

GOLDREA RESOURCES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended April 30, 2012 and 2011.

Goldrea Resources Corp., the “Company incorporated under the provisions of the Business Corporations Act (British Columbia) on March 2, 1981, is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. In addition to the Company’s ongoing work program on the properties, it continues to actively evaluate new potential projects. The Company is listed for trading on the TSX Venture Exchange under the symbol “GOR”.

This management’s discussion and analysis (“MD&A”) reports on the operating results and financial condition of the Company for the three and nine months ended April 30, 2012 and is prepared as of June 21, 2012. The MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended April 30, 2012 and the notes thereto which were prepared in accordance with IAS 34 - Interim Financial Reporting and on the basis of International Financial Reporting Standards (“IFRS”) and interpretations expected to be effective as at the Company’s first IFRS annual reporting date on July 31, 2012. The MD&A should also be read in conjunction with the 2011 audited consolidated financial statements for the year ended July 31, 2011 which were prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) prior to the conversion to IFRS.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Cautionary Note Regarding Forward-Looking Information

This document may contain “forward-looking information” within the meaning of Canadian securities legislation (“forward-looking statements”). These forward-looking statements are made as of the date of this document and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect the Company management’s expectations or beliefs regarding future events and include, but are not limited to, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may”, “future”, “expected”, “intends” and “estimates”. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company’s interim and annual consolidated financial statements and management’s discussion and analysis of those statements, all of which are filed and available for review under the Company’s profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Date of report: June 21, 2012

1.1 Overall performance

Description of business

The Company is engaged in the business of exploring, acquiring, and if warranted, developing mineral properties and placing such properties into production. The Company currently holds interests in several resource properties as follows:

1. British Columbia – Wigwam
2. British Columbia – Crowrea/Empress
3. British Columbia – Dobbin I
4. British Columbia – Tadpole (Dobbin II)
5. British Columbia – Flap
6. U.S.A. – Gold Chain Arizona
7. U.S.A. – Gold Rush Arizona
8. China – Shandong Rushan Goldrea Gold (RGG)

Exploration and development requires significant amounts of capital and even if the funds were available, the outcome is dependent on finding sufficient quantities and grades of minerals, permitting the project, dealings with various stakeholder groups, constructing the processing and ancillary facilities and starting commercial production. This process takes time, and many factors including commodity prices, political and economic conditions may change; affecting the viability of the project.

The Company is incorporated in British Columbia with its head office in White Rock, British Columbia, Canada.

Operations, property interests and activities

The Company's interests are mainly in China (Shandong); Canada (British Columbia); and USA (Arizona). Mineral prospects focus on gold, copper, silver, platinum, palladium, molybdenum, and iron as the major metals of interest. Recently with stock price traded around \$0.03 per share, the Company experienced extreme difficulties in raising necessary finance to further develop its underground gold property with NI 43-101 indicated resources of approximately 172,000 ounces of gold in RGG. As a result, the Company conducted limited exploration activities in its Canadian properties, and also optioned out 60% interests of its Gold Chain and Gold Rush properties to Sandfield Resources Inc.

A summary of the status for each property is as follows:

Rushan Goldrea Gold, Shandong Province, China:

The Company has accumulated the required data to prepare a geological report that meets the Chinese government standards required to apply for mining permits for Rushan Goldrea Gold (RGG), and to this end, completed over 50,115 metres (164,400 ft) of diamond drilling. The Company will commission Shandong No. 3 Mineral and Geological Exploration Institute (No. 3 Brigade) to complete the geological report. To overcome financing difficulties, the Company actively pursued Chinese local investors to jointly develop RGG. Several investors have expressed interests in acquiring ownership into RGG. Daye Gold Mine ("Daye"), the 10% interest shareholder of RGG, was acquired by Qingdao Kingking Applied Chemistry Co Ltd. (herein QKAC or Kingking) on November 11, 2011, Kingking purchased 80% interests in Daye.

Late last year, Kingking began efforts to reopen an underground iron pyrite mine owned by Daye, but located some distance from the Daye Mining Complex. The mine had been flooded and they pumped it out, and on January 11, 2012 lowered five people down the shaft. All five perished, apparently overcome by sulfur dioxide (SO₂) gas.

Because of these multiple fatalities, the local government safety bureau has closed all of the mines operated by Daye, including Golden Rose, pending their evaluation of safety practices and working conditions. It is not known when the evaluation will be completed.

