

Consolidated Financial Statements of

GOLDREA RESOURCES CORP.

Interim periods ended April 30, 2011 and 2010

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

(Unaudited – see Notice to Reader)

NOTICE TO READER

The accompanying consolidated financial statements for Goldrea Resources Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the July 31, 2010 audited financial statements. 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.

We have compiled the interim consolidated balance sheet of Goldrea Resources Corp. as at April 30, 2011 and the consolidated interim statements of loss and deficit and cash flows for the three months then ended. Independent accountants have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information.

GOLDREA RESOURCES CORP.

Consolidated Balance Sheets

April 30, 2011 and July 31, 2010

	April 30, 2011	July 31, 2010 (Audited)
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 228,524	\$ 204,510
Marketable securities (note 5)	264,420	86,175
Amounts receivable	47,010	10,360
Inventory (note 6)	625,062	248,757
Prepaid expenses and advances	19,272	16,187
	1,184,288	565,989
Due from related parties (note 7)	9,596	174,699
Reclamation deposits	53,740	53,613
Capital assets (note 8)	837,192	888,596
Mineral properties (note 9 and Schedule)	10,333,830	11,826,925
Other assets	1,370	7,535
	\$ 12,420,016	\$ 13,517,357

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,802,162	\$ 1,658,081
Other short-term liabilities	10,825	10,825
	1,812,987	1,668,906
Other long-term liabilities		-
Future income taxes (note 13(b))	1,159,225	1,402,036
Non-controlling interest (note 2(a))	702,702	1,389,605
Shareholders' equity:		
Share capital (note 10)	28,302,895	27,548,006
Contributed surplus (note 10)	1,847,997	1,710,631
Accumulated other comprehensive income (note 5 and 13)	213,771	35,527
Deficit	(21,619,561)	(20,237,354)
	8,745,102	9,056,810

Nature of operations and going concern (note 1)

Subsequent event (note 16)

Commitments (note 9)

	\$ 12,420,016	\$ 13,517,357
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See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Larry Reaugh"

Larry Reaugh, Director

"Edward Lee"

Edward Lee, Director

GOLDREA RESOURCES CORP.

Consolidated Statements of Operations and Deficit
Quarters ended April 30, 2011 and 2010

	Q3 2011	Q3 2010	YTD Q3 2011	YTD Q3 2010
Revenue	-	-	\$ -	\$ -
Mining contractor costs	-	-	-	-
Other mining processing costs	-	-	-	-
Write-down of inventory (note 6)	-	-	-	(111,274)
Gross margin	-	-	-	(111,274)
Expenses:				
Advertising and promotion	\$ 24,661	\$ 26,522	\$ 63,076	\$ 66,134
Amortization	1,255	1,681	4,058	5,437
Consulting	31,085	77,158	129,823	213,709
Office and administration	125,829	117,695	335,250	350,441
Professional fees	20,100	31,888	55,874	118,346
Rent	2,456	4,487	11,052	11,954
Shareholder communication	8,662	28,534	26,848	86,489
Stock-based compensation	25,323	157,828	137,367	157,828
Travel and accommodation	981	2,789	5,246	8,073
Transfer agent and filing fees	14,452	17,441	15,200	21,116
	254,804	466,023	783,794	1,039,527
Loss before other items	(254,804)	(466,023)	(783,794)	(1,150,801)
Other items:				
Interest income	160	390	425	2,990
Other income	-	-	5,000	-
Foreign exchange gain (loss)	57,208	51,446	61,630	53,384
Write-down of mineral properties (note 9(a)(i), and (c)(ii))	(631,856)	-	(665,468)	-
	(574,488)	51,836	(598,413)	56,374
Loss before income taxes	(829,292)	(414,187)	(1,382,207)	(1,094,427)
Recovery of future income tax (note 13)	-	-	-	-
Loss for the period	(829,292)	(414,187)	(1,382,207)	(1,094,427)
Deficit, beginning of the period	(20,790,269)	(18,595,690)	(20,237,354)	(17,915,450)
Deficit, end of the period	\$ (21,619,561)	\$ (19,009,877)	\$ (21,619,561)	\$ (19,009,877)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	69,463,522	59,510,354	65,702,724	59,510,354

Consolidated Statement of Comprehensive Loss
Quarters ended April 30, 2011 and 2010

	2011 Q3	2010 Q3	YTD Q3 2011	YTD Q3 2010
Loss for the period	(829,292)	(414,187)	\$ (1,382,207)	\$ (1,094,427)
Other comprehensive income (loss):				
Unrealized gain/loss on available-for -sale marketable securities (note 5)	213,771	98,987	213,771	98,987
Comprehensive loss for the period	\$ (615,521)	\$ (315,200)	\$ (1,168,436)	\$ (995,440)

See accompanying notes to consolidated financial statements.

GOLDREA RESOURCES CORP.

