

**GOLD PORT RESOURCES LTD.**  
(an exploration stage company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The consolidated financial statements of Gold Port Resources Ltd. (an exploration stage company) are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgement based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements as at December 31, 2010 and 2009 and for the years then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

*Adrian F.C. Hobkirk*  
Director

*Christopher Cherry*  
Chief Financial Officer

Vancouver, British Columbia  
May 2, 2011

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF GOLD PORT RESOURCES LTD.**  
**(an exploration stage company)**

We have audited the accompanying consolidated financial statements of Gold Port Resources Ltd. (an exploration stage company), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated 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 consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

*Opinion*

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

“Smythe Ratcliffe LLP” (signed)

Chartered Accountants

Vancouver, British Columbia  
May 2, 2011

**GOLD PORT RESOURCES LTD.**  
**(an exploration stage company)**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31**

	2010	2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,513,394	\$ 393,961
Receivables	20,640	12,029
Prepaid expenses	<u>945</u>	<u>2,474</u>
	\$3,534,979	408,464
<b>Equipment</b> (Note 3)	462,181	570,407
<b>Mineral properties</b> (Note 4 and Note 11)	<u>787,667</u>	<u>736,842</u>
	<u>\$ 4,784,827</u>	<u>\$ 1,715,713</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 270,835	\$ 200,776
Deposit payable (Note 11)	<u>100,774</u>	<u>-</u>
	<u>371,609</u>	<u>200,776</u>
<b>Shareholders' equity</b>		
Share capital (Note 5)	18,131,879	14,717,861
Contributed surplus (Note 5)	2,777,124	2,282,123
Deficit	<u>(16,495,785)</u>	<u>(15,485,047)</u>
	<u>4,413,218</u>	<u>1,514,937</u>
	<u>\$ 4,784,827</u>	<u>\$ 1,715,713</u>

**Subsequent events** (Note 15)

**On behalf of the Board:**

"Adrian F. C. Hobkirk" Director "Kenneth Sadowski" Director

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

**GOLD PORT RESOURCES LTD.**  
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**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEARS ENDED DECEMBER 31**

	2010	2009
<b>EXPENSES</b>		
Management fees (Note 11)	\$ 170,758	\$ 259,913
Exploration costs (Notes 4 and 11)	381,422	228,832
Stock-based compensation (Note 6)	42,960	208,818
Amortization	110,437	172,970
Professional fees (Note 11)	122,692	84,452
Travel	25,441	56,103
Directors' fees (Note 11)	29,322	36,400
Administration	32,861	33,524
Listing fees	26,720	31,905
Shareholder communication	101,345	24,061
Consultants	<u>1,986</u>	<u>458</u>
	<u>(1,045,944)</u>	<u>(1,137,436)</u>
<b>OTHER ITEMS</b>		
Interest income	5,263	2,138
Foreign exchange gain	29,943	13,298
Write-off of mineral properties	<u>-</u>	<u>(876,077)</u>
	<u>35,206</u>	<u>(860,641)</u>
<b>Net loss and comprehensive loss for the year</b>	<b>(1,010,738)</b>	<b>(1,998,077)</b>
<b>Deficit, beginning of year</b>	<b><u>(15,485,047)</u></b>	<b><u>(13,486,970)</u></b>
<b>Deficit, end of year</b>	<b>\$ (16,495,785)</b>	<b>\$ (15,485,047)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>	<b>51,736,404</b>	<b>31,959,782</b>

