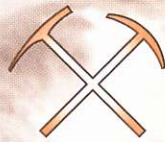


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Gitennes

Exploration Inc.



Gitennes

Exploration Inc. is a public company exploring for gold and base metals in Canada and Peru. Gitennes has two advanced properties that contain significant drill-indicated resources, and is actively exploring a mixed portfolio of gold, silver, zinc and copper prospects. Gitennes is known for its persistence in generating projects, its willingness to work in new exploration settings and its thorough, yet cost-effective approach to property exploration and development. Well-regarded and respected, Gitennes is committed to the mining industry both in Canada and abroad.

The Company is listed on the Toronto Stock Exchange (symbol GIT) and has its executive offices in Vancouver and a group of affiliated companies in Peru and Ecuador.



President's Message



On behalf of the Board of Directors, I am pleased to present your Company's Annual Report for the year ended December 31, 1999.

The past year witnessed the toughest market conditions in decades. At Gitennes we were blessed with a strong treasury as a result of last February's Virgen transaction with Cambior Inc. In an otherwise indifferent market, the Company has quietly carried on its business. We have explored, we have done deals and we have broadened our asset base.

Several highlights from the past year deserve special note:

- **Virgen Property** – Cambior spent US\$ 2.6 million in project development. In February 2000, Cambior opted to drop the Kori Pampa purchase option in lieu of making a second US\$ 2.5 million payment to Gitennes. Although we are disappointed to lose a senior development partner, it is fortunate to get an asset back in such an improved condition.
- **Newcrest Acquisition** – Last September, the Company acquired Newcrest Mining Limited's assets in Peru and Ecuador. This was largely an equity transaction, leaving Newcrest well leveraged to Gitennes' share price upside, and our Company's treasury intact. This has given a significant boost to our presence in Peru, broadening our technical base and strengthening our ability to recognize new exploration opportunities.



- **Nowyak Option** – In April, Gitennes signed an option agreement with Phelps Dodge Corporation of Canada, Ltd. on their holdings at Nowyak Lake, in Nunavut. Since late 1998, Gitennes had been looking at a number of possible property options. Subsequent exploration work defined targets for a drill programme in 2000.

Once again, we are cognizant of the precarious market conditions that still plague the mining industry globally. Your Board of Directors will continue to take whatever steps are necessary to encourage further growth and yield positive benefits to the Company.

We wish to thank our staff who bring their expertise, enthusiasm and continued best efforts to the Company. We also thank our shareholders for their continued commitment and support.

On behalf of the Board of Directors

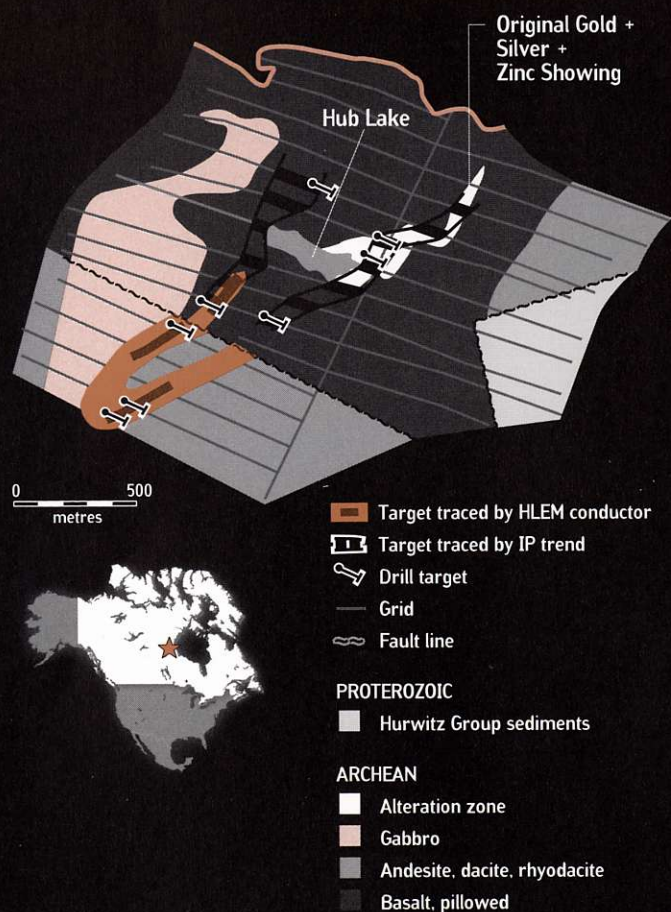
Jerry D. Blackwell
President

May 9, 2000

Canada

Noywak Option, Hub Lake Prospect, Nunavut

Gitennes Exploration Inc.
Phelps Dodge Corporation of Canada, Ltd.



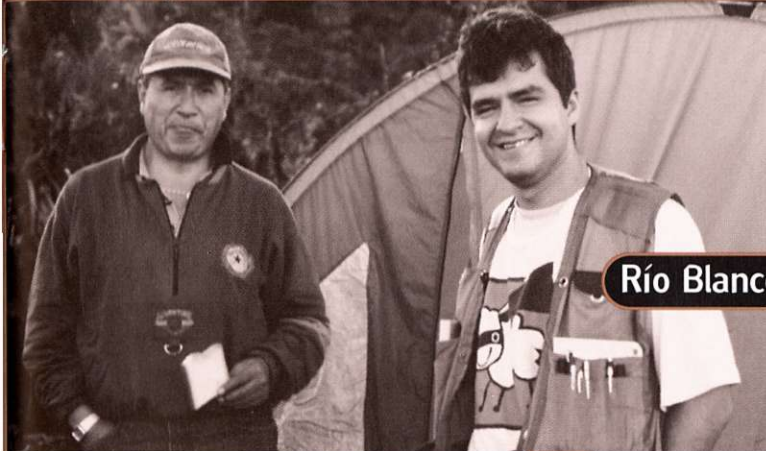
The Nowyak Option is situated in Nunavut, 330 kilometres southwest of Rankin Inlet. Gitennes can earn a 50% interest in the 17,495-acre property from Phelps Dodge Corporation of Canada, Ltd. Gitennes will vest its 50% interest in the property during 2000, and thereafter any further work will be in accordance with terms of a joint venture agreement. Phelps Dodge is project operator.