Consolidated Statements of Cash Flows

Quarters ended April 30, 2011 and 2010

	2011 Q3	2010 Q3	YTD Q3 2011	YTD Q3 2010
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (829,292)	\$ (414,187)	\$ (1,382,207)	\$ (1,094,427)
Items not involving cash:				
Amortization	1,255	1,681	4,058	5,437
Stock-based compensation	25,323	157,828	137,367	157,828
Unrealized foreign exchange gain(loss)	(57,208)	(51,446)	(61,630)	(53,384)
Write-down of inventory	-	-	-	111,274
Write-down of mineral properties	631,856	-	665,468	-
Write-down of other assets	6,165	-	6,165	-
	(221,901)	(306,124)	(630,779)	(873,272)
Changes in non-cash working capital:				
Amounts receivable	(9,837)	1,012	(36,650)	15,748
Income tax receivable	-	841	-	124,722
Inventory	(120,259)	(78,979)	(376,305)	(281,716)
Other assets	-	(1,370)	-	(1,370)
Prepaid expenses and advances	10,005	(11,832)	(3,085)	10,024
Accounts payable and accrued liabilities	134,549	336,735	144,081	561,922
Repayment of amounts to related parties	79,822	65,967	165,103	36,459
	(127,621)	6,250	(737,635)	(407,483)
Financing activities:				
Shares issued for cash and properties	100,000	-	792,715	-
Share issue costs	(10,000)	-	(37,826)	-
	90,000	-	754,889	-
Investing activities:				
Mineral property and other deferred expenditures	53,606	(159,254)	6,887	(590,957)
Reclamation bond	(63)	(107)	(127)	(308)
Purchase of capital assets	-	-	-	(1,807)
	53,543	(159,361)	6,760	(593,072)
Decrease in cash and cash equivalents	15,922	(153,111)	24,014	(1,000,555)
Cash and cash equivalents, beginning of period	212,602	735,177	204,510	1,582,621
Cash and cash equivalents, end of period	\$ 228,524	\$ 582,066	\$ 228,524	\$ 582,066
Supplementary information:				
Interest income received	\$ 160	\$ 499	\$ 425	\$ 2,042
Non-cash investing and financing activities:				
Amortization recorded in mineral properties	7,016	8,845	21,445	27,135

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

1. Nature and continuance of operations:

Goldrea Resources Corp. (the Company) is incorporated under the British Columbia Business Corporations Act. The Company is involved in the acquisition, exploration and development of mineral properties located in North America and China and is currently in the exploratory 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.

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 April 30, 2011, the Company has a deficiency in working capital of \$628,699. In addition, the Company has \$1,055,652 in outstanding capital contribution obligations to be paid to Rushan Ludi Goldrea Gold Mining Inc. (LGG) as well as the associated finder's fee upon payment by September 30, 2010 (note 9(c)(ii)).

On June 11, 2010, the Chinese partner sent out a notification to terminate the joint venture contract due to the Company's delay in capital contribution, upon negotiation, the Chinese partner agreed to extend the contribution deadline to the end of September, 2010.

On June 27, 2011, LGG received a Default notice from Rushan Industrial and Commercial Administration Bureau, a local government agency, demanding the Company to contribute \$1,055,652 to LGG by July 27, 2011, otherwise LGG will be terminated. The Company has found it difficult to raise sufficient funds to fulfill its outstanding capital contribution obligations to LGG within the time limit, and therefore, even though the Company has until July 27, 2011 to fulfill its obligations, the Company takes the position to write down LGG's mineral property costs to nil in 2011 Q3.

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. 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 these financial statements.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

2. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Goldrea USA Inc. and its 90% owned subsidiary, Rushan Goldrea Gold Inc. (RGG), incorporated in the People's Republic of China. The Company initially contributed \$2,000,000 and earned a 74% interest in RGG, and the Chinese partner contributed mineral exploration permits to earn its 26%, which provided a valuation of the exploration permits of \$702,702. This is recorded as non-controlling interest in the consolidated balance sheet. As at April 30, 2011, the Company had contributed a total of 33,000,000 Chinese Renminbi (Rmb) (CAD\$5,012,700), while the Chinese partner chose not to match its portion of additional contribution. As a result, the Company earned 90% interest in RGG while the Chinese partner's interest decreased to 10% (note 9(c)(i)).

Also included in the consolidated financial statements is Rushan Ludi Goldrea Gold Mining Inc. (LGG), incorporated in the People's Republic of China. The Company entered into an agreement which gives the Company a 64% interest with a requirement to contribute Rmb 14,000,000 (CAD\$1,822,800) over two years, of which Rmb 6,774,456 (CAD\$1,221,160) has been paid as of April 30, 2011. The Company has control of LGG; therefore it is consolidated in the financial statements. The Chinese partner's 36% interest is \$686,903, which is recorded as non-controlling interest in the consolidated balance sheet (note 9(c)(ii)). In view of the termination of LGG, the LGG related non-controlling interest was reversed in 2011 Q3.

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

(b) 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.

(c) 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.

(d) Capital assets:

Capital assets consist of office furniture and equipment, computer equipment and vehicles, which are recorded at cost, and amortized on the declining balance basis at rates of 20% and 30% per annum, respectively. Capital assets 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.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

2. Significant accounting policies (continued):

(e) Mineral properties and deferred costs:

The cost of mineral properties and related exploration expenditures are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse, or abandoned.

Cost includes the cash consideration and the fair market value of shares as they are issued, if any, on the acquisition of mineral properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property, and any excess is included in income for the quarter.