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

**GOLD PORT RESOURCES LTD.**  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,010,738)	\$ (1,998,077)
Items not affecting cash:		
Amortization	110,437	172,970
Stock-based compensation	42,960	208,818
Write-off of mineral properties	-	876,077
Changes in non-cash working capital items:		
Decrease/(increase) in receivables	(8,611)	29,289
Decrease/(increase) in prepaid expenses	1,529	-
Increase in accounts payable and accrued liabilities	46,136	52,124
<b>Net cash used in operating activities</b>	<u>(818,287)</u>	<u>(658,799)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Mineral properties	(50,825)	(22,945)
Purchase of equipment	(2,211)	-
Deposit payable	100,774	-
<b>Net cash provided by (used in) investing activities</b>	<u>47,738</u>	<u>(22,945)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on issuance of share capital	4,174,245	600,000
Share issue costs	(284,263)	(46,300)
<b>Net cash provided by financing activities</b>	<u>3,889,982</u>	<u>553,700</u>
<b>Change in cash and cash equivalents during the year</b>	3,119,433	(128,044)
<b>Cash and cash equivalents, beginning of year</b>	<u>393,961</u>	<u>522,005</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,513,394</u>	<u>\$ 393,961</u>
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 508,469	\$ 93,961
GIC	3,004,925	300,000
	<u>\$ 3,513,394</u>	<u>\$ 393,961</u>

**Supplemental disclosure with respect to cash flows (Note 10)**

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated in the Province of Ontario on June 20, 1995. Effective January 15, 2007, the Company was granted a Certificate of Continuation under the *Business Corporation Act* from the jurisdiction of Ontario into British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties in Guyana.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production. The Company expects its current capital resources will be sufficient for the current operating period but the Company will be required to raise additional funds through future equity issuances. The Company's ability to continue as a going concern is therefore dependent on its ability to raise additional funds through equity issuances.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. For the year ended December 31, 2010 the Company incurred a net loss of \$1,010,738 (2009 - \$1,998,077) and had an accumulated deficit of \$16,495,785 (2009 - \$15,485,047). The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), are stated in Canadian dollars, and include the accounts of the Company and its wholly-owned subsidiary Gold Port (Guyana) Incorporated, incorporated in Guyana, South America. The Company's functional and reporting currency is the Canadian dollar. All significant inter-company balances and transactions were eliminated upon consolidation.

**Measurement uncertainty and estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the collectability of receivables, rates of amortization for equipment, the recoverability of mineral properties, the determination of environmental obligations, the balance of accrued liabilities, the assumptions used in the calculation of stock-based compensation and calculation of future income tax assets and liabilities and the determination of the valuation allowance on future income tax assets. Financial results as determined by actual events could differ from those estimates.

**Cash and cash equivalents**

Cash equivalents consists of cashable guaranteed investment certificates ("GIC") that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**GOLD PORT RESOURCES LTD.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment**

Equipment is recorded at cost less accumulated amortization. In the year of acquisition, one-half of the annual rate is used.

Amortization is provided on a declining balance basis at the following annual rates:

Exploration equipment	20%
Field equipment	33%
Office equipment	20%
Vehicles	33%

**Foreign currency translation**

The Company's subsidiary is an integrated foreign operation and is translated into the Company's functional currency (Canadian dollars) using the temporal method. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Revenue and expense items (excluding amortization, which is at the same rate as the related asset) are translated at the exchange rates in effect on the date of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

**Mineral properties**

All costs related to the acquisition of mineral properties are capitalized on a property by property basis, net of recoveries. Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds as received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes in income amounts received in excess of the carrying amount.

Although the Company has taken steps to verify the title to mineral properties in which it has 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 or transfers and title may be affected by undetected defects.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment of long-lived assets**

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

**Interest income**

Interest income is recorded as earned on an accrual basis at the stated rate of interest.

**Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

**Future income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

**Stock-based compensation**

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period, and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Unit offerings**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated fully to common shares based on the issuance price of the common shares at the time the units are priced.

**Future accounting changes**

**International Financial Reporting Standards (“IFRS”)**

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010.

