

Gitennes Exploration Inc.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

Management's Responsibility for Financial Reporting

The consolidated financial statements of Gitennes Exploration Inc. have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgement based on information currently available.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Jerry D. Blackwell"

Jerry D. Blackwell
President

April 20, 2010

Audit Opinion

To the Shareholders of Gitennes Exploration Inc.

We have audited the consolidated balance sheets of Gitennes Exploration Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC
April 20, 2010

Consolidated Balance Sheets

As at December 31

Canadian Funds

ASSETS	2009	2008
Current		
Cash and cash equivalents	\$ 96,444	\$ 543,661
Accounts receivable	10,926	6,538
Prepaid expenses	7,553	18,398
	<u>114,923</u>	568,597
Mineral Properties (Note 4)	2,343,361	2,267,203
Equipment (Note 5)	53,750	70,423
	<u>\$ 2,512,034</u>	<u>\$ 2,906,223</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 111,710	\$ 79,507
SHAREHOLDERS' EQUITY		
Share Capital (Note 6a)	31,182,886	30,896,547
Contributed Surplus (Note 6b)	1,023,742	1,019,934
Deficit - Statement 2	(29,806,304)	(29,089,765)
	<u>2,400,324</u>	2,826,716
	<u>\$ 2,512,034</u>	<u>\$ 2,906,223</u>

Going Concern (Note 1)

Subsequent Events (Note 11)

ON BEHALF OF THE BOARD:

"Jerry Blackwell" Director
 Jerry D. Blackwell

"Ken Booth" Director
 Ken Booth

Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the Years Ended December 31

Canadian Funds

	2009	2008
Expenses		
Audit, accounting, legal and professional fees	\$ 190,041	\$ 132,484
Amortization	13,315	17,605
Filing, transfer fees and investor relations	137,525	125,413
Insurance	11,040	8,747
Interest and bank charges	2,868	2,846
Office rent, utilities and miscellaneous	83,026	121,372
Salaries and benefits	194,860	241,913
Stock-based compensation (Note 6d)	3,808	280,680
Travel	23,392	21,219
Loss Before the Under-Noted	(659,875)	(952,279)
Other Income (Expense)		
Foreign exchange gain (loss)	(10,039)	23,502
General exploration	(18,927)	(39,869)
Interest and other income	4,072	14,920
Gain on disposal of equipment	1,840	-
Write-down of mineral properties (Note 4)	(33,610)	(2,970,162)
Loss and Comprehensive Loss for the Year	(716,539)	(3,923,888)
Deficit - Beginning of Year	(29,089,765)	(25,165,877)
Deficit – End of Year	\$ (29,806,304)	\$ (29,089,765)
Loss Per Share – Basic and Diluted	\$ (0.01)	\$ (0.08)
Weighted-Average Number of Shares Outstanding – Basic and Diluted	49,042,549	47,331,466

Consolidated Statements of Cash Flows

For the Years Ended December 31

Canadian Funds

	2009	2008
Cash Flows from Operating Activities		
Loss for the year	\$ (716,539)	\$ (3,923,888)
Items not affecting cash		
Amortization	13,315	17,605
Stock-based compensation	3,808	280,680
Gain on disposal of equipment	(1,840)	-
Write-down of mineral properties	33,610	2,970,162
	<u>(667,646)</u>	<u>(655,441)</u>
Changes in non-cash working capital items		
Accounts receivable	(4,388)	9,978
Prepaid expenses	10,845	(5,511)
Accounts payable and accrued liabilities	32,203	21,071
	<u>38,660</u>	<u>25,538</u>
	<u>(628,986)</u>	<u>(629,903)</u>
Cash Flows from Financing Activities		
Net proceeds from issuance of common shares	<u>286,339</u>	65,000
Cash Flows from Investing Activities		
Mineral property expenditures	(109,768)	(923,023)
Purchase of equipment	(1,082)	-
Proceeds on disposal of equipment	6,280	-
	<u>(104,570)</u>	<u>(923,023)</u>
Net Decrease in Cash and Cash Equivalents	(447,217)	(1,487,926)
Cash and Cash Equivalents - Beginning of Year	543,661	2,031,587
Cash and Cash Equivalents - End of Year	\$ 96,444	\$ 543,661