The Nowyak Property covers an area where prospectors collected mineralized boulders from felsenmeer (areas of frost-shattered rock) that returned strong assays, including 9.86, 19.69 and 20.31 g/t gold and up to 1,400 g/t silver and 9.1% zinc. This site is now known as the "Hub Lake Prospect."

During 1999, fieldwork was funded by Gitennes. Work commenced with an airborne geophysical survey and more prospecting, followed by detailed geological mapping, soil sampling and ground geophysical surveys at Hub Lake itself. This work outlined an Archean greenstone belt that is highly deformed. At Hub Lake, the volcanic units contain considerable quantities of quartz and pyrite, and are intensely altered to chloritoid, sericite, microcline and chert schists.

Gitennes is pleased with the progress made at Nowyak during 1999, and is satisfied with the defined drill targets. During May 2000, a drill programme will be completed at Hub Lake.

Peru



Río Blanco Property



Gitennes considers this estimate to be very preliminary, and subject to upward revision. The Antacori estimate is only for a restricted segment of the zone and includes only the top 100 metres of the primary ore type.

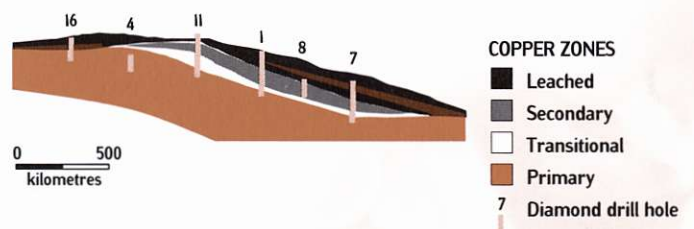
Drilling at Río Blanco is at an early stage of exploration and the overall size and grade of the original discovery is yet to be properly determined. Furthermore, strong gold and gold-copper geochemical anomalies have now been found extending to the southwest, beyond the area of drilling. Gitennes is encouraged with the exploration potential on the Río Blanco Property, and the prospect of discovering additional zones of mineralization.

The Río Blanco Property was acquired by Gitennes from Newcrest Mining Limited. Gitennes has a 40% interest. Our joint venture partner, Phelps Dodge Corporation must spend US\$ 15 million on exploration and development, plus deliver a pre-feasibility study. Three million dollars has reportedly been spent to date.

Río Blanco is a bulk-tonnage copper deposit located in northern Peru, on the border of Ecuador. Newcrest geologists discovered it in 1994. Cyprus Antacori (now Phelps Dodge) drilled eighteen diamond drill holes (spaced 200 to 700 metres apart) in 1997 and 1998. These drill holes outline a large deposit that is at least 1,300 by 1,800 metres in size at surface and down to depths of 400 metres below surface. Both secondary (oxide) and primary (protore) mineralization are present.

Antacori geologists have calculated an initial in-situ resource estimate for Río Blanco employing a 0.4% copper cut-off grade.

Cross Section of Mineralization Zones

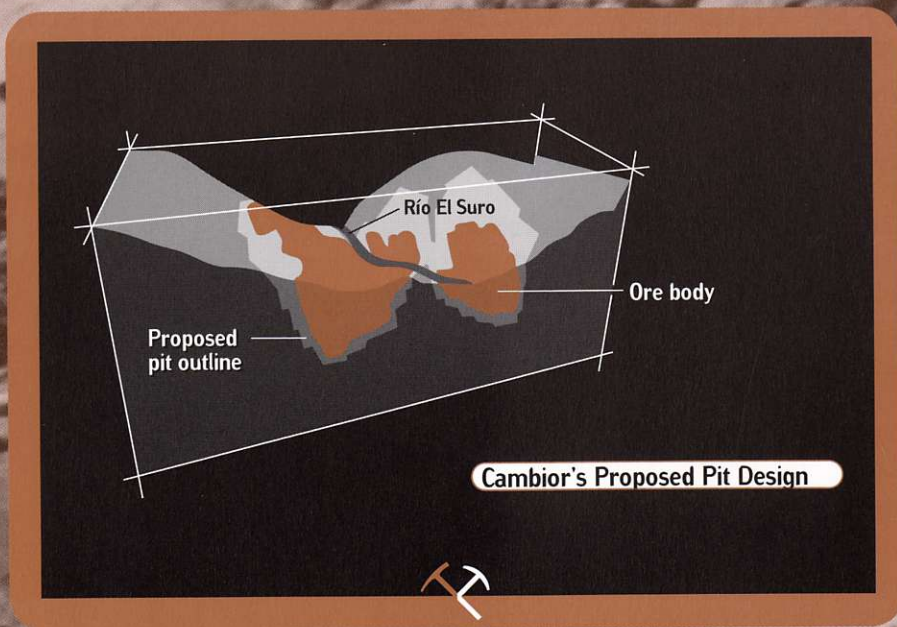


Ore Type	Tonnes	% Copper Grade
Secondary	50,000,000	1.04
Transition	53,000,000	0.48
Primary	200,000,000	0.54
Total	303,000,000	0.61

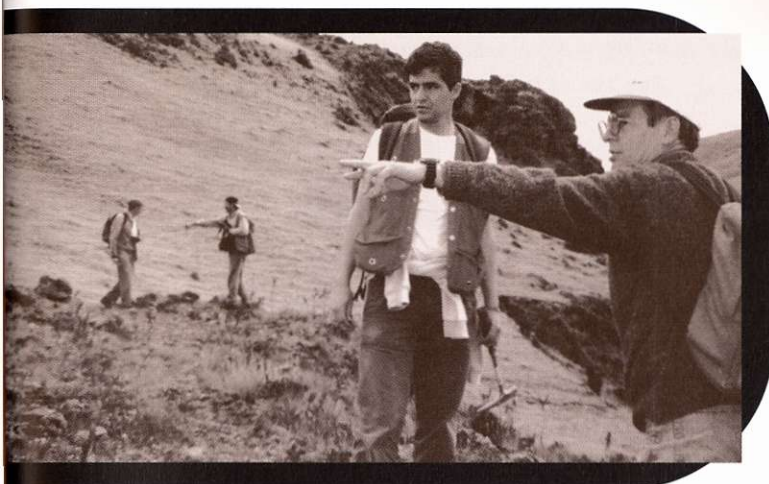
The resource estimate was done in-house by Cyprus Anticori personnel in Peru for a report on exploration activities for Río Blanco in 1998. Gitennes considers the estimate to lack sufficient reliability to form the basis for detailed mine planning.

