Gitennes Exploration Inc.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

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 12, 2011

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

Independent Auditor's Report

To the Shareholders of
Gitennes Exploration Inc.

We have audited the accompanying consolidated financial statements of Gitennes Exploration Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, deficit and accumulated other comprehensive income, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gitennes Exploration Inc. as at December 31, 2010 and 2009 and its results of operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
April 12, 2011
Vancouver, British Columbia

Gitennes Exploration Inc. Statement 1

Consolidated Balance Sheets

As at December 31
Canadian Funds

ASSETS		2010		2009
Current				
Cash and cash equivalents	$	**278,298**	$	96,444
Marketable securities *(Note 9)*		**7,000**		-
Accounts receivable		**10,920**		10,926
Prepaid expenses		**18,161**		7,553
		314,379		114,923
Mineral Properties *(Note 4)*		**1,601,820**		2,343,361
Equipment *(Note 5)*		**21,948**		53,750
	$	**1,938,147**	$	2,512,034

LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Note 8)*	$	**184,532**	$	111,710
Loan payable *(Note 10)*		**35,773**		-
		220,305		111,710

SHAREHOLDERS' EQUITY				
Share Capital *(Note 6a)*		**31,606,362**		31,182,886
Contributed Surplus *(Note 6b)*		**1,181,252**		1,023,742
Deficit - *Statement 3*		**(31,073,172)**		(29,806,304)
Accumulated Other Comprehensive Income - *Statement 3*		**3,400**		-
		1,717,842		2,400,324
	$	**1,938,147**	$	2,512,034

Going Concern *(Note 1)*
Commitment *(Note 11)*
Subsequent Events *(Note 14)*

ON BEHALF OF THE BOARD:

"Jerry Blackwell", Director
Jerry D. Blackwell

"Ken Booth", Director
Ken Booth

- See Accompanying Notes -

Gitennes Exploration Inc. Statement 2

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended December 31

Canadian Funds

		2010		2009
Expenses				
Audit, accounting, legal and professional fees	$	173,237	$	190,041
Amortization		7,704		13,315
Filing, transfer fees and investor relations		71,373		137,525
Insurance		10,640		11,040
Interest and bank charges		3,822		2,868
Office rent, utilities and miscellaneous		70,312		83,026
Salaries and benefits		164,814		194,860
Stock-based compensation *(Note 6d)*		156,136		3,808
Travel		9,415		23,392
Loss Before the Under-Noted		(667,453)		(659,875)
Other Income (Expense)				
Foreign exchange gain (loss)		2,841		(10,039)
General exploration		(16,740)		(18,927)
Interest and other income		4,099		4,072
Gain on disposal of equipment		31,783		1,840
Gain on disposal of mineral properties *(Note 4)*		56,671		-
Write-down of mineral properties *(Note 4)*		(678,069)		(33,610)
Loss for the Year		(1,266,868)		(716,539)
Other Comprehensive Income				
Unrealized gain on available-for-sale marketable securities – *Statement 3*		3,400		-
Comprehensive Loss for the Year	$	(1,263,468)	$	(716,539)
Loss per Share – Basic and Diluted	$	(0.02)	$	(0.01)
Weighted-Average Number of Shares Outstanding – Basic and Diluted		53,527,427		49,042,549

- See Accompanying Notes -

Consolidated Statements of Deficit and Accumulated Other Comprehensive Income

For the Years Ended December 31

Canadian Funds

		2010		2009
Deficit – Beginning of Year	**$**	**(29,806,304)**	$	(29,089,765)
Loss for the year *- Statement 2*		**(1,266,868)**		(716,539)
Deficit – End of Year	**$**	**(31,073,172)**	$	(29,806,304)
Accumulated Other Comprehensive Income – Beginning of Year	**$**	**-**	$	-
Unrealized gain on available-for-sale marketable securities – *(Note 9)*		**3,400**		-
Accumulated Other Comprehensive Income – End of Year	**$**	**3,400**	$	-