Certain of the Company's exploration and development activities related to mineral properties are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

The recorded cost of mineral claims and deferred exploration and development costs represent costs incurred and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic ore reserves or the sale of mineral rights.

(f) Asset impairment:

On an annual basis or when impairment indicators arise, the Company evaluates the future recoverability of its mineral property and long-lived assets costs. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

(g) Asset retirement obligations:

In accordance with CICA Handbook Section 3110, *Asset Retirement Obligations*, the Company is required to account for the estimated fair value of legal obligations to reclaim and remediate resource properties in the period incurred, at the net present value of the cash flows required to settle the future obligations. The corresponding amount is capitalized to the related asset and accounted for in accordance with the Company's related accounting policies for resource properties. The liabilities are subject to accretion over time as an operating expense for increases in the fair value of the liabilities. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

The Company is in the early stages of exploring and developing its resource properties. The Company has no current legal obligation for reclamation and remediation costs.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

2. Significant accounting policies (continued):

(h) Share capital:

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached and announced for business combinations, and at the date of issuance for other non-monetary transactions.

(i) Revenue recognition:

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

(j) Stock-based compensation:

The Company records all stock-based payments to employees, officers, directors and consultants using the fair value method on a prospective basis. Under the fair value method, stock-based payments for employees are measured at the fair value of the date of grant and stock-based payments to non-employees are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Accordingly, the fair value of stock options is charged to operations, with an offsetting credit to contributed surplus. The fair value of stock options, which vest immediately, is recorded at the date of grant; the fair value of options which vest in the future is recognized on a straight-line basis over the vesting period. Any consideration received on exercise of stock options, together with the related portion of contributed surplus, is credited to share capital.

(k) Flow-through shares:

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Share capital is reduced and the future income tax liability is increased by the estimated cost of the renounced tax deductions. Drawdowns of future income tax liabilities resulting from the timing differences on exploration expenditures renounced to investors result in a reduction in valuation allowance which is credited to operations.

(l) Income taxes:

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. The future income tax liabilities or assets are measured using substantially enacted tax rates and laws expected to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are provided where (net) future income tax assets are not more likely than not to be realized.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

2. Significant accounting policies (continued):

(m) Loss per share:

Basic loss per share is calculated using the weighted average number of shares issued and outstanding during the quarter. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that proceeds to be received on exercise of diluted share options and warrants are used to repurchase common shares at the average market price during the period. No shares were added to the weighted average number of common shares outstanding during the quarters ended April 30, 2011 and 2010 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive.

(n) Foreign currency translation:

Transactions and account balances originally stated in currencies other than the Canadian dollar, including the accounts of the Company's integrated foreign subsidiaries, have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

(o) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the current fair value of marketable securities, the continuing viability of mineral property interests, valuation of inventory and the determination of reclamation obligations and valuation allowance for future income tax assets. Actual results could differ from these estimates.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

2. Significant accounting policies (continued):

(p) Financial instruments - recognition and measurement:

The Company's financial instruments are comprised of cash and cash equivalents, marketable securities, amounts receivable, due from (to) related parties, reclamation deposits, accounts payable and accrued liabilities, and long-term liabilities. Financial instruments are measured and classified as follows:

- Held-for-trading financial assets and liabilities are measured at fair value with subsequent changes in fair value recognized in the statements of operations. Cash and cash equivalents and reclamation deposits are classified as held-for-trading;
- Available-for-sale financial assets are initially measured at fair value, plus any transaction costs, with subsequent changes in fair value recognized in other comprehensive income until the instrument is derecognized or impaired, at which time the amounts would be recorded in the statement of operations. Marketable securities are classified as available-for-sale;
- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment. Amounts receivable and due from (to) related parties are classified as loans and receivables. Accounts payable and accrued liabilities and long-term liabilities are classified as other financial liabilities. The Company does not hold any held-to-maturity investments;
- Derivatives embedded in other financial instruments or non-financial contracts (the "host instrument") are treated as separate derivatives with fair value changes recognized in the statement of operations when their economic characteristics and risks are not clearly and closely related to those of the host instrument, and the combined instrument or contract is not held for trading. No reportable embedded derivatives were identified in a review of the Company's contracts.

The fair value of cash and cash equivalents, amounts receivable, due from (to) related parties accounts payable and accrued liabilities and long-term liabilities approximate their carrying value due to the short-term nature of these instruments. Cash and cash equivalents and marketable securities are based on Level I hierarchy inputs. The fair value of the Company's reclamation deposits approximate its carrying value as the amount is held in low risk, short-term bank guaranteed investment certificates and is based on Level I hierarchy inputs.

(q) Comparative figures:

Certain figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current quarter.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

3. Foreign currency:

The Company's cash consists of CAD\$170,582 and US\$14,707 (CAD\$13,951 equivalent) held in bank accounts in Canada, US\$21,857 (CAD\$20,734 equivalent) held in Goldrea USA Inc. and Rmb 159,185 (CAD\$23,257 equivalent) held in China.

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.

