

**Gitennes** Exploration Inc.

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

**(Unaudited)**

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Company's interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

*"Jerry Blackwell"*

\_\_\_\_\_  
President

*"Kerry Spong"*

\_\_\_\_\_  
Chief Financial Officer

November 29, 2010

**Interim Consolidated Balance Sheets**(Unaudited)  
Canadian Funds

<b>ASSETS</b>	<b>As at September 30 2010</b>	<b>As at December 31 2009</b>
<b>Current</b>		
Cash and cash equivalents	\$ 30,231	\$ 96,444
Marketable securities (Note 9)	4,600	-
Accounts receivable	12,795	10,926
Prepaid expenses	10,795	7,553
	<b>58,421</b>	<b>114,923</b>
<b>Mineral Properties</b> (Note 4)	<b>1,713,476</b>	<b>2,343,361</b>
<b>Equipment</b> (Note 5)	<b>23,319</b>	<b>53,750</b>
	<b>\$ 1,795,216</b>	<b>\$ 2,512,034</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 218,502	\$ 111,710
Loan payable (Note 10)	40,000	-
	<b>258,502</b>	<b>111,710</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 6)	<b>31,341,392</b>	<b>31,182,886</b>
<b>Contributed Surplus</b> (Note 6b)	<b>1,025,116</b>	<b>1,023,742</b>
<b>Deficit - Statement 3</b>	<b>(30,830,794)</b>	<b>(29,806,304)</b>
<b>Accumulated Other Comprehensive Income - Statement 3</b>	<b>1,000</b>	<b>-</b>
	<b>1,536,714</b>	<b>2,400,324</b>
	<b>\$ 1,795,216</b>	<b>\$ 2,512,034</b>

**Going Concern** (Note 1)  
**Commitment** (Note 11)  
**Subsequent Event** (Note 13)

ON BEHALF OF THE BOARD:

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

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

- See Accompanying Notes -

## Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

Canadian Funds

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
<b>Expenses</b>				
Audit, accounting, legal and professional fees	\$ 26,625	\$ 40,539	\$ 133,019	\$ 117,561
Amortization	1,372	3,299	6,333	9,962
Filing, transfer fees and investor relations	8,425	28,016	44,134	102,689
Insurance	2,808	2,500	8,013	8,540
Interest and bank charges	832	679	1,919	2,078
Office rent, utilities and miscellaneous	15,029	20,122	53,789	63,548
Salaries and benefits	30,338	48,285	119,782	143,572
Stock-based compensation	-	3,808	-	3,808
Travel	95	3,551	8,933	13,729
<b>Loss Before the Under-Noted</b>	<b>(85,524)</b>	<b>(150,799)</b>	<b>(375,922)</b>	<b>(465,487)</b>
<b>Other Income (Expenses)</b>				
Foreign exchange gain (loss)	(1,254)	1,603	1,534	(6,441)
General exploration	(1,752)	(810)	(7,970)	(4,887)
Interest and other income	47	1,345	4,154	1,345
Gain on disposal of equipment	235	-	31,783	1,840
Write-down of mineral properties (Note 4)	-	-	(678,069)	(33,610)
<b>Loss for the Period</b>	<b>(88,248)</b>	<b>(148,661)</b>	<b>(1,024,490)</b>	<b>(507,240)</b>
<b>Other Comprehensive Income</b>				
Unrealized gain on available-for-sale marketable securities	1,000	-	1,000	-
<b>Comprehensive Loss for the Period</b>	<b>\$ (87,248)</b>	<b>\$ (148,661)</b>	<b>\$ (1,023,490)</b>	<b>\$ (507,240)</b>
<b>Loss Per Share – Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted-Average Number of Shares</b>				
<b>Outstanding – Basic and Diluted</b>	<b>54,206,799</b>	<b>49,255,011</b>	<b>53,155,257</b>	<b>48,092,911</b>

- See Accompanying Notes -

## Interim Consolidated Statements of Deficit and Accumulated Other Comprehensive Income

(Unaudited)

