

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 1 of 12

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*The following should be read with the company's interim consolidated financial statements as at and for the period ended April 30, 2010 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles.*

**Forward looking statements**

Certain statements contained in the report constitute forward-looking statements. When used in this document the words "anticipate", "believe", "estimate", "expect", "plan", "future", "intend", "may", "will", "should", "predict", "potential", "continue", and similar expressions, as they relate to Goldrea Resources Corp. or its management, are intended to identify forward-looking statements. Such statements reflect current views of Goldrea Resources Corp. with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance or achievements to be materially different for many future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Goldrea Resources Corp. does not intend, and does not assume any obligation to update these forward looking statements.

**Date of report:** June 29, 2010

**1.1 Overall performance**

*Description of business*

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

1. British Columbia – BX/Eskay Creek
2. British Columbia – Crowrea/Empress
3. British Columbia – Dobbin I
4. British Columbia – Flap
5. British Columbia – Tadpole (Dobbin II )
6. British Columbia – Yalakom (Poison Mountain)
7. U.S.A. – Goldchain Arizona
8. U.S.A. – Goldrush Arizona
9. China – Shandong Rushan Goldrea Gold (RGG)
10. China – Shandong Rushan Ludi Goldrea Gold (LGG)

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

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

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 2 of 12

---

*Operations, property interests and activity*

The Company's interests are mainly in China (Shandong); Canada (British Columbia); and USA (Arizona). Mineral prospects focus on gold, copper, silver, platinum, palladium, and molybdenum as the major metals of interest.

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

Rushan Goldrea Gold, Shandong Province, China:

The Company has accumulated required data to prepare a geological report that meets the Chinese government standards required to apply for mining permits for Rushan Goldrea Gold (RGG), and to this end, completed over 50,115 metres (164,400 ft) of diamond drilling. The Company will commission Shandong No. 3 Mineral and Geological Exploration Institute (No. 3 Brigade) to complete the geological report. This plan was postponed due to the Company's financial resources constraint.

The Company finished sinking its "Golden Rose" shaft in May 2007, and completed furnishing the shaft, stations, and sumps, as well as all surface construction in June 2008. Five levels of lateral developments are exploring and developing the mineralized zone. Total lateral development exceeds 5,146 metres, and over 550 metres of raises have been completed as of the report date.

The general plan is for Golden Rose to produce 20-30,000 tonnes in 2010, ramping up to 100 tpd by July, and to eventually connect into the Daye underground mine. Currently three cut-and-fill stopes are in production and two more are being developed. The 2010 development plan calls for 1,500 metres of drifting and 800 metres of crosscuts. Mine development will be to the west. Plans are being developed to sink the Golden Phoenix and Golden Dragon Shafts which will allow mining of the western part of the property, however, the required funding is greatly dependent on the closing of the \$5.6 million private placement.

The Company has brought two bulk sample of Golden Rose mineralized rock and splits of the process samples to North America to be used for metallurgical testing and check assays. The test work has been completed and indicates that floatation recovery can be improved to around 90% by adding copper sulphate to the flotation reagents.

Since August 2009, the Company has sampled and assayed every truckload of materials hauled to the mill stockpile. As of this report date, about 6,547 tonnes of mineral materials have been stockpiled with a weighted average grade of 1.37 gpt Au. These materials will be processed when the stockpile reaches 20,000 tonnes.

For more information, please visit the Company's website at [www.goldrea.com](http://www.goldrea.com) or [www.sedar.com](http://www.sedar.com).

Rushan Ludi Goldrea Gold, Shandong Province, China:

Rushan Ludi Goldrea Gold Inc. (LGG) obtained its business license on August 21, 2008. According to the joint venture (JV) contract, the Company has an obligation to contribute a total of Rmb14 million (\$2 million in 2006) within two years of obtaining the business license. It has contributed a total of \$1,221,160 to date. The initial exchange rate was 1Rmb = 0.1424 CAD when signing the JV contract in 2006, the current exchange rate is around 1Rmb = 0.1482CAD, the Chinese Rmb is under constant pressure of appreciation against US dollars and other major western currencies. The appreciation of Rmb relative to the CAD will increase the costs of doing business in China.

The Company conducted minimum assessment work in the last fiscal year on its properties. One rig operated for several months to explore the southern extensions of the main zone south of the RGG boundary and into the LGG. Other targets exist in areas of known surface exploration and these will be drilled after the main zone drilling. These targets include Southwest Shijia Mountain and Nandikou.

