

Exeter Resource Corporation

(XRC-V:C\$2.30)

MARKET OUTPERFORM

12-month target price: C\$3.30

August 1, 2006

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Exeter discovers new high-grade vein at Cerro Moro, Argentina

Risk*	High		
52-Week Range	C\$ 3.25 - C\$ 0.93		
Shares Outstanding (MM)	28.1		
Fully Diluted Shares (MM)	38.0		
Market Capitalization (MM)	C\$ 64.6		
Ave. Volume (000 shares/day)	74.0		
Working Capital (31-Mar-06) - (MM)	C\$ 6.4		
Value Cash, ST Inv. (31-Mar-06) - (MM)	C\$ 7.1		
Dundee Assumption	2006E	2007E	Long term
Gold Price (US\$/oz)	625	745	450
FX (US\$/C\$)	0.88	0.90	0.83
Valuation (C\$/share)			
2007 - 5% DCF Corporate Value	C\$ 3.15		
2006 Year-end Cash etc.	C\$ 0.20		
2006 Additional Resource Value	C\$ 0.00		
NAV	C\$ 3.35		
DCF Multiple	1.0		
Target	C\$ 3.30		
Earnings and Cash Flow (US\$/share)			
	2006E	2007E	2008E
EPS	-0.20	-0.12	0.65
CFPS before WC	-0.11	-0.08	0.76

All Figures in C\$ Unless Otherwise Noted

EVENT

Exeter Resource Corporation reported promising drill results from its Cerro Moro gold-silver project located in southern Argentina. Cerro Moro is included in Exeter's strategic agreement with AngloGold to explore several properties in the area around Anglo's Cerro Vanguardia Mine.

The recent drill program has reportedly led to the discovery of a near-surface, high-grade gold-silver vein in a new zone of mineralization at Cerro Moro. Results from the vein, referred to as the Carla vein, include 10 m grading 15.4 g/t gold and 790 g/t silver. The vein is not exposed on surface; however, the company has suggested that two other holes drilled 75 m to the east have intersected vein material (including an intersection of 8.0 g/t gold and 684 g/t silver over one meter) that may represent a faulted extension of the Carla vein.

Exeter also released recent drill results from three additional veins at Cerro Moro. Intersections include 3.0 g/t gold and 61 g/t silver over 14 m, 4.0 g/t gold and 323 g/t silver over three meters, and 3.2 g/t gold and 271 g/t silver over four meters.

The company indicated that future work on the Carla vein is to include trenching and channel sampling in conjunction with other recently generated targets on the property. A detailed ground magnetic survey will continue ahead of follow-up drilling in the fourth quarter of 2006.

IMPLICATIONS

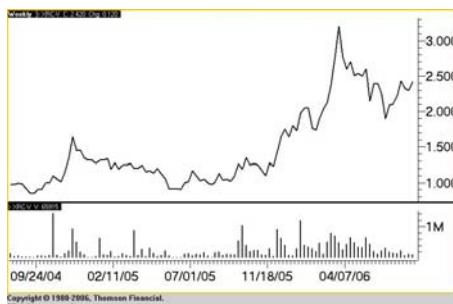
While still early stage, the discovery of a new vein at Cerro Moro points to the potential of the property (and region) to host significant mineralization. We note that this morning's announcement follows other recent promising drill results (including four meters grading 219 g/t silver, two meters grading 310 g/t silver and seven meters grading 97 g/t silver) from the company's Verde property, also part of the AngloGold strategic agreement.

The early stage nature of the AngloGold properties precludes us from including them in our Exeter valuation. However, the properties provide significant upside for the company's share price.

We await Exeter's resource update on its main La Cabeza project. The company's current drill campaign is designed to increase the project's total mineral inventory to over two million ounces of gold from the current estimate of just less than one million ounces. We expect the company to announce its revised resource estimate prior to initiating a feasibility study on the project in late Q3 or early Q4, 2006.

RATING: We are maintaining our **MARKET OUTPERFORM** rating with a price target of **C\$3.30/share**. Our price target is determined by applying a 1.0x multiple to our 2007 NAV estimate of C\$3.35/share.

