

Consolidated Financial Statements of

**GOLDREA RESOURCES CORP.**

Interim periods ended January 31, 2013 and 2012

(All amounts are expressed in Canadian dollars unless otherwise specified)

(Unaudited – see Notice to Reader)

## NOTICE TO READER

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The accompanying unaudited condensed consolidated interim financial statements for Goldrea Resources Corp. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an independent auditor. We have compiled the consolidated interim statement of financial position of Goldrea Resources Corp. as at January 31, 2013 and the consolidated interim statement of loss and comprehensive loss, consolidated interim statements of changes in equity, and consolidated interim statements of cash flows for the three months then ended in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements.

These consolidated interim financial statements have not been audited, reviewed or otherwise attempted to verify the accuracy or completeness by the Company's independent auditor.

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Financial Position  
(Expressed in Canadian dollars)

	January 31, 2013	July 31 2012 (audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 144,023	\$ 134,141
Marketable securities (note 6)	10,412	19,341
Amounts receivable	89,292	80,775
Inventory (note 7)	1,702,558	1,616,296
Prepaid expenses and advances	2,772	2,772
	1,949,057	1,853,325
Due from related parties (note 8)	26,940	23,888
Reclamation deposits	53,986	53,922
Equipment (note 9)	747,105	760,926
Mineral property (note 15 and Schedule)	1,739,763	1,700,000
Exploration and evaluation assets (note 10 and Schedule)	785,684	841,367
	\$ 5,302,535	\$ 5,233,428
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 761,693	\$ 753,651
Other short-term liabilities	10,825	10,825
Loan current portion (Note 11(e))	192,840	-
Due to related parties (note 8)	2,956,448	2,781,929
	3,921,806	3,546,405
Loan (note 11(e))	-	188,880
Equity:		
Share capital (note 11)	28,470,973	28,349,338
Reserves (note 11(b))	1,865,868	1,865,868
Accumulated other comprehensive income (note 6 and 14)	(14,411)	(5,482)
Deficit	(28,977,320)	(28,747,200)
Equity attributable to owners of the Company	1,345,110	1,462,524
Non-controlling interest (note 3(a) and 10(c)(i), (ii))	35,619	35,619
Total equity	1,380,729	1,498,143
	\$ 5,302,535	\$ 5,233,428

Going concern (note 1)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

**"Larry Reaugh"**

Director

**"Jim Elbert"**

Director

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

Interim periods ended January 31, 2013 and 2012

	Three months ended January 31		Six months ended January 31,	
	2013	2012	2013	2012
Expenses:				
Advertising and promotion	\$ -	\$ 10,163	\$ -	\$ 20,326
Amortization	1,026	1,010	1,840	2,095
Consulting	-	32,867	-	84,539
Office and administration	41,690	66,402	52,534	128,520
Professional fees	20,000	40,865	40,000	64,186
Rent	-	4,026	1,169	7,960
Shareholder communication	783	1,615	783	4,983
Share-based payment	-	-	-	9,204
Travel and accommodation	-	859	-	1,065
Transfer agent and filing fees	4,714	3,805	6,305	4,629
	68,213	161,612	102,631	327,507
Loss before other items	(68,213)	(161,612)	(102,631)	(327,507)
Other items:				
Interest income	140	76	208	237
Mineral property write-down	(55,963)	-	(55,963)	-
Realized gain on sale of marketable securities	-	-	-	-
Other income	-	14,532	-	14,532
Foreign exchange gain (loss)	(8,606)	(49,019)	(71,734)	(175,981)
	(64,429)	(34,411)	(127,489)	(161,212)
Loss for the period	\$ (132,642)	\$ (196,023)	\$ (230,120)	\$ (488,719)
Attributable to:				
Shareholders of the Company	(132,642)	(196,023)	(230,120)	(488,719)
Non-controlling interest	(132,642)	(196,023)	(230,120)	(488,719)
Deficit, beginning of year	(28,844,678)	(22,175,610)	(28,747,200)	(21,882,914)
Deficit, end of the period	\$ (28,977,320)	\$ (22,371,633)	\$ (28,977,320)	\$ (22,371,633)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding	74,968,703	70,279,252	73,583,077	70,279,252

## Consolidated Statement of Comprehensive Loss

Period ended January 31, 2013 and 2012

	Three months ended January 31		Six months ended January 31,	
	2013	2012	2013	2012
Loss for the period	\$ (132,642)	\$ (196,023)	\$ (230,120)	\$ (488,719)
Other comprehensive income (loss):				
Unrealized gain/loss on available-for-sale marketable securities (note 6)	(14,411)	44,399	(14,411)	44,399
Comprehensive loss for the period	\$ (147,053)	\$ (151,624)	\$ (244,531)	\$ (444,320)

See accompanying notes to condensed consolidated financial statements

See accompanying notes to consolidated financial statements.

