GUYANA PRECIOUS METALS INC.

(formerly known as Coronation Minerals Inc.)

(an exploration stage company)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years ended December 31, 2010 and 2009

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Guyana Precious Metals Inc.

We have audited the accompanying financial statements of Guyana Precious Metals Inc., which comprise the balance sheets as at December 31, 2010 and December 31, 2009 and the statements of operations and deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

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

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 25, 2011
Toronto, Ontario

GUYANA PRECIOUS METALS INC.
(formerly Coronation Minerals Inc.)
(an exploration stage company)
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

As at December 31,	2010	2009
Assets		
Current assets		
Cash and cash equivalents	**$ 9,550,084**	$ 2,872,044
Short-term investments (Note 5)	**552,700**	160,000
Prepaid expenses and other receivables	**36,319**	25,443
HST receivable	**21,921**	43,254
	10,161,024	3,100,741
Fixed assets (net of accumulated amortization of $17,952; 2009 - $ 5,332)	**29,447**	42,066
Mineral properties and deferred exploration costs (Note 6)	**3**	3
	$ 10,190,474	$ 3,142,810
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 653,721**	$ 447,991
Shareholders' equity		
Share capital (Note 7)	**20,538,415**	16,464,838
Contributed surplus	**2,598,530**	2,525,674
Warrants (Note 9)	**6,407,923**	3,538,936
Deficit	**(20,008,115)**	(19,834,629)
	9,536,753	2,694,819
	$ 10,190,474	$ 3,142,810

See accompanying notes to consolidated financial statements.
Nature of Operations (Note 1)
Contingency (Note 12)
Subsequent events (Note 13)

Approved by the board of directors

Signed "J.Patrick Sheridan"	Signed "Alan Ferry"
Director	Director

GUYANA PRECIOUS METALS INC.
(formerly Coronation Minerals Inc.)
(an exploration stage company)
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

Years ended December 31,	2010	2009
Operating expenses and other income		
Amortization	**$ 12,620**	$ 5,332
Loss on foreign exchange	**6,419**	1,279
Management fees	**144,000**	144,000
Office	**125,776**	66,089
Professional fees	**85,340**	93,962
Shareholder communications	**20,748**	23,093
Stock-based compensation (Note 8)	**72,856**	254,994
Transfer, listing and filing fees	**14,909**	17,987
Loss from operations before the under noted	**(482,668)**	(606,736)
Interest	**24,594**	60,229
Miscellaneous income	**6,476**	-
Recovery of mineral property costs previously written off	**-**	95,057
Unrealized gain (loss) on short-term investments	**392,700**	(55,000)
Mineral exploration property - holding costs and royalties	**(114,588)**	(104,252)
Write-off of mineral properties (Note 6)	**-**	(218,659)
	309,182	(222,625)
Loss before income taxes	**(173,486)**	(829,361)
Future income tax recovery (Note 11)	**-**	787,490
Loss and comprehensive loss for the year	**$ (173,486)**	$ (41,871)
Loss per share - basic and diluted	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**108,323,087**	104,295,690

See accompanying notes to consolidated financial statements.

GUYANA PRECIOUS METALS INC.
(formerly Coronation Minerals Inc.)
(an exploration stage company)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2008	**$ 17,252,328**	**$ 2,270,680**	**$ 2,016,027**	**$ (18,269,849)**	**$ 3,269,186**
Future income taxes related to flow-through financing (Note 11)	(787,490)	-	-	-	(787,490)
Stock-based compensation	-	254,994	-	-	254,994
Warrant modification (Note 9)	-	-	1,522,909	(1,522,909)	-
Net loss for the year	-	-	-	(41,871)	(41,871)
Balance, December 31, 2009	**$ 16,464,838**	**$ 2,525,674**	**$ 3,538,936**	**$ (19,834,629)**	**$ 2,694,819**
Shares issued on private placement (Note 7)	4,073,577	-	-	-	4,073,577
Stock-based compensation	-	72,856	-	-	72,856
Warrants issued on private placement (Note 9)	-	-	2,868,987	-	2,868,987
Net loss for the year	-	-	-	(173,486)	(173,486)
Balance, December 31, 2010	**$ 20,538,415**	**$ 2,598,530**	**$ 6,407,923**	**$ (20,008,115)**	**$ 9,536,753**

See accompanying notes to consolidated financial statements.

