



Guyana Goldfields Inc.
2008 Annual Report



March 9, 2009

President's Message

Many exciting changes have taken place over the last year for Guyana Goldfields. The Aurora Project's Scoping Study was completed and an updated resource estimate of 5.45 million ounces at a 1 g/t cut-off was issued (3.69 million ounces measured and indicated at 3.92 g/t Au and 1.72 million ounces inferred @ 2.77 g/t). The scoping study showed that the project is viable and profitable.

The Aranka merger was also completed bringing all the properties and activities in Guyana under one roof. The merged company's cash balance is approximately Cdn\$20 million and the Aranka properties deliver the blue sky potential of the company. We plan on completing geological sampling work at Aranka in 2009.

The company continued to work with the Guyanese Government and local communities to ensure the sustainable advancement and development of the project. On September 22, 2008, Prime Minister Samuel Hinds, responsible for the mining sector in Guyana, stated "We are simply elated that a new large mine is opening up in Guyana. This is good news for the country and good news for the industry".

In 2009, we plan on taking your company and the Aurora Project to the next level. Drilling activities at Aurora will continue with a mix of infill and deep drilling. The ESIA (Environmental & Social Impact Assessment) work was awarded to ERM of Washington, D.C. and is already in progress. Some of this work will be coordinated with the IFC (International Finance Corporation) of the World Bank Group of Washington, D.C.

The Definitive Feasibility Study was awarded to AMEC of Oakville, Ontario and is to be completed in two phases. Phase 1, which will run from March to August 2009, will conclude with a Preliminary Economic Assessment NI43-101 report, and Phase 2, which will run from August 2009 to February 2010, will conclude with the issue of the NI43-101 report and Definitive Feasibility Study. We awarded a Technical and Economical Feasibility Study for the Cuyuni Hydroelectric Project to MWH (Montgomery Watson Harza) of Argentina. This study will evaluate a clean-energy alternative to operating the future mine on diesel generated power, offering significant benefits from both environmental and cost perspectives. Guyana Goldfields is equally sharing the cost of the study with the IFC.

I am pleased to join your company's dynamic management team and to have the opportunity to contribute to the strategic advancement of such a solid gold discovery and deposit as is the Aurora Project. We expect to create significant value for both shareholders and stakeholders.

Claude F. Lemasson, P.Eng., MBA
President & Chief Operating Officer
Guyana Goldfields Inc.



GUYANA GOLDFIELDS INC.

(An exploration stage entity)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

AUDITORS' REPORT

GUYANA GOLDFIELDS INC.

(An exploration stage entity)

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at October 31,	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 13,948,967	\$ 24,790,874
Short-term investments (Note 5)	2,031,941	9,802,365
Accounts receivable and prepaid expenses (Note 13)	679,264	653,970
	16,660,172	35,247,209
Investment in Coronation Minerals Inc. (Note 6)	3,839,173	-
Equipment (Note 7)	2,857	-
Mineral exploration properties (Note 8)	40,471,186	34,366,617
	\$ 60,973,388	\$ 69,613,826
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	\$ 2,179,476	\$ 2,789,616
Shareholders' equity		
Share capital (Note 9)	64,466,917	62,676,137
Warrants (Note 10)	2,694,890	2,694,890
Stock options (Note 11)	11,548,313	11,013,176
Contributed surplus	-	394,165
Deficit	(19,916,208)	(9,954,158)
	58,793,912	66,824,210
	\$ 60,973,388	\$ 69,613,826

See accompanying notes to consolidated financial statements.

Contingency (Note 14)

Commitments (Note 15)

Subsequent events (Note 16)

APPROVED ON BEHALF OF THE BOARD:

"J. Patrick Sheridan"
Director

"Robert Cudney"
Director

GUYANA GOLDFIELDS INC.

(An exploration stage entity)

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian Dollars)

Years ended October 31,	2008	2007
Operating expenses		
Amortization	\$ 504	\$ -
(Gain) loss on foreign exchange	(1,187,266)	774,467
Management fees (Note 13)	177,720	532,056
Office	395,787	372,306
Professional fees	341,121	235,775
Shareholder information	69,715	41,311
Stock-based compensation (Note 11)	2,329,533	2,810,014
Transfer, listing and filing fees	87,454	94,773
Loss before the undernoted	(2,214,568)	(4,860,702)
Other income (expense)		
Capital and other taxes	(45,831)	(187,069)
Gain on sale of short-term investments	693,772	2,326,699
Interest	747,414	1,304,411
Joint venture management fees (Note 8)	-	160,000
Mineral exploration properties (royalties) recovery (Note 8)	325,000	(100,000)
Share of Coronation Minerals Inc. net loss (Note 6)	(763,957)	-
Unrealized (loss) gain on short-term investments	(4,748,570)	2,416,999
Write-down of mineral exploration properties (Note 8)	(3,136,991)	-
	(6,929,163)	5,921,040
Net (loss) income and comprehensive		
(loss) income	\$ (9,143,731)	\$ 1,060,338
Net (loss) income per share		
Basic	\$ (0.18)	\$ 0.02
Diluted	\$ (0.18)	\$ 0.02
Weighted average number of shares		
Basic	51,605,312	50,775,905
Diluted	51,605,312	54,237,764

See accompanying notes to consolidated financial statements.

GUYANA GOLDFIELDS INC.