4. Changes in accounting policies:

(a) Adoption of new accounting pronouncements:

Effective August 1, 2009, the Company has adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements unless otherwise stated. The new standards and accounting policy changes are as follows:

(i) Financial instruments - Disclosures (CICA Handbook Section 3862):

Disclosures establishes revised standards for the disclosure of financial instruments. The new standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

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

This disclosure requirement can be found in Note 2(p) of these consolidated financial statements.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

4. Changes in accounting policies (continued):

(a) Adoption of new accounting pronouncements (continued):

(ii) *Goodwill and intangible assets* (CICA Handbook Section 3064):

Effective August 1, 2009, the Company has adopted The CICA Handbook Section 3064, *Goodwill and Intangible Assets* (Section 3064) which replaced CICA Handbook Section 3062, *Goodwill and Intangible Assets* and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA Accounting Guideline 11 *Enterprises in the Development Stage* was also amended to delete references to deterred costs and to provide guidance on development costs as intangible assets under Section 3064. There was no material impact upon adoption on the Company's consolidated financial statements.

(b) Accounting standards issued for adoption in future periods:

The following accounting standards are those which have been issued by the CICA for adoption in future periods. Management is evaluating the impact of these new standards on its financial position and results of operations.

(i) Business combinations:

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. These new standards will be effective for the fiscal year beginning on August 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

4. Changes in accounting policies (continued):

(b) Accounting standards issued for adoption in future periods (continued):

(ii) International Financial Reporting Standards (IFRS):

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will therefore adopt IFRS for its July 2012 year-end. The transition date of August 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

5. Marketable securities:

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

2011 Q3	Fair value	Cost	Accumulated unrealized gains (losses)
Molycor Gold Corp.			
- 50,000 common shares	\$ 4,250	\$ 5,000	\$ (750)
Chalice Diamond Corp.			
- 3,333 common shares ⁽¹⁾	500	-	500
American Manganese Inc.			
- 405,734 common shares	259,670	40,573	219,097
Recovery of marketable securities gain			(5,075)
	\$ 264,420	\$ 45,573	\$ 213,771

⁽¹⁾ Chalice Diamond's shares were consolidated at 10 to 1 on October 28, 2010.

2010 Q3	Fair value	Cost	Accumulated unrealized gains (losses)
Molycor Gold Corp.			
- 50,000 common shares	\$ 3,250	\$ 5,000	\$ (1,750)
Chalice Diamond Corp.			
- 33,333 common shares	1,333	-	1,333
American Manganese Inc.			
- 405,734 common shares	139,977	40,573	99,404
	\$ 144,560	\$ 45,573	\$ 98,987

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

5. Marketable securities (continued):

Accumulated other comprehensive income continuity is as follows:

Accumulated other comprehensive income at July 31, 2008	\$	82,980
Unrealized loss on available-for-sale marketable securities		(61,860)
Accumulated other comprehensive income at July 31, 2009		21,120
Unrealized gain on available-for-sale marketable securities		19,482
Less: future income tax on unrealized gain		(5,075)
Accumulated other comprehensive income at July 31, 2010		35,527
Unrealized gain on available-for-sale marketable securities		178,244
Accumulated other comprehensive income at April 30, 2011	\$	213,771

6. Inventory:

	2011 Q3	2010 Q3
Stockpiled mineral material	\$ 625,062	\$ 439,807

At July 31, 2010, the Company has applied an inventory write-down of \$90,084 to its stockpiled mineral materials to reflect net realizable value. Based on April 30, 2011 gold price, there was no further inventory write-down for 2011 Q3.

7. 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 Molycor Gold Corporation (Molycor), Adanac Molybdenum Corp (formerly Adanac Moly Corp, and Stirrup Creek Gold Ltd.) (Adanac), and American Manganese Inc. (formerly Rocher Deboile Minerals Corp.,) (American Manganese). The Company and Molycor are 50/50 joint venture participants in various properties in British Columbia.

Related party balances are as follows:

	2011 Q3	2010 Q3
Due from (to) Molycor Gold Corporation	\$ -	\$ 114,936
Due from American Manganese Inc.	-	30,620
Due from directors of the Company	9,596	11,977
	\$ 9,596	\$ 157,533

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

7. Related party transactions (continued):

During the quarter ended April 30, 2011:

- consulting fees of \$30,000 (2010 - \$31,586) were payable to a company owned by a director and \$1,085 (2010 - \$25,838) was paid to a director;
- administrative fees of \$46,400 (2010 - \$48,849) were paid to executive directors and officers of the Company;
- office building use and technical support service fees of Rmb 36,000 (CAD\$5,348) (2010 - Rmb 36,000 (CAD\$5,432)) and ore processing and mining fees of Rmb 809,463 (CAD\$118,262) were accrued payable to Daye Gold Mine, a 10% owner of RGG.

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.

8. Capital assets:

2011 Q3	Cost	Accumulated amortization	Net book value
Canada:			
Office equipment	\$ 31,278	\$ 22,468	\$ 8,810
Furniture and fixtures	22,108	17,474	4,634
Computer equipment	41,023	31,626	9,397
China (Rushan Goldrea Gold property):			
Furniture and fixtures	3,931	2,037	1,894
Computer equipment	15,889	14,714	1,175
Vehicle	114,852	79,583	35,269
Machinery	255,324	105,089	150,235
Corehouse	14,544	2,674	11,870
Construction in progress ^(a)	613,908	-	613,908
	\$1,112,857	\$ 275,664	\$ 837,192

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

2010 Q3	Cost	Accumulated amortization	Net book value
Canada:			
Office equipment	\$ 31,278	\$ 19,245	\$ 12,033
Furniture and fixtures	22,108	16,419	5,689
Computer equipment	41,023	28,187	12,836
China (Rushan Goldrea Gold property):			
Furniture and fixtures	3,931	1,043	2,888
Computer equipment	15,889	12,554	3,335
Vehicle	114,852	55,663	59,189
Machinery	255,324	71,647	183,677
Corehouse	14,544	1,984	12,560
Construction in progress ^(a)	613,908	-	613,908
	\$1,112,857	\$ 206,742	\$ 906,115

(a) 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.

