

**Gitennes** Exploration Inc.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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 condensed 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

*August 24, 2011*

**Condensed Interim Consolidated Balance Sheets**

Canadian Funds

Unaudited

<b>ASSETS</b>	June 30, 2011	December 31, 2010
<b>Current</b>		
Cash and cash equivalents	\$ 248,567	\$ 278,298
Marketable securities (Note 9)	2,500	7,000
Accounts receivable	24,239	10,920
Prepaid expenses	11,520	18,161
	286,826	314,379
<b>Equipment</b> (Note 5)	34,125	21,948
	\$ 320,951	\$ 336,327
<b>LIABILITIES</b>		
<b>Current</b>		
Trade payables and accrued liabilities	\$ 119,523	\$ 184,532
Loan payable (Note 8e)	-	35,773
	119,523	220,305
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 6a)	32,163,789	31,606,362
<b>Contributed Surplus</b> (Note 6b)	1,399,867	1,181,252
<b>Deficit</b> - Statement 2	(33,361,128)	(32,674,992)
<b>Accumulated Other Comprehensive Income (Loss)</b> - Statement 2	(1,100)	3,400
	201,428	116,022
	\$ 320,951	\$ 336,327

**Nature and Continuance of Operations** (Note 1)**Commitment** (Note 10)

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
*"Jerry Blackwell"*, Director  
 Jerry D. Blackwell

\_\_\_\_\_  
*"Ken Booth"*, Director  
 Ken Booth

- See Accompanying Notes -

## Condensed Interim Consolidated Statements of Changes In Shareholders' Equity

Canadian Funds  
Unaudited

	Share Capital (Note 6a)	Contributed Surplus (Note 6b)	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance – January 1, 2010	\$ 31,182,886	\$ 1,023,742	\$ -	\$ (32,149,665)	\$ 56,963
Private placement	155,006	-	-	-	155,006
Fair value of compensation warrants	-	1,374	-	-	1,374
Loss for the period - <i>Statement 3</i>	-	-	-	(283,825)	(283,825)
<b>Balance – June 30, 2010</b>	<b>\$ 31,337,892</b>	<b>\$ 1,025,116</b>	<b>\$ -</b>	<b>\$ (32,433,490)</b>	<b>\$ (70,482)</b>
Balance – December 31, 2010	\$ 31,606,362	\$ 1,181,252	\$ 3,400	\$ (32,674,992)	\$ 116,022
Warrants exercised	402,591	-	-	-	402,591
Fair value of compensation warrants exercised	1,374	(1,374)	-	-	-
Private placement	153,462	-	-	-	153,462
Share-based compensation	-	219,989	-	-	219,989
Unrealized loss on available -for-sale marketable securities - <i>Statement 3</i>	-	-	(4,500)	-	(4,500)
Loss for the period - <i>Statement 3</i>	-	-	-	(686,136)	(686,136)
<b>Balance – June 30, 2011</b>	<b>\$ 32,163,789</b>	<b>\$ 1,399,867</b>	<b>\$ (1,100)</b>	<b>\$ (33,361,128)</b>	<b>\$ 201,428</b>