(An exploration stage entity)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Years ended October 31,	2008	2007
Share capital		
Balance at beginning of year	\$ 62,676,137	\$ 45,602,919
Issued on exercise of warrants	-	12,205,232
Value of warrants exercised	-	3,345,904
Issued on exercise of options	2,108,000	871,820
Value of options exercised	1,279,530	650,262
Cancellation of shares (Note 9(i))	(1,301,750)	-
Share purchase loans (Note 9(ii))	(295,000)	-
Balance at end of year	\$ 64,466,917	\$ 62,676,137
Warrants		
Balance at beginning of year	\$ 2,694,890	\$ 6,293,327
Exercised	-	(3,345,904)
Expired	-	(252,533)
Balance at end of year	\$ 2,694,890	\$ 2,694,890
Stock options		
Balance at beginning of year	\$ 11,013,176	\$ 8,853,426
Granted (Note 11)	1,555,977	1,877,802
Value of the options vested during the year (Note 11)	773,556	932,210
Exercised (Note 11)	(1,279,530)	(650,262)
Cancelled and expired (Note 11)	(514,866)	-
Balance at end of year	\$ 11,548,313	\$ 11,013,176
Contributed surplus		
Balance at beginning of year	\$ 394,165	\$ 141,632
Value of warrants expired	-	252,533
Value of options cancelled and expired	514,866	-
Share repurchased in excess of average costs (Note 9(i))	(909,031)	-
Balance at end of year	\$ -	\$ 394,165
Deficit		
Balance at beginning of year	\$ (9,954,158)	\$ (12,582,322)
Transitional adjustment from new accounting policy (Note 2)	-	2,077,268
Adjustment - related party transaction (Note 13)	-	(509,442)
Share repurchased in excess of average costs (Note 9(i))	(818,319)	-
Net (loss) income	(9,143,731)	1,060,338
Balance at end of year	\$ (19,916,208)	\$ (9,954,158)
Total	\$ 58,793,912	\$ 66,824,210

See accompanying notes to consolidated financial statements.

GUYANA GOLDFIELDS INC.

(An exploration stage entity)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Years ended October 31,	2008	2007
Cash (used in) provided by		
Operations		
Net (loss) income	\$ (9,143,731)	\$ 1,060,338
Items not involving cash		
Amortization	504	-
Gain on sale of short-term investments	(693,772)	(2,326,699)
Share of Coronation Minerals Inc. net loss (Note 6)	763,957	-
Stock-based compensation (Note 11)	2,329,533	2,810,014
Unrealized loss (gain) on short-term investments	4,748,570	(2,416,999)
Write-down on mineral exploration properties	3,136,991	-
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	(25,294)	(31,417)
Accounts payable and accrued liabilities		117,899
	1,234,657	(932,591)
Financing		
Proceeds from exercise of stock options	2,108,000	871,820
Proceeds from exercise of warrants	-	12,205,232
Repurchase of common shares (Note 9(i))	(3,029,100)	-
Share purchase loans issued (Note 9(ii))	(295,000)	-
		(1,216,100)
	13,077,052	
Investing		
Proceeds from sale of short-term investments	1,333,247	2,420,341
Purchase of short-term investments	(2,220,750)	(2,648,585)
Purchase of equipment	(3,361)	-
Expenditures on mineral exploration properties	(10,128,179)	(12,964,969)
Recoveries on mineral exploration properties	158,579	53,176
		(10,860,464)
	(13,140,037)	
Net change in cash and cash equivalents	(10,841,907)	(995,576)
Cash and cash equivalents, beginning of year	24,790,874	25,786,450
Cash and cash equivalents,		
end of year	\$ 13,948,967	\$ 24,790,874
Cash and cash equivalents consist of:		
Cash	\$ 6,544,218	\$ 5,173,366
Guaranteed investment certificates	7,404,749	19,617,508
	\$ 13,948,967	\$ 24,790,874

See accompanying notes to consolidated financial statements.

GUYANA GOLDFIELDS INC.

(An exploration stage entity)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

1. Nature of Operations

Guyana Goldfields Inc. (the "Company" or "GGI") was incorporated under the name Chiboug Copper Company Limited pursuant to the Quebec Mining Companies Act on January 24, 1953. On January 24, 1995, the Company changed its name to Guyana Goldfields Inc. During 2005, the Company continued under the Canada Business Corporations Act. The Company is an exploration stage entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in Guyana.

The Company is in the process of determining whether its mineral properties contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral exploration properties in the consolidated balance sheets is dependant upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or proceeds from their disposition.

2. Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Coppercorp Inc. ("Coppercorp" - incorporated in Canada), Guygold (Barbados) Inc. (incorporated in Barbados), and Guy Gold Inc. (incorporated in Guyana). These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). All references to the Company should be treated as references to the Company and its subsidiaries.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. The most significant estimates and assumptions include the impairment of the mineral exploration properties and the valuation of stock-based compensation and other stock-based payments. Actual results could differ materially from those 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, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations in the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in the statement of operations.

GUYANA GOLDFIELDS INC.
(An exploration stage entity)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments and Comprehensive Income (Loss) (Continued)

The Company has made the following classifications:

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

Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

The Company adopted the new standard retrospectively without restatement. As a result of the change in policy, the Company's opening deficit position as at November 1, 2006 was reduced by \$2,077,268 to reflect the opening fair value of short-term investments.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on November 1, 2007.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these consolidated financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4(b) to these consolidated financial statements.