9. Mineral properties:

(a) British Columbia, Canada:

(i) Eskay Creek/ BX Property, Liard Mining Division:

During the year ended July 31, 2002, the Company acquired by staking a 100% interest, subject to 2% Net Smelter Return Royalty (NSR), in various gold claims located approximately 48 kilometres southwest of Bob Quinn Lake, British Columbia. In 2003, an unrelated company earned a 10% interest in the property. The Company abandoned the property in December 2010, and wrote off the property in 2011 Q1.

(ii) Dobbin Property, Nicola and Vernon Mining Divisions:

The Company holds a 50% interest in various mineral claims, some of which are partially owned by Molycor Gold Corporation. During the year ended July 31, 2010, the Company recorded a write-down of \$397,068 on property to bring carrying value down to nil.

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

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

(iv) Tadpole Lake, 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. \$62,944 of capitalized expenditures were written down during the year ended July 31, 2008. In previous years carrying value was written down to nil.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

9. Mineral properties (continued):

(a) British Columbia, Canada (continued):

(v) 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.

(vi) 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 Molycor Gold Corporation. It is a molybdenum prospect in the middle of the Crowrea Property near Summerland, B.C.

(vii) Yalakom Property, Clinton and Lillooet Mining Division:

The Company acquired by staking a 100% interest in a copper-gold claim in Yalakom/Poison Mountain, B.C. in May 2008. The Company has also obtained exclusive rights to enter into an option to purchase agreement on the 11,000 hectare Yalakom property by paying \$6,000 (paid in 2008) and conducting \$90,000 in mineral exploration work. \$161,000 in exploration was completed in 2008. In March 2009, the Company paid an additional \$6,000 to extend the option to the purchase agreement to July 31, 2010. In August, 2010, the Company terminated the purchase agreement, and recorded a property write-down of \$166,338.

(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 Goldchain 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.

(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, in the property for US\$8,000 in cash and issuance of 100,000 common shares.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

9. Mineral properties (continued):

(c) People's Republic of China:

(i) Rushan Goldrea Gold Property:

As described in note 2(a), 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 will be paid based on the percentage ownership in the Joint Venture. At July 31, 2009, the Company had contributed a total of Rmb33,000,000 (CAD\$5,210,700) 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.

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.

(ii) Rushan Ludi Goldrea Gold Property:

As described in note 2(a), 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 is required to contribute Rmb 12,000,000 (as at April 30, 2011, CAD\$1,753,200; 2010 - CAD\$1,872,000) in staged payments over three years, and pay Rmb 2,000,000 (as at April 30, 2011, CAD\$292,200; 2010 - CAD\$312,000) 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 is 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\$292,200) 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 paid and Rmb 5,225,544 / CAD\$763,452 outstanding.)

Thus the Company has payment commitments of Rmb 7,225,544 (CAD\$1,055,652) to maintain this property (see note 1). According to the Default notice sent to LGG from Rushan Industrial and Commercial Administration Bureau, the Company has until July 27, 2011 to pay Rmb 7,225,544 (CAD\$1,055,652) to keep LGG in good standing. The termination will also eliminate the Company's outstanding finder's fee in relation to LGG(note 16 subsequent events).

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

9. Mineral properties (continued):

(c) People's Republic of China (continued):

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

The Company signed an agreement with Goalfirst International Limited to pay a finder's fee in relation to the deal. The finders' fee payment schedule as follows:

- 10% cash commission on the first \$300,000 paid (\$30,000 paid);
- 7.5% cash commission on the next \$700,000 paid (\$7,300 paid, \$45,200 outstanding);
- 5% cash commission on any contribution payments of \$1,000,000 or higher (\$50,000 outstanding);
- In the event the Company elects not to proceed further in paying the contributions required for LGG, the Company is not liable for any finders' fee other than amounts previously advanced.