- See Accompanying Notes -

## Condensed Interim Consolidated Statements Of Comprehensive Loss

Canadian Funds  
Unaudited

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2011	2010	2011	2010
<b>Expenses</b>				
Audit, accounting, legal and professional fees	\$ 41,718	\$ 50,921	\$ 63,390	\$ 106,394
Depreciation	1,856	2,273	3,006	4,961
Exploration and evaluation (Note 4)	117,695	18,878	121,668	25,652
Filing, transfer fees and investor relations	84,979	15,749	153,783	35,709
Foreign exchange loss (gain)	220	(2,672)	2,606	(2,788)
General exploration	907	5,105	3,728	6,218
Insurance	2,602	2,705	5,410	5,205
Interest and bank charges	403	492	1,277	1,087
Office rent, utilities and miscellaneous	14,878	17,495	32,846	38,760
Salaries and benefits	30,371	51,638	75,869	89,444
Share-based compensation (Note 6d)	219,989	-	219,989	-
Travel	2,552	6,263	2,564	8,838
<b>Loss Before the Under-Noted</b>	<b>(518,170)</b>	<b>(168,847)</b>	<b>(686,136)</b>	<b>(319,480)</b>
<b>Other Income (Expense)</b>				
Interest and other income	-	1,948	-	4,107
Gain on disposal of equipment	-	31,548	-	31,548
<b>Loss for the Period</b>	<b>(518,170)</b>	<b>(135,351)</b>	<b>(686,136)</b>	<b>(283,825)</b>
<b>Other Comprehensive Loss</b>				
Unrealized los on available-for-sale marketable securities (Note 9)	(1,900)	-	(4,500)	-
<b>Comprehensive Loss for the Period</b>	<b>\$ (520,070)</b>	<b>\$ (135,351)</b>	<b>\$ (690,636)</b>	<b>\$ (283,825)</b>
<b>Loss Per Share – Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted-Average Number of Shares Outstanding – Basic and Diluted</b>	<b>62,246,132</b>	<b>53,372,693</b>	<b>60,965,014</b>	<b>52,620,771</b>

## Condensed Interim Consolidated Statements of Cash Flows

For the Six Months Ended June 30

Canadian Funds

Unaudited

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Loss for the period	\$ (686,136)	\$ (283,825)
Items not involving cash		
Depreciation	3,006	4,961
Gain on sale of equipment	-	(31,548)
Share-based compensation	219,989	-
	<u>(463,141)</u>	<u>(310,412)</u>
Changes in non-cash working capital items		
Accounts receivable	(13,319)	(6,225)
Prepaid expenses	6,641	(6,060)
Trade payables and accrued liabilities	(65,009)	77,981
	<u>(534,828)</u>	<u>(244,716)</u>
<b>Cash Flows from Financing Activities</b>		
Net proceeds from issuance of common shares	556,053	164,474
Repayment of loan payable	(35,773)	(8,094)
	<u>520,280</u>	<u>156,380</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(15,183)	-
Proceeds on disposal of equipment	-	54,314
	<u>(15,183)</u>	<u>54,314</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(29,731)</b>	<b>(34,022)</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>278,298</b>	<b>96,444</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 248,567</b>	<b>\$ 62,422</b>

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

Fair value of compensation warrants exercised	\$ 1,374	\$ -
Fair value of compensation warrants issued as finder's fee	\$ -	\$ 1,374

### Supplemental Cash Flow Information

Interest paid	\$ 946	\$ -
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Gitennes Exploration Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 1. Nature and Continuance of Operations

Gitennes Exploration Inc. ("the Company") is incorporated in the province of Ontario with its principal office located in Vancouver, British Columbia. Its mineral properties are situated in Canada, the United States of America, and Peru and are in the process of being explored. 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.

There are adverse conditions that cast doubt upon this assumption, including the Company's low cash reserves and current market conditions. 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 significant 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.

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### 2. Significant Accounting Policies

#### a) Adoption of International Financial Reporting Standards ("IFRS") and basis of presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, which was revised in 2010 to incorporate IFRS. Publicly accountable enterprises are required to apply such standards effective for years beginning on or after January 1, 2011.

These condensed interim consolidated financial statements cover a portion of the first annual consolidated financial statements that will be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). In these financial statements, the term Canadian GAAP refers to Canadian GAAP prior to the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using those standards issued and current as of August 24, 2011, the date that the Company's board of directors approved these financial statements. The preparation of financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. Actual results may differ from these estimates. These interim consolidated financial statements do not include all of the information required for full annual financial statements.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 2. Significant Accounting Policies - *continued*

#### a) Adoption of International Financial Reporting Standards ("IFRS") and basis of presentation - *continued*

The standards that will be effective as at December 31, 2011 are subject to change and additional interpretation. Any subsequent changes to IFRS may affect the Company's annual consolidated financial statements for the year ending December 31, 2011 and could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on conversion to IFRS.

Subject to certain transition elections referenced in Note 11, the Company has applied the same accounting policies incorporated in its opening IFRS balance sheet at January 1, 2010 ("Transition Date") and for all subsequent periods, as if these policies had always been in effect. The Company's significant accounting policies are provided in Note 2 to the Company's first IFRS condensed interim consolidated financial statements for the three months ended March 31, 2011.