Peru

Virgen Property



Cambior's Proposed Pit Design



The Virgen Property is a bulk tonnage gold deposit located 180 kilometres east of Trujillo in north-central Peru. On February 12, 1999 Gitennes sold its interest in the Virgen Property to Cambior Inc. and received its first installment of US\$ 2.5 million from Cambior. Under the terms of the purchase agreement, Cambior was required to make two more payments, including US\$ 2.5 million on February 12, 2000, to retain the Property. On February 10, 2000 Gitennes received notice from Cambior that they intended to terminate the agreement. Cambior has no retained interest in the Virgen Property.

During 1999 Cambior spent US\$ 2.6 million at Virgen, mostly on the Zona Río Suro. This is a deposit of oxide gold mineralization that was drilled by Gitennes between February 1997 and June 1998, then by Cambior from February to July 1999.

Cambior did considerable exploration and engineering work in preparation for a pre-feasibility study. This included diamond drilling, more metallurgical tests, geotechnical investigations, environmental monitoring and revised resource estimates. An engineering study was also completed on a proposed mining scenario whereby ore from Virgen would be trucked to a central heap leach facility located on Cambior's 100%-owned La Arena Property, 12 kilometres away.

The revised Zona Río Suro resource estimates calculated by Cambior show a marked increase over those previously released by Gitennes.

Category		Cambior	Previous
Measured	Tonnes	3,519,000	2,435,000
	Grade (g/t)	1.62	2.15
	Ounces Gold	184,000	168,400
Indicated	Tonnes	8,577,000	1,162,000
	Grade (g/t)	1.05	0.98
	Ounces Gold	290,000	36,500
Total	Tonnes	12,096,000	3,597,000
	Grade (g/t)	1.22	1.77
	Ounces Gold	474,000	204,900
Inferred	Tonnes	4,442,000	2,972,000
	Grade (g/t)	0.86	1.71
	Ounces Gold	123,000	163,900

The resource estimate by Cambior was done in-house in 1999 by Cambior personnel in Peru and Montreal, using mineral resources guidelines defined by the *Ad Hoc Committee Report on Mineral Resources and Reserves, Definitions and Guidelines* (CIM 1999).

Zona Río Suro is one of several gold zones present on the Virgen Property. Currently it is the only zone with sufficient detailed work to permit a resource calculation. The Cambior resource estimate was prepared in-house by their engineering department. Gitennes is now reviewing Cambior's data. The Río Suro drilling revealed that high grade mineralization is more extensive north of the river, and expanded several areas of lower grade mineralization. It also suggests that more drilling could reveal additional mineralized structures. Cambior's focus was on the Río Suro deposit with very limited exploration on other targets. This leaves the property open for further exploration.

Gitennes is now planning a follow-up programme of exploration for the Property. Our intention is to either undertake this programme ourselves, or bring in a new earn-in partner under terms favourable to Gitennes and its affiliates.



Peru

Río Seco Property

During 1999 Gitennes continued its reconnaissance exploration work in Peru. This led to the discovery and staking of the 3,400-hectare Río Seco Property in November 1999. Río Seco is in the Peruvian coastal desert, within 15 kilometres of the Pan American Highway and a principal electrical power grid line.

The targets at Río Seco occur in a deformation zone within Cretaceous-age Casma Group intermediate volcanic rocks. The main prospect, "Zona La Sed," is exposed at the toe of a hill, partially covered over by drifting sand and a desert pavement of wind-polished boulders and hard-packed grit. Here mineralization is exposed over a 45- by 90-metre area, occurring as lenses and beds of massive, fine-grained pyritic tuff and porphyry associated with sericite, potassium feldspar, barite and silica alteration. A trench dug across the showing returned strongly anomalous gold values of 200 to 1,600 ppb. A second, very similar zone of alteration and strong deformation is found 700 metres northwest. This second zone is called "Zona Hielo." A valley filled with sand and gravel covers the area between La Sed and Hielo. Recently completed IP, HLEM and magnetometer surveys detected the zones across the gravel-filled valley. Based upon the geology and geophysics it is possible that the two showings are one continuous target.

In order to test the prospect, a drill programme is planned once permitting is in place. The Company also plans to continue its regional exploration programme in this belt during 2000, in hopes of finding additional gold and base metal targets.

Azul Property

Azul is an early-stage gold exploration property located 390 kilometres northeast of Lima, in the selva or jungle-covered edge of the Amazon Basin in eastern Peru. Gitennes explored Azul in joint venture with Navigator Exploration Corp. starting in late 1997 and continuing through 1998 and early 1999.

During the first half of 1999, exploration crews continued the programme of detailed soil and rock-chip sampling on the Negro and Yuyapichis targets, and began prospecting and sampling ventures

into two new areas on the property. These programmes were successful in further delineating several low grade, bulk tonnage gold targets.

Owing to continued dismal bullion prices and the high cost of exploration in this area both Navigator and Gitennes have agreed to terminate the joint venture and abandon Azul with no further work planned.

Other Initiatives in Peru

Gitennes maintains an office in Lima and continues to seek new opportunities in Peru. The Newcrest acquisition is one such example of corporate initiative. The acquisition brought in not only the Río Blanco porphyry copper deposit interest, but also several grassroots properties and a major, proprietary regional exploration database.

Of the grassroots properties, one was an option to earn a 51% interest in the Picomachay Gold Project owned by Queenstake Resources Ltd. This option was terminated in October 1999 so as to avoid an unwarranted commitment to an expensive 2000 field programme. Gitennes did no work here prior to termination. The Company will evaluate two other ex-Newcrest gold properties during 2000.

Despite having been active in Peru since 1996, Gitennes' success on projects such as Virgen did limit our exploration knowledge of the rest of country. Unlike Canada, most exploration information is in the private sector and not widely available. The Newcrest transaction has provided the Company with a fresh opportunity. The purchase includes a large, countrywide technical database, exploration files, libraries, and reference materials. Of particular interest to the Company is the "frontier" exploration data. This includes difficult-to-reach areas in northern Peru near the Ecuadorian border, south and central segments of the high Andes, and the eastern foothills of the Andes and adjacent Amazon basin. These areas cover little known belts that have long been thought prospective for lead-zinc, copper-gold and gold-silver deposits. Gitennes intends to joint venture a series of prospecting expeditions into the areas of interest, and is currently searching for suitable partners.