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian dollars)

Interim periods ended January 31, 2013 and 2012

	Share capital		Reserves		Accumulated comprehensive income	Deficit	Owner's Equity	Non- controlling interest	Total
	Number of shares	Amount	Stock Options	Warrants					
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance July 31, 2011	70,279,252	28,319,338	1,851,108	5,556	148,884	(21,882,914)	8,441,972	702,702	9,144,674
Comprehensive loss for the period	-	-	-	-	(47,666)	(292,696)	(340,362)	-	(340,362)
Share-based payment			9,204				9,204	-	9,204
Balance, January 31, 2012	70,279,252	28,319,338	1,860,312	5,556	101,218	(22,175,610)	8,110,814	702,702	8,813,516
Comprehensive loss for the period	-	-	-	-	(106,700)	(6,571,590)	(6,678,290)	(667,083)	(7,345,373)
Bonus shares issued	1,000,000	30,000	-	-	-	-	30,000	-	30,000
Balance July 31, 2012	71,279,252	28,349,338	1,860,312	5,556	(5,482)	(28,747,200)	1,462,524	35,619	1,498,143
Comprehensive loss for the period	-	-	-	-	(8,929)	(230,120)	(239,049)	-	(239,049)
Private placement	4,100,000	123,000	-	-	-	-	123,000	-	123,000
Share issuance costs	-	(1,365)	-	-	-	-	(1,365)	-	(1,365)
Balance, January 31, 2013	75,379,252	28,470,973	1,860,312	5,556	(14,411)	(28,977,320)	1,345,110	35,619	1,380,729

See accompanying notes to consolidated financial statements.

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

Interim periods ended January 31, 2013 and 2012

	Three months ended January 31		Six months ended January 31,	
	2013	2012	2013	2012
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (132,642)	\$ (196,023)	\$ (230,120)	\$ (488,719)
Items not affecting cash:				
Amortization	1,026	1,010	1,840	2,095
Share-based payment	-	-	-	9,204
Unrealized foreign exchange (gain)/loss	8,606	49,019	19,901	175,981
Write-down of mineral properties (note 10(c)(ii) and note 15)	55,963	-	55,963	-
	(67,047)	(145,994)	(152,416)	(301,439)
Changes in non-cash working capital:				
Amounts receivable	(8,233)	(11,640)	(8,517)	(26,223)
Inventory	(30,738)	(256,985)	(86,262)	(596,571)
Due from related parties	(3,000)	(230,416)	(3,052)	263,785
Prepaid expenses and advances	-	-	-	8,250
Accounts payable and accrued liabilities	11,371	667,355	8,042	735,061
Due to related parties	70,020	-	174,519	-
	(27,627)	22,320	(67,686)	82,863
Financing activities:				
Shares issued for cash and properties	27,600	-	123,000	-
Share issue costs	(615)	-	(1,365)	-
	26,985	-	121,635	-
Investing activities:				
Mineral property and exploration and evaluation assets	(20,155)	(13,304)	(40,043)	(49,485)
Effect on foreign currency translation	(2,403)	(27,854)	(3,960)	(128,316)
Purchase of equipment	-	-	-	(499)
Reclamation bond	(64)	-	(64)	(76)
	(22,622)	(41,158)	(44,067)	(178,376)
Decrease in cash and cash equivalents	(23,264)	(18,838)	9,882	(95,513)
Cash and cash equivalents, beginning of period	167,287	44,450	134,141	121,125
Cash and cash equivalents, end of period	\$ 144,023	\$ 25,612	\$ 144,023	\$ 25,612
Supplementary information:				
Non-cash investing and financing activities:				
Purchase of mineral properties, exploration and evaluation assets included in accounts payable	-	-	-	-
Amortization recorded in mineral properties	\$ 2,078	\$ 7,170	\$ 6,872	\$ 14,474

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 1. Going concern:

Goldrea Resources Corp. (the Company) was incorporated under the British Columbia Business Corporations Act on March 2, 1981. The Company is involved in the acquisition, exploration and development of mineral properties located in North America and China and is currently in the exploration and development stages of its mineral properties. The underlying value of these mineral properties and their related deferred costs is dependent upon confirmation of the Company's interest in the underlying claims and the existence of economically recoverable mineral reserves. The Company's common shares are traded on the TSX Venture Exchange under the symbol "GOR".

These financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception. As at January 31, 2013, the Company has a deficiency in working capital of \$1,972,749. The Company currently has a payable of \$2,956,448 to a related company and these financial statements are prepared on the basis that the related company will not demand repayment prior to Goldrea obtaining sufficient cash to repay this debt. In June 2011, the Company decided not to maintain its interests in Rushan Ludi Goldrea Gold Mining Inc. (LGG) due to insufficient funds available to make the required capital contributions.

The Company has experienced difficulty in raising funds to develop Rushan Goldrea Gold Property ("RGG") into production. In November 2012, the Company announced its intention to sell RGG assets. As a result of the uncertainties described, the Company's management assessed the Company's assets for impairment and recorded an impairment (note 10(c)).

The Company has prepared a budget for its cash flows for the next twelve months. The budget is based on management's best estimates of operating conditions in the context of current economic conditions and today's capital market climate. The Company expects that it has to raise additional financing to be able to meet its obligations for the next twelve months. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to raise adequate financing to pursue its business objectives. The Company has insufficient cash resources to meet its current obligations and planned expenditures and is in the process of seeking additional financing. On October 5, 2012, the Company closed the first portion of a private placement for proceeds of \$95,400, and on January 8, 2013, the Company closed the second portion of a private placement for proceeds of \$27,600. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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. The financial statements 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 these financial statements.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 2 Basis of preparation:

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

An explanation of how the transition from Canadian generally accepted accounting principles (GAAP) to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in the audited annual financial statements for year ended July 31, 2012.

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2013. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at August 1, 2010 for purposes of transition to IFRS, unless otherwise indicated.

### (b) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale financial assets, which are measured at fair value, and provision for site reclamation, which is recorded at management's best estimate of fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these financial statements are in accordance with IFRS.

### (c) Functional and presentation currency:

The functional currency and the presentation currency of the Company and its subsidiaries is the Canadian dollar.

### (d) Use of estimates and judgments:

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the change in estimate occur and in any future periods affected.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets and mineral properties, the continuing viability of mineral property interests, valuation of inventory, fair value measurements for financial instruments, share-based payments, and other equity-based payments, the determination of reclamation obligations, the valuation allowance on deferred income tax assets, the value of the premium included in flow-through share issuances and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

### (e) Comparatives:

Certain comparative figures have been reclassified in the current period to comply with current period presentation.



# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 3. Significant accounting policies:

### (a) Basis of presentation and consolidation:

The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Goldrea USA Inc. and its 90% owned subsidiary, Rushan Goldrea Gold Inc. ("RGG"), incorporated in the People's Republic of China (note 10(c)).

All inter-company balances and transactions have been eliminated upon consolidation.

### (b) Foreign currency translation:

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and non-monetary assets and liabilities are translated at historical rates. Foreign currency gains and losses arising from translation are included in profit or loss.

### (c) Financial instruments:

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The classification and measurement of the Company's financial instruments are disclosed in note 16 to these consolidated financial statements.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading in the near future or is designated as such upon initial recognition. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivable includes cash and cash equivalents, amounts receivable and amounts due from related parties.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are measured initially and subsequently at fair value. These are included in current assets. Marketable securities have been classified as available-for-sale. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses.

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method. Other financial liabilities include account payable and accrued liabilities, other short term liabilities, amounts due to related parties, and non-current loan.

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase the asset.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

## 3. Significant accounting policies (continued):

### (c) Financial instruments (continued):

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

### (d) Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturity dates of three months or less from the date of purchase.

### (e) Marketable securities:

Marketable securities include publicly traded common shares received as proceeds of mineral property option transactions and "share-for-debt" settlements of prior related party intercompany balances.

Marketable securities have been classified as available-for-sale and are carried at fair value based on quoted market prices.

### (f) Inventory:

Supplies inventory includes the cost of consumables used in mine development. It is valued at the lower of cost and net realizable value, with replacement costs being the typical measure of net realizable value.

Stockpiled ore is coarse ore that has been extracted from the RGG mine and is available for further processing. Stockpiled ore is valued at the lower of average production cost and net realizable value.

### (g) Equipment:

Equipment is carried at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for its intended use and initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated using the following annual rates, which are used to estimate the useful lives of the assets:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware	Declining balance	30%
Vehicles	Straight line	(5 years with 10% scrap value)

Equipment used in exploration and evaluation activities, where substantially all the economic life or value of the asset is expected to be derived from a specific project, are accounted for as dedicated assets and included as a separate category within the costs allocated to the related exploration stage exploration and evaluation assets. Amortization for dedicated assets is recorded as exploration and evaluation expenditure of the related project.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 3. Significant accounting policies (continued):

### ((g) Equipment (continued):

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Equipment in the subsidiaries in China are amortized on the straight-line basis with 10% scrap value, and translated into Canadian dollars using historical exchange rates when assets were acquired. When completed, assets under construction are transferred into their respective capital asset classes and amortized.

### (h) Exploration and evaluation assets:

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage. Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

Government tax credits and option payments received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exist to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that mineral property are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective mineral properties.

### (i) Impairment of long-lived assets:

The carrying amount of the Company's long-lived assets (which include equipment, exploration and evaluation assets and mineral property assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 3. Significant accounting policies (continued):

### (i) Impairment of long-lived assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### (j) Decommissioning obligations:

The liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at January 31, 2013 and 2012, the Company has determined that it does not have material decommissioning obligations.

### (k) Share capital:

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

The company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned nil value and included in capital stock with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments.

### (l) Revenue recognition:

Sales are recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable.

### (m) Share-based payments:

The Company has an employee share purchase option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over their respective vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded in equity as the option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. The expected term to exercise is based upon historical data of the average hold period before exercise.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 3. Significant accounting policies (continued):

### (m) Share-based payments (continued):

Expected volatility is estimated with reference to the historical share price volatility of the Corporation's share price.

### (n) Flow-through shares:

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Common shares issued on a flow-through basis typically include a premium because of the tax benefits provided to the investor. At the time of issue, the Company estimates the proportion of the proceeds attributable to the premium and the common shares. The premium is estimated as the excess of the subscription price over the value of common shares on the date of the transaction and is recorded as a deferred liability. The Company recognizes a pro rata amount of the premium through the statement of loss and comprehensive loss as other income with a corresponding reduction to the deferred tax liability as the flow-through expenditures are incurred and renounced.

When the flow-through expenditures are incurred and renounced, the Company records the tax effect as a change to profit or loss and an increase to deferred income tax liabilities. To the extent that the Company has deferred income tax assets that were not recognized in previous periods, a deferred income tax recovery is recorded to offset the liability resulting from the renunciation.

### (o) Income taxes:

Income taxes are recorded using the balance sheet method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the balance sheet carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs. A deferred tax asset is recognized only if it is probable that a deferred tax asset will be recovered. The Company does not recognize deferred tax asset or liability arising on initial recognition where the transaction is not a business combination and at the time of transaction, there is no impact on accounting profit or taxable profit.

### (p) Loss per share:

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants. Due to the losses for the period ended January 31, 2013 and 2012, basic loss per share is equal to dilutive loss per share for the periods presented.

### (r) Mineral properties

Mineral properties include expenditures incurred in acquiring mineral and development rights and developing new mining operation. Capital mine development costs include expenditures incurred to develop new ore bodies, to define future mineralization in existing ore bodies and to extend the capacity of a mine.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 3. Significant accounting policies (continued):

### (r) Mineral properties (continued):

Mine development costs are, upon commencement of productions, depreciated using a unit of production method based on the estimated proven and probable recover to which they relate or are written off if the property is abandoned.

Costs associated with commissioning of new assets are capitalized as mineral property costs in the period before they are opening in the way intended by management. Comparative figures have been reclassified to be in accordance with IFRS.

