

# **Gitennes** Exploration Inc.

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**(Unaudited)**

### **MANAGEMENT COMMENT**

These interim consolidated financial statements for the six months ended June 30, 2010 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 June 30 2010</b>	<b>As at December 31 2009</b>
<b>Current</b>		
Cash and cash equivalents	\$ 62,422	\$ 96,444
Accounts receivable	17,151	10,926
Prepaid expenses	13,613	7,553
	<b>93,186</b>	114,923
<b>Mineral Properties</b> (Note 4)	<b>1,690,944</b>	2,343,361
<b>Equipment</b> (Note 5)	<b>26,023</b>	53,750
	<b>\$ 1,810,153</b>	\$ 2,512,034

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 189,691	\$ 111,710

**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 6)	<b>31,337,892</b>	31,182,886
<b>Contributed Surplus</b> (Note 6b)	<b>1,025,116</b>	1,023,742
<b>Deficit</b> - Statement 2	<b>(30,742,546)</b>	(29,806,304)
	<b>1,620,462</b>	2,400,324
	<b>\$ 1,810,153</b>	\$ 2,512,034

**Going Concern** (Note 1)**Subsequent Event** (Note 10)

ON BEHALF OF THE BOARD:

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

\_\_\_\_\_  
"Ed Kimura", Director  
ED KIMURA

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

(Unaudited)

Canadian Funds

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2010	2009	2010	2009
<b>Expenses</b>				
Audit, accounting, legal and professional fees	\$ 50,921	\$ 35,312	\$ 106,394	\$ 77,022
Amortization	2,273	3,299	4,961	6,663
Filing, transfer fees and investor relations	15,749	29,995	35,709	74,673
Insurance	2,705	2,760	5,205	6,040
Interest and bank charges	492	589	1,087	1,399
Office rent, utilities and miscellaneous	17,495	20,800	38,760	43,426
Salaries and benefits	51,638	44,391	89,444	95,287
Travel	6,263	4,968	8,838	10,178
<b>Loss Before the Under-Noted</b>	<b>(147,536)</b>	<b>(142,114)</b>	<b>(290,398)</b>	<b>(314,688)</b>
<b>Other Income (Expenses)</b>				
Foreign exchange gain (loss)	2,672	(9,663)	2,788	(8,044)
General exploration	(5,105)	(438)	(6,218)	(4,077)
Interest and other income	1,948	-	4,107	-
Gain on disposal of equipment	31,548	-	31,548	1,840
Write-down of mineral properties (Note 4)	(678,069)	(33,610)	(678,069)	(33,610)
<b>Loss and Comprehensive Loss for the Period</b>	<b>(794,542)</b>	<b>(185,825)</b>	<b>(936,242)</b>	<b>(358,579)</b>
Deficit - beginning of period	(29,948,004)	(29,262,519)	(29,806,304)	(29,089,765)
<b>Deficit – End of Period</b>	<b>\$ (30,742,546)</b>	<b>\$ (29,448,344)</b>	<b>\$ (30,742,546)</b>	<b>\$ (29,448,344)</b>
<b>Loss Per Share – Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted-Average Number of Shares Outstanding – Basic and Diluted</b>	<b>53,372,693</b>	<b>47,502,231</b>	<b>52,620,771</b>	<b>47,502,231</b>