GUYANA GOLDFIELDS INC.
(An exploration stage entity)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

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.

Investment in Coronation Minerals Inc.

The Company accounts for its investment in Coronation Minerals Inc. ("Coronation Minerals") using the equity accounting method to the extent that the Company has significant influence over the investee's strategic operating, financing and investing policies. Under the equity method, the Company's proportionate share of income or loss is included in the statement of operations and any dividends received are recorded as a reduction to the investment. The carrying value of the investment is periodically reviewed to ensure that there is no permanent impairment.

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 determination of value.

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

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at 30% per annum.

Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

GUYANA GOLDFIELDS INC.
(An exploration stage entity)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Asset Retirement Obligations

The Company is subject to the provisions of CICA Handbook Section 3110, Asset Retirement Obligations, which require the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As of October 31, 2008 and 2007 the Company has not incurred and is not committed to any asset retirement obligations in respect of its mineral exploration properties.

Income Taxes

The Company uses the asset and liability method of tax allocation for accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to be reversed. Future income taxes are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Foreign Currency Translation

The Company translates monetary assets and liabilities at the rate of exchange in effect 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 calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The diluted loss per share gives effect to the exercise of any option or warrant for which the exercise price is lower than the average market price during the year using the treasury stock method. For the year ended October 31, 2008, the weighted average shares outstanding for purposes of calculating diluted loss per share would be 53,253,464 if the effects were not anti-dilutive.

Revenue recognition

Interest income derived from cash and cash equivalents and other investments is recognized using the effective interest rate method.

Realized gains and losses on disposal of short-term investments and unrealized gains and losses in the value of short-term investments are reflected in the consolidated statements of operations and comprehensive (loss) income and are calculated on an average cost basis.

GUYANA GOLDFIELDS INC.
(An exploration stage entity)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Stock-based Compensation

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 stock options under shareholders' equity. Upon exercise of these stock options, amounts previously credited to stock options under shareholders' equity are reversed and credited to share capital. Upon expiry of these stock options, amounts previously credited to stock options under shareholders' equity are reversed and credited to contributed surplus.

Other Stock-based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date, whichever is the more reliably measured.

Future Accounting Changes

Amendments to Section 1400 – General Standards of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to include additional requirements to assess and disclose an entity's ability to continue as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

The Company is currently assessing the impact of this new accounting standard on its consolidated financial statements.

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. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. 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 is currently assessing the impact of IFRS on its consolidated financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets.

The Company is currently assessing the impact of this new accounting standard on its consolidated financial statements.

GUYANA GOLDFIELDS INC.
(An exploration stage entity)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

3. Capital Management

The Company's objective when managing capital is to maintain adequate levels of funding to support development of its Aurora Mine Property, to expand regional exploration activities within Guyana and to maintain corporate and administrative functions.

The Company considers its capital to be equity, which is comprised of share capital, warrants, stock options, contributed surplus, and deficit, which at October 31, 2008 totaled \$58,793,912 (2007 - \$66,824,210)

The Company manages its capital structure in a manner that provides sufficient funding for development of its Aurora Mine Property, exploration in Guyana 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 to sustain 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 October 31, 2008. The Company is not subject to externally imposed capital requirements.

4. Property and Financial Risk Factors

(a) Property risk

The Company's major mineral exploration properties are the Aurora Mine Property and Aranka Properties. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon these two properties. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting these two properties would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, other price risk, and mineral property 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.

GUYANA GOLDFIELDS INC.
(An exploration stage entity)
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(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

4. Property and Financial Risk Factors (Continued)

(b) Financial risk (Continued)

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, short-term investments and accounts receivable. Cash and cash equivalents and short-term investments are held with reputable financial institutions which are closely monitored by management. Financial instruments included in accounts receivable consist of accrued interest and deposits held with consultants and other service providers. All accounts receivable and deposits held with consultants and other service providers are in good standing as of October 31, 2008. \$319,852 represents the maximum credit exposure. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, short-term investments and accounts receivable is 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 October 31, 2008, the Company had a cash and cash equivalents balance of \$13,948,967 (October 31, 2007 - \$24,790,874) to settle current liabilities of \$2,179,476 (October 31, 2007 - \$2,789,616). All of the Company's financial liabilities have contractual maturities of less than 30 days 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 a 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 short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its financial institutions.

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's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Guyana on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains US dollar bank accounts in Canada, Barbados, and Guyana and Guyanese bank accounts in Guyana. The Company is subject to gains and losses due to fluctuations in US dollar and Guyanese currency against the Canadian dollar.

GUYANA GOLDFIELDS INC.
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(Expressed in Canadian Dollars)

Years Ended October 31, 2008 and 2007

4. Property and Financial Risk Factors (Continued)

(b) Financial risk (Continued)

Market Risk (Continued)

Other price risk

The Company is exposed to other price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

The Company's investment in short-term investments is subject to fair value fluctuations arising from changes in the mining sector and equity markets. The fair value of short-term investments is determined by published price quotations as at the date of these consolidated financial statements.

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. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair market value due to its 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 approximates 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 on cash equivalents is minimal as these have fixed interest rates.