Gitennes Exploration Inc. Statement 4

Consolidated Statements of Cash Flows

For the Years Ended December 31

Canadian Funds

		2010		2009
Cash Flows from Operating Activities				
Loss for the year	$	**(1,266,868)**	$	(716,539)
Items not affecting cash				
Amortization		**7,704**		13,315
Stock-based compensation		**156,136**		3,808
Gain on disposal of equipment		**(31,783)**		(1,840)
Gain on disposal of mineral properties		**(56,671)**		-
Write-down of mineral properties		**678,069**		33,610
		(513,413)		(667,646)
Changes in non-cash working capital items				
Accounts receivable		**6**		(4,388)
Prepaid expenses		**(10,608)**		10,845
Accounts payable and accrued liabilities		**72,822**		32,203
		62,220		38,660
		(451,193)		(628,986)
Cash Flows from Financing Activities				
Net proceeds from issuance of common shares		**421,350**		286,339
Loan payable proceeds		**35,773**		-
		457,123		286,339
Cash Flows from Investing Activities				
Mineral property expenditures		**(104,740)**		(109,768)
Option payments received		**26,083**		-
Proceeds on disposal of resource properties		**198,700**		-
Purchase of equipment		**-**		(1,082)
Proceeds on disposal of equipment		**55,881**		6,280
		175,924		(104,570)
Net Increase (Decrease) in Cash and Cash Equivalents		**181,854**		(447,217)
Cash and Cash Equivalents - Beginning of Year		**96,444**		543,661
Cash and Cash Equivalents - End of Year	**$**	**278,298**	$	96,444

Supplemental Schedule of Non-Cash Investing and Financing Transactions

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

- See Accompanying Notes -

1. Going Concern

The Company, which is in the exploration stage, is in the process of exploring mineral properties in Peru 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 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.

2. Accounting Policies - *Continued*

d) Cash and Cash Equivalents

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

e) Marketable Securities

Marketable Securities consist of common shares of a publicly traded company and are classified as Available For Sale. The shares are recorded at fair value; 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 included in operating results.

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 operating results.

The Company is in the process of exploring its mineral properties and has not established the existence of resources or reserves. 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 Obligation

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.

2. Accounting Policies – *Continued*

g) Asset Retirement Obligation – *Continued*

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, 2010.

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) 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%

j) 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.

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) 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, 2010 and therefore basic and diluted loss per share amounts are the same.

2. Accounting Policies – *Continued*

m) Financial Instruments

The Company follows 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.

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 Held For Trading and carried at fair value measured using a Level 1 fair value measurement. Marketable securities are classified as 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 with carrying values that approximate fair value due to their short-term nature. The Company has no derivatives.

All of the Company's Canadian cash is held in an account at a major Canadian bank. The Company also maintains U.S. and Perúvian cash in a major bank in Perú, which it uses to fund its Perúvian projects and operations. As at December 31, 2010, the Company held the equivalent of $43,409 in U.S. dollars and $2,000 in Perúvian soles. The cash balances and payables that are denominated in U.S. dollars and Perúvian 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 marketable securities are subject to market risk due to market downturns and declines in market value and therefore the Company is exposed to market risk in respect of these financial instruments. The Company's loan payable carries 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 *(Notes 1 and 14)*, 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.

4. Mineral Properties

a) Details of mineral property activities:

	Perú						Canada	
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	Blue Ice	Total
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	-	9,683	-	-	-	-	-	9,683
Assays	-	-	-	-	-	-	407	407
Consulting geology	-	-	-	-	-	-	15,155	15,155
Domicile	2,213	-	-	-	-	-	-	2,213
Environmental and social license	589	2,423	-	-	-	-	-	3,012
Government taxes	139	1,733	-	-	-	-	-	1,872
Tenure	14,038	24,484	-	8,304	-	-	-	46,826
Total expenditures for the year	16,979	38,323	-	8,304	-	-	44,634	108,240
Write-down of mineral properties	-	-	(676,933)	-	-	(1,136)	-	(678,069)
Cost of properties disposed	(27,251)	-	-	(114,778)	-	-	-	(142,029)
Option payments received	(17,779)	(3,600)	-	(8,304)	-	-	-	(29,683)
	(45,030)	(3,600)	(676,933)	(123,082)	-	(1,136)	-	(849,781)
December 31, 2010	$ -	$ 1,557,186	$ -	$ -	$ -	$ -	$ 44,634	$ 1,601,820

