

# **Gitennes** Exploration Inc.

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**(Unaudited)**

### **MANAGEMENT COMMENT**

These interim consolidated financial statements for the three months ended March 31, 2009 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

<b>ASSETS</b>	<b>As at March 31 2009</b>	<b>As at December 31 2008</b>
<b>Current</b>		
Cash and cash equivalents	\$ 296,634	\$ 543,661
Accounts receivable	11,476	6,538
Prepaid expenses	20,494	18,398
	328,604	568,597
<b>Mineral Properties</b> (Note 4)	2,306,360	2,267,203
<b>Equipment</b> (Note 5)	62,619	70,423
	\$ 2,697,583	\$ 2,906,223

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 43,621	\$ 79,507

**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 6)	30,896,547	30,896,547
<b>Contributed Surplus</b> (Note 6b)	1,019,934	1,019,934
<b>Deficit</b> - Statement 2	(29,262,519)	(29,089,765)
	2,653,962	2,826,716
	\$ 2,697,583	\$ 2,906,223

**Going Concern** (Note 1)

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
"Jerry Blackwell" Director  
JERRY D. BLACKWELL

\_\_\_\_\_  
"Ken Booth" Director  
KEN BOOTH

## Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the Three Months Ended March 31

(Unaudited)

Canadian Funds

	2009	2008
<b>Expenses</b>		
Audit, accounting, legal and professional fees	\$ 41,710	\$ 26,311
Amortization	3,364	4,401
Filing, transfer fees and investor relations	44,678	44,271
Insurance	3,280	3,422
Interest and bank charges	810	843
Office rent, utilities and miscellaneous	22,626	29,099
Salaries and benefits	50,896	76,021
Travel	5,210	2,421
<b>Loss Before the Under-Noted</b>	<b>(172,574)</b>	<b>(186,789)</b>
<b>Other Income (Expense)</b>		
Foreign exchange gain (loss)	1,619	9,172
General exploration	(3,639)	(16,494)
Interest and other income	-	1,493
Gain on disposal of equipment <i>(Note 4)</i>	1,840	
<b>Loss and Comprehensive Loss for the Period</b>	<b>(172,754)</b>	<b>(192,618)</b>
Deficit – beginning of period	(29,089,765)	(25,165,877)
<b>Deficit - End of Period</b>	<b>\$ (29,262,519)</b>	<b>\$ (25,358,495)</b>
<b>Loss Per Share – Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted-Average Number of Shares Outstanding</b>		
– Basic and Diluted	47,502,231	47,002,231

**Interim Consolidated Statements of Cash Flows**

For the Three Months Ended March 31

(Unaudited)

Canadian Funds

	2009		2008
<b>Cash Flows from Operating Activities</b>			
Income (loss) for the period	\$ (172,754)	\$	(192,618)
Items not affecting cash			
Amortization	3,364		4,401
Gain or disposal of equipment	(1,840)		-
	<u>(171,230)</u>		<u>(188,217)</u>
Changes in non-cash working capital items			
Accounts receivable	(4,938)		(2,563)
Prepaid expenses	(2,096)		(879)
Accounts payable and accrued liabilities	(35,886)		(8,225)
	<u>(214,150)</u>		<u>(199,884)</u>
<b>Cash Flows from Financing Activities</b>			
Net proceeds from issuance of common shares	-		-
<b>Cash Flows from Investing Activities</b>			
Mineral property expenditures	(39,157)		(610,893)
Proceeds on disposal of equipment	6,280		-
	<u>(32,877)</u>		<u>(610,893)</u>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(247,027)</b>		<b>(810,777)</b>
Cash and cash equivalents - beginning of period	<u>543,661</u>		<u>2,031,587</u>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 296,634</b>	<b>\$</b>	<b>1,220,810</b>

**Supplemental Schedule of Non-Cash Investing and Financing Transactions**

Increase (decrease) in mineral property accounts payable	\$	-	\$	(147,529)
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## Notes to Interim Consolidated Financial Statements

March 31, 2009

(Unaudited)

Canadian Funds

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### 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 these 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.