Management Discussion and Analysis of Operating Results

General • Gitennes Exploration Inc. is a Canadian-based mineral exploration company operating in North and South America. The Company was formed on May 12, 1993 as the result of an amalgamation between Gitennes Exploration Inc. and Marmora Mineral Products Inc. The South American operations of the Company are conducted through a number of wholly owned subsidiaries principally in Peru. The Company also owns a 40% interest in Río Blanco Exploration LLC, which owns the Río Blanco Property.

Year ended December 31, 1999 compared to year ended December 31, 1998 • A loss of \$1,485,905 was recorded for the year ended December 31, 1999 compared with a loss of \$8,654,992 for the year-end December 31, 1998. The principal reason for the smaller loss in 1999 over 1998 is the write-off of mineral properties. The 1999 write-off was \$347,117 compared with a 1998 write-off of \$7,401,899.

The write-off for mineral properties varies from year to year, depending on when management decides to dispose of or abandon properties which it believes have limited further exploration potential. The 1999 write-off was \$347,117 comprising costs associated with the Azul Property. The 1998 write-off consisted of \$5,427,199 for the Virgen and other Peruvian properties along with \$858,688 for the TQY Property, \$1,084,645 for the Fishhook Lake Property, and \$31,367 for other projects.

The 1998 write down for the Peruvian properties, except the Azul property, was made because of the sale of Compañía Minera Kori Pampa S.A. (the company which held the properties) to Cambior Inc. The properties were written down to reflect the anticipated proceeds of US\$ 7,000,000. Other items affecting the changes between the loss for 1999 and 1998 were: a reduction in 1999 administrative costs of \$305,252, and an increase in general exploration costs from \$20,522 in 1998 to \$195,803 in 1999. Interest income in 1999 was reduced by \$18,078 over 1998, reflecting smaller cash balances for investment purposes.

Liquidity and Capital Resources • The Company is in the business of exploring early and advanced stage mineral properties and therefore has no regular source of income other than interest income earned on funds invested in short-term deposits. To date, the Company has financed its activities through the public and private placement of shares, the exercise of stock options and cash proceeds from the disposition of selected mineral property interests.

During the year, the Company acquired from Newcrest Mining Limited their property interests in Peru and Ecuador. The Company paid US\$ 90,000 in cash and issued 1,000,000 common shares and 1,000,000 share purchase warrants.

At December 31, 1999, the Company had a working capital of \$1,508,111 consisting of cash of \$1,491,193, marketable securities of \$5,950, miscellaneous accounts receivables of \$88,647, less accounts payable of \$77,779. On February 12, 1999, the Company received the first installment of US\$ 2,500,000, from the sale of Compañía Minera Kori Pampa S.A. to Cambior Inc. The Company was advised by Cambior on February 10, 2000 that Cambior had elected to terminate the option agreement and would not make the second and third installments. Under the terms of the agreement, the Virgen concessions will be transferred back to the Company. The Company anticipates the cash on hand at December 31, 1999 of \$1,491,193 will be adequate to fund its exploration programs and administrative costs during 2000.

The year 2000 (Y2K) issue • The Y2K issue relates to the potential for errors arising from the computers and electronic timing devices at the turn of the century. The Company has not experienced any adverse effects of the Y2K issue and will continue to monitor its computer systems throughout 2000 and into 2001.

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 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
Director

March 17, 2000

Auditors' Report

To the Shareholders of Gitennes Exploration Inc.

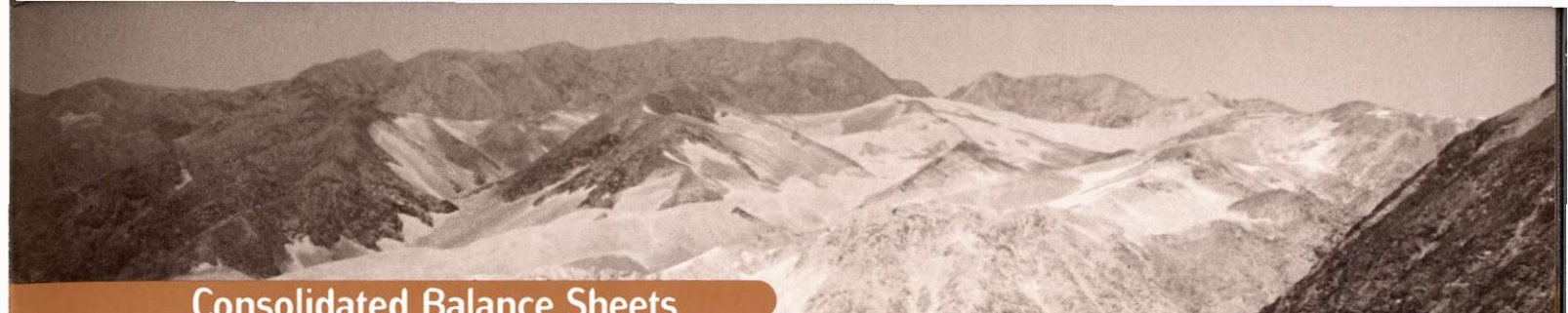
We have audited the consolidated balance sheets of Gitennes Exploration Inc. as at December 31, 1999 and 1998 and the consolidated statements of loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, B.C.
March 17, 2000



Consolidated Balance Sheets

As at December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,491,193	\$ 107,986
Marketable securities	5,950	21,000
Accounts receivable	88,647	37,173
	<u>1,585,790</u>	<u>166,159</u>
Capital assets (note 4)	190,835	285,634
Mineral properties (note 5)	<u>7,551,290</u>	<u>10,432,313</u>
	<u>\$ 9,327,915</u>	<u>\$ 10,884,106</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5(b))	<u>\$ 77,779</u>	<u>\$ 373,065</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 6)	24,555,093	24,330,093
Deficit	<u>(15,304,957)</u>	<u>(13,819,052)</u>
	<u>9,250,136</u>	<u>10,511,041</u>
	<u>\$ 9,327,915</u>	<u>\$ 10,884,106</u>

Approved by the Board of Directors



Jerry D. Blackwell
Director



Lyle R. Hepburn
Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Loss and Deficit