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 3 of 12

Both these target areas have histories of small scale gold production. Five holes were completed on this program. While no high grade intercepts were encountered, significant pyrite in two of these holes provided encouragement for the 2010 program. This drilling satisfied the assessment work requirement for 2009.

Plans for 2010 include a property-wide Induced Potential (IP) program to identify drill targets with subsequent follow-up drilling. Quotations for the IP program are being solicited.

Yalakom Property, Poison Mountain, BC, Canada:

The Company staked a 100% interest in a claim in May 2008. It also conducted surveys costing approximately \$161,000 and paid \$6,000 to obtain exclusive rights to enter into an option to purchase agreement on an 11,109 hectare adjoining property. The Company extended its exclusive rights to July 31, 2010 for a total payment of \$12,000 and \$40,000 of committed exploration work. The Company has not conducted exploration on the property in the quarter ended April 30, 2010. In late May, an airborne geophysical survey was conducted on Yalakom property, final result is not available as of the report date.

The Eskay Creek/BX Property, Bob Quinn Lake, BC, Canada:

The Company has not conducted exploration on the property in the quarter ended April 30, 2010. The Company has been seeking opportunities to option out the property, and has not made substantial progress in the current poor economic environment.

Molycor JV, White Rocks Mountain, BC, Canada:

The Company's focus on Goldrea/Molycor JV will entail work on the following mineral properties: Crowrea/Empress, Dobbin, Tadpole Lake, and Flap, all these properties are located near Kelowna, BC.

i. The Crowrea/Empress Molybdenum Property:

The Company disclosed following results through news release on January 28, 2009, but the related NI 43-101 report based on 3,493 metres (11,470 feet ) drilling program was not filed until June, 2010 due to an overlook.

	0.02% Mo cut-off	0.05% Mo cut-off
Indicated	3,996,155 tonnes @0.0605% Mo	1,703,000 tonnes @0.094% Mo
Inferred	3,498,000 tonnes @0.0619% Mo	1,657,498 tonnes @0.094% Mo

The Company had not performed further exploration work on the property in 2010 fiscal year.

ii. Dobbin I Platinum/Palladium/Copper Property: The Company has not performed exploration work on the property in 2010 Q3, and has temporarily ceased explorations until equity market conditions improve.

iii. Flap Gold Property: The Company has conducted a reverse circulation drilling program on the property in 2010 Q2. 771 meters of trenching and four reverse circulation exploration drill holes totaling 730 meters were completed on the Flap stockwork gold zone measuring 300 x 200 meters (885 ft x 666 ft). Earlier drilling and trenching by Rea Gold Corp. returned up to 76.73 grams/tonne Au (2.25 opt Au) over 1 meter (3.3 ft) in diamond drilling and 17.8 – 25.6 grams Au/t (0.5 - 0.75 opt Au) in chip samples from the surface (reported by Gary Medford PhD/Rea Gold Corp. ("Rea") Feb

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 4 of 12

18, 1989). The drill hole program was designed to offset a potential nugget effect by increasing the size of the drill holes and the size of the samples assayed, allowing the Company to better evaluate the gold bearing stockwork.

- iv. Tadpole Lake Molybdenum (Dobbin II) Property: The Company has not performed exploration work on the property since 2008 fiscal year, the company re-staked the property for \$210 in January, 2009.

Goldchain and Goldrush Claims (contiguous), Mohave County, Arizona, U.S.A.:

The Company completed nine reverse circulation drill holes on Goldchain and Goldrush properties, samples were prepared at ALS Chemex located in Sparks, Nevada and analyzed at ALS Chemex Vancouver, British Columbia, the results are as follow:

Hole Number	From (ft.)	To (ft.)	Intercept (ft.)	Grade (gpt Au)
GR-09-003	175	185	10	0.30
GR-09-007	10	40	30	0.30
GR-09-007	45	80	35	0.42
GR-09-007	85	140	55	1.06
GR-09-008	175	185	10	0.65
GR-09-001A	145	150	5	0.54
GR-09-001A	170	175	5	0.37
GR-09-001A	195	200	5	0.21
GR-09-001A	205	210	5	0.80
GR-09-001A	215	225	10	1.74
<b>Weighted average over 170 ft.</b>				<b>0.70</b>

1.2 **Selected annual information**

	Year ended July 31, 2009	Year ended July 31, 2008	Year ended July 31, 2007
Net loss			
In total	\$ 1,865,472	\$ 2,298,829	\$ 1,997,605
Per-share (basic and diluted)	0.03	0.04	0.05
Working capital	961,077	4,468,388	9,423,916
Total assets	14,917,515	16,435,706	16,836,214
Mineral property costs	11,691,717	9,598,855	6,419,175

1.3 **Results of operations**

During the quarter ended April 30, 2010, the Company has no revenue except \$390 of interest income. It recorded a net loss of \$414,187 or \$0.01 per share, higher compared to \$354,073 or \$0.01 per share in the quarter ended April 30, 2009, mainly due to \$157,828 stock based compensation expenses.

