

Gitennes Exploration Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2006

(Unaudited)

MANAGEMENT COMMENT

These interim consolidated financial statements for the three months ended March 31, 2006 of Gitennes Exploration Inc. have been prepared by management and have not been subject to review by the Company's auditors.

Interim Consolidated Balance Sheets(Unaudited)
Canadian Funds

ASSETS	As at March 31 2006	As at December 31 2005
Current		
Cash and cash equivalents	\$ 320,582	\$ 938,735
Accounts receivable	13,940	18,795
Prepaid expenses	21,565	29,056
	356,087	986,586
Mineral Properties (Note 4)	3,638,077	3,287,346
Plant and Equipment (Note 5)	57,487	60,231
	\$ 4,051,651	\$ 4,334,163
 LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 80,950	\$ 142,814
 Continued Operations (Note 1)		
 SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	28,272,076	28,272,076
Contributed Surplus (Note 6b)	657,283	657,283
Deficit - Statement 2	(24,958,658)	(24,738,010)
	3,970,701	4,191,349
	\$ 4,051,651	\$ 4,334,163

ON BEHALF OF THE BOARD:

"Jerry D. Blackwell", Director
JERRY D. BLACKWELL"Ken Booth", Director
KEN BOOTH

Interim Consolidated Statements of Loss and Deficit

For the Three Months Ended March 31

(Unaudited)

Canadian Funds

	2006	2005
Expenses		
Audit, accounting, legal and professional fees	\$ 26,402	\$ 33,803
Amortization	3,025	2,673
Filing, transfer fees and investor relations	79,929	76,144
Insurance	5,000	5,110
Interest and bank charges	707	835
Office rent, utilities and miscellaneous	34,924	23,193
Stock-based compensation (Note 6d)	-	305,929
Salaries and benefits	60,872	51,887
Travel	7,908	3,746
Loss Before the Undernoted	(218,767)	(503,320)
Other Income (Expense)		
Foreign exchange gain (loss)	2,062	3,276
General exploration	(6,504)	(14,450)
Interest and other income	2,561	545
Loss for the Period	(220,648)	(513,949)
Deficit – beginning of period	(24,738,010)	(23,288,512)
Deficit - End of Period	\$ (24,958,658)	\$ (23,802,461)
Loss Per Share – Basic and Diluted	\$ (0.01)	\$ (0.02)
Weighted-Average Number of Shares Outstanding	37,329,231	30,972,831

Interim Consolidated Statements of Cash Flows

For the Three Months Ended March 31

(Unaudited)

Canadian Funds

	2006		2005
Cash Flows from Operating Activities			
Loss for the period	\$ (220,648)	\$	(513,949)
Items not affecting cash			
Amortization	3,025		2,673
Stock-based compensation	-		305,929
	<u>(217,623)</u>		<u>(205,347)</u>
Changes in non-cash working capital items			
Accounts receivable	4,855		6,239
Prepaid expense	7,491		(3,866)
Due from joint venture partner	-		(102)
Accounts payable and accrued liabilities	<u>(5,898)</u>		<u>23,473</u>
	<u>(211,175)</u>		<u>(179,603)</u>
Cash Flows from Financing Activities			
Net proceeds from issuance of common shares	-		-
Cash Flows from Investing Activities			
Mineral properties expenditures	(406,697)		(185,655)
Purchase of capital assets	(281)		(1,662)
	<u>(406,978)</u>		<u>(187,317)</u>
Decrease in Cash and Cash Equivalents	(618,153)		(366,920)
Cash and cash equivalents - beginning of period	<u>938,735</u>		<u>563,649</u>
Cash and Cash Equivalents - End of Period	\$ 320,582	\$	196,729

Supplemental Disclosure of Non-Cash Investing and Financing Activities

Increase (decrease) in mineral property accounts payable	\$ (55,966)	\$	9,040
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Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

1. Continued Operations

The Company, considered to be in the exploration stage, is in the process of exploring several mineral properties in Peru and Canada. The Company has not yet determined whether these properties contain economic reserves.

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. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. Also, the Company will have to raise additional funds for future corporate and administrative expenses and to undertake further exploration and development of its mineral properties. 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 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. These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. Accounting Policies

a) Basis of Consolidation

The accompanying unaudited interim 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., Torre International Holdings Ltd., Gitennes Exploraciones Peru S.A., Oromalqui Gold Corp., Minera Corimalqui S.A. and Compania Minera Seis Rios S.A. All of the Company's wholly-owned subsidiaries are accounted for under the purchase method.

b) Basis of Presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. These interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2005.

3. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. At March 31, 2006, the Company held currency totalling US\$124,149, which is exposed to currency risk given fluctuations in the prevailing exchange rates between the Canadian and United States dollar.