Canadian Funds

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
<b>Deficit – Beginning of Period</b>	<b>\$ (30,742,546)</b>	\$ (29,448,344)	<b>\$ (29,806,304)</b>	\$ (29,089,765)
Loss for the period - <i>Statement 2</i>	<b>(88,248)</b>	(148,661)	<b>(1,024,490)</b>	(507,240)
<b>Deficit – End of Period</b>	<b>\$ (30,830,794)</b>	\$ (29,597,005)	<b>\$ (30,830,794)</b>	\$ (29,597,005)
<b>Accumulated Other Comprehensive Income – Beginning of Period</b>	\$ -	\$ -	\$ -	\$ -
Unrealized gain on available-for- sale marketable securities	<b>1,000</b>	-	<b>1,000</b>	-
<b>Accumulated Other Comprehensive Income – End of Period</b>	<b>\$ 1,000</b>	\$ -	<b>\$ 1,000</b>	\$ -

- See Accompanying Notes -

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
<b>Cash Flows From Operating Activities</b>				
Loss for the period	\$ (88,248)	\$ (148,661)	\$ (1,024,490)	\$ (507,240)
Items not affecting cash				
Amortization	1,372	3,299	6,333	9,962
Stock-based compensation	-	3,808	-	3,808
Gain on disposal of equipment	(235)	-	(31,783)	(1,840)
Write-down of mineral properties	-	-	678,069	33,610
	(87,111)	(141,554)	(371,871)	(461,700)
Changes in non-cash working capital items				
Accounts receivable	4,356	(2,358)	(1,869)	(4,106)
Prepaid expenses	2,818	(4,406)	(3,242)	(6,413)
Accounts payable and accrued liabilities	28,811	22,446	106,792	10,310
	(51,126)	(125,872)	(270,190)	(461,909)
<b>Cash Flows From Financing Activities</b>				
Net proceeds from issuance of common shares	-	286,339	156,380	286,339
Loan payable proceeds	40,000	-	40,000	-
	40,000	286,339	196,380	286,339
<b>Cash Flows From Investing Activities</b>				
Mineral property expenditures	(48,715)	(11,822)	(74,367)	(107,531)
Option payments received	26,083	-	26,083	-
Proceeds on disposal of equipment	1,567	-	55,881	6,280
	(21,065)	(11,822)	7,597	(101,251)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>				
	(32,191)	148,645	(66,213)	(276,821)
Cash and cash equivalents – beginning of period	62,422	118,195	96,444	543,661
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 30,231</b>	<b>\$ 266,840</b>	<b>\$ 30,231</b>	<b>\$ 266,840</b>

**Supplemental Disclosure of Non-Cash Investing and Financing Activities**

Increase (decrease) in mineral property accounts payable	\$ -	\$ -	\$ -	\$ -
Share issued for mineral properties	\$ 3,500	\$ -	\$ 3,500	\$ -
Shares received for option payments	\$ 3,600	\$ -	\$ 3,600	\$ -
Fair value of warrants issued as finder's fee	\$ -	\$ -	\$ 1,374	\$ -

- See Accompanying Notes -

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(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 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.

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### 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.

#### c) Marketable Securities

Marketable Securities consist of common shares of a publicly-traded company and are classified as Assets Available For Sale. The shares are recorded at cost and adjusted to fair value at the end of each reporting period. Gains or losses arising from changes in fair value are recorded as other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until the investments are sold or written off, at which time the accumulated gains or losses are transferred to operations.

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## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

Canadian Funds

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### 3. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities, and loan payable. Cash and cash equivalents are classified as Assets Held For Trading and carried at fair value measured using a Level 1 fair value measurement. Marketable securities are classified as Assets Available For Sale 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 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 September 30, 2010, the Company held the equivalent of \$13,229 in U.S. dollars and \$1,977 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.

The Company's loan payable carry's a fixed rate of interest such that the Company is not exposed to the risk of rising interest rates.