Management continued to control its spending in 2010 fiscal year. In 2010 Q3, Consulting fees decreased to \$77,158 (2009 – \$83,695); Office and administration expenses decreased to \$117,695 (2009 – \$124,120); Travel expenses decreased to \$2,789 (2009 – \$9,498); Professional fees decreased to \$31,888 (2009 – \$76,710); Shareholder communication expenses decreased to \$28,534

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 5 of 12

(2009 – \$43,974);. On the other hand, as a result of efforts for financing, Advertising expenses increased to \$26,522 (2009 – \$12,696); Transfer agent expenses increased to \$17,441 (2009 – \$9,302). Interest income, due to declining cash balance, decreased significantly from \$9,025 in 2009 Q3 to \$390 in 2010 Q3.

In 2010 Q3, mineral property expenditures amounted to \$159,254 in comparison to \$113,500 in 2009 Q3. Of the expenditures, \$84,659 (2009 – \$74,289) was related to RGG and \$3,350 (2009 – \$29,219) was related to LGG, \$8,193 (2009 – nil) was related to USA property. (see Schedule of Mineral Properties Costs for details).

**1.4 Summary of quarterly results**

	Quarter ended April 30, 2010	Quarter ended Jan. 31, 2010	Quarter ended Oct. 31, 2009	Quarter ended July 31, 2009
Net loss	414,187	\$303,815	\$376,425	\$681,717*
Loss per-share (basic and diluted)	0.01	0.01	0.01	0.01
	Quarter ended April 30, 2009	Quarter ended Jan. 31, 2009	Quarter ended Oct. 31, 2008	Quarter ended July 31, 2008
Net loss	\$354,073	\$325,897	\$503,785	\$1,137,432*
Loss per-share (basic and diluted)	0.01	0.01	0.01	0.02

\*Note: the Company exhibits higher losses in the quarter ended July 31, 2008 due to mineral property impairment and a write-off of \$687,894 of deferred costs in relation to the acquisition of Daye Gold Mine. In the quarter ended July 31, 2009, an inventory write-down of \$461,297 is recorded to reflect net realizable value of the stockpiled ore (see consolidated financial statements for details).

**1.5 Liquidity and solvency**

The Company has had no operating income since inception except interest income earned on its cash balance.

Cash flow from operations for 2010 Q3 was a net cash outflow of \$6,250, compared to \$403,483 cash outflow in 2009 Q3. Substantially lower 2010 Q3 operational cash outflow was resulted from a deposit payment of HK\$2,000,000 (an equivalent of C\$259,400) from China Finance Gold International Investment Ltd (China Finance) as part of the \$5.6 million private placement, which was booked as other liabilities. According to the arrangement, the deposit will be converted into common shares, after deducting filing and legal fees, at a price of \$0.15 per share if China Finance withdraws from the private placement, otherwise, it will be used against the \$5.6 million subscription investment.

There were no financing activities in the quarters ended April 30, 2010 and 2009.

Cash expenditures for investing activities were \$159,361, of which \$159,254 was spent on mineral exploration and acquisition (see Consolidated Statement of Cash Flows for details).

As at April 30, 2010, the Company had cash of \$582,066 (of which, \$152,688/Rmb1,030,283 was held in its Chinese subsidiaries) and current assets of \$1,222,780.

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 6 of 12

The financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception. As at April 30, 2010, the Company has a working capital deficit of \$401,856. Furthermore, the Company has \$1,141,000 in outstanding capital contribution obligations to be paid to Rushan Ludi Goldrea Gold Mining Inc. (LGG) by December 31, 2009. On June 11, 2010, the Chinese partner has sent out a notification to terminate the LGG joint venture contract due to the Company's delay in capital contribution, the Company obtained Chinese partner's consent on June 24, 2010 to extend the contribution deadline to the end of September 2010 to allow the Company time to close the \$5.6 million private placement. The termination of LGG will result a write-down of up to \$1,514,717 of mineral property costs. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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.

**1.6 Capital resources**

The Company has no outstanding warrants as of the report date. Currently the Company's stock is traded at about \$0.10 a share. The Company recently granted 6,030,000 stock options with exercise prices at \$0.14 per share in February, 2010.