(ii) The Company's short-term investments consist of short-term guaranteed deposits and equity investments listed on Canadian exchanges. All amounts are denominated in Canadian dollars. Interest rate risk on short-term guaranteed deposits is minimal as these have fixed interest rates. Equity investments are subject to fair value fluctuations. As at October 31, 2008, if quoted market price of equity investments had decreased/increased by 10% with all other variables held constant, the loss for the twelve months ended October 31, 2008 would have been approximately \$69,000 higher/lower. Similarly, as at October 31, 2008, shareholders' equity would have been approximately \$69,000 lower/higher as a result of a 10% decrease/increase in the quoted market price of equity investments.

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4. Property and Financial Risk Factors (Continued)

(b) Financial risk (Continued)

Sensitivity Analysis (Continued)

(iii) Financial instruments denominated in US and Guyanese dollars are subject to foreign currency risk. As at October 31, 2008, had the US and Guyanese dollar weakened/strengthened by 10% against the Canadian dollar with all other variables held constant, the Company's loss for the twelve months ended October 31, 2008 would have been approximately \$125,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Shareholders' equity would have been approximately \$125,000 lower/higher had the US and Guyanese dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

(c) Other risks

(i) The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral exploration properties is dependant upon completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production. Changes in future conditions could require material write downs of the carrying values of a mineral property.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it is acquiring an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, noncompliance with regulatory requirements, the risk of foreign investment, increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

(ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce the carrying values of its mineral properties, which could have a material and adverse effect on the Company's value. As of October 31, 2008, the Company is not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(iii) Mineral property risk is significant. In particular, if an economic ore body is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.

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5. Short-term Investments

Short-term investments are comprised of:

	2008	2007
Short-term guaranteed deposits, expiry date greater than 3 months	\$ 1,341,211	\$ -
Marketable securities, at cost	3,205,917	5,305,343
Unrealized (loss) gain	(2,515,187)	4,497,022
Total	\$ 2,031,941	\$ 9,802,365

6. Investment in Coronation Minerals Inc.

On March 6, 2008, the Board of Directors of Coronation Minerals was replaced by a majority of directors of the Company, which caused the investment to be reclassified out from held-for-trading to an investment accounted for using the equity accounting method. From November 1, 2007 to March 6, 2008, while the investment was accounted as held-for-trading, unrealized (loss) gain on short-term investments of (\$242,270) (from November 1, 2006 to October 31, 2007 - \$2,218,051) was recorded in the consolidated statements of operations and comprehensive (loss) income.

The fair market value of the Company's investment in Coronation Minerals at October 31, 2008 was \$484,540 ((2007 - \$4,724,265) included in short-term investments).

Since March 6, 2008, management has recorded its investment in Coronation Minerals using the equity method and accordingly has recognized a loss of \$763,957 which represents the Company's 12% proportionate share of Coronation Minerals' loss, resulting in the carrying value decreasing by \$763,957 to \$3,839,173.

7. Equipment

October 31, 2008	Cost	Accumulated Amortization	Net
Computer equipment	\$ 3,361	\$ 504	\$ 2,857

October 31, 2007	Cost	Accumulated Amortization	Net
Computer equipment	\$ -	\$ -	\$ -

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8. Mineral Exploration Properties

October 31, 2008	Opening Balance	Additions (Recoveries)	Write-down	Closing Balance
Guyana, South America				
Peters Mine Property	\$ 3,029,679	\$ (8,483)	\$ (3,021,196)	\$ -
Aurora Mine Property	28,637,939	8,143,751	-	36,781,690
Aranka Properties	2,698,999	1,106,292	(115,795)	3,689,496
	\$ 34,366,617	\$ 9,241,560	\$ (3,136,991)	\$ 40,471,186

October 31, 2007	Opening Balance	Additions (Recoveries)	Write-down	Closing Balance
Guyana, South America				
Peters Mine Property	\$ 3,982,855	\$ (953,176)	\$ -	\$ 3,029,679
Aurora Mine Property	18,603,933	10,034,006	-	28,637,939
Aranka Properties	-	2,698,999	-	2,698,999
	\$ 22,586,788	\$ 11,779,829	\$ -	\$ 34,366,617

Peters Mine Property

The Company has acquired 100% of the mineral exploration rights to the Peters Mine Property (subject to a net smelter royalty of up to 5% payable to, and determined at the discretion of, The Guyana Geology and Mines Commission ("GGMC")) pursuant to the Prospecting License. The Prospecting License is registered in the name of 832528 Ontario Inc. ("832528"), a corporation wholly owned by the President of the Company, Mr. Patrick Sheridan; however, all beneficial interest therein is held by the Company in accordance with an agreement dated May 20, 1996 between the Company and 832528.

On November 17, 2006 the Company entered into an option agreement with White Pine Resources Inc. (formerly WSR Gold Inc. and Westchester Resources Inc.) ("WPR") effective as of October 19, 2006, whereby WPR can earn a 50% interest in the Company's Peters Mine property. Pursuant to the option agreement, in order to earn its 50% interest in the property, WPR is required to issue 5,000,000 (issued) common shares to the Company and spend a total of \$5,000,000 in exploration on the property over a three year period; \$1,000,000 (spent) to be spent on or before the first anniversary date of the agreement, \$2,000,000 to be spent on or before the second anniversary date of the agreement and \$2,000,000 on or before the third anniversary date.

During the year ended October 31, 2008, WPR paid \$nil (year ended October 31, 2007 - \$160,000) to the Company as management fees.

During the year ended October 31, 2008, pursuant to WSR giving notice to terminate the Peters Mine option agreement, the Company decided to abandon the property and to write-off all expenditures on the property.

