

## Exeter Resource Corporation

(XRC-V:C\$2.24)

### MARKET OUTPERFORM

12-month target price: C\$3.20

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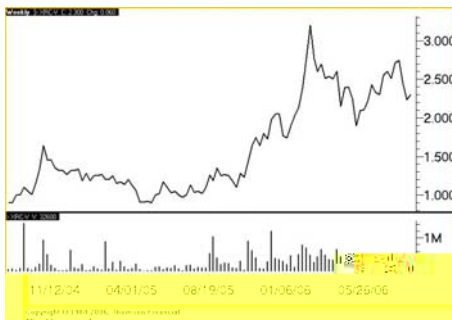
## Promising Drill Results From Luna

	New	Old
<b>Target Price</b>	C\$3.20	C\$3.30
<b>2007 NAV</b>	C\$3.20	C\$3.27

Risk*	High		
52-Week Range	C\$ 3.25 - C\$ 1.03		
Shares Outstanding (MM)	29.5		
Fully Diluted Shares (MM)	38.5		
Market Capitalization (MM)	C\$ 66.0		
Ave. Volume (000 shares/day)	59		
Working Capital (30-Jun-06) - (MM)	C\$ 4.1		
Value Cash, ST Inv. (30-Jun-06) - (MM)	C\$ 4.9		
<b>Dundee Assumption</b>	2006E	2007E	Long term
Gold Price (US\$/oz)	625	745	450
FX (US\$/C\$)	0.88	0.90	0.83
<b>Valuation (C\$/share)</b>			
2007 - 5% DCF Corporate Value	C\$ 2.84		
2006 Year-end Cash etc.	C\$ 0.37		
2006 Additional Resource Value	C\$ 0.00		
NAV	C\$ 3.20		
DCF Multiple	1.0		
Target	C\$ 3.20		
<b>Earnings and Cash Flow (CAD\$/share)</b>			
	2006E	2007E	2008E
EPS	-0.20	-0.11	0.60
CFPS before WC	-0.09	-0.06	0.70

All Figures in C\$ Unless Otherwise Noted

### 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.

### EVENT

Exeter Resources reported results from seven of 16 recently completed drill holes from the Luna Zone at its 100%-owned La Cabeza project in Argentina.

The reported holes, which are part of an ongoing exploration program, have reportedly helped to extend the strike length of the Luna Zone from approximately 300 m to over 500 m. Significant intersections include 6.1 g/t gold over 9.0 m, 1.8 g/t gold over 16.4 m, and 1.9 g/t over 10.0 m. The release also included an infill hole drilled into the centre of the Luna Zone that returned an intersection of 3.8 g/t gold over 6.0 m.

We have determined a weighted (by width) average grade of the seven reported holes of 2.9 g/t gold over 4.6 m. We note that the grade of the new holes compares favourably to the previous grade estimate of measured and indicated resources at Luna of 1.6 g/t gold.

Four drill rigs are currently active at La Cabeza, with a fifth in transit to site. The ongoing exploration program is focused on extending the Cuello, Mandibula and Luna zones, as well as sand-covered targets located between and beyond known mineralized areas.

### IMPLICATIONS

Exeter continues to expand and confirm the gold mineralization at La Cabeza. We expect the company's next resource update, anticipated later this year, to demonstrate a significant increase over the current total mineral estimate (including measured, indicated and inferred resources) of approximately 900,000 oz of gold.

Exeter's share price, like many of its peers, has recently declined due largely to the recent correction in the price of gold. This decline has caused us to lower our issue price assumptions for likely future equity financings, lowering our 2007 net asset value estimate marginally to C\$3.20 per share (previously C\$3.27).

**RATING:** We are maintaining our **MARKET OUTPERFORM** rating with a new 12-month price target of **C\$3.20/share** (previously C\$3.30). Our price target is determined by applying a 1.0x multiple to our estimate of future cash flow per share discounted at 5%, plus values for estimated cash at the end of 2006 and for resources not included in our mine forecast.



<b>Exeter Resource Corporation</b>				<b>XRC-V</b>	<b>C\$ 2.24</b>
<b>Rating</b>	<b>MARKET OUTPERFORM</b>	<b>C\$ Target</b>	<b>\$3.20</b>	<b>Shares O/S (MM)</b>	<b>29.5</b>
<b>Risk</b>	<b>High</b>	<b>C\$ Close</b>	<b>\$2.24</b>	<b>Float (MM)</b>	<b>29.5</b>
<b>12-month return</b>	<b>43%</b>			<b>Fully Diluted Shares (MM)</b>	<b>38.5</b>
				<b>Basic Mkt. Capitalization (\$MM)</b>	<b>C\$ 66.0</b>