- See Accompanying Notes -

**Interim Consolidated Statements of Cash Flows**(Unaudited)  
Canadian Funds

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
<b>Cash Flows From Operating Activities</b>				
Loss for the period	\$ (794,542)	\$ (185,825)	\$ (936,242)	\$ (358,579)
Items not affecting cash				
Amortization	2,273	3,299	4,961	6,663
Gain on disposal of equipment	(31,548)	-	(31,548)	(1,840)
Write-down of mineral properties	678,069	33,610	678,069	33,610
	(145,748)	(148,916)	(284,760)	(320,146)
Changes in non-cash working capital items				
Accounts receivable	(8,572)	3,190	(6,225)	(1,748)
Prepaid expenses	(8,565)	89	(6,060)	(2,007)
Accounts payable and accrued liabilities	5,011	23,750	77,981	(12,136)
	(157,874)	(121,887)	(219,064)	(336,037)
<b>Cash Flows from Financing Activities</b>				
Net proceeds from issuance of common shares	156,380	-	156,380	-
<b>Cash Flows From Investing Activities</b>				
Mineral property expenditures	(18,878)	(56,552)	(25,652)	(95,709)
Proceeds on disposal of equipment	54,314	-	54,314	6,280
	35,436	(56,552)	28,662	(89,429)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>				
	33,942	(178,439)	(34,022)	(425,466)
Cash and cash equivalents – beginning of period	28,480	296,634	96,444	543,661
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 62,422</b>	<b>\$ 118,195</b>	<b>\$ 62,422</b>	<b>\$ 118,195</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>				
Increase (decrease) in mineral property accounts payable	\$ -	\$ -	\$ -	\$ -
Fair value of warrants issued as finder's fee	\$ 1,374	\$ -	\$ 1,374	\$ -

## Notes to Interim Consolidated Financial Statements

June 30, 2010

(Unaudited)

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 Perú and Canada. 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 mineral 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) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries, Castle Keep Ltd., Gitennes Exploraciones Perú 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. 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, 2009.

---

## Notes to Interim Consolidated Financial Statements

June 30, 2010

(Unaudited)

Canadian Funds

---

### 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 Perú, which it uses to fund its Peruvian projects and operations. As at June 30, 2010, the Company held the equivalent of \$38,738 in U.S. dollars and \$2,118 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 denominated in foreign currencies 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.

---

Gitennes Exploration Inc.  
**Notes to Interim Consolidated Financial Statements**  
June 30, 2010  
(Unaudited)  
Canadian Funds

**4. Mineral Properties**

a) Details of mineral property activities are as follows:

	Perú						Canada	
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	Blue Ice	Total
December 31, 2008	\$ -	\$ 1,462,028	\$ 664,754	\$ 105,675	\$ 8,484	\$ 26,262	\$ -	\$ 2,267,203
Deferred expenditures								
Administration	9,798	11,205	-	-	-	-	-	21,003
Consulting geology	2,500	24,738	-	-	-	-	-	27,238
Domicile	-	1,175	-	-	-	-	-	1,175
Environmental and social license	800	-	5,638	-	-	-	-	6,438
Government taxes	798	995	286	-	-	-	-	2,079
Tenure	12,955	9,463	6,255	9,103	-	-	-	37,776
Total expenditures during the period	26,851	47,576	12,179	9,103	-	-	-	95,709
Write-off of mineral properties	-	-	-	-	(8,484)	(25,126)	-	(33,610)
June 30, 2009	\$ 26,851	\$ 1,509,604	\$ 676,933	\$ 114,778	\$ -	\$ 1,136	\$ -	\$ 2,329,302
December 31, 2009	\$ 28,051	\$ 1,522,463	\$ 676,933	\$ 114,778	\$ -	\$ 1,136	\$ -	\$ 2,343,361
Deferred expenditures								
Acquisition	-	-	-	-	-	-	5,000	5,000
Administration	-	7,865	-	-	-	-	-	7,865
Consulting geology	-	-	-	-	-	-	245	245
Domicile	1,653	-	-	-	-	-	-	1,653
Environmental and social license	-	1,098	-	-	-	-	-	1,098
Government taxes	53	1,428	-	-	-	-	-	1,481
Tenure	-	8,310	-	-	-	-	-	8,310
Total expenditures during the period	1,706	18,701	-	-	-	-	5,245	25,652
Write-off of mineral properties	-	-	(676,933)	-	-	(1,136)	-	(678,069)
June 30, 2010	\$ 29,757	\$ 1,541,164	\$ -	\$ 114,778	\$ -	\$ -	\$ 5,245	\$ 1,690,944

## Notes to Interim Consolidated Financial Statements

June 30, 2010

(Unaudited)

Canadian Funds

## 4. Mineral Properties - Continued

## b) Cumulative mineral costs are as follows:

	Acquisition	Exploration	June 30 2010	December 31 2009
Peru				
Urupalqui	\$ 87,329	\$ 1,453,835	\$ 1,541,164	\$ 1,522,463
TotoRoko	-	-	-	676,933
Titimina	9,456	105,322	114,778	114,778
Tucumachay	-	29,757	29,757	28,051
Other	-	-	-	1,136
Canada				
Blue Ice	5,000	245	5,245	-
	\$ 101,785	\$ 1,589,159	\$ 1,690,944	\$ 2,343,361

## c) Tucumachay, Perú

The Company owns a 100% interest in the Tucumachay project subject to a sliding-scale net smelter returns royalty ("NSR") of 0.75% to 1.25% on any future gold production from the property. 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.