For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Interest income	\$ 89,589	\$ 107,667
Expenses		
Amortization and depreciation	34,928	49,691
Audit, accounting, legal and professional fees	206,910	235,169
Filing, transfer fees and investor relations	102,857	186,960
General exploration	195,803	20,522
Interest and bank charges	6,753	5,135
Office rent, utilities and miscellaneous	114,383	333,992
Salaries and benefits	395,097	356,431
Travel	57,769	56,571
	<u>1,114,500</u>	<u>1,244,471</u>
	(1,024,911)	(1,136,804)
Other		
Write-down of marketable securities	(15,050)	(44,623)
Write-off of capital assets	(8,298)	-
Write-off of mineral properties (note 5)	(347,117)	(7,401,899)
Foreign exchange loss	(90,529)	(71,666)
	<u>(1,485,905)</u>	<u>(8,654,992)</u>
Loss for the year	(1,485,905)	(8,654,992)
Deficit – Beginning of year	(13,819,052)	(5,164,060)
Deficit – End of year	<u>\$ (15,304,957)</u>	<u>\$ (13,819,052)</u>
Loss per share	<u>\$ (0.06)</u>	<u>\$ (0.33)</u>
Weighted average number of shares outstanding	<u>26,603,776</u>	<u>26,235,266</u>

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Loss for the year	\$ (1,485,905)	\$(8,654,992)
Items not affecting cash		
Amortization and depreciation	34,928	125,816
Write-down of marketable securities	15,050	44,623
Write-off of capital assets	8,298	-
Write-off of mineral properties	347,117	7,401,899
	<u>(1,080,512)</u>	<u>(1,082,654)</u>
Changes in non-cash working capital items	<u>(431,447)</u>	<u>(211,626)</u>
	<u>(1,511,959)</u>	<u>(1,294,280)</u>
Cash flows from financing activities		
Issuance of common shares	-	560,400
Cash flows from investing activities		
Acquisition payments and expenditures on mineral properties	(726,247)	(6,823,656)
Recoveries on mineral properties	113,981	272,810
Payments to acquire capital assets	(7,470)	(58,781)
Payments to acquire subsidiaries and other – net of cash acquired (note 3)	(235,098)	-
Proceeds from sale of subsidiary – net of cash disposed (note 5(b))	3,750,000	-
Proceeds from sale of marketable securities	-	43,127
	<u>2,895,166</u>	<u>(6,566,500)</u>
Increase (decrease) in cash and cash equivalents	1,383,207	(7,300,380)
Cash and cash equivalents – Beginning of year	<u>107,986</u>	<u>7,408,366</u>
Cash and cash equivalents – End of year	<u>\$ 1,491,193</u>	<u>\$ 107,986</u>
Supplemental cash flow information (note 12)		

The accompanying notes are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

December 31, 1999 and 1998

1 Nature of operations

The Company is in the process of exploring and developing several mineral properties in Canada and Peru and has not yet determined whether these properties contain economic reserves.

The amounts shown for mineral properties represent costs incurred to date less write-downs and write-offs and do not necessarily reflect present or future values. The recovery of these amounts depends upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the properties, and any future profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

2 Accounting policies

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Castle Keep Ltd., Compañía Minera Kori Rumi S.A., Compañía Minera Kori Playa S.A., Minera Newcrest Perú S.A. (now renamed Gitennes Exploraciones Perú S.A.), Minera Mincrest S.A., and Minera Newcrest Ecuador S.A. The Company proportionately consolidates its 40% interest in Río Blanco Exploration LLC which is represented by the Company's interest in the Río Blanco mineral property (note 5).

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 period. Actual results could differ from those estimates.

Cash and cash equivalents

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

Marketable securities

Marketable securities are recorded at the lower of cost and quoted market value.

Capital assets

Capital assets are recorded at cost less accumulated amortization and depreciation, which is calculated on a declining-balance basis in Canada and a straight-line basis in Peru at the following annual rates:

Computer equipment	20%
Furniture and fixtures	10% - 20%
Machinery and equipment	20% - 30%
Technical database	24 months

Mineral properties

The costs of acquiring mineral properties and related exploration and development 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 revenue.

The acquisition of title to mineral properties is a detailed and time-consuming process. Although the Company has taken every precaution to ensure that legal title to its properties is properly recorded in the name of the Company,

there can be no assurance that such title will ultimately be secured.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available in its properties. Senior management annually reviews the carrying values of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

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 loss 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.

Loss per share

Loss per share has been calculated based on the weighted average number of shares outstanding during the year. Fully diluted loss per share has not been calculated since the exercise of options and warrants is anti-dilutive.

Stock-based compensation

The Company has a fixed stock option plan as described in note 6. No compensation expense is recognized when stock or stock options are issued to directors and employees. Any consideration paid by directors and employees on exercise of stock options or purchase of shares is credited to capital stock.

3 Acquisition

On August 31, 1999, the Company acquired, from Newcrest Mining Limited (Newcrest), a public company quoted on the Australian and Berlin Stock Exchanges, Newcrest's interests in Peru and Ecuador. The Company paid US\$ 90,000 in cash and issued 1,000,000 common shares and 1,000,000 common share purchase warrants (note 6(d)).

Assets acquired include the shares, properties, database and fixtures of four Newcrest affiliates as follows:

- 40% interest in Río Blanco Exploration LLC (a limited liability company incorporated in Colorado), which holds the Río Blanco mineral property (note 5(c));
- 100% interest in Minera Newcrest Ecuador S.A., a company with an unexplored landholding in Ecuador along strike from Río Blanco in neighbouring Peru;
- 100% interest in Compañía Minera Newcrest Perú S.A.; and
- 100% interest in Compañía Minera Mincrest S.A.