## 4. Foreign currency:

The Company's cash consists of CAD\$2,285 in the bank in Canada, US\$8,391 (CAD\$8,384 equivalent) held in Goldrea USA Inc. and Rmb 829,832 (CAD\$133,354 equivalent) held in China of which Rmb 783,681 (CAD\$125,937 equivalent) is held in a trust account under the terms of a trust agreement between the Company and one of its lenders (note 11(e)). The Company can access these funds without restriction.

The Chinese Renminbi (Rmb) is not a freely convertible currency. Future exchange rates of Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the People's Republic of China (PRC) government. The exchange rates of Renminbi are affected by changes in PRC government policies. The exchange rates of Renminbi are also affected by economic developments and political changes domestically and internationally and supply and demand for the Renminbi. The Company does not expect these restrictions to affect the free flow of cash in the normal course of business, however, there are restrictions on the removal of capital from the country. The quotation of exchange rates does not imply convertibility of Rmb into Canadian dollars or other currencies.

## 5. Recent accounting pronouncements:

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): 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, 2015. 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 January 1, 2013 and is currently evaluating the impact on its consolidated financial statements.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 5. Recent accounting pronouncements (continued):

### (c) IFRS 12 - Disclosure of Interests in Other Entities:

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

### (d) 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.

### (e) IAS 1 - Presentation of Financial Statements:

IAS 1 - Presentation of Financial Statements requires an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For those items presented before tax, the amendment to IAS 1 also require that the tax related to the two separate groups be presented separately.

### (f) IFRIC20 - Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 was issued in October 2011. IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory, and (ii) improved access to further quantities of material that will be mined in future periods. This IFRIC will have no material impact on the Company's financial statements.

# GOLDREA RESOURCES CORP.

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## 6. Marketable securities:

The following tables show the fair value impact of marketable securities, classified as available for sale investment, on the Company:

<b>January 31, 2013</b>	<b>Fair value</b>	<b>Cost</b>	<b>Accumulated unrealized gains (losses)</b>
Nevada Clean Magnesium Inc. <sup>(1)</sup>			
50,000 common shares	\$ 500	\$ 5,000	\$ (4,500)
La Ronge Gold Corp.			
3,333 common shares	-	-	-
American Manganese Inc.			
198,234 common shares	9,912	19,823	(9,911)
	<b>\$ 10,412</b>	<b>\$ 24,823</b>	<b>\$ (14,411)</b>

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

<b>January 31, 2012</b>	<b>Fair value</b>	<b>Cost</b>	<b>Accumulated unrealized gains (losses)</b>
Molycor Gold Corp. <sup>(1)</sup>			
50,000 common shares	\$ 1,750	\$ 5,000	\$ (3,250)
La Ronge Gold Corp.			
3,333 common shares	1,000	-	1,000
American Manganese Inc.			
204,234 common shares	85,778	20,424	65,354
	<b>\$ 88,528</b>	<b>\$ 25,424</b>	<b>\$ 63,104</b>

Accumulated other comprehensive income continuity is as follows:

Accumulated other comprehensive income at August 1, 2010	\$ 40,602
Unrealized gains on available-for-sale marketable securities	108,282
Accumulated other comprehensive income at July 31, 2011	148,884
Unrealized gains on available-for-sale marketable securities	(154,366)
Accumulated other comprehensive income at July 31, 2012	(5,482)
Unrealized gains on available-for-sale marketable securities	(8,929)
Accumulated other comprehensive income at January 31, 2013	\$ (14,411)



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## 7. Inventory:

	31-Jan-13	31-Jan-12
Stockpile	\$ 1,801,268	\$ 1,434,731

Stockpiled ore is valued at lower of costs and net realizable value. As at January 31, 2013, the Company has an inventory of \$1,801,268 representing the costs of mining 46,809 tonnes of stockpiled ore. The Company has not recorded a write-down of inventories at January 31, 2013, as it expects to recover the amount through future processing and sale.

## 8. Related party transactions:

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.

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

	31-Jan-13	31-Jan-12
Due from Nevada Clean Magnesium Inc. <sup>(1)</sup>	\$ 22,331	\$ -
Due from directors and officers of the Company	4,609	23,980
Subtotal due from related party	\$ 26,940	\$ 23,980
Due to American Manganese Inc.	(241,442)	(80,568)
Due from Nevada Clean Magnesium Inc. <sup>(1)</sup>	-	(3,039)
Due to directors	(53,677)	-
RGG accounts payable to Daye Gold Mine	(2,661,329)	(1,897,282)
Subtotal due to related party	\$ (2,956,448)	\$ (1,980,889)

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

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 8. Related party transactions (continued):

During the three month period ended January 31, 2013:

- No consulting fees (2012 - \$20,700) were paid or payable to a company owned by a director and \$ nil (2012 - \$12,167 ) was paid to a director;
- No administrative fees (2012 - \$22,800) were paid to executive directors and officers of the Company;
- Office building use and technical support service fees of Rmb 36,000 (CAD\$5,738) (2012 - Rmb 36,000 (CAD\$5,795)) and ore mining fees of Rmb 189,834 (CAD\$37,019) (2012 - Rmb 1,593,712 (CAD\$256,535)) were accrued payable to Daye Gold Mine, a 10% owner of RGG. As at January 31, 2013, total accounts payable to Daye Gold Mine amounted \$2,661,329 (2012 - \$1,897,282). The Company intends to settle the amount owing to Daye Gold Mine with proceeds from the processing and sale of inventory.