In June 2010, the Company entered into an option agreement with the Peruvian subsidiary of a major North American-based mining company whereby it has an option to purchase a 100% interest in the Tucumachay and Titimina projects. The term of the option is 60 days and the purchase price for Tucumachay is US\$175,000. Additionally, the purchaser will make a payment of US\$1,200,000 if it announces a decision to commence commercial production on either the Tucumachay project or the Titimina project (*Note 4f*).

## d) Urupalqui, Perú

The Company owns a 100% interest in the Urupalqui project, which is situated in north-central Perú. During the period, the Company signed a memorandum of understanding with AndeanGold Ltd. ("Andean") whereby the Company granted to Andean the right to earn a 60% interest in the Urupalqui project. Andean must spend \$3,000,000 in qualifying exploration expenditures on the project over a four-year term, which shall include a minimum of 3,000 metres of drilling by the end of the second year and 7,000 metres of cumulative drilling by the end of the third year. Andean must issue 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 Perú, with the remaining tranches upon the first, second and third year anniversaries of the agreements. Except for the first payment, the Company 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.

Subsequent to June 30, 2010, Andean announced a ten-to-one consolidation of its shares. As a result, the number of shares to be issued to the Company will be reduced to 80,000 shares issued in four tranches of 20,000 shares each. The first tranche was received on July 14, 2010.

## Notes to Interim Consolidated Financial Statements

June 30, 2010

(Unaudited)

Canadian Funds

### 4. Mineral Properties - *Continued*

#### e) TotoRoko, Perú

During the period, the Company abandoned the TotoRoko property and wrote off \$676,933 in related costs.

#### f) Titimina, Perú

The Company owns a 100% interest in the Titimina property adjacent in part to the Tucumachay property. In June 2010, the Company entered into an option agreement with the Peruvian subsidiary of a major North American-based mining company whereby it has an option to purchase a 100% interest in the Tucumachay and Titimina projects. The term of the option is 60 days and the purchase price for Titimina is US\$25,000. Additionally, the purchaser will make a payment of US\$1,200,000 if it announces a decision to commence commercial production on either the Titimina project or the Tucumachay project (*Note 4c*).

#### g) Blue Ice, Canada

In June, 2010, the Company acquired an option to earn a 100% interest in a 700-hectare property located in Quebec. Terms of the option agreement require committed and optional exploration expenditures totalling \$400,000, making property payments totalling \$110,000, and issuing 200,000 common shares. The term of the option is 36 months. The Company has committed to spend \$25,000 within 12 months of signing, and to make a property payment of \$25,000 and issue the first tranche of 50,000 shares to the vendors within 14 days of obtaining regulatory approval. The vendors will be entitled to retain a 2% net smelter returns royalty of which half may be purchased at anytime for \$1,000,000. The option agreement is subject to regulatory approval.

#### h) Other Properties, Perú

During the period, the Company abandoned its other projects in Perú and wrote off \$1,136 in related costs.

### 5. Equipment

			June 30 2010	December 31 2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 97,446	\$ 82,659	\$ 14,787	\$ 16,430
Furniture and fixtures	74,182	64,278	9,904	11,005
Equipment	5,046	3,714	1,332	26,315
	<u>\$ 176,674</u>	<u>\$ 150,651</u>	<u>\$ 26,023</u>	<u>\$ 53,750</u>

## Notes to Interim Consolidated Financial Statements

June 30, 2010

(Unaudited)

Canadian Funds

## 6. Share Capital

## a) Details of share capital are as follows:

Authorized: An unlimited number of common shares without par value

Issued and outstanding:

	2010		2009	
	Shares	Amount	Shares	Amount
Balance – beginning of period	51,860,495	\$ 31,182,886	47,502,231	\$ 30,896,547
Private placement (i)	2,330,000	163,100	-	-
Share issuance costs	-	(8,094)	-	-
Balance – end of period	54,190,495	\$ 31,337,892	47,502,231	\$ 30,896,547

(i) During the period, the Company issued an aggregate of 2,330,000 units at a price of \$0.07 per unit for gross proceeds of \$163,100. Each unit consisted of one common share and one share purchase warrant with each warrant entitling the holder to purchase one common share at a price of \$0.12 per share for a period of twelve months. The placement was completed in two tranches: 1,750,000 units were issued on April 19, 2010, and 580,000 units were issued on June 14, 2010. The Company paid finders' fees of \$6,720 and issued 96,000 compensation warrants having the same terms and conditions as the warrants issued under the private placement. The value of the compensation warrants was estimated at \$1,374 using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 1.07%, expected dividend yield of 0.00%, estimated stock price volatility of 85.34%, and expected option life of 1.00 year.

## b) Contributed Surplus

	2010		2009	
Balance – beginning of period	\$	1,023,742	\$	1,019,934
Fair value of compensation warrants (Note 6a)		1,374		-
Balance – end of period	\$	1,025,116	\$	1,019,934

## c) Stock Options

The Company has a rolling stock option plan under which it 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 periods ended June 30, the change in stock options outstanding was as follows:

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Balance – beginning of period	3,220,000	\$ 0.27	4,560,000	\$ 0.29
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Expired	(380,000)	\$ 0.47	(720,000)	\$ 0.34
Balance – end of period	2,840,000	\$ 0.24	3,840,000	\$ 0.27

**Notes to Interim Consolidated Financial Statements**

June 30, 2010

(Unaudited)

Canadian Funds

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

Details of stock options outstanding at June 30 are as follows:

2010	2009	Exercise Price	Expiry Date
-	180,000	\$ 0.40	July 21, 2009
-	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	1,650,000	\$ 0.17	August 7, 2018
-	300,000	\$ 0.17	August 21, 2013
<u>2,840,000</u>	<u>3,840,000</u>		

As at June 30, 2010, 2,840,000 (2009 – 3,815,000) of these options had vested. The weighted average remaining contract life of the options is 6.43 years.

**d) Warrants**

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Balance – beginning of the period	2,179,130	\$ 0.12	-	\$ -
Issued	2,426,000	\$ 0.12	-	\$ -
Balance – end of the period	<u>4,605,130</u>	<u>\$ 0.12</u>	<u>-</u>	<u>\$ -</u>

Details of share purchase warrants outstanding at June 30 are as follows:

2010	2009	Exercise Price	Expiry Date
2,179,130	-	\$ 0.12	February 25, 2011
1,750,000	-	\$ 0.12	April 19, 2011
96,000	-	\$ 0.12	April 19, 2011
580,000	-	\$ 0.12	June 14, 2011
<u>4,605,130</u>	<u>-</u>		

**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 period.

**Notes to Interim Consolidated Financial Statements**

June 30, 2010

(Unaudited)

Canadian Funds

**8. Related Party Transactions**

During the period, the Company incurred \$27,589 (2009 - \$7,826) 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 \$62,088 (December 31, 2009 - \$33,120) payable to this firm.

The Company also incurred \$30,000 (2009 - \$30,000) in geological and administrative consulting fees with the president of the Company, who is also a director. Accounts payable and accrued liabilities include \$46,600 (December 31, 2009 - \$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:

2010	Interest and Other Income	Equipment	Mineral Properties
Canada	\$ -	\$ 24,691	\$ 5,245
Perú	4,107	1,332	1,685,699
Total	\$ 4,107	\$ 26,023	\$ 1,690,944

  

2009	Interest and Other Income	Equipment	Mineral Properties
Canada	\$ -	\$ 29,708	\$ -
Perú	-	29,612	2,329,302
Total	\$ -	\$ 59,320	\$ 2,329,302

**10. Subsequent Event**

Subsequent to June 30, 2010, the Company renewed its lease for office space for a further two years from November 1, 2010 with monthly payments of \$4,943.