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

4. Mineral Properties

a) Details of mineral property activities are as follows:

	Peru				Canada			Total
	Tucumachay	Urumalqui	La Chivona	Titimina	Red	Fox	Other	
December 31, 2005	\$ 1,826,335	\$ 788,755	\$ 171,338	\$ 27,767	\$ 411,052	\$ -	\$ 62,099	\$ 3,287,346
Acquisition costs	-	-	-	-	-	-	-	-
Deferred expenditures								
Administration	6,598	-	-	-	-	-	21	6,619
Assays	21,496	177	-	-	-	-	-	21,673
Consulting geology	57,000	844	1,665	6,034	1,356	-	-	66,899
Domicile	61,506	938	-	-	-	-	-	62,444
Drilling	118,130	-	-	-	-	-	-	118,130
Environmental and social license	3,135	-	-	-	-	-	-	3,135
Geophysics	10,621	-	-	-	-	-	-	10,621
Government taxes	55,628	512	316	3,583	-	-	79	60,118
Tenure	-	-	-	668	-	-	424	1,092
Total additions during the period	\$ 334,114	2,471	1,981	10,285	1,356	-	524	350,731
March 31, 2006	\$ 2,160,449	\$ 791,226	\$ 173,319	\$ 38,052	\$ 412,408	\$ -	\$ 62,623	\$ 3,638,077

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

4. Mineral Properties

a) Details of mineral property activities are as follows: - *Continued*

	Peru				Canada			Total
	Tucumachay	Urupalqui	La Chivona	Rio Seco	Red	Fox	Other	
December 31, 2004	\$ 503,805	\$ 733,038	\$ 160,774	\$ 258,205	\$ 384,022	\$ 55,354	\$ 61,168	\$ 2,156,366
Acquisition costs	-	-	-	-	-	-	-	-
Deferred expenditures								
Administration	1,948	2,184	-	-	-	-	239	4,371
Assays	7,529	-	-	-	-	-	275	7,804
Consulting geology	56,011	7,490	-	663	11,353	-	-	75,517
Domicile	70,418	-	-	-	-	-	-	70,418
Drilling	-	-	-	-	-	-	-	-
Environmental and social license	5,031	-	-	-	-	-	-	5,031
Geophysics	248	5,725	-	-	-	-	-	5,973
Government taxes	18,320	466	-	220	-	-	-	19,006
Tenure	6,534	-	-	-	41	-	-	6,575
Topographic survey	-	-	-	-	-	-	-	-
Total additions during the period	\$ 166,039	15,865	-	883	11,394	-	514	194,695
March 31, 2005	\$ 669,844	\$ 748,903	\$ 160,774	\$ 259,088	\$ 395,416	\$ 55,354	\$ 61,682	\$ 2,351,061

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

4. Mineral Properties - Continued**b) Cumulative mineral costs are as follows:**

	Acquisition	Exploration	March 31 2006	December 31 2005
Peru				
Tucumachay	\$ 400,000	\$ 1,760,449	\$ 2,160,449	\$ 1,826,335
Urupalqui	87,329	703,897	791,226	788,755
La Chivona	35,563	137,756	173,319	171,338
Titimina	9,456	28,596	38,052	27,767
Canada				
Red, B.C.	58,806	353,602	412,408	411,052
Other	-	62,623	62,623	62,099
	<u>\$ 591,154</u>	<u>\$ 3,046,923</u>	<u>\$ 3,638,077</u>	<u>\$ 3,287,346</u>

c) Tucumachay, Peru

Under a letter of intent dated June 30, 2004 with Inmet Mining Corp. ("Inmet") the Company may acquire a 100% interest in the 3,500-hectare Tucumachay property by:

- i) Issuing 1,000,000 shares to Inmet (issued - 2004);
- ii) Committing to a first year expenditure of US\$600,000, to be incurred on the property before December 31, 2005 (incurred); and
- iii) At the Company's option, making total exploration expenditures of US\$1,600,000 by December 31, 2008.

Subsequent to vesting, Inmet may, at its option, regain a 60% interest in the property by spending three times the amount of the Company's investment once the Company has drilled 12,000 metres.

d) Urupalqui, Peru

The Company owns a 100% interest in the Urupalqui project. Prior to June 17, 2005 the property was held under a joint venture with Meridian Gold. On June 17, 2005, the companies terminated the agreement and the Company assumed the remaining assets of the joint venture, which included the Urupalqui mineral claims. The Company intends to further explore the project.

e) La Chivona, Peru

The Company acquired, by staking, a 2,600 hectare property near the coastal city of Chiclayo.

f) Titimina, Peru

The Company has acquired by staking a 3,800 hectare property adjacent in part to the Tucumachay option. During the period ending March 31, 2006 exploration work commenced at Titimina and the expenses are segregated here to reflect these activities.