10. Share capital:

(a) Authorized:

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

(b) Issued:

	Price	Number of common shares	Share capital	Contributed surplus
Balance, July 31, 2008 and 2009		59,510,354	\$ 27,548,006	\$ 1,398,966
Fair value of vested stock options	-	-	-	311,665
Balance, July 31, 2010		59,510,354	\$ 27,548,006	\$ 1,710,631
Fair value of vested stock options				137,366
Share issued	\$0.15	1,450,898	217,635	
Share issued	\$0.06	7,918,000	475,080	
Share issued	\$0.10	1,000,000	100,000	
Share issuance cost			(37,826)	
Balance, April 30, 2011		69,879,252	\$ 28,302,895	\$ 1,847,997

(c) Stock options:

	2011 Q3		2010 Q3	
	Options outstanding	Weighted average exercise price/share	Options outstanding	Weighted average exercise price/share
Balance, beginning of quarter	8,460,000	\$0.26	3,700,000	\$0.40
Granted	-	-	6,030,000	0.14
Exercised				
Forfeited		-	(110,000)	0.58
Expired	(1,020,000)	0.65	(1,035,000)	0.20
Balance, end of the quarter	7,440,000	\$0.21	8,585,000	\$0.26

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

10. Share capital (continued):

(c) Stock options (continued):

The following table summarizes information about stock options outstanding at April 30, 2011:

Number of shares	Exercise price	Number exercisable	Weighted average remaining contractual life (years)	Expiry date
6,030,000	\$0.14	4,522,500	3.82	February 24, 2015
1,410,000	\$0.50	1,410,000	0.70	January 12, 2012
7,440,000	\$0.21	5,932,500	3.23	

(d) Escrowed shares:

There are no shares held in escrow at April 30, 2011 or 2010.

(e) Share purchase warrants:

	2011 Q3		2010 Q3	
	Warrants outstanding	Weighted average exercise price/share	Warrants outstanding	Weighted average exercise price/share
Balance, beginning of quarter	7,918,000	\$ 0.10	-	-
Granted	1,000,000	\$ 0.16	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance, end of quarter	8,918,000	\$ 0.11	-	-

There are 8,918,000 share purchase warrants outstanding at April 30, 2011. These warrants expire between November 5, 2012 and March 25, 2013.

(f) Financings:

During the quarter ended April 30, 2011, The Company closed a private placement raising gross proceeds of \$100,000 which comprised of 1,000,000 units at a price of \$0.10 per unit. Each unit comprised of one common share and one share purchase warrant that entitles the holder to purchase one common share at a price of \$0.16 per share expiring March 25, 2013.

(g) Shares issued for mineral properties:

During the quarters ended April 30, 2011 and 2010, the Company did not issue any shares for mineral properties.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

11. Stock-based compensation:

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 granted 6,030,000 options at an exercise price of \$0.14 per share during the year ended July 31, 2010 (2009 - nil). The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	2010	2009
Risk free interest rate	2.1% - 2.3%	NA
Expected life (years)	5	NA
Expected volatility	90.5% - 93%	NA
Expected dividends	0%	NA
Weighted average fair value per option grant	\$0.0485 - \$0.0902	NA

Compensation costs attributable to share options granted to employees and directors are measured at fair value at the grant date while consultants are measured at fair value at the reporting date and expensed with a corresponding increase to contributed surplus over the vesting period. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. During the quarter ended April 30, 2011, the Company recorded \$25,323 (2010 – \$157,828) in stock based compensation for options granted and vested during the quarter.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

12. 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:

	2011 Q3	2010 Q3
Net loss (gain) for the quarter:		
Canada	\$ 247,035	\$ 371,496
China	576,306	35,629
USA	5,951	7,062
	<u>\$ 829,292</u>	<u>\$ 414,187</u>
Mineral properties:		
Canada	\$ 479,167	\$ 1,070,614
China	9,534,836	10,885,924
USA	319,827	326,136
	<u>\$ 10,333,830</u>	<u>\$ 12,282,674</u>
Assets:		
Canada	\$ 1,707,010	\$ 1,088,189
China	10,372,445	13,203,774
USA	340,561	338,288
	<u>\$ 12,420,016</u>	<u>\$ 14,630,251</u>

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

13. 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:

	2010	2009
Combined statutory tax rate	29.13%	30.21%
Computed tax recovery	\$ (677,733)	\$ (563,559)
Unrecognized items for tax purposes and other	451,390	218,541
Benefit of income tax losses not recognized	226,343	345,018
Recovery on marketable securities gain	(5,075)	-
Recovery of income taxes	\$ (5,075)	\$ -

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

	2010	2009
Capital assets	\$ 50,974	\$ 11,556
Exploration and development	633,380	487,991
Non-capital losses carried forward	1,926,844	1,641,591
Other temporary differences:		
Future income tax assets	170,697	340,208
	2,781,895	2,481,346
Valuation allowance	(2,781,895)	(2,481,346)
Net future income tax assets	-	-
Future income tax liabilities:		
Mineral properties	(1,402,036)	(1,422,100)
Net future income tax liabilities	\$ (1,402,036)	\$ (1,422,100)

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

13. Income taxes (continued):

(a) Income taxes (continued):

These losses expire as follows:

	Canada	China	Total
2011	\$ -	\$ 112,000	\$ 112,000
2012	-	91,000	91,000
2014	462,462	-	462,462
2015	515,601	-	515,601
2026	1,056,189	-	1,056,189
2027	1,751,523	-	1,751,523
2028	684,945	-	684,945
2029	1,377,161	-	1,377,161
2030	1,534,629	-	1,534,629
	\$ 7,382,510	\$ 203,000	\$ 7,585,510

Canadian and foreign exploration resource deductions may be used against certain taxable income without expiry provided there has been no change in control of the Company. As at July 31, 2010, the available resource deductions amounted to approximately \$3,040,000 in Canada and approximately \$5,437,000 in the Peoples Republic of China, which can be carried forward and applied against future taxable income.