Note 11 to the Company's March 31, 2011 condensed interim consolidated financial statements discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes. Note 11 to these financial statements discloses the impact of the transition to IFRS on the Company's shareholders' equity and comprehensive loss for the period ending June 30, 2010.

These condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP audited consolidated financial statements for the year ended December 31, 2010 and the Company's first IFRS condensed interim consolidated financial statements for the three months ended March 31, 2011.

#### b) Principles of consolidation

These consolidated financial statements 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.

#### c) Estimates, risks, and uncertainties

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates and the differences could be material to the Company's results and financial position. Significant estimates used in the preparation of these financial statements relate to the useful life of equipment, valuation of deferred income tax assets, estimates of share-based compensation, and the valuation of warrants issued under private placements.

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Gitennes Exploration Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 3. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, trade payables and accrued liabilities, and loan payable. 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 Peruvian cash that it uses to fund its U.S. and Peruvian projects and operations. As at June 30, 2011, the Company held the equivalent of \$55,279 in U.S. dollars and \$651 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 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.

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 (*Note 1*), 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 Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

### 4. Exploration and Evaluation

#### a) Exploration and evaluation expenditures:

The Company expenses exploration and evaluation costs relating to its mineral property interests in the period incurred. Details of current and cumulative exploration and evaluation expenditures to June 30, 2011 on properties the Company is currently evaluating are as follows:

	Peru		USA		Canada		
	Urumalqui	Silver King	Cross	Keg	Riddle	Blue Ice	Total
December 31, 2010	\$ 1,557,186	\$ -	\$ -	\$ -	-	\$ 44,634	\$ 1,601,820
Acquisition	-	20,506	14,648	10,000	10,000	-	55,154
Administration	13,025	-	-	-	-	-	13,025
Assay	-	-	-	741	-	-	741
Consulting geology	-	-	-	8,090	1,000	9,907	18,997
Domicile	-	-	-	1,040	-	6,502	7,542
Government taxes	693	-	-	-	-	-	693
Tenure	-	16,540	3,333	1,070	-	-	20,943
Travel	-	-	-	1,121	308	3,144	4,573
Current expenditures	13,718	37,046	17,981	22,062	11,308	19,553	121,668
June 30, 2011	\$ 1,570,904	\$ 37,046	\$ 17,981	\$ 22,062	\$ 11,308	\$ 64,187	\$ 1,723,488

Gitennes Exploration Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

### 4. Exploration and Evaluation - *continued*

#### a) Exploration and evaluation expenditures: - *continued*

Details of current and cumulative exploration and evaluation expenditures for the comparative period to June 30, 2010 are as follows:

	Peru					Canada	Total
	Tucumachay	Urumalqui	TotoRoko	Titimina	Other	Blue Ice	
January 1, 2010	\$ 28,051	\$ 1,522,463	\$ 676,933	\$ 114,778	\$ 1,136	\$ -	\$ 2,343,361
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
Current expenditures	1,706	18,701	-	-	-	5,245	25,652
June 30, 2010	\$ 29,757	\$ 1,541,164	\$ 676,933	\$ 114,778	\$ 1,136	\$ 5,245	\$ 2,369,013

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 4. Exploration and Evaluation - *continued*

#### b) Title risk

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.

#### c) Tucumachay, Peru

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 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 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, Peru

The Company owns a 100% interest in the Urumalqui project, which is situated in north-central Peru. In April 2010 the Company signed an option agreement 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 upon signing and 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.

On June 30, 2010, Andean announced a ten-to-one consolidation of its shares. As a result, the number of shares that may be issued to the Company is 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, Peru

The Company abandoned its 100% interest in the TotoRoko property in June 2010.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 4. Exploration and Evaluation - *continued*

#### f) Titimina, Peru

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) Silver King, U.S.A.

In May 2010, the Company acquired the right to earn a 100% interest in the Silver King property located in Nevada, U.S.A. by meeting yearly lease payments starting at US\$21,000 and increasing to US\$36,000 until the Company exercises its option to buy the property with a single payment of US\$350,000. If the option to purchase the property is exercised, then the lease payments cease and will be replaced by advance NSR royalty payments of US\$50,000 per annum. The vendors will retain a 2% NSR royalty payable if the property is placed into commercial production. The Company can purchase a portion of the royalty (0.5%) at any time for US\$1,000,000.