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.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

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## 9. Equipment:

	Office equipment	Furniture and fixtures	Computer equipment	Vehicle	Machinery	Corehouse	Construction in Progress <sup>(a)</sup>	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Costs</b>								
Balance, July 31, 2011	31,278	26,039	56,912	114,852	255,324	14,544	613,908	1,112,857
Additions	-	-	499	-	-	-	-	499
Balance, July 31, 2012	31,278	26,039	57,411	114,852	255,324	14,544	613,908	1,113,356
Additions	-	-	-	-	-	-	-	-
Balance, January 31, 2013	31,278	26,039	57,411	114,852	255,324	14,544	613,908	1,113,356
<b>Accumulated Depreciation</b>								
Balance, July 31, 2011	23,129	19,989	47,553	85,563	113,269	2,848	-	292,351
Charge for the period	2,183	1,640	3,108	21,893	30,566	690	-	60,080
Balance, July 31, 2012	25,312	21,629	50,661	107,456	143,835	3,538	-	352,431
Charge for the period	861	755	1,029	1,024	9,806	345	-	13,820
Balance, January 31, 2013	26,173	22,384	51,690	108,480	153,641	3,883	-	366,251
<b>Carrying amounts</b>								
July 31, 2011	8,149	6,050	9,359	29,289	142,055	11,696	613,908	820,507
July 31, 2012	5,966	4,410	6,750	7,396	111,489	11,006	613,908	760,925
January 31, 2013	5,105	3,655	5,721	6,372	101,683	10,661	613,908	747,105

<sup>(a)</sup> Construction in progress includes campsite housing, offices, and surface equipment storage buildings. This asset balance will be amortized over the estimated useful life of the mine following the commencement of production or written off if RGG is sold, allowed to lapse or abandoned.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 10. Mineral property and exploration and evaluation assets:

Exploration and evaluation assets:

(a) British Columbia, Canada:

(i) Crowrea Property, Osoyoos and Similkameen Mining Division:

The Company holds a 50% interest in various mineral claims, some of which are partially owned by Nevada Clean Magnesium Inc.(formerly Molycor Gold Corporation). The property is a molybdenum prospect and is located near Summerland, B.C.

(ii) Flap, Nicola Mining Division:

The Company acquired by staking an undivided 50% joint venture interest in certain mineral claims. The property is located at Tadpole Lake, approximately 45 km west of Kelowna, B.C.

(iii) Empress Property, Osoyoos and Similkameen Mining Division:

The Company acquired by staking a 50% interest in the Empress Mineral claim, which is partially owned by Nevada Clean Magnesium Inc.(formerly Molycor Gold Corporation). It is a molybdenum prospect in the middle of the Crowrea Property near Summerland, B.C.

(iv) Wigwam Property, Vancouver Mining Division

The Company acquired 100% interests in Wigwam property in June, 2011, subject to 2% NSR, for a price of \$20,000 in cash and issuance of 400,000 common shares to the vendor. The property is located at Wigwam Bay, eight kilometres southwest of the head of Seymour Inlet, British Columbia. The claim expired on January 3, 2013, as a result, the Company recorded a mineral property write-down of \$55,963.

(b) Arizona, U.S.A.:

(i) Gold Chain Property:

During the year ended July 31, 2003, the Company entered into an agreement to purchase the Gold Chain group claims located in Mohave County, Arizona. Under the terms of the agreement the Company purchased a 100% interest, subject to 3% NSR, of which, the Company has a option to purchase from the vendor two points of the NSR for the sum of US\$2,000,000, in the property for US\$5,000 and issuance of 100,000 common shares at a price of \$0.31 per share to two individuals.

On December 9, 2010, the Company announced an option agreement whereby Sandfield Resources Ltd (Sandfield) can earn a 60% interest in the Gold Chain and Gold Rush Properties by paying \$60,000 in cash, issue 300,000 shares, and incur \$500,000 in exploration expenditures. On December 10, 2012, the Company received a letter from Sandfield Resources terminating its option agreement with respect to the Gold Rush and Gold Chain Claims in Arizona, USA.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 10. Exploration and evaluation assets (continued):

### (b) Arizona, U.S.A (continued):

#### (ii) Gold Rush Property:

During the year ended July 31, 2007, the Company entered into an agreement to purchase a 100% undivided interest in eighteen unpatented Lode Mining claims located in Mohave County, Arizona. Under the terms of the agreement the Company purchased the 100% interest, subject to 3% NSR, of which, the Company has a 10-year option to purchase from the vendor two points of the NSR for the sum of US\$2,000,000 and the issuance of 100,000 common shares.

On December 9, 2010, the Company announced an option agreement whereby Sandfield Resources Ltd (Sandfield) can earn a 60% interest in the Gold Chain and Gold Rush Properties by paying \$60,000 in cash, issue 300,000 shares, and incur \$500,000 in exploration expenditures. On December 10, 2012, the Company received a letter from Sandfield Resources terminating its option agreement with respect to the Gold Rush and Gold Chain Claims in Arizona, USA.

### (c) Mineral Properties:

#### (i) Rushan Goldrea Gold Property:

The Company acquired the right to enter into the joint venture agreement from MCS Pioneer Holdings Ltd. for the issuance of 5,000,000 shares and a 5% finder's fee to Essop Holdings Ltd. of 250,000 shares, which were fully issued within three years of receiving regulatory approval.

The Company entered into a Co-operative Joint Venture Agreement where it has acquired a 74% interest in Rushan Goldrea Gold Inc. (RGG), a sino-foreign Chinese company by contributing capital of \$2,000,000 (paid). The joint venture partner contributed mineral rights valued at \$702,702 to earn a 26% interest. Future exploration costs above the \$2,000,000 were to be paid based on the percentage ownership in the Joint Venture. At July 31, 2010, the Company had contributed a total of Rmb 33,000,000 (CAD\$5,012,700) while the Chinese partner chose not to match its portion of further contributions. As a result, the Company holds a 90% interest in RGG and the Chinese partner's interest decreased to 10% being its original mineral rights contribution.