GUYANA PRECIOUS METALS INC.
(formerly Coronation Minerals Inc.)
(an exploration stage company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended December 31,	2010	2009
Cash (used in) provided by		
Operations		
Net loss	**$ (173,486)**	$ (41,871)
Items not affecting cash		
Amortization	**12,620**	5,332
Stock-based compensation (Note 8)	**72,856**	254,994
Unrealized loss (gain) on short-term investment	**(392,700)**	55,000
Write-off of mineral properties (Note 6)	**-**	218,659
Recovery of mineral property costs previously written off	**-**	(95,057)
Future income tax recovery	**-**	(787,490)
Net change in non-cash working capital		
Prepaid expenses and other receivables	**(10,876)**	(3,857)
HST receivable	**21,333**	264,961
Accounts payable and accrued liabilities	**205,729**	64,382
	(264,524)	(64,947)
Financing		
Issuance of common shares	**7,000,000**	-
Share issue costs	**(57,436)**	-
	6,942,564	-
Investing		
Additions to mineral properties and deferred exploration costs (Note 6)	**-**	(34,556)
Purchase of fixed assets	**-**	(47,398)
	-	(81,954)
Net change in cash and cash equivalents	**6,678,040**	(146,901)
Cash and cash equivalents, beginning of year	**2,872,044**	3,018,945
Cash and cash equivalents, end of year	**$ 9,550,084**	$ 2,872,044
Cash and cash equivalents consist of:		
Cash	**$ 2,256,722**	$ 352,044
Cash equivalents	**7,293,362**	2,520,000
	$ 9,550,084	$ 2,872,044

See accompanying notes to consolidated financial statements.

1. Nature of Operations

Guyana Precious Metals Inc. (the "Company" or "Guyana") (formerly known as Coronation Minerals Inc.) was incorporated under the Alberta Business Corporations Act on March 16, 1994 under the name of Minera Sierra Madre Inc. Effective December 15, 1999, the Company changed its name to MSA Capital Corp. and, subsequently, on October 28, 2002, changed its name to Coronation Minerals Inc. Pursuant to a resolution passed by shareholders on June 18, 2009, the Company changed its name to Guyana Precious Metals Inc. which management believes better reflects the activities of the Company of acquiring early stage properties for mineralization in Guyana, South America and surrounding regions. The Company's long-term goal is to develop properties and achieve production on the new acquisitions in Guyana, South America.

On August 17, 2009, the Company announced that it has filed articles of amendment to change its name to “Guyana Precious Metals Inc.” The Company commenced trading under its new name on the TSX Venture Exchange at the open on August 18, 2009, under the new stock symbol “GPM”.

Guyana Goldfields Inc. ("GGI") has agreed to provide established logistical and geological support to Guyana in connection with Guyana's new strategic direction. GGI is a significant shareholder of Guyana and four directors act on both the boards of Guyana and GGI. In addition, the President and Chief Executive Officer are common to both companies. GGI and Guyana have signed an "area of influence" agreement, which restricts Guyana from participating in property acquisition and development within a defined area of GGI's exploration and development activities in Guyana. In addition, GGI will have a right of first opportunity to acquire advanced stage properties in which there is a defined resource.

The Company is engaged in the exploration and development of mineral properties. The Company is in the process of determining whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition of such mineral properties.

The acquisition of title to mineral properties is a very time consuming process. Although the Company has taken every precaution to ensure that legal title to its mineral properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the following significant accounting policies:

Basis of consolidation
On October 5, 2009, Guyana Precious Metals (Barbados) Inc., a wholly owned subsidiary of Guyana, was incorporated.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Guyana Precious Metals (Barbados) Inc. All significant intercompany balances and transactions have been eliminated on consolidation.

Use of estimates
The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. The most significant estimates and assumptions include those related to any impairment of the mineral exploration properties, value of warrants, valuation of stock-based compensation and valuation of short-term investments. Actual results could differ from these estimates. Management believes that the estimates are reasonable.

Financial instruments and comprehensive income (loss)
All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash and cash equivalents	Held-for-trading
Short-term investments	Held-for-trading
Other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

Section 3862, Financial Instruments - Disclosure ("Section 3862") requires disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

These additional disclosures are presented in Note 4.