**1.7 Off-balance sheet arrangements**

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

**1.8 Transactions with related parties**

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

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 Debole Minerals Corporation) (American Manganese). The Company and Molycor are 50/50 joint venture participants in various properties in British Columbia.

Related party balances are as follows:

	2010 Q3	2009 Q3
Due from (to) Molycor	\$ 114,936	\$ 126,591
Due from American Manganese	30,620	94,795
Due from directors of the Company	11,977	1,595
Due to a director of the Company	-	(273)
	<b>\$ 157,533</b>	<b>\$ 222,708</b>

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 7 of 12

During the period ended April 30, 2010:

- consulting fees of \$31,586 (2009 - \$31,407) were paid to a company owned by a director and \$25,838 (2009 - \$36,916) was paid to a director;
- administrative fees of \$48,849 (2009 - \$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\$5,423) (2009 - Rmb 36,000 (CAD\$6,544)) were paid 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.

### 1.9 Proposed transactions

In the 2008 Fiscal year, management entered into an exclusive right of an option to purchase agreement on the 11,109 hectare Yalakom property, by paying \$6,000 and conducting \$90,000 exploration work on the property. The Company has fulfilled its obligation for the exclusive right.

In the 2009 Fiscal year, the Company extended the right agreement by paying another \$6,000, and an additional \$6,000 on September 17, 2009 and undertaking to conduct \$40,000 exploration work to keep the right valid until July 31, 2010. The Company has the option to purchase the property based on the following terms:

Date	Amount of payment	Number of shares	Exploration commitment
Upon signing	\$ 15,000	50,000	
31/12/2009	\$ 15,000	50,000	150,000
31/12/2010	\$ 35,000	150,000	200,000
31/12/2011	\$ 75,000	150,000	250,000
31/12/2012	\$ 100,000	200,000	300,000
31/12/2013	\$ 125,000	200,000	300,000
31/12/2014	\$ 250,000	200,000	300,000
<b>Totals:</b>	<b>\$ 615,000</b>	<b>1,000,000</b>	<b>1,500,000</b>

The property is subject to 3% NSR Royalty, and the Company will have the right to purchase 2 percentage points of this royalty for \$4 million any time prior to the commencement of commercial production. (visit [www.goldrea.com](http://www.goldrea.com) for details) Given the current economic downturn, it is unlikely that the Company will exercise its exclusive right.

### 1.10 Changes in accounting policies including initial adoption

*New accounting standards adopted in the current year*

Effective August 1, 2008, the Company has adopted the new accounting standards regarding financial instruments 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. These new standards and accounting policies are as follows:

- (i). Capital Disclosures (CICA Handbook Section 1535)
- (ii). Inventories (CICA Handbook Section 3031)
- (iii). Financial Instruments – Disclosures (CICA Handbook Section 3862) and Financial Instruments – Presentation (CICA Handbook Section 3863)

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 8 of 12

---

- (iv). General Standards on Financial Statement Presentation (CICA Handbook Section 1400)
- (v). Mining Exploration Costs (EIC – 174)
- (vi). Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC – 173)
- (vii). Goodwill and intangible assets

Details have been disclosed in the notes to the consolidated financial statements for the fiscal year ended July 31, 2009 and quarter ended April 30, 2010.

*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 and does not expect their adoption to result in any material changes to its financial statements except for the adoption of International Financial Reporting Standards (IFRS), which is discussed in a separate section in this report.

These standards include:

- (i). Business combinations;
- (ii). International Financial Reporting Standards

Details have been disclosed in the notes to the consolidated financial statements for the period ended April 30, 2010.

**1.11 Commitment and contingencies**

1. As of April 30, 2010, the Company has contributed \$4,947,000 to Rushan Goldrea Gold Corp. (RGG), and earned the 90% interest according to the joint venture contract. RGG has over Rmb 11,187,983 (equivalent of \$1,658,059) outstanding payable as of April 30, 2010, while its cash balance is only Rmb38,300 (equivalent of \$5,676). Although the Company's liability is limited to its capital contribution to RGG, it is management's intention to keep RGG in good standing by settling RGG's outstanding payables to facilitate the Company's efforts to realize RGG's estimated resource value through selling interest in RGG to a third party.

2. Rushan Ludi Goldrea Gold Inc.(LGG) obtained its business license on August 21, 2008. The Company has contributed a total of \$1,221,160 as of April 30, 2010. The Company has further capital contribution obligations of Rmb 7,225,544 (equivalent of \$1,141,000) before December 31, 2009. It has also a maximum of \$95,200 finders' fees payable as it contributes its committed capital according to the agreement. (See consolidated financial statement Note 1 and Note 9(c)(ii) for details). The Chinese partner has sent a notification to terminate the joint venture contract, Management is able to persuade the Chinese partner to withhold their termination notice until the end the September, 2010 to allow the Company time to close its \$5.6 million non-brokered private placement with China Finance Gold International Investment Ltd. As of the report date, the Company has not received the \$5.6 million funds.