(b) Future income taxes:

The Company has incurred certain exploration costs related to the property held by Rushan Goldrea Gold Inc. and for which no tax amortization is available. The transfer of the mineral rights and interest in the property to RGG in 2005 and certain exploration expenditures have not been recognized for tax purposes as certain recognition criteria were not met. As a result, the Company has recognized a future income tax liability of \$1,402,036 as at July 31, 2010 (2009 - \$1,422,100).

On June 27, 2011, a Default notice was sent from Rushan Industrial and Commercial Administration Bureau, a local government agency, to LGG demanding the Company to contribute \$1,055,652 to LGG before July 27, 2011, the Company has found it difficult to raise the needed funds to fulfill its capital contribution obligations within the time limit, and recorded a write down of LGG's capitalized mineral costs to nil. As a result, this reversed the LGG portion of future income tax liability of \$242,812.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

14. Financial Instruments:

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:

(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 the 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 refundable HST of \$30,941 and \$16,069 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, the agreement was extended in October 2009. As at April 30, 2011, the Company had a cash and cash equivalent balance of \$228,524 (2010 - \$582,066) to settle accounts payable and accrued liabilities of \$1,812,987 (2010 - \$1,624,636), the Company has a working capital deficiency of \$628,699. The Company has further obligations of \$1,055,652 in capital contributions by July 27, 2011 to complete its 64% interest investment in LGG (note 9(c)(ii) and note 16). The Company's failure to contribute to LGG in time will result in a termination of the LGG. Accounts payable and accrued liabilities are due within the current operating period. See note 1, 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, 2011, 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 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.

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

14. Financial Instruments (continued):

(c) Market risk (continued):

(i) Commodity price risk (continued):

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 to over 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, 2011 the Company had no hedging agreements in place with respect to foreign exchange rates.

At April 30, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in foreign currencies.

	USD	Rmb
Cash and cash equivalent	\$ 21,858	159,185
Accounts payable and accrued liabilities	(68)	(11,235,311)
Total	\$ 21,790	(11,076,126)
Canadian dollar foreign exchange rate	0.9486	0.1461
Balance sheet exposure in Canadian dollar equivalent	\$ 20,670	(1,618,222)

(iii) Sensitivity analysis:

A 10% strengthening (weakening) in the Canadian dollar against the USD and Rmb currencies at April 30, 2011 would have increased (decreased) net loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rate, remain constant:

April 30, 2011	Change
	CAD\$
USD	2,067
Rmb	161,822

GOLDREA RESOURCES CORP.

Notes to Consolidated Financial Statements

Quarters ended April 30, 2011 and 2010

14. Financial Instruments (continued):

(c) Market risk (continued):

(iv) Equity price risk:

Equity price risk arises from available-for-sale equity securities. The Company's exposure at April 30, 2011 was \$264,420. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at April 30, 2011.

(v) 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.

15. Capital management:

The Company manages and makes adjustments to its capital structure in order to have the funds available to support its exploration and development activities. Capital is defined as shareholder's equity. The adequacy of the capital structure and management approach is assessed on an ongoing basis and is adjusted as necessary after taking into consideration the Company's strategy, the metal markets, the mining industry, economic conditions and associated risks. As part of this strategy, the Company has entered into a service agreement with Daye Gold Mine for the underground mining operation at its Golden Rose Shaft in order to manage cash outflow. Management is also actively looking for partners to jointly develop RGG's current operations.

The Company has \$1,055,652 in additional capital contributions required to be paid in relation to Rushan Ludi Goldrea Gold (note 9(c)(ii)).

16. Subsequent events:

On June 21, 2011, the Company entered into an agreement to purchase 100% (subject to a 2% NSR) of the WigWam Magnetite, Iron, Titanium, Vanadium and Silver Project (1,237 hectares/3,057 Acres), located at WigWam Bay, 8 Kilometers southwest of the head of Seymour Inlet, British Columbia from John Thom Shearer of Coquitlam, B.C. The purchase price, subject to the acceptance of the Exchange, is \$20,000 and 400,000 common shares of Goldrea Resources Corp.

On June 27, 2011, the Company received a Default notice forwarded by LGG, the original notice was addressed to LGG from Rushan Industrial and Commercial Administration Bureau, a local government agency, the notice demands the Company to contribute \$1,055,652 to LGG before July 27, 2011, If the Company fails to contribute the capital in time, LGG will be terminated, and this termination will also eliminate the outstanding finder's fee obligation of \$95,200 in relation to LGG.

GOLDREA RESOURCES CORP.