4. Mineral Properties - *Continued*

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

	Perú						
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	Total
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

4. Mineral Properties - *Continued*

b) Cumulative mineral property costs are as follows:

	Acquisition	Exploration	2010	2009
Perú				
Urumalqui	$ 87,329	$ 1,469,857	$ 1,557,186	$ 1,522,463
TotoRoko	-	-	-	676,933
Titimina	-	-	-	114,778
Tucumachay	-	-	-	28,051
Other	-	-	-	1,136
Canada				
Blue Ice	29,072	15,562	44,634	-
	$ 116,401	$ 1,485,419	$ 1,601,820	$ 2,343,361

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.

In June 2010, the Company entered into an option agreement with the Perúvian 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 Teck later exercised by paying the Company a cash purchase price for Tucumachay of US$175,000. Additionally, Teck 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) Urumalqui, Perú

The Company owns a 100% interest in the Urumalqui 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 option to earn a 60% interest in the Urumalqui 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.

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 Teck later exercised by paying the Company a cash 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)*.

g) Blue Ice, Canada

In June 2010, the Company acquired an option to earn a 100% interest in a 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

Details are as follows:

2010	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 97,446	$ 84,302	$ 13,144
Furniture and fixtures	74,182	65,378	8,804
	$ 171,628	$ 149,680	$ 21,948

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
	$ 231,451	$ 177,701	$ 53,750

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 year	51,860,495	$ 31,182,886	47,502,231	$ 30,896,547
Private placement *(i)*	-	-	4,358,264	305,078
Private placement *(ii)*	2,330,000	163,100	-	-
Private placement *(iii)*	4,000,000	280,000	-	-
Share issuance costs *(i, ii, iii)*	-	(23,124)	-	(18,739)
Shares issued for property *(Note 4g)*	50,000	3,500	-	-
Balance - end of year	58,240,495	$ 31,606,362	51,860,495	$ 31,182,886

(i) In August 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.

(ii) In April and June of 2010, the Company completed a private placement consisting 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.

(iii) In December 2010, the Company completed a private placement consisting of 4,000,000 units at a price of $0.07 per unit for gross proceeds of $280,000. 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 $0.10 per share until December 23, 2011 increasing to a price of $0.20 per share until June 25, 2012. The Company paid finder's fees of $9,041 and paid legal costs of $5,989 in respect of the placement.

b) Contributed Surplus

Details are as follows:

	2010	2009
Balance - beginning of year	$ 1,023,742	$ 1,019,934
Stock-based compensation *(Note 6d)*	156,136	3,808
Fair value of warrants issued *(Note 6a)*	1,374	-
Balance - end of year	$ 1,181,252	$ 1,023,742

6. Share Capital - *Continued*

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:

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Balance – beginning of year	3,220,000	$ 0.27	4,560,000	$ 0.29
Granted	1,900,000	$ 0.12	-	$ -
Expired	(420,000)	$ 0.45	(1,340,000)	$ 0.32
Balance – end of year	4,700,000	$ 0.19	3,220,000	$ 0.27

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

2010	2009	Exercise Price	Expiry Date
-	380,000	$ 0.47	April 1, 2010
-	40,000	$ 0.30	November 10, 2010
400,000	400,000	$ 0.40	March 12, 2011 *(i)*
35,000	35,000	$ 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
1,900,000	-	$ 0.12	December 21, 2015
4,700,000	3,220,000		

As at December 31, 2010 and 2009, all outstanding stock options had vested. The weighted-average remaining contract life of the stock options outstanding at December 31, 2010 is 5.60 (2009 – 6.14) years.

(i) Expired unexercised on March 12, 2011.