#### h) Cross, U.S.A.

In May 2010, the Company acquired the right to earn a 100% interest in the Cross property located in Nevada, U.S.A. by meeting yearly lease payments starting at US\$15,000 and increasing to US\$30,000 until the Company exercises its option to buy the property with a single payment of US\$350,000. If the option to purchase the property is exercised, then the lease payments cease and will be replaced by advance NSR royalty payments of US\$50,000 per annum. The vendors will retain a 3% NSR royalty payable if the property is placed into commercial production. The Company can purchase a portion of the royalty (1%) at any time for US\$1,000,000.

#### i) Blue Ice, Canada

In June 2010, the Company acquired an option to earn a 100% interest in the Blue Ice 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 over a term of 36 months. The Company spent the committed \$25,000 exploration investment within 12 months of signing, made a property payment of \$25,000 and issued the first tranche of 50,000 shares to the vendors. The vendors retain a 2% NSR, one-half of which may be purchased by the Company at anytime for \$1,000,000. On June 30 2011 the Company abandoned the property.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

### 4. Exploration and Evaluation - *continued*

#### j) Keg, Canada

In May 2011, the Company acquired an option to earn a 100% interest in the Keg property located near Ashcroft, British Columbia. To earn its interest, the Company must make aggregate payments to the optionor of \$100,000 over four years as follows: \$10,000 upon signing (paid), \$10,000 six months after signing, and \$20,000 on each of the first, second, and third anniversaries of signing. The optionor retains a 1% NSR on the property.

#### k) Riddle, Canada

In May 2011, the Company acquired an option to earn a 100% interest in the Riddle property located near Pentiction, British Columbia. To earn its interest, the Company must make aggregate payments to the optionor of \$100,000 over four years as follows: \$10,000 upon signing (paid), \$10,000 six months after signing, and \$20,000 on each of the first, second, and third anniversaries of signing. The optionor retains a 1% NSR on the property.

### 5. Equipment

	Computer Equipment	Furniture and Fixtures	Equipment	Total
<b>Cost</b>				
Balance – January 1, 2010	\$ 97,446	\$ 74,182	\$ 59,823	\$ 231,451
Disposals	-	-	(59,823)	(59,823)
Balance – December 31, 2010	97,446	74,182	-	171,628
Additions	15,183	-	-	15,183
Balance – June 30, 2011	112,629	74,182	-	186,811
<b>Accumulated amortization</b>				
Balance – January 1, 2010	81,016	63,177	33,508	177,701
Additions	3,286	2,201	2,217	7,704
Disposals	-	-	(35,725)	(35,725)
Balance – December 31, 2010	84,302	65,378	-	149,680
Additions	2,125	881	-	3,006
Balance – June 30, 2011	86,427	66,259	-	152,686
<b>Net book value</b>				
As at January 1, 2010	\$ 16,430	\$ 11,005	\$ 26,315	\$ 53,750
As at December 31, 2010	\$ 13,144	\$ 8,804	\$ -	\$ 21,948
Balance – June 30, 2011	\$ 26,202	\$ 7,923	\$ -	\$ 34,125

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

### 6. Share Capital

The authorized share capital of the company consists of an unlimited number of common shares without par value.

#### a) Issued and outstanding:

	Shares	Amount
Balance – January 1, 2010	51,860,495	\$ 31,182,886
Private placement (i)	2,330,000	163,100
Private placement (ii)	4,000,000	280,000
Share issuance costs	-	(23,124)
Shares issued for property (Note 4i)	50,000	3,500
Balance – December 31, 2010	58,240,495	31,606,362
Private placement (iii)	1,090,000	163,500
Share issuance costs	-	(10,038)
Shares issued on exercise of warrants	3,367,428	402,591
Fair value of compensation warrants exercised (Note 6b)	-	1,374
Balance – June 30, 2011	62,697,923	\$ 32,163,789

- (i) 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.
- (ii) 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 legal costs of \$5,989 in respect of the placement.
- (iii) In April 2011, the Company completed a private placement consisting of 1,090,000 units at a price of \$0.15 per unit for gross proceeds of \$163,500. 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 \$0.18 per share until April 20, 2012, increasing to a price of \$0.25 per share until October 22, 2012. The Company paid finder's fees of \$4,320 and legal costs of \$5,718 in respect of the placement.

