The discovery of gold and silver at our Caspiche property in the Maricunga district of Chile.** Further drilling commenced in April 2007 and results are awaited.
- **The listing of our stock on the American Stock Exchange under the symbol “XRA”, in November, 2006, to extend our market visibility.** With listings on three stock exchanges, TSX-V, AMEX and Frankfurt, Exeter is one of the most actively-traded public companies exploring in Argentina and Chile.
- **The completion of financings to top up our treasury to CDN\$12.4 million, at year end.**

The Don Sixto Gold-Silver Project

Significant advances have been made towards a production decision on this, our flagship asset. Under Matt Williams, our Exploration Manager, drilling continued through the year to better define the known deposit and to discover gold-silver mineralization under areas of sand cover. All of the known gold zones were extended - particularly the Luna, Cuello and Mandibula Zones. Seven veins were defined at Cuello, up from two. The known Cuello Zone proved to lie within a 200 metre (660 ft) wide gold-silver corridor, greatly increasing the potential resource. The Mandibula Zone was shown to be higher-grade near surface, and significantly longer, than was previously known. With the five drills operating, Don Sixto was the most active gold-silver project in the region in 2006.

In 2006, our mine development team, led by Jerry Perkins, completed a baseline environmental assessment, continued geotechnical programs, initiated drilling for a water supply, and completed a study to bring electricity to the site and nearby communities. We now look forward to a new independent estimation of the gold and silver resources at Don Sixto, to be followed by a Development Options Report. This report will establish the operating parameters for a feasibility study and environmental impact assessment. To facilitate mine development at Don Sixto, the Company purchased the surface rights to 8,000 hectares (19,800 acres) of land.

As part of our progress towards a decision on mine development, in 2006, we employed Engineer Gonzalo Damond as our Commercial Manager. Gonzalo has led our strong and successful social programs and maintained excellent communication between the Company and the local and regional communities.

Our Strategic Partnerships

Exeter is not a single project company. Access to a number of exploration targets in both in Argentina and Chile, through three separate strategic agreements with major mining companies, makes Exeter unique in the junior company sector. These strategic agreements give us an ability to grow our gold and silver inventory month by month.

Cerro Vanguardia S.A. (AngloGold Ashanti) - Patagonia, Argentina

The CVSA option agreement covers twelve properties. One of these properties, the Cerro Moro gold-silver project, emerged in 2006 as our most exciting new opportunity since the acquisition of Don Sixto. Cerro Moro is an extensive system of epithermal veins in Santa Cruz Province, the second most active mining region of Argentina. A number of our drill holes have intersected “bonanza silver grades” by industry standards. These intersections are close to surface, providing the potential for low-cost, open pit mining, similar to CVSA’s Cerro Vanguardia gold mine to the west. Drilling will continue through 2007, with a view to establishing a preliminary resource by the end of the year.

Elsewhere in Santa Cruz Province, in 2006, we drilled the Cerro Puntudo gold property and the Verde silver property. Although they are early-stage discoveries, both projects have generated “ore grade” drill intersections. Exploration will resume at both sites later this year.

Anglo American – Caspiche Property, Chile

We recently announced a gold-silver discovery on our Caspiche property, located midway between the Cerro Casale and Refugio gold deposits. The target was defined in 2006, using geophysical and geological surveys. Such epithermal targets elsewhere in Chile have developed into high-grade, “company maker” gold deposits. Drilling in January 2007 generated two holes with ore grade gold and silver intersections - a result that confirmed our geological model. Drilling resumed in April.

Rio Tinto - Magallanes, Southern Chile

We have completed a full season of exploration on targets under our strategic agreement with Rio Tinto Mining and Exploration Limited. Our program, led by Jason Beckton, consisted of a number of prospecting campaigns on specific sites considered to have potential for gold or copper. Although results are not yet available, we are optimistic that they will justify the acquisition of properties in the district, for detailed assessment later in the year.

Looking Forward

In the year ahead, we expect to further establish your company’s potential as a mid-tier gold and silver producer. We expect the Don Sixto Project to move into the mine development phase and at least one other project to emerge as a potential mine.

Our two-year plan for shareholder value is to commence mining operations at Don Sixto, with initial annual gold production in the range of 100,000 to 150,000 ounces, while advancing new projects through our strong relationships with major mining companies.

Our Commitment

We will continue to focus on gold and silver exploration and mine development, with the most dedicated and skilled technical staff in South America. Our commitment to building value for our shareholders extends through management and all of our employees.

Once again, we extend our appreciation to you for your support over the past year.



**Bryce Roxburgh
President & CEO**



**Yale Simpson
Chairman**