Supplemental Schedule of Non-Cash Investing and Financing Transactions

Increase (decrease) in mineral property accounts payable	\$ -	\$ (190,327)
Fair value of stock options exercised	\$ -	\$ 64,366

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

1. Going Concern

The Company, which is considered to be in the exploration stage, is in the process of exploring several mineral properties in Peru. The Company has not yet determined whether these properties contain economic reserves. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several adverse conditions cast significant doubt upon this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Consistent with other companies in the mining/exploration industry, the Company has no ongoing source of revenue, and has cash requirements to meet its administrative overhead and maintain its mineral interests. The ability of the Company to continue as a going concern is dependent upon its ability to obtain the necessary financing to complete the development of its properties and for future corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2. Accounting Policies

a) Basis of Presentation and Principles of Consolidation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its significant wholly-owned subsidiaries, Castle Keep Ltd., Gitennes Exploraciones Peru S.A., Oromalqui Gold Corp., Minera Corimalqui S.A. and Compania Minera Seis Rios S.A. All significant inter-company transactions and balances have been eliminated.

b) Foreign Currency Translation

The operations of the Company's subsidiaries are considered integrated foreign operations and are translated into Canadian dollars using weighted average rates for the year for items included in the consolidated statements of operations and deficit, the rate prevailing at the balance sheet dates for monetary assets and liabilities, and historical rates for all other items. Translation gains and losses are included in the determination of operating results in the period incurred.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's key estimates relate to the recoverability of its mineral property costs and the measurement of stock-based compensation. Actual results could differ from those estimates.

d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and term deposits maturing within 90 days from the original date of acquisition.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

2. Accounting Policies - *Continued*

e) Equipment

Equipment is recorded at cost less accumulated amortization, which is calculated on a declining balance basis at the following annual rates:

Computer equipment - 20%

Furniture and fixtures - 20%

Equipment - 20%

f) Mineral Properties

The costs of acquiring mineral properties and related exploration expenditures are deferred until the properties are brought into production, at which time they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold, or considered to be impaired in value, at which time the cost of the properties and related deferred expenses are written down. Option and other payments received are credited against mineral properties. Where such payments exceed the related book value, the excess is included in revenue.

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available in its properties. Management of the Company regularly reviews the net carrying value of each mineral property. Where information and conditions suggest that there has been impairment, a write-down to the estimated fair value is recorded in the statement of operations.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing. The Company does not accrue the estimated costs of maintaining its mineral interests in good standing.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to options being exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not accrued. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

g) Asset Retirement Obligations

The Company recognizes the liability for legal obligations relating to the retirement and reclamation of mineral properties and obligations arising from the acquisition, exploration, and development of those properties. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or changes in cost estimates.

Changes in estimates are accounted for prospectively commencing in the period the estimate is revised. The Company is in the exploration stage on its properties and has determined that it has no asset retirement obligations as at December 31, 2009.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

2. Accounting Policies - *Continued*

h) Environmental

The operations of the Company may, in the future, be affected by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

i) Stock-Based Compensation

The Company measures and recognizes stock-based compensation for all awards of stock options using a fair value based method. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options at the time of the grant and recognizes the related compensation expense over the vesting period.

j) Loss Per Share

Loss per share is computed using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to calculate diluted earnings per share, which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The effect on loss per share of the Company's outstanding options and warrants is anti-dilutive for the year ended December 31, 2009 and therefore basic and diluted loss per share amounts are the same.

k) Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes whereby the income tax effects of temporary differences between the time when income and expenses are recognized in accordance with Company accounting practices, and the time they are recognized for income tax purposes, are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The change in the net future tax asset or liability is included in income in the current year. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

l) Financial Instruments

The Company has adopted the recommendations of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3862 - *Financial Instruments – Disclosures*, Section 1530, *Comprehensive Income* and Section 3865, *Hedges*. These sections provide guidance on the classification, recognition and measurement of financial instruments and hedges in the financial statements and the inclusion of other comprehensive income.