Before Kingking's acquisition of Daye, Daye had installed and was operating a blast furnace that produced pig iron from toll ores. The Daye flotation mill was used to process gold ores from Daye, Golden Rose, and also toll ores. This mill is now being used to upgrade iron ore, a common practice in China, although unusual in the West.

The Golden Rose Shaft operation has 46,809 tonnes of mineralized material in stockpile at the Daye Mill. This material will be processed when 60,000 tonnes have been accumulated.

The resource is located down dip from the Daye open pit mine and mill. Once the safety inquiry is completed and Daye resumes operation, Goldrea will contact the new owners (Kingking) in regards to using Goldrea's resource as a potential Joint Venture or sale to Kingking.

In preparing the consolidated financial statements, the Company made an assessment on the impairment of inventory by comparing the carrying amount of \$1,562,976 of inventory, consist of mining costs of 46,809 tonnes of stockpiled ore, with its net realizable value based on expected recovery rate, grade and gold price. The assessment concluded that the net realizable value exceeded the carrying amount due to current gold price around \$1,678 per ounce. Therefore, there is no inventory write-down in this period.

For more information, visit the Company's website at www.goldrea.com or www.sedar.com.

Wigwam Property, Vancouver BC, Canada:

The Company acquired 100% interests in Wigwam Iron property in June, 2011 subject to 2% NSR, for a price of \$20,000 in cash and the issuance of 400,000 of the Company's common shares, deemed at \$22,000 based on closing price of the issuance date. The property is located at Wigwam Bay, eight kilometres southwest of the head of Seymour Inlet, British Columbia. In September 2011, the Company contracted a geologist to perform a property review and work out a future exploration plan.

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Neveda Clean Magnesium Inc.(formerly Molycor Gold Corporation) JV, White Rocks Mountain, BC, Canada:

The Company's focus on Goldrea/Neveda Clean Magnesium Inc. JV will entail work on the following contiguous mineral properties as follows (Crowrea/Empress located 15 kms south of the past producing Brenda Molybdenum/Copper Mine near Penticton, BC; Dobbin, Tadpole Lake, and Flap properties located 27 kms northeast of Kelowna, BC) :

i. The Crowrea/Empress Molybdenum Property:

The Company has not performed exploration work on the property in the three months period ended April 30, 2012, the Company intends to keep the property in good standing and plans to conduct further exploration when financial conditions improve.

ii. Dobbin I Platinum/Palladium/Copper property:

The Company has not performed exploration work on the property for the three months ended April 30, 2012, but it still keeps the property in good standing, and will temporarily cease exploration until market conditions improve.

iii. Tadpole Lake Molybdenum (Dobbin II) property:

The Company has not performed exploration work on the property for two years, it still keeps the property in good standing, may try to option the property to a third party.

iv. Flap Gold property:

The Company has not performed exploration work on the property for the three months ended April 30, 2012, but it still keeps the property in good standing, and will temporarily cease exploration until market conditions improve.

Gold Chain and Gold Rush Claims, Mohave County, Arizona, U.S.A.:

In December 2010, the Company entered into an option agreement with Sandfield Resources Inc. where Sandfield will incur \$500,000 of exploration expenditures on the Gold Chain and Gold Rush properties in the next three years, as well as pay the Company \$60,000 (\$40,000 paid) in cash and issue 300,000 (100,000 issued) of Sandfield's common shares to earn a 60% interest in the properties. The arrangement releases the Company of cash expenditures to be incurred in the US properties in the short term. The Company has received total payments of \$40,000 in December, 2011. According to the option agreement, Sandfield will be responsible to maintain the mineral claims in good standing during the option period, and it has paid the annual BLM fees in August, 2011.

1.2 Selected annual information

| | Year ended July 31, 2011 | Year ended July 31, 2010 | Year ended July 31, 2009 |
|-------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Net loss | | | |
| In total | \$ 1,524,721 | \$ 2,321,904 | \$ 1,865,472 |
| Per-share (basic and diluted) | 0.03 | 0.04 | 0.03 |
| Working capital | (927,033) | (1,102,917) | 961,077 |
| Total assets | 12,534,382 | 13,517,357 | 14,917,515 |
| Mineral property costs | 10,429,214 | 11,826,925 | 11,691,717 |

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1.3 Results of operations

During the quarter ended April 30, 2012, the Company still has no revenue. It recorded a net loss of \$215,768 or \$0.005 per share, a decrease in the loss of \$613,524, as compared to \$829,292, or \$0.015 per share in the same period a year ago. The Company recorded nil share-based payment during the three months ended April 30, 2012 as compared to \$25,323 over the same period in the prior year because the stock options were all vested in August, 2011.