Exeter Resource Corporation: Price/Volume Chart



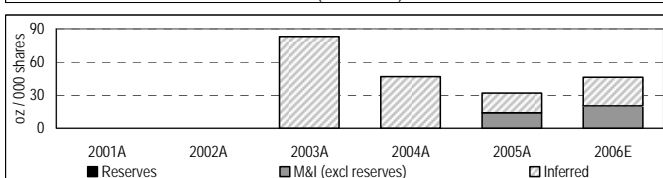
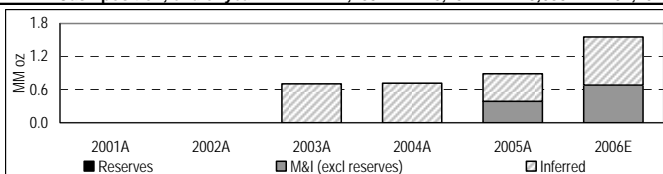
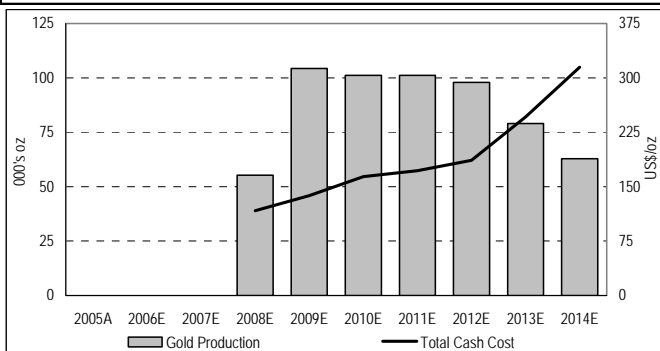
Source: Thomson ONE

Company Description

Exeter Resources is a Canadian-based exploration company with mineral properties in Argentina and Chile. The company's principal asset, the La Cabeza project in Argentina, will likely be the subject of a feasibility study in 2006.



Exeter Resource Corporation					XRC-V			C\$ 2.30
Rating	MARKET OUTPERFORM		C\$ Target	\$3.30	Shares O/S (MM)			28.1
Risk	High		C\$ Close	\$2.30	Float (MM)			28.1
12-month return				43%	Fully Diluted Shares (MM)			38.0
All figures in C\$, unless stated otherwise					Basic Mkt. Capitalization (\$MM)			C\$ 64.6
EVALUATION DATA								
Year-end Dec.	2005A	2006E	2007E	2008E				
EPS	\$ (0.20)	\$ (0.20)	\$ (0.12)	\$ 0.65				
P/E		N/A	N/A	3.5x				
CFPS before changes in WC	\$ (0.10)	\$ (0.11)	\$ (0.08)	\$ 0.76				
P/CF		N/A	N/A	3.0x				
market cap/reserve oz (US\$/oz)				N/A				
enterprise value/reserve oz (US\$/oz)				N/A				
market cap/resource oz (US\$/oz)				\$ 64				
enterprise value/resource oz (US\$/oz)				\$ 57				
ASSUMPTIONS								
Gold	US\$/oz	445	625	745	750			
Exchange	US\$/C\$	0.83	0.88	0.90	0.90			
Dundee Modelled Reserves and Other Mineralization (MM oz)				1.0				
RESERVES & RESOURCES								
		Tonnes	Grade	Cont Gold				
		000 t	g/t	000 oz				
Proven and Probable Reserves								
La Cabeza		-	-	-				
Total Reserves								
Measured and Indicated Resources								
La Cabeza		6,200	2.0	390				
Total Measured and Indicated Resources								
Inferred Resources								
La Cabeza		12,100	1.3	500				
Total Inferred Resources								
TOTAL RESOURCE		18,300	1.5	890				
PRODUCTION ESTIMATES (000 oz)								
Year-end Dec.	2005A	2006E	2007E	2008E				
La Cabeza	0	0	0	55				
Sub total								
	0	0	0	55				
TOTAL CASH COST ESTIMATES (US\$/oz)								
Year-end Dec.	2005A	2006E	2007E	2008E				
La Cabeza	0	0	0	117				
Wt. Ave.								
	0	0	0	0				
NET ASSET VALUE (beginning 2007)								
	0% NAV (C\$MM)	C\$/share	5% NAV (C\$MM)	C\$/share				
Corporate DCF	165	3.97	131	3.15				
Cash and other	8	0.20	8	0.20				
Exploration & unmodelled Resources	0	0.00	0	0.00				
Total	174	4.18	139	3.35				
Dundee DCF Target Multiple				1.0x				
Share Price Target				C\$ 3.30				
NAV & Target Sensitivity to Long-term (post 2009) Gold Price Assumption								
Long Term Gold Price Assumption (US\$/oz)								
NAV (C\$/share)	350	400	450	500	550			
0% Discount	2.49	3.36	4.18	4.91	5.64			
5% Discount	2.16	2.78	3.35	3.87	4.40			
10% Discount	1.93	2.38	2.80	3.18	3.57			
Target	2.20	2.80	3.30	3.90	4.40			
Year-end December BALANCE SHEET								
		(000\$)	(000\$)	(000\$)				
		2004A	2005A	Q1/06				
Assets								
Cash & ST Investments		2,459	7,789	7,095				
Other Current Assets		59	105	216				
Current Assets		2,518	7,893	7,310				
Mineral Properties		3,951	10,750	12,369				
Other non-current Assets		-	-	-				
Total Assets		6,469	18,644	19,679				
Liabilities								
Current Liabilities		222	555	955				
Capital lease / LT Debt		-	-	-				
Other non-current Liabilities		-	-	(0)				
Total Liabilities		222	555	955				
Capital Stock		14,456	29,990	31,655				
Retained Earnings		(8,209)	(11,901)	(12,931)				
Total Shareholder Equity		6,247	18,089	18,724				
EARNINGS SUMMARY								
		2005A	2006E	2007E	2008E			
Revenue								
Gold		-	-	-	48,353			
Other		41	138	328	814			
Total Revenue		41	138	328	49,166			
Gold costs		-	-	-	9,450			
Other Costs		1,886	2,566	2,000	2,000			
DD&A		21	-	-	3,277			
Exploration		355	1,125	1,000	-			
S, G&A		1,472	2,396	2,500	2,000			
EBIT		(3,694)	(5,949)	(5,172)	32,440			
FX Gain		8	2	-	-			
Interest		(6)	-	-	(3,375)			
Writedown of min. properties		-	-	-	-			
EBT		(3,692)	(5,947)	(5,172)	29,065			
less Tax		-	-	-	-			
Net Income (reported)		(3,692)	(5,947)	(5,172)	29,065			
Average shares (MM)		18.1	30.0	41.6	44.7			
STATEMENT OF CASH FLOWS								
		2005A	2006E	2007E	2008E			
		(000\$)	(000\$)	(000\$)	(000\$)			
Net Income (000's\$)		(3,692)	(5,947)	(5,172)	29,065			
D, D&A		21	-	-	3,277			
Future income taxes		-	-	-	-			
Writedown of min. properties		-	-	-	-			
FX Gain		-	-	-	-			
Change in working capital		(22)	(134)	-	-			
Other Operating		1,879	2,564	2,000	1,662			
Total Operating CF		(1,815)	(3,517)	(3,172)	34,003			
Short term investments		-	-	-	-			
Mineral Properties		(4,137)	(5,485)	(39,637)	(37,681)			
Acquisitions		-	-	-	-			
Increase in Investments		-	-	-	-			
Other Investing		126	-	-	-			
Total Investing CF		(4,011)	(5,485)	(39,637)	(37,681)			
Equity financing		11,148	9,689	30,000	160			
Debt Issue		-	-	45,000	-			
Debt Repayment		-	-	-	-			
Other financing		-	-	-	-			
Total Financing CF		11,148	9,689	75,000	160			
Foreign Exchange effect		8	2	-	-			
Change in cash		5,322	689	32,191	(3,517)			
Cash position, end of year		7,789	8,494	40,685	37,167			