Due to the value and nature of the Company's financial instruments, 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**  
September 30, 2010  
(Unaudited)  
Canadian Funds

**4. Mineral Properties**

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

	Perú						Canada	Total
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	Blue Ice	
December 31, 2008	\$ -	\$ 1,462,028	\$ 664,754	\$ 105,675	\$ 8,484	\$ 26,262	\$ -	\$ 2,267,203
Deferred expenditures								
Administration	9,798	11,048	-	-	-	-	-	20,846
Consulting geology	3,700	33,268	-	-	-	-	-	36,968
Domicile	-	3,116	-	-	-	-	-	3,116
Environmental and social license	800	-	5,638	-	-	-	-	6,438
Government taxes	798	1,303	286	-	-	-	-	2,387
Tenure	12,955	9,463	6,255	9,103	-	-	-	37,776
Total expenditures during the period	28,051	58,198	12,179	9,103	-	-	-	107,531
Write-off of mineral properties	-	-	-	-	(8,484)	(25,126)	-	(33,610)
September 30, 2009	\$ 28,051	\$ 1,520,226	\$ 676,933	\$ 114,778	\$ -	\$ 1,136	\$ -	\$ 2,341,124
December 31, 2009	\$ 28,051	\$ 1,522,463	\$ 676,933	\$ 114,778	\$ -	\$ 1,136	\$ -	\$ 2,343,361
Deferred expenditures								
Acquisition	-	-	-	-	-	-	29,072	29,072
Administration	-	9,608	-	-	-	-	-	9,608
Consulting geology	-	-	-	-	-	-	1,428	1,428
Domicile	2,220	-	-	-	-	-	-	2,220
Environmental and social license	589	2,423	-	-	-	-	-	3,012
Government taxes	139	1,736	-	-	-	-	-	1,875
Tenure	14,038	8,310	-	8,304	-	-	-	30,652
Total expenditures during the period	16,986	22,077	-	8,304	-	-	30,500	77,867
Option payments received	(17,779)	(3,600)	-	(8,304)	-	-	-	(29,683)
Write-off of mineral properties	-	-	(676,933)	-	-	(1,136)	-	(678,069)
September 30, 2010	\$ 27,258	\$ 1,540,940	\$ -	\$ 114,778	\$ -	\$ -	\$ 30,500	\$ 1,713,476

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

Canadian Funds

## 4. Mineral Properties - Continued

## b) Cumulative mineral costs are as follows:

	Acquisition	Exploration	September 30 2010	December 31 2009
Perú				
Urupalqui	\$ 87,329	\$ 1,453,611	\$ 1,540,940	\$ 1,522,463
TotoRoko	-	-	-	676,933
Titimina	9,456	105,322	114,778	114,778
Tucumachay	-	27,258	27,258	28,051
Other	-	-	-	1,136
Canada				
Blue Ice	29,072	1,428	30,500	-
	<u>\$ 125,857</u>	<u>\$ 1,587,619</u>	<u>\$ 1,713,476</u>	<u>\$ 2,343,361</u>

## c) Tucumachay, Perú

The Company held 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 Teck Resources Limited ("Teck"), granting it an option to purchase the Company's 100% interest in the Tucumachay and Titimina projects. The Company received consideration of US\$16,700 for the option, which provided for a purchase price for Tucumachay of 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). Teck exercised the option period and the Company received the purchase proceeds subsequent to September 30, 2010 (Note 13).

## d) Urupalqui, Perú

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

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

Canadian Funds

### 4. Mineral Properties - Continued

#### d) Urumalqui, Perú - Continued

On 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.

#### e) TotoRoko, Perú

The Company has abandoned the TotoRoko property and written off \$676,933 in related costs.

#### f) Titimina, Perú

The Company held 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 Teck, granting it an option to purchase the Company's 100% interest in the Tucumachay and Titimina projects. The Company received consideration of US\$7,800 for the option, which provided for a purchase price for Titimina of 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). Teck exercised the option and the Company received the purchase proceeds subsequent to September 30, 2010 (Note 13).