Section 3862 was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of inputs are: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – inputs that are not based on observable market data (*Note 3*).

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

2. Accounting Policies - *Continued*

m) Mining Exploration Costs

In March 2009, the Company adopted EIC 174 – *Mining Exploration Costs*, which provides guidance on accounting for capitalization and impairment of exploration costs. The adoption of this abstract did not have a significant impact on the Company's consolidated financial statements.

n) Recent accounting pronouncements

The following are recent accounting pronouncements that have not yet been enacted. If enacted as contemplated, these new standards may affect the Company's future financial statements.

Business Combinations; Consolidated Financial Statements and Non-Controlling Interests

In January 2008, the CICA issued Handbook Sections 1582 – *Business Combinations*; 1601 – *Consolidated Financial Statements*; and 1602 – *Non-Controlling Interests*. These sections replace the former CICA Handbook Section 1581 – *Business Combinations* and CICA 1600 – *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3 – *Business Combinations* and IAS 27 – *Consolidated and Separate Financial Statements*.

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet evaluated the impact that these standards may have on the Company's financial statements.

3. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as Assets Held-For-Trading and carried at fair value measured using a Level 1 fair value measurement. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an account at a major Canadian bank. The Company also maintains U.S. and Peruvian cash in a major bank in Peru, which it uses to fund its Peruvian projects and operations. As at December 31, 2009, the Company held the equivalent of \$18,782 in U.S. dollars and \$5,656 in Peruvian soles. The cash balances and payables that are denominated in U.S. dollars and Peruvian soles are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar. To manage this currency risk, the Company maintains only the minimum amount of foreign cash that is considered necessary to fund its ongoing exploration expenditures and foreign operations. Accounts payable are settled in a timely manner.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity, or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

4. Mineral Properties

a) Details of mineral property activities:

	Peru						Total
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	
December 31, 2008	\$ -	\$ 1,462,028	\$ 664,754	\$ 105,675	\$ 8,484	\$ 26,262	\$ 2,267,203
Deferred expenditures							
Administration	9,798	11,115	-	-	-	-	20,913
Assays	-	1,469	-	-	-	-	1,469
Consulting geology	3,700	29,041	-	-	-	-	32,741
Domicile	-	3,116	-	-	-	-	3,116
Environmental and social license	800	4,633	5,638	-	-	-	11,071
Government taxes	798	1,590	286	-	-	-	2,674
Tenure	12,955	9,471	6,255	9,103	-	-	37,784
Total expenditures for the year	28,051	60,435	12,179	9,103	-	-	109,768
Write-down of mineral Properties	-	-	-	-	(8,484)	(25,126)	(33,610)
December 31, 2009	\$ 28,051	\$ 1,522,463	\$ 676,933	\$ 114,778	\$ -	\$ 1,136	\$ 2,343,361

Gitennes Exploration Inc.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

4. Mineral Properties - *Continued*

a) Details of mineral property activities: - *Continued*

	Peru						Total
	Tucumachay	Urupalqui	TotoRoko	Titimina	La Chivona	Other	
December 31, 2007	\$ 2,856,313	\$ 856,826	\$ 599,036	\$ 95,683	\$ -	\$ 96,811	\$ 4,504,669
Acquisition costs	-	-	-	-	-	-	-
Deferred expenditures							
Administration	4,341	4,795	-	-	-	-	9,136
Assays	787	23,278	12,313	-	-	-	36,378
Consulting geology	11,186	170,625	16,534	1,049	-	2,043	201,437
Domicile	1,381	46,432	2,746	-	-	-	50,559
Drilling	-	274,767	-	-	-	-	274,767
Environmental and social license	1,167	10,848	21,542	-	-	-	33,557
Government taxes	1,227	65,820	7,258	-	-	-	74,305
Tenure	17,835	8,201	5,325	8,943	8,484	3,333	52,121
Topographic survey	-	436	-	-	-	-	436
Total expenditures for the year	37,924	605,202	65,718	9,992	8,484	5,376	732,696
Write-down of mineral Properties	(2,894,237)	-	-	-	-	(75,925)	(2,970,162)
December 31, 2008	\$ -	\$ 1,462,028	\$ 664,754	\$ 105,675	\$ 8,484	\$ 26,262	\$ 2,267,203