**Business Combinations**

In January 2009, the Canadian Institute of Chartered Accountants issued Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

**GOLD PORT RESOURCES LTD.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**3. EQUIPMENT**

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Exploration equipment	\$ 729,268	\$ 386,486	\$ 342,782	\$ 729,268	\$ 310,957	\$ 418,311
Field equipment	204,133	141,463	62,670	204,133	120,851	83,282
Office equipment	49,695	24,518	25,177	47,370	20,485	26,885
Vehicles	<u>116,088</u>	<u>84,536</u>	<u>31,552</u>	<u>116,088</u>	<u>74,159</u>	<u>41,929</u>
	\$ 1,099,184	\$ 637,003	\$ 462,181	\$ 1,096,859	\$ 526,452	\$ 570,407

**4. MINERAL PROPERTIES**

**Realization of assets**

The investment in mineral properties, comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values.

**Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

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**4. MINERAL PROPERTIES (cont'd...)**

	Tamberlin	Groete Creek	Five Stars	Georgetown West	C-59	C-60	Total
Balance, December 31, 2008	\$ -	\$ 588,275	\$ 275,155	\$ 125,622	\$ 300,461	\$ 300,461	\$ 1,589,974
Acquisition costs	-	-	-	22,945	-	-	22,945
Written-off	-	-	(275,155)	-	(300,461)	(300,461)	(876,077)
Balance, December 31, 2009	-	588,275	-	148,567	-	-	736,842
Acquisition costs	25,078	-	-	25,747	-	-	50,825
Balance, December 31, 2010	\$ 25,078	\$ 588,275	\$ -	\$ 174,314	\$ -	\$ -	\$ 787,667

The Company incurred exploration costs in 2010 as follows:

	Tamberlin	Akaiwong	Groete Creek	Georgetown West	Total
Administration	\$ 128,166	\$ 7,037	\$ 82,320	\$ 52,634	\$ 270,157
Assays	13,949	-	8,592	5,728	28,269
Fuel and field supplies	19,258	-	11,863	7,909	39,030
Geologists and consultants	16,611	-	10,232	6,822	33,665
Transport	5,083	-	3,131	2,087	10,301
Total	\$ 183,067	\$ 7,037	\$ 116,138	\$ 75,180	\$ 381,422

The Company incurred exploration costs in 2009 as follows:

	Akaiwong	Groete Creek	Georgetown West	Total
Administration	\$ 9,561	\$ 1,372	\$ 6,505	\$ 17,438
Assays	29,137	-	-	29,137
Drilling	4,252	-	-	4,252
Fuel and field supplies	7,741	214	-	7,955
Geologists and consultants	-	13,086	-	13,086
Labour	94,723	957	-	95,680
Permits and fees	7,129	17,522	13,512	38,163
Transport	21,076	2,045	-	23,121
Total	\$ 173,619	\$ 35,196	\$ 20,017	\$ 228,832

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**4. MINERAL PROPERTIES (cont'd...)**

**C-59, Guyana**

During 2008, the Company entered into an option agreement to acquire the C-59 Project located in Guyana. Under the terms of the agreement, the Company may purchase the property for the following consideration:

- payment of US\$30,000 on signing (paid in 2008)
- issuance of 1,000,000 common shares upon transfer of title (issued in 2008)
- payment of US\$80,000 by July 15, 2009 (not paid)
- payment of US\$150,000 by July 15, 2010
- payment of US\$250,000 by July 15, 2011
- a 2% net smelter royalty ("NSR"), which may be purchased for US\$1,000,000 per percentage point.

During 2009, the Company was unsuccessful in defining a mineral resource on this property and accordingly wrote-off acquisition costs totalling \$300,461.

**C-60, Guyana**

During 2008, the Company entered into an option agreement to acquire the C-60 Project located in Guyana. Under the terms of the agreement, the Company may purchase the property for the following consideration:

- payment of US\$30,000 on signing (paid in 2008)
- issuance of 1,000,000 common shares upon transfer of title (issued in 2008)
- payment of US\$80,000 by July 15, 2009 (not paid)
- payment of US\$150,000 by July 15, 2010
- payment of US\$250,000 by July 15, 2011
- a 2% NSR, which may be purchased for US\$1,000,000 per percentage point.