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### 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 Compañía Minera Seis Rios S.A. All significant inter-company transactions and balances have been eliminated.

#### 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. Except as noted below, 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, 2008.

#### c) Recent Accounting Pronouncements

##### Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 – *Mining Exploration Costs*. This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard will be effective for the Company beginning on April 1, 2009. The Company does not expect the adoption of this new standard to have a material impact on its financial statements.

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## Notes to Interim Consolidated Financial Statements

March 31, 2009

(Unaudited)

Canadian Funds

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### 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. 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 March 31, 2009, the Company held the equivalent of \$51,646 in U.S. dollars and \$7,662 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 period.

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Gitennes Exploration Inc.  
**Notes to Interim Consolidated Financial Statements**  
**March 31, 2009**  
(Unaudited)  
Canadian Funds

**4. Mineral Properties**

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

	Peru						Total
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	
December 31, 2007	\$ 2,856,313	\$ 856,826	\$ 599,036	\$ 95,683	\$ -	\$ 96,811	\$ 4,504,669
Deferred expenditures							
Administration	116	3,937	-	-	-	-	4,053
Assays	-	17,154	6,017	-	-	-	23,171
Consulting geology	873	49,501	10,860	-	-	173	61,407
Domicile	442	26,567	920	-	-	-	27,929
Drilling	-	274,767	-	-	-	-	274,767
Environmental and social license	-	430	375	-	-	-	805
Government taxes	272	69,252	1,708	-	-	-	71,232
Total expenditures during the period	1,703	441,608	19,880	-	-	173	463,364
March 31, 2008	\$ 2,858,016	\$ 1,298,434	\$ 618,916	\$ 95,683	\$ -	\$ 96,984	\$ 4,968,033
December 31, 2008	\$ -	\$ 1,462,028	\$ 664,754	\$ 105,675	\$ 8,484	\$ 26,262	\$ 2,267,203
Deferred expenditures							
Administration	-	6,048	-	-	-	-	6,048
Consulting geology	2,500	24,063	-	-	-	-	26,563
Domicile	-	272	-	-	-	-	272
Environmental and social license	630	-	4,588	-	-	-	5,218
Government taxes	29	796	205	-	-	-	1,030
Tenure	-	26	-	-	-	-	26
Total expenditures during the period	3,159	31,205	4,793	-	-	-	39,157
March 31, 2009	\$ 3,159	\$ 1,493,233	\$ 669,547	\$ 105,675	\$ 8,484	\$ 26,262	\$ 2,306,360

## Notes to Interim Consolidated Financial Statements

March 31, 2009

(Unaudited)

Canadian Funds

### 4. Mineral Properties - Continued

#### b) Cumulative mineral costs are as follows:

	Acquisition	Exploration	March 31 2009	December 31 2008
Peru				
Tucumachay	\$ -	\$ 3,159	\$ 3,159	\$ -
Urumalqui	87,329	1,405,904	1,493,233	1,462,028
TotoRoko	-	669,547	669,547	664,754
Titimina	9,456	96,219	105,675	105,675
La Chivona	-	8,484	8,484	8,484
Other	-	26,262	26,262	26,262
	<u>\$ 96,785</u>	<u>\$ 2,209,575</u>	<u>\$ 2,306,360</u>	<u>\$ 2,267,203</u>

#### c) Tucumachay, Peru

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.

Subsequent to March 31, 2009, the Company acquired a 100% interest in the Tucumachay project, subject to Inmet retaining a sliding-scale net smelter returns royalty ("NSR") of 0.75% to 1.25% on any future gold production from the project (*Note 10*).

As the Company had no current plans to explore the property, it wrote its carrying value down to a nominal value in 2008 in accordance with GAAP. The Company intends to maintain the claims in good standing and to further develop the property in the future.

#### d) Urumalqui, Peru

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

#### e) TotoRoko, Peru

The Company has acquired a 100% interest in the TotoRoko property in the State of Arequipa, Peru.

#### f) Titimina, Peru

The Company has acquired, by staking, the Titimina property adjacent in part to the Tucumachay property.