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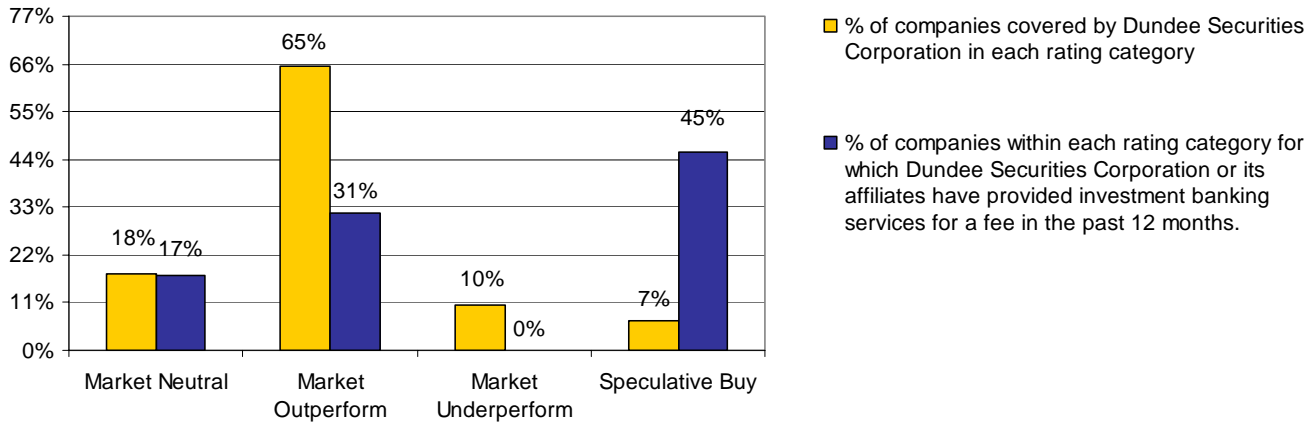
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MARKET OUTPERFORM: Stock will outperform the total return of the overall market. MARKET NEUTRAL: Stock will perform as well as the total return of the overall market. MARKET UNDERPERFORM: Stock will underperform the total return of the overall market. Total return of the market is expected to be 10% plus or minus 4%. (From time to time an analyst may move out of these defined rating criteria but the reason for the discrepancy will be noted in the text.) SPECULATIVE BUY: Stocks are rated Speculative Buy where the company's business or financial risk is high and where no reasonable basis for valuation can be made. *Risk assessment is defined as low, medium, or high and relates solely to the risks of the stock's underlying business and does not pertain to the volatility of its share price or other market related measures of risk for determining investment suitability. Total return includes capital appreciation and dividends/trust unit distributions. SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

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* As at June 30, 2006

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