During 2009, the Company was unsuccessful in defining a mineral resource on this property and accordingly wrote-off acquisition costs totalling \$300,461.

**Akaiwong, Guyana**

The Company holds a 100% interest in the Akaiwong Project located in Guyana, subject to a 2% NSR, which may be purchased for US\$1,000,000 per percentage point.

During 2008, the Company recognized an impairment charge by writing off acquisition costs totalling \$742,580. The Company continued to explore the property during 2009 and 2010.

**Groete Creek, Guyana**

The Company holds a 100% interest in the Groete Creek Property located in Guyana subject to a 1.5% NSR, which may be purchased for US\$3,000,000.

**Five Stars Property, Guyana**

During 2005, the Company entered into an option agreement to acquire a 100% interest in the Five Stars Property located in Guyana. The Company paid consideration as follows:

- payment of US\$30,000 (paid in 2005) and issuance of 100,000 common shares on signing (issued in 2005)
- payment of US\$10,000 (paid 2006)

During 2007, the Company entered into an amending agreement to extend some of the dates upon which payments and exploration work was to be completed. In consideration, the Company paid US\$40,000. The Company did not complete any exploration work on the property and accordingly, wrote-off acquisition costs totalling \$175,471.

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**4. MINERAL PROPERTIES (cont'd...)**

**Five Stars Property, Guyana (cont'd)**

During 2008, this agreement was re-negotiated. The Company may acquire a 100% interest in the property for the following consideration:

- payment of US\$5,000 and issuance of 1,000,000 common shares on signing (paid and issued in 2008)
- payment of US\$25,000 by July 11, 2009
- payment of US\$25,000 by July 11, 2010
- payment of US\$25,000 by July 11, 2011
- payment of US\$50,000 by July 11, 2012
- payment of US\$100,000 by July 11, 2013
- a 2% NSR which may be purchased for US\$1,000,000 per percentage point

During 2009, the Company was unsuccessful in defining a mineral resource on this property and accordingly wrote-off acquisition costs totalling \$275,155.

**Georgetown West, Guyana**

During 2006, the Company entered into an option agreement with Caerus Resource Corporation (“Caerus”) (formerly Samba Gold Inc.), a company with common directors, and the underlying owner to acquire a 100% interest in the Georgetown West Property in Guyana. Under the terms of the agreement, the property can be acquired for the following consideration:

To the underlying owner:

- payment of US\$10,000 on signing (paid in 2006)
- payment of US\$10,000 annually to attainment of commercial production
- issuance of 50,000 common shares upon regulatory approval (issued in 2007)
- issuance of 50,000 common shares on the completion of US\$100,000 of exploration expenditures
- issuance of 100,000 common shares on the completion of US\$500,000 of exploration expenditures
- issuance of 100,000 common shares on the completion of US\$1,000,000 of exploration expenditures
- issuance of 100,000 common shares and payment of US\$100,000 on completion of a positive feasibility study
- the project will be subject to a royalty, which may be purchased for US\$1,000,000 and an exploration bonus equal to 5% of expenditures, subject to a maximum payable of US\$50,000.

To Caerus:

- Caerus retains the right to back in for a 30% participating interest in the project upon the Company completing US\$1,000,000 of exploration expenditures

**Tamberlin, Guyana**

During the year ended December 31, 2010, the Company entered into a Letter Agreement for an option to purchase a 100% interest in the Tamberlin Gold Project in Guyana. The Company paid US \$25,000 for a 90-day due diligence period. To earn its 100% interest, the Company must pay to the underlying owner as follows:

- Issuance of 1,000,000 escrowed common shares (note 15)
- Payment of US \$75,000 for the first year (note 15)
- Payment of US \$900,000 over a four-year period.