2. Significant accounting policies (continued)

Financial instruments and comprehensive income (loss) (continued)

Comprehensive income is the change in equity of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distribution to owners. There was no other comprehensive income during the year.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, including guaranteed investment certificates with maturity dates of 3 months or less or which are cashable without penalty.

Short-term investments

Short-term investments consist of common shares and common share purchase warrants in a public company, recorded at fair value. Fair value of the investment is determined based on the quoted market price and Black Scholes valuation model.

Fixed assets

Fixed assets are recorded at cost. Amortization of vehicles is recorded on the declining balance basis at an annual rate of 30%.

Mineral exploration properties

The Company records its interest in mineral exploration properties at cost. Direct costs relating to the acquisition, exploration and development of mineral exploration properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs would be amortized over the estimated life of the mineral property. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year of impairment.

The amounts shown for mineral exploration properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Asset retirement obligations

The Company records the estimated fair value of any asset retirement obligations as a liability in the period in which the liability is incurred and the present value of the associated future costs can be reasonably estimated. As at December 31, 2010, the Company has not incurred any asset retirement obligations in respect of its mineral properties.

2. Significant accounting policies (continued)

Income taxes

The provision for future income taxes is based on the liability method. Under this method, future income tax assets and liabilities are recognized for the estimated income taxes recoverable or payable that would arise if assets and liabilities were recovered and settled at the consolidated financial statement carrying amounts. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to be in effect when the income tax assets or liabilities are recovered or settled, respectively. Changes to these amounts are recognized in income in the period in which the changes occur. A valuation allowance is provided to the extent that future income tax assets, including the income tax benefit of losses carried forward, are not more likely than not to be realized.

Foreign currency translation

The Company translates monetary assets and liabilities at the rate of exchange at the balance sheet date and non-monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occurred. Gains and losses on translation are recorded in loss from operations.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares that are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a manner similar to basic loss per share, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Stock-based compensation and other stock-based payments

The Company uses the fair value method to account for stock options granted. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being allocated to contributed surplus. Upon exercise of these stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

The Company accounts for other stock-based payments based on the fair value of services granted for the equity instruments issued in exchange for the receipt of goods and services from non-employees or the fair value of the goods and services received, whichever is the more reliable basis of measurement.

Flow-through shares

Under the Canadian Income Tax Act a company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the qualifying expenditure of the proceeds by the Company. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may offset or eliminate the liability recorded.

2. Significant accounting policies (continued)

Future accounting changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, financial statements in accordance with IFRS for the three months ended March 31, 2011. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Capital management

The Company's objective when managing capital is to maintain adequate levels of funds to support the acquisition, exploration and development of mineral properties.

The Company considers its capital to be equity, which is comprised of share capital, contributed surplus, warrants and deficit, which at December 31, 2010 totalled $9,536,753 (2009 - $2,694,819).

The Company manages its capital structure in a manner that provides sufficient funding for development, exploration and development of mineral properties and operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

4. Property and financial risk factors

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, foreign currency risk, and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and short-term investments. Cash and cash equivalents and short-term investments are held with reputable Canadian and Barbadian chartered banks, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash and cash equivalents balance of $9,550,084 (December 31, 2009 - $2,872,044) to settle current liabilities of $653,721 (December 31, 2009 - $447,991). All of the Company's financial liabilities have contractual maturities of less than 30 days or are repayable on demand and are subject to normal trade terms.

Market risk

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banks with which it keeps its bank accounts and short-term investments. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks. The Company regularly monitors its cash management policy.

Foreign currency risk
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company incurs expenditures in Canada and Barbados and its functional and reporting currency is the Canadian dollar. Purchases are transacted in Canadian and US dollars. The Company maintains a Canadian dollar bank account in Canada and a US dollar bank account in Barbados. The Company does not undertake currency hedging activities.

Equity price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's investment in common shares of Prophecy Resource Corp. ("Prophecy") is subject to fair value fluctuations arising from changes in the equity market.

4. Property and financial risk factors (continued)

Fair value

The Company has, for accounting purposes, designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. Other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair market value due to their short term nature. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value due to its short term nature.

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

Sensitivity analysis

The sensitivity analysis shown in the notes below may differ materially from actual results.

(i) Interest rate risk is minimal as cash and cash equivalents include investment-grade short-term deposit certificates with fixed interest rates.