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

4. Mineral Properties - Continued

b) Cumulative mineral property costs are as follows:

	Acquisition	Exploration	2009	2008
Peru				
Urupalqui	\$ 87,329	\$ 1,435,134	\$ 1,522,463	\$ 1,462,028
TotoRoko	-	676,933	676,933	664,754
Titimina	9,456	105,322	114,778	105,675
Tucumachay	-	28,051	28,051	-
La Chivona	-	-	-	8,484
Other	-	1,136	1,136	26,262
	<u>\$ 96,785</u>	<u>\$ 2,246,576</u>	<u>\$ 2,343,361</u>	<u>\$ 2,267,203</u>

c) Tucumachay, Perú

Under an agreement dated June 30, 2004 with Inmet Mining Corp. ("Inmet"), the Company earned a 100% interest in the Tucumachay property subject to a 60% back-in right.

During fiscal 2009, the Company registered its 100% interest in the Tucumachay project. Inmet agreed to exchange the back-in right for a sliding-scale net smelter returns royalty ("NSR") of 0.75% to 1.25% on any future gold production from the project. The NSR will apply as follows: 1.25% at gold prices above US\$400 per ounce; 1.0% at gold prices between US\$400 and US\$330; and 0.75% at gold prices below US\$330 per ounce.

As the Company had no firm plans to explore the property, it wrote its carrying value down to a nominal value in 2008.

d) Urupalqui, Perú

The Company owns a 100% interest in the Urupalqui project, which is situated in north-central Perú.

e) TotoRoko, Perú

The Company owns a 100% interest in the TotoRoko property in the State of Arequipa, Perú.

f) Titimina, Perú

The Company owns a 100% interest in the Titimina property adjacent in part to the Tucumachay property.

g) La Chivona, Perú

The Company acquired, by staking, the La Chivona property near the coastal city of Chiclayo. During the period the Company abandoned this project and wrote off \$8,484 in costs.

h) Other Properties

The Company has staked various claims in Perú, all of which are held 100% by the Company. Individual, segregated exploration expenses will be shown for these properties if and when significant costs are incurred exploring one or more of the claims. During the period the Company abandoned certain of these claims and wrote off \$25,126 in related costs.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

5. Equipment

Details are as follows:

2009	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 97,446	\$ 81,016	\$ 16,430
Furniture and fixtures	74,182	63,177	11,005
Equipment	59,823	33,508	26,315
	<u>\$ 231,451</u>	<u>\$ 177,701</u>	<u>\$ 53,750</u>

2008	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 96,364	\$ 77,111	\$ 19,253
Furniture and fixtures	74,182	60,426	13,756
Equipment	76,174	38,760	37,414
	<u>\$ 246,720</u>	<u>\$ 176,297</u>	<u>\$ 70,423</u>

6. Share Capital

a) Details of share capital are as follows:

Authorized: An unlimited number of common shares without par value

Issued and outstanding:

	2009		2008	
	Shares	Amount	Shares	Amount
Balance - beginning of year	47,502,231	\$ 30,896,547	47,002,231	\$ 30,767,181
Private placement (i)	4,358,264	305,078	-	-
Share issuance costs (i)	-	(18,739)	-	-
Exercise of stock options	-	-	500,000	65,000
Fair value of stock options exercised (ii)	-	-	-	64,366
Balance - end of year	<u>51,860,495</u>	<u>\$ 31,182,886</u>	<u>47,502,231</u>	<u>\$ 30,896,547</u>

(i) During the period, the Company completed a private placement consisting of 4,358,264 units at a price of \$0.07 per unit. Each unit consisted of one common share and one-half of one warrant with each whole warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.12 per share until February 25, 2011. The Company paid finders' fees of \$4,500 and legal expenses of \$14,239 in respect of the placement.