The property is subject to a 3% NSR, which can be purchased in whole or in part for US \$1,600,000 per percentage point. Subsequent to December 31, 2010, the Company received TSX Venture Exchange approval on the acquisition of the Tamberlin project.

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**5. SHARE CAPITAL**

Authorized: Unlimited common shares without par value

Issued and outstanding:

	Number of Shares	Amount	Contributed Surplus
Balance, December 31, 2008	30,511,563	\$ 14,199,814	\$ 2,037,652
Stock-based compensation	-	-	208,818
Share issuance cost finders' warrants (non-cash)	-	(35,653)	35,653
Private placement – gross proceeds	12,000,000	600,000	-
Share issuance cost – cash	-	(46,300)	-
Balance, December 31, 2009	42,511,563	14,717,861	2,282,123
Stock-based compensation	-	-	42,960
Share issuance cost finders' warrants (non-cash)	-	(456,841)	456,841
Private placements – gross proceeds	46,181,665	3,689,925	-
Share issuance cost – cash	-	(308,186)	-
Exercise of warrants	4,783,200	478,320	-
Exercise of options	60,000	6,000	-
Reclassification of contributed surplus on exercise of options	-	4,800	(4,800)
Balance, December 31, 2010	93,536,428	\$ 18,131,879	\$ 2,777,124

Included in issued share capital are 2,700,000 escrowed common shares. The Company has initiated the process to have these shares cancelled.

**Private placements**

During the year ended December 31, 2010:

The Company issued 23,551,665 units for gross proceeds of \$1,766,375. Each unit was comprised of one common share and one warrant entitling the holder to acquire an additional common share for \$0.12 to October 13, 2012. The Company paid commissions totalling \$145,978 and issued 1,767,700 agents warrants with the same terms as the unit warrants. The Company has estimated the fair value of the finder's warrants to be \$229,801 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk-free interest rate of 1.39%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 270.03%.

The Company issued 22,630,000 units for gross proceeds of \$1,923,550. Each unit was comprised of one common share and one warrant entitling the holder to acquire an additional common share for \$0.13. The placement consisted of two tranches, hence 18,300,000 warrants have an expiry of November 4, 2012 and 4,330,000 warrants have an expiry of November 9, 2012. The Company paid commissions totalling \$145,484 and issued 1,498,000 agents warrants with the same terms as the unit warrants. The Company has estimated the fair value of the finder's warrants to be \$227,040 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk-free interest rate of 1.60%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 258.90%. In addition to the commissions paid, the Company also incurred \$16,724 in other share issuance costs.

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**5. SHARE CAPITAL (cont'd...)**

**Private placements (cont'd...)**

As at December 31, 2010 \$23,923 in share issuance costs are included in accounts payable.

During the year ended December 31, 2009:

The Company issued 12,000,000 units at a price of \$0.05 per unit for gross proceeds of \$600,000. Each unit consisted of one share and one transferable share purchase warrant. Each share purchase warrant entitles the holder to acquire an additional share at a price of \$0.10 per share for a period of two years from issuance. The Company paid a finder's fee of \$46,300 and 926,000 finder's warrants. Each finder's warrant entitles the holder to acquire an additional common share at a price of \$0.10 per share for a period of two years. The Company has estimated the fair value of the finder's warrants to be \$35,653 based on the Black-Scholes option pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk-free interest rate of 1.2%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 121.43%.

**6. STOCK OPTIONS**

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant, subject to a minimum exercise price of \$0.10 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2008	2,510,000	\$ 0.53
Cancelled/Expired	(560,000)	0.48
Granted	2,170,000	0.10
Repriced 1,980,000 options to \$0.12	-	(0.42)
Outstanding, December 31, 2009	4,120,000	0.11
Cancelled	(269,000)	0.10
Expired	(385,000)	0.12
Granted	400,000	0.11
Exercised	(60,000)	0.10
Outstanding, December 31, 2010	3,806,000	0.11
Exercisable, December 31, 2010	3,706,000	\$ 0.11

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**6. STOCK OPTIONS (cont'd...)**

Subsequent to the repricing in 2009, 1,980,000 options were repriced at \$0.12 with 30,000 cancelled.