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:

	2010	2009
Total options granted	1,900,000	-
Average exercise price	$ 0.12	$ -
Estimated fair value of compensation	$ 156,136	$ -
Estimated fair value per option	$ 0.08	$ -

6. Share Capital – *Continued*

d) Stock-Based Compensation – *Continued*

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:

	2010	2009
Risk-free interest rate	2.38%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	86.28%	-
Expected option life in years	5.00	-

During the year, 1,900,000 (2009 – 25,000) options vested and the Company recognized $156,136 (2009 - $3,808) 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

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Balance – beginning of year	2,179,130	$ 0.12	-	$ -
Issued	6,426,000	$ 0.11	2,179,130	$ 0.12
Balance – end of year	8,605,130	$ 0.11	2,179,130	$ 0.12

Details of share purchase warrants outstanding at December 31 are as follows:

2010	2009	Exercise Price	Expiry Date
2,179,130	2,179,130	$ 0.12	February 25, 2011 *(Note 14)*
1,750,000	-	$ 0.12	April 19, 2011 *(Note 14)*
96,000	-	$ 0.12	April 19, 2011
580,000	-	$ 0.12	June 14, 2011
4,000,000	-	$ 0.10	June 25, 2012 *(i)*
8,605,130	2,179,130		

(i) Exercise price increases to $0.20 on December 24, 2011.

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 year.

8. Related Party Transactions

Related party transactions not disclosed elsewhere in these financial statements are as follows:

During the year, the Company incurred $27,589 (2009 - $31,809) 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 $nil (2009 - $33,120) payable to this firm.

The Company also incurred $75,000 (2009 - $60,000) in geological and administrative consulting fees with the president of the Company, who is also a director. Accounts payable and accrued liabilities include $80,213 (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 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. Marketable Securities

At December 31, 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 December 31, 2010 was $7,000. The Company has recorded an unrealized gain of $3,400 due to the change in fair value during the year.

10. Loan Payable

During the year, the Company received advances totalling $65,000, from directors and officers, for working capital. The advances bear interest at a rate of 8% per annum and are due on demand. The Company repaid principal and interest of $30,000 during the year. Interest paid and accrued on the loan totalled $1,248 during the year.

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. 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:

	2010	2009
Loss before income taxes for accounting purposes	$ (1,266,868)	$ (716,539)
Statutory tax rate	28.5%	30.0%
Expected tax recovery for the year	(361,057)	(214,962)
Utilization of previously unrecognized losses	(16,425)	-
Non-recognition of tax benefits relating to losses	211,442	-
Expiry of non-capital losses	441,256	82,939
Non-deductible and other items	36,092	(14,142)
Effect of change in substantively enacted rates	16,002	27,519
Effect of change in foreign exchange rates	14,967	127,924
Foreign income at different tax rates	15,345	24,788
Decrease in valuation allowance	(357,622)	(34,066)
Tax recovery for the year	$ -	$ -

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:

	2010	2009
Non-capital loss carry-forwards	$ 730,197	$ 1,089,914
Mineral property expenditures	1,793,971	1,793,971
Plant and equipment	45,441	44,069
Other	27,132	26,409
	2,596,741	2,954,363
Valuation allowance	(2,596,741)	(2,954,363)
	$ -	$ -

12. Income Taxes – *Continued*

As at December 31, 2010, 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
2030		452,000
Total	$	2,003,000

The Company has Canadian exploration expenditures of approximately $7,200,000 that may be carried forward indefinitely. The Company also has non-capital tax losses of approximately $760,000 available in Peru. All loss carry-forwards and deductible exploration expenditures are subject to final determination by tax authorities.

13. 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	$	-	$	21,948	$	44,634
Peru		4,099		-		1,557,186
Total	$	4,099	$	21,948	$	1,601,820

2009		Interest and Other Income		Equipment		Mineral Properties
Canada	$	-	$	27,435	$	-
Peru		4,072		26,315		2,343,361
Total	$	4,072	$	53,750	$	2,343,361

14. Subsequent Events

Subsequent to 31 December 2010, the Company:

a) announced its intention to undertake a private placement financing of 1,600,000 units at a price $0.15 per unit for gross proceeds of $240,000. 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 $0.18 within twelve months of closing and thereafter at an exercise price of $0.25 until 18 months after closing. Finder's fees may be payable on a portion of the financing to registered dealers who assist in the placement;

b) received cash proceeds of $293,571 upon the exercise of 2,446,428 warrants at a price of $0.12. A total of 732,702 warrants expired unexercised.