General and administrative expenses excluding share-based payments and one-time-off write-down of property increased by \$43,655, from \$172,113 during the three months ended April 30, 2011 to \$215,768 during the three months ended April 30, 2012.

On year over year basis, advertizing and promotion expenses decreased by \$1,899 to \$22,762 and consulting fees remained almost unchanged at \$31, 217 in comparison to \$31,085 for the same period a year ago; office and administration expenses decreased by \$22,230 to \$103,599 in 2012 Q3 from \$125,829 in 2011 Q3. Shareholder communication and professional expenses increased by \$688 and \$2,900 respectively to \$9,350 and \$23,000 compared to the same period a year ago.

The Company recorded a total of \$4,250 gains on the disposal of 3,333 shares of La Ronge Gold Corp and 6,000 shares of American Manganese Inc in the current quarter.

Due to limited funds available for exploration and evaluation activities, net exploration and evaluation asset expenditures were at minimum of \$13,304 over the three months ended April 30, 2012. (see Schedule of Mineral Properties Costs for details).

1.4 Summary of quarterly results

| | Quarter ended Apr. 30, 2012 | Quarter ended Jan. 31, 2012 | Quarter ended Oct. 31, 2011 | Quarter ended Jul. 31, 2011 |
|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Net loss | \$215,768 | \$196,023 | \$292,696 | \$142,514 |
| Loss per-share (basic and diluted) | 0.005 | 0.005 | 0.005 | 0.005 |
| | Quarter ended Apr. 30, 2011 | Quarter ended Jan. 31, 2011 | Quarter ended Oct. 31, 2010 | Quarter ended Jul. 31, 2010 |
| Net loss | \$ 829,292** | \$312,293 | \$240,622 | \$1,227,477* |
| Loss per-share (basic and diluted) | 0.015 | 0.005 | 0.005 | 0.020 |

*Note: the Company exhibits higher losses in the quarter ended July 31, 2010 due to mineral property impairment of \$563,406 and loss from sales of \$386,060.

**Note: the Company ceased participation in LGG, this resulted in a write-down of mineral properties of approximately \$865,076 in 2011 Q3. (see consolidated financial statements for details).

The results from operations for the quarters in fiscal years 2010 and 2011 were reported using pre-transition Canadian Generally Accepted Accounting Principles ("GAAP"). The results for quarter ended April 30, 2012, January 31, 2012 and October 31, 2011 (fiscal 2012 Q1, Q2, Q3) were reported using IFRS.

1.5 Liquidity and solvency

The Company has no revenue in the three months ended April 30, 2012. The Company has financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placements and increase of accounts payable. The Company's main source of liquidity consisted of cash and cash equivalents. As at April 30, 2012, the Company had cash and cash equivalents of \$154,930. Cash flow from operations for the period ended April 30, 2012 was a net cash inflow of \$55,025, compared to net cash outflow of \$127,621 in the same period a year ago.

The Company had issued shares and raised a net of \$90,000 funds in three months ended April 30, 2011. In the quarter ended April 30, 2012, the Company issued 1,000,000 shares as bonus for the borrowing of Rmb 1,200,000 in China, those shares were valued at \$30,000.

Cash expenditures for investing activities include \$11,783 spent on mineral exploration and acquisition and \$56,183 from foreign exchange translation. (See Consolidated Statement of Cash Flows for details).

As at April 30, 2012, the Company had cash of \$154,930 (of which, \$152,557/Rmb974,183 was held in its Chinese subsidiaries) and current assets of \$1,864,463.

The financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception. As at April 30, 2012, the Company has a working capital deficiency of \$1,680,279. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing to pursue its business objectives and develop profitable operations. There can be no assurance that the Company will be able to continue to raise funds, in which case, the Company may be unable to meet its obligations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the financial statements.

1.6 Capital resources

As at April 30, 2012, the Company has 6,030,000 outstanding options with exercise price of \$0.14 per share; it also has 9,046,000 outstanding share purchase warrants with exercise prices between \$0.10 and \$0.16 per share. The Company's common share is trading at about \$0.02 per share; therefore, it is unlikely that these stock options and warrants will be exercised.