(ii) Financial instruments denominated in US dollars are subject to foreign currency risk. As at December 31, 2010, had the US dollar weakened/strengthened by 10% against the Canadian dollar with all other variables held constant, the Company’s loss for the year ended December 31, 2010 would have been approximately $11,000 (2009 - $11,000) higher/lower as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments. Similarly, as at December 31, 2010, reported shareholders' equity would have been approximately $11,000 (2009 - $11,000) lower/higher, had the US dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments.

(iii) The Company's investment in the common shares of Prophecy is subject to fair value fluctuations. As at December 31, 2010, if the quoted market price of Prophecy had decreased/increased by 10% with all other variables held constant, net loss for the year ended December 31, 2010 would have been $50,000 (2009 - $16,000) higher/lower. Similarly, as at December 31, 2010, reported shareholders' equity would have been $50,000 (2009 - $16,000) lower/higher as a result of the 10% decrease/increase in the quoted market price of Prophecy. The Company's investment in the share purchase warrants of Prophecy is also subject to fair value fluctuations. As at December 31, 2010, had the quoted market price of Prophecy decreased/increased by 10% with all other variables held constant, net loss for the year ended December 31, 2010 would have been approximately $4,000 higher and approximately $8,000 lower respectively. Similarly, as at December 31, 2010, reported shareholders' equity would have been approximately $4,000 lower and approximately $8,000 higher respectively as a result of the 10% decrease/increase in the quoted market price of Prophecy.

(Expressed in Canadian Dollars)

4. Property and financial risk factors (continued)

Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
- Cash	$ -	$ 2,256,722	$ -	$ 2,256,722
- Cash equivalents	-	7,293,362	-	7,293,362
Short-term investment	500,000	-	52,700	552,700
	$ 500,000	$ 9,550,084	$ 52,700	$ 10,102,784

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
- Cash	$ -	$ 352,044	$ -	$ 352,044
- Cash equivalents	-	2,520,000	-	2,520,000
Short-term investment	160,000	-	-	160,000
	$ 160,000	$ 2,872,044	$ -	$ 3,032,044

(Expressed in Canadian Dollars)

5. Short-term investments

During 2005, the Company entered into an agreement with Northern Platinum Ltd. ("Northern") to purchase a 100% interest in Northern's Wellgreen Project. Under the terms of the agreement the Company purchased a $1 million private placement of Northern capital stock in the form of 1,000,000 units. Each unit consisted of one common share and one half share purchase warrant with each full warrant giving the holder the right to purchase an additional share of Northern for $1.50 for a period of 24 months. These warrants expired unexercised during 2007. During 2008, the agreement was terminated due to current commodity and equity market conditions.

On June 15, 2010, Prophecy agreed to purchase Northern. Prophecy offered 0.5 common shares and 0.1 warrants ("Arrangement Warrants") for each common share of Northern. Each whole Arrangement Warrant will entitle the holder to acquire one additional common share of Prophecy at an exercise price of $0.80 that will expire 18 months following the transaction closing date (September 23, 2010). Consequently, 500,000 common shares and 100,000 Arrangement Warrants were allocated to Guyana. The 100,000 Arrangement Warrants were assigned a value of $52,700, using the Black-Scholes valuation model with the following assumptions: a 1.23 year term, 111.08% volatility, risk-free interest rate of 1.66% and a dividend rate of 0%.

6. Mineral properties and deferred exploration costs

Description	Balance December 31, 2009	Expenditures	Write-down	Balance December 31, 2010
Coppermine River, Nunavut	$ 1	$ -	$ -	$ 1
Rory Group, Yukon	1	-	-	1
RC Group, Nunavut	1	-	-	1
	$ 3	$ -	$ -	$ 3

Description	Balance December 31, 2008	Expenditures	Write-down	Balance December 31, 2009
Coppermine River, Nunavut	$ 1	$ -	$ -	$ 1
Rory Group, Yukon	184,104	34,556	(218,659)	1
RC Group, Nunavut	1	-	-	1
	$ 184,106	$ 34,556	$ (218,659)	$ 3

(Expressed in Canadian Dollars)

6. Mineral properties and deferred exploration costs (continued)

Coppermine River Project

As at December 31, 2008, the Company wrote off a total of $7,113,467 recorded as mineral properties and deferred exploration costs. This is the cost of the Coppermine River Project. Management decided to write -off the project because there is significant deterioration in the economic environment. The Company does not possess any external valuation appraisal to support the value of the project. The Company intends to retain its ownership rights in the project by making any required payments to retain the property on a care and maintenance basis. These costs amounted to $14,588 in 2010 (2009 - $4,252). In addition, the Company accrued advance royalty fees on the project of $100,000 in 2010 (2009 - $100,000).