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

4. Mineral Properties - *Continued*

g) Rio Seco, Peru

The Company acquired, by staking, the Rio Seco property in 1999. It is located 300 kilometres north of Lima, near the Pan American Highway. As the company has no current plans to explore the property in the coming year, it has written its carrying value down to a nominal value. The Company intends to maintain the claims in good standing, and may in future return to further explore the property.

h) Red, B.C., Canada

By an agreement made effective September 3, 2004, the Company has an option to acquire a 100% interest in the Red property, located in north-central British Columbia.

Under the terms of the option, the Company has paid \$50,000 cash, issued 100,000 shares and incurred \$100,000 in exploration expenditures (minimum requirement). The Company may, at its option, make additional yearly cash and share payments before July 15, 2008 that total an additional \$150,000 and 150,000 shares. Prior to July 15, 2010 the Company must also have met a schedule of additional aggregate expenditures totalling a further \$2.0 million. Upon vesting, the Red property will be encumbered with a 1.5% net smelter returns royalty that is capped at a maximum pay-out value of \$12.0 million.

On April 15, 2005, the Company entered into an agreement with Buffalo Gold Ltd. ("Buffalo") whereby Buffalo may earn a 60% interest in the property by paying the Company \$30,000 cash (received) and committing to incur \$200,000 in exploration expenditures by April 15, 2006, with the option of incurring cumulative expenditures totalling \$600,000 before April 15, 2007. Thereafter, exploration at Red will be co-ordinated under a joint venture (Buffalo 60% / Gitennes 40%).

After vesting, Buffalo must make annual property payments to the underlying vendor totalling \$150,000, and Gitennes must issue the remaining three tranches of shares to the vendor totalling 150,000 shares. Prior to July 15, 2010, the companies must also meet their pro-rata share of the remaining optional expenditures totaling approximately \$1.4 million.

i) Other Properties

The Company has staked various claims in Peru, 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.

j) Virgen, Peru

During the year ended December 31, 2001, the Company sold its interest in the Virgen property. Pursuant to the terms of the sale agreement, the Company retains a 2% net smelter return royalty, payable when aggregate gold production from the property exceeds 145,000 ounces.

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

5. Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	March 31 2006 Net Book Value	December 31 2005 Net Book Value
Computer equipment	\$ 93,495	\$ 70,810	\$ 22,685	\$ 23,878
Furniture and fixtures	66,173	56,611	9,562	10,066
Equipment	44,642	19,402	25,240	26,287
	<u>\$ 204,310</u>	<u>\$ 146,823</u>	<u>\$ 57,487</u>	<u>\$ 60,231</u>

6. Share Capital**a) Details are as follows:**

Authorized: An unlimited number of common shares without par value

Issued and outstanding:

	2006		2005	
	Shares	Amount	Shares	Amount
Balance - beginning of period	37,329,231	\$ 28,272,076	30,972,831	\$ 25,715,811
For mineral properties	-	-	-	-
Exercise of stock options	-	-	-	-
Exercise of warrants	-	-	-	-
Fair value of options exercised (Note 6d)	-	-	-	-
Balance – end of period	<u>37,329,231</u>	<u>\$ 28,272,076</u>	<u>30,972,831</u>	<u>\$ 25,715,811</u>

b) Contributed Surplus

Details are as follows:

	2006	2005
Balance - beginning of period	\$ 657,283	\$ 357,454
Stock-based compensation (Note 6d)	-	305,929
Fair value of stock options exercised in year (Note 6d)	-	-
Balance - end of period	<u>\$ 657,283</u>	<u>\$ 663,383</u>

c) Stock Options

The Company has a fixed stock option plan. Under the terms of the plan, the Company may grant options to its directors, employees, and other service providers up to 4,500,000 shares. The Board of Directors determines the exercise price per share and the vesting period under the plan.

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

6. Share Capital - Continued**c) Stock Options - Continued**

During the periods ended March 31, the change in stock options outstanding was as follows:

	2006	2005
Options outstanding - beginning of period	3,905,000	3,200,000
Granted	-	750,000
Forfeited	-	-
Exercised	-	-
Options outstanding - end of period	3,905,000	3,950,000

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

2006	2005	Exercise Price	Expiry Date
900,000	900,000	\$0.15	October 1, 2007
370,000	370,000	\$2.80	March 30, 2008
520,000	520,000	\$0.13	May 4, 2008
730,000	750,000	\$0.355	April 21, 2009
180,000	180,000	\$0.40	July 21, 2009
525,000	550,000	\$0.47	April 1, 2010
80,000	80,000	\$0.30	November 10, 2010
400,000	400,000	\$0.40	March 9, 2011
200,000	200,000	\$0.47	March 18, 2015
3,905,000	3,950,000		

All options outstanding at March 31, 2006 have vested.