As at December 31, 2010, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date	Weighted Average Contractual Life
680,000	\$0.12	March 29, 2011 *	0.24
165,000	\$0.12	January 17, 2012	1.05
720,000	\$0.12	July 6, 2012	1.52
1,841,000	\$0.10	November 8, 2014	1.86
400,000	\$0.11	March 4, 2015	4.18
3,806,000			1.71

\* 65,000 of these options were exercised subsequent to year end and 615,000 of these options expired unexercised. (note 15)

**Stock-based compensation**

During 2010, the Company granted options to Consultants to acquire 400,000 (2009 - 2,170,000) common shares with a grant date fair value of \$0.11 (2009 - \$0.08) per option resulting in stock-based compensation expense under the Black-Scholes option pricing model of \$42,960 (2009 - \$181,749). In 2009, the Company also repriced 1,980,000 options to an exercise price of \$0.12 per option, resulting in additional stock-based compensation expense under the Black-Scholes option pricing model of \$27,069.

The following assumptions were used for the Black-Scholes valuation of stock options granted and repriced:

	2010	2009
Risk-free interest rate	2.90%	2.87%
Expected life of options	5 years	5 years
Annualized volatility	199.92%	121.43%
Dividend rate	0%	0%

**7. WARRANTS**

The following table summarizes the Company's warrant activity for the years ended December 31, 2010 and 2009:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2008	3,437,500	\$ 0.65
Issued	12,926,000	\$ 0.10
Expired	(3,437,500)	\$ 0.65
Outstanding, December 31, 2009	12,926,000	\$ 0.10
Issued	49,447,365	\$ 0.12
Exercised	(4,783,200)	\$ 0.10
Outstanding, December 31, 2010	57,590,165	\$ 0.12

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**7. WARRANTS (cont'd...)**

As at December 31, 2010, the following warrants were outstanding:

Expiry Date	Exercise Price	2010	2009
October 1, 2011	\$0.10	3,036,800	7,820,000
October 19, 2011	\$0.10	5,106,000	5,106,000
October 13, 2012	\$0.12	25,319,365	-
November 4, 2012	\$0.13	19,365,000	-
November 9, 2012	\$0.13	4,763,000	-
		57,590,165	12,926,000

**8. INCOME TAXES**

The reconciliation of income tax provision computed at Canadian statutory rate to reported income tax provision is as follows:

	2010	2009
Expected income tax recovery	\$ (288,061)	\$ (599,422)
Write down of mineral property	-	262,823
Other temporary differences	30,744	107,964
Change in timing differences	69,414	(236,648)
Adjustment due to effective tax rate attributable to income taxes in other countries	(16,233)	(5,134)
Effect of change in tax rate	22,859	32,971
Change in valuation allowance	181,277	437,446
<b>Total income tax expense</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Future income tax assets:		
Tax value over book value of mineral interests	\$ 1,355,000	\$ 1,328,000
Non capital loss carry-forwards	1,208,000	1,122,000
Tax value in excess of book value of equipment	168,000	141,000
Share issue costs	78,000	38,000
	2,809,000	2,629,000
Valuation allowance	(2,809,000)	(2,629,000)
	\$ -	\$ -

The valuation allowance reflects the Company's estimates that the tax assets more likely than not will not be realized.

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**8. INCOME TAXES (cont'd...)**

The Company has non-capital losses of approximately \$4,450,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through 2030.