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8. Mineral Exploration Properties (Continued)

Aurora Mine Property

The Company has acquired 100% of the mineral exploration rights to the Aurora Mine Property pursuant to an agreement dated May 20, 1998 between the Company and Alfró Alphonso ("Alphonso"). In accordance with this agreement, the Company is required to make annual advance royalty payments to Alphonso in the aggregate of US \$225,000 per year (the "Advance Royalty Payments") during the three year period following the commencement of commercial production. The Company is also required to pay a net smelter royalty of 2% to Alphonso (against which all Advance Royalty Payments shall be credited) upon the later to occur of (a) commencement of commercial production; and (b) the earlier of (i) the date which is three and one half years following commencement of commercial production on the Aurora Mine Property; and (ii) reimbursement to the Company of all expenditures incurred in commencing commercial production on the Aurora Mine Property. The Company's mineral exploration right in the Aurora Mine Property is also subject to an additional net smelter royalty of up to 5% payable to, and determined at the discretion of, the GGMC.

In March 2004, the agreement with Alphonso was amended. In lieu of Alphonso's interest and rights to advances in and to production royalty and net smelter royalty, the Company agreed to pay Alphonso an annual fee of US \$100,000, payable on January 2 each year, up to a maximum of US \$1,500,000. Such payments shall be due and payable for such period that the Company maintains an interest in the property. As at October 31, 2008 total payments of \$481,800 (US \$400,000) have been made.

Coppermine River Property

The Coppermine River Property consists of approximately 75,747 acres of staked and leased claims and is located in the Coronation Gulf region of Nunavut, Canada. The Company originally acquired its interest in the leased claims comprising Coppermine River Property pursuant to a lease agreement dated September 14, 1999 between the Company and Coppermine River Limited.

The Company's interest in the Coppermine River Property consisted of a 100% mineral exploration right, subject to a 3% net smelter royalty in favour of Coppermine River Limited in respect of a portion of the Coppermine River Property consisting of 7,297 acres. The Company granted to Coronation Minerals the right to earn 50% of its interest in the Coppermine River Property pursuant to an agreement dated August 12, 2002 between Coronation Minerals and the Company (the "Coronation Mineral Agreement"). In order to earn its interest in the Coppermine River Property, Coronation Minerals had to (i) expend at least \$1,500,000 in exploration expenditures on the Coppermine River Property over a three year period ending August 12, 2005; (ii) issue an aggregate of 6,000,000 common shares in the capital of Coronation Minerals to the Company; and (iii) make aggregate cash payments totaling \$300,000 to the Company over a two year period ending August 12, 2004. As at the date hereof, greater than \$1,500,000 in exploration expenditures have been made, \$300,000 has been paid and 6,000,000 common shares in the capital of Coronation Minerals have been issued to the Company pursuant to the Coronation Mineral Agreement.

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8. Mineral Exploration Properties (Continued)

Coppermine River Property (Continued)

On April 29, 2005, the Company and Coronation Minerals entered into an agreement which allowed for Coronation Minerals to acquire the remaining 50% of the Coppermine River Project. Terms of the agreement called for Coronation Minerals to issue to the Company 6,000,000 shares and the Company will retain a 1.5% net smelter royalty (NSR). No shares have been issued in satisfaction of this agreement, due to an ongoing dispute between the Company and Coronation Minerals as to Coronation Minerals' obligation to complete the purchase.

Coronation Minerals assumed responsibility for advance royalty payments amounting to \$350,000 on the Coppermine River Property. The advance royalty payment had previously been accrued by the Company at \$25,000 per quarter from 2005 to June 2008. As at October 31, 2007, the Company had accrued \$325,000 in advance royalty payments. The advanced royalty accrual has been reversed in 2008.

On June 26, 2008, the Company and Coronation Minerals announced that they had entered into an amended agreement which allows Coronation Minerals to acquire the remaining 50% interest of the Coppermine River Project (the "Coppermine Agreement"). Terms of the Coppermine Agreement called for Coronation Minerals to issue 5,000,000 common shares to the Company. The Company also retained a 1.5% NSR over the unpatented claims only, and a right of first refusal to participate in future financings of Coronation Minerals.

As at October 31, 2008, the Company holds approximately 12% of the issued and outstanding common shares of Coronation Minerals, and three (3) directors act on both the Boards of Coronation Minerals and the Company. In addition, J. Patrick Sheridan is the President and Chief Executive Officer of both companies. As a result, the Company is a related party of Coronation Minerals, and the agreement for Coronation Minerals to acquire the remaining 50% of the Coppermine River Project from the Company constitutes a related party transaction under Multilateral Instrument 61-101 "Protection of Minority Security Holders in Special Transactions" ("MI 61-101"). Upon completion of the Coppermine Agreement, the Company will hold or control approximately 19.8% of the issued and outstanding shares of Coronation Minerals.

There has been no prior valuation in respect of the Coppermine Agreement. The Coppermine Agreement is not subject to the formal valuation requirements of MI 61-101 by virtue of subsection 5.5(a) and is also exempt from minority shareholder approval requirements by virtue of subsection 5.7(1)(a), as at the relevant time neither the fair market value of the assets being acquired nor the fair market value of the consideration being paid under the Coppermine Agreement will exceed 25% of Coronation Minerals' market capitalization as calculated in compliance with MI 61-101.