RGG holds exploration licenses covering 53 square kilometres surrounding the open-pit Shandong Daye Gold Mine in Shandong Province, China. Based on geological results and geologist recommendation and to save on annual maintenance expenses, the Company abandoned five mineral claims by transferring the titles back to Shandong Daye Gold Mine without consideration and wrote off the related mineral exploration costs of Rmb 200,288(CAD\$28,497) during the year ended July 31, 2009.

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Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 10. Exploration and evaluation assets (continued):

### (c) Mineral Properties (continued):

#### (i) Rushan Goldrea Gold Property (continued):

As a result of the Company's market capitalization being less than the carrying value of its net assets as at July 31, 2012, and after consideration of other internal and external factors including the impact of the current economic environment, the Company identified a potential indication of impairment of its long-lived assets as at July 31, 2012 in accordance with IAS36 Impairment of Assets. The Company assessed the recoverable amount of its RGG mineral property and determined that the property was impaired. Accordingly, the carrying value of \$8,370,833 as at July 31, 2012 was written down to its estimated recoverable amount of \$1,700,000, resulting in an impairment loss of \$6,670,833.

Management estimated the recoverable amount based on fair value less costs to sell. In the absence of a binding sale agreement or active market for the asset, the amount was determined with reference to the implied fair value of the RGG property based on the market capitalization of the Company as at July 31, 2012 based on its share price adjusted for an applicable control premium. The estimate of fair value and the recoverable amount requires estimation of uncertain future events. Management has made its best estimate of the recoverable amount of the asset based on available information, however, there are inherent uncertainties and it is reasonably possible that the outcome of such uncertainties may differ from the estimates made and such changes may be material.

#### (ii) Rushan Ludi Goldrea Gold Property:

The Company entered into a Co-operative Joint Venture Contract on July 24, 2006 to acquire a 64% interest in Rushan Ludi Goldrea Gold Mining Inc. (LGG), a sino-foreign Chinese company. The Company was required to contribute Rmb 12,000,000 (as at July 31, 2010, CAD\$1,822,800) in staged payments over three years, and pay Rmb 2,000,000 (as at July 31, 2010, CAD\$303,800) to the joint venture partner once the exploration licenses have been transferred to the joint venture company.

The contract received regulatory approval August 21, 2008 and the payment structure was as follows:

- Rmb 2,200,000 (CAD\$373,000) within 90 days of issuance of LGG's business license (paid);
- Rmb 2,000,000 (CAD\$303,400) within one month of the approval and the transfer of Exploration license to from Chinese partner to LGG (outstanding);
- Rmb 9,800,000 by December 31, 2009. (Rmb 4,574,456 / CAD\$848,160 was paid by December 31, 2009 and Rmb 5,225,544 / CAD\$792,715 was outstanding at June 2011).

In June 2011, the Company decided not to maintain its interest in LGG, resulting in a write down of mineral property costs of \$1,347,942 including adjustments to non-controlling interest of \$686,903.

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## 11. Share capital and reserves:

### (a) Authorized:

Authorized share capital comprises an unlimited number of common shares without par value.

### (b) Issued:

As at January 31, 2013, there were 75,379,252 issued and fully paid common shares. (January 31, 2012 – 70,279,252)

### (c) Stock options:

Exercise price	Expiry date	October 31, 2012	Issued	Exercised	Forfeited	Expired	January 31, 2013
\$		#	#	#	#	#	#
0.14	February 24, 2015	6,030,000	-	-	(50,000)	-	5,980,000
		6,030,000	-	-	(50,000)	-	5,980,000

Exercise price	Expiry date	October 31, 2011	Issued	Exercised	Forfeited	Expired	January 31, 2012
\$		#	#	#	#	#	#
0.14	February 24, 2015	6,030,000	-	-	-	-	6,030,000
0.50	January 12, 2012	1,410,000	-	-	-	(1,410,000)	-
		7,440,000	-	-	-	(1,410,000)	6,030,000

The following table summarizes information about stock options outstanding at January 31, 2013:

Number of shares	Exercise price	Number exercisable	Weighted average remaining contractual life (years)	Expiry date
5,980,000	\$0.14	5,980,000	2.07	February 24, 2015
5,980,000		5,980,000	2.07	

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## 11. Share capital and reserves (continued):

(d) Share purchase warrants:

Exercise price	Expiry date	October 31, 2012	Issued	Exercised	Forfeited	Expired	January 31, 2013
\$		#	#	#	#	#	#
0.10	November 5, 2014	7,918,000	-	-	-	-	7,918,000
0.10	November 5, 2012	128,000	-	-	-	(128,000)	-
0.16	March 25, 2013	1,000,000	-	-	-	-	1,000,000
0.05	October 5, 2014	-	3,180,000	-	-	-	3,180,000
0.05	December 5, 2014	-	720,000	-	-	-	720,000
0.05	January 8, 2015	-	200,000	-	-	-	200,000
		9,046,000	4,100,000	-	-	(128,000)	13,018,000

Exercise price	Expiry date	October 31, 2011	Issued	Exercised	Forfeited	Expired	January 31, 2012
\$		#	#	#	#	#	#
0.10	November 5, 2012	7,918,000	-	-	-	-	7,918,000
0.10	November 5, 2012	128,000	-	-	-	-	128,000
0.16	March 25, 2013	1,000,000	-	-	-	-	1,000,000
		9,046,000	-	-	-	-	9,046,000

The following table summarizes information about share purchase warrants outstanding at January 31, 2013:

Number of shares	Exercise price	Weighted average remaining contractual life (years)	Expiry date
7,918,000	\$0.10	1.76	November 5, 2014 *
1,000,000	\$0.16	0.15	March 25, 2013
3,180,000	\$0.05	1.68	October 5, 2014
720,000	\$0.05	1.84	December 5, 2014
200,000	\$0.05	1.94	January 8, 2015
13,018,000		1.59	

\*Note: The TSX Venture Exchange has approved a two year extension for the 7,918,000 outstanding share purchase warrants expiring November 5, 2012. Each warrant is exercisable for one common share at a price of \$0.10 and the new expiry date for is November 5, 2014.