Schedule of Mineral Property Costs

Quarter ended April 30, 2011, with comparative figures for 2009 FY and 2010 FY

	July 31, 2009	Expenditures (recoveries or write-downs)	July 31, 2010	Expenditures (recoveries or write-downs)	April 30, 2011
Canada - British Columbia:					
BX/Eskay Creek:					
Acquisition	\$ 19,037	\$ 1,527	\$ 20,564	\$ -	\$ 20,564
Assays and analysis	774	-	774	-	774
Option payments received	(26,192)	-	(26,192)	-	(26,192)
Equipment rentals	1,982	-	1,982	-	1,982
Engineering and geological	59,912	-	59,912	-	59,912
Freight and transportation	112	-	112	-	112
Write-down provision	-	-	-	(33,611)	(33,611)
METC refund	(23,541)	-	(23,541)	-	(23,541)
	32,084	1,527	33,611	(33,611)	-
Dobbin:					
Acquisition	3,332	-	3,332	-	3,332
Assays and analysis	45,387	-	45,387	-	45,387
Camp and supplies	19,045	-	19,045	-	19,045
Drilling	305,883	-	305,883	-	305,883
Engineering and geological	115,368	1,053	116,421	-	116,421
Equipment rentals and subcontractor	17,961	-	17,961	-	17,961
Property maintenance fees	4,173	-	4,173	-	4,173
Write-down provision	(69,824)	(397,068)	(466,892)	-	(466,892)
METC refund	(45,310)	-	(45,310)	-	(45,310)
	396,015	(396,015)	-	-	-
Crowrea:					
Acquisition	7,621	146	7,767	-	7,767
Assays and analysis	8,664	207	8,871	183	9,054
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	(54,144)	(630)	(54,774)	-	(54,774)
	159,583	(277)	159,306	183	159,489
Tadpole:					
Assays and analysis	210	-	210	-	210
Camp and supplies	-	-	-	-	-
Drilling	-	-	-	-	-
Engineering and geological	(210)	-	(210)	-	(210)
	-	-	-	-	-
Flap:					
Acquisition	185	8,184	8,369	109	8,478
Assays and analysis	4,961	26,010	30,971	-	30,971
Drilling	-	34,383	34,383	-	34,383
Engineering and geological	948	55,137	56,085	6,010	62,095
METC refund	(4,126)	(328)	(4,454)	-	(4,454)
	1,968	123,386	125,354	6,119	131,473
Empress:					
Acquisition	4,632	-	4,632	-	4,632
Assays and analysis	10,451	-	10,451	-	10,451
Drilling	192,341	-	192,341	-	192,341
Engineering and geological	47,805	5,985	53,790	2,170	55,960
METC refund	(58,764)	(16,416)	(75,180)	-	(75,180)
	196,465	(10,431)	186,034	2,170	188,204

GOLDREA RESOURCES CORP.

Schedule of Mineral Property Costs, Continued

Quarter ended April 30, 2011, with comparative figures for 2009 FY and 2010 FY

	July 31, 2009	Expenditures (recoveries or write-downs)	July 31, 2010	Expenditures (recoveries or write-downs)	April 30, 2011
Canada - British Columbia (continued):					
Yalakom:					
Acquisition	30,146	6,000	36,146	-	36,146
Assays and analysis	2,931	-	2,931	-	2,931
Engineering and geological	160,866	15,534	176,400	-	176,400
METC refund	(48,363)	(776)	(49,139)	-	(49,139)
Write-down provision	-	(166,338)	(166,338)	-	(166,338)
	145,580	(145,580)	-	-	-
USA - Arizona:					
Gold Chain:					
Property option	-	-	-	(9,787)	(9,787)
Acquisition	50,208	1,690	51,898	2,453	54,351
Assays and analysis	390	21,187	21,577	-	21,577
Engineering and geological	4,895	26,045	30,940	58	30,998
Drilling	-	42,346	42,346	732	43,078
	55,493	91,268	146,761	(6,544)	140,217
Gold Rush:					
Property option	-	-	-	(9,787)	(9,787)
Acquisition	58,235	3,419	61,654	4,762	66,416
Assays and analysis	3,634	21,187	24,821	-	24,821
Engineering and geological	32,085	28,411	60,496	58	60,554
Drilling	-	36,874	36,874	732	37,606
	93,954	89,891	183,845	(4,235)	179,610
China - Shandong Province:					
Rushan:					
Acquisition	2,294,156	6,902	2,301,058	2,812	2,303,870
Mineral rights contributed (note 2(a))	702,702	-	702,702	-	702,702
Administration	471,884	105,585	577,469	66,325	643,794
Assays and analysis	107,314	24,443	131,757	(4,110)	127,647
Camp and supplies	728	-	728	-	728
Drilling	2,575,526	33,161	2,608,687	26,531	2,635,218
Engineering and geological	622,863	26,716	649,579	-	649,579
Shaft	1,130,726	1,811	1,132,537	1,815	1,134,352
Travel	88,558	8,090	96,648	1,428	98,076
Future income taxes relating to above	1,208,072	30,798	1,238,870	-	1,238,870
	9,202,529	237,506	9,440,035	94,801	9,534,836
Ludi:					
Acquisition	58,861	-	58,861	-	58,861
Mineral rights contributed (note 2(a))	686,903	-	686,903	(686,903)	-
Administration	56,374	16,817	73,191	7,552	80,743
Assays and analysis	728	24,174	24,902	-	24,902
Drilling	351,048	88,375	439,423	2,039	441,462
Engineering and geological	14,902	10,985	25,887	-	25,887
Future income taxes relating to above	239,230	3,582	242,812	(242,812)	-
Write down provision	-	-	-	(631,855)	(631,855)
	1,408,046	143,933	1,551,979	(1,551,979)	-
Total mineral property costs	\$11,691,717	\$ 135,208	\$11,826,925	\$ (1,493,095)	\$ 10,333,830