Subsequent to year-end, on November 6, 2008, Coronation Minerals acquired the remaining 50% interest in the Coppermine River Project. Coronation Minerals issued 5,000,000 common shares to the Company, which are subject to a four month hold period that expires on March 6, 2009 (Note 16(i)).

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8. Mineral Exploration Properties (Continued)

Aranka Properties

The Aranka district is comprised of properties known as the Arangoy target area, the Raskassa target area, the Wynamu/Kalaloo target area, the Imotai target area, the Minabaru target area, the Maple Creek/New Workings target area and the Aranka (Red Hill) target area. The southern boundary of the Aranka district is located approximately eighteen miles ENE of the current base camp of the Company's Aurora Mine Property.

On April 30, 2007, the Company and Aranka Gold Inc. ("Aranka") announced the exercise by the Company of a back-in agreement executed and delivered June 3, 2005. The back-in agreement entitled the Company to acquire a 50% interest in the above-noted properties held by Aranka and with respect to any gold property acquired by Aranka in the country of Guyana by paying 125% of the total expenditures on the properties. The total expenditures on the properties amounted to \$2,037,767 on May 7, 2007, the date the exercise of the back in right received requisite regulatory approvals. The total amount, together with interest of \$30,449 was paid by the Company on August 27, 2007. Pursuant to the agreement, the Company pays 50% of exploration expenditures. From August 27 to October 31, 2007, the Company's share of exploration expenditures was \$630,783, for total exploration expenditures of \$2,698,999.

On January 15, 2008, Aranka announced it has entered into three option agreements to acquire mineral exploration and development rights to a total of (approximately) 77,893 acres in three separate land packages. The option agreements are outlined below:

Fish Creek/Pomeroon Head Property (60,759 acres)

Aranka may earn a 100% interest in the property by paying US \$390,000 over a four year period. The vendors shall retain a 2% NSR and Aranka maintains the right to purchase the NSR for US\$2,000,000. Due to disappointing results in July 2008, Aranka has decided to abandon the Fish Creek/Pomeroon Head Property.

Oko Group of Properties (8,000 acres)

Aranka may earn a 100% interest in the property by making annual payments totalling US \$285,000 over a four year period. The vendor shall retain a 2% NSR and Aranka has the right to purchase the NSR for US \$2,000,000. Due to disappointing results in July 2008, Aranka has decided to abandon the Oko Group of Properties.

A total writedown of \$115,795 for both the Fish Creek/Pomeroon Head Property and Oko Group of Properties was recorded during the year. This represents total expenditures to date.

Aremu Mine Property (9,134 acres)

Aranka shall have the option to acquire a 100% interest in ten mining permits (the "Mining Permits") located on the right bank of the Aremu River in Guyana. As consideration, Aranka must pay an aggregate of \$123,000,000 Guyanese dollars (approx. US \$600,000) and issue 50,000 common shares to the Optionors (issued and valued at \$100,000). The Mining Permits are subject to a 2% NSR After acquiring 100% interest in the Mining Permits, Aranka has the option to purchase the entire NSR from the Optionors by making a further payment of \$410,000,000 Guyanese dollars (approx. US \$2,000,000).

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9. Share capital

The Company is authorized to issue an unlimited number of common shares. The issued and outstanding common shares consist of the following:

	Number of Shares	Amount
Balance, October 31, 2006	48,419,510	\$ 45,602,919
Issued on exercise of warrants	2,219,133	12,205,232
Value of warrants exercised	-	3,345,904
Issued on exercise of options	647,000	871,820
Value of options exercised	-	650,262
Balance, October 31, 2007	51,285,643	62,676,137
Issued on exercise of options	844,500	2,108,000
Value of options exercised	-	1,279,530
Cancellation of shares (i)	(1,025,000)	(1,301,750)
Share purchase loans (ii)	-	(295,000)
Balance, October 31, 2008	51,105,143	\$ 64,466,917

(i) During the 12 month period beginning on December 31, 2007 and ending on December 30, 2008, the Company can purchase on the Toronto Stock Exchange up to 1,025,712 common shares of the Company. The price which the Company will pay for any such shares will be the market price at the time of acquisition. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company.

During the year ended October 31, 2008, the Company purchased, for cancellation, 1,025,000 common shares for total consideration of \$3,029,100. Of the \$3,029,100 paid, \$1,301,750 was charged to share capital, \$909,031 was charged to contributed surplus and \$818,319 was charged to deficit.

(ii) During the year ended October 31, 2008, the Company loaned two consultants of the Company \$295,000 to exercise stock options of the Company. The loans have been recorded as a reduction of share capital. The loans are unsecured, non-interest bearing and due on demand. As at October 31, 2008, the amount of the share purchase loans was \$295,000. No loans were forgiven or repaid during the year or subsequent to year end.

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10. Warrants

The following table shows the continuity of warrants during the year:

	Number of Warrants	Allocated Value	Average Exercise Price
Balance, October 31, 2006	4,116,636	\$ 6,293,327	\$ 5.04
Exercised	(2,219,133)	(3,345,904)	5.50
Expired	(167,503)	(252,533)	5.50
Balance, October 31, 2007 and 2008	1,730,000	\$ 2,694,890	\$ 4.40

The following are the warrants outstanding as at October 31, 2008:

Number of Warrants	Fair Value	Exercise Price	Expiry Date
1,730,000	\$ 2,694,890	\$ 4.40	March 8, 2011

11. Stock options

The Company has a stock option plan (the "Plan") in place under which the board of directors may grant options to acquire up to 7,767,000 common shares of the Company to qualified directors, officers, employees and other ongoing service providers. The maximum number of common shares which may be issued to insiders under the Plan, together with any other previously established or proposed share compensation arrangements, within any one year period shall be 10% of the outstanding issue. The number of common shares reserved for issue to any one person may not exceed 5% of the issued and outstanding common shares at the date of such grant. Options issued under the Plan may vest at the discretion of the board of directors.