Gitennes Exploration Inc.

**Notes to Condensed Interim Consolidated Financial Statements**

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

**6. Share Capital - continued**

**b) Contributed Surplus**

Details are as follows:

Balance – January 1, 2010	\$ 1,023,742
Stock-based compensation	156,136
Fair value of compensation warrants issued (Note 6a)	<u>1,374</u>
Balance – December 31, 2010	1,181,252
Stock-based compensation	219,989
Fair value of compensation warrants exercised (Note 6a)	<u>(1,374)</u>
Balance – June 30, 2011	<u>\$ 1,399,867</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. Details of stock option activities are as follows:

	Number	Weighted Average Exercise Price
Balance – January 1, 2010	3,220,000	\$ 0.27
Granted	1,900,000	\$ 0.12
Expired	<u>(420,000)</u>	<u>\$ 0.45</u>
Balance – December 31, 2010	4,700,000	\$ 0.19
Granted	1,750,000	\$ 0.20
Expired	<u>(400,000)</u>	<u>\$ 0.40</u>
Balance – June 30, 2011	<u>6,050,000</u>	<u>\$ 0.18</u>

As at June 30, 2011, the Company had stock options outstanding entitling the holders to purchase common shares of the Company as follows:

Number	Exercise Price	Expiry Date
35,000	\$ 0.41	August 30, 2012
200,000	\$ 0.47	March 18, 2015
515,000	\$ 0.26	June 5, 2017
1,650,000	\$ 0.17	August 7, 2018
1,900,000	\$ 0.12	December 21, 2015
<u>1,750,000</u>	<u>\$ 0.20</u>	<u>April 13, 2016</u>
<u>6,050,000</u>		

The outstanding options have a weighted-average remaining life of 5.37 years. As at June 30, 2011, 5,825,000 of the outstanding options had vested and were exercisable at a weighted-average exercise price of \$0.18.

Gitennes Exploration Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

### 6. Share Capital – *continued*

#### d) Share-Based Compensation

During the period, the Company issued stock options to its directors, officers, employees, and service providers and estimated related share-based compensation as follows:

	2011	2010
Total options granted	1,750,000	-
Average exercise price	\$ 0.20	\$ -
Estimated fair value of compensation	\$ 234,383	\$ -
Estimated fair value per option	\$ 0.13	\$ -

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

	2011	2010
Risk-free interest rate	2.75%	-
Expected dividend yield	0.00%	-
Expected stock price volatility	86.88%	-
Expected option life in years	5.00	-

The Company has estimated that all outstanding stock options will vest. During the period, 1,525,000 (2010 – nil) options vested and the Company recognized \$219,989 (2010 - \$nil) in share-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.

Gitennes Exploration Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 6. Share Capital – *continued*

#### e) Warrants

Details of share purchase warrant activities are as follows:

	Number	Weighted Average Exercise Price
Balance – January 1, 2010	2,179,130	\$ 0.12
Granted	6,426,000	\$ 0.11
Balance – December 31, 2010	8,605,130	\$ 0.11
Issued	1,090,000	\$ 0.18
Exercised	(3,367,428)	\$ 0.12
Expired	(1,312,702)	\$ 0.12
Balance – June 30, 2011	5,015,000	\$ 0.12

As at June 30, 2011, the Company had share purchase warrants outstanding entitling the holders to purchase common shares of the Company as follows:

	Exercise Price	Expiry Date
3,925,000	\$ 0.10	June 25, 2012 (i)
1,090,000	\$ 0.18	October 22, 2012 (ii)
5,015,000		

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

(ii) Exercise price increases to \$0.25 on April 21, 2012.

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### 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 it is required to pay operating expenses or exploration and evaluation expenditures. 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.