The acquisition has been accounted for as a purchase and the fair value ascribed to the net assets acquired and the purchase consideration are set out below:

Net assets acquired	
Interest in Río Blanco mineral property	\$ 332,792
Non-cash working capital	(6,755)
Technical database	134,061
	<u>\$ 460,098</u>
Purchase consideration	
Cash, including transaction costs	\$ 235,098
Common shares	200,000
Warrants	25,000
	<u>\$ 460,098</u>

Notes to Consolidated Financial Statements

4 Capital assets

	1999		1998	
	Cost	Accumulated amortization and depreciation	Net	Net
Computer equipment	\$ 64,624	\$ 33,031	\$ 31,593	\$ 81,634
Furniture and fixtures	68,501	29,170	39,331	51,736
Machinery and equipment	6,193	3,843	2,350	-
Technical database	134,061	16,500	117,561	152,264
	<u>\$ 273,379</u>	<u>\$ 82,544</u>	<u>\$ 190,835</u>	<u>\$ 285,634</u>

5 Mineral properties

	Azul	Virgen	Río Blanco	Nowyak	Other	Total
December 31, 1997	\$ 162,403	\$ 9,179,091	\$ -	\$ -	\$ 1,941,872	\$11,283,366
Acquisition costs	-	556,162	-	-	-	556,162
Deferred expenditures	396,857	5,869,176	-	-	1,461	6,267,494
Recoveries	(272,810)	-	-	-	-	(272,810)
Written off in the year	(31,367)	(5,427,199)	-	-	(1,943,333)	(7,401,899)
December 31, 1998	255,083	10,177,230	-	-	-	10,432,313
Acquisition costs	-	-	332,792	15,865	-	348,657
Deferred expenditures	200,071	-	-	443,295	67,016	710,382
Recoveries	(108,037)	(3,478,964)	-	(5,944)	-	(3,592,945)
Written off in the year	(347,117)	-	-	-	-	(347,117)
December 31, 1999	\$ -	\$ 6,698,266	\$ 332,792	\$ 453,216	\$ 67,016	\$ 7,551,290

Deferred expenditures

	1999			1998		
	Azul	Nowyak	Other	Azul	Virgen	Other
Aircraft charter	\$ 52,197	\$ -	\$ -	\$ 20,957	\$ 88,585	\$ -
Amortization and depreciation	-	-	-	-	76,125	-
Assays	-	704	9,109	41,292	433,973	-
Camp	8,578	-	2,806	8,809	182,147	-
Communications	3,763	26	-	8,900	85,427	-
Consulting geology	2,380	204,965	12,228	117,637	717,646	-
Diamond drilling	-	-	-	-	2,121,236	-
Equipment rentals	5,966	-	-	13,609	234,966	-
Fuel and lubricants	2,640	-	1,073	-	121,598	-
Geophysics	-	191,935	27,392	-	59,532	-
Other	25,545	6,432	1,864	48,331	442,949	1,461
Salaries	51,404	-	2,287	-	110,211	-
Security	-	-	-	-	36,272	-
Supplies	5,931	190	-	32,211	368,704	-
Tenure	24,537	39,043	4,754	56,774	25,423	-
Topographic survey	53	-	-	-	-	-
Travel	3,550	-	-	2,090	57,284	-
Underground tunnelling	-	-	-	-	230,897	-
Value added tax	13,527	-	5,503	6,768	476,201	-
Wages	-	-	-	39,479	-	-
	<u>\$ 200,071</u>	<u>\$ 443,295</u>	<u>67,016</u>	<u>\$ 396,857</u>	<u>\$ 5,869,176</u>	<u>1,461</u>
Total for the year			<u>\$ 710,382</u>			<u>\$ 6,267,494</u>

Notes to Consolidated Financial Statements

5 Mineral properties continued

a) Azul property, Peru

The Company is party to a joint venture agreement with Navigator Exploration Corporation to explore the Azul property and the surrounding area in Peru. During the year ended December 31, 1999, the Company decided to abandon its interest in the Azul property and accordingly has recorded a write down of \$347,117.

b) Virgen and other properties, Peru

On December 1, 1998, the Company entered into an option agreement to sell, for consideration of cash payments and a retained royalty interest, a 100% interest in Compañía Minera Kori Pampa S.A. (Kori Pampa) to Cambior Inc. (Cambior). Kori Pampa, a company registered in the Republic of Peru, is the beneficial owner of mineral rights to 23 concessions consisting of the Virgen and other properties.

Under the option agreement, which closed on February 12, 1999, the Company was to receive cash payments totalling US\$ 7,000,000 plus participation payments based on mineral production. The cash payments were to be paid in three instalments of US\$ 2,500,000 on February 12, 1999, US\$ 2,500,000 on February 12, 2000 and a final US\$ 2,000,000 on February 12, 2001. The value of the Virgen and other properties was written down at December 31, 1998, to reflect the anticipated proceeds of US\$ 7,000,000.

On February 12, 1999, the Company received the initial cash instalment of US\$ 2,500,000. On February 10, 2000, the Company received notice from Cambior, that Cambior had elected to terminate the option agreement and not make the second or third payments. Under the terms of the agreement, the Virgen concessions, but not Kori Pampa, will be transferred back to the Company.

The allocation of the proceeds to the net assets disposed is as follows:

Proceeds from sale of subsidiary	\$ 3,750,000
Net assets disposed	
Non-cash working capital	77,932
Capital assets	193,104
	<u>347,117</u>
Recovery against Virgen mineral property	<u>\$ 3,478,964</u>

In connection with the option agreement, Cambior advanced the

Company an interim loan of Cdn. \$250,000 which was included in accounts payable and accrued liabilities at December 31, 1998, and was repaid on February 12, 1999.

c) Río Blanco, Peru

The Río Blanco property is a copper project in northern Peru. The property is held by Minera Coripacha S.A., a wholly owned Peruvian subsidiary of Río Blanco Exploration LLC in which Gitennes has a 40% interest. The remaining 60% is held by Phelps Dodge Corporation (Phelps Dodge). Under the terms of the Río Blanco Exploration LLC company agreement, Phelps Dodge, as project manager, is required to spend US\$ 15,000,000 (US\$ 3,000,000 spent to date) on exploration and development of the property and deliver a pre-feasibility study. Upon fulfilling this requirement, Gitennes will be required to fund its 40% of future expenditures or face pro-rata dilution.

d) Nowyak property, Canada

The Nowyak property is composed of 11 claims (17,495 acres), and is located in Nunavut, 330 kilometers southwest of Rankin Inlet. On June 1, 1999, the Company entered into an option agreement with Phelps Dodge Corporation of Canada, Ltd. to earn up to 50% interest in the property by spending \$650,000 over a two-year period.

As of December 31, 1999, the Company had spent \$439,395 on the property, fulfilling its first year commitment. By spending an additional \$210,605 by June 1, 2001 the Company will earn its 50% interest.

e) Other

During the year ended December 31, 1998, management reassessed the carrying value of the Fishhook Lake and TQY properties in the Northwest Territories, Canada. Although a number of the claims are in good standing until 2003, based on current metal prices and exploration results to date, a write down of \$1,943,333 was recorded.

During the year ended December 31, 1999, \$54,755 in exploration and development expenditures were incurred on the Río Seco property in Peru.