Rory Group

The Company has a 100% interest in the Rory Group consisting of 265 staked claims located in the Yukon Territory, Canada. The Company has decided that this property was not appropriate for further exploration. The accumulated costs on the property of $218,659 have been written off during 2009.

RC Group

The Company has a 100% interest in the RC Group consisting of 30 staked claims located in Nunavut, Canada. The RC Group is in good standing until 2013.

7. Share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred, non-voting redeemable shares. The issued and outstanding common shares consist of the following:

	Number of Shares	Amount
Balance, December 31, 2008	104,295,690	$ 17,252,328
Future income taxes related to flow-through financing (a)	-	(787,490)
Balance, December 31, 2009	104,295,690	$ 16,464,838
Private placement of common share units (b)	70,000,000	7,000,000
Value allocated to warrants (Note 9)	-	(2,891,000)
Share issue expenses	-	(35,423)
Balance, December 31, 2010	**174,295,690**	**$ 20,538,415**

(Expressed in Canadian Dollars)

7. Share capital (continued)

(a) A total proceeds of $3,239,960 were raised from issuances of flow-through units in 2008. Pursuant to the terms of the flow-through share agreements completed in fiscal 2008, the tax attributes of the related expenditures were renounced to subscribers in 2009. As a result, in accordance with EIC-146 of the CICA Handbook, the Company recognized a foregone tax benefit of $787,490 for the year ended December 31, 2009.

(b) On December 10, 2010, the Company closed a non-brokered placement (the "Placement") of 70,000,000 units ("Units") at a price of $0.10 per Unit for gross proceeds of $7,000,000. Each unit is comprised of one common share of Guyana and one common share purchase warrant, each such share purchase warrant entitling the holder thereof to acquire one additional common share for a period of 24 months at an exercise price of $0.13 per share. Insiders of Guyana, and their affiliates, subscribed for an aggregate of 20,800,000 Units in the Placement.

All securities issued in connection with the Placement were subject to a statutory hold period expiring on April 11, 2011.

8. Stock options

The Company adopted a stock option plan for employees, consultants, officers and directors on April 24, 1995. The number of common shares reserved for issue under the stock option plan may not exceed 10% of the issued and outstanding capital of the Company at any given time. The term of options granted under the stock option plan may not exceed five years from the date of the grant and the option price, which may be determined by the directors of the Company, may not be less than the market price for the common shares at the grant date, less an approved discount.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	4,670,000	$ 0.25
Granted (a)	3,950,000	0.10
Expired	(400,000)	0.27
Balance, December 31, 2010 and 2009	**8,220,000**	**$ 0.17**

(a) On May 11, 2009, the Company granted 3,950,000 options to management, directors and consultants of the Company at a price of $0.10 per share. The options expire May 11, 2012. The options vest over eighteen months as to 25% immediately, 25% after six months, 25% after one year and 25% after eighteen months. The fair value of these options at the date of the grant was estimated using the Black-Scholes valuation model with the following assumptions: a three year expected term, 158% volatility, risk-free interest rate of 1.53% per annum; and a dividend rate of 0%. The fair value assigned to these options was $327,850 which will be expensed to the statement of operations and comprehensive loss with the corresponding amount allocated to contributed surplus as the options vest. For the year ended December 31, 2010, the impact on expenses was $72,856 (2009 - $254,994).

(Expressed in Canadian Dollars)

8. Stock options (continued)

(b) The weighted average grant date fair value of the options granted was $Nil (2009 - $0.08) per option.