(ii) During the year, nil (2008 – 500,000) stock options were exercised for which the related estimated fair value has been recorded as share capital in these financial statements.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

6. Share Capital - Continued

b) Contributed Surplus

Details are as follows:

	2009	2008
Balance - beginning of year	\$ 1,019,934	\$ 803,620
Stock-based compensation (Note 6d)	3,808	280,680
Fair value of stock options exercised (Note 6a)	-	(64,366)
Balance - end of year	\$ 1,023,742	\$ 1,019,934

c) Stock Options

The Company has a rolling stock option plan under which the Company may grant options to its directors, employees, and other service providers for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan. During the years ended December 31, the change in stock options outstanding was as follows:

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Balance – beginning of year	4,560,000	\$ 0.29	3,495,000	\$ 0.60
Granted	-	\$ -	2,000,000	\$ 0.17
Exercised	-	\$ -	(500,000)	\$ 0.13
Expired	(1,340,000)	\$ 0.32	(435,000)	\$ 2.43
Balance – end of year	3,220,000	\$ 0.27	4,560,000	\$ 0.29

Details of the stock options outstanding at December 31 are as follows:

2009	2008	Exercise Price	Expiry Date
-	670,000	\$ 0.355	April 21, 2009
-	180,000	\$ 0.40	July 21, 2009
380,000	460,000	\$ 0.47	April 1, 2010
40,000	80,000	\$ 0.30	November 10, 2010
400,000	400,000	\$ 0.40	March 12, 2011
35,000	55,000	\$ 0.41	August 30, 2012
200,000	200,000	\$ 0.47	March 18, 2015
515,000	515,000	\$ 0.26	June 5, 2017
1,650,000	1,700,000	\$ 0.17	August 7, 2018
-	300,000	\$ 0.17	August 21, 2013
3,220,000	4,560,000		

As at December 31, 2009, 3,220,000 (2008 – 4,535,000) of these stock options had vested. The weighted-average exercise price of the stock options outstanding at December 31, 2009 is \$0.27 and the weighted-average remaining contract life of the options is 6.14 years.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

6. Share Capital - *Continued*

d) Stock-Based Compensation

During the year, the Company issued stock options to its directors, officers and employees and estimated related stock-based compensation as follows:

	2009	2008
Total options granted	-	2,000,000
Average exercise price	\$ -	\$ 0.17
Estimated fair value of compensation	\$ -	\$ 284,487
Estimated fair value per option	\$ -	\$ 0.14

The fair value of the related stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2009	2008
Risk-free interest rate	-	3.56%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	95.61%
Expected option life in years	-	9.25

During the year, 25,000 (2008 – 1,975,000) options vested and the Company recognized \$3,808 (2008 - \$280,680) in stock-based compensation.

The Black-Scholes Option-Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

e) Warrants

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Balance – beginning of year	-	\$ -	-	\$ -
Granted	2,179,130	\$ 0.12	-	\$ -
Balance – end of year	2,179,130	\$ 0.12	-	\$ -

At December 31, 2009, there were 2,179,130 warrants outstanding with an exercise price of \$0.12 per share and an expiry date of February 25, 2011.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Canadian Funds

7. Capital Disclosures

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash until such time as it is required to pay operating expenses or mineral property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year.

8. Related Party Transactions

During the year, the Company incurred \$61,809 (2008 - \$18,833) in legal fees and disbursements with a law firm in which a director of the Company is a partner. Accounts payable and accrued liabilities include \$33,120 (2008 - \$801) payable to this firm.

The Company also paid \$60,000 (2008 - \$129,916) in geological and administrative consulting fees to the President of the Company who is also a director. Accounts payable and accrued liabilities include \$20,350 (2008 - \$20,350) payable to this director.

The above transactions were conducted in the normal course of operations and were measured at the exchange amount, which for the consulting fees are based on the rate agreed to by the consultant and the board of directors, and for the legal fees is the amount agreed to between the parties.