6 Capital stock

a) Authorized

An unlimited number of common shares without par value

b) Issued and outstanding

	1999		1998	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance – Beginning of year	26,255,831	\$24,330,093	25,835,831	\$23,769,693
Exercise of options	–	–	420,000	560,400
Issued for mineral properties (note 3)	1,000,000	200,000	–	–
Balance – End of year	<u>27,255,831</u>	<u>24,530,093</u>	<u>26,255,831</u>	<u>24,330,093</u>
Warrants				
Balance – Beginning of year	–	–	–	–
Granted for mineral properties (d)	1,000,000	25,000	–	–
Balance – End of year	<u>1,000,000</u>	<u>25,000</u>	<u>–</u>	<u>–</u>
Total capital stock and warrants		<u>\$24,555,093</u>		<u>\$24,330,093</u>

Notes to Consolidated Financial Statements

6 Capital stock continued

c) Stock options

The Company has a fixed stock option plan. Under the terms of the plan, the Company may grant options to its directors, employees

and other service providers, for up to 3,400,000 shares. The exercise price per share and the vesting period under the plan are determined by the Board of Directors.

A summary of the status of the outstanding stock options as at December 31, 1999 and 1998 and changes during the years then ended is as follows:

	1999		1998	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – Beginning of year	1,524,000	\$ 2.00	1,734,000	\$ 3.60
Granted	1,040,000	0.27	535,000	2.80
Exercised	–	–	(420,000)	1.33
Cancelled	(729,000)	0.95	(325,000)	3.09
Outstanding – End of year	1,835,000	\$ 1.64	1,524,000	\$ 2.00
Options exercisable – End of year	1,765,000	\$ 1.70	1,524,000	\$ 2.00

The following summarizes information about stock options outstanding at December 31, 1999:

Expiry date	Number of shares	Weighted average exercise price
January 10, 2000	60,000	\$ 2.80
May 7, 2000	400,000	2.80
May 16, 2000	50,000	2.80
August 8, 2000	100,000	2.80
May 4, 2003	840,000	0.27
March 31, 2008	385,000	2.80
	<u>1,835,000</u>	<u>\$ 1.64</u>

d) Warrants

During the year ended December 31, 1998, 2,000,000 share purchase warrants expired without being exercised.

During the year ended December 31, 1999 in connection with the acquisition described in note 3, the Company issued 1,000,000 share purchase warrants exercisable into common shares at a price of \$0.45 per share until February 29, 2001. These warrants were assigned a value of \$25,000.

7 Income taxes

At December 31, 1999, the Company had approximately \$2,742,508 (1998 – \$2,628,683) of unused cumulative Canadian exploration and development expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available for carryforward indefinitely.

At December 31, 1999, the Company had non-capital losses of approxi-

mately \$3,212,718 (1998 – \$2,705,070) available for offset against future taxable income, expiring as follows:

2000	\$ 191,685
2001	342,207
2002	345,973
2003	380,075
2004	680,034
2005	635,387
2006	637,357
	<u>\$3,212,718</u>

The potential benefit of these losses has not been reflected in these consolidated financial statements.

8 Contingencies and commitments

- On May 16, 1997, the Board of Directors of the Company adopted a shareholder rights plan whereby each shareholder, in the event of a takeover bid or change-in-control transactions involving the acquisition of 20% or more of the Company's voting shares, has the right, for each common share held, to purchase from the Company for an exercise price, of currently \$30, that number of shares having an aggregate market value equal to twice the exercise price. Until such time as a triggering bid for control occurs, the right will expire on May 16, 2000, unless the Board of Directors proposes to extend the period for three years and the shareholders so approve.
- The Company has an agreement to lease office space until 2002, with an annual lease commitment of approximately \$25,000.

Notes to Consolidated Financial Statements

9 Related party transactions

During the year ended December 31, 1999, the Company incurred \$76,769 (1998 - \$51,306) in legal fees to a law firm in which a partner is a director of the Company.

As at December 31, 1999, accounts payable and accrued liabilities include \$nil (1998 - \$15,000) due to a law firm in which a partner is a director of the Company.

10 Financial instruments

At December 31, 1999, the recorded amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values based on the short-term nature of those instruments. The carrying amount for marketable securities has been written down to the quoted market value, at December 31, 1999, which approximates their fair value.

11 Segmented information

The Company operates within a single operating segment, which is mineral exploration and development. All interest income is earned in Canada. Geographic segmentation of capital assets and mineral properties is as follows:

	1999		1998	
	Capital assets	Mineral properties	Capital assets	Mineral properties
Canada	\$ 66,428	\$ 453,216	\$ 80,467	\$ -
Peru	124,407	7,098,074	205,167	10,432,313
	<u>\$ 190,835</u>	<u>\$ 7,551,290</u>	<u>\$ 285,634</u>	<u>\$ 10,432,313</u>

12 Supplemental cash flow information

During the years ended December 31, the Company conducted non-cash financing and investing activities as follows:

	1999	1998
Non-cash financing activities		
Shares issued for mineral properties	200,000	-
Warrants issued for mineral properties	25,000	-
	<u>225,000</u>	<u>-</u>
Non-cash investing activities		
Mineral properties acquired through issue of shares and warrants	225,000	-

Corporate Information

Officers and Directors

Jerry D. Blackwell, President, C.E.O. & Director

James R. Foster, Vice-President

Lyle R. Hepburn, Director

Edmund T. Kimura, Director

Kenneth Booth, Director

J. Frank Bradley, Corporate Secretary & C.F.O.

Executive Office

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Peruvian Subsidiary Companies

Compañía Minera Kori Rumi S.A.

Compañía Minera Kori Playa S.A.

Gitennes Exploraciones Perú S.A.

Minera Mincrest S.A.

Río Blanco Exploration LLC (40% interest)

Juan José Calle 380

Urb. La Aurora; Miraflores, Lima-Perú

Tel: 51-1-241-5714

Fax: 51-1-242-0679

Capitalization

Authorized: Unlimited

Issued Capital: 27,255,831

Fully Diluted: 30,650,831

May 9, 2000

Legal Counsel

Beach, Hepburn

Barristers & Solicitors

Suite 1000, 36 Toronto Street

Toronto, Ontario

Canada M5C 2C5

Transfer Agent

Montreal Trust Company of Canada

Suite 800, 151 Front Street West

Toronto, Ontario

Canada M5J 2N1

Auditors

PricewaterhouseCoopers LLP

1111 West Hastings Street

Vancouver, British Columbia

Canada V6E 3R2



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GITENNES EXPLORATION INC.
Consolidated Statement of Cash-Flows
For the Nine Months Ended September 30, 2000 and 1999.