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## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 8. Related Party Transactions

The aggregate value of transactions and outstanding balances relating to directors and key management personnel and entities over which they have control or significant influence are as follows:

- a) incurred \$nil (2010 - \$27,589) in legal fees and disbursements with Beach Hepburn LLP, a law firm in which a director of the Company was a partner. Accounts payable and accrued liabilities include \$nil (2010 - \$62,088) payable to this firm;
- b) incurred \$60,000 (2010 - \$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 \$31,800 (2010 - \$46,600) payable to this director;
- c) incurred \$18,500 (2010 - \$15,000) in financial consulting fees with the chief financial officer of the Company. Accounts payable and accrued liabilities includes \$nil (2010 - \$10,500) payable to this officer;
- d) received rent and office recoveries of \$3,000 (2010 - \$3,000) from Highwood Advisory Services Ltd., a company controlled by a director of the Company and \$7,500 (2010 - \$nil) from Invenio Resources Inc., a company with directors in common with the Company. Accounts receivable includes \$4,559 (2010 - \$597) due from these companies;
- e) during fiscal 2010, the Company received advances totalling \$65,000, from directors and officers, for working capital. The advances carried an interest rate of 8% per annum and were due on demand. The Company repaid principal and interest of \$30,000 during 2010. The balance of principal and interest totalling \$36,718 was repaid during the current period. A total of \$1,718 in interest was paid to the directors and officers over the term of the loan.

The terms and conditions of the transactions with directors and key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available for similar services, to management personnel on an arm's length basis.

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### 9. Marketable Securities

At June 30, 2011, the Company held 20,000 (2010 - 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 June 30, 2011 was \$2,500 (December 31, 2010 - \$7,000). The Company has recorded an unrealized loss of \$4,500 due to the change in fair value during the period.

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### 10. Commitment

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

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## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

### 11. Transition to International Financial Reporting Standards

The accounting policies in Note 2 to the Company's first IFRS condensed interim consolidated financial statements for the three months ended March 31, 2011 have been applied in preparing these condensed interim consolidated financial statements for the six months ended June 30, 2011, the comparative information for the six months ended June 30, 2010, and the balance sheet as December 31, 2010.

In preparing the comparative information for the six months ended June 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP.

IFRS 1 provides certain mandatory exceptions and optional exemptions to full retrospective application for first time adopters of IFRS. Details of the elections made by the Company in preparing these financial statements are included in Note 11 to the Company's March 31, 2011 condensed interim consolidated financial statements, which also include reconciliations of the assets, liabilities, shareholders' equity, comprehensive loss, and cash flows of the Company from those reported under Canadian GAAP to IFRS for January 1, 2010, December 31, 2010, and March 31, 2011.

A reconciliation of the Company's shareholders' equity and comprehensive loss, from those amounts previously reported under Canadian GAAP to IFRS, for the six months ended June 30, 2010 follows:

	June 30, 2010
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	
Total equity under Canadian GAAP	\$ 1,620,462
Effect of transition to IFRS:	
Deficit: Retrospective expensing of exploration and evaluation costs (i)	(1,690,944)
Total equity (deficiency) under IFRS	\$ (70,482)
<b>COMPREHENSIVE LOSS</b>	
Six Months Ended June 30, 2010	
Comprehensive loss under Canadian GAAP	\$ 936,242
Effect of transition to IFRS:	
Retrospective expensing of exploration and evaluation costs (i)	(652,417)
Comprehensive loss under IFRS	\$ 238,825

(i) - Exploration and evaluation assets – where IFRS permits the capitalization of certain exploration and evaluation expenditures under IFRS 6, *Exploration and Evaluation of Mineral Properties*, the Company has elected to expense its exploration and evaluation costs in the period incurred. Consequently, the Company has retrospectively expensed such costs previously capitalized under Canadian GAAP on the Transition Date with an adjustment to its opening deficit.

Gitennes Exploration Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2011

Canadian Funds

Unaudited

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### 12. Segmented Information

The company currently operates in only one operating segment, that being the mineral exploration industry. The Company is currently exploring properties located in Canada, the United States of America, and Peru.

2011	Canada		Peru		Total
Equipment	\$	34,125	\$	-	\$ 34,125

2010	Canada		Peru		Total
Equipment	\$	24,691	\$	1,332	\$ 26,023

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