#### g) La Chivona, Peru

The Company acquired, by staking, the La Chivona property near the coastal city of Chiclayo.

**Notes to Interim Consolidated Financial Statements**

March 31, 2009

(Unaudited)

Canadian Funds

**4. Mineral Properties - Continued****h) 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.

**5. Equipment**

Details are as follows:

	Cost	Accumulated Amortization	March 31 2009 Net Book Value	December 31 2008 Net Book Value
Computer equipment	\$ 96,364	\$ 78,074	\$ 18,290	\$ 19,253
Furniture and fixtures	74,182	61,114	13,068	13,756
Equipment	59,823	28,562	31,261	37,414
	<u>\$ 230,369</u>	<u>\$ 167,750</u>	<u>\$ 62,619</u>	<u>\$ 70,423</u>

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

Authorized: An unlimited number of common shares without par value

Issued and outstanding:

	2009		2008	
	Shares	Amount	Shares	Amount
Balance – beginning and end of period	47,502,231	30,896,547	47,002,231	\$ 30,767,181

**a) Contributed Surplus**

Details are as follows:

	2009	2008
Balance – beginning and end of period	<u>\$ 1,019,934</u>	<u>\$ 803,620</u>

**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.

**Notes to Interim Consolidated Financial Statements**

March 31, 2009

(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:

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Balance – beginning of period	4,560,000	\$ 0.29	3,495,000	\$ 0.54
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Expired	-	\$ -	(370,000)	\$ 2.80
Balance – end of period	4,560,000	\$ 0.29	3,125,000	\$ 0.33

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

2009	2008	Exercise Price	Expiry Date
-	500,000	\$ 0.13	May 4, 2008
670,000	690,000	\$ 0.355	April 21, 2009
180,000	180,000	\$ 0.40	July 21, 2009
460,000	470,000	\$ 0.47	April 1, 2010
80,000	80,000	\$ 0.30	November 10, 2010
400,000	400,000	\$ 0.40	March 12, 2011
55,000	55,000	\$ 0.41	August 30, 2012
200,000	200,000	\$ 0.47	March 18, 2015
515,000	550,000	\$ 0.26	June 5, 2017
1,700,000	-	\$ 0.17	August 7, 2018
300,000	-	\$ 0.17	August 21, 2013
4,560,000	3,125,000		

As at March 31, 2009, 4,535,000 (2008 – 3,125,000) of these options have vested. The weighted average exercise price of the stock options outstanding at March 31, 2009 is \$0.29 and the weighted average remaining contract life of the options is 5.33 years.

**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 resource 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' objectives have not changed during the period.

## Notes to Interim Consolidated Financial Statements

March 31, 2009

(Unaudited)

Canadian Funds

### 8. Related Party Transactions

During the period, the Company incurred \$3,326 (2008 - \$nil) in legal fees and disbursements paid to a law firm in which a director of the Company is a partner; accounts payable and accrued liabilities includes \$3,493 (December 31, 2008 - \$801) payable to this firm.

The Company also paid \$15,000 (2008 - \$28,684) in geological and administrative consulting fees to a director. Accounts payable and accrued liabilities include \$20,350 (December 31, 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 fee is based on the rate agreed to by the consultant and the board of directors, and for the legal fees is based on the same rates that the law firm charges its other clients.

### 9. Segmented Information

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

2009	Interest and Other Income	Plant and Equipment	Mineral Properties
Canada	\$ -	\$ 31,358	\$ -
Peru	-	31,261	2,306,360
Total	\$ -	\$ 62,619	\$ 2,306,360

  

2008	Interest and Other Income	Plant and Equipment	Mineral Properties
Canada	\$ -	\$ 39,198	\$ -
Peru	1,493	44,429	4,968,033
Total	\$ 1,493	\$ 83,627	\$ 4,968,033

### 10. Subsequent Event

Subsequent to March 31, 2009, the Company and Inmet reached an agreement whereby the concessions that comprise the Tucumachay property are to be transferred to the Company in exchange for a sliding-scale NSR on any future gold production. 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 per ounce, and 0.75% at gold prices below US\$ 330 per ounce.