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## 11. Share capital and reserves (continued):

### (e) Financings:

In 2012 Q2,

There was no financing in the quarter ended January 31, 2012.

In 2013 Q2,

On January 8, 2013, the Company closed the second portion of its Non-Brokered Private Placement for gross proceeds of \$27,600 comprising of 920,000 units (the Unit") at a price of \$0.03 per Unit. Each Unit is comprised of one common share in the capital of the Company plus a two year share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.05 in the first year and \$0.10 in the second year at any time up to 5:00 pm (Vancouver time) on January 8, 2015.

### (f) Shares issued for exploration and evaluation assets:

There were no shares issued for property in 2012 Q2 and 2013 Q2.

## 12. Share-based payment:

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The options have a maximum term of five years, and vest 25% on the date of grant and 25% every six months thereafter.

The Company has not granted any options during the period ended January 31, 2013 (2012 - nil).

## 13. Segmented information:

The Company's mineral properties are located in three geographic regions, Canada, USA and China, and its corporate assets are located in Canada. A summary of total assets and net loss by geographic region is as follows:

	31-Jan-13	31-Jan-12
Net loss(gain) for the year		
Canada	\$ 59,040	\$ 136,803
China	67,101	54,313
USA	6,501	4,907
	\$ 132,642	\$ 196,023
Mineral property and exploration and evaluation assets		
Canada	\$ 484,175	\$ 536,322
China	1,739,763	8,375,400
USA	301,509	299,983
	\$ 2,525,447	\$ 9,211,705
Assets		
Canada	\$ 692,032	\$ 807,308
China	4,308,994	10,588,303
USA	301,509	305,329
	\$ 5,302,535	\$ 11,700,940

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## 14. Income taxes:

### (a) Income taxes:

The Company is subject to income taxes in Canada and the Peoples Republic of China. The consolidated provision for income taxes varies from the amount that would be computed from applying the combined federal, provincial and Chinese income tax rates to the net loss before income taxes as follows:

	2012	2011
Combined statutory tax rate	25.63%	27.33%
Computed tax recovery	\$ (1,929,913)	\$ (426,578)
Permanent differences	813,579	17,909
Change in deferred tax not recognized	1,101,065	408,669
Other	52,681	-
Deferred tax expense (recovery)	-	-

### (b) Deferred tax assets have not been recognized with respect to the following:

	2012	2011
Deductible temporary difference	\$ 5,981,358	\$ 2,282,907
Tax losses (Canada)	9,065,668	8,282,676
	\$ 15,047,026	\$ 10,565,583

The Corporation has Canadian tax loss carry forwards as approximately \$9,066,000 CAD as at July 31, 2012. The non-capital losses in Canada expire at various dates to 2032.

No deferred tax asset has been recognized in respect of the above as the Company does not have any source of taxable income and there is uncertainty as to whether the Company will earn taxable income in the future. As a result, it is not currently probable that the benefit of such amounts will be realized.

## 15. Financial risk management:

### (a) Fair value of financial instruments:

The fair values of these financial instruments approximate their carrying values because of their short term nature and or the existence of market related interest rates on the instruments. Fair values were obtained by Level 1 hierarchy inputs for amounts receivable and marketable securities. Fair value was obtained by level 2 hierarchy for the non-current loan,

### (b) Financial instruments risk:

The Company is exposed in varying degrees to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management procedures.

The types of risk exposure and the way such exposure is managed are provided as follows:

#### (i) 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

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the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and investments are with Schedule 1 banks or equivalent, with the majority of cash held in Chinese Renminbi in Chinese banking institutions. The credit risk in amounts receivable is considered low by management as they consist primarily of amounts owing from government authorities in relation to refundable HST of \$89,292.

(ii) 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, the agreement was extended in October 2009 and renewed on annual basis. As at January 31, 2013, the Company had a cash and cash equivalent balance of \$144,023 (2012 - \$25,612) to settle accounts payable and accrued liabilities of \$3,921,806 (2012 - \$3,121,560). Accounts payable and accrued liabilities are due within the current operating period and include \$2,661,329 due to Daye Gold Mine. As at January 31, 2013, the Company has a working capital deficiency of \$1,972,749 and was relying on the financial support of a related company and subsequently on equity financing activity. These financial statements assume the related company will not demand repayment of the debt prior to Goldrea generating sufficient cash to repay this amount. See note 1 for additional discussion on going concern.

(iii) Market risk:

The Company's primary market risk is in the areas of metal prices and foreign exchange risk on financial instruments denominated in other than Canadian dollars. At January 31, 2013, the Company had no hedging agreements in place with respect to metal prices or foreign exchange rates.

(A) Commodity price risk:

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

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 derivative financial instruments.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

## 15. Financial risk management: (continued):

### (b) Financial instruments risk (continued):

#### (iii) Market risk (continued):

##### (B) 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 January 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in foreign currencies.