1.7 Off-balance sheet arrangements

As of the report date, the Company has no material off-balance sheet arrangements.

1.8 Transactions with related parties

Amounts due to and from officers, directors and companies with common directors are interest free, unsecured and have no specified terms of repayment. They have arisen from the provision of services and expense reimbursements or advances.

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The Company has directors and officers in common with Nevada Clean Magnesium Inc. (formerly Molycor Gold Corporation), and American Manganese Inc. (formerly Rocher Deboule Minerals Corp.,) (American Manganese). The Company and Nevada Clean Magnesium Inc. are 50/50 joint venture participants in various properties in British Columbia.

Related party balances are as follows:

| | 2012 Q3 | 2011 Q3 |
|---|---------------------|-----------------|
| Due from Nevada Clean Magnesium Inc. ⁽²⁾ | \$ 15,663 | \$ - |
| Due from (to) American Manganese Inc. | (194,794) | - |
| Due from directors and officers of the Company | 27,654 | 9,596 |
| | <u>\$ (151,477)</u> | <u>\$ 9,596</u> |

⁽²⁾ Molycor Gold Corp changed name into Nevada Clean Magnesium Inc. ("NVM") and its shares converted 1:1 on April 17, 2012.

During the quarter ended April 30, 2012:

- (i) consulting fees of \$30,000 (2011 - \$30,000) were payable to a company owned by a director and \$1,217 (2011 - \$1,085) was paid to a director;
- (ii) administrative fees of \$22,500 (2011 - \$46,400) were paid to executive directors and officers of the Company;
- (iii) office building use and technical support service fees of Rmb 36,000 (CAD\$5,676) (2011 - Rmb 36,000 (CAD\$5,348)) and ore mining fees of Rmb 813,393 (CAD\$127,377) (2011 - Rmb 809,463 (CAD\$118,262)) were accrued payable to Daye Gold Mine, a 10% owner of RGG. As at April 30, 2012, total accounts payable to Daye Gold Mine amounted \$2,456,217.

The above transactions were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

1.9 Proposed transactions

None of the proposed transactions have materialized, and management's attempt to work with Kingking, Daye Gold Mine's new controlling party, has been affected by the fatal accident happened in early 2012 on Daye's underground iron pyrite mine. Management will re-start talks with Kingking once the government's safety inquiry is completed.

1.10 Changes in accounting policies including initial adoption

Adoption of IFRS

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The company adopted IFRS on August 1, 2011, with the conversion date of August 1, 2010 representing the Company's opening IFRS statement of financial position balances. As required by IFRS 1, First-time

Adoption of IFRS, the Company will apply the IFRS as at July 31, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended July 31, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed consolidated interim financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The impact of the conversion from GAAP to IFRS is explained in note 14. Note 14 includes reconciliations of the Company's interim condensed consolidated statements of financial position and condensed consolidated statements of loss and comprehensive loss for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited condensed consolidated interim financial statements in accordance with IFRS. The adoption of IFRS had no material impact on cash flows.

Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): IFRS 9 - Financial Instruments, IFRS 10 - Consolidated Financial Statements and IFRS 13 - Fair Value Measurement. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

(a) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013 and is currently evaluating the impact on its consolidated financial statements.

(c) IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

1.11 Commitments and contingencies

As of April 30, 2012, the Company has contributed \$5,012,700 to Rushan Goldrea Gold Corp. (RGG), and earned the 90% interest according to the joint venture contract. RGG has over Rmb 21,013,069 (equivalent of \$3,304,746) outstanding payable as of April 30, 2012, while its cash balance is only Rmb 46,381 (equivalent of \$7,263). Although the Company's liability is limited to its share contribution to RGG, it is management's intention to keep RGG in good standing by settling RGG's outstanding payables to facilitate the Company's efforts to realize RGG's estimated resource value.

1.12 Risks and uncertainties

The exploration and development of mineral properties are highly speculative activities and are subject to significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The Company's ability to realize on its investments in exploration projects is dependent upon a number of factors; including management's ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically-recoverable reserves within the projects.