#### 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 has made a property payment of \$25,000 and issued the first tranche of 50,000 shares to the vendors. The vendors will be entitled to retain a 2% NSR, one-half of which may be purchased by the Company at anytime for \$1,000,000.

### 5. Equipment

			September 30	December 31
			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 97,446	\$ 83,481	\$ 13,965	\$ 16,430
Furniture and fixtures	74,182	64,828	9,354	11,005
Equipment	-	-	-	26,315
	\$ 171,628	\$ 148,309	\$ 23,319	\$ 53,750

## Notes to Interim Consolidated Financial Statements

September 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)(ii)	2,330,000	163,100	4,358,264	305,078
Share issuance costs	-	(8,094)	-	(18,739)
Shares issued for property (Note 4g)	50,000	3,500	-	-
Balance – end of period	54,240,495	\$ 31,341,392	51,860,495	\$ 31,182,886

(i) In 2010, 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 additional 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.

(ii) In August of 2009, the Company completed a private placement consisting of 4,358,264 units at a price of \$0.07 per unit for gross proceeds of \$305,078. 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

## b) Contributed Surplus

	2010		2009	
Balance – beginning of period	\$	1,023,742	\$	1,019,934
Stock-based compensation		-		3,808
Fair value of compensation warrants (Note 6a)		1,374		-
Balance – end of period	\$	1,025,116	\$	1,023,742

**Notes to Interim Consolidated Financial Statements**

September 30, 2010

(Unaudited)

Canadian Funds

**6. Share Capital – Continued**

**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 September 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	(1,020,000)	\$ 0.36
Balance – end of period	2,840,000	\$ 0.24	3,540,000	\$ 0.26

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

2010	2009	Exercise Price	Expiry Date
-	380,000	\$ 0.47	April 1, 2010
40,000	40,000	\$ 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
2,840,000	3,540,000		

As at September 30, 2010 and 2009, all options had vested. The weighted average remaining contract life of the outstanding options is 6.18 years (2009 – 6.16 years).

**d) Warrants**

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

## Notes to Interim Consolidated Financial Statements

September 30, 2010

(Unaudited)

Canadian Funds

### 6. Share Capital – Continued

#### d) Warrants – Continued

Details of share purchase warrants outstanding at September 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
4,605,130	-		

### 7. Capital Disclosures

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no 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.

### 8. Related Party Transactions

During the period, the Company incurred \$27,589 (2009 - \$21,432) 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 \$45,000 (2009 - \$45,000) in geological and administrative consulting fees with the president of the Company, who is also a director. Accounts payable and accrued liabilities include \$63,400 (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. Marketable Securities

At September 30, 2010, the Company held 20,000 (2009 – nil) common shares of AndeanGold Ltd., which were acquired under a property option agreement (*Note 4d*) with an original value of \$3,600. The market value of these shares at September 30, 2010 was \$4,600.

**Notes to Interim Consolidated Financial Statements**

September 30, 2010

(Unaudited)

Canadian Funds

**10. Loan Payable**

During the period, the Company received advances totalling \$40,000, from directors and officers, for working capital. The advances bear interest at a rate of 8% per annum and are due on demand.

**11. Commitment**

The Company has signed an office occupancy lease that calls for monthly payments of \$4,943 and expires on October 31, 2012.

**12. 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	\$ -	\$ 23,319	\$ 30,500
Perú	4,154	-	1,682,976
Total	\$ 4,154	\$ 23,319	\$ 1,713,476

  

2009	Interest and Other Income	Plant and Equipment	Mineral Properties
Canada	\$ -	\$ 28,057	\$ -
Perú	1,345	27,964	2,341,124
Total	\$ 1,345	\$ 56,021	\$ 2,341,124

**13. Subsequent Event**

Subsequent to September 30, 2010, the Company received cash proceeds of US\$200,000 for the sale of its interest in the Tucumachay and Titimina projects (Note 4f).