The following are the stock options outstanding at December 31, 2010:

Number of Options Granted	Number of Options Vested		Fair Value		Weighted Average Exercise Price	Remaining Contractual Life (in years)	Expiry Date
3,950,000	3,950,000	$	327,850	$	0.10	1.36	May 11, 2012
3,900,000	3,900,000		842,400		0.25	2.48	June 24, 2013
350,000	350,000		53,550		0.18	2.65	August 26, 2013
20,000	20,000		2,620		0.16	2.76	October 3, 2013
8,220,000	8,220,000	$	1,226,420	$	0.17	1.95	

9. Warrants

The following table shows the continuity of warrants:

	Number of Warrants		Allocated Value
Balance, December 31, 2008	28,662,665	$	2,016,027
Warrant modification	-		1,522,909
Balance, December 31, 2009	28,662,665	$	3,538,936
Granted	70,000,000		2,891,000
Share issue expenses	-		(22,013)
Balance, December 31, 2010	98,662,665	$	6,407,923

The following are the warrants outstanding at December 31, 2010:

Number of Warrants		Fair Value		Exercise Price	Expiry Date
21,620,277	$	2,677,541	$	0.30	June 30, 2011 (a)
7,042,388		926,207		0.30	June 30, 2011 (a)
70,000,000		2,891,000		0.13	December 10, 2012 (b)
-		(86,825)		-	Share issue expenses
98,662,665	$	6,407,923	$	0.18	

9. Warrants (continued)

(a) On July 13, 2009, the TSX Venture Exchange consented to the extension of the expiry date of 21,620,277 (Series 2008-I) and 7,042,388 (Series 2008-II) warrants exercisable at $0.30 per share with an original expiry date of December 5, 2009 and December 27, 2009, respectively to June 30, 2011.

The amended warrants will expire at 5:00 p.m. (Toronto time) on June 30, 2011, provided that if the closing price of the common shares for any 20 consecutive trading days exceeds $0.50, the Company may accelerate the expiry time to the date which is the later of (A) 30 days following the date of mailing of written notice of the accelerated expiry time to the holders, and (B) 30 days following the date a press release is issued by the Company announcing the accelerated expiry time. The exercise price for both series of warrants will remain the same.

The Company has recorded the incremental difference as a capital transaction based on the fair value of these warrants immediately prior to and after the modification.

The fair value of the 21,620,277 warrants was estimated using the Black-Scholes pricing model using the following assumptions prior to the date of extension: dividend yield 0%; expected volatility 168%; risk free interest rate 1.33% and an expected average life of 0.48 years. The fair value was estimated using the Black-Scholes pricing model using the following assumptions as at the date of extension: dividend yield 0%; expected volatility 161%; risk free interest rate 1.33% and an expected average life of 2.05 years. The resulting incremental fair value of $1,168,309 associated with the common share purchase warrants held by shareholders was recorded as a charge to the deficit, with a corresponding entry to warrants.

The fair value of the 7,042,388 warrants was estimated using the Black-Scholes pricing model using the following assumptions prior to the date of extension: dividend yield 0%; expected volatility 168%; risk free interest rate 1.33% and an expected average life of 0.54 years. The fair value was estimated using the Black-Scholes pricing model using the following assumptions as at the date of extension: dividend yield 0%; expected volatility 161%; risk free interest rate 1.33% and an expected average life of 2.05 years. The resulting incremental fair value of $354,600 associated with the common share purchase warrants held by shareholders was recorded as a charge to the deficit, with a corresponding entry to warrants.

(b) On December 10, 2010, the Company closed a non-brokered placement (the "Placement") of 70,000,000 units ("Units") at a price of $0.10 per Unit for gross proceeds of $7,000,000. Each unit is comprised of one common share of Guyana and one common share purchase warrant, each such share purchase warrant entitling the holder thereof to acquire one additional common share for a period of 24 months at an exercise price of $0.13 per share.

The fair value of the 70,000,000 warrants was estimated using the Black-Scholes pricing model using the following assumptions: dividend yield 0%; expected volatility 145.5%; risk free interest rate 1.39% and an expected average life of 2 years. An issue cost of $22,013 was allocated to the warrants.

(Expressed in Canadian Dollars)

10. Related party transactions

The Company had the following related party transactions:

Years ended December 31,		**2010**		**2009**
Management fees paid to the Chief Executive Officer [c]	$	120,000	$	120,000
Management fees paid to the Chief Financial Officer [d]	$	24,000	$	24,000
Office expenses accrued to GGI [a]	$	14,825	$	25,787
Professional fees paid/accrued [d]	$	32,697	$	61,948
Corporate Secretarial Services to DSA [e]	$	6,630	$	6,346

(a) Included in accounts payable and accrued liabilities is $3,939 (December 31, 2009 - $1,961) payable to GGI with which four directors act on both the Boards of Guyana and GGI. In addition, the President and Chief Executive Officer is common to both companies. The balance pertains to office expenses paid on behalf of Guyana by GGI.