All figures in C\$, unless stated otherwise

**EVALUATION DATA**

Year-end Dec.	2005A	2006E	2007E	2008E
EPS	\$ (0.20)	\$ (0.20)	\$ (0.11)	\$ 0.60
P/E		N/A	N/A	3.7x
CFPS before changes in WC	\$ (0.10)	\$ (0.09)	\$ (0.06)	\$ 0.70
P/CF		N/A	N/A	3.2x
market cap/reserve oz (US\$/oz)				N/A
enterprise value/reserve oz (US\$/oz)				N/A
market cap/resource oz (US\$/oz)				\$ 66
enterprise value/resource oz (US\$/oz)				\$ 61

ASSUMPTIONS	2005A	2006E	2007E	2008E
Gold US\$/oz	445	625	745	750
Exchange US\$/C\$	0.83	0.88	0.90	0.90
<b>Dundee Modelled Reserves and Other Mineralization (MM oz)</b>				<b>1.0</b>

**RESERVES & RESOURCES**

	Tonnes 000 t	Grade g/t	Cont Gold 000 oz
<b>Proven and Probable Reserves</b>			
La Cabeza	-	-	-
Total Reserves	-	-	-
<b>Measured and Indicated Resources</b>			
La Cabeza	6,200	2.0	390
Total Measured and Indicated Resources	6,200	2.0	390
<b>Inferred Resources</b>			
La Cabeza	12,100	1.3	500
Total Inferred Resources	12,100	1.3	500
<b>TOTAL RESOURCE</b>	<b>18,300</b>	<b>1.5</b>	<b>890</b>

**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	169	3.62	133	2.84
Cash and other	17	0.37	17	0.37
Exploration & unmodelled Resources	0	0.00	0	0.00
<b>Total</b>	<b>186</b>	<b>3.99</b>	<b>150</b>	<b>3.20</b>

Dundee DCF Target Multiple  
**Share Price Target C\$ 3.20**

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	2.46	3.25	<b>3.99</b>	4.65	5.31
5% Discount	2.13	2.69	<b>3.20</b>	3.68	4.15
10% Discount	1.90	2.30	<b>2.67</b>	3.02	3.37
Target	2.10	2.70	<b>3.20</b>	3.70	4.10

Year-end December	(000\$)	(000\$)	(000\$)
BALANCE SHEET	2004A	2005A	Q2/06
<b>Assets</b>			
Cash & ST Investments	2,459	7,789	4,933
Other Current Assets	59	105	81
Current Assets	2,518	7,893	5,014
Mineral Properties	3,951	10,750	14,431
Other non-current Assets	-	-	70
<b>Total Assets</b>	<b>6,469</b>	<b>18,644</b>	<b>19,514</b>

Liabilities	2004A	2005A	2006E
Current Liabilities	222	555	919
Capital lease / LT Debt	-	-	-
Other non-current Liabilities	-	-	-
<b>Total Liabilities</b>	<b>222</b>	<b>555</b>	<b>919</b>

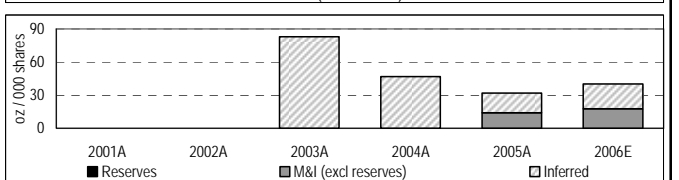
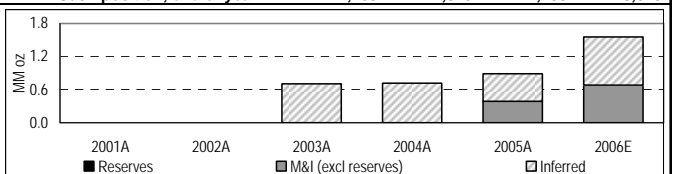
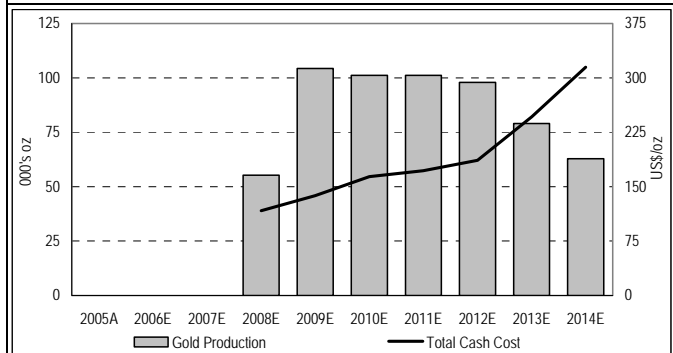
Capital Stock	14,456	29,990	33,073
Retained Earnings	(8,209)	(11,901)	(14,477)
<b>Total Shareholder Equity</b>	<b>6,247</b>	<b>18,089</b>	<b>18,596</b>