9. Income Taxes

The Company operates in several tax jurisdictions and is subject to varying rates of taxation. In addition, the Company has various non-capital tax losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of the current and future years. Details of income tax expense for the years ended December 31 are as follows:

	2009	2008
Loss before income taxes for accounting purposes	\$ (716,539)	\$ (3,923,888)
Statutory tax rate	30.0%	31.0%
Expected tax recovery for the year	(214,962)	(1,216,405)
Tax effect of differences in deductibility of expenses for accounting and taxable income:		
Stock-based compensation	1,142	87,010
Non-deductible and other items	(15,284)	(14,561)
Foreign income at different tax rates	24,788	3,010
Income tax recovery	(204,316)	(1,140,946)
Increase in valuation allowance	204,316	1,140,946
Tax recovery for the year	\$ -	\$ -

Gitennes Exploration Inc.

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9. Income Taxes - Continued

Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets as at December 31 are as follows:

	2009	2008
Non-capital loss carry-forwards	\$ 1,089,914	\$ 1,068,492
Mineral property expenditures	1,793,971	1,102,151
Plant and equipment	44,069	39,974
Other	26,409	19,696
	<u>2,954,363</u>	<u>2,230,313</u>
Valuation allowance	<u>(2,954,363)</u>	<u>(2,230,313)</u>
	\$ -	\$ -

As at December 31, 2009, the Company had non-capital tax losses carried forward available to reduce future taxable income in Canada as follows:

Year of Expiry	
2012	\$ 344,000
2013	122,000
2028	535,000
2029	550,000
Total	<u>\$ 1,551,000</u>

The Company has Canadian exploration expenditures of approximately \$7,100,000 that may be carried forward indefinitely. The Company also has non-capital tax losses of approximately \$2,300,000 available in Peru. All loss carry-forwards and deductible exploration expenditures are subject to final determination by tax authorities.

10. Segmented Information

The Company's business consists of mineral exploration and development. Details on geographic segments are as follows:

2009	Interest and Other Income	Equipment	Mineral Properties
Canada	\$ -	\$ 27,435	\$ -
Peru	4,072	26,315	2,343,361
Total	<u>\$ 4,072</u>	<u>\$ 53,750</u>	<u>\$ 2,343,361</u>
2008	Interest and Other Income	Equipment	Mineral Properties
Canada	\$ 10,249	\$ 33,009	\$ -
Peru	4,671	37,414	2,267,203
Total	<u>\$ 14,920</u>	<u>\$ 70,423</u>	<u>\$ 2,267,203</u>

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11. Subsequent Events

Subsequent to 31 December 2009, the Company:

- a) signed a Memorandum of Understanding ("MOU") with AndeanGold Ltd. ("Andean") whereby the Company has granted to Andean the right to earn a 60% interest in the Urumalqui Project by:
- spending \$3,000,000 of qualifying expenditures on the Project over a four-year term ("Term");
 - completing 3,000 metres of drilling by the end of the second year of the Term and 7,000 metres of cumulative drilling by the end of the third year of the Term; and
 - issuing 800,000 shares to the Company in four tranches of 200,000 shares. The first tranche is to be issued within five days of delivery of the related agreements in Peru, with the remaining tranches upon the first, second and third year anniversaries of the agreements.

Except for the first payment, Gitennes may elect to receive cash in lieu of shares, with the amount not to exceed \$25,000, \$50,000 and \$100,000 with respect to the first, second and third year anniversary date payments, respectively. If the market value of the shares on the respective payment dates exceeds the maximum cash payment amount on such date, the difference will be paid in equivalent shares.

Upon Andean meeting the terms and exercising its option, the Company and Andean will form a joint venture to further the development of the property. The transaction is subject to receipt of all required regulatory approvals, including acceptance by the TSX Venture Exchange

- b) announced that it intends to undertake a private placement financing of 7,000,000 units at a price \$0.07 per unit. Each unit will consist of one common share and one share-purchase warrant, each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.12 within 12 months of closing. Insiders of the Company may subscribe for up to 20% of the units. Finder's fees may be payable on a portion of the financing to registered dealers who assist in the placement.

The Company has completed the first Tranche of the financing and issued 1,750,000 units for gross proceeds of \$122,500.