	USD		Rmb	
Cash and cash equivalent	\$	8,391	¥	829,832
Accounts payable and accrued liabilities		(41)		(16,473,116)
Non-current loan				(1,200,000)
Total	\$	8,350	¥	(16,843,284)
Canadian dollar foreign exchange rate		0.9992		0.1607
Balance sheet exposure in Canadian dollar equivalent		8,343		(2,706,716)

##### (C) Sensitivity analysis:

A 10% strengthening (weakening) in the Canadian dollar against the USD and Rmb currencies at January 31, 2013 would have increased (decreased) net loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rate, remain constant:

January 31, 2013	Change in CAD\$
USD	834
Rmb	270,672

##### (D) Equity price risk:

Equity price risk arises from available-for-sale equity securities. The Company's exposure at January 31, 2013 was \$10,412. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at January 31, 2013.

# GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Interim periods ended January 31, 2013 and 2012

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## 15. Financial risk management: (continued):

(b) Financial instruments risk (continued):

(iii) Market risk (continued):

(E) 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 financial statements.

## 16. Capital management:

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The properties in which the Company currently has an interest in are in the exploration and pre-development stages, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed. There were no changes in the Company's management of capital during the quarter ended January 31, 2013.

# GOLDREA RESOURCES CORP.

## Schedule of Exploration and Evaluation Assets

Period ended January 31, 2013.

	July 31, 2011	Expenditures (recoveries or write-downs)	July 31, 2012	Expenditures (recoveries or write-downs)	January 31, 2013
<b>Exploration and evaluation assets</b>					
<b>Canada - British Columbia:</b>					
Crowrea:					
Acquisition	\$ 9,377	\$ -	\$ 9,377	\$ -	\$ 9,377
Assay and analysis	9,054	595	9,649	-	9,649
Camp and supplies	665	-	665	-	665
Drilling	119,645	-	119,645	-	119,645
Engineering and geological	70,228	-	70,228	-	70,228
Equipment rentals and subcontractor	6,904	-	6,904	-	6,904
METC refund	(54,774)	-	(54,774)	-	(54,774)
	161,099	595	161,694	-	161,694
Flap:					
Acquisition	8,478	110	8,588	-	8,588
Assay and analysis	30,971	-	30,971	-	30,971
Drilling	34,383	-	34,383	-	34,383
Engineering and geological	62,095	-	62,095	-	62,095
METC refund	(4,454)	-	(4,454)	-	(4,454)
	131,473	110	131,583	-	131,583
Empress:					
Acquisition	4,632	92	4,724	-	4,724
Assay and analysis	10,451	-	10,451	-	10,451
Drilling	192,341	-	192,341	-	192,341
Engineering and geological	58,561	-	58,561	-	58,561
METC refund	(75,180)	-	(75,180)	-	(75,180)
	190,805	92	190,897	-	190,897
Wigwam					
Acquisition	42,000	658	42,658	-	42,658
Assay and analysis	-	1,429	1,429	280	1,709
Engineering and geological	-	11,596	11,596	-	11,596
Write-down provision	-	-	-	(55,963)	(55,963)
	42,000	13,683	55,683	(55,683)	-
<b>USA - Arizona:</b>					
Gold Chain:					
Option payments received	\$ (9,787)	\$ (10,000)	\$ (19,787)	\$ -	\$ (19,787)
Acquisition	54,351	-	54,351	-	54,351
Assay and analysis	21,577	-	21,577	-	21,577
Drilling	42,482	763	43,245	-	43,245
Engineering and geological	31,672	-	31,672	-	31,672
	140,295	(9,237)	131,058	-	131,058
Gold Rush:					
Option payments received	(9,787)	(10,000)	(19,787)	-	(19,787)
Acquisition	66,416	-	66,416	-	66,416
Assay and analysis	24,821	-	24,821	-	24,821
Drilling	37,010	763	37,773	-	37,773
Engineering and geological	61,228	-	61,228	-	61,228
	179,688	(9,237)	170,451	-	170,451
<b>Total exploration and evaluation assets</b>	<b>\$ 845,361</b>	<b>\$ (3,994)</b>	<b>\$ 841,367</b>	<b>\$ (55,683)</b>	<b>\$ 785,684</b>

# GOLDREA RESOURCES CORP.

## Schedule of Mineral Property Costs

Period ended January 31, 2013.

	July 31, 2011	Expenditures (recoveries or write-downs)	July 31, 2012	Expenditures (recoveries or write-downs)	January 31, 2013
<b>Mineral property</b>					
<b>China - Shandong Province:</b>					
Rushan Goldrea Gold (RGG):					
Acquisition	\$ 2,306,117	\$ -	\$ 2,306,117	\$ -	\$ 2,306,117
Mineral rights contributed (note 3(a))	702,702	-	702,702	-	702,702
Administration	664,047	18,412	682,459	28,346	710,805
Assay and analysis	116,952	-	116,952	-	116,952
Drilling	2,609,415	33,850	2,643,265	4,795	2,648,060
Engineering and geological	684,659	-	684,659	-	684,659
Shaft	1,134,889	1,712	1,136,601	6,622	1,143,223
Travel	98,078	-	98,078	-	98,078
Write-down provision	-	(6,670,833)	(6,670,833)	-	(6,670,833)
	8,316,859	(6,616,859)	1,700,000	39,763	1,739,763
<b>Total mineral property costs</b>	<b>\$ 8,316,859</b>	<b>\$ (6,616,859)</b>	<b>\$ 1,700,000</b>	<b>\$ 39,763</b>	<b>\$ 1,739,763</b>