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash and cash equivalents and accounts payable and deposit payable. Cash and cash equivalents has been designated as held for trading, and accounts payable and deposit payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

a) Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company is conducting business in Guyana, whose currency is the Guyanese dollar. As such, it is subject to risk due to fluctuations in the exchange rates for the United States, Canadian and Guyanese dollars. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2010, the Company has accounts payable denominated in US dollars of US\$20,036 (2009 - US\$ 9,881) and cash of US\$88,809 (2009 - US\$ 43,820). Based on a hypothetical change in the foreign exchange rate between the Canadian and the US dollars of 1% (2009 -17%), the effect on net loss would be \$688 (2009 - \$9,745).

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. Included in cash and cash equivalents is a \$3,004,925 (2009 - \$300,000) GIC maturing on November 16, 2011 with interest of 1.12%. This concentration of credit risk is managed by holding the GIC in a large Canadian financial institution.

c) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2010. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

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**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

e) Other price risk

The Company is not exposed to significant other price risk.

There have been no changes to the Company's approach to risk management during the year.

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The Company entered into the following non-cash transactions during the year ended December 31, 2010:

- a) recorded share issue costs of \$456,841 (2009 - \$35,653) for warrants granted to finders in connection with private placement financings; and
- b) transferred \$4,800 (2009 - \$Nil) to common shares from contributed surplus based on the exercise of options.
- c) accrued in accrued liabilities is \$23,923 for the share issuance costs in connection with the private placement during the year.

**11. RELATED PARTY TRANSACTIONS**

- a) The Company incurred the following expenses charged by parties not at arm's-length to the Company:

	2010	2009
Management and professional fees charged by directors and corporations under their control	\$ 252,282	\$ 287,863
Directors' fees	\$ 29,322	\$ 36,400
Exploration costs paid to a director and a company controlled by a director	\$ -	\$ 2,500

- b) Included in accounts payable and accrued liabilities is \$132,273 (2009 - \$77,909) due to directors, officers and corporations controlled by directors of the Company. The amount due to the related parties has no specific terms of repayment, is unsecured and non-interest-bearing.
- c) Included in deposit payable is \$100,774 (2009 - \$nil) payable to a company with common directors and officers for the potential acquisition of drilling equipment. As at December 31, 2010 the acquisition of this drilling equipment has not been finalized.

All of the above transactions and balances 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.

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**12. CAPITAL MANAGEMENT**

The Company is an exploration stage company and this involves a high degree of risk. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal as the Company does not generate cash flow from current operations. Accordingly, the Company is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management during the year.

**13. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

**14. SEGMENT DISCLOSURE**

	2010	2009
Cash and cash equivalents		
Canada	\$ 3,424,585	\$ 349,277
Guyana	<u>88,809</u>	<u>44,684</u>
	\$ \$3,513,394	\$ 393,961
Equipment		
Canada	\$ 11,966	\$ 12,349
Guyana	<u>450,215</u>	<u>558,058</u>
	\$ \$462,525	\$ 570,407
Mineral properties		
Canada	\$ -	\$ -
Guyana	<u>787,667</u>	<u>736,842</u>
	\$ 787,667	\$ 736,842
Accounts payable and accrued liabilities		
Canada	\$ 250,798	\$ 190,391
Guyana	<u>20,037</u>	<u>10,385</u>
	\$ \$270,835	\$ 200,776

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**15. SUBSEQUENT EVENTS**

Subsequent to December 31, 2010, the Company:

- a) granted share purchase options enabling the holders to acquire up to 5,606,642 common shares at a price of \$0.20 per share for a period of five years;
- b) granted share purchase options enabling the holders to acquire up to 872,567 common shares at a price of \$0.17 for a period of five years;
- c) issued 65,000 common shares for proceeds of \$7,800 on the exercise of stock options;
- d) issued 3,471,250 common shares for proceeds of \$307,282 on the exercise of share purchase warrants;
- e) issued 1,000,000 common shares and paid \$67,500 to the underlying owner of the Tamberlin Gold Project pursuant to the agreement.