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11. Stock options (Continued)

The following table shows the continuity of stock options during the year:

	Number of Options	Allocated Value of Vested Options	Weighted Average Exercise Price
Balance, October 31, 2006	4,499,950	\$ 8,853,426	\$ 3.04
Granted (i)(ii)	325,000	1,877,802	11.04
Value of options vested during the year	-	932,210	-
Exercised	(647,000)	(650,262)	1.35
Balance, October 31, 2007	4,177,950	11,013,176	3.93
Granted (iii)(iv)(v)	565,000	1,555,977	5.77
Value of options vested during the year	-	773,556	-
Exercised	(844,500)	(1,279,530)	2.50
Cancelled and expired	(132,000)	(514,866)	5.39
Balance, October 31, 2008	3,766,450	\$ 11,548,313	\$ 4.47

(i) On November 14, 2006, the Company granted 125,000 options to acquire 125,000 shares of the Company at a price of \$11.10 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a one to two year expected term; 63% to 75% volatility; risk-free interest rate of 4.0% per annum; and a dividend rate of 0%. The fair value assigned to these options was \$440,367 which is expensed to the statement of operations and comprehensive (loss) income with a corresponding amount allocated to contributed surplus as the options are vested. These options were vested as follow: 25% after 6, 12, 18 and 24 months.

(ii) On February 21, 2007, the Company granted 200,000 options to acquire 200,000 shares of the Company at a price of \$11.00 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 94% volatility; risk-free interest rate of 4.5% per annum; and a dividend rate of 0%. The fair value assigned to these options was \$1,626,000 which is expensed to the statement of operations and comprehensive (loss) income with a corresponding amount allocated to contributed surplus as the options are vested. These options were vested 100% at the issuance date.

(iii) On November 21, 2007, the Company granted 50,000 options to acquire 50,000 shares of the Company to a consultant at a price of \$8.14 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 71% volatility; risk-free interest rate of 3.76% per annum; and a dividend rate of 0%. The fair value assigned to these options was \$249,400 which is expensed to the statement of operations and comprehensive (loss) income with a corresponding amount allocated to contributed surplus as the options are vested. These options were vested as follow: 25% immediately and 25% after 6, 12 and 18 months.

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11. Stock options (Continued)

(iv) On April 14, 2008, the Company granted 350,000 options to acquire 350,000 shares of the Company to directors and officers of the Company at a price of \$6.65 per share. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 73% volatility; risk-free interest rate of 3.00% per annum; and a dividend rate of 0%. The fair value assigned to these options was \$1,428,000 which is expensed to the statement of operations and comprehensive (loss) income with a corresponding amount allocated to contributed surplus as the options are vested. These options were vested 100% at the issuance date.

(v) On August 26, 2008, the Company issued 165,000 stock options to the Chief Financial Officer and a consultant of the Company at a price of \$3.18. The fair value of these options at the date of grant was estimated using the Black Scholes valuation model with the following assumptions: a five year expected term; 82% volatility; risk-free interest rate of 3.12% per annum; and a dividend rate of 0%. The fair value assigned to these options was \$349,800 which is expensed to the statement of operations and comprehensive (loss) income with a corresponding amount allocated to contributed surplus as the options are vested. These options were vested as follow: 25% after 6, 12, 18 and 24 months.

(vi) The weighted average fair value of the total options granted during the year on the grant date was \$3.59.

The following are the stock options outstanding at October 31, 2008:

Expiry Date	Options Outstanding	Exercise Price	Remaining Contractual Life (Yrs)	Options Exercisable	Exercise Price
September 27, 2009	474,950	\$ 2.43	0.91	474,950	\$ 2.43
February 1, 2010	489,000	\$ 2.02	1.25	489,000	\$ 2.02
April 28, 2010	547,500	\$ 2.00	1.49	547,500	\$ 2.00
November 21, 2010	500,000	\$ 3.30	2.06	500,000	\$ 3.30
November 29, 2010	50,000	\$ 3.62	2.08	50,000	\$ 3.62
January 24, 2011	335,000	\$ 3.70	2.23	335,000	\$ 3.70
May 29, 2011	200,000	\$ 8.03	2.58	200,000	\$ 8.03
June 19, 2011	250,000	\$ 7.24	2.63	250,000	\$ 7.24
October 16, 2011	30,000	\$ 9.06	2.96	30,000	\$ 9.06
November 14, 2011	125,000	\$ 11.10	3.04	93,750	\$ 11.10
February 21, 2012	200,000	\$ 11.00	3.31	200,000	\$ 11.00
November 21, 2012	50,000	\$ 8.14	4.06	12,500	\$ 8.14
April 14, 2013	350,000	\$ 6.65	4.45	350,000	\$ 6.65
August 26, 2013	165,000	\$ 3.18	4.82	-	\$ 3.18
	3,766,450			3,532,700	\$ 4.43

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11. Stock options (Continued)

Stock-based compensation expense is comprised of:

	2008	2007
Value of stock options granted	\$ 2,027,200	\$ 2,066,367
Deduct value of stock options not vested	(471,223)	(188,565)
Add value of prior years stock options vested	773,556	932,212
Stock-based compensation expense	\$ 2,329,533	\$ 2,810,014

12. Income taxes

(a) Provision for income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 33.94% (2007 - 36.12%) to the net (loss) income. The reason for the difference is as follows:

	2008	2007
Net (loss) income	\$ (9,143,731)	\$ 1,060,338
Expected tax payable (recovery) at statutory rates	\$ (3,103,382)	382,994
Increase (decrease) resulting from:		
Unrealized loss (gain) on short-term investments	805,832	(873,020)
Mineral exploration properties	1,064,695	36,120
Non-capital losses not recognized	300,657	32,954
Non-taxable portion of capital gains	(117,733)	(420,202)
Stock-based compensation	790,644	1,014,977
Share of Coronation Minerals net loss	259,287	-
Other	-	(173,823)
	\$ -	\$ -

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12. Income taxes (Continued)

(b) Future tax balances

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities are as follows:

	2008	2007
Future income tax assets (liabilities)		
Non-capital losses	\$ 402,800	\$ 828,000
Share issue costs	141,500	245,200
Mineral exploration properties	(137,000)	(158,200)
Investments	364,700	(404,800)
Valuation allowance	(772,000)	(510,200)
	\$ -	\$ -

(c) Losses carried forward

The Company has non-capital losses that will expire, if not utilized, as follows:

2015	\$ 560,138
2026	737,501
2027	91,235
	<u>\$ 1,388,874</u>

13. Related party transactions

Accounts payable and accrued liabilities includes \$71,615 (2007 - \$90,589) due to the Chief Executive Officer, former/current Chief Financial Officer of the Company and a company controlled by the current Chief Financial Officer. The balances are non-interest bearing and are payable on demand.

During the year, fees of \$369,720 (2007 - \$724,056) were paid to the Chief Executive Officer and former/current Chief Financial Officer of the Company. These expenditures have been allocated as follows:

	2008	2007
Management fees	\$ 177,720	\$ 532,056
Mineral exploration expenditures, Aurora Mine Property	192,000	192,000
	\$ 369,720	\$ 724,056

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13. Related party transactions (Continued)

During the year, fees of \$59,452 (2007 - \$53,009) were paid to a director of the Company. These expenditures have been allocated to mineral exploration properties.

During the year, fees of \$9,000 (2007 - \$15,940) were paid to a director of the Company. These fees have been allocated to professional fees.

Included in accounts receivable is \$17,093 (2007 - \$nil) owing from Coronation Minerals and \$29,074 (2007 - \$nil) owing from the Chief Executive Officer and former Chief Financial Officer. The balance owing from Coronation Minerals pertains to office expenses paid on their behalf by the Company. These balances are non-interest bearing and are due on demand.

Aranka Gold Inc.

The Chief Executive Officer and Chief Financial Officer of the Company are also officers in the same capacity with Aranka. The Company exercised a back-in agreement with Aranka in 2007 (Note 8). The agreement entitled the Company to acquire a 50% interest in all exploration areas held by Aranka by paying 125% of the total expenditures on the properties. In 2007, the carrying value of the claims transferred of \$2,037,767 has been recorded as mineral property expenses and the remaining \$509,442 has been charged to deficit.

Included in accounts receivable is \$17,093 (2007 - \$nil) owing from Aranka. The balance pertains to office expenses paid on behalf of Aranka by the Company. This balance is non-interest bearing and is due on demand.

During the year, the Company paid Aranka \$1,106,292 (2007 - \$2,698,999) for exploration expenditures pursuant to the back-in agreement ("agreement"). Pursuant to the agreement, the Company is required to pay 50% of all Aranka exploration expenditures on a cash call basis.

All related parties 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.

14. Contingency

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As at October 31, 2008, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when mine development commences.

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d October 31, 2008 and 2007

15. Commitments

(i) On October 9, 2008, the Company has entered into an agreement for an environmental and social impact assessment report on Aurora Mines Property. The overall cost for the program will be US \$515,000 and it is estimated that the program will take up to 6 months to complete.

(ii) On October 30, 2008, the Company has entered into an agreement for a gold recovery program on Aurora Mines Property Samples. The overall cost for the program will be \$72,150 and it is estimated that the program will take up to 12 weeks to complete. The gold recovery program started in early January 2009.

16. Subsequent events

(i) On November 6, 2008, Coronation Minerals has acquired the remaining 50% interest of the Coppermine River Project. Coronation Minerals has issued 5,000,000 common shares to the Company, which shares are subject to a four month hold period that expires on March 6, 2009 (Note 8).

(ii) On December 19, 2008, the Company and Aranka have entered into an acquisition agreement, pursuant to which the Company will seek to acquire all of the issued and outstanding common shares of Aranka under a court approved plan of arrangement in Canada (the "Arrangement"). Pursuant to the Arrangement, shareholders of Aranka will receive one common share of the Company in exchange for 3.25 common shares of Aranka. All of the outstanding 1,700,000 options of Aranka will be cancelled and its option plan will be terminated.

The completion of the Arrangement is subject to, among other things, receipt of approval of Aranka's shareholders, receipt of a final order of the court approving the Arrangement, receipt of all regulatory approvals on or prior to March 31, 2009 and the directors and officers of Aranka entering into shareholder support agreements with the Company.