#### 1.12 Risks and uncertainties

The exploration for and development of mineral deposits are highly speculative activities and are subject to significant risks. The Company's ability to realize on its investments in exploration projects is dependent upon a number of factors; including management's ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically-recoverable reserves within the projects.

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

##### *Fluctuating prices*

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

##### *Permits and licences*

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

##### *Environmental regulation*

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions or various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations.

##### *Estimates of mineral resources may not be realized*

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 10 of 12

---

or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. The Company has engaged expert independent technical consultants to advise it with respect to mineral resources and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

*Dependence on key personnel*

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

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

*a. Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and investments are with Schedule 1 banks or equivalent, with majority of cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The credit risk in amounts receivable is considered low by management as they consist primarily of amounts owing from government authorities in relation to refund of GST receivable of \$7,693 and \$16,655 in other receivables which are not considered past due.

*b. Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to assist in determining the funds required to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. This process resulted in the decision in October 2008 to enter into a service agreement with Daye Gold Mine for the underground operation of Golden Rose Shaft. As at April 30, 2010, the Company had a cash and cash equivalent balance of \$582,066 (2009 - \$2,538,702) to settle accounts payable and accrued liabilities of \$1,624,636 (2009 - \$909,659), the Company has working capital deficit of \$401,856. The Company has further obligations of \$1,141,000 in capital contributions to complete its 64% interest investment in LGG. Accounts payable and accrued liabilities are due within the current operating period. See note 1 of the consolidated financial statements, Nature of operations, for additional discussion on going concern.

*c. Market risk*

The Company's primary market risk is in the areas of metal prices and foreign exchange risk on financial instruments in other than Canadian dollars. At April 30, 2010, 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.

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, 2010 the Company had no hedging agreements in place with respect to foreign exchange rates.

Based on the net currency rate exposures as of April 30, 2010, and assuming that all the other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against Chinese Rmb would result in an increase/decrease of approximately \$108,823 accounts payable and \$114,100 capital contribution obligations respectively; a 10% depreciation or appreciation of the Canadian dollar against US dollar would result in an increase/decrease of approximately \$1,215 cash balance.

(iii) *Equity price risk:*

Equity price risk arises from available-for-sale equity securities. The Company's exposure at April 30, 2010 was \$144,560. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at April 30, 2010.

(iv) *Interest rate risk:*

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

### 1.13 **Disclosure controls and procedure and internal control over financial reporting**

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of

**GOLDREA RESOURCES CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Period Ended April 30, 2010**

Page 12 of 12

the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audit annual financial statements and respective accompanying Management Discussion and Analysis.

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

**1.14 IFRS preparation plan**

The Company plans to run two sets of data starting from August 1, 2010 in order to have comparable numbers ready for the implementation of IFRS on August 1, 2011.

The Company has assessed the key areas for which accounting policies may be impacted by the transition to IFRS. The Company is in progress to detail evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First Time Adoption of International Financial Reporting Standards. It is estimated that no significant investment will be required for computer system conversion as the Company is still in an exploration stage. Staff training is underway.

Completion of detailed potential changes is expected to be completed by July 25, 2010. The following summarizes the Company's progress and expectations with respect to IFRS transition plan.

Initial scoping and analysis of key areas for which accounting policies may be impacted by transition to IFRS	Completed
Detailed evaluation of potential changes required to accounting policies, information systems, and business processes, including the application of IFRS1 First Time Adoption of International Financial Reporting Standards.	In progress – to be completed by July 25, 2010
Final determination of changes to accounting policies and choices to be made with respect to first time adoption alternatives	September on Discussion with the auditor
Quantification of the Financial Statement impact of changes in accounting policies.	Throughout 2010

**1.15 Outstanding share data**

The Company is authorized to issue an unlimited number of common shares without par value. As of April 30, 2010, the Company has 59,510,354 common shares issued and outstanding, as well as options to purchase an aggregate of 8,585,000 common shares expiring at various dates between August 1, 2010 and February 24, 2015 exercisable at various prices between \$0.14 and \$0.65 per share, it has nil share purchase warrants outstanding. On a fully diluted basis, 68,095,354 common shares were outstanding.

As of the report date, the Company has the same number of common shares outstanding, on a fully diluted basis, as at April 30, 2010.