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$(567,056)	\$(682,849)
Non cash items		
Depreciation and amortization	<u>55,565</u>	<u>8,112</u>
	(511,491)	(674,737)
 Changes in non-cash working capital		
	<u>23,006</u>	<u>(249,057)</u>
	<u>(488,485)</u>	<u>(923,794)</u>
 CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of fixed assets	-	<u>4,206</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of subsidiary	-	3,750,000
Expenditures on mineral properties	(338,674)	(683,987)
Payments to acquire capital assets	-	(7,470)
Payments to acquire subsidiaries and other-net of cash acquired	-	<u>(235,098)</u>
	<u>(338,674)</u>	<u>2,823,445</u>
 (Decrease) increase in cash	(827,159)	1,903,857
 Cash and cash equivalents- Beginning of period	1,491,193	<u>107,986</u>
Cash and cash equivalents- End of period	<u>\$664,034</u>	<u>\$2,011,843</u>

CORPORATE INFORMATION AND DIRECTORY

Officers and Directors

Jerry D. Blackwell	President, CEO & Director
Lyle R. Hepburn	Director
Edmund T. Kimura	Director
Kenneth Booth	Director
J.Frank Bradley	Corporate Secretary and CFO
James R. Foster	Vice-President

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Affiliated Companies in Peru

Compañía Minera Kori Rumi S.A.
Gitennes Exploraciones Perú S.A.
Compañía Minera Seis Rios S.A.

Juán José Calle 380
Urb. La Aurora, Miraflores
Lima, Perú
Telephone: 511-241-5714
Facsimile: 511-242-2679

Capitalization

Authorised: Unlimited
Issued Capital: 27,455,831
Fully Diluted: 30,130,831
November 10, 2000

Legal Counsel

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Transfer Agent

Montreal Trust Company of Canada
Suite 800, 151 Front Street West
Toronto, ON M5J2N1 Canada

Gitennes
exploration | inc.

2000
Third Quarter Report

MESSAGE TO THE SHAREHOLDERS:

The third quarter of 2000 has brought an exciting new development to Gitennes. On September 27th the Company announced the Fox Option, a 1500-hectare property located near Merritt, British Columbia. Upon entering into the option, crews began staking additional claims in the area. This has increased Gitennes holdings to approximately 65 square kilometers of highly prospective ground.

On Oct 17th the Company released initial assay results, which ranged from 5.62% to 19.75% zinc and 0.38% to 1.58% copper, associated with good tenor gold and silver. This polymetallic mineralization is hosted within the "Western Facies" member of the Triassic Nicola Group; a volcanic sequence that has been explored mostly for large tonnage copper-gold deposits. This discovery of zinc-rich massive sulphide mineralization is a new and exciting development here, and opens-up new possibilities. The highly developed local infrastructure, the region's mining legacy, and a further tightening of world zinc inventories make the Fox an intriguing and compelling grassroots exploration project.

Gitennes continues to explore in Peru, though on a reduced basis. Many factors contribute to the slowdown, ranging from continued depressed metal prices and lackluster equity markets to the political turmoil within Peru and the recently enacted changes to the Peruvian mining laws. Most important though is that Gitennes has been unable to secure a satisfactory transfer of the title to the Virgen Property from Cambior Inc.'s Peruvian affiliate, Compañia Minera Kori Pampa S.A. This is owing to a dispute between Kori Pampa and the original owners of the property. Several legal actions have now been initiated in Peru to enforce the agreements. Progress, however, remains slow. Gitennes has deferred its plans to drill the Rio Seco Property until 2001. The Company will continue with project evaluations and acquisitions that are identified through our Lima staff and consultants.

On behalf of the Board of Directors, I wish to thank you for your interest and continued support.

Jerry Blackwell, President

GITENNES EXPLORATION INC.
Consolidated Balance Sheets
as at September 30, 2000 and 1999
(Unaudited)

	2000	1999
ASSETS		
Current assets		
Cash	\$ 664,034	\$2,011,843
Accounts receivable	19,870	36,166
Marketable securities	<u>5,950</u>	<u>21,000</u>
	689,854	2,069,009
Capital assets	135,270	165,090
Mineral properties (note)	<u>7,889,963</u>	<u>7,924,591</u>
	<u>\$ 8,715,087</u>	<u>\$10,158,690</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 32,008</u>	<u>\$ 105,498</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized - Unlimited number of common shares		
Issued 27,255,831 shares (1999:27,255,831)	24,555,093	24,555,093
Deficit	<u>(15,872,014)</u>	<u>(14,501,901)</u>
	<u>8,683,079</u>	<u>10,053,192</u>
	<u>\$ 8,715,087</u>	<u>\$10,158,690</u>

Cautionary Note on Virgen Property, Peru

In February 2000 Cambior Inc. terminated their option to acquire the Virgen Property in Peru, as per an agreement between Cambior and Gitennes dated February 12, 1999. According to the agreement, at termination of the option a Peruvian affiliate of Cambior was required to transfer all its right, title and interest in the Property to a Peruvian affiliate of Gitennes.

A dispute has arisen between Cambior's Peruvian affiliate and the original owners of the Property. Cambior's Peruvian affiliate has not been able to transfer the Property to Gitennes' Peruvian affiliate. Gitennes is reviewing its legal options.

GITENNES EXPLORATION INC.

Consolidated Statements of Loss and Deficit
For the nine months ended September 30, 2000 and 1999
(Unaudited)

	2000	1999
INTEREST INCOME	<u>\$ 32,323</u>	<u>\$ 59,197</u>
ADMINISTRATIVE EXPENSE	641,516	689,097
FOREIGN EXCHANGE (GAIN) LOSS	<u>(42,137)</u>	<u>52,949</u>
	<u>599,379</u>	<u>742,046</u>
LOSS FOR THE PERIOD	(567,056)	(682,849)
DEFICIT-BEGINNING OF PERIOD	<u>(15,304,958)</u>	<u>(13,819,052)</u>
DEFICIT-END OF PERIOD	<u>\$(15,872,014)</u>	<u>\$(14,501,901)</u>
LOSS PER SHARE	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>