At the present time the Company does not hold any interest in a mining property in commercial production. The Company has incurred net losses since inception, and has limited financial resources and no positive mineral operating cash flow. No assurance can be given that additional funding will be available for further exploration and development of the Company's projects or to fulfill the Company's obligations under any applicable agreements. Other uncertainties include currency and metal price fluctuations, permits and licences, environmental regulatory requirement changes, mineralization estimates, and political risks.

Competitive industry

Mining industry is intensely competitive and the company will compete with other companies that have far greater resources.

Fluctuating metal and share prices

Factors beyond the control of the Company may affect the marketability of gold, molybdenum, or any other metals or minerals discovered. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control whose effect cannot accurately be predicted.

In recent years, the securities markets in the United States and Canada have experience a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploratory and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying assets values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Permits and licences

The operations of the Company will require licences and permits from various governmental authorities, which have been applied for and/or will be applied for at the proper time. There can, however, be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations of its projects.

Environmental regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills,

releases or emissions or various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The Company may become subject to liability for pollutions or hazards against which it cannot insure or again which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Estimates of mineral resources may not be realized

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. The Company has engaged expert independent technical consultants to advise it with respect to mineral resources and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

Dependence on key personnel

The Company is dependent on the services of its senior management, including Larry Reaugh, its President and Chief Executive Officer, and a small number of other skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

The following are the risks related to the Company's financial instruments:

a. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and investments are with Schedule 1 banks or equivalent, with majority of cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The credit risk in amounts receivable is considered low by management as they consist primarily of amounts owing from government authorities in relation to HST refund of \$76,368 and \$2,772 in other receivables which are not considered past due.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to assist in determining the funds required to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. This process resulted in the decision in October 2008 to enter into a service agreement with Daye Gold Mine for the underground operation of Golden Rose Shaft. As at April 30, 2012, the Company had a cash and cash equivalent balance of \$154,930 (2011 - \$228,524) to settle accounts payable and accrued liabilities of \$3,544,742 (2011 - \$1,812,987). Accounts payable and accrued liabilities are due within the current operating period. See note 1 of the consolidated financial statements, Nature of operations, for additional discussion on going concern.

c. Market risk

The Company's primary market risk is in the areas of metal prices and foreign exchange risk on financial instruments in other than Canadian dollars. At April 30, 2012, the Company had no hedging agreements in place with respect to metal prices or exchange rates:

(i) Commodity price risk:

The value of the Company's primary mineral property is dependent on the price of gold and the outlook for this metal. The value of exploration stage gold and molybdenum properties is also dependent on the price of gold and molybdenum and the outlook for these metals.

Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control including but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators, as well as certain other factors related specifically to gold.

The profitability of the Company's primary property is highly correlated to the market price of gold. If gold prices decline for a prolonged period below the cost of production it may not be economically feasible to continue towards production.

The Company has not entered into any hedging or commodity based risk instruments.

(ii) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has offices in Canada, the United States, and China and holds cash in Canadian, United States and Chinese currencies in line with forecasted expenditures. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar and Chinese Renminbi could have an effect on the Company's results of operations, financial position or cash flows. At April 30, 2012 the Company had no hedging agreements in place with respect to foreign exchange rates.

Based on the net currency rate exposures as of April 30, 2012, and assuming that all the other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against Chinese Rmb would result in an increase/decrease of approximately \$150,360 liabilities; a 10% depreciation or appreciation of the Canadian dollar against US dollar would result in an increase/decrease of approximately \$303 cash balance.

(iii) Equity price risk:

Equity price risk arises from available-for-sale equity securities. The Company's exposure at April 30, 2012 was \$67,417. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at April 30, 2012.

(iv) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents contain highly liquid investments that earn interest at market rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are presently low, however this conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the consolidated financial statements.

1.13 Disclosure controls and procedure and internal control over financial reporting

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the annual audited consolidated financial statements and respective accompanying Management Discussion and Analysis.

In contrast to the certificates under NI 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

1.14 Outstanding share data

As of the report date, the Company has 71,279,252 common shares outstanding, as well as options to purchase 6,030,000 common shares at the price of \$0.14 exercisable before and on February 24, 2015. The Company also has outstanding share purchase warrants of 9,046,000 units expiring at various dates between November 5, 2012 and March 25, 2013 exercisable at various prices between \$0.10 and \$0.16 per share. On a fully diluted basis, therefore, the Company has 86,355,252 common shares outstanding. (Please refer to Note 10 of the Condensed Consolidated interim Financial Statements for details)