The weighted average exercise price of the stock options outstanding at March 31, 2006 is \$0.54 and the weighted average remaining contract life of the options is 3.21 years.

d) Stock-Based Compensation

During the period, the Company issued stock options to its directors, officers and employees and recognized stock-based compensation as follows:

	2006	2005
Total options granted	-	750,000
Average exercise price	\$ -	\$ 0.47
Estimated fair value of compensation	\$ -	\$ 305,929
Estimated fair value per option	\$ -	\$ 0.41

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

6. Share Capital - Continued

d) Stock-Based Compensation - Continued

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

	<u>2006</u>	<u>2005</u>
Risk-free interest rate	-	3.90%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	92%
Expected option life in years	-	6.33

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

At March 31, the following warrants were outstanding:

<u>2006</u>	<u>2005</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
-	351,000	\$0.46	August 19, 2005
1,664,600	-	\$0.55	May 18, 2006
171,610	-	\$0.55	May 18, 2006
2,500,000	-	\$0.50	June 4, 2007
123,000	-	\$0.50	June 4, 2007
4,459,210	351,000		

7. Commitment

The Company has an agreement to lease office space until October 31, 2010, with a net annual lease commitment of approximately \$24,408.

8. Related Party Transactions

During the period, the Company incurred \$8,302 (2005 - \$18,000) in legal fees paid to a law firm in which a director of the Company is a partner; accounts payable and accrued liabilities includes \$8,302 (December 31, 2005 - \$13,814) payable to this firm.

The above transactions were conducted in the normal course of operations and were measured at the exchange amount, which is based on the same rates that the law firm charges its other clients.

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

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 period is as follows:

	2006	2005
Loss before income taxes for accounting purposes	\$ (220,648)	\$ (513,949)
Adjustments for differences between accounting and taxable income:		
Amortization	3,025	2,673
Unrealized foreign exchange (gains) losses	(5,971)	(3,276)
Consolidated loss for tax purposes	(223,594)	(514,552)
Tax rate	34.1%	35.6%
Expected tax expense (recovery) for the period	(76,246)	(183,181)
Reductions in tax (recovery) due to:		
Foreign income at different tax rates	1,770	2,560
Valuation allowance	74,476	180,621
Tax expense (recovery) for the period	\$ -	\$ -

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, 2005 are as follows:

Non-capital loss carry-forwards	\$ 2,710,142
Mineral property expenditures	1,555,862
Property, plant and equipment	64,807
Other	28,047
	4,358,858
Valuation allowance	(4,358,858)
	\$ -

The Company's Canadian non-capital loss carry-forwards expire between 2006 and 2015 while the Canadian exploration expenditures may be carried forward indefinitely. The losses available to the Company in Peru expire four years after the attainment of profitable commercial operations in Peru.

Notes to Interim Consolidated Financial Statements

March 31, 2006

(Unaudited)

Canadian Funds

10. Segmented Information

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

March 31, 2006	Income (Loss)	Capital Expenditures	Capital Assets	Identifiable Assets
Canada	\$ (170,754)	\$ 1,356	\$ 32,247	\$ 655,007
British Virgin Islands	-	-	-	21,950
Peru	(49,894)	349,656	25,240	3,374,694
Total	\$ (220,648)	\$ 351,012	\$ 57,487	\$ 4,051,651

March 31, 2005	Income (Loss)	Capital Expenditures	Capital Assets	Identifiable Assets
Canada	\$ (481,314)	\$ 11,394	\$ 40,309	\$ 526,736
British Virgin Islands	(222)	-	-	49,239
Peru	(32,413)	184,963	27,785	2,092,043
Total	\$ (513,949)	\$ 196,357	\$ 68,094	\$ 2,668,018

11. Subsequent Events

On May 9, 2006, the Company announced that it intends to complete a private placement of up to 3,400,000 units at a price of \$0.40 per unit for gross proceeds of up to \$1,360,000. Each unit will be comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of \$0.50 for a period of twelve months after closing. The expiry date of the warrants may be accelerated if the closing price of the Company's shares exceeds \$1.10 for twenty consecutive business days. The private placement is subject to regulatory approval. At the Company's discretion and subject to acceptance by the Toronto Stock Exchange, the Company may pay finder's fees in cash, securities, or a combination thereof.