**EARNINGS SUMMARY**

	2005A	2006E	2007E	2008E
<b>Revenue</b>				
Gold	-	-	-	48,353
Other	41	211	501	543
<b>Total Revenue</b>	<b>41</b>	<b>211</b>	<b>501</b>	<b>48,896</b>
Gold costs	-	-	-	9,450
Other Costs	1,886	3,146	2,000	2,000
DD&A	21	9	-	3,277
Exploration	355	750	1,000	-
S, G&A	1,472	2,393	2,500	2,000
<b>EBIT</b>	<b>(3,694)</b>	<b>(6,086)</b>	<b>(4,999)</b>	<b>32,169</b>
FX Gain	8	0	-	-
Interest	(6)	-	-	(2,531)
Writedown of min. properties	-	(402)	-	-
<b>EBT</b>	<b>(3,692)</b>	<b>(6,488)</b>	<b>(4,999)</b>	<b>29,638</b>
less Tax	-	-	-	-
<b>Net Income (reported)</b>	<b>(3,692)</b>	<b>(6,488)</b>	<b>(4,999)</b>	<b>29,638</b>
Average shares (MM)	18.1	32.6	46.8	49.7

**STATEMENT OF CASH FLOWS**

	2005A	2006E	2007E	2008E
Net Income (000's\$)	(3,692)	(6,488)	(4,999)	29,638
D, D&A	21	9	-	3,277
Future income taxes	-	-	-	-
Writedown of min. properties	-	402	-	-
FX Gain	-	-	-	-
Change in working capital	(22)	(189)	-	-
Other Operating	1,879	3,094	2,000	1,662
<b>Total Operating CF</b>	<b>(1,815)</b>	<b>(3,172)</b>	<b>(2,999)</b>	<b>34,577</b>
Short term investments	-	-	-	-
Mineral Properties	(4,137)	(6,169)	(39,426)	(37,681)
Acquisitions	-	-	-	-
Increase in Investments	-	-	-	-
Other Investing	126	-	-	-
<b>Total Investing CF</b>	<b>(4,011)</b>	<b>(6,169)</b>	<b>(39,426)</b>	<b>(37,681)</b>
Equity financing	9,835	10,000	30,000	-
Debt Issue	-	-	22,500	22,500
Debt Repayment	-	-	-	-
Other, options, warrants	1,312	8,614	-	125
<b>Total Financing CF</b>	<b>11,147</b>	<b>18,614</b>	<b>52,500</b>	<b>22,625</b>
Foreign Exchange effect	8	0	-	-
Change in cash	5,322	9,272	10,075	19,520
<b>Cash position, end of year</b>	<b>7,789</b>	<b>17,078</b>	<b>27,153</b>	<b>46,673</b>





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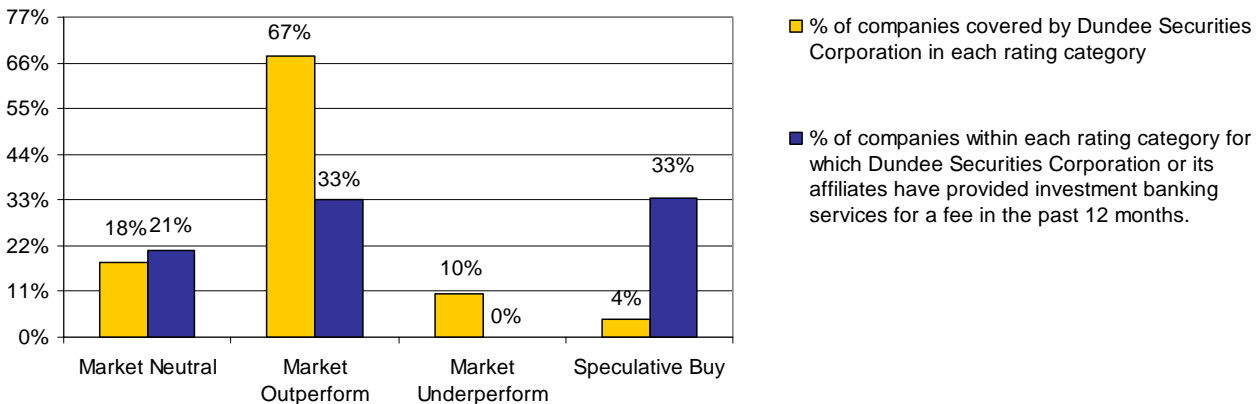
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