(b) As at December 31, 2010, accounts payable and accrued liabilities include $221,301 (2009 - $221,301) payable to a former officer of the Company for services provided. This amount is unsecured, non-interest bearing and has no specific terms of repayment.

(c) Included in accounts payable and accrued liabilities is $30,000 (December 31, 2009 - $nil) due to the Chief Executive Officer. The balance is non interest bearing and is payable on demand.

(d) The Chief Financial Officer of Guyana is the president of a company providing accounting services to Guyana. Included in accounts payable and accrued liabilities is $7,243 (December 31, 2009 - $ 7,697) payable to this company. The balance is non interest bearing and is payable on demand.

(e) The Chief Financial Officer of Guyana is the secretary of DSA Corporate Services Inc. ("DSA"), a firm providing corporate secretarial services to the Company. Included in accounts payable and accrued liabilities is $622 (December 31, 2009 - $580) payable to DSA. The balance is non interest bearing and is payable on demand.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

11. Income taxes

(a) Provision for income taxes

Income taxes differ from the amount that would be computed by applying the combined statutory income tax rates of 31% (2009 - 33%). The reasons for the differences are as follows:

	2010	2009
Loss before income taxes	**$ (173,486)**	$ (829,361)
Expected tax recovery at statutory rates	**(53,781)**	(273,689)
Increase (decrease) resulting from		
Non-deductible stock-based compensation	**22,585**	84,148
Unrealized loss (gain) on short-term investments	**(60,869)**	18,150
Unrealized foreign exchange gain	**-**	421
Other	**13,448**	-
Share issue costs	**(17,805)**	(20,557)
Write-off of mineral properties	**-**	72,157
Rate change of future tax assets	**21,265**	498,068
Change in valuation allowance	**75,157**	(378,698)
Recovery due to flow-through shares renounced	**-**	(787,490)
	$ -	$ (787,490)

(b) Future tax balances

The tax effects of temporary differences that give rise to future tax assets and future income tax liabilities at December 31, 2010 and 2009 are as follows:

	2010	2009
Resource expenditure pools	**$ 1,886,640**	$ 1,863,315
Non-capital tax losses carry-forward	**496,501**	397,355
Unpaid management fees	**55,325**	55,325
Unrealized loss on short-term investments	**55,913**	105,000
Share issue costs	**33,034**	34,416
Fixed assets	**(157)**	(3,312)
Valuation allowance for future tax assets (i)	**(2,527,256)**	(2,452,099)
Balance, end of year	**$ -**	$ -

(i) The Company has provided a valuation allowance equal to the future tax assets because at present it is not more likely than not that they will be realized.

(Expressed in Canadian Dollars)

11. Income taxes (continued)

(c) Non-capital losses

The Company has accumulated non-capital losses for income tax purposes of which can be carried forward to be applied against future taxable income. The right to use these losses expires as follows:

Year	Tax loss
2014	$ 206,995
2015	265,380
2026	80,186
2027	458,287
2029	446,069
2030	529,087
	$ 1,986,004

12. Contingency

Effective January 1, 2008 the former president of the Company signed a Consulting Agreement (“Agreement”) with the Company which provided for a compensation settlement of $8,000 per month for a period of 24 months if there was a change in control of the Company. On March 3, 2008, a Special Meeting of the Shareholders of the Company (“Meeting”) was held. During the Meeting, there was a change in the composition of the board of directors which, under the Agreement, constituted a change in control.

The current Board of Directors of the Company disputes the validity of the Agreement and as such has not accrued any liability in these consolidated financial statements.

13. Subsequent events

On January 28, 2011, an aggregate of 5,750,000 options were granted to management, directors and consultants of the Company. The options are exercisable until January 28, 2016 at an exercise price of $0.18. The options vest as 25% immediately and 25% each after 6, 12 and 18 months from date the grant.

On January 28, 2011, a total of 370,000 stock options were cancelled by the Company because the holders of